Trading across borders

- **Trading across borders remains easiest in Singapore.**
- **From June 2011 to June 2012 *Doing Business* recorded 22 reforms making it easier to trade across borders.**
- **South Africa made the biggest improvement in the ease of trading across borders in the past year.**
- **Georgia has made the greatest progress toward the frontier in regulatory practice in trading across borders since 2005. Among the 10 economies making the most progress, 4 are in Sub-Saharan Africa.**
- **The most common feature of trade facilitation reforms in the past 8 years was the introduction or improvement of electronic submission and processing.**
- **Economies in Latin America and the Caribbean have made the biggest reductions in the time to trade across borders since 2005. Those in the Middle East and North Africa have made the biggest reductions in the documents required to export and import.**

For more information on good practices and research related to trading across borders, visit http://www.doingbusiness.org/data/exploretopics/trading-across-borders. For more on the methodology, see the section on trading across borders in the data notes.

"Inefficiencies in processing and clearing goods put traders in developing countries at a competitive disadvantage," declared the heads of the World Bank and regional development banks in a statement urging the international community to commit to a new WTO trade facilitation agreement. "Developing countries stand to gain the most from improving trade facilitation. The right support will help traders in poorer countries compete and integrate into global supply chains."[1]

To shed light on the bureaucratic and logistical hurdles facing traders, *Doing Business* measures the time and cost (excluding tariffs) associated with exporting and importing by sea transport and the number of documents necessary to complete the transaction.[2] The indicators cover documentation requirements and procedures at customs and other regulatory agencies as well as at the port. They also cover logistical aspects, including the time and cost of inland transport between the largest business city and the main port used by traders. As measured by *Doing Business*, trading across borders remains easiest in Singapore (tables 16.1 and 16.2).

Outdated and inefficient border procedures, inadequate infrastructure and lack of reliable logistics services often mean high transactions costs and long delays, particularly for landlocked economies.[3] The more costly and time consuming it is to export or import, the more difficult it is for local companies to be competitive and to reach international markets. Indeed, a study in Sub-Saharan Africa shows that reducing inland travel time by 1 day increases exports by 7%.[4]

TABLE 16.1 Where is trading across borders easiest—and where most difficult?

Easiest	RANK	Most difficult	RANK
Singapore	1	Niger	176
Hong Kong SAR, China	2	Burundi	177
Korea, Rep.	3	Afghanistan	178
Denmark	4	Iraq	179
United Arab Emirates	5	Chad	180
Finland	6	Congo, Rep.	181
Estonia	7	Central African Republic	182
Sweden	8	Kazakhstan	182
Panama	9	Tajikistan	184
Israel	10	Uzbekistan	185

Note: Rankings are the average of the economy's rankings on the documents, time and cost required to export and import. See the data notes for details. Economies shown with the same number are tied in the ranking.

Source: Doing Business database.

WHO REFORMED IN TRADING ACROSS BORDERS IN 2011/12?

In 2011/12 South Africa improved the most in the ease of trading across borders as measured by *Doing Business*. Through its customs modernization program it implemented measures that reduced the time, cost and documents required for international trade (figure 16.1). Improvements in South Africa have effects throughout southern Africa. Since overseas goods to and from Botswana, Lesotho, Swaziland and Zimbabwe transit through South Africa, traders in these economies are also enjoying the benefits.

South Africa was not alone. *Doing Business* recorded reforms making it easier to trade across borders in 21 other economies in the past year, for a total of 22 (table 16.3). Latin America and the

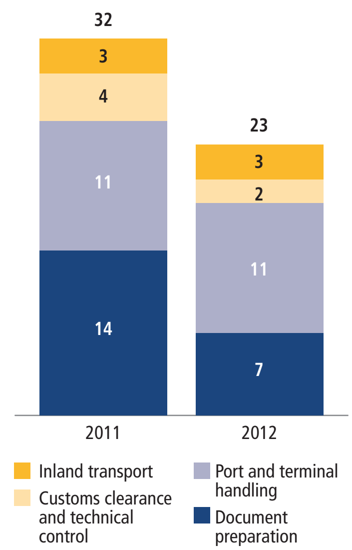
TABLE 16.2 Who makes exporting easy—and who does not? / Who makes importing easy—and who does not?

Exporting: Documents (number)				Importing: Documents (number)			
Fewest		Most		Fewest		Most	
France	2	Afghanistan	10	France	2	Chad	11
Canada	3	Burkina Faso	10	Denmark	3	Niger	11
Estonia	3	Côte d'Ivoire	10	Korea, Rep.	3	Russian Federation	11
Japan	3	Iraq	10	Panama	3	Tajikistan	11
Korea, Rep.	3	Angola	11	Sweden	3	Bhutan	12
Panama	3	Cameroon	11	Hong Kong SAR, China	4	Cameroon	12
Sweden	3	Congo, Rep.	11	Israel	4	Eritrea	12
Finland	4	Nepal	11	Netherlands	4	Kazakhstan	12
Hong Kong SAR, China	4	Tajikistan	11	Singapore	4	Uzbekistan	14
Singapore	4	Uzbekistan	13	United Kingdom	4	Central African Republic	17
Time (days)				**Time (days)**			
Fastest		Slowest		Fastest		Slowest	
Denmark	5	Zimbabwe	53	Singapore	4	Niger	64
Estonia	5	Central African Republic	54	Cyprus	5	Kazakhstan	69
Hong Kong SAR, China	5	Niger	59	Denmark	5	Venezuela, RB	71
Singapore	5	Kyrgyz Republic	63	Estonia	5	Tajikistan	72
Netherlands	6	Tajikistan	71	Hong Kong SAR, China	5	Zimbabwe	73
United States	6	Afghanistan	74	United States	5	Kyrgyz Republic	75
Germany	7	Chad	75	Netherlands	6	Afghanistan	77
Luxembourg	7	Iraq	80	Sweden	6	Iraq	82
Norway	7	Uzbekistan	80	United Kingdom	6	Uzbekistan	99
United Kingdom	7	Kazakhstan	81	Luxembourg	7	Chad	101
Cost (US$ per container)				**Cost (US$ per container)**			
Least		Most		Least		Most	
Malaysia	435	Afghanistan	3,545	Malaysia	420	Kazakhstan	4,665
Singapore	456	Iraq	3,550	Singapore	439	Kyrgyz Republic	4,700
Finland	540	Niger	3,676	Hong Kong SAR, China	565	Uzbekistan	4,750
Hong Kong SAR, China	575	Congo, Rep.	3,818	Israel	565	Rwanda	4,990
Morocco	577	Kyrgyz Republic	4,160	São Tomé and Príncipe	577	Burundi	5,005
China	580	Uzbekistan	4,585	United Arab Emirates	590	Zimbabwe	5,200
Philippines	585	Kazakhstan	4,685	Vietnam	600	Central African Republic	5,554
Thailand	585	Central African Republic	5,491	China	615	Congo, Rep.	7,709
Latvia	600	Chad	5,902	Finland	620	Chad	8,525
Vietnam	610	Tajikistan	8,450	Fiji	635	Tajikistan	9,800

Source: Doing Business database.

FIGURE 16.1 Modernizing customs made importing faster in South Africa

Time to import (days)



Source: Doing Business database.

Caribbean and Sub-Saharan Africa had the most, with 6 each, followed by OECD high-income economies (5) and Eastern Europe and Central Asia (2). One reform each was also recorded in East Asia and the Pacific, the Middle East and North Africa and South Asia. Six economies made trading across borders more difficult as measured by *Doing Business*—4 in Latin America and the Caribbean and 2 in Sub-Saharan Africa.

Automation has continued to play an important part in facilitating the processing and clearance of goods in many economies. In the past year 6 economies—Belize, Dominica, Grenada, Lao PDR, Sri Lanka, and Trinidad and Tobago—implemented computerized customs management systems that allow web-based submission of customs declarations.

WHAT HAVE WE LEARNED FROM 8 YEARS OF DATA?

In the past 8 years *Doing Business* recorded 212 trade facilitation reforms around the world (figure 16.2). Eastern Europe and Central Asia and the Middle East and North Africa had the largest share

TABLE 16.3 Who made trading across borders easier in 2011/12—and what did they do?

Feature	Economies	Some highlights
Introduced or improved electronic submission and processing	Belize; Botswana; Burundi; Czech Republic; Dominica; Grenada; Hungary; Lao PDR; Niger; Qatar; South Africa; Spain; Sri Lanka; Trinidad and Tobago; Uruguay	Lao PDR launched the ASYCUDA electronic data interchange system at the Thanaleng–Friendship Bridge border crossing.
Improved customs administration	Georgia; Jamaica; Malawi; South Africa	Jamaica facilitated overnight processing of customs declarations by extending the hours for lodging customs entries.
Introduced electronic single window	Benin; Portugal; Uzbekistan	Benin implemented an electronic single-window and unique payment system integrating customs, control agencies, port authorities and other service providers at the Cotonou port.
Introduced or improved risk-based inspections	Botswana; Lao PDR	Botswana introduced a scanner at the Kopfontein–Tlokweng border crossing, replacing physical inspections. Trucks are selected for scanning on the basis of their risk.
Improved port procedures	Netherlands; Uruguay	The Netherlands introduced a new web-based system for cargo release at the port terminals in Rotterdam.

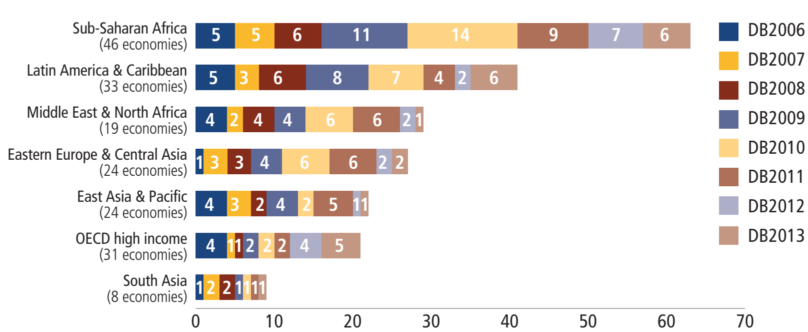
Source: Doing Business database.

of economies with such reforms: in both regions 83% implemented at least 1. Latin America and the Caribbean had the next largest share, with 73% of economies implementing at least 1, followed closely by Sub-Saharan Africa with 72%. The share in East Asia and the Pacific was 63%, in South Asia 50% and among the OECD high-income economies 42%.

Thanks to these efforts, trading across borders as measured by *Doing Business* has become faster and easier around the world. In 2006 it took 26.0 days on average to export and 30.4 days to import a standardized cargo of goods by ocean transport (with every official procedure recorded but actual time in the ocean excluded). Today it takes only 22.2 days on average to export and 25.0 to import (figure 16.3). Analysis shows that such gains have had positive effects. Matching the data available since 2005 on the time to trade across borders with GDP per capita growth data indicates that a reduction of 4 days in the time to import or export is linked to an increase in the per capita growth rate of 0.1 percentage point.[5]

FIGURE 16.2 Sub-Saharan Africa leads in number of trade facilitation reforms

Number of *Doing Business* reforms making it easier to trade across borders by *Doing Business* report year



Note: An economy can be considered to have only 1 *Doing Business* reform per topic and year. The data sample for DB2006 (2005) includes 174 economies. The sample for DB2013 (2012) also includes The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar, for a total of 185 economies.

Source: Doing Business database.

TABLE 16.4 Who has narrowed the distance to frontier in trading across borders the most since 2005?

Most improved	Improvement in distance to frontier (percentage points)
Georgia	49 (28→77)
France	31 (57→88)
Rwanda	30 (0→30)
Thailand	28 (52→80)
Djibouti	25 (50→75)
Madagascar	25 (38→63)
Senegal	23 (48→71)
Romania	20 (50→70)
Kenya	19 (26→45)
Korea, Rep.	17 (74→91)

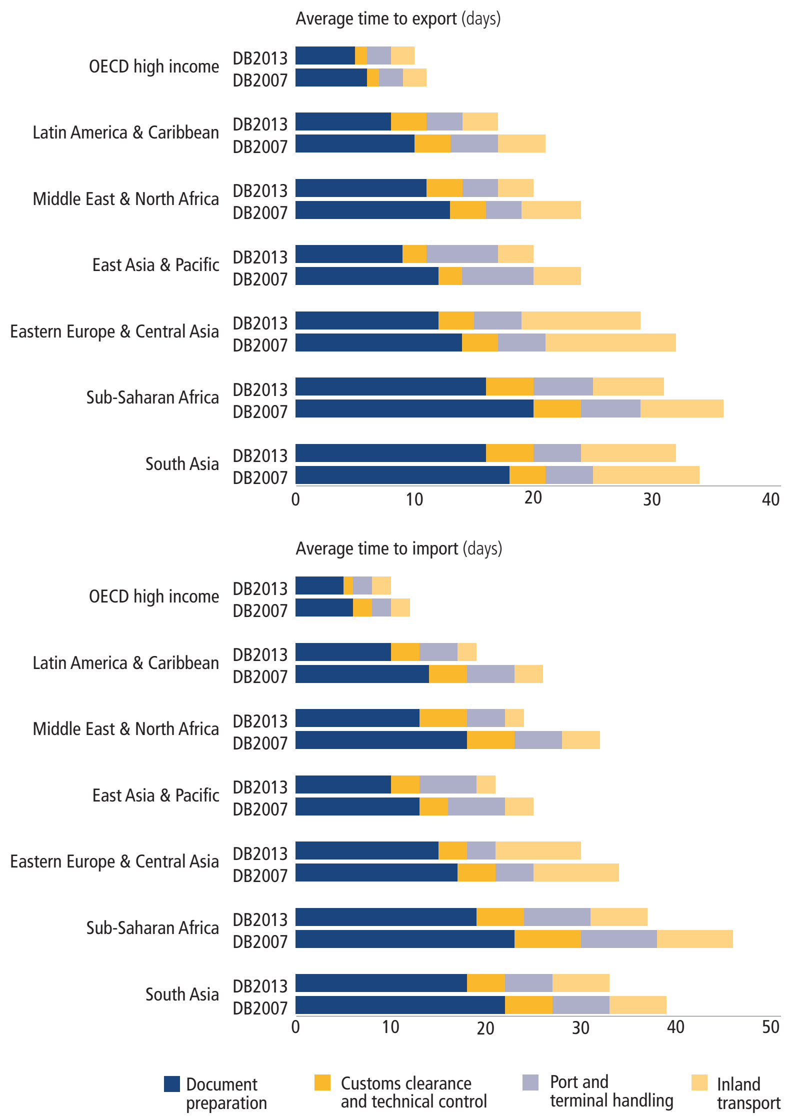
Note: The distance to frontier measure shows how far on average an economy is from the best performance achieved by any economy on each *Doing Business* indicator since 2005—in this case for the trading across borders indicators. The measure is normalized to range between 0 and 100, with 100 representing the best performance (the frontier). The data refer to the 174 economies included in *Doing Business 2006* (2005). Eleven economies were added in subsequent years. The first column lists the top 10 most improved economies in order; the second shows the absolute improvement in the distance to frontier between 2005 and 2012.

Source: Doing Business database.

While many economies have made strides in improving international trade practices, Georgia has made the greatest progress toward the frontier in regulatory practice in trading across borders since 2005 (table 16.4). It did so through improvements over several years. In 2006 Georgia enacted a new customs code, simplifying the customs clearance process and better aligning it with international good practices. Three years later it reduced the cost to trade and simplified the documentation requirements for imports and exports. And in the past year Georgia created customs clearance zones—one-stop shops for different clearance processes.

The most common feature of trade facilitation reforms in all regions over the past 8

FIGURE 16.3 Large decline in document preparation time across regions



Note: To ensure an accurate comparison, the figure shows data for the same sample of 174 economies for both DB2007 (2006) and DB2013 (2012) and uses the regional classifications that apply in 2012. The economies added to the *Doing Business* sample after 2006 and therefore excluded here are The Bahamas, Bahrain, Barbados, Brunei Darussalam, Cyprus, Kosovo, Liberia, Luxembourg, Malta, Montenegro and Qatar. DB2007 data are adjusted for any data revisions and changes in methodology.

Source: Doing Business database.

years was the introduction or improvement of electronic submission and processing of customs declarations—implemented in 110 economies. The improvement of customs administration was the second most common feature, undertaken by 61 economies. Improving port procedures was the third most common among economies in Sub-Saharan Africa and the Middle East and North Africa. By contrast, among other economies, including those in Eastern Europe and Central Asia, Latin America and the Caribbean and the OECD high-income group, introducing or improving risk-based inspection systems was more common.

NOTES

This topic note was written by Iryna Bilotserkivska, Robert Murillo and Mikiko Imai Ollison.

1. Zoellick and others 2012.
2. To ensure comparability across economies, the *Doing Business* methodology assumes that trade is by sea transport and therefore may not capture regional trade in some regions, such as Sub-Saharan Africa and Eastern Europe and Central Asia. While sea transport still accounts for the majority of world trade, regional trade is becoming increasingly important for small and medium-size enterprises.
3. Arvis, Marteau and Raballand 2010.
4. Freund and Rocha 2011. The authors use a modified gravity equation that controls for importer fixed effects and exporter remoteness to understand whether different types of export costs affect trade differently. All 3 techniques used to analyze the effect on trade values of export times for key components lead to the same conclusion: that inland transit delays have a robust negative effect on export values.
5. Results are based on Arellano-Bond dynamic panel estimation to control for economic cycle and time-invariant country-specific factors. Following Eifert (2009) and Djankov, McLiesh and Ramalho (2006), the analysis controls for initial level of education, initial level of income per capita and institutional quality. It also controls for total trade openness and rents from natural resources.