LOGISTICS PERFORMANCE INDEX 2010: 
THE ASIA-PACIFIC REGION

Findings based on the World Bank Report
Connecting to Compete 2010: Trade Logistics in the Global Economy
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Connecting to Compete in the Asia-Pacific

Logistics encompasses an array of essential activities for trade—including transport, warehousing, cargo consolidation, border clearance, distribution, and payment systems. Competitive trade logistics is a fundamental building block of trade and economic development, and more so in a global economy that has become increasingly interconnected and interdependent. Better logistics have a greater effect on trade promotion than tariff cuts. They lower prices for consumers and support diversification into higher value-added exports.

Global production chains, a key feature of the Asia-Pacific regional economy, also depend on a robust logistics sector. Coordinating the various stages of product development, component production, and final assembly requires the ability to move goods across borders quickly, reliably, and at low cost.

Logistics Performance Index 2010

The World Bank’s Logistics Performance Index (LPI) 2010 is a comprehensive index of logistics performance in 155 economies. The LPI covers the entire supply chain and is based on a survey of nearly 1,000 logistics professionals worldwide. It is a useful tool in comparing logistics performance across economies and identifying key reform priorities within economies.

EXPLAINING THE LOGISTICS PERFORMANCE INDEX

The LPI consists of two parts and is based on numerical ratings of 1 (weakest) to 5 (strongest) to assess logistics performance.

**International LPI** - based on the assessment of foreign operators located in the country’s major trading partners, and is a weighted average of six components:

1. Efficiency of the border clearance process;
2. Quality of trade and transport-related infrastructure;
3. Ease of arranging competitively priced shipments;
4. Competence and quality of logistics services;
5. Ability to track and trace consignments; and
6. Frequency with which shipments reach the consignee within the scheduled or expected time.

**Domestic LPI** - based on logistics professionals’ assessments of the country where they work, and contains detailed information on individual aspects of logistics performance such as:

1. Quality of trade-related infrastructure;
2. Competence of service providers;
3. Efficiency of border procedures; and
4. Data on the time and cost of moving goods across borders.

International LPI—Evaluating Performance in the Asia-Pacific

On average, developing economies located in the Asia-Pacific perform strongly in logistics (Figure 1).

**Figure 1: Average LPI score by developing region. (Source: LPI 2010.)**

![Graph showing average LPI scores by region.](image)

*Note: Regional averages exclude high income economies.*

Their average score is roughly on a par with the World Bank’s Europe and Central Asia, and Latin America and Caribbean regions, and noticeably higher than the other developing regions. Even though the Asia-Pacific region contains economies at a wide variety of income levels, its average performance is only slightly below the upper middle income average. This result underscores the region’s commitment to trade facilitation and logistics as expressed in forums such as Asia-Pacific Economic Cooperation (APEC) and Association of Southeast Asian Nations (ASEAN).

The Asia-Pacific region contains some of the strongest logistics performers in the world. Singapore and Japan were both in the global top ten in the 2010 LPI. But performance is far from uniform (Figure 2). Cambodia, Lao PDR, and Myanmar were all ranked 100 or lower in 2010. This is partly to be expected in view of their Least Developed Country (LDC) status. Membership of higher income economies partly explains APEC’s higher average LPI score compared with ASEAN.

Comparing results from the 2007 and 2010 LPIs is difficult due to differences in the survey instruments and respondents. But on average, logistics performance in the region is quite consistent in the two surveys (Figure 3). There is very little evidence of backsliding. Some economies, such as the Philippines, have substantially improved their score.

Figure 2: International LPI scores in APEC and ASEAN. (Source: LPI 2010.)

Figure 3: LPI scores 2007 vs. 2010. (Source: LPI 2007, 2010.)
Performance Factors Needing Further Analysis

ASEAN and APEC both perform more strongly than the middle income group average in all six core areas of logistics (Figure 4). APEC’s scores are higher than ASEAN’s in all areas, but this is partly to be expected given the presence of more high income economies in APEC.

Figure 4: The Asia-Pacific's performance in the six core logistics areas. (Source: LPI 2010.)

For ASEAN, border clearance processes, infrastructure, and the quality and competence of logistics services providers are scored lower than the other areas. These logistics functions are deserving of further research and analysis to identify the precise causes of this performance gap. APEC and ASEAN both perform well on the timeliness of deliveries. For APEC, the logistics area needing greatest attention is border clearance processes—which involves customs as well as other border management agencies.

Domestic LPI—Identifying Bottlenecks

The Domestic LPI provides further information on specific elements of major supply chain bottlenecks, such as time and cost, infrastructure, services, and border management.

Positive Trends in Logistics Performance

The private sector is generally very positive about logistics trends in APEC (Figure 5). Developments in transport and information technology infrastructure, private logistics services, and customs procedures stand out. Other border procedures, logistics regulation, and corruption may need further attention.

Experience is more mixed in ASEAN. The private sector is positive about developments in information and communications technology infrastructure, and to a lesser extent in private logistics services. Opinion is split in the remaining areas. Corruption, in particular, needs additional policy attention.
**Time and Cost of Moving Goods**

The time and cost of moving goods across borders is an important outcome measure of logistics performance. APEC and ASEAN both score very well on this metric (Table 1). Despite the range of income levels in both groups, their export times and costs compare favorably with the high income average. The same can be said of import times and costs in APEC.

| Table 1: Export and import lead times and costs. (Source: LPI 2010.) |
|-----------------------|---------------------|---------------------|
|                       | APEC | ASEAN | High income       |
| Export                |      |       |                   |
| Best lead time (days) | 1.9  | 2.0   | 1.7               |
| Median lead time (days)| 2.8  | 2.8   | 2.7               |
| Cost (US$)            | 849  | 651   | 980               |
| Import                |      |       |                   |
| Best lead time (days) | 1.9  | 6.9   | 2.3               |
| Median lead time (days)| 2.9  | 8.3   | 3.3               |
| Cost (US$)            | 884  | 858   | 1,024             |

*Lead time is the transport time for export and imports from the point of origin to the port of loading or equivalent, or to the buyer’s warehouse.*

A different picture emerges with respect to import costs in ASEAN. First, there is a large gap between export and import times and costs: the median import time is nearly three times as long as the median export time, and the cost is nearly one-third higher. ASEAN import lead times are much longer than in APEC or the high income group. Costs are lower, however.

ASEAN economies have some catching up to do with respect to their APEC neighbors. The disparity between export and import times suggests that border agencies’ clearance procedures might require further reform in these economies.

Reliability can be even more important than time and cost for overall supply chain performance. The gap between best and median lead times creates some uncertainty for private sector operators, although it is not at a severe level. Logistics professionals also indicate that clearance does not always take place as scheduled: in APEC, 70% of respondents feel that imports are “often” or “nearly always” cleared on time, but in ASEAN the same is true of only 47% of respondents. Improving the consistency of clearance times could help reduce inventory carrying costs, and make manufacturers more competitive.

According to 2010 LPI respondents, around 25% of ASEAN shipments and 20% of APEC shipments do not meet their companies’ internal quality criteria. Although approximately in line with the middle income group average, these figures are less impressive than the general level of performance in APEC and ASEAN. They are below the high income benchmark of less than 15%.

Streamlining Border Management

Like lead time, import clearance time is another important performance benchmark (Figure 6). On average, performance in APEC is similar to the high income average for shipments that are not physically inspected. ASEAN lies between the middle and high income averages. Both groups have longer than average times for shipments that are physically inspected. Since APEC’s rate of physical inspection is higher than the high income average, these clearance times may represent a significant drag on trade transactions.

Figure 6: Border clearance time (days) and rate of physical inspection (percentage). (Source: LPI 2010.)

Improving border management procedures is about much more than customs. In most economies, the private sector consistently rates other border agencies below customs. APEC follows this pattern, although not to the extent of other groups. Forty-two percent of LPI respondents consider that customs provides a “high” or “very high” quality of service, compared with 37% for quality/standards inspection agencies, and health/SPS agencies.

Performance of border agencies in ASEAN is much weaker. Only 15% of respondents consider that customs provides a “high” or “very high” quality of service. The corresponding figures for quality/standards agencies and health/SPS agencies are very close: 17% and 15% respectively. Border management practices suffer from comprehensive weaknesses in some ASEAN economies, and action is required on a number of fronts, not just customs.
Upgrading Infrastructure Quality

In the LPI 2010, logistics professionals rated the quality of air and maritime ports, road and rail links, telecommunications and IT infrastructure, and warehousing facilities (Figure 7). Air transport infrastructure in APEC stands out as being of particularly high quality, on a par with the high income group average. Performance is also strong in the other areas, with the exception of rail.

Figure 7: Percentage of LPI respondents answering “high” or “very high” for the quality of trade and transport related infrastructure. (Source: LPI 2010.)

Infrastructure quality is more of a constraint in ASEAN economies. They lag behind the middle income group average in rail transport and in ICTs. Developing better communications infrastructure should be a high priority for regional policymakers—it is crucial for connecting economies to world markets.

Improving Services Sector Performance

Services sector regulation and performance is closely interrelated with infrastructure quality, and logistics sector outcomes (Figure 8). APEC and ASEAN both perform most strongly in freight forwarding and air transport. As in many regions, rail transport and to a lesser extent road transport perform more weakly.

Figure 8: Percentage of LPI respondents answering “high” or “very high” for levels of quality of service and competence for the service providers listed. (Source: LPI 2010.)

ASEAN’s performance is broadly in line with the middle income group average in some areas, but lags behind in air and maritime transport. APEC service providers are consistently rated better than the middle income average, but substantially below the high income average. Fees and charges in APEC are comparable to, or lower than, high income economies, but in ASEAN the private sector considers them to be high. Lowering the prices of intermediate services makes exporters more competitive; so targeted regulatory reform to boost competition and performance in trade-related services sectors should be a priority.

Addressing Logistics Bottlenecks

Moving forward on trade facilitation requires action on a number of fronts. Regional forums such as APEC and ASEAN are invaluable. APEC’s Shanghai and Busan goals of 5% reductions in trade costs over five years have been an important focal point for trade facilitation efforts in the region. Trade facilitation and behind-the-border barriers are also an important part of ASEAN economies’ efforts to complete their Single Market.

Broadening the trade facilitation agenda beyond customs is key to moving forward. Border agencies need to work together to improve the speed, reliability, and cost of compliance with border procedures. Quality/standards agencies, and health/SPS inspection agencies, both have an important role to play.

Significant infrastructure investments are required in some economies. For example, Indonesia will ultimately need a new deep water port. In the meantime, congestion at Jakarta’s Tanjung Priok terminal can be reduced by expanding capacity, strengthening the national Single Window, and re-examining work schedules.

Regional approaches can also be important, as in the case of transport corridors. The Greater Mekong Subregion and the ongoing ASEAN single window project are good examples of constructive regional engagement. The experience of world leaders like Singapore and Hong Kong is valuable for the Asia-Pacific region as a whole. APEC and ASEAN economies should continue and expand their cooperative approaches on trade facilitation with a view to disseminating best practice throughout the region.

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Connecting to Compete 2007 helped spark dialogue in several countries among various stakeholders in the government and between policymakers and the private sector about measures to address logistics bottlenecks and facilitate international trade and transportation. The optimistic messages from Connecting to Compete 2010 should encourage countries to do even more, particularly important for countries whose trade logistics performance continues to be low.”

Otaviano Canuto
Vice-President and Head of Network
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This booklet contains excerpts from the World Bank report “Connecting to Compete 2010: Trade Logistics in the Global Economy” Download the complete report at www.worldbank.org/lpi