Forthcoming Changes to the Trading across Borders Indicator

The Trading across Borders indicator of Doing Business currently measures the time, cost and documentation requirements associated with imports into, and exports from each economy. Several important methodological updates of this indicator are underway. This document summarizes the main changes to the methodology of Trading across Borders, in particular: changes in the assumptions concerning the traded product, trading partner, mode and route of transportation, method of payment, as well as the methodology for inclusion of documents and calculation of time. The change of this indicator will be reflected in Doing Business 2016.

For each of 189 economies, it is now assumed that a shipment travels from the warehouse in the main business city of the exporting economy to a warehouse in the main business city of the importing economy.

Import and export case studies assume different traded products. It will now be assumed that each economy imports a standardized shipment of 15 metric tons of containerized auto parts (HS 8708) from its natural import partner (i.e., the economy from which it imports the largest value--price times quantity--of auto parts). It is assumed that each economy exports the product of its comparative advantage (defined by the largest export value) to its natural export partner (i.e., the economy that is the largest purchaser of this product). Minerals, ores, live animals, and pharmaceuticals are excluded from the list of possible export products and, as needed, the second largest product category is then considered.

To identify the trading partners and export product for each economy, data on trade flows for the most recent 4-year period was collected from international databases like UN COMTRADE. For certain cases where economies trade flow data are not available, ancillary governmental sources (various ministries and departments, World Bank Group’s country offices) were used to identify the export product and natural trading partner.

An implication of the above is that natural trading partners may be neighboring economies that can be accessed via land. Thus trade conducted via the most widely used mode of transport (which could be sea, land, air or some combination of these) is now considered while calculating time and cost.

Starting in Doing Business 2016, any time and cost that is attributed to an economy will be those incurred while the shipment is within the geographic borders of that economy. That is, the new methodology will separate out time and costs incurred while the shipment is in transit.

The calculation of time spent on document preparation; customs and inspections; port/border handling; and domestic and international transport will take into account simultaneity of various processes.

The definition of documents is now expanded to include all electronic submissions of information requested by any government agency during the import and export processes. It is no longer assumed that payment is made through a letter of credit and hence, all documents that are required solely for the processing of the letter of credit by banks or government agencies will be excluded. All documents required by the government agencies through the entire export/import process, regardless of frequency of obtaining the document (e.g. if export license could be obtained once in five years but is required to be submitted/shown to the government agency during export process) will be considered.