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Table of abbreviations

ACL	Amber Coast Logistics
AEC	Austrian Economic Chambers
BAFA	Bundesamt für Wirtschaft und Ausfuhrkontrolle
bn	billion
BSR	Baltic Sea Region
CCC	Community Customs Code
CPI	Corruption Perceptions Index
CSD	Center for the Study of Democracy
d	days
DBI	Doing Business Index
DCFTA	Deep and Comprehensive Free Trade Area
DOTS	Direction of Trade Statistics
DVZ	Deutsche Verkehrs-Zeitung
EC	European Commission
ESTAT	Eurostat
EU	European Union
FDI	Foreign Direct Investment
GCB	Global Corruption Barometer
h	hour
IFC	International Finance Corporation
IMF	International Monetary Fund
IRU	International Road Transport Union
LPI	Logistics Performance Index
min	minute
OECD	Organisation for Economic Cooperation and Development
qty	quantity
RBK	Russia Belarus Kazakhstan
RFSSS	Russian Federal State Statistics Service
SECA	Sulphur Emission Control Area
SWOT	Strengths Weaknesses Opportunities Threats
TEU	Twenty foot equivalent unit



Final Report

Political and administrative dimension of accessibility



TI	Transparency International
tkm	tonne kilometre
USD	United States Dollar
w/o	without
WP	Work Package
WTO	World Trade Organization

Introduction

The Amber Coast region with its natural hinterland and access to the countries in the BSR, the north western part of the Russian territory, Belarus and the north of Ukraine is one of the most promising and with the greatest logistical potential provided regions in Northern Europe. Traffic and transport flows between the EU and the western part of Russia have been growing dynamically in the last decade. Similar developments are expected for flows of goods to as well as through Belarus and the Ukraine.

Likewise the number of logistics centres along the eastern and southern coastal area of the Baltic Sea has constantly increased in the past years. The establishment of companies playing important roles within the international supply chains has positive effects on both, the better control of goods flows by transport and logistics companies in order to adapt these to market developments more quickly but also a more reliable supply of the population, unsusceptible against disruptions.

Due to the comprehensively still not adequately developed transport and logistics infrastructure and the missing network interaction of involved actors within supply chains, this potential is still multiply untapped or even hidden. For this reason the collaborative Interreg IV B project ACL has been launched, with a focus on multi modal traffic and logistics development. Within this project, it is the superior aim to improve the accessibility of peripheral regions, reduce obstacles in cross border transport flows and develop innovative as well as sustainable hinterland connections and structures, including logistic centres inside regions with low accessibility in order to make them more accessible and attractive.

For this purpose three different WPs have been determined within ACL with the goal to examine the status quo, develop strategies and concepts and derive tailored solution proposals. Content of the WPs are as follows: WP 3: "Flow of goods and institutional/legal aspects especially relevant for low accessibility areas", WP 4: "Sustainable and efficient transport concepts and multimodal transport chains" and WP 5: "Regional Logistics Integration for areas with low accessibility". In WP 3 several aspects of accessibility are going to be analysed, including the physical, the political and administrative, the business, the technological and the organisational dimension.

This study focuses on the political and administrative dimension and its influence on accessibility of the region in the south eastern Baltic Sea. In a first step of this analysis, the status quo in the examination area will be determined and thereupon assessed. To this end the economic, political and trade relations particularly effective describing indicators will be identified and evaluated. The subject of this examination is closely linked to the additional studies on the commercial and organisational aspects of accessibility. Results of each study have to be viewed as supplements, especially concerning customs and trade regulations as well as the organisational political coherences. Based on the results of the evaluation of relevant indicators, describing the status quo, an outlook for the future development will be given, taking into account likely performance paths in international trade political relationships, regulations and liberalisation approaches. The classifying of measures, promoting the political and administrative accessibility and eliminating barriers and obstacles just as the accessibility potential inhibiting developments, form the end of the study.

Methodology

Basis of examination

To be able to draw up an exact image of the current problems, barriers and obstacles but also success in the examination area, in this study quantitative and qualitative indicators of single countries just as economic areas are presented, providing reliable information with regard to the political and administrative aspects. Beside statistics of major international organisations and institutions in the areas of trade and economics in the course of the remarks information will be used, obtained from a survey among transport companies across all modes, resident and economically active in the examination area. Companies were interviewed, selected on a wide coverage of considered countries in their transport portfolio. Both, online forms and telephone interviews were used as survey method. Each interview partner was asked about transport activities in the respective countries and satisfaction with various aspects. 42 of more than 400 companies surveyed in the examination area gave information on their activities. Depending on the transport activities of the companies in each country and the willingness to provide information, the scope of country specific data bases can vary. Due to a very low response rate, a complementary survey of handling companies and customs offices in the examination area was not successful.

In order to identify current strengths and weaknesses, opportunities and threats as well as appropriate measures to meet challenges in the future, the results subsequently will be complemented by trade policy related future trends, developments and agreements concerning the examination area. First of all it is important to classify the factors that influence the accessibility in both the political and administrative dimension. The focus here should be clearly on conditions that affect the physical exchange or transfer of goods actively across country or economic area borders.

In principle trade policy is an essential part of the foreign trade theory and is affected by objectives of economic policy of a country. In order to ensure interests of a country in terms of its trade and economic policy outside its own borders, cross border agreements can be concluded. Thus trade policy is a specific economic influence of the international trading system through measures of liberalisation and barriers in trading, commercial defence measures and their impacts.

Liberalisation in this context means the reduction or removal of trade barriers and is based on the WTO and other international trading rules agreements on free trade. Barriers in trading are measures or instruments, either with a tariff or non-tariff character, regulating access to a market and leading to differences between domestic and global market prices. The mechanism of a tariff barrier is working by placing an indirect tax on the transfer or exchange of goods with third or non-member countries of a customs union. While this instrument is less relevant within customs territories like the EU, barriers with a non-tariff character become more prominent amongst a country's or customs territories' internal and external trade policy. They provide the basic framework for customs regulations and can be structured in different ways, as quotas in import and export, export restrictions, discriminatory regulations, investment restrictions etc.

Derived from this it has to be noted that the framework of trade policy related connections, agreements and interaction of countries forms the basis of the political dimension of accessibility. Consequently it can be said that implementation and external protection of trade interests or agreements and their rules and laws are the linkage to respectively affect the administrative dimension of accessibility. As an essential part of international trade and transportation this dimension concerns the most customs border checkpoints as well as clearance procedures, formalities and the related temporal effort.

Usually customs duties are levied according to the type of goods imported and their origin and expressed as a percentage of the value of the goods imported, as a set amount per unit or kilogram or even as a combination [Gabler 2012].

Framework in the examination area

European Union

The objectives pursued by the EU with a common trade policy are a comprehensive harmonised development of world trade, a progressive reduction and abolition of restrictions as well as the lowering of customs barriers in international border crossing trade.

While the political area of international trade of EU member countries is largely communitarised and conditions are set by the EU in the course of the Lisbon Treaty, responsibility for trade execution is still among the countries themselves. Generally the EU defines the amount of duties on imports from non-EU member countries, negotiates and concludes bilateral and multilateral trade agreements and decides on commercial defence and penalty measures as long as they are in line with the policy and provisions of the WTO. Executive organ for the EU is the EC supported by a committee consisting of representatives of the EU member countries.

Although basic philosophy is the liberalisation of trade, in some industries the EU regulates access to the domestic market by the establishment of trade barriers like import restrictions or other protective measures in order to protect the domestic market as in the case of textiles or agriculture. Measures like these are subject to the WTO and the conditions set up by this institution. Beyond this the EU works on a broader and faster liberalisation of bilateral trade relations with external economic as well as customs areas. Therefore agreements on free trade and economic partnership are to be applied in future even more comprehensive and ambitious [EU 2010].

Currently the EU consists of 27 countries, of which the countries Denmark (accession to the EU in 1973), Estonia (2004), Germany (1952), Latvia (2004), Lithuania (2004) and Poland (2004) are in the focus of the discussion below.

Customs Union Russia Belarus Kazakhstan

The Customs Union has been established on 1/1/2010 with the removal of customs barriers and regular border controls in July 2011 resulting in benefits for the trade between the involved countries. Until today trade among the three countries has increased by about one third. Within the Customs Union a commission has been established in order to monitor the implementation of international agreements on the Customs Union and its operability. For polls within this commission a majority of two thirds is necessary, wherein the share of the vote of Russian representatives already accounts to 57 %. Belarus and Kazakhstan each have 21.5 %.

In the course of harmonised standards in trade agreements, with effect from 23/8/2012 the Customs Union updated its rules and customs tariffs and brought them in line with those of the WTO in order to prepare the way for admission [AEC 2012; Polownikow, A. 2012; Krotov, I. 2011].

Ukraine

In the examination area the Ukraine represents the interests of a single country, largely non-aligned and in external trade matters connected with the majority of their trading partners only through its membership in the WTO. Since the Ukraine became independent in 1991 it is in a “grey zone” between Europe and Russia, balancing its relationships in both directions, to the west and with Russia. While a possible accession to the EU or at least a common free trade zone is discussed repeatedly, the Ukraine also retains the idea to join the Customs Union RBK. Nevertheless, an association agreement and a DCFTA with the Ukraine have been finalised by the EU in order to reduce mutual trade barriers and seek economic convergence. Due to the upcoming parliamentary elections at the end of October 2012 in particular a decision on the side of the Ukraine is still pending [Pifer, S. 2011; Drujinin, A. 2012; Kirsch van de Water, I. 2011].

World Trade Organization

The WTO is an institution whose primary purpose is to establish trade, free of obstacles and open for the benefit of all involved actors by providing a discussion platform with a legal and institutional framework concerning international trade. Agreements cover trade in goods, services as well as intellectual property and are not static in nature but can be renegotiated and extended by new agreements on liberalisation, exceptions and commitments to lower trade barriers. Beside the WTO the IMF and the World Bank, which do not receive a more detailed consideration in this examination, are major international organisations in the course of trade and economic policy on a global scale.

As part of the present study, two main activities of the WTO can be considered as of particular relevance. Firstly the reduction or elimination of obstacles to trade in the light of tariff and non-tariff trade barriers and second the administering and monitoring of the application of the rules for trade in goods agreed in this context [WTO 2012].

Currently there are 157 member countries. Related to the defined examination area only the Customs Union RBK member countries Belarus and Kazakhstan are non-member countries of the WTO. Presently these countries are also preparing to join the WTO in order to avoid mid to long term disadvantages in competitiveness of their domestic industry due to higher duties. However, an accession is likely from 2013 onwards.

Relevant current and potential future developments

Russia's World Trade Organization accession

By joining the WTO on 22/8/2012 after a negotiation period of about 18 years Russia is the latest member of this organisation. As a part of the agreement Russia commits to meet the international trading rules and standards of the WTO. Since the trade linkages between Russia and the EU have increased sharply in recent years and both have become an important trading partner for each other this accession is a consequent step towards a further opening of Russia to the world market, its integration and the further improvement of the conditions of trade and investment.

Inter alia Russia agrees to lower its import duties and to limit its export duties, to grant greater market access for EU goods and service providers, to facilitate rules and procedures affecting bilateral economic relations and especially to revise regulations on customs procedures.

For raw materials like oil and gas providing the lion's share of the EU imports from Russia as well as other important raw materials Russia committed to limit its export duties. Import duties and tariffs for goods are supposed to drop from a current average of about 10 % to an average of less than 8 % with the estimated effect of savings in import duties of 2.5 bn € annually for exports from the EU and a stimulation of additional exports of 3.9 bn € [EC 2012a].

Negotiations on accession of Belarus and Kazakhstan are conducted at the moment. While on the side of Belarus there is apprehension that an accession could be blocked due to the current sanctions, negotiations between the WTO and Kazakhstan are well advanced. Although the Customs Union RBK already brought their regulations in line with the WTO to avoid transitional provisions in trade, a common accession to the WTO of the Customs Union RBK as a whole has not been waited for.

Trade policy incidents

In the course of the different economic systems and agreements in the examination area, political incidents are occurring from time to time, influencing relations in trade and their conditions.

In the recent past a conflict arose between Lithuania and Belarus. Belarus has taken strong action against Sweden following a diplomatic dispute because a Swedish advertising agency air dropped hundreds of teddy bears carrying pro human rights messages into Belarus. In consequence, both countries deducted their embassy stuff out of the states. Because Lithuania stands by Sweden, Belarus threatens to deduct their export volumes and flows of goods from the port of Klaipeda and the Lithuanian rail freight operator. Regarding this case, the Latvian rail freight operator LDz Cargo offered its support by stepping in [DVZ 2012b].

In the course of measures of trading liberalisation between the EU and Russia a facilitation of customs processing for imports to Russia is advised. The Facilitation is part of an adopted Roadmap which tries to improve customs administration. For imports, which are subject to veterinary and phyto sanitary controls, Russia wants to reduce the time for customs processing of 70 min in 2013 to 20 min in 2018 step by step. For imports, which are not subject to these controls, in 2018 a time for customs processing of 10 min is aspired [DVZ 2012a].

Development of the transport volumes in the examination area

Alongside political and institutional affiliations, the traffic and transport mode related changes in the examination area are essential factors, describing the political and administrative dimension of accessibility. On the one hand it is expected that especially Poland and Russia will increase port handled cargo volumes. In case of Poland there is a rise of up to a half expected, compared to the level of 2010. Handled cargo volumes in Russian ports are going to grow by about 42 % in the same period. Baltic Sea ports in Lithuania, Germany, Latvia and Denmark are expected to raise the throughput by about 18 % up to 24 %, only in Estonia port volumes until 2030 are amounting to nearly stagnate with a small increase in twenty years of less than 5 %. This development can be explained especially by the direct geographical proximity to the Russian port of St. Petersburg with its direct access to the domestic market and the resulting disadvantage for Estonia and its positioning in the BSR [Tetraplan 2011].

As a restrictive environmental measure the described growth in volume handled by the ports in the examination area already takes into account the reduction of the limits for sulphur oxides emissions of

ship engines in the Baltic Sea as a part of the SECA agreement to 1 % from 01/07/2010 and a further reduction to 0.1 % from 01/01/2015.

On the other hand forecasts show an even higher increase in land based transport volumes. In Latvia and Lithuania cargo volumes transported on roads, rails and inland waterways are expected to more than double and in Estonia to increase by about 82 % between 2010 and 2030. Although these countries are starting from a current low level of volume they are experiencing an increased importance as a transit corridor in the southern and eastern BSR. For Poland large scale infrastructure development is planned on roads and railways inspiring an increase in freight transport by about 52 %. While land based transport modes in Russia until 2030 are growing by about three fifths, in Denmark and Germany an already high utilisation of infrastructure only allows a growth rate in transport of a little more than one fourth and one third compared to the level of 2010.

Especially the transport performance on roads will benefit from this development in the BSR, with an expected increase of almost three quarters between 2010 and 2030. It has to be noted, that today there is already a large share of road haulage in land based modal split within the western part of the examination area ranging between two thirds up to 87 % in Germany, Poland and Denmark. However, the modal focus in Russia is on railway transport, where a share of almost nine of ten tkm in land based cargo transport is covered by the railway system. Also for Lithuania, Estonia and Latvia modal split of railway transport performance is between 41 % and 62 %. Here long post carriage distances in freight traffic in the port hinterland promote the competitiveness of rail compared to the roads. Inland waterway cargo transports in 2030 will play a smaller role than today, even with an increase in cargo transport performance by a little more than one quarter to the level of 2010 [Tetraplan 2011; ESTAT 2010; RFSSS 2010].

In the course of transnational land based trade and transport flows in the examination area Belarus has a particular role as a transit region. As a member of the Customs Union RBK it links the economic area of the EU and Russia. It is estimated that about 12 % of the transit volumes by rail and road from or to Russia run through Belarusian territory. Since 1995, trade flows between Russia, Belarus and the EU increased by factor of three to four. In case of progressive trade liberalisation and the recognition of macroeconomic institutional regulations, as connected to a WTO accession, another rise in transit traffics can be expected in Belarus [ACL 2012].

Analysis

Indicators of the political dimension of accessibility

International trade

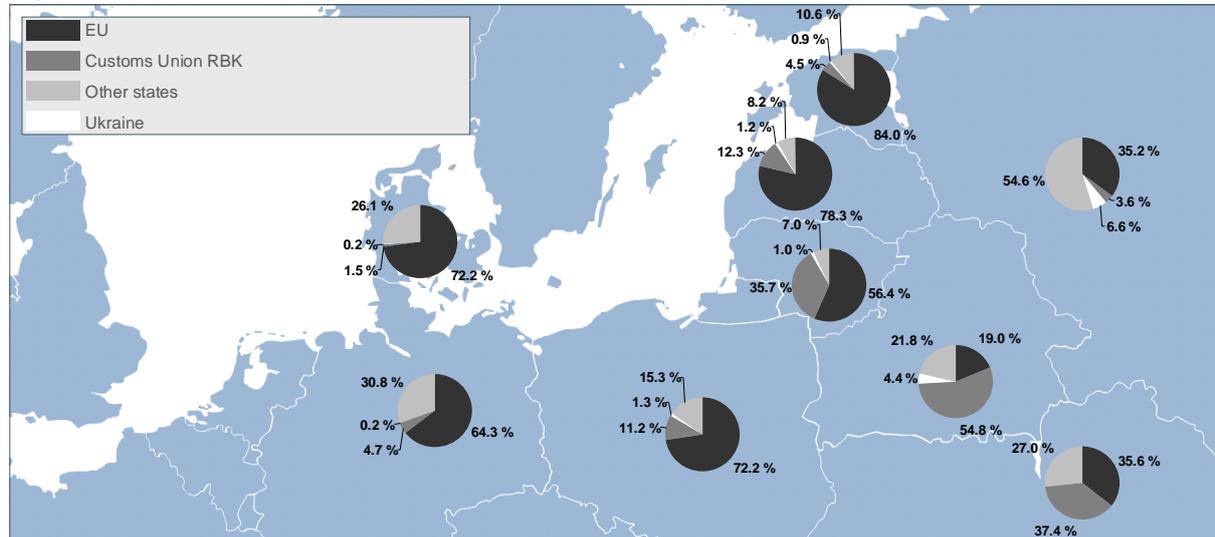
International trade and its development is an important indicator for political decisions at international, EU or national levels. Data, tracking the value and quantity of goods traded between economic or economic areas, can be used to formulate restrictions on trade in order to protect domestic markets or isolate foreign markets. Additionally they can inform multilateral and bilateral negotiations within the framework of the common trade policy help to define and implement anti dumping policy or to evaluate the progress of the single market or the integration of further economies in a customs or economic area. In this examination the trade between EU member and non-EU member countries as the Ukraine and the Customs Union RBK is of particular interest. The commercial interdependence indicates the integration just as the isolation of markets of economies and thus their political accessibility.

Figure 1 illustrates the international trade relationships in the examination area in 2011 by imports, differentiated by economic areas. It is clear, that the imports in the EU are dominated by goods from other member countries of the EU. Inter alia the high share of imports from the EU, with rates between about two thirds in Germany and up to 84 % in Estonia, can be explained here especially by the high level of trade liberalisation, the low barriers in cross border trade within the economic area of the EU and especially for Estonia by the traditionally close binding to Finland as a trade partner. With regard to imports from the Customs Union RBK, with more than one third Lithuania shows of the largest share of imports among EU member countries in examination area.

The EU imports from the Customs Union RBK mainly cover raw materials including oil and gas, which in this examination play a tangential role because of its large commitment to pipeline transport and the here given modal focus on truck, train and seagoing as well as waterway vessel transport. Thus the share by value, of oil, petroleum and gas from total imports from the Customs Union RBK to the EU is about three quarters, even though fluctuating for the considered countries in the examination area. While the share for Poland is just slightly more than two thirds, for Germany less than two thirds, for Latvia about a half and for Denmark just a little more than one third, in Lithuania imports of liquid and gaseous raw materials from the Customs Union RBK amount up to 84 %.

A different picture emerges for the countries of Russia, Ukraine and Belarus. Here the share of goods from the EU in total imports is one third and less. Therefore the trade between these countries has more weight, thus confirming the high importance of common trade agreements and liberalisation approaches for economy and trade policy related accessibility.

Figure 1 - DOTS - trade integration by imports [IMF 2012]



The example of China and its joining the WTO in 2001 may illustrate best, which external trade effects an accession to an international organisation concerning trade and economic policy can have, especially after a previous largely isolation from the world market. Since China's joining in 2001 foreign trade between the EU and China has almost quadrupled. A similar, although not as rapid development is also possible for Russia and its foreign trade integration, according to its joining the WTO. As long as the accession of Belarus and Kazakhstan to the WTO is not done and further approaches of international liberalisation of trade in these countries have not been initiated, there is a high uncertainty for external trading and transport companies as well as investment projects of any kind in the course of potential high transaction costs. The same applies for the Ukraine and its indecisive attitude to the EU and the Customs Union RBK [ESTAT 2011].

Openness to foreign investment

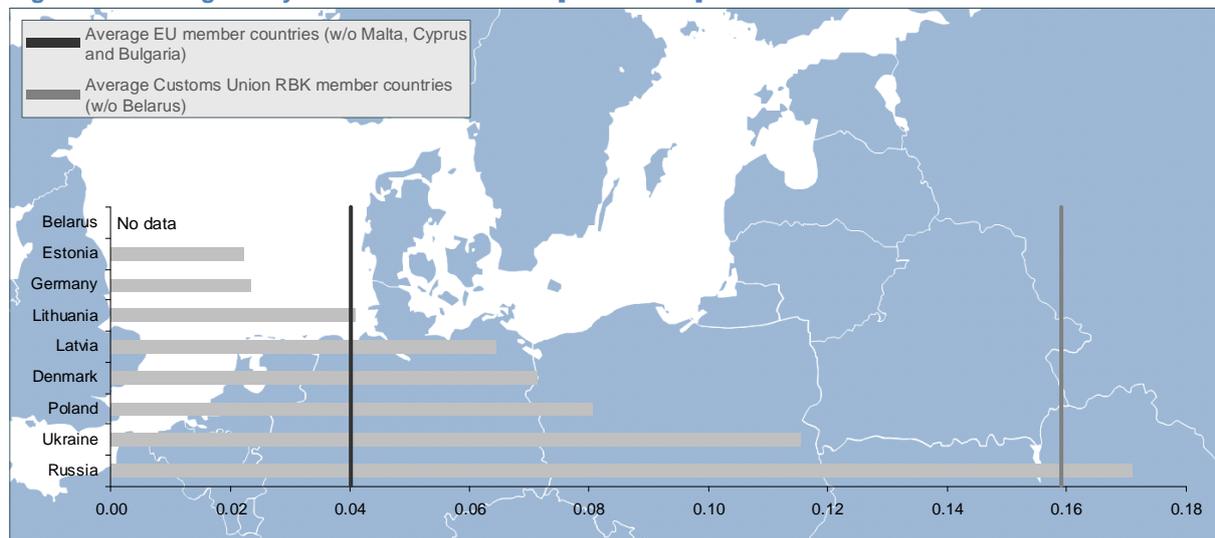
As very critical on the level of political accessibility, openness and the attractiveness of a country for foreign investment must be designated. The willingness of foreign companies and institutions to invest in projects of a country largely depends on political regulations or restrictions on investment activity just as creditor protection. FDI rules, controlled by the governments of countries and their political orientation, can either attract potential investors or discourage by obstacles or other restrictions. In general FDI restrictions tend to arise mostly in primary sectors such as mining, fishing and agriculture, but also in media and transport. In case of this study and as it regards the field of transport exemplary investments in logistics hubs, infrastructure or trading partners can be mentioned.

Figure 2 below shows the classification of the countries within the examination in the representative FDI Regulatory Restrictiveness Index of the OECD. The Index measures statutory restrictions on foreign direct investment by averaging the scores for 22 sectors from primary, secondary and tertiary branch of the economy. By looking at the four types of restrictions foreign equity limitations, screening or approval mechanisms, restrictions on the employment of foreigners as key personnel and operational restrictions (e.g. on branching and capital repatriation or land ownership) it gauges the restrictiveness of a country's FDI rules. As an index based categorisation the value for the rates can range between 0 - open and 1 - closed.

Index values, for Estonia as well as Germany show a significantly higher openness towards foreign investments than the average of the EU member countries, while Latvia, Poland and even Denmark are considered worse than the average level and Lithuania is on the average.

Although the FDI Regulatory Restrictiveness Index is not assessing factors like the implementation of FDI rules, entry barriers in terms of public ownership in key sectors, the size of inland market of the country or the extent of a country's integration with neighbours and therefore is not a full measure of a country's investment climate, it indicates, over all economic sectors and in particular in the subsectors transport, touching land, maritime traffic and air traffic, the ability of a country to attract investors. It can be assumed, that the low attractiveness of Russia, the Ukraine and likely of Belarus for foreign direct investment is due to the still low level of economic and commercial approach to the conditions on the world markets.

Figure 2 - FDI Regulatory Restrictiveness Index [OECD 2012]



It is likely that foreign investments in those countries are only possible if they gain access to international markets and in turn grant access to its domestic market for trading partners with institutional accompaniment. Here the establishment of an economic system in the meaning of a market economy is not mandatory. But as an indicator for market economy guiding principles and regulations a WTO accession like Russia's could facilitate the credibility with potential commercial partners.

Corruption

One of the most influencing and in particular limiting aspects on political accessibility of regions and countries is corruption. Because of difficulties in measuring the word corruption, in consequence of its tacit nature and the ambivalent relationship between the causes and consequences of corruption, there is no universal definition existing within the context of the international use. Regarding the accessibility on a political and administrative level, in the course of this study, there will be established a differentiation between grand and petty corruption and their definition, aiming both law enforcement institutions, on political level, and staff, on political just as the administrative level [CSD 2012].

Because of the international recognition of the Civil Law Convention on Corruption signed by the countries in the examination area, excluding Russia, the following definition of corruption will be used in this study. Corruption here includes “requesting, offering, giving or accepting, directly or indirectly, a bribe or any other undue advantage or prospect thereof, which distorts the proper performance of any duty or behaviour required of the recipient of the bribe, the undue advantage or prospect thereof”; [Council of Europe 1999].

Politically motivated grand corruption is the abuse of entrusted power by political leaders for private gain, describing a wide spectrum of behaviours within the highest levels of government like criminal offences, misuse of public office for private gain, improper contributions, the giving or receiving of a bribe etc. To assess corruption as an indicator in a political dimension, public views on corruption are of critical importance, as they offer significant insight into how corruption affects lives.

For this purpose in Chart 1 the CPI of TI is represented, ranking countries based on how corrupt their public sector with officials, civil servants and politicians is perceived to be. The index is based on various polls, collected by a variety of reputable institutions like the World Bank, reflecting the views of observers from around the world, including experts living and working in the countries evaluated. A country’s score indicates the perceived level of public sector corruption on a scale of 0 - country is perceived as highly corrupt to 10 - country is perceived as very clean.

Although a comparison of these index values is only partially possible in time, as the number of sources changed since the introduction of CPI, it shows that the perceived corruption over time for all countries is subject to only minor fluctuations. One exception at this point is Poland, for which a significant improvement in the index value since the entry into the EU in 2004 has obtained. In case of Latvia, Lithuania and Estonia accession to the EU brought no improvement of the perceived corruption. Here index values linger at a medium level, with a slight advantage for Estonia. The best rankings are achieved by Denmark and Germany, the worst by Russia, Belarus and the Ukraine.

The development after the accession of Latvia, Lithuania and Estonia to the EU allows the conclusion that the integration into an economic area and the liberalisation of trade, independent of further integration measures, does not eliminate the barrier corruption simultaneously. Supporting anti corruption campaigns and agreements is just as significant as a further investigation of measures, applied by Poland, to may win examples of best practice for future approaches to market and trade liberalisation.

Chart 1 - CPI - perceived corruption over time [TI 2012a]

Country	2005	2006	2007	2008	2009	2010	2011
Denmark	9,5	9,5	9,4	9,3	9,3	9,3	9,4
Germany	8,2	8,0	7,8	7,9	8,0	7,9	8,0
Estonia	6,4	6,7	6,5	6,6	6,6	6,5	6,4
Poland	3,4	3,7	4,2	4,6	5,0	5,3	5,5
Lithuania	4,8	4,8	4,8	4,6	4,9	5,0	4,8
Latvia	4,2	4,7	4,8	5,0	4,5	4,3	4,2
Russia	2,4	2,5	2,3	2,1	2,2	2,1	2,4
Belarus	2,6	2,1	2,1	2,0	2,4	2,5	2,4
Ukraine	2,6	2,8	2,7	2,5	2,2	2,4	2,3

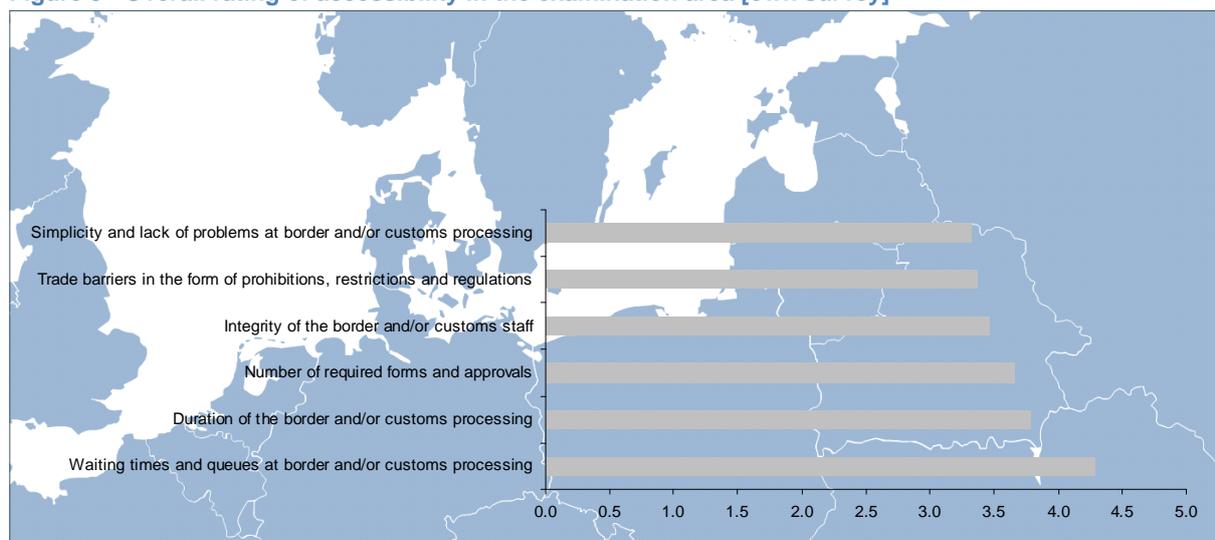
Indicators of the administrative dimension of accessibility

General user friendliness at borders and customs processing

For a description of administrative aspects and their influence on the accessibility of the south eastern BSR a general assessment of the user friendliness of the border and customs processing will serve as an introduction. To investigate this, transport companies across all modes, resident and economically active in the examination area have been interviewed on their general rating on different aspects, describing the user friendliness in the border crossing movement of goods and customs processing. The ratings, by the use of a six point grading scale in terms of school marks ranging from 1 - very good to 6 - insufficient, can be taken from Figure 3. Unless otherwise stated any further self administered surveys and results are subject of the same rating scale.

Over all inquired aspects it is striking that the assessment by the interviewees is relatively poor. So the best average grade is a 3.3 for simplicity and freedom of problems at border and/or customs processing, followed by the easy handling with prohibitions, restrictions and regulations with a 3.4. While the integrity of the border and customs staff is given a quite acceptable assessment, waiting times and queues at the borders for the transportation economy provide the biggest issues.

Figure 3 - Overall rating of accessibility in the examination area [own survey]



Aspects, as described, not only in cross border freight traffic represent significant barriers in the examination area. Also at the level of passenger traffic across borders similar problems are reported for border checkpoints. Currently at external border checkpoints problems, such as a general inefficient border management, long waiting times and queues, uncomfortable and insufficient conditions (e.g. services, infrastructure and premises), insufficient number and use of lanes (e.g. no separation of traffic and disorganised queues), vague border crossing regulations (latest status of information not known by travellers), corruption of border guards and customs officers, discrimination and violation of human rights (unpleasant behaviour of border staff) just as communication and language issues arise. A number of points of friction, as described above, for the countries in the examination area is considered below in more detail [Kindler, M. / Matejko, E. 2010].

In a first step, the point of the communication of information on the provisions in the border traffic will be briefly discussed. In addition to the web sites with unofficial information about these issues, also

official portals have been established as in case of the EU by the EC on international level and the EU member countries on a national level. These portals multilingual communicate a wide range of relevant information on ex- and import activities just as border crossing passenger traffic, such as legislation and explanatory documents, safety and security regulations, procedures and deadlines for the transmission of transport documents, places of border checkpoints and customs authorities etc., compiled from the CCC, further relevant legislative texts and national and foreign customs administrations [EC 2012b; IRU 2012; BAFA 2012; Zoll 2012]. Information offered on these portals can be described as comprehensive, but the selective finding of information is considerably limited by the substantial wealth of material available. Due to the content related linking of various areas of subjects and documents, required information can not be found quickly.

Due to the variety of different regulations and requirements the description of individual applications in cross border freight traffic shall be waived.

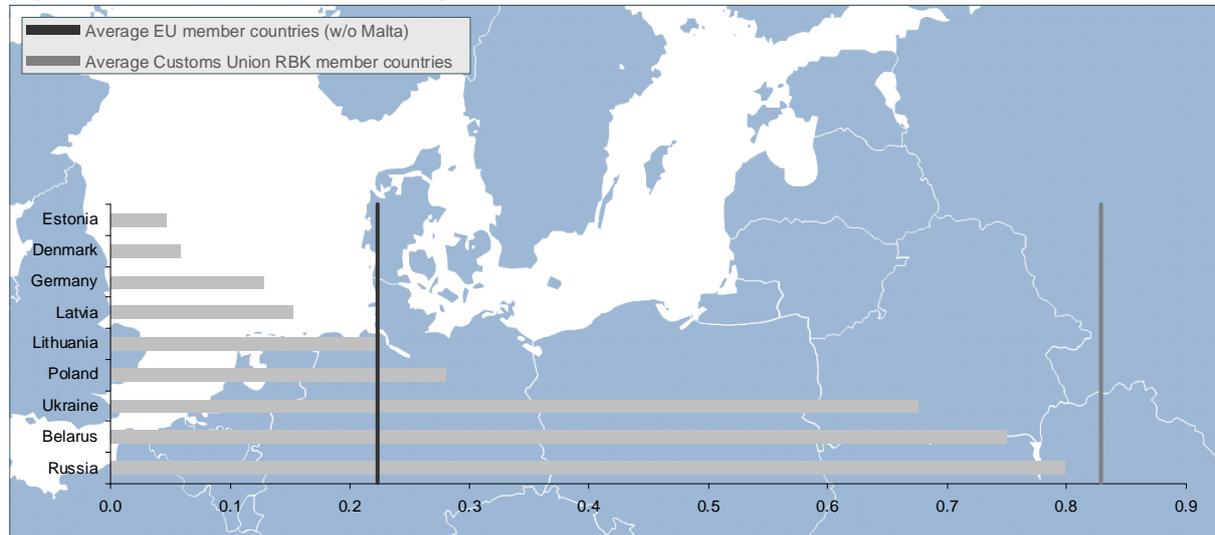
Logistics performance

A criterion of performance in logistics in the examination area is provided by a benchmarking indicator of the IFC from The World Bank Group that ranks regulations enhancing, protecting and constraining business activity. On the basis of different key dimensions of regulation and how they affect business operations of domestic, primarily smaller companies, countries and their economy are ranked. In addition to the areas of regulation regarding the start of a business, construction permits, property rights, taxes, employment etc., as shown in Figure 4, the key dimension, dealing with cross border trade, is particularly valuable for this examination.

The ease of trading across borders measures the time and cost w/o consideration of bribery and tariffs, associated with the exemplary ex- and import of a standardised cargo of goods by ocean transport. The indicators, regarding the ex- and import, number (of documents required by customs and other agencies), time (for document preparation, customs clearance and technical control, port and terminal handling, inland transport and handling) and costs (USD per TEU) flow into in as the average of their percentile rankings, giving a value between 0 - easily and 1 - difficultly.

For the examination area the illustration shows, that within the EU only Poland has a value worse than the average. While the number of documents, required for ex- and import activities is standardised across the EU as far as possible, the reason for the poor rating can especially be seen in the temporal and financial effort for cross border trade on sea. Estonia in particular benefits from the low number of documents required, like Denmark does, and the low costs per TEU. For the poor rating of Russia, Belarus and the Ukraine, the time required for preparation and revision of ex- and imports and the high costs are responsible in particular. Thus, for example, the time required for the cross border cargo traffic to and from Russia is more than seven and to and from Belarus more than six times the factor of Estonia. At the same time, the financial expenditure, required in the Ukraine is more than three times as much as in Estonia. The exact list of valued aspects is set out in Chart 5 from the Appendix.

Figure 4 - DBI - key dimension Trading across borders [IFC 2012]



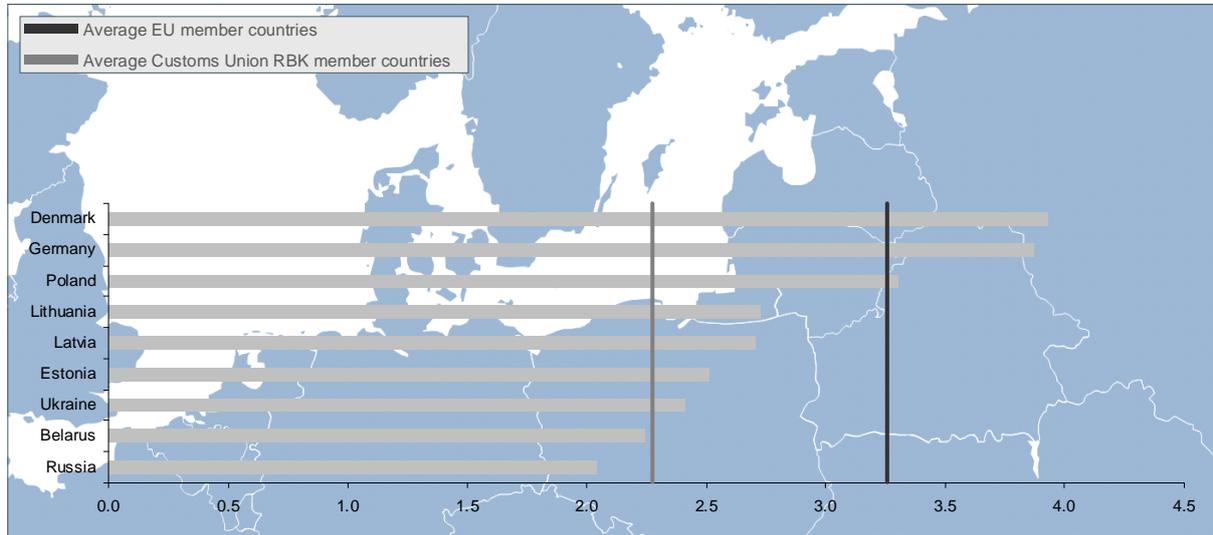
A particularly crucial administrative interface in the performance of cross border freight traffic and trade behaves to the applied and required customs clearance procedures. All related activities, from completing and sending of customs documents by the forwarding agent or company up to the verification of the documents and declared goods by the customs authorities, irrespective of their level of simplification, automation and process optimisation, bring friction losses, which can affect the efficiency of the supply chain.

The following LPI, evaluated by the World Bank and scaled between 1 - lowest score and 5 - highest score, benchmarks the performance along the logistics supply chain within a country, using the weighted average of a country's score on six key dimensions in order to provide feedback on its logistics friendliness. The data, obtained from a worldwide survey of freight forwarders and express carriers, can be a tool to national leaders, key policymakers and private sector traders to understand the challenges and opportunities in reducing logistical barriers to international commerce. In the course of this examination the dimension efficiency of the clearance process by border control agencies, including customs (e.g. speed, simplicity and predictability of formalities), is of interest in particular and considered in more detail in Figure 5. Further dimensions are the quality of trade and transport related infrastructure (e.g. ports, railroads, roads, information technology), the ease of arranging competitively priced shipments, competence and quality of logistics services (e.g. transport operators, customs brokers), the ability to track and trace consignments just as the timeliness of shipments in reaching destination within the scheduled or expected delivery time.

The figure illustrates that only Poland, Germany and Denmark are in or above the EU average of the calculated index. With index values of between 2.5 and 2.7 Estonia, Latvia and Lithuania lie in the middle position in the examination area. The worst performances are certified Russia followed by its Customs Union partner Belarus and the Ukraine. Compared with the DBI and the breakdown of the evaluation order of the countries some matches can be observed. In both indexes, Russia, Belarus and the Ukraine reach the poorest values, while Germany and Denmark are among the countries with the best performance. However, differences can be reflected in the performance evaluation of Poland and Estonia. In relation to the DBI, the positive assessment of Poland here suggests that even though

the temporal effort and costs for ex- and import activities are quite high, processes in customs clearance are easy and uncomplicated to deal with in Poland.

Figure 5 - LPI - key dimension Efficiency of the clearance process [World Bank 2012]

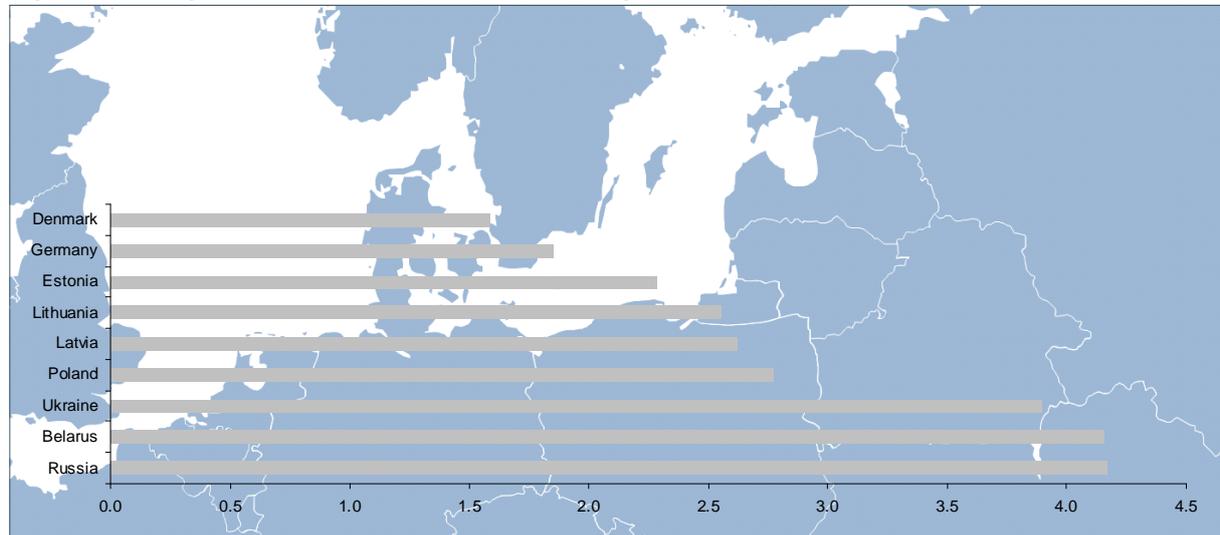


Border/customs processing

The customs clearance process, fundamentally reviewed in the previous part within the logistics performance in the examination area, will be subject to a closer analysis in the following section. Figure 6 gives breakdown on how transport companies in the examination area rate the performance, handling, reliability and professionalism of the border and/or customs processing in the respective countries. In addition to the stationary controls by the competent customs authorities this illustration also includes the assessment of mobile controls, as far as they are established and the interviewees have experience of these.

The figure shows that especially the non-EU member countries Ukraine, Belarus and Russia received low marks, with average grades from 3.9 to 4.2. With ratings between 2.3 and 2.6 much better results for the Baltic States Estonia, Lithuania and Latvia are achieved, followed by Poland with a 2.8. As in previous statistics Denmark and Germany finish within the top three, here reaching average ratings better than mark 2.

Figure 6 - Rating of border and/or customs processing [own survey]

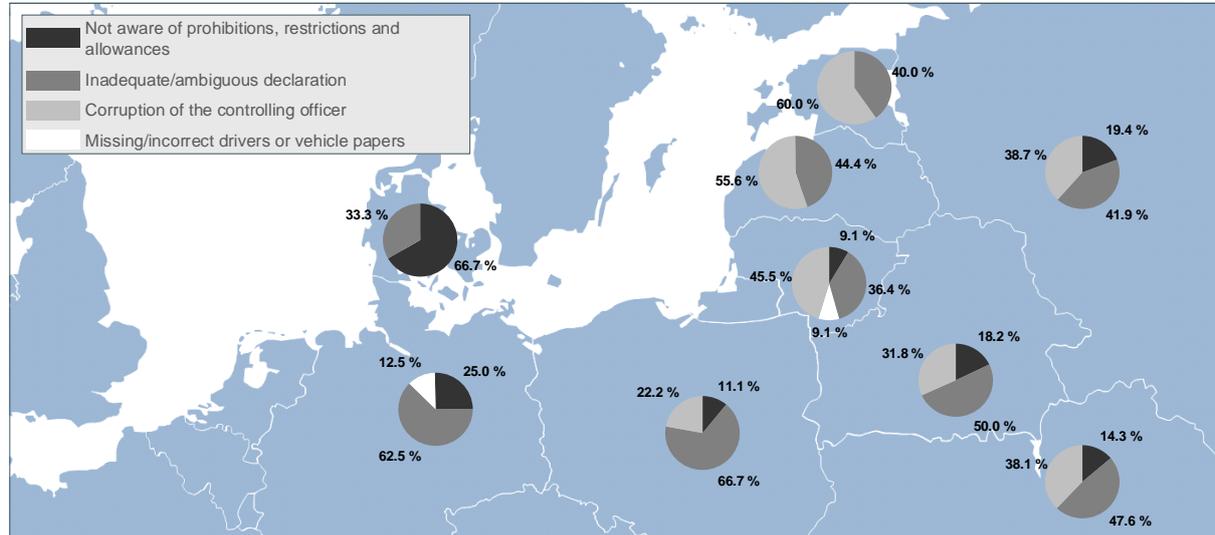


In the course of the varying ratings of the border and customs processing by the competent customs authorities in the examination area, the problems, prompting the transport company to their assessment, are of particular interest here. At this point it has to be noted, the better the rating of a country in the survey results stated above, the fewer problems are named by the interviewees, leading to a decreasing quantity in statements and a blurred data base.

While main problems in Germany and Denmark are caused by unawareness of prohibitions, restrictions and allowances in the transport of goods (e.g. food, cash and weapons) or fuel quantities (e.g. diesel) and the inadequate or ambiguous declaration of the cargo or its movement certificate, as illustrated in Figure 7, triggers for problems and their weighting significantly shift with a view to the eastern part of the examination area. Already in Poland the second biggest problem is the corruption of the controlling officer and the making of payments with unclear legal basis without receiving a receipt, showing a share of more than one fifth. The share of corruption as a trigger of problems is even bigger in Belarus, the Ukraine and Russia, aggregating from a little less than one third to clearly more than one third. Nevertheless, the largest share is distributing to the inadequate or ambiguous declaration of the cargo or its movement certificate, amounting up to 50 %. This could be seen as an indication that the structure of documents required for the import of goods to these countries is not to be described as clearly and often is subject to the arbitrariness of the controlling staff. Problems also arise by the fact that cargo and transport documents have to be carried along in the local language, creating language problems for western companies not equipped with local language competence sufficiently. Partially it can be suggested too, that the trigger of this problem is used by local customs staff as a pretext for the payment of bribes, exploiting of the unawareness of the freight leader or driver regarding declaration documents.

The clearest expression of bribery can be seen in the Baltic States, with the note that the data base is the weakest in those countries. The issues violation of the rules on driving times and rest periods and safety deficiencies of the vehicle received have not been mentioned by the transport companies in this survey.

Figure 7 - Problems with border and/or customs processing [own survey]



Bureaucratic effort

Another potentially inhibiting aspect concerning the accessibility of the examination area and the ease of cross border exchange of goods is up to the quantitative effort of necessary paperwork with forms and approvals. Agreements and regulations, protecting domestic markets of countries and economic areas and adopted at political level require efforts in form of paperwork. Bureaucratic effort helps to control, verify and secure access to the markets and should be applicable efficiently and uniformly, striking a balance between the protection of domestic markets or industries and avoidance of disproportionate obstacles.

Figure 9, Figure 10 and Figure 11 provide information on how this bureaucracy in the exchange of goods between different economic areas in the examination area is perceived by the transport economy, depending on the transport relation with origin and destination. Cargo transport within the EU without crossing external borders of the examination area therefore causes the lowest effort. About three quarters of the respondents rate it as low or very low for transports to Denmark, Germany, Estonia and Poland. Bureaucratic effort in the course of cargo traffic with destination Latvia or Lithuania is classified in about two thirds as low or very low. No interviewee rated the effort as very high, what can be recognised as success of the trade liberalisation in the EU. Viewing transports from the EU to Russia, Belarus and the Ukraine a different picture arises. Only between one fifth and about one fourth of the transports require a low or very low bureaucratic effort. In particular barriers of language in preparing documents and the rudimentary approaches in liberalisation of the freight traffic with the EU are responsible here, like mentioned before.

Regarding the fact of the perceived bureaucracy a significantly different picture arises for the transport from Russia and Belarus to the other countries in the examination area. Only every fifth to sixth transport company from Germany, Belarus (transport from Russia), Russia (transport from Belarus) certifies an effort on low or very low level. Across all countries in the examination area, excepting the Ukraine, a quite similar review appears strikingly. It can be concluded that the administrative burden in cross border cargo traffic in form of bureaucracy is on almost the same level for both, imports from Russia and Belarus to the EU and trade between the partners in the Customs Union RBK. Only the effort for imports to Ukraine is perceived as even more hindering.

Compared to imports from Russia and Belarus the assessment of cargo transport related effort with forms and approvals shows an even worse picture for imports from the Ukraine. None of the interviewed transport companies in the examination area rated the effort as very low. The lowest effort is estimated for bureaucratic requirements in Poland, the highest for Belarus and Russia, followed by the Baltic States Lithuania, Latvia and Estonia. This underpins the isolated and with only a few approaches to trade liberalisation provided position of the Ukraine between the economic area of the EU and the Customs Union RBK.

It should be noted that both transports from east to west as well as from the EU to the countries Russia, Belarus and the Ukraine are subject to a high administrative expenses on a similar level, wherein imports from the Ukraine across all countries in the examination area are associated with disproportionately strong bureaucratic obstacles in particular. Better perceptions in the course of forms and approvals only transports within an economic area without crossing external borders are gaining, due to a high level of liberalisation and uniformity of procedures.

Temporal effort

Just as the effort for approvals and permits in cross border trade time is one of the most important adjusting screws within an international supply chain, determining the quality and reliability of a transport. In addition to the time required for the pure transport the duration of customs processing and waiting times at international border checkpoints rank among the largest obstacles in cross border transport, lengthening transport time, increasing costs and reducing the adherence to schedules.

Temporal efforts in form of average waiting times at the border and/or customs processing in the examination area are shown in Figure 12, Figure 13 and Figure 14 in the appendix. While there are no internal border checkpoints within the EU, cargo traffic without crossing external borders does not cause a loss of time in the transport due to regular customs processing, except mobile controls on a random basis. Concerning the waiting times for import traffic from the EU at the border checkpoints to destinations in Belarus, Russia and the Ukraine, it appears that no transport runs seamlessly and without any time losses at the borders. The majority of transports from an EU member country to the Ukraine lingers between 8 h and 24 h in queues at the customs processing for imports, while even one third waits between one and two days. The situation is even worse for transports from the EU to Russia and Belarus. Here almost just one out of ten transports has to wait less than eight hours. About 85 % have to spend between at least eight hours and two days waiting for clearance.

The consideration of the waiting time from Russia and Belarus to EU countries illustrates that cargo flows in the direction from east to west are actually subject to still higher waiting times. While no hindering bottlenecks in form of border checkpoints do exist within the Customs Union RBK, waiting time for customs processing in Germany just for one eighth of the transport companies is less than eight hours. In all other countries, the waiting time is at least eight hours. No useable data could be gained for Estonia here. In contrast to waiting times related to cargo traffic out of the EU, the majority of import flows to the EU member countries and the Ukraine have to wait between one and two days, showing a share of 71 % up to 83 %.

A similar picture as the exports from the EU countries is also subject to the transports from the Ukraine. Here, too, the highest temporal effort for waiting in queues at cross border customs processing is up to goods with the destination Russia and Belarus. Two out of five transports have to wait at least one day. Destinations in the examination area to the west and the Baltic States only show a slightly improved picture in the course of waiting times for cargo freight leaving the Ukraine. While in

Germany just about one fifth has to wait for more than one day, followed by Estonia, Lithuania and Latvia with about one fourth, in Denmark the share of waiting transports for at least one day is more than one third.

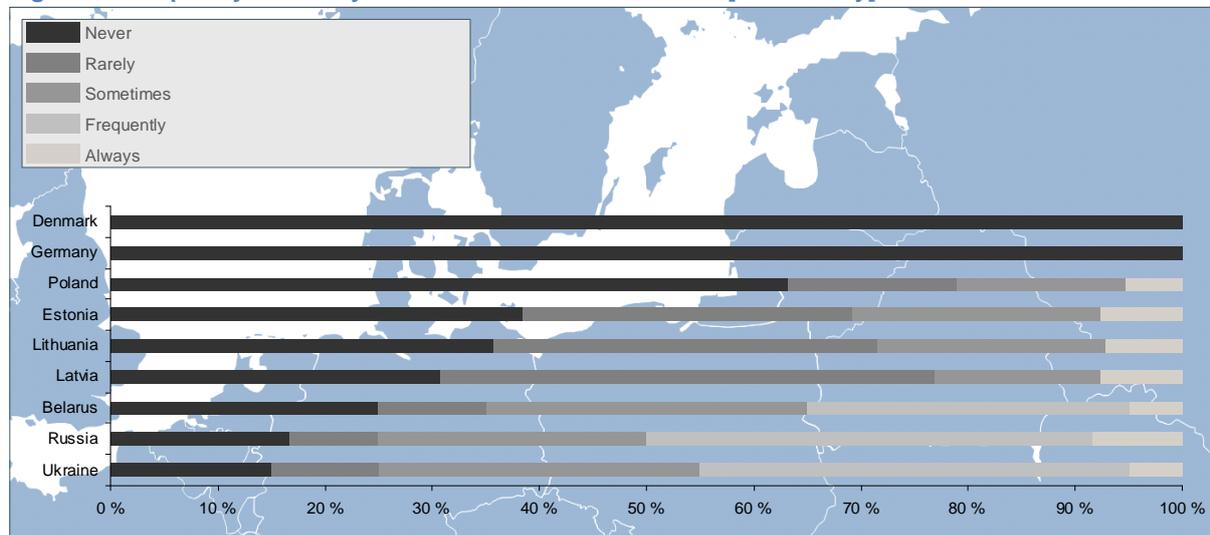
In general it can be stated that the waiting time for the border and customs processing in the entire examination area represents a significant obstacle in cross-border traffic, regardless of the country of origin and destination. Only the connection of countries in form of agreements and the elimination of border controls in its succession supports trouble free transport activities. The high temporal loss at external border checkpoints to third countries in particular can be explained by the lack of handling capacity, especially during traffic peaks and the mostly insufficient efficiency in customs processing.

Corruption

Like at the political level, corruption and its consequences are playing a crucial role within the administrative dimension of accessibility. While corruption in politics is exerting only an indirect influence on supply chains and therefore is having a barely tangible character for the transportation industry petty corruption in form of bribery is clearly noticeable for freight carrier and driver in every day business. Mostly payments with unclear legal basis without receiving a receipt are made to low level public officials, like border guards or customs officers with regard to this study, however, with different motivations or reasons. Generally bribery can help to speed up administrative processes in customs, to avoid waiting and delays by preferred treatment, to avoid questioning for necessary documents of any kind, to obtain licenses and secure or expedite the performance of a routine or necessary action etc. [TI 2012c].

Corruption on this level of accessibility requires physical points of contact between staff of official authorities and the potential payer. In this examination a special point of contact is up to interfaces between countries like border checkpoints with activities in customs processing and mobile controls by the competent authorities. Figure 8 refers to the frequency of bribes paid by transport companies to border and/or customs staff in the course of customs processing procedures. Both in Denmark and Germany interviewees stated to have never bribed competent customs staff. While about two thirds of the transport companies stated to have never paid a bribe in Poland, the picture is deteriorating in the south east of the examination area. In the Baltic States Latvia, Lithuania and Estonia only around a third could do its business without having to pay a bribe. Transport companies active in Belarus, the Ukraine and Russia with a share between 30 % and 42 % have to pay customs staff frequently.

Figure 8 - Frequency of bribery of border and/or customs staff [own survey]



The collected findings on corruption as an administrative barrier in border crossing freight transport are supported by Chart 2, showing general public's experiences of corruption by examining the frequency of bribery. It appears from the illustration in which ratio corruption of customs staff is to further official authorities. Although the frequency of bribery evaluated is far below the values of the transport industry, with exception of Belarus, it can be seen that frequency of bribery of police staff is higher than payments to customs staff. Moreover, the order of the countries compared is almost identical. It is remarkable, that in proportion most bribes were paid to customs and the police and not to tax authorities.

Chart 2 - GCB - People that paid a bribe in the past 12 months [TI 2012b]

Country	Customs [%]	Police [%]	Tax revenue [%]
Estonia	-	-	-
Denmark	0.0	0.0	0.3
Germany	1.1	1.6	0.2
Poland	5.0	12.5	1.5
Latvia	5.8	20.9	2.9
Russia	11.0	28.3	6.1
Lithuania	23.7	32.1	3.0
Ukraine	29.5	38.5	14.2
Belarus	30.8	26.6	12.7

Strengths Weaknesses Opportunities Threats analysis

The previous analysis has promoted a variety of indicators concerning the accessibility of the examination area, supporting a general assessment by strengths and weaknesses. In addition to the identified characteristics especially on political level developments have been outlined that will shape the trade policy related cohesion between the relevant countries in the coming years, either interpretable as an opportunity or a threat. Chart 3 will give a brief classification of the examination within a SWOT analysis.

Chart 3 - Strengths Weaknesses Opportunities Threats analysis [own evaluation]

Dim.	Strengths	Weaknesses	Opportunities until 2030	Threats until 2030
Political	<ul style="list-style-type: none"> High level of integration of the economies in the EU 	<ul style="list-style-type: none"> No aggressive fight against corruption Democratic deficits in the examination area outside of the EU 	<ul style="list-style-type: none"> Fighting grand corruption Further development of existing liberalisation approaches and agreements (e.g. EU, WTO) Further integration of markets (e.g. DCFTA) 	<ul style="list-style-type: none"> Isolation of the trading areas EU and the Customs Union RBK due to trade policy incidents
Administrative	<ul style="list-style-type: none"> Large scale of available information on cross border freight traffic and customs (e.g. European Customs Information Portal, information on TIR by IRU) 	<ul style="list-style-type: none"> High waiting times and bureaucratic effort at the border and/or customs processing at external borders throughout the examination area and mode of transport (caused in part by a significant congestion of border checkpoints and the lack of capacity) Corruption in the eastern part of the EU 	<ul style="list-style-type: none"> Reduction of waiting times and queues by booking/reservation of slots for border crossing and customs processing (e.g. by using best practice examples like www.estonianborder.eu) Reduction of bureaucratic requirements in the cross-border freight traffic Fighting petty corruption (e.g. bribery) 	<ul style="list-style-type: none"> Further bureaucratic efforts with controls, and forms (e.g. in connection with the fighting of terrorism and conditions for x-ray of containers) Sharply rising commodity prices as an inhibitory factor for the international exchange of goods Politically motivated unrest and incidents with the effect of the limitation of cross border freedom of movement

Recommended actions and measures

The examination area has a number of weaknesses in the form of obstacles and barriers limiting the accessibility of the outlined countries and negatively affecting their attractiveness. Chart 4 shows approaches for existing and emerging problems and advises recommendations for action both at political and administrative level and geographically delimited. Many recommendations mentioned in the table below, e.g. trade negotiations, integration of markets and promotion of European standards in cross border trade are in line with the efforts at EU level and EU initiatives towards competitive, resource efficient and more integrated transport systems and networks across all modes. Especially initiatives aiming an EU external dimension show the largest coverage of goals concerning the political and administrative dimension within ACL [EC 2010a; EC 2010b; EC 2011]. The majority of measures, as described in EU strategy papers, e.g. concerning security, safety, regulatory frameworks, innovative/intelligent solutions, infrastructure, economics or sustainability, characterise an EU internal point of view more than a transnational position. With respect to the requirements and conditions of a physical transfer of goods across borders, nevertheless, recommended measures given in this paper

are more practical in nature and are focussing an area beyond internal issues of the EU and its member states.

Chart 4 - Recommended actions and measures [own evaluation]

Dim.	Transnational	EU	Customs Union RBK and the Ukraine
Political	<ul style="list-style-type: none"> Further efforts in the liberalisation of trade to intensify exchange of goods Improving institutional coordination, information communication and organisational structure between typically involved EU and non-EU actors (e.g. customs authorities and legislature) Improving the reliability and integrity of border management (e.g. cross European anticorruption initiatives/instruments/measures) Tackling administrative and fiscal barriers to improve efficiency of cross border movements of goods on the external EU borders 	<ul style="list-style-type: none"> Improving communication with travellers about border crossing regulations just as the prohibitions and restrictions in goods traffic (e.g. EU wide information management system for external border crossing) 	<ul style="list-style-type: none"> Further integration of markets in the southeast of the examination area Support to countries with the intention to join agreements on trade and economics (e.g. WTO, DCFTA, EU) Efforts for international harmonised acceptance of English transport and freight documents (e.g. in addition to the local language)
Administrative	<ul style="list-style-type: none"> Increasing the efficiency of border and customs processing (e.g. training and additional qualifications for border staff) Increasing the number of border checkpoints and their efficiency through booking/reservation of slots (e.g. at main traffic corridors) Improving the coordination, communication and process organisation between EU and non-EU border staff (e.g. common border processing) Improving the reliability and integrity of border staff (e.g. mentality of corporate governance, connect anticorruption initiatives/instruments/measures/action plans on national and EU level, equal earnings) 	<ul style="list-style-type: none"> Improving the knowledge on Schengen Borders Code, CCC as well as the language and social competence of border staff (e.g. training for border staff) 	<ul style="list-style-type: none"> Improving the physical conditions at existing border checkpoints (e.g. infrastructure, additional number of lanes and premises)

Conclusions

Policy and agreements in trade and especially activities concerning the cross border transfer of goods require well defined regulations which are transparent and accessible to all. Regulations, touching the administrative dimension of accessibility, should be applicable efficiently and uniformly, striking a balance between the protection of domestic markets or industries and avoidance of disproportionate obstacles, efforts and costs in cross border trade.

In the present study a variety of indicators has been presented, providing information about the commercial framework and the regulatory burdens in the examination area and their handling by the public and in particular by the transport sector. Inter alia statistics of the OECD concerning the attractiveness of countries for foreign investments, time series of the perceived corruption collected by TI and rankings on the logistics performance in the examination area created by institutions like the World Bank have been consulted in order to describe the political dimension of accessibility.

Issues concerning the administrative dimension, poorly covered by available information and indicators, were supplemented by specific surveys in order to detect current problems, barriers and obstacles but also success in the examination area. Transport companies across all modes were interviewed, resident and economically active in the examination area and working with regulations, initiated on political level. The focus here has been clearly on conditions that affect the physical exchange or transfer of goods actively across country or economic area borders.

It could be shown that in particular time, bureaucratic and integrity issues are influencing the political and administrative dimension of accessibility and that there are significant differences with west south east gradient. While countries within the EU, especially Denmark and Germany are accessible on a high level, Belarus, Russia and the Ukraine are less attractive, triggered by a variety of reasons. In addition to the description of concrete strengths and weaknesses recommendations were given, potentially increasing accessibility on both, a political and administrative level.

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Appendix

Chart 5 - DBI - key dimension Trading across borders [IFC 2012]

Country	Index	Documents for export [qty]	Documents for import [qty]	Time for export [d]	Time for import [d]	Costs to export [USD per TEU]	Costs to import [USD per TEU]
Estonia	0.05	3	4	5	5	725	725
Denmark	0.06	4	3	5	5	744	744
Germany	0.13	4	5	7	7	872	937
Latvia	0.15	5	6	10	11	600	801
Lithuania	0.22	6	6	9	9	870	980
Poland	0.28	5	5	17	16	1,050	1,000
Ukraine	0.68	6	8	30	33	1,865	2,155
Belarus	0.75	9	10	15	30	2,210	2,615
Russia	0.80	8	10	36	36	1,850	1,800

Figure 9 - Perceived bureaucratic effort in the course of the import of goods from the EU [own survey]

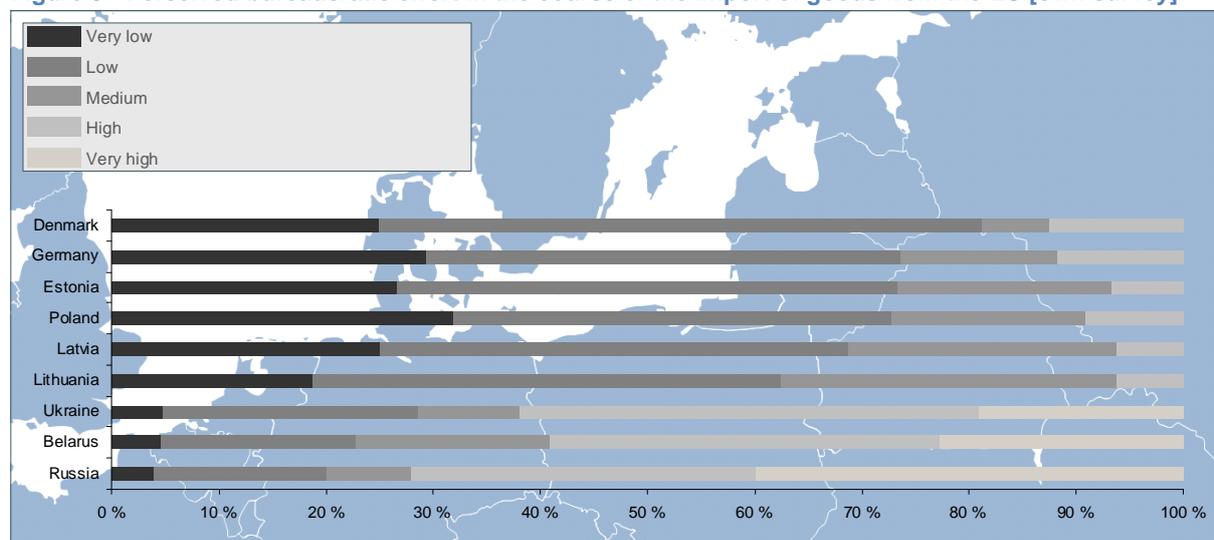


Figure 10 - Perceived bureaucratic effort in the course of the import of goods from Russia/Belarus [own survey]

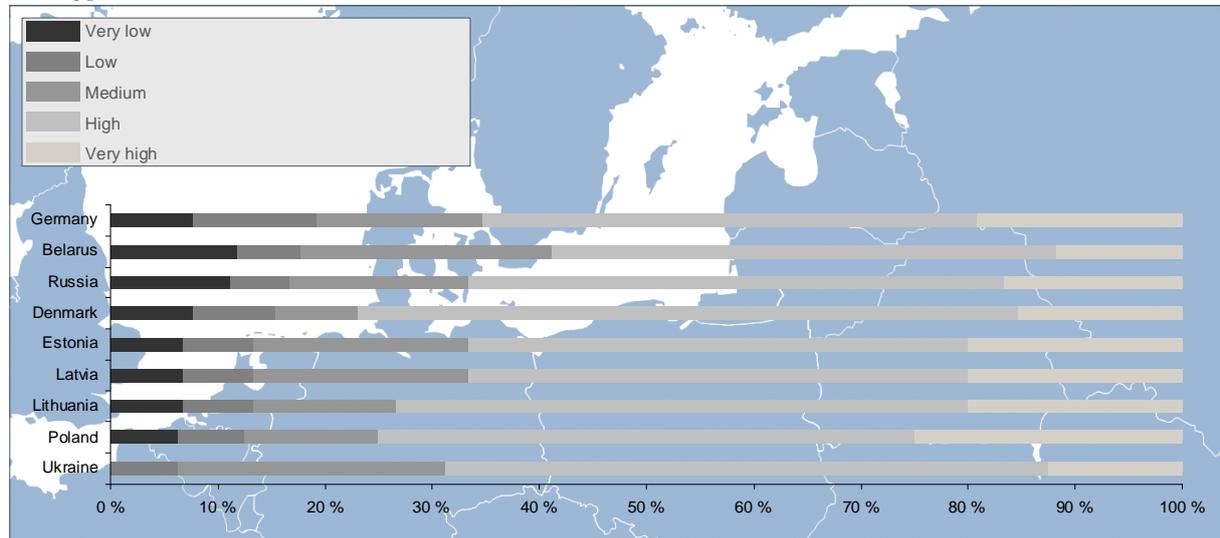


Figure 11 - Perceived bureaucratic effort in the course of the import of goods from the Ukraine [own survey]

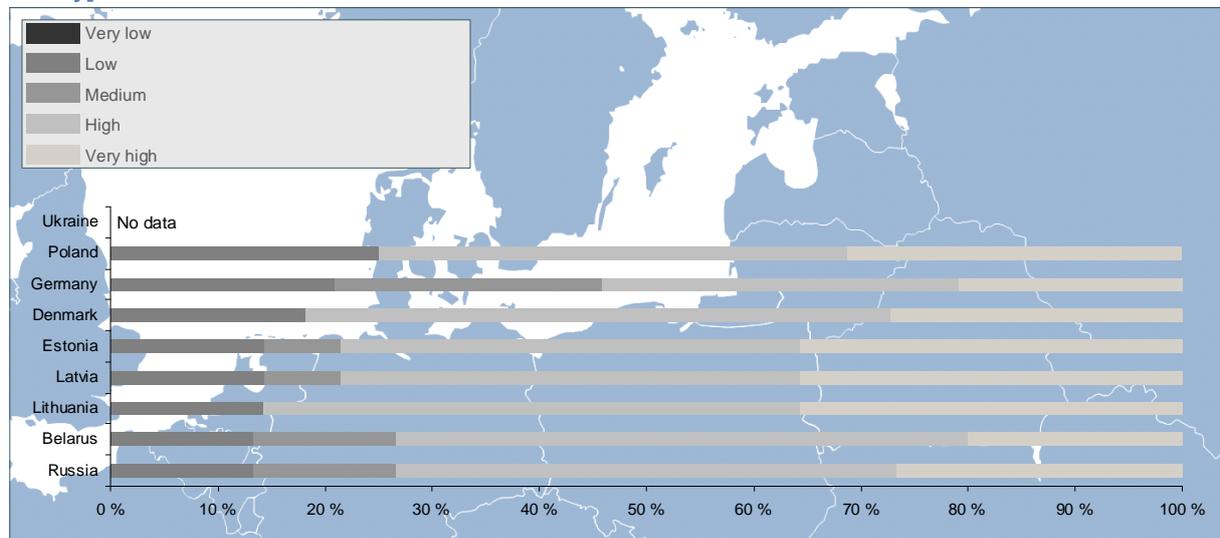


Figure 12 - Average waiting time in the course of the import from the EU [own survey]

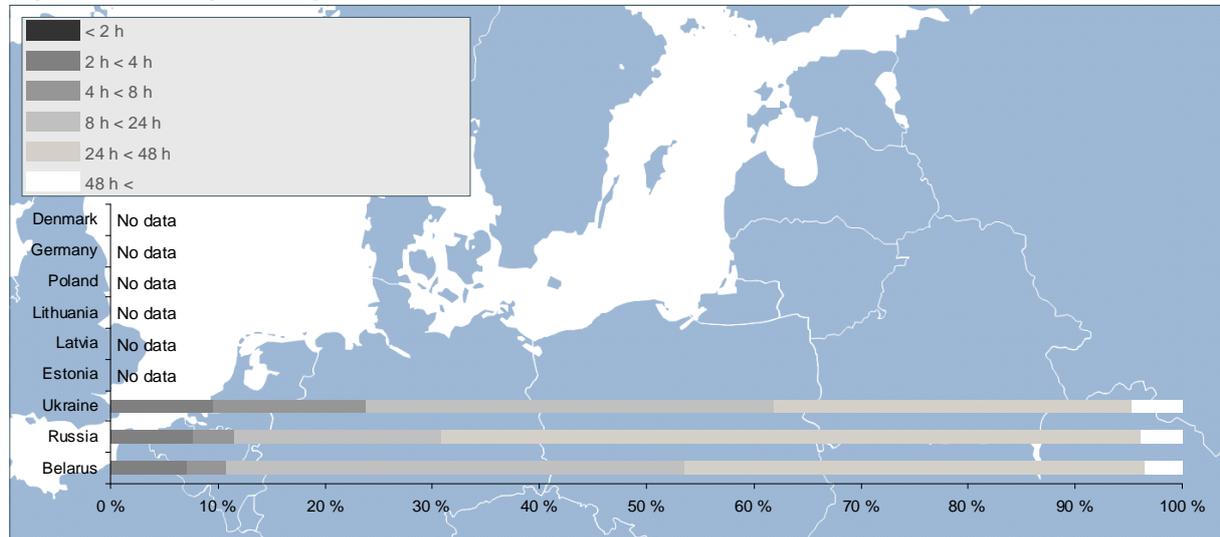


Figure 13 - Average waiting time in the course of the import from Russia/Belarus [own survey]

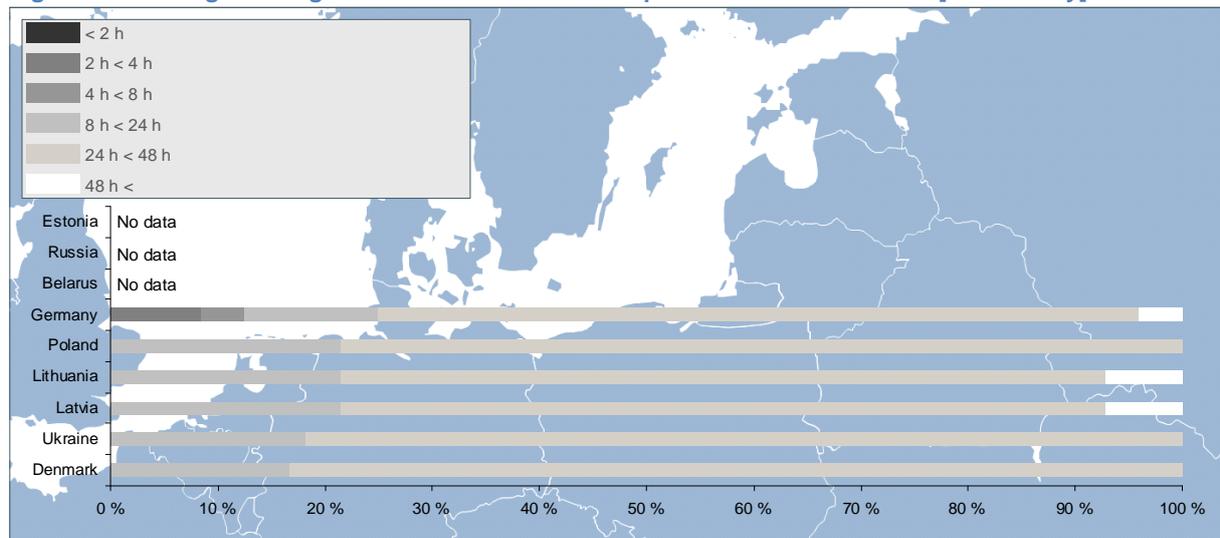


Figure 14 - Average waiting time in the course of the import from the Ukraine [own survey]

