Denver Journal of International Law & Policy

Volume 40
Number 1 *40th Anniversary Edition*

Article 23

April 2020

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THE IMPACT OF CORRUPTION ON INTERNATIONAL TRADE

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I. INTRODUCTION

The issue of corruption is a continuing one in legal literature and is the premise of many laws, regulations, and international norms, such as the Foreign Corrupt Practices Act ("FCPA"), the Organisation of Economic Cooperation and Development ("OECD") Anti-Bribery Convention, the UK Bribery Act, the United Nations anti-corruption rules, as well as local anti-corruption laws and regulations. All of these measures aim to deter corrupt practices and encourage, and often require, multinational corporations to implement policies and procedures to not only monitor the behavior of employees, but also the actions of third parties, including, but not limited to, business partners, suppliers, and potential acquisition targets. These laws and regulations are often backed by strong enforcement mechanisms that can lead to severe fines and punishment for multinational corporations and individuals engaging in, or failing to identify and prevent corrupt practices.

While most, if not all, developed countries have adopted these international norms and have well established cultures of enforcement, the countries designated as emerging and frontier markets have only recently started to tackle the issue of corruption. For these markets, it is vitally important to get ahead of the corruption issue as not tackling corruption can come at a high economic price. As these countries compete for international trade opportunities, they should assign a high priority to combating corruption, as a high perception of corruption is strongly correlated with low levels of international trade. As shown in this article, a significant reduction in the perception of corruption for certain countries can have as much, if not more, of an impact on international trade as favorable labor laws, tax rates, and capital (currency) control measures.

In this article, we affirm the link between perceptions of corruption and perceptions regarding ease of doing business. Having established this link, we conduct a comparative analysis of the countries considered to be emerging or frontier markets based on perceptions of corruption and ease of trading across borders, as well as an analysis of actual levels of international trade per capita for each market. Based on the takeaways from this comparison, we identify the

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countries that could have the most to gain from combating corruption and quantify the possible impact on international trade levels from improvements in the perception of corruption.

II. CORRELATION BETWEEN CORRUPTION AND EASE OF TRADE

In general, corruption, or the perception of corruption, is highly correlated with perceptions regarding difficulty of trade. Figure 1 below illustrates this point by comparing the ranking of 178 countries based on Transparency International's ("TI") Corruption Perception Index ("CPI")[1] for 2010 to the ranking of the same countries based on the ease of Trading Across Borders as reported in the Ease of Doing Business Index[2] for 2010 as published by the World Bank. A higher number on TI's CPI equates to a lower perception of corruption. Singapore has the highest value of 9.3 (perceived as least corrupt) and Afghanistan has the lowest value of 1.4 (perceived as the most corrupt). A higher number on the Trading Across Borders category of the Ease of Doing Business Index translates to a worse perception in regards to the ease of conducting international trade, meaning that countries with the highest value are considered to be the least business friendly jurisdictions for international trade. Based on 2010 data, Singapore has the lowest value and is considered to be the most business friendly and Afghanistan has the highest value and is considered the most difficult place to conduct international trade.
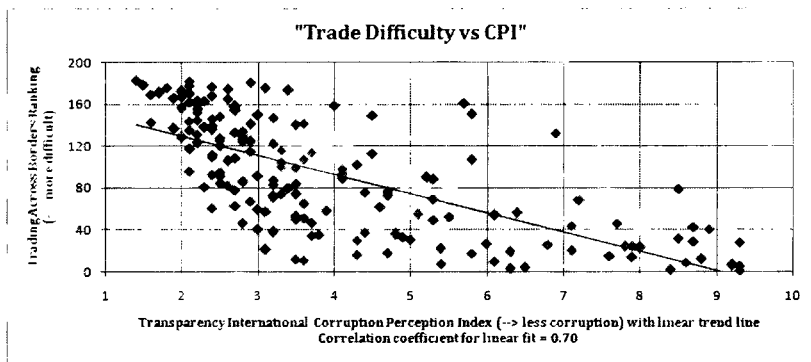

Figure 1. Trade Difficulty vs. CPI

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1. Transparency International's Corruption Perceptions Index ranks countries in terms of the degree to which corruption is perceived to exist among public officials and politicians. It is a composite index, a poll of polls, drawing on corruption-related data from expert and business surveys carried out by a variety of independent and reputable institutions. The CPI reflects views from around the world, including those of experts who are living in the countries evaluated. The greater the CPI number, the lower the perception of corruption. This is not an absolute ranking: that is, multiple countries may have the same CPI ranking assigned to them. *Corruption Perceptions Index 2010*, TRANSPARENCY INTERNATIONAL 2-3 2010, http://www.transparency.org/content/download/55725/890310.

2. The Ease of Doing Business Index ranks economies from 1 to 183 based on 9 factors: starting a business, dealing with construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders, enforcing contracts and closing a business. The lower the number, the greater the ease of doing business. This is a ranking; each country is assigned a unique integer value. *Doing Business 2011*, DOING BUSINESS (Nov. 4, 2010), http://www.doingbusiness.org/~/media/FPDKM/Doing%20Business/Documents/Annual-Reports/English/DB11-FullReport.pdf.

As TI's CPI is one of many indices that aim to provide cross-country indicators of levels of corruption, we also present a comparison of the World Bank's Worldwide Governance Indicators ("WGI") to the Trading Across Borders data in figure 2.[3] Both comparisons show a strong correlation between perception of corruption and ease of conducting international trade, a correlation of 0.70 based on TI's CPI and 0.73 for WGI, respectively. This is not surprising as the barriers to international trade, principally, administrative red tape and heavy bureaucratic organizations, frequently go hand in hand with corruption.
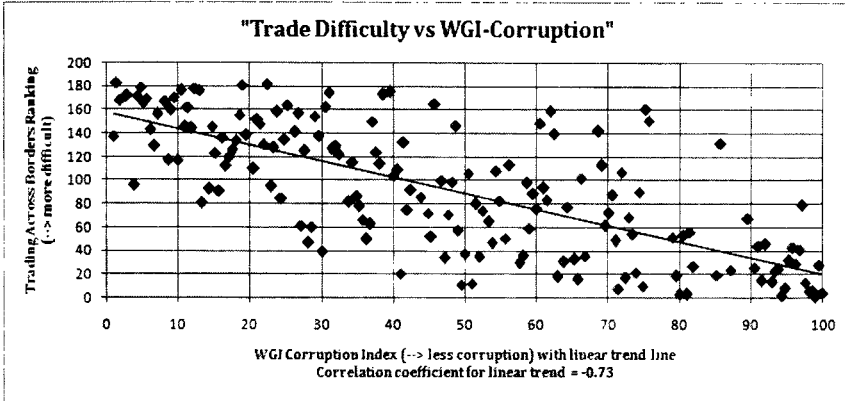

Figure 2. Trade Difficulty vs. WGI Corruption Index

III. ECONOMIC COST OF CORRUPTION – EMERGING MARKETS

Having established that perceptions of corruption and perceptions around ease of conducting international trade generally move in a parallel manner based on the correlation coefficients of -0.70 and -0.73 from figures 1 and 2, we now turn to evaluating the specific impact of corruption on international trade. In order to isolate the impact of corruption on international trade, we need to identify markets where there has been or is expected to be movement both in terms of perceptions of corruption and levels of international trade.   The developed markets are generally not useful in this regard as their perception of corruption is relatively low and their ranking on TI's CPI is generally stable from year to year.[4] Fluctuations

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3. WGI is similar to TI's CPI in that it attempts to aggregate data across multiples sources. The key difference is that WGI attempts to consider corruption in both the public and private sectors while TI's CPI deals specifically with corruption in the public sector. Similar to TI's CPI, the higher the WGI number, the greater the perception of corruption. *Doing Business 2011*, *supra* note 2; Daniel Kaufmann, Aart Kraay & Massimo Mastruzzi, *Worldwide Governance Indicators*, THE WORLD BANK, http://info.worldbank.org/governance/wgi/index.asp (last visited Nov. 4, 2011) (Follow the "click here" link for the full data set in Excel).

4. This is not meant to be an absolute statement as there are certain developed countries like Italy and Greece that could be perceived as having a higher perception of corruption than most other developed countries. For purposes of this analysis, we focused on the emerging and frontier markets specifically. *See Corruption Perceptions Index 2010*, *supra* note 1. *See generally* Press Release, Transparency International, Persistently high corruption in low-income countries amounts to an "ongoing   humanitarian   disaster"   (Sept.   22,   2008),   http://www.transparency.org/news_room /latest_news/press_releases/2008/2008_09_23_cpi_2008_en.

in levels of international trade for developed markets are likely more the result of economic policy changes, tax regimes, and changes in the perceived corruption levels of current or future trading partners. The emerging and frontier markets, on the other hand, have higher perceptions of corruption and are competing against each other for international trade opportunities. These markets provide the best opportunity to identify and isolate the impact of corruption on international trade.

Brazil, Russia, India, and China, otherwise known as "BRIC", have long been considered as emerging markets, but there are other countries such as South Africa, Turkey, Republic of Korea, Mexico, and Poland, among others, that are also experiencing rapid economic growth.[5] There are also a number of countries that are considered to be the next wave of emerging markets, commonly referred to as frontier markets.[6] As there is no single definition of emerging or frontier market, we considered the list of emerging and frontier markets as listed by various sources, including The Economist, the World Bank, Morgan Stanley Capital International, and Goldman Sachs' list of next 11 frontier markets.[7] Based on this review, we identified a total of 30 countries for this analysis as shown in figure 3 below. This is an appropriate sample as it includes countries that cover all geographic regions and are at different stages of development.
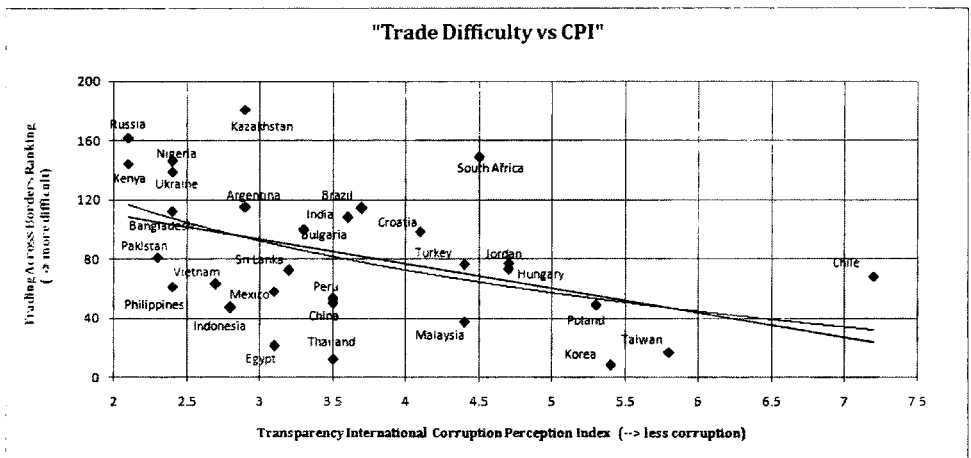

Figure 3. Emerging and Frontier Markets – Trade Difficulty vs. CPI

5. *Emerging Markets: Beyond the Big Four*, BLOOMBERG BUSINESSWEEK (Dec. 26, 2005), http://www.businessweek.com/magazine/content/05_52/b3965450.htm.

6. *The Emerging Emerging Markets*, ECONOMIST (Nov. 22, 2010), *available at* http://www.economist.com/node/17493411.

7. *Doing Business 2008: Large Emerging Markets Reforming Fast; Egypt the Top Reformer, Eastern Europe Overtakes East Asia on Ease of Doing Business*, THE WORLD BANK, http://go.worldbank.org/WRCBMGZ1R0 (last visited Nov. 2, 2011); *MSCI Emerging Markets Indices*, MORGAN STANLEY CAPITAL INTERNATIONAL, http://www.msci.com/products/indices/country _and_regional/em/ (last visited Nov. 2, 2011); *MSCI Frontier Markets Indices*, MORGAN STANLEY CAPITAL INTERNATIONAL, http://www.msci.com/products/indices/country_and_regional/fm/ (last visited Nov. 2, 2011); *The Emerging Emerging Markets*, *supra* note 6; *The Next 11*, GOLDMAN SACHS, http://www2.goldmansachs.com/gsam/advisors/products/growth_markets/n11/index.html (last visited Nov. 1, 2011).

The top left hand corner of figure 3 shows the countries that potentially could benefit the most from improvements in their perception of corruption, including Russia, Ukraine, Kazakhstan, Nigeria, and Kenya. These countries are among the worst with respect to perception of corruption among the thirty emerging and frontier markets and also among the worst with respect to perception of ease of conducting international trade. There are also a number of countries, including Indonesia, Egypt, and Thailand that rank relatively high in terms of ease of conducting international trade, despite having a high perception of corruption. Then there are countries that could have been expected to rank higher in ease of conducting international trade given their relative CPI score, including South Africa and Brazil, among others. The takeaway from all this is that corruption is not the only factor impacting international trade. This conclusion is further substantiated by the relatively low correlation coefficient of 0.44 between trade difficulty and CPI for the thirty countries shown in figure 3. Governmental policies regarding tariffs, corporate tax rates, and capital control, as well as geographic location, labor costs, and transportation infrastructure, all play major roles as well. Before trying to identify and isolate the specific impact of corruption on international trade, we need to acknowledge these other factors and identify the markets where improvements in the perception of corruption is likely to have the greatest economic impact.

For example, a close examination of the Ease of Doing Business Index data for Brazil for 2010 as reported by the World Bank reveals that while Brazil is ranked 114 as far as ease of trading across borders, it is ranked 152 on the paying taxes category.[8] This suggests that perhaps the single item that would have the greatest impact on Brazil's Ease of Doing Business Index ranking would be reforms to Brazil's overly complex tax system. A similar analysis of this data for South Africa shows that while South Africa is ranked 34 as far as Ease of Doing Business, it is ranked 149 in terms of trading across borders. South Africa's CPI rating of 4.5 suggests that corruption may not be driving this relatively poor ranking. According to the World Bank's description of the factors considered for the trading across borders category, better training of customs staff and investment in transportation and logistics infrastructure could have a positive impact on South Africa's ranking in the ease of trading across borders category. In summary, while both Brazil and South Africa have issues to consider in order to improve their rankings for the Ease of Doing Business Index and the trading across borders category, corruption may not be the primary issue for these countries.

There is also a group of countries at the bottom left hand corner for figure 3, including Bangladesh, Pakistan, among others, where corruption is clearly just one of many issues that need to be dealt with in order to attract international trade opportunities, including changes to the legal system to implement and enforce intellectual property laws, investment in infrastructure, business friendly tax regimes, and enforcement of business contracts. Some researchers have even suggested that corruption in certain markets serves as a lubricant for international trade as it makes up for the low quality of government agencies and poorly trained

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8. *Doing Business 2011*, *supra* note 2, at 152.

government officials.[9] This is not to say that such countries could not benefit from implementing anti-corruption measures and improving the quality of their government organizations and officials. They simply need to focus on other areas first.

The aforementioned observations indicating that corruption is not the only factor impacting international trade are valuable as we compare the 2010 international trade per capita, defined as the sum of imports and exports divided by the 2010 population, to the TI CPI values for each of the thirty countries as shown in figure 4.[10] We note that oil and gas imports and exports were excluded from this analysis as we tried to isolate the discretionary forms of international trade.
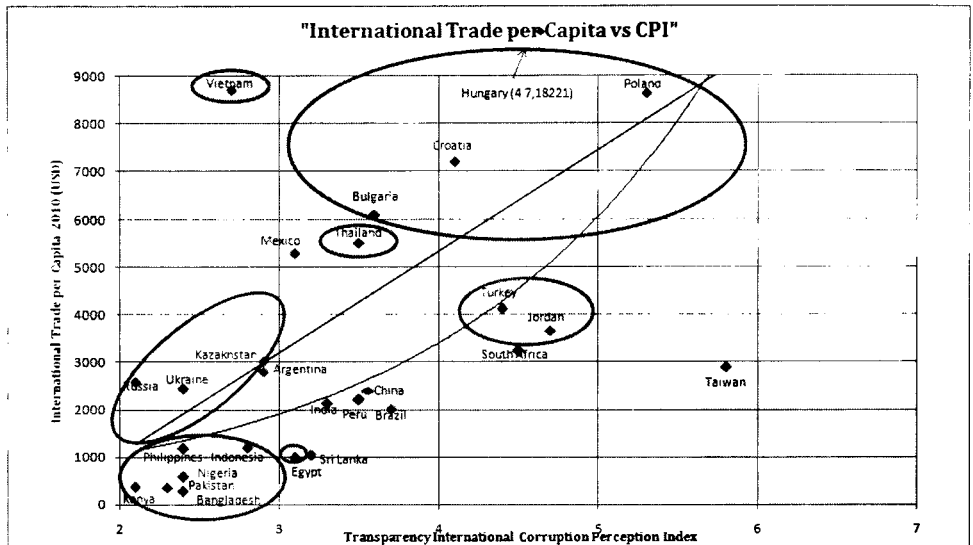

Figure 4. 2010 International Trade per Capita vs. CPI

At first glance, the data in figure 4 does not seem particularly enlightening as there are many outliers that would be expected to have either much lower or much higher levels of international trade per capita based only on their TI CPI value. On closer examination of the data, taking into account the other factors impacting international trade, such as geographic location, tax regimes, and relative labor costs, we can start to see relevant clusters of data. In figure 4 we highlight some of the relevant clusters. Of these clusters, the two that are the most useful are the Eastern European cluster (in blue) and the Middle East cluster (in green). In looking at the two groups of Eastern European countries with Russia, Ukraine, and Kazakhstan in one group (Group A) and Hungary, Croatia, Bulgaria, and Poland in another (Group B), we see a significant difference in the level of international trade per capita and TI CPI values between the two groups. The correlation coefficient

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9. CHRISTIAN WILLEM JOHAN BOGMANS, ESSAYS ON INTERNATIONAL TRADE AND THE ENVIRONMENT 72-75 (2011), *available at* http://arno.uvt.nl/show.cgi?fid=114694.

10. International Trade per Capita data is based on total imports and exports for 2010 divided by 2010 population as reported by the World Bank, *available at* http://data.worldbank.org/data-catalog#Tables.

between international trade per capita and CPI is 0.90 for the seven countries in Group A and B. The countries in Group A and Group B were all part of the former Soviet Union, have similar corporate tax rates, labor costs, and are generally similar in terms of transportation infrastructure.[11] While there are certainly some differences amongst the group of countries, the perceived level of corruption is a key difference between the two groups.

The comparison of the Group A countries to the Group B countries is particularly insightful as it allows us to potentially quantify the economic cost of corruption for the Group A countries with reference to the results of the Group B countries. Table 1 displays the predicted level of international trade per capita for the Group A countries based on a TI CPI value of 5.3, equal to that of Poland. Poland was selected as the appropriate benchmark as it has the highest population of the Group B countries and is also the largest in terms of land mass, making it the most comparable to the relatively more populated and geographically large Group A countries.

Table 1. Estimated Economic Cost of Corruption – Eastern Europe[12]

Country (2010 Figures)	Trading Across Borders	TI CPI	International Trade (USD Millions)	Population	International Trade per Capita (USD)	Adjusted International Trade (USD)
Bulgaria	108	3.6	45,969	7,543,325	6,094	
Croatia	98	4.1	31,856	4,424,161	7,200	
Kazakhstan	181	2.9	49,141	16,316,050	3,012	91,662
Poland	49	5.3	329,548	38,187,488	8,630	
Russian Federation	162	2.1	365,473	141,750,000	2,578	857,792
Ukraine	139	2.4	112,171	45,870,700	2,445	283,681
Hungary	21	3.1	182,371	81,121,077	18,221	

The findings of the analysis suggest that Russia's level of international trade could be nearly $860 billion higher, more than two times current 2010 levels, if there was a dramatic change in Russia's perception of corruption equal to that of Poland (a movement from 2.1 to 5.3 on TI's CPI). This potential impact for Ukraine could be over $280 billion and Kazakhstan over $90 billion.

As Russia is often compared to other members of BRIC, namely Brazil, India, and China, we compare Russia's level of international trade for 2010 to these countries (see table 2). We also show this comparison based on a corruption-adjusted international trade figure from table 1. Based on 2010 data, Russia had a total level of non-oil and gas related international trade of $365 billion, the lowest level of international trade among BRIC.[13] With the corruption adjusted value of over $1.2 trillion, Russia could be well ahead of Brazil and about half of India's $2.5 trillion in international trade for 2010.

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11. *See generally Business Environment and Enterprise Performance Survey (BEEPS) Data Portal*, THE WORLD BANK, http://beeps.prognoz.com/beeps/Home.ashx (last visited Nov. 7, 2011) (providing analysis of corporate tax rates, labor costs, and transportation infrastructure for former Soviet Union states).

12. International Trade per Capita data is based on total imports and exports for 2010 divided by 2010 population as reported by the World Bank, *available at* http://data.worldbank.org/data-catalog#Tables.

13. *See infra* Table 2.

Table 2. Estimated Economic Cost of Corruption for Russia

Country (2010 Figures)	Trading Across Borders	TI CPI 2010	International Trade (USD Millions)	Population	Russia Adjusted International Trade – USD Millions
Brazil	114	3.7	399,379	194,949,470	
China	50	3.5	2,972,960	1,338,299,512	
India	100	3.3	2,490,489	1,170,938,000	
Russia Federation	162	2.1	365,473	141,750,000	1,223,265

Similar results can be obtained by examining the cluster of Middle Eastern countries (in green) in figure 4. Egypt, although similar to Jordan and Turkey in many regards, has a significantly lower level of international trade per capita. As shown in table 3, Egypt's level of international trade could be over $200 billion higher than actual 2010 levels if Egypt's perception of corruption improved to levels consistent with Jordan and Turkey (from TI's CPI of 3.1 to 4.4).

Table 3. Estimated Economic Cost of Corruption for Egypt

Country (2010 Figures)	Trading Across Borders	TI CPI 2010	International Trade (USD Millions)	Population	Adjusted International Trade – USD Millions
Egypt, Arab Rep.	21	3.1	79,361	81,121,077	217,220
Jordan	77	4.7	22,108	6,047,000	
Turkey	76	4.4	299,520	72,752,325	

We note that the figures noted for Russia and Egypt may not be entirely explained by differences in perception of corruption as there may be other factors/limitations that lead to differences in the level of international trade for the various markets. The analysis here attempts to identify comparisons where corruption is one of the most important factors influencing the differences in international trade levels per capita. The numbers shown in tables 2 and 3 should be best viewed as hypothetical outcomes that each market can achieve if it includes combating corruption among its top priorities, along with other policies that work to attract international trade opportunities.

IV. OTHER METHODS TO ESTIMATE THE ECONOMIC COST OF CORRUPTION

The findings of this analysis are based primarily on a qualitative comparison and analysis of the thirty countries considered to be emerging or frontier markets. We have not performed a statistical analysis by means of regression or other methods to quantify the impact of corruption on international trade. There are other researchers, including research conducted by Global Financial Integrity (GFI), a Washington, DC-based think tank, that have attempted to perform such analyses and have found similarly dramatic results as shown in this article.[14]

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14. Dev Kar & Karly Curcio, *Illicit Financial Flows from Developing Countries 2000-2009*, Global Financial Integrity, Jan. 2011, *available at* http://www.gfintegrity.org/storage/gfip/documents /reports/IFF2010/gfi_iff_update_report-web.pdf.

In examining the economic cost of corruption, some researchers have drawn the analogy between payment of a bribe to payment of a tax.[15] The premise being, as an investor, if one knows that they have to pay a tariff on imports of 10 percent and also knows that they will have to pay bribes to customs officials of 10 percent to get products through possible lengthy and costly delays at the port, the investor would not distinguish between these two payments of the tariff and bribe and a single payment of the 20 percent tariff. If the amount of the bribe is known, and assuming all other factors are the same, a risk neutral investor would be indifferent between investing in a country with a 20 percent tariff and a country that had a 10 percent tariff and 10 percent bribe requirement. In reality, the amount and timing of the bribe is rarely known and this uncertainty would require a much lower tariff rate than 10 percent to convince the investor to invest.[16] This analogy between corruption as a form of taxation is useful, however, as it can help to quantify the economic impact of corruption, something that has rarely been quantified, based on the economic impact of taxation, something which has been studied and evaluated on a much greater scale.

Research by Shang-Jin Wei based on a statistical analysis of TI's CPI index, country tax rates, capital control policies, foreign direct investment levels, and accounting for other variables such as GDP levels and other government policies, concluded that a drop of 1.0 points on the TI CPI index would have an equivalent impact on foreign direct investment as a 4.69 percent increase in the corporate tax rate.[17] While the research focused on foreign direct investment, international trade would be expected to be similarly impacted. Based on the TI CPI index figures for 2010, the findings of this research would suggest than an increase in the corruption level from that of Singapore to Russia would have an equivalent impact on foreign direct investment as a 33.8 percent increase in the corporate tax rate. Given Russia's 2011 average corporate tax rate of 20.0 percent,[18] the implied tax rate given Russia's perceived level of corruption would be a whopping 53.8 percent, compared to Singapore's tax rate of 17.0 percent. These findings may be helpful in explaining why Russia, with a relatively low corporate tax rate, has a much lower level of international trade as compared to other BRIC countries, namely China, India, and Brazil. Similarly, an increase in the corruption level from that of Singapore to Egypt would have an equivalent impact on foreign direct investment as a 29.1 percent increase in the corporate tax rate. Given Egypt's 2011 average corporate tax rate of 20.0 percent,[19] the implied tax rate given Egypt's perceived level of corruption would be 49.1 percent. These findings are also consistent with

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15. Shang-Jin Wei, *Does Corruption Relieve Foreign Investors of the Burden of Taxes and Capital Controls?*, *in* INTERNATIONAL TAXATION AND MULTINATIONAL ACTIVITY 73, 74-76, 78 (James R. Hines, Jr. ed., 2000), *available at* http://www.nber.org/chapters/c10720.pdf.

16. The potential impact of fines and damage to reputation cannot be measured, and therefore, would also negatively impact investment.

17. Wei, *supra* note 15, at 74-76, 78.

18. *Russia Highlights*, DELOITTE (2011), http://www.deloitte.com/assets/Dcom-Global/Local%20 Assets/Documents/Tax/Intl%20Tax%20and%20Business%20Guides/2011/dtt_tax_highlight_2011_Rus sia.pdf.

19. *Egypt Highlights*, DELOITTE (2011), http://www.deloitte.com/assets/Dcom-Global/Local% 20Assets/Documents/Tax/Intl%20Tax%20and%20Business%20Guides/2011/dttl_tax_highligh_2011_E gypt.pdf.

the analysis presented in tables 2 and 3 as perceived tax rates that are 33.8 percent and 29.1 percent higher than actual tax rates are likely to lead to significantly lower international trade levels than would otherwise be expected.

V. WHAT STEPS CAN RUSSIA TAKE?

Our research and the research performed by others indicate that the perception of Russia as one of the most corrupt countries in the world comes at a potentially steep economic price.[20]   The good news is that this perception can be reversed.   Singapore is perhaps the most dramatic example of this as it was considered one of the most corrupt countries in the world early in the twentieth century and is now considered the least corrupt country in the world according to both TI's CPI and the World Bank's WGI. Russia does not have to go so far back in history as Singapore to find a role model, it has only to look at a fellow member of BRIC, China.

Although neither Russia nor China has a low perception of corruption based on TI's CPI, there is a large difference between the two countries according to the Trading Across Borders rankings as shown in figures 1 and 2. Russia is close to the predicted level for ease of international trade, as shown by the trend lines in the figures, while China's ranking as a trading partner is significantly better than what the data would predict. Based on China's TI's CPI value of 3.5, China could be number 115 in the Trading Across Borders ranking.[21] Instead, China is ranked number 50, 65 notches higher than predicted.[22] Russia, on the other hand, is 2.1 on TI's CPI and 162nd on the Trading Across Borders ranking.[23] Russia could be number 145th based on the predicted results.[24] Why does China do so much better than Russia on its perception as a trading partner than Russia? What can Russia learn from China in greatly improving its image as a reliable trading partner?

To answer these questions, we examine the nine factors that go into the Ease of Doing Business Index. The following government services are particularly relevant from a corruption perception standpoint: obtaining of business and construction permits, registering property, getting credit, protecting investors, paying taxes, trading across borders (customs), enforcing contracts, and closing a business. Put differently, corruption in these areas is likely to have the greatest impact on the Ease of Doing Business Index ranking.   Table 4 provides a comparison of China and Russia across these nine factors.

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20. Kar & Curcio, *supra* note 14; Fred Weir, *Russia corruption costs $318 billion – one-third of GDP*, Christian Science Monitor, Nov. 23, 2009, *available at* http://www.csmonitor.com/World/Global -News/2009/1123/russia-corruption-costs-318-billion-one-third-of-gdp.

21. *Corruption Perceptions Index 2010, supra* note 1, at 3; *Doing Business 2011, supra* note 2, at 156.

22. *Doing Business 2011, supra* note 2, at 156.

23. *Id.* at 189.

24. *Id.*

Table 4. Ease of Doing Business: Russia-China Comparison

(2010 Data from the World Bank)[25]	China	Russia
Ease of Doing Business Rank (Composite Ranking)	79	123
Starting a Business	151	108
Dealing with Construction Permits	181	182
Registering Property	38	51
Getting Credit	65	89
Protecting Investors	93	93
Paying Taxes	114	105
Trading Across Borders	50	162
Enforcing Contracts	15	18
Closing a Business	68	103

Table 4 shows that, while the two countries are generally similar across most categories, one significant difference relates to the Trading Across Borders category. As noted, China ranks at number 50 while Russia is at number 162. This category relates specifically to government agencies and policies dealing with international trade, including import tariff regimes, customs organizations, port authorities, and transportation companies. An explanation of the discrepancy in the levels of international trade for these markets may be explained through further analysis of the rules and organizations for each country as they relate to these agencies.

The average tariff for China was 9.8 percent in 2010, but this figure has come down gradually from close to 15 percent in 2000.[26] Furthermore, China implemented specific measures to improve and modernize its customs agencies and to combat corruption in its customs agencies leading up to and after its entry into the World Trade Organization in 2001. Over the last ten years, China has tried to build a culture of enforcement and has prosecuted a number of high-level cases involving senior customs officials. These measures may have contributed to a significant improvement in the perception of China as a reliable trading partner from number 100 in 2004 to number 50 in 2011.

In order to specifically target the relatively low levels of international trade, Russia can learn from China's experience and implement a long-term policy with respect to tariffs so as to reduce the uncertainty associated with the Russian tariff regime. Specifically, Russia can invest in improving the quality of its customs

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25. *Id.* at 156, 189.

26. Isola Oluwabusuyi, *Doing Business with China: Is China Keeping its Legal WTO Obligations?*, 3 J. OF INT'L ECON. AND FIN. 88, 89 (2011) *available at* http://www.academic journals.org/jeif/PDF/pdf%202011/February/Oluwabusuy.pdf; Thomas Rumbaugh & Nicolas Blancher, *China: International Trade and WTO Accession* 18 (IMF, Working Paper No. 04/36, Mar. 2004) *available at* http://www.imf.org/external/pubs/ft/wp/2004/wp0436.pdf.

officials and of the customs organization overall. The customs officials need to be evaluated on a series of metrics that are aligned with Russia's objectives for international trade. Of these metrics, reductions in waiting time at the border needs to be a high priority as the combination of bad institutions, low quality of customs officials, and unpredictable waiting times at the border all work to stifle international trade. Significant improvements in these areas may lead to an improved perception of corruption for Russia and could reduce the impact of the perception of corruption on international trade.

VI. SUMMARY AND CONCLUSION

Based on the analysis of emerging and frontier markets presented here, there is clearly a correlation between the perception of corruption and levels of international trade. Countries that are ranked high in perception of corruption are generally also perceived as the most difficult countries in terms of ease of international trade. While perception of corruption is not the only relevant factor impacting international trade, for certain countries like Russia, Ukraine, and Egypt, a significant reduction in the perception of corruption may have as much, if not more, of an impact on international trade as favorable labor laws, tax rates, and capital (currency) control measures.