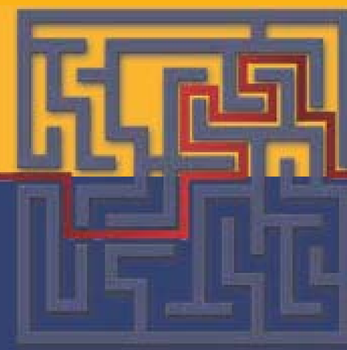
Trading across borders



- Trading across borders is easiest in Singapore for the seventh year in a row.
- *Doing Business* recorded 22 reforms making it easier to trade across borders between June 2012 and June 2013 and 133 in the past 5 years.
- Benin made the biggest improvement in the ease of trading across borders in the past year.
- Belarus has made the greatest progress toward the frontier in regulatory practice in trading across borders since 2009. The other 9 of the 10 economies that have made the most progress are in Sub-Saharan Africa.
- The most common feature of trade facilitation reforms recorded by *Doing Business* in the past 5 years was the introduction or improvement of electronic submission and processing. But in 2012/13 the most common feature was the improvement of customs administration.
- Among regions, Sub-Saharan Africa made the biggest reductions in the time to trade across borders in the past 5 years. Europe and Central Asia made the biggest reductions in the number of documents required to export and import. OECD high-income economies made the biggest reductions in export and import costs.

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.

In the past year the time to import in Madagascar fell by 13%. "Before the MIDAC (Ministries, Departments and Control Agencies) system was rolled out, I would spend more than a week completing the necessary paperwork for the import process. Paper documents had to be obtained and submitted through different government offices spanning over 350 kilometers," says a trader in Antananarivo, speaking about an electronic platform introduced in 2012 that connects ministries, operators and control agencies involved in trade. "Those days are over. I now submit most documents on the electronic platform, which gives me additional resources for my core operations as I handle more imports every month. My bottom line has increased, and so has trade."

Red tape and costs to ship goods overseas are significant impediments to trade. Complicated border processes and bureaucratic bottlenecks hinder economic growth considerably by reducing access to global markets. This is a particular problem in developing economies: in some African economies revenue losses from inefficient border procedures are estimated to exceed 5% of GDP.[1]

Excessive delays in exporting and importing can lower the volume of trade. A 10% reduction in the time it takes to move cargo from the production line to the ship increases exports by 4%, all else being equal.[2] In Sub-Saharan Africa reducing inland travel time by 1 day increases exports by 7%.[3] In Uruguay a 10% increase in the median time spent in customs lowers the growth rate of exports by 1.8%.[4]

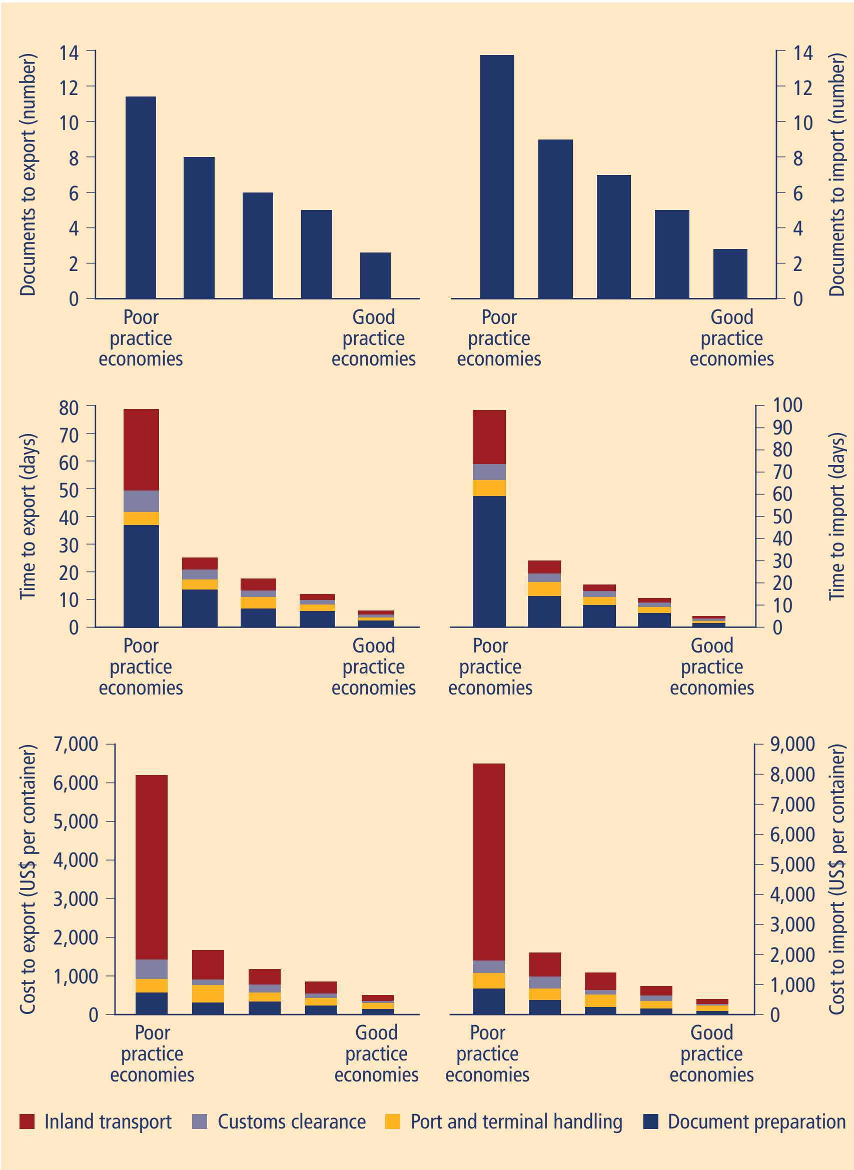
In short, trade competitiveness is greatly affected by economies' trade procedures and infrastructure. The more costly and time-consuming it is to export or import, the more difficult it is for local companies to reach international markets, especially in landlocked economies. Outdated and inefficient border procedures, inadequate infrastructure and unreliable logistics services are all likely to increase the time it takes to trade—driving up costs like storage fees and inspection charges.

To shed light on the bureaucratic and logistical hindrances facing traders, *Doing Business* measures the time and cost (excluding tariffs) of exporting and importing a standard containerized cargo by sea transport and the number of documents needed to complete the transaction.[5] The indicators cover documentation requirements and procedures at customs and other regulatory agencies as well as at ports. 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 has been easiest in Singapore since 2007. Of the 4 components of trade covered by *Doing Business*—document preparation, port and terminal handling, customs clearance and inland transport—the 2 biggest obstacles for traders in low-ranking economies are document preparation and inland transport because of administrative hurdles and poor infrastructure (figure 17.1).

WHO REFORMED IN TRADING ACROSS BORDERS IN 2012/13?

Benin recorded the biggest improvement in the ease of trading across borders in 2012/13. The government implemented a series of changes affecting exports and imports that helped cut delays by 10% in 2012/13 alone. But many improvements started earlier. In 2007 Benin began

FIGURE 17.1 It is easier, less time-consuming and cheaper to trade in economies following good practices
Averages by ranking group



Note: Poor practice economies are the 5 lowest-ranked economies on the ease of trading across borders. The second column represents the 5 economies ranked from 140 to 144 on the ease of trading across borders. The third column represents the 5 economies ranked from 93 to 97. The fourth column represents the 5 economies ranked from 45 to 49. Good practice economies are the 5 top-ranked economies. Document preparation includes the obtainment, preparation and submission of all documents involved in trade. Port and terminal handling includes all processes at ports. Customs clearance includes clearance by customs authorities and all other border agencies involved. Inland transport refers to transport between the trader's warehouse in the largest business city to the port most used by the trader.
Source: Doing Business database.

renovating its ports to increase access and efficiency and improve conditions through 24-hour operations, secure payment systems and an expanded container terminal in Cotonou. In 2010 an Automated System for Customs Data (Asycuda++) was installed, allowing for electronic submission of the documents required to export and import. And in 2012 an electronic single window and electronic payment system was introduced, further reducing document preparation times.

Building on these reforms, in 2012/13 the port of Cotonou reduced vessel waiting times by implementing a window berthing system to use terminal resources optimally according to cargo ship arrivals. In the meantime, infrastructure upgrades increased the number of exit points and terminals, while designated parking areas and loading and unloading time limits for trucks reduced congestion around the port, which had added considerably to transport time in previous years.

Though administrative burdens remain in Benin, the situation for traders has greatly improved: it takes 29% less time to import and 24% less time to export than in 2006 (figure 17.2). As a result export and import times in Benin are now aligned with those in many neighboring economies. Improvements in Benin have also had effects beyond its borders. Because overseas goods that go to and from Niger transit through the port of Cotonou, Nigerien traders have also seen lower export and import times.

Benin was not alone. Another 21 economies also recorded reforms making it easier to trade across borders in 2012/13 (table 17.1). Of the total of 22 reforms, Sub-Saharan Africa had 10, followed by Europe and Central Asia with 6. Reforms were also recorded in Latin America and the Caribbean (4), OECD high-income economies (1) and South Asia (1). Four economies made trading across borders more difficult: 3 in Sub-Saharan Africa and 1 in Latin America and the Caribbean.

Improving customs administration was the most common feature of trade facilitation reforms in 2012/13, with 8 economies reducing the number of documents required by customs or streamlining the process to obtain and submit forms. Four of these economies are in Sub-Saharan Africa, where document preparation time is a considerable hurdle for trade—with an average delay of 16.8 days for exports and 20.6 days for imports.

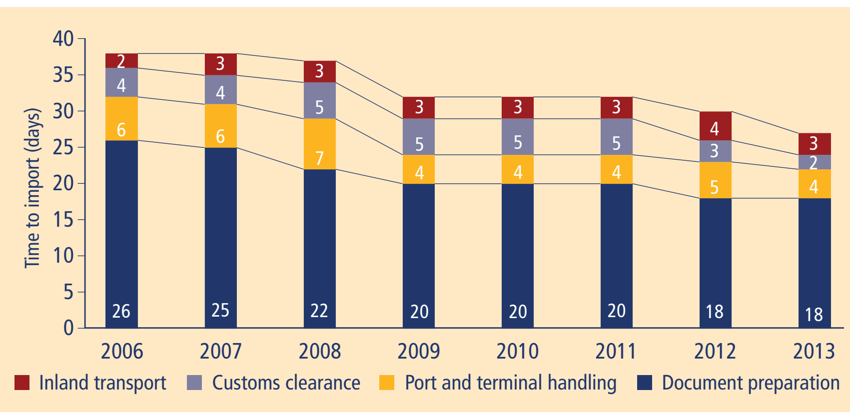
Automation continued to play an important role in reforms as well. As in previous years, several economies—for example, Greece, Madagascar and the

TABLE 17.1 Who made trading across borders easier in 2012/13—and what did they do?

Feature	Economies	Some highlights
Improved customs administration	Argentina; Azerbaijan; Benin; Burundi; Republic of Congo; Swaziland; Ukraine; Uzbekistan	Uzbekistan abolished the need to register import contracts with customs.
Introduced or improved electronic submission and processing	El Salvador; Greece; Madagascar; Russian Federation; Sri Lanka; Uruguay	The Russian Federation introduced an electronic system for submitting export and import documents.
Introduced electronic single window	El Salvador; Mexico; Mozambique; Rwanda	Mexico implemented an electronic single window for trade.
Strengthened transport and port infrastructure	Benin; Central African Republic; Croatia	The Central African Republic rehabilitated the key transit road at its border with Cameroon.
Improved port procedures	Benin; Guinea; Latvia	Latvia launched a new electronic container terminal booking system at the port of Riga.
Introduced or improved risk-based inspections	Mauritania	Mauritania introduced a risk-based inspection system with scanners.

Source: Doing Business database.

FIGURE 17.2 A series of reforms made importing faster in Benin



Source: Doing Business database.

Russian Federation—automated customs submission and processing by allowing electronic lodgment and payments.

Economies are also virtually linking traders and agencies involved in trade and transport through electronic single windows. This report features a case study on single window systems that tracks the challenges and successes associated with the systems implemented in Azerbaijan, Colombia and Singapore.

WHAT HAVE WE LEARNED FROM 5 YEARS OF DATA?

Over the past 5 years *Doing Business* recorded 133 trade facilitation reforms around the world. Sub-Saharan Africa implemented the most reforms by far, with 46. During the same period, 70% of economies in that region implemented at least 1 reform. Europe and Central Asia as well as the Middle East and North Africa also had a large share of economies reforming—67% in both regions.

The effects recorded from the reforms varied by region. Europe and Central Asia made the biggest reductions in the number of documents required to export and import. OECD high-income economies made the biggest reductions in export and import costs. And Sub-Saharan Africa made the biggest reductions in the time to trade.

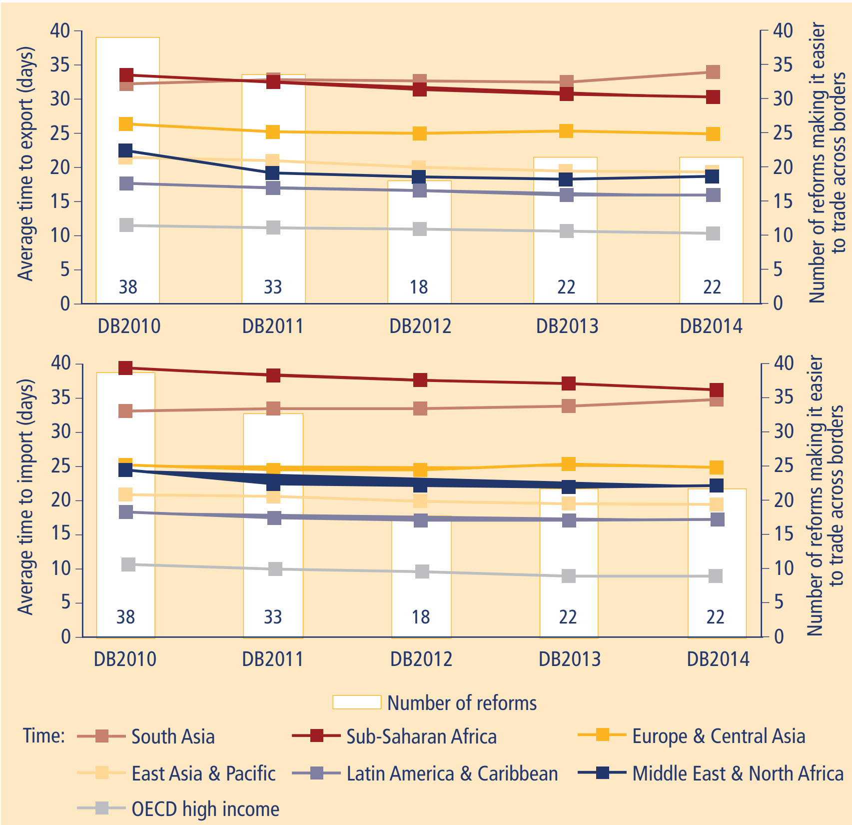
The 133 reforms recorded in the past 5 years in 100 economies have made trading across borders faster and easier around the world. In 2009 the world average to export a standard containerized cargo by sea transport was 23.5 days, and 25.9 days to import.[6] Today it takes 21.8 days on average to export and 24.2 days to import (figure 17.3). The approximately 2-day cut in the average world trading time could seem like a small feat, but even small gains can provide significant benefits. Research has found that for each additional day that a product is delayed before being shipped, trade volume falls by more than 1%.[7]

Though many economies have made great strides in improving international trade practices in the past 5 years, Belarus' case is particularly noteworthy. Belarus has undertaken a series of reforms in customs administration and electronic submission, including the implementation of a risk-based management system and the improvement of border crossing operations. All this has resulted in considerable gains in narrowing the gap with the frontier in regulatory practice in trading across borders—especially since 2009 (figure 17.4).

Equally remarkably, 9 of the 10 economies that made the greatest progress toward the frontier in regulatory practice in trading across borders over the past 5 years are in Sub-Saharan Africa. In a region where trading across borders remains the most difficult, Angola, Burundi, Ethiopia, Lesotho, Rwanda, South Africa, Sudan, Uganda and Zambia took steps to make it easier for traders to trade with their overseas partners.

Globally the most common feature of trade facilitation reforms in all regions

FIGURE 17.3 Export and import times have fallen by an average of 2 days across regions since 2009



Note: To ensure accurate comparisons, the figure shows data for the same 183 economies for all years, from DB2010 (2009) to DB2014 (2013). The economies added to the *Doing Business* sample after 2009 and so excluded here are Barbados, Libya, Malta, Myanmar, San Marino and South Sudan. This figure uses regional classifications for 2013.
Source: Doing Business database.

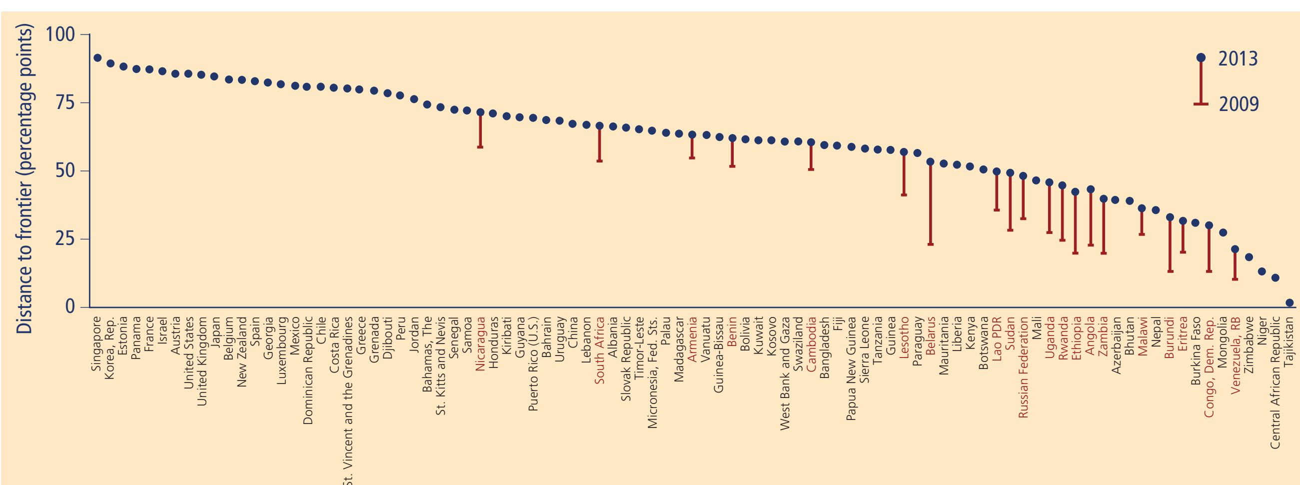
over the past 5 years was the introduction or improvement of electronic submission and processing of customs declarations. Improving customs administration and enhancing port procedures were the second and third most common features, especially in Sub-Saharan Africa and the Middle East and North Africa. The introduction or improvement of risk-based inspection systems has also facilitated trade, especially in Europe and Central Asia and Latin America and the Caribbean.

NOTES

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

1. The OECD Trade Facilitation Indicators (TFIs) measure the relative economic impact of addressing specific hurdles in the trade and border procedures in 133 countries. Moise and Sorescu (2013) provide further details on the methodology and findings from the TFIs. They find that the policy areas that seem to have the greatest impact on trade volumes and trade costs are the availability of trade-related information, the simplification and harmonization of documents, the streamlining of procedures and the use of automated processes.

FIGURE 17.4 Of the 10 economies making the greatest progress toward the frontier in trading across borders over the past 5 years, 9 are in Sub-Saharan Africa



Note: The distance to frontier scores shown in the figure indicate how far each economy is from the best performance achieved by any economy on the trading across borders indicators since DB2006 (2005). The scores are normalized to range between 0 and 100, with 100 representing the frontier. The data refer to the 183 economies included in DB2010 (though for practical reasons the figure does not show all 183). Barbados, Libya, Malta, Myanmar, San Marino and South Sudan were added in subsequent years. The vertical bars show the improvement in the 20 economies advancing the most toward the frontier in trading across borders between 2009 and 2013.
Source: Doing Business database.

2. Djankov, Freund and Pham 2010. The authors determine how time delays affect international trade, especially the days it takes to move a standard cargo from the factory gate to the vessel. They use a gravity equation that controls for remoteness and find significant effects of time and costs on trade.
3. Freund and Rocha 2011. The authors use a modified gravity equation that controls for importer fixed effects and exporter remoteness to determine whether different types of export costs affect trade differently. A key conclusion is that inland transit delays have a robust negative effect on the value of exports.
4. Carballo, Graziano and Martincus 2013. The authors estimate the trade effects of customs delays on firm exports in Uruguay during 2002–11. Using a dataset that consists of nearly all export transactions in Uruguay during that period—with the associated time it took for each of these transactions to go through customs—the authors find a significant correlation between time delays and export flows. Effects are particularly severe for exports of time-sensitive products to secondary buyers in OECD economies.
5. *Doing Business* measures the time and cost (excluding tariffs) of exporting and importing a standardized 20-foot, 10-ton cargo container of goods by sea transport, except for the time and cost at sea. Because the *Doing Business* methodology only considers trade by sea transport, regional trade—which is becoming increasingly important for small and medium-size enterprises—might not be captured in regions such as Sub-Saharan Africa and Europe and Central Asia. To ensure comparability across economies, *Doing Business* assumes trade by sea transport because it accounted for 80% of the volume of global trade in 2012 (UNCTAD 2013).
6. Includes every official procedure but excludes the actual time at sea.
7. Djankov, Freund and Pham 2010.