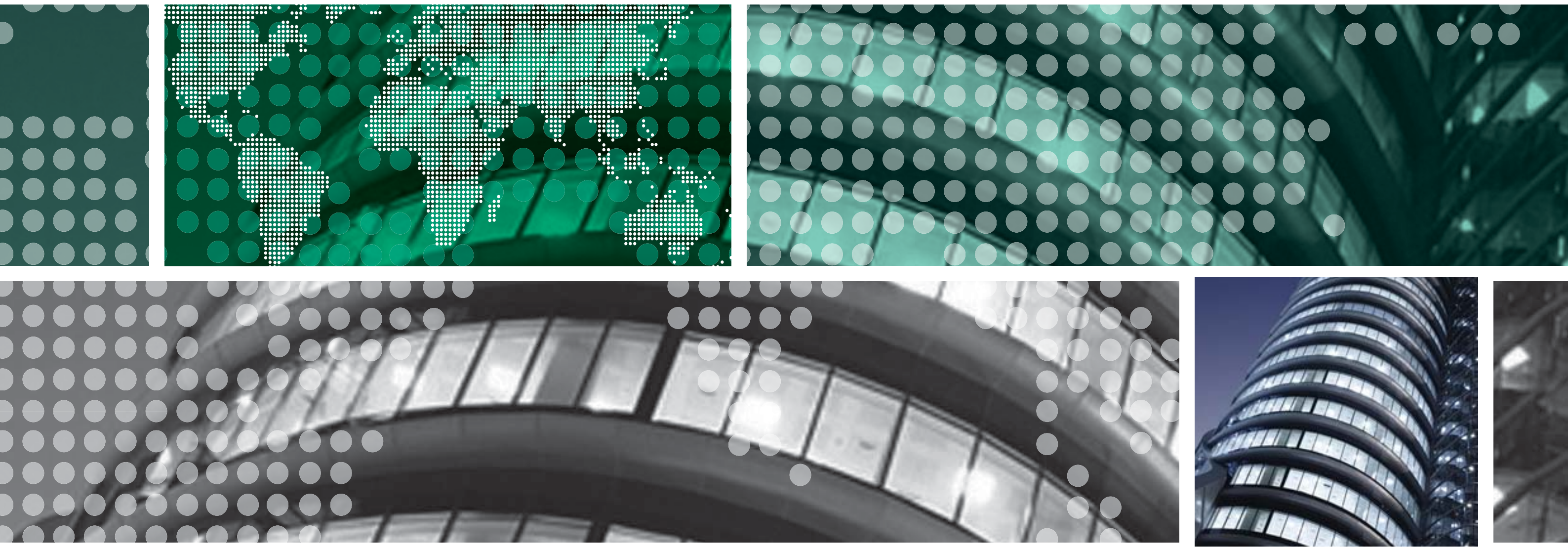
3RD EDITION 2015

ICC OPEN MARKETS INDEX



COMMISSIONED BY
THE ICC WORLD TRADE AGENDA

SEPTEMBER 2015

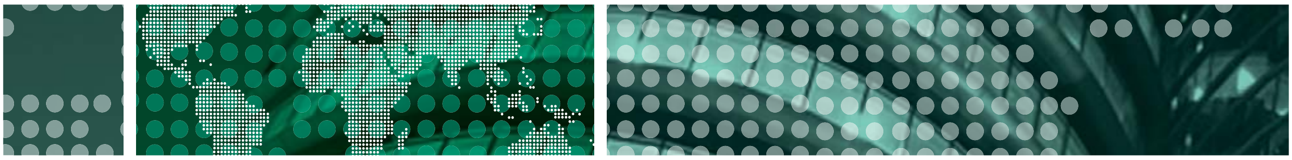
ICC INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

غـرفـــة قـطـر
QATAR CHAMBER

3RD EDITION 2015

ICC OPEN MARKETS INDEX

This report was prepared for ICC by K. Michael Finger, international economist and 30-year veteran of the GATT/WTO research division. Mr. Finger is currently an independent consulant and author.
Support for the project was provided by the ICC World Trade Agenda.



INTERNATIONAL CHAMBER OF COMMERCE
2015 OPEN MARKET INDEX

CONTENTS

FOREWORD

The International Chamber of Commerce's (ICC) Open Markets Index (OMI) is published with the aim of presenting a balanced and reliable measurement of a country's openness to trade. We hope that the OMI will act as a useful guide to governments in implementing reforms to enable trade as a driver of sustainable growth and job creation.

This 3rd edition of the OMI edition comes at a critical juncture for world trade. The World Trade Organization (WTO) officially commemorates its 20th anniversary in 2015 and will host its 10th Ministerial Conference in December in Nairobi. Recent achievements show that the WTO can be a proactive and potent forum to set and enforce the rules for a world trade and investment system. For example, the Trade Facilitation Agreement (TFA) was approved by all WTO members at the Bali Ministerial in December 2013; and in July 2015, 81 negotiating parties – representing approximately 97% of world trade in information technology products – struck a deal for expansion of the 1996 Information Technology Agreement (ITA2). While both of these deals have the potential to drive trade, growth and jobs, the WTO must still demonstrate its leadership in national capitals. At the time of this publication, only a handful of WTO members have ratified the TFA, and until it is ratified by 107 WTO members, it cannot come into force and be fully implemented.

At the same time, several WTO members are pressing forward on plurilateral agreements, including ongoing negotiations for the Environmental Goods Agreement (EGA), as well as renewed interest in further expanding the Government Procurement Agreement (GPA). In parallel to these trade deals, several regional agreements are currently being negotiated, including the Trans-Pacific Partnership (TPP), the Transatlantic Trade and Investment Partnership (TTIP), and the Regional Cooperation and Economic Partnership Agreement (RCEP). These major negotiations suggest that governments increasingly recognize the importance of trade and investment policy in terms of promoting renewed global growth.

What's more, there are signs of sustainability in ongoing global economic recovery, despite the sluggishness in the recovery of trade growth. The world economy is expected to see moderate expansion, with both GDP and trade growth forecast to increase in both 2015 and 2016.

To maintain this momentum, governments from across the world must continue to open borders and bring down barriers to trade and investment.

Unfortunately, evidence points to an unremitting continued protectionism trend since the outbreak of the global financial crisis in 2008.

- The WTO's 13th monitoring report (mid-October 2014 to mid-May 2015) notes that the average application of new trade-restrictive measures is lower than at any time since 2013, with a slight increase in trade-liberalizing measures. It also highlights, however, that of the 1,360 restrictions recorded since the onset of the 2008 crisis, less than a quarter have been removed. Since mid-October 2014, the total number of restrictive measures increased by more than 7% – an average of 17 new measures per month.

- The 11th EU Report on Potentially Trade-Restrictive Measures (1 June 2013–30 June 2014) identified 170 new measures "exceeding the number identified in the previous 13 months period.”[1] Even more worrisome is that the pace of removal decreased, while the number of new measures increased as sharply as before.

- The 16th Global Trade Alert report (GTA) – which uses a broader definition of trade barriers than the WTO monitoring report – found that G20 economies have introduced more than 450 protectionist measures since the 2013 St. Petersburg Summit. The GTA underscores that G20 countries are introducing trade restrictive measures at a higher rate now than they did during the height of the global financial crisis in 2009, “amounting on average to one harmful act every 23 hours”.[2] These actions undermine policies for economic recovery and long-term job creation at a time when the world economy most needs a boost from trade.

For these reasons, ICC has long called for along the reduction of protectionist measures. In the ICC World Trade Agenda, we have pressed for *inter alia* duty-free and quota-free market access for exports from least-developed countries, the phase-out of agricultural export subsidies, and the renouncement of food export controls. In the G20 arena, ICC has along with our B20 colleagues, continued to call on the G20 to demonstrate leadership and fortitude necessary to reaffirm the standstill[3] commitment on new protectionist measures, roll back existing measures, and help stop protectionism in its tracks.

Clearly, WTO and G20 commitments to keep markets open come across as hollow in the face of these recent reports that protectionism is, in fact, on the rise.

This 3rd edition of OMI is critical in pinpointing and measuring obstructions to global trade. It provides an important reference for the G20 and the WTO to collectively lower barriers to trade and investment and unlock jobs and growth.

John Danilovich
Secretary General
International Chamber of Commerce

1 The EC’s 11th Report on potentially trade-restrictive measures, p. 3 (2014). Available at http://trade.ec.europa.eu/doclib/docs/2014/november/tradoc_152872.pdf

2 Simon J. Evenett, *The Global Trade Disorder: The 16th GTA Report* (London: CEPR Press, 2014) Available at: http://www.globaltradealert.org/sites/default/files/GTA16.pdf

3 At the inaugural G20 Summit in November 2008, the G20 declared, “We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports.” The “standstill” commitment was extended at the 2014 G20 Summit in St. Petersburg and currently remains valid until the end of 2016.

EXECUTIVE SUMMARY

Over the past 60 years, the multilateral trading system has helped improve the standard of living of billions of people worldwide by creating new economic opportunities and providing greater choice and lower prices to consumers. Six years after the global financial crisis, however, Gross Domestic Product (GDP) growth for a majority of the world economies has shifted to a noticeably lower path compared to pre-crisis levels.

In the period covered by this report, the world economy is still struggling to overcome the impact of the financial crisis. This impact is perhaps most evident in Europe during 2015 with the uncertainties over the future of the Eurozone.

In January 2015, the World Bank once again revised its forecast for global growth downward to 3% from its previous prediction of a 3.4% increase in June 2014.

World trade growth also remains sluggish. The United Nations World Economic Situation and Prospects 2015 (WESP) report estimates that world trade expanded by 3.4% in 2014, still well below the pre-crisis average rate of 6% (1990–2008). In a global economy where recovery remains fragile, additional measures to liberalize trade can provide a significant debt-free stimulus and much needed boost to global GDP.

As the world business organization, the ICC has advocated for liberalized trade at both intergovernmental and national levels. In the ICC view, a critical aspect of liberalized trade is the extent to which individual economies – especially those heavily reliant on trade for growth – decrease barriers to trade and commerce.

Consequently, ICC commissioned research to develop an OMI to better understand the extent to which governments are following through on their commitments to create genuinely open economies and to measure the openness of key economies.

This 3rd edition of the OMI measures the performance of 75 countries in terms of market openness based on four specific components: their observed openness to trade, their trade policy regime, their openness to foreign direct investment, and their trade enabling infrastructure.

The OMI combines indicators of actual, *de facto*, market openness with those reflecting government measures considered barriers to market entry. Consequently, the results of the OMI serve two purposes:

1. Ranking national market performance on openness to trade from most to least open is an effective way to focus on improvements and to monitor progress year-on-year.

2. Evaluating a country's performance across four indicators of openness to trade constitutes a tool for policymakers and authorities to identify deficiencies that deserve greater attention, thereby generating a roadmap for action and improvement.

Government authorities with better information on how their market perform – both on key indicators and relative to other countries – are better able to honour commitments to open trade, implement necessary changes, and resist regressive measures to "protect" domestic industries and jobs.

OMI 2015 Highlights

- The average of the aggregate scores of the 75 economies under review has increased incrementally from 3.5 in OMI 2011 to 3.6 in OMI 2013 and 3.7 in OMI 2015. This rise suggests that, by and large, the international community is successfully resisting temptations to increase protectionism.

- Despite the past progress made, countries still have much to do to improve the openness of their economies. Many of the world's biggest economies (including the United States, Japan and France) obtain only *average* scores, while half of the 32 developing countries reviewed in the index rate *below average*.

- The two highest performing economies – and the only two ranked as excellent in terms of overall openness (scoring above 5.0) – are again Hong Kong and Singapore. Meanwhile, the worst performing economies (scoring below 2.0) are Pakistan, Bangladesh, Ethiopia and Sudan.

- G20 leaders have consistently emphasized the importance of open markets as part of their goal to drive global economic growth and job creation. The G20, however, is clearly not demonstrating the global leadership it strives to provide. The average of G20 country scores in OMI 2015 is, in fact, slightly below the average of the 75-country sample (3.4 compared to 3.7).

- Only one G20 country, Germany, ranks among the top 20 countries.

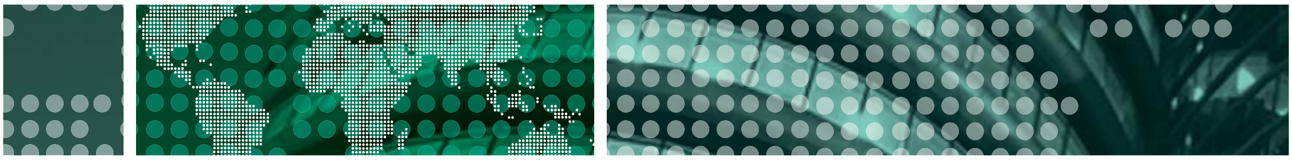
- Moreover, only Germany, Canada, Australia and the United Kingdom record an *above average* openness (category 2).

- BRICS countries (Brazil, Russia, India, China and South Africa) continue to lag with a collective *below average* overall score of 2.8. Nonetheless, there are some indications of progress. While South Africa was the only BRICS member to achieve an *average* score of 3.2 in OMI 2013, Russia and China have now (narrowly) achieved average scores of 3.0 and 3.1 in OMI 2015.

- 24 countries exhibit an increase in their aggregate score by at least 0.3 (rounded) points compared to the OMI 2011.

- These include: Austria, Chile, Chinese Taipei, Colombia, Latvia, Malta, Morocco, New Zealand, Norway, Peru, Portugal, Singapore, Slovenia, Sweden, Switzerland, Ukraine, Venezuela, and Vietnam.

- Six G20 countries show increases: Australia, Canada, Germany, Korea, Mexico and the Russian Federation.



INTRODUCTION

Open markets are characterized by the absence of man-made barriers impeding the cross-border flows of goods, services, capital and labour. Various indicators can be aggregated into an index that reflects each country's degree of openness to trade. Countries can then be ranked according to their degree of openness. The most open economies will rank at the top.

The Open Markets Index (OMI) in this report comprises four key components:

- Observed openness to trade
- Trade policy
- Foreign direct investment (FDI) openness
- Infrastructure for trade

More than 30 time series have been considered for the construction of the four basic components. Statistics are all derived from publicly available data, typically from 2012 and 2013. They include the general databases of international organizations, three studies (surveys) of the World Bank, and a direct communication from the International Trade Centre (ITC).

The final element in creating the OMI is an aggregation of the four key components into a cohesive, single index that appropriately measures economies' relative openness. Annex 5 presents a detailed description of the methodology and data sources used to develop the OMI.

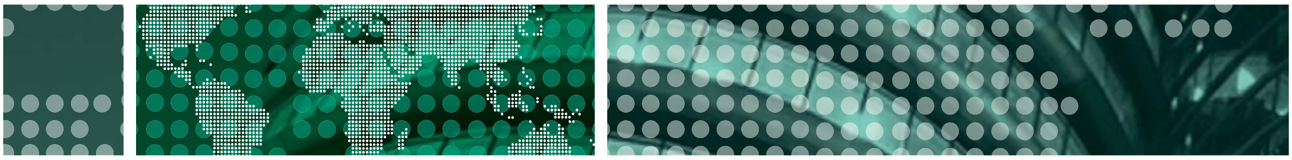
In contrast to other existing globalization indices, the focus of this research is on the ease of access to an economy, concentrating on actual barriers and market access barriers attributed to government policies. As such, the report has not considered:

- Restrictive private business practices;
- Behind-the-border measures (e.g. subsidies).

The 75 economies explored in this study are about evenly split between developed and developing countries. They comprise all G20 economies and all EU member countries, as well as a heterogeneous group of poor, rich and middle-income economies, which together represent more than 90% of global trade and investment.

The remainder of this report is structured as follows:

- **Section 1** provides key OMI findings and discusses the interpretation for key countries, with a focus on G20 performance.
- **Section 2** provides a roadmap for action and improvement.



SECTION 1: KEY FINDINGS FROM THE OMI 2015

This section of the report sets out the results and interpretation of the OMI. First, the overall index findings are examined, followed by a focus on the G20 economies' performance.

The OMI–Aggregate score and ranking

In interpreting the ranking, it is important to note that scores range from 1 to 6 and comprise five categories:

- **Category 1:** Most open, excellent (score of 5-6)
- **Category 2:** Above average openness (Score 4-4.99)
- **Category 3:** Average openness (Score 3-3.99)
- **Category 4:** Below average openness (Score 2-2.99)
- **Category 5:** Very weak (Score 1-1.99)

Table 1 opposite sets out the key findings from the 3rd edition of the OMI. It presents the ranking and aggregate score for the 75 countries considered. (Annex 3 provides the full scoring for each country on each component of the OMI). Table 1 arranges each of the countries by category and indicates that: Category 1 has only two countries. Category 2 is the largest with 31 countries, followed by Category 3 with 26 countries. Category 4 comprises 13 economies, and three countries fall under Category 5 (Bangladesh, Ethiopia and Sudan).

Table 1 | Country scores and rankings

Category	Country	Rank	Score
1 Most open	Singapore	1	5.5
	Hong Kong	2	5.5
2 Above average openness	Luxembourg	3	4.9
	Belgium	4	4.8
	Netherlands	5	4.8
	Ireland	6	4.7
	Switzerland	7	4.7
	United Arab Emirates	8	4.7
	Iceland	9	4.7
	Sweden	10	4.5
	Estonia	11	4.5
	Denmark	12	4.5
	Malta	13	4.5
	Norway	14	4.5
	Slovakia	15	4.5
	Austria	16	4.4
	Czech Republic	17	4.4
	Hungary	18	4.4
	Germany	19	4.3
	Latvia	20	4.3
	New Zealand	21	4.3
	Slovenia	22	4.3
	Lithuania	23	4.2
	Canada	24	4.2
	Finland	25	4.2
	Bulgaria	26	4.1
	Australia	27	4.1
	Chinese Taipei	28	4.1
	Chile	29	4.1
	United Kingdom	30	4.1
	Poland	31	4.0
	Cyprus	32	4.0
	Malaysia	33	4.0
3 Average openness	Israel	34	3.9
	Ukraine	35	3.9
	Saudi Arabia	36	3.9
	France	37	3.9
3 Average openness	Romania	38	3.9
	Portugal	39	3.8
	Peru	40	3.8
	Republic of Korea	41	3.8
	United States	42	3.7
	Italy	43	3.6
	Japan	44	3.6
	Viet Nam	45	3.6
	Spain	46	3.6
	Thailand	47	3.5
	Jordan	48	3.4
	Greece	49	3.3
	South Africa	50	3.3
	Turkey	51	3.2
	Kazakhstan	52	3.2
	Uruguay	53	3.1
	Mexico	54	3.1
	Colombia	55	3.1
	Indonesia	56	3.1
	Russian Federation	57	3.1
	Morocco	58	3.0
	China	59	3.0
4 Below average openness	Philippines	60	2.9
	Egypt	61	2.7
	Tunisia	62	2.7
	India	63	2.6
	Venezuela	64	2.6
	Argentina	65	2.5
	Nigeria	66	2.4
	Kenya	67	2.4
	Sri Lanka	68	2.3
	Uganda	69	2.3
	Brazil	70	2.3
	Algeria	71	2.2
	Pakistan	72	2.1
5 Very weak	Bangladesh	73	1.9
	Ethiopia	74	1.9
	Sudan	75	1.8

The key findings in each index category are discussed below.

Category 1: Most open economies

Only two economies, **Singapore** and **Hong Kong**, earn an aggregate score of *excellent* in terms of their overall market openness – obtaining scores above 5.0 – in all four components of the OMI.

Category 2: Above average openness

The 31 economies with *above average* market openness include 23 European countries, three other developed countries (New Zealand, Canada and Australia), and four developing countries (United Arab Emirates, Chinese Taipei, Chile and Malaysia):

- The highest scores within the group are recorded by the **smaller European economies** (with a population less than 15 million) and the **United Arab Emirates**. The smaller European countries combine an above average score in trade policy with higher scores in trade and FDI openness than those countries with lower rankings in this group. The above average score of the United Arab Emirates (4.7) can be attributed to its excellent score in trade openness (5.7) and in trade enabling infrastructure (4.8), both linked to its function as regional trade hub.

- **Germany, Canada, Australia and the United Kingdom** are the only four G20 countries that record an above average openness.

  - In particular, Germany is the only G20 country to rank in the top 20 of the OMI with an aggregate score of 4.3. It records an excellent score in trade enabling infrastructure (5.6) and a strong above average score in trade policy (4.6), but only an average score in FDI openness (3.2).

  - Not far behind, Canada earns almost the same aggregate score as Germany (4.2). Canada's scores exceed Germany's in FDI openness (4.1) and match those in trade policy (4.6) but are weaker in trade openness (3.5).

  - With an aggregate score of 4.1, Australia records its strongest results in trade policy (4.7) and trade enabling infrastructure (5.0), with its weakest score in trade openness (3.1).

  - The United Kingdom attained a slightly above average score in the aggregate index (4.1), thanks to an excellent score in trade enabling infrastructure (5.5), which offsets its weak result in trade openness (2.9).

Category 3: Average openness

Twenty-six countries score *average* on openness to trade. This heterogeneous group consists of 14 developing countries, 6 EU member countries, Israel, Saudi Arabia, Republic of Korea, the Russian Federation, Japan and the United States:

- The **United States** and **Japan** share almost the same overall scores, 3.7 and 3.6 respectively, but differ much at the component level. The two largest developed economies record their weakest score in trade openness (2.1) and excellent scores in trade enabling infrastructure. The trade policy scores for both countries are among the top 10.

- Among the three large EU countries in this category (with a population in excess of 40 million people), **France** (3.9) ranks ahead of **Italy** (3.6) and **Spain** (3.6), due to an excellent score for its trade enabling infrastructure (5.1) and somewhat better results in openness to trade and FDI.

- Among the 6 EU members in this category, **France** ranks highest (3.9) and **Greece** ranks lowest (3.3). As in the two previous OMI editions, Greece continues to rank at the bottom of EU countries for each component besides trade policy, which is common among all EU members. Greece's weak trade and FDI openness point to some of the structural reasons behind its difficulties to overcome the financial crisis.

- Two countries, **Ukraine** and **Israel**, rank at the top of this group with a score of 3.9, while two developing countries, **Morocco** and **China**, rank at the bottom of the group with a score of 3.0.

- **Chile** has the best score (4.1) of all Latin American countries, followed at a distance by Peru (3.8), Mexico (3.1) and Colombia (3.1).

- Peru and the **Republic of Korea** both record a score of 3.8 and are positioned slightly ahead of **the United States**. Peru's trade policy scored excellent (5.1) – well ahead of the corresponding scores for Chinese Taipei (4.2) or the Republic of Korea (3.0). In trade enabling infrastructure and trade openness, however, Peru's scores are markedly lower than for the two Asian economies.

- **South Africa** has the best aggregate score (3.3) of all ten African countries in this sample, largely due to the good score on trade policy. **Morocco**, however, the second African country falling into the average openness category, scored better on trade and FDI openness than South Africa.

- The **Russian Federation** records (low) average scores for three basic components (trade and FDI openness and trade enabling infrastructure). While Russia realized a below average score for trade policy, its ranking has improved slightly since the last report.

- **China** ranks 59th with a score of 3.0, just at the bottom borderline of the average category. This is an improvement in its score compared with OMI 2013 when China was still in the below average category. While China's scores for trade openness (3.0), FDI openness (3.0) and trade enabling infrastructure (3.9) are in the average category, the score for trade policy (2.5) remains below average.

Category 4: Below average openness

Thirteen countries are found to have *below average* openness. These include three G20 emerging economies (India, Argentina and Brazil), as well as a wide group of developing economies from Africa, Asia and Latin America:

- India, Argentina and Brazil have in common a very weak score in trade policy (1.8) and a below average score in FDI openness. Average scores are recorded for India in trade openness and for Argentina and Brazil in trade enabling infrastructure.

Category 5: Very weak

Three least-developed countries record *very weak* market openness with aggregate scores below 2.0: **Bangladesh**, **Ethiopia and Sudan**. All three countries earned their lowest score for trade policy (less than 1.5) and similarly low scores for their trade-enabling infrastructure. These countries are among the world's poorest and have the additional handicap of having large populations which tends to lead – via the imports per capita indicator – to low trade openness scores.

Nevertheless, both Bangladesh and Ethiopia have recorded a strong merchandise import and export expansion despite a poor trade policy. This puzzling combination can be explained by their particular trade policy approach. Both grant duty-free imports for goods needed as inputs to particular, government sponsored exports. These selected export industries also benefit from a favourable special FDI regime (e.g. generous tax breaks, and duty free capital goods imports for the clothing industry in Bangladesh export processing zones or the cut flower industry in Ethiopia).[4]

The OMI and G20 country performance

Table 2 below provides a more detailed analysis of G20 member performance.[5] It lists each G20 country's overall score and ranking, as well as its score for each of the four components of the index.

Why focus on G20 countries? At their successive summits, G20 Leaders have continuously underscored the critical importance of open trade, highlighting the centrality of the WTO, while repeatedly committing to refrain from trade protectionism. As the world's premier economic forum, whose countries together account for over 85% of the world economy and nearly 80% of global trade, the G20 has tremendous potential to lead by example in keeping its markets open and rejecting trade restrictive measures. The OMI provides a useful tool to assess the extent to which the G20 has lived up to its commitments on trade and protectionism.

Table 2 | G20 scores on the Open Markets Index

G20 rank	Country	Overall OMI 2015 Rank	Aggregate Score	Trade Openness	Trade Policy	FDI Openness	Trade Enabling Infrastructure
1	Germany	19	4.3	4.0	4.6	3.2	5.6
2	Canada	24	4.2	3.5	4.6	4.1	5.1
3	Australia	27	4.1	3.1	4.7	4.3	5.0
4	United Kingdom	30	4.1	2.9	4.6	4.1	5.5
5	Saudi Arabia	36	3.9	4.0	4.3	2.9	3.7
6	France	37	3.9	2.8	4.6	3.5	5.1
7	Republic of Korea	41	3.8	4.3	3.0	3.2	4.9

4 It is worth noting that the OMI trade policy indicators evaluate the general trade regime by accounting for applied MFN tariff rates, bindings level, peak tariff rates and preferences by region but not selected exemptions by products.

5 The G20 is an informal grouping of 20 systemically important economies, including 19 countries and the European Union. The G20 meet once a year at the level of heads of state and government.

8	United States	42	3.7	2.1	4.8	3.5	5.2
9	Italy	43	3.6	2.5	4.5	3.4	4.5
10	Japan	44	3.6	2.1	4.9	2.7	5.3
11	South Africa	50	3.3	2.9	3.6	3.0	3.9
12	Turkey	51	3.2	2.8	3.3	3.4	3.9
13	Mexico	54	3.1	2.7	3.3	3.3	3.3
14	Indonesia	56	3.1	2.6	3.9	2.3	2.8
15	Russian Federation	57	3.1	3.2	2.7	3.5	3.0
16	China	59	3.0	3.0	2.5	3.0	3.9
17	India	63	2.6	3.3	1.8	2.6	2.7
18	Argentina	65	2.5	2.8	1.8	2.5	3.5
19	Brazil	70	2.3	2.3	1.8	2.5	3.2

In terms of aggregate performance, the average score for the G20 economies is 3.4, which is lower than the average of the 75-country sample (3.7). Only four G20 countries have *above average* openness. Most (12) fall in the group with *average* market openness. Three countries-record an aggregate *below average* score.

The best scoring G20 countries are Germany and Canada, followed by Australia and the United Kingdom. India, Argentina and Brazil are the G20 countries with the least open markets according to the ranking.

Fifteen of the G20 countries demonstrated an increase in score, with Russia, Canada and Korea registering the most significant gains. Notably, Russia's improvements lifted it from the *below average* to *average* category.

Looking in greater detail at the components of the index, the following is found:

- **Observed openness to trade:** The G20 countries perform poorest on average on this component of the index. While their performance is partly due to the fact that these are large countries (and so the ratio of imports to GDP might be expected to be lower), this result is still of considerable concern. Five of the G20 countries record average trade openness, and 11 score below average trade openness. The two lowest scoring countries for this component are the United States and Japan.

- **Trade policy:** The G20 countries record an average score in trade policy of 3.6, somewhat less than the 75-country sample of 3.8. The individual country scores differ widely. Nine countries record above average scores. Within this group, the United States and Japan score highest at 4.8 and 4.9, respectively. Indonesia, South Africa, Mexico, Turkey and Korea score average in trade policy, while India, Argentina and Brazil score weak (1.8).

- **FDI openness:** The G20 scores average performance (3.7) on this component. Three countries are rated above average (Australia, Canada, and the UK), and 10 countries earn an average score. Six countries are rated below average. The lowest score is for Indonesia (2.3).

- **Trade-enabling infrastructure:** The G20 countries perform best on this component, recording an average openness score of 4.2, which is above the 75-country sample's average score. Seven countries are rated excellent in terms of infrastructure (Germany, United Kingdom, Japan, United States, Canada, France and Australia), while ten G20 countries are rated above average. Two countries score below average: India and Indonesia. Russia, which had scored weak on this component in the first edition OMI in 2011, has almost doubled its score and is now considered to have average trade enabling infrastructure.

Year-to-year comparison

The 75-economy average aggregate score has incrementally increased from 3.5 in OMI 2011 to 3.6 in OMI 2013 and 3.7 in OMI 2015.[6] This trend confirms that, by and large, the international community is progressively successfully resisting temptations to increase protectionism.

Underlying the general improvement in the aggregate OMI score are the relative increases and decreases in individual country scores, which indicate trends in market openness over time.

The following section explores scoring trends over time in three significant country groupings:

- Countries that have shown lower scores between the 2011 and 2015 editions.
- Countries that have improved in score by at least 0.3 points between the 2011 and 2015 editions.
- G20 countries.

Annex 4 lists all 75 individual country scores over time.

On a downward path

Table 3 exhibits the countries that have demonstrated a decrease in score between the 2011 and 2015 editions.

- Economies that record a decline in their aggregate score by at least 0.2 (rounded) points compared to the OMI 2011 include Bangladesh, Bulgaria, Ethiopia, Kazakhstan, Kenya, Nigeria, Pakistan, Philippines and Sudan.
- Only 9 of 75 countries have shown a decrease.
- All but Bulgaria and Kazakhstan are already below average.

6 It is important to note that the scores are not absolute but rather relative measures. A country's decline against the 75-country sample average score does not necessarily mean an absolute decrease in openness. If a majority of economies open in a uniform way, the average score will increase, while the relative position/score of an individual economy may remain unchanged or even decrease. Nonetheless, a comparison with the sample average is a useful indicator of how different economies perform relative to one another.

Table 3 | Countries exhibiting a decrease in score over time			
Average Openness Scores			
	OMI 2011	OMI 2013	OMI 2015
Bangladesh	2.1	1.9	1.9
Bulgaria	4.3	4.1	4.1
Ethiopia	2.1	1.8	1.9
Kazakhstan	3.7	2.9	3.2
Kenya	2.6	2.1	2.4
Nigeria	2.8	2.3	2.5
Pakistan	2.2	2.1	2.1
Philippines	3.2	2.8	2.9
Sudan	2.2	1.8	1.9

On the rise

- Compared to the OMI 2011, 24 countries exhibit an increase in their aggregate score by at least 0.3 (rounded) points.
- These countries include Austria, Chile, Chinese Taipei, Colombia, Latvia, Malta, Morocco, New Zealand, Norway, Peru, Portugal, Singapore, Slovenia, Sweden, Switzerland, Ukraine, Venezuela and Vietnam.
- Six G20 countries showed increases: Australia, Canada, Germany, Korea, Mexico and the Russian Federation.
- Steady gains in scores since 2011 allowed Austria, Canada, Chile, Chinese Taipei, and New Zealand to climb into the “above average“ category, and enabled Columbia, Mexico, Morocco, Russia to move up into the “average” category.
- Malta, New Zealand, Peru, Ukraine and Vietnam exhibited the most significant gains in score.
- The marked improvements in Peru’s position are due to outstanding improvement in the country’s trade policy, which is now rated as “excellent” (score 5.1). This is not only the best score in Latin America, but also the fourth best in our sample of 75 economies. Peru’s tariff levels are low, tariff-binding levels are at a maximum, three quarters of its imports enter duty-free, and tariff peaks do not exist. Peru’s openness to FDI also ranks above average, while its trade openness and trade enabling infrastructure still earn below average scores.
- New Zealand’s markedly higher average score is the result of improvements in the scores for trade enabling infrastructure and trade openness. The excellent score for trade policy regime stayed unchanged at 5.3.

Table 4 | Countries exhibiting an increase in score over time

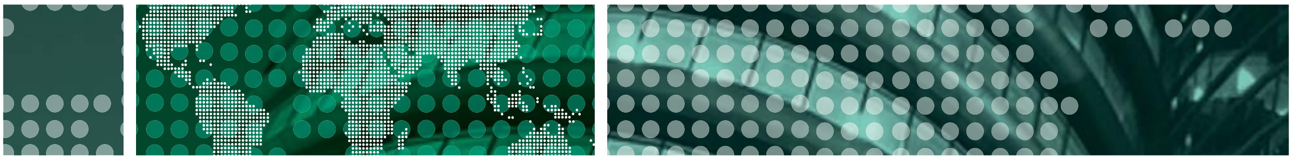
Average Openness Scores	OMI 2011	OMI 2013	OMI 2015
Australia	3.8	4.1	4.1
Austria	4.2	4.3	4.5
Canada	3.8	4.2	4.2
Chile	3.7	3.9	4.1
Chinese Taipei	3.8	4.0	4.1
Colombia	2.7	3.0	3.1
Germany	4.0	4.2	4.3
Republic of Korea	3.4	3.6	3.8
Latvia	4.0	3.9	4.3
Malta	4.0	4.7	4.5
Mexico	2.8	3.0	3.1
Morocco	2.7	2.6	3.0
New Zealand	3.7	4.1	4.3
Norway	4.0	4.4	4.5
Peru	3.1	3.6	3.8
Portugal	3.5	3.6	3.8
Russian Federation	2.6	2.8	3.1
Singapore	5.3	5.5	5.5
Slovenia	4.0	4.2	4.3
Sweden	4.3	4.4	4.6
Switzerland	4.4	4.5	4.7
Ukraine	3.4	3.7	3.9
Venezuela	2.2	2.0	2.6
Vietnam	3.1	3.5	3.6

Trends in G20 countries over time

- None of the G20 countries demonstrates a decrease in its aggregate score compared to the OMI 2011.
- 15 of the G20 countries demonstrate an increase in score, with Russia, Canada and Korea registering the biggest gains. Notably, Russia's improvements lifted it from the "below average" to "average" category, thanks largely to the surge in imports between 2003 and 2013 favoured by high prices of fuels. In the period under review, the better score on non-tariff trade barriers caused an improvement in the trade policy score.
- Argentina, Brazil, France and Saudi Arabia remain at the same level as OMI 2011.

Table 5 | G20 trends

Average Openness Scores			
	OMI 2011	OMI 2013	OMI 2015
Argentina	2.5	2.5	2.5
Australia	3.8	4.1	4.1
Brazil	2.3	2.2	2.3
Canada	3.8	4.2	4.2
China	2.8	2.8	3.0
France	3.9	3.8	3.9
Germany	4.0	4.2	4.3
India	2.4	2.5	2.6
Indonesia	2.9	3.0	3.1
Italy	3.5	3.7	3.7
Japan	3.5	3.7	3.6
Republic of Korea	3.4	3.6	3.8
Mexico	2.8	3.0	3.1
Russian Federation	2.6	2.8	3.1
Saudi Arabia	3.9	3.7	3.9
South Africa	3.1	3.2	3.3
Turkey	3.1	3.4	3.2
United Kingdom	3.9	4.0	4.1
United States	3.6	3.7	3.7



SECTION 2: A ROADMAP FOR ACTION AND IMPROVEMENT

The OMI constitutes a tool for policymakers and national authorities to identify deficiencies that deserve greater attention and to monitor year-on-year progress.

To help governments take action and shape trade policies that contribute to economic growth and job creation, ICC, in partnership with the Qatar Chamber of Commerce and Industry, launched the World Trade Agenda. This private-sector initiative aims to mobilize business to provide a practical and forward-looking trade and investment policy agenda that contributes to economic growth and job creation. The World Trade Agenda seeks to inject fresh ideas and innovative solutions to overcome current obstacles in global trade negotiations and adapt multilateral rules to 21st-century trading realities.

The third edition of the OMI indicates that trade policy is one of the upward trends across the index. Recommendations identified through the ICC World Trade Agenda may provide effective ways to help countries improve their trade policy scores and raise their performance in openness to trade and FDI components.

Short-term measures

- **Ratify and Implement the WTO Trade Facilitation Agreement**
  Trade facilitation is a series of measures whereby countries reduce red tape and simplify customs and other procedures for handling goods at borders. The recently concluded WTO Trade Facilitation Agreement is expected to deliver gains of at least US$130 billion annually, with most of the gains benefiting developing countries.[7] Countries are encouraged to ratify this Agreement by the next WTO Ministerial Conference taking place in December 2015 in Nairobi, Kenya.

- **Implement duty-free and quota-free market access for exports from least-developed countries**
  At the 6th WTO Ministerial in December 2005, developed countries agreed to provide duty-free and quota-free (DFQF) market access for at least 97% of exports from least-developed countries. Developed WTO members that have not already done so should implement DFQF commitments unilaterally with immediate effect. Large developing countries should also consider providing DFQF to least-developed countries.

- **Complete the expansion of the WTO Information Technology Agreement (ITA), and encourage the growth of e-commerce worldwide**
  81 WTO members representing major exporters of information technology products agreed 24 July 2015 to eliminate tariffs on more than 200 additional products. All 161 WTO members will benefit from this WTO agreement, as they will all enjoy duty-free market access in the markets of those members who are eliminating tariffs on these products. Annual trade in these products is valued at over $1.3 trillion per year, and accounts for approximately 7% of total global trade today. This is larger than global trade in automotive products – or trade in textiles, clothing, iron and steel combined. Expansion of the ITA2 comes at a pivotal moment as it is the first WTO tariff elimination deal in nearly two decades. ICC urges governments

7 Gary Hufbauer and Jeffrey Schott, "Will the WTO Enjoy a Bright Future?", ICC Research Foundation commissioned report (Peterson Institute for International Economics: Washington DC, 2012), p. 6.

to capture the full benefits of this notable development – urging a timely completion of the agreement at the WTO Ministerial Conference scheduled for December 15-18 in Nairobi, Kenya.

Longer-term measures

- **Liberalize trade in services**
  WTO members should make concrete progress on the liberalization of trade in services through alternative negotiating approaches, including plurilateral negotiations and approaches focused on particular sectors, including the International Trade in Services Agreement (TiSA). Removing barriers to global exports of tradable services could generate world trade gains of an estimated US$1.0 trillion, which would translate to global employment gains of almost 9 million jobs.[8] These approaches should be pragmatic, results-oriented, consensus-based, transparent, and as inclusive as possible – leading to multilateral outcomes across all modes of supply.

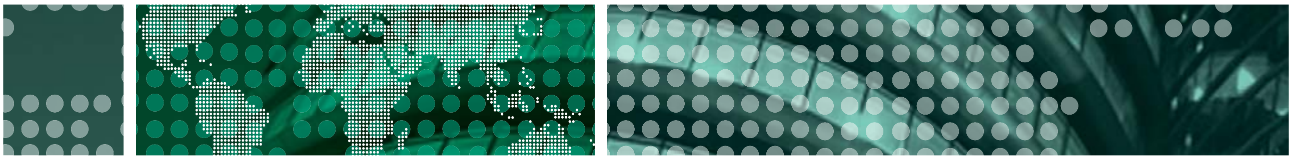
- **Foster "greener" economic activity through trade**
  The plurilateral WTO Environmental Goods Agreement (EGA) is currently being negotiated by a group of 17 WTO members. Since the talks formally launched in July 2014, negotiators have held several discussion rounds and agreed on a list of some 650 goods slated for tariff elimination. Estimates show that a meaningful WTO agreement in liberalizing trade on environmental goods, even on a plurilateral basis, could deliver US$10.3 billion of additional exports and augment employment gains by 256,000 jobs.[9] Moreover, a tariff reduction on green products would improve global access to technologies that can play a central role in tackling climate change. In this context, EGA participants are encouraged to agree on key points prior to the United Nations Paris Climate Conference, COP21, in Paris in December 2015. Governments should also encourage cooperative approaches and alternatives to unilaterally imposed environmental rules that create barriers to trade. Renewed interest in expanding the Government Procurement Agreement (GPA) also has the potential to drive greener economic activity through trade.

- **Encourage moving towards a high-standard multilateral framework on investment**
  Over 3,000 international investment agreements now exist. This complex network of treaties is too large and complex for investors to handle, yet it only protects two thirds of global FDI and covers only one fifth of possible bilateral investment relationships. To maintain a supportive business environment for investors, the ICC World Trade Agenda encourages moving towards a high-standard multilateral framework for international investment.

---

8 G. Hufbauer & J. Schott et. al., "Payoff from the World Trade Agenda 2013," ICC Research Foundation commissioned report (Washington, DC: Peterson Institute for International Economics, 2013), pp. 17-18.

9 G. Hufbauer & J. Schott *supra* note 5 at page 44.



ANNEX 1: BIBLIOGRAPHY

Borchert, I.; Gootiiz, B., and Mattoo, A., and World Bank, Policy Research Working Paper 6108, *Guide to the Services Restrictions Data Base*, June 2012. Available at: http://econ.worldbank.org/external/default/main?pagePK=64165259&theSitePK=469372&piPK=64165421&menuPK=64166093&entityID=000158349_20120628130854

DHL, Ghemawat P. and Altman S.A. *DHL Global Connectedness Index 2014.* Analyzing global flows and their power to increase prosperity. Available at: http://www.dhl.com/en/about_us/logistics_insights/studies_research/global_connectedness_index/global_connectedness_index.html#.VM-YUCiAe38

G. Hufbauer & J. Schott et. al., "Payoff from the World Trade Agenda 2013," ICC Research Foundation commissioned report (Washington, DC: Peterson Institute for International Economics, 2013). Available at: http://www.iccwbo.org/Data/Documents/Global-Influence/World-Trade-Agenda/Related-documents/Payoff-from-the-World-Trade-Agenda-2013/

International Telecommunication Union (ITU), *ICT data and statistics*. Available at: http://www.itu.int/en/ITU-D/Statistics/Pages/stat/default.aspx. Last accessed January 2015.

International Trade Center, UNCTAD/WTO. *Trade weighted applied tariff averages including preferences.* Direct submission to the author.

UNCTAD, UNCTAD*STAT statistical data base*. Available at: http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx?sRF_ActivePath=p,5&sRF_Expanded=,p,5

World Bank, *Doing Business Report 2014*. Available at: http://www.doingbusiness.org/data/exploretopics/trading-across-borders. Last accessed January 6, 2015.

World Bank, *Doing Business.* Available at: http://www.doingbusiness.org/data

World Bank Group, Investment Advisory Services, *Investing across borders 2010. Indicators of foreign direct investment regulation in 87 economies*. Available at: http://iab.worldbank.org/~/media/FPDKM/IAB/Documents/IAB-report.pdf

World Bank Group, Investment Across Borders. Available at: http://iab.worldbank.org/Data/ExploreTopics/Starting-a-foreign-business

World Bank, *Connecting to Compete, Trade Logistics in the Global Economy*, 2012. Available at: http://siteresources.worldbank.org/TRADE/Resources/239070-1336654966193/LPI_2012_final.pdf

World Bank, *World Development Indicators 2014*. Available at: http://data.worldbank.org/products/wdi

World Economic Forum, *The Global Enabling Trade Report 2014*. Available at: http://www.weforum.org/reports/global-enabling-trade-report-2014

WTO, Antidumping data base. Available at: http://www.wto.org/english/tratop_e/adp_e/adp_e.htm

WTO, 13th WTO Monitoring Report on *G20 Trade Measures* (mid-October 2014 to mid-May 2015). Available at: http://www.oecd.org/daf/inv/investment-policy/13th-G20-Report.pdf

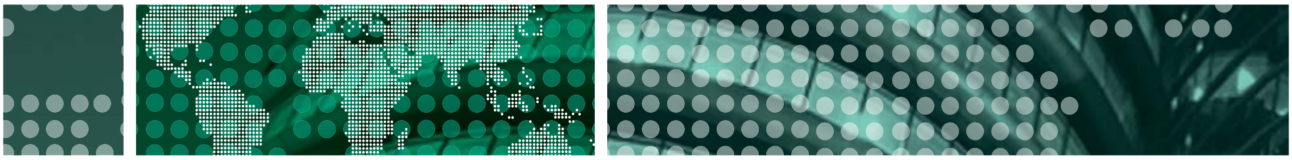
WTO, *Trade Profiles 2014.* Available at: http://www.wto.org/english/res_e/publications_e/trade_profiles14_e.htm

WTO, *World Tariff Profiles 2014.* Available at: http://www.wto.org/english/res_e/publications_e/world_tariff_profiles14_e.htm

WTO, *International Trade and Market Access Data Base.* Available at: http://www.wto.org/english/res_e/statis_e/itip_e.htm

ANNEX 2: DETAILED WEIGHTS USED

	Weight of basic component	Weight of indicator in basic component
I. Trade Openness	35%	*100.0*
I.1 Trade to GDP Ratio		33.3
I.2 Merchandise and services imports per capita		33.3
I.3 Real growth of merchandise imports		33.3
II. Trade policy regime	35%	*100.0*
II.1 Applied Tariffs		60.0
Agricult prod.MFN		3.0
Non-agricult. prod MFN		27.0
Total applied incl. pref. rates		30.0
II.2 Tariff profile		20.0
Binding coverage		6.7
Share of duty-free tariff lines		6.7
Share of tariff peaks		6.7
II.3 Non-tariff barriers AD		10.0
Initiations of AD invest.		5.0
AD measures		5.0
II.4 Efficiency of border administration		10.0
Number of documents for imports		3.3
Number of days		3.3
Costs ($)		3.3
III. Openness to FDI	15%	*100.0*
III.1 FDI		50.0
FDI inflows to GDP		16.7
FDI inward stock to GDP		16.7
FDI inflow as percent of GFCF		16.7
III.2 FDI Welcome Index		50.0
Number of procedures		16.7
Number of days		16.7
Ease of establishing business		16.7
IV. Infrastructure open for trade	15%	*100.0*
IV.1 Logistics Performance Index		60.0
IV.2 Communication Infrastructure		40.0
Fixed line and mobile subscriptions per capita		20.0
Internet access per 100 people		20.0
TOTAL	**100%**	



ANNEX 3: COUNTRY SCORES

		I	II	III	IV
	TOTAL OMI 2015	Trade Openness	Trade Policy Regime	FDI Openness	Trade Enabling Infrastructure
Weight	**1.00**	**0.35**	**0.35**	**0.15**	**0.15**
Algeria	2.2	3.3	1.3	2.0	2.1
Argentina	2.5	2.8	1.8	2.5	3.5
Australia	4.1	3.1	4.7	4.3	5.0
Austria	4.4	4.7	4.6	3.2	4.8
Bangladesh	1.9	2.2	1.4	2.3	1.8
Belgium	4.8	4.7	4.6	5.3	5.4
Brazil	2.3	2.3	1.8	2.5	3.2
Bulgaria	4.1	3.8	4.5	4.6	3.6
Canada	4.2	3.5	4.6	4.1	5.1
Chile	4.1	3.6	4.3	4.9	3.9
China	3.0	3.0	2.5	3.0	3.9
Chinese Taipei	4.1	4.1	4.2	2.9	4.9
Colombia	3.1	2.6	3.5	3.6	2.7
Cyprus	4.0	3.1	4.6	5.3	3.5
Czech Republic	4.4	4.5	4.5	3.7	4.4
Denmark	4.5	4.6	4.6	3.3	5.2
Egypt	2.7	2.7	2.2	3.6	3.2
Estonia	4.5	4.3	4.6	4.9	4.4
Ethiopia	1.9	2.6	1.1	2.1	1.7
Finland	4.2	3.8	4.6	3.4	4.9
France	3.9	2.8	4.6	3.5	5.1
Germany	4.3	4.0	4.6	3.2	5.6
Greece	3.3	2.2	4.5	2.7	3.8
Hong Kong SAR	5.5	5.2	5.8	5.7	5.2
Hungary	4.4	4.1	4.5	4.5	4.3
Iceland	4.7	4.7	4.6	4.7	4.6
India	2.6	3.3	1.8	2.6	2.7
Indonesia	3.1	2.6	3.9	2.3	2.8
Ireland	4.7	4.4	4.6	5.5	5.0
Israel	3.9	3.3	4.6	3.7	4.0
Italy	3.6	2.5	4.5	3.4	4.5
Japan	3.6	2.1	4.9	2.7	5.3
Jordan	3.4	3.5	2.9	4.7	3.0
Kazakhstan	3.2	3.8	2.1	4.5	3.0
Kenya	2.4	2.7	2.0	2.4	2.7

Republic of Korea	3.8	4.3	3.0	3.2	4.9
Latvia	4.3	4.2	4.6	3.8	4.3
Lithuania	4.2	4.3	4.6	3.5	3.9
Luxembourg	4.9	4.7	4.6	5.3	5.5
Malaysia	4.0	4.0	3.8	3.9	4.5
Malta	4.5	4.7	4.5	4.6	3.8
Mexico	3.1	2.7	3.3	3.3	3.3
Morocco	3.0	3.3	2.5	3.5	3.3
The Netherlands	4.8	4.8	4.6	4.3	5.6
New Zealand	4.3	3.2	5.3	3.9	4.8
Nigeria	2.4	2.9	1.6	3.2	2.6
Norway	4.5	4.3	4.5	4.0	5.4
Pakistan	2.1	1.8	2.1	2.5	2.2
Peru	3.8	2.9	5.1	4.0	2.8
Philippines	2.9	2.0	4.2	1.9	3.0
Poland	4.0	3.6	4.6	3.6	4.3
Portugal	3.8	2.9	4.6	3.9	4.3
Romania	3.9	3.3	4.5	3.9	3.6
Russian Federation	3.1	3.2	2.7	3.5	3.0
Saudi Arabia	3.9	4.0	4.3	2.9	3.7
Singapore	5.5	5.2	5.8	5.7	5.2
Slovakia	4.5	4.8	4.5	3.9	4.1
Slovenia	4.3	4.6	4.5	3.1	4.2
South Africa	3.3	2.9	3.6	3.0	3.9
Spain	3.6	2.5	4.6	2.9	4.7
Sri Lanka	2.3	2.3	2.4	2.4	2.3
Sudan	1.8	2.2	1.1	3.1	1.4
Sweden	4.5	4.4	4.6	3.8	5.5
Switzerland	4.7	4.9	4.3	4.9	5.2
Thailand	3.5	3.9	3.0	3.3	3.6
Tunisia	2.7	3.3	1.8	3.7	2.4
Turkey	3.2	2.8	3.3	3.4	3.9
Uganda	2.3	2.9	1.8	3.0	1.5
Ukraine	3.9	3.5	4.4	4.2	3.1
United Arab Emirates	4.7	5.7	4.6	2.8	4.8
United Kingdom	4.1	2.9	4.6	4.1	5.5
United States	3.7	2.1	4.8	3.5	5.2
Uruguay	3.1	3.2	3.0	3.3	3.0
Venezuela	2.6	3.3	2.1	1.5	3.0
Vietnam	3.6	4.0	3.4	3.4	3.4

ANNEX 4: AVERAGE OPENNESS SCORES – YEAR-TO-YEAR COMPARISON

Average Openness Scores			
	OMI 2011	OMI 2013	OMI 2015
Algeria	2.2	2.0	2.2
Argentina	2.5	2.5	2.5
Australia	3.8	4.1	4.1
Austria	4.2	4.3	4.5
Bangladesh	2.1	1.9	1.9
Belgium	4.7	4.8	4.9
Brazil	2.3	2.2	2.3
Bulgaria	4.3	4.1	4.1
Canada	3.8	4.2	4.2
Chile	3.7	3.9	4.1
China	2.8	2.8	3.0
Chinese Taipei	3.8	4.0	4.1
Colombia	2.7	3.0	3.1
Cyprus	4.1	4.0	4.0
Czech Republic	4.2	4.2	4.4
Denmark	4.3	4.3	4.5
Egypt	2.6	2.9	2.7
Estonia	4.4	4.5	4.5
Ethiopia	2.1	1.8	1.9
Finland	4.0	4.2	4.2
France	3.9	3.8	3.9
Germany	4.0	4.2	4.3
Greece	3.3	3.2	3.3
Hong Kong SAR	5.4	5.5	5.5
Hungary	4.3	4.2	4.4
Iceland	4.3	4.5	4.7
India	2.4	2.5	2.6
Indonesia	2.9	3.0	3.1
Ireland	4.5	4.6	4.7
Israel	3.7	3.9	3.9
Italy	3.5	3.7	3.7
Japan	3.5	3.7	3.6
Jordan	3.3	3.0	3.4
Kazakhstan	3.7	2.9	3.2
Kenya	2.6	2.1	2.4
Republic of Korea	3.4	3.6	3.8

Latvia	4.0	3.9	4.3
Lithuania	4.0	4.0	4.2
Luxembourg	4.8	4.9	4.9
Malaysia	3.8	3.9	4.0
Malta	4.0	4.7	4.5
Mexico	2.8	3.0	3.1
Morocco	2.7	2.6	3.0
The Netherlands	4.6	4.7	4.8
New Zealand	3.7	4.1	4.3
Nigeria	2.8	2.3	2.5
Norway	4.0	4.4	4.5
Pakistan	2.2	2.1	2.1
Peru	3.1	3.6	3.8
Philippines	3.2	2.8	2.9
Poland	3.8	3.8	4.0
Portugal	3.5	3.6	3.8
Romania	3.7	3.7	3.9
Russian Federation	2.6	2.8	3.1
Saudi Arabia	3.9	3.7	3.9
Singapore	5.3	5.5	5.5
Slovakia	4.3	4.4	4.5
Slovenia	4.0	4.2	4.3
South Africa	3.1	3.2	3.3
Spain	3.6	3.6	3.6
Sri Lanka	2.2	2.4	2.3
Sudan	2.2	1.8	1.9
Sweden	4.3	4.4	4.6
Switzerland	4.4	4.5	4.7
Thailand	3.4	3.2	3.5
Tunisia	2.6	2.6	2.7
Turkey	3.1	3.4	3.2
Uganda	2.3	2.0	2.3
Ukraine	3.4	3.7	3.9
United Arab Emirates	4.7	4.6	4.7
United Kingdom	3.9	4.0	4.1
United States	3.6	3.7	3.7
Uruguay	2.9	2.7	3.1
Venezuela	2.2	2.0	2.6
Vietnam	3.1	3.5	3.6

ANNEX 5: METHODOLOGY AND DATA SOURCES

Developing cross-country indices to reflect economies' openness is challenging. Indices can easily be biased unless careful consideration is given to the selection, coverage and aggregation of the key data sets used to form the indices. This chapter provides an overview of the analytical approach taken to develop the Open Markets Index (OMI). In particular, the section covers the following:

- An overview of the four components of the OMI and the sources used to create the Index; and
- A description of the approach to aggregation used in the OMI.

The four components of the ICC Open Markets Index

This section sets out the four key components of the ICC Open Markets Index. In contrast to globalization indices, the OMI focuses on the ease of market access. Consequently, its focus is on the *de facto* openness to imports and investment inflows.

The OMI is composed of four components:

- Observed openness to trade
- Trade policy
- Foreign direct investment (FDI) openness
- Infrastructure for trade

Further components such as movement of labour, institutional quality, or public attitude to openness could be added at a later stage.

For the construction of the four basic components, more than 30 time series have been considered, of which 28 have been retained. Some time series had to be dropped because the information is available for only a small group of economies or because of overlaps with indicators already retained. Annex 2 describes the indicators included in the analysis and their relative weights.

The statistics used are all derived from publicly available data, typically for 2012 and 2013. They include the general databases of international organizations, three World Bank studies (surveys), and a direct communication from the International Trade Centre (ITC). In a number of cases, period averages were preferred rather than data from the latest year. All the time series retained for the OMI are produced on an annual basis and are publicly available, making it possible to update the index regularly and track country performance with respect to trade openness over time on the basis of a consistent and transparent body of data.

A detailed description of each of the four OMI components follows in the next section.

Component 1: Observed openness to trade

Table 6 presents key indicators used to measure the observed openness to trade. The table also provides a short commentary on each indicator, identifying the issues that should be considered when interpreting the findings.

Table 6 | Indicators of observed openness to trade

Indicator	Description
Trade-to-GDP ratio *Source: UNCTAD*	This ratio is a key indicator of openness. The (nominal) value of exports and imports of goods and services is compared to the (gross) value added of domestic output. This ratio broadly reflects the relative importance of international trade to an economy. Small economies typically depend more on international trade than large economies (with the same level of import barriers). In addition, economies that serve as a trade hub (e.g., Hong Kong, Singapore and the United Arab Emirates) have very large trade-to-GDP ratios due to the importance of transit trade. This ratio may be biased in favour of low-income countries, due to the undervaluation of their currencies. Indeed, the GDP of low- and middle-income countries valued at purchasing power parities is generally two to three times larger than that valued at current market exchange rates. Comparing imports and GDP valued at current market exchange rates tends to overstate the relative importance of trade to output in many developing countries.
Merchandise and services imports per capita ratio *Source: WTO, World Bank (population)*	This ratio relates imports to population size. Economies with a large population (and a correspondingly large market size at a given per capita income level) tend to have a lower import per capita ratio than economies with a smaller population. In addition, wealthier countries record a typically larger trade per capita ratio than poorer countries. At a given income level, the ratio of imports per capita for an economy will depend mainly on the level of import barriers.
Real merchandise import growth *Source: WTO, UNCTAD*	This indicator captures the dynamics of an economy's integration process. Imports expand faster in open economies than in more protected economies. In order to limit the impact of cyclical differences and (temporary) terms of trade gains, real merchandise import growth is considered over a longer period (i.e., 2003-13).

Component 2: Trade policy

Table 7 describes key indicators used to evaluate the "import-friendliness" of the trade policy regime. The table also provides a short commentary on each indicator setting out the issues that should be considered when interpreting the findings. As the 27 EU members have one common tariff schedule and a single antidumping (AD) legislation and administration, information is not available for individual EU members. Individual EU member country's trade policy, therefore, is presumed to be identical to that of the EU.

Table 7 | Indicators of trade policy

Indicator	Description
Average applied tariff levels *Source: WTO, ITC*	This indicator uses an adjusted form of the arithmetic average of applied MFN tariffs. In most tariff schedules, the share of tariff lines for agricultural products is larger than in actual trade flows. In order to correct for this "overrepresentation," national applied agricultural and non-agricultural tariff averages are weighted according to the share of these product groups in world trade. This weighting reduces the share of agricultural tariffs from 16% to 10% (on average). From this adjustment results a significantly lower average tariff rate for those countries that protect agricultural products over industrial products. This is the case for Norway (2.1 percentage points) and Egypt (with 1.8 percentage points); however, the difference between the adjusted and arithmetic average is generally small. In addition, we use the International Trade Centre's (ITC) unpublished calculations for applied tariffs including preferential rates. We use two indicators of average applied tariff levels because the latter contains a discriminatory element and may overstate the benefits of preferences, as they can be subject to severe rules of origin. Therefore the average of the adjusted applied MFN rate and the applied rates, including preferences, are retained for the calculation of the tariff level indicator.
Complexity of tariff profile *Source: WTO*	The structure and complexity of tariffs can also impact the overall protection level: ■ Tariff binding levels: A high proportion of tariffs with binding levels tend to increase the stability and predictability of a tariff and have always been a major objective of the multilateral trading system. ■ Share of duty-free tariffs in total tariff lines: A high share of duty-free tariff lines is often considered a liberal feature of tariff policy, especially in an already low tariff environment. Very low tariffs are often described as "nuisance tariffs." Their protective effect often comes less from the actual tariff imposed than from the high administrative costs associated with them. ■ Share of tariff peaks: Very high tariffs can become prohibitive to imports. In the tariff literature, tariffs exceeding 15% ad-valorem are described as *"international tariff peaks."* An important share of tariff peaks in a tariff schedule usually reflects a higher protection level compared to a second schedule with the same average tariff but uniform rates.
Non-tariff barriers Number of antidumping (AD) actions *Source: WTO*	As regards non-tariff trade barriers, the use of WTO-consistent, contingent protection such as antidumping (AD), countervailing (CV) and safeguards is generally considered to contain a protectionist element. Countries with a high usage of contingency measures are considered to be more protectionist than those with a low level of AD, CV and safeguard actions. It is therefore useful to include the combination of AD initiations and AD measures as an indicator for restrictive, non-tariff trade policy. CV and safeguard actions are not retained, as they are used by a small number of countries and are far less frequently applied than AD measures.

Efficiency of border administration *Source: World Bank (IFC)*	This indicator is based on three time series estimated by World Bank experts: the number of days required to comply with all import procedures; the number of documents required for importing goods; and the cost (US$ per container) associated with all the procedures required to import goods. Trade is facilitated with countries that have a cost-efficient import administration.

Component 3: FDI openness

Global FDI flows play an important role in technology transfer as well as in the integration of host economies and local businesses into global production networks and value chains. Through foreign-owned local distribution networks, they also facilitate market access for imported goods.

FDI inflows often contribute to an increased level of imports both directly and indirectly. In many cases, FDI inflows take the form of machinery imports. FDI inflows into processing zones contribute to an increase in merchandise imports for processing. In addition, foreign subsidiaries are likely to import more than a domestic firm in the same industry – even if both supply only the domestic market – as the foreign-owned firm is often better informed of the potential to source foreign inputs.

Table 8 below lists key indicators used to measure the openness to FDI. The table also provides a short commentary on each indicator explaining the issues that should be considered when interpreting the findings. As annual FDI inflows show a significant year-to-year variation (mainly due to the business cycle), a multi-year period average was considered to be more appropriate than single-year observations.

It appears also that the relative importance of FDI inflows to the host economy depends on the size of the economy. The data collected reveal that all large economies record relatively low FDI ratios independent of their income level.

Table 8 | Indicators of FDI OPENNESS

Indicator	Description
FDI inflows to GDP *Source: UNCTAD*	This indicator reflects both a country's policy towards inward investment and its attractiveness to foreign investors due to market size or resource endowments. Up to the mid 1980s, widespread government ownership in many sectors, as well as FDI-unfriendly legislation and administration, limited the expansion of FDI in many countries. Thereafter, privatization and regulatory reforms provided a major stimulus to FDI growth over the last 25 years. The great recession after 2007 led to a sharp decline in global FDI flows. After a temporary recovery in 2010 and 2011, global FDI flows declined in 2012 and remained depressed in 2013 and 2014. In contrast to the global FDI flows, those to the developing countries continued to rise. UNCTAD estimate these flows to have reached a new record high of more than $ 700 billion in 2014.

FDI inflows to Gross Fixed Capital Formation (GFCF) *Source: UNCTAD*	This indicator provides insight into the relative importance of FDI to domestic investment. For countries with a low saving/investment level, the FDI inflows have a relatively greater impact on growth prospects than in countries with a high domestic saving/investment level.
FDI inward stock to GDP *Source: UNCTAD*	FDI stock data lowers the impact of short-term FDI inflow fluctuations. Stock data reflect the long-standing presence of foreign investment, which continues to contribute to current international integration of an economy. FDI stock data may show pronounced year-to-year variations (e.g., due to exchange rate variations); therefore, five-year periods have been used in this report.
FDI welcome index *Source: World Bank*	The FDI welcome index (renamed from the World Bank's "Starting a foreign business" indicators) reflects the administrative hurdles in establishing a business start-up overseas. This indicator comprises three time series: the number of procedures needed for a business start-up, the number of days needed to obtain authorization, and the ease of establishing a foreign subsidiary. The FDI welcome index refers to the year 2014, except for the indicator "ease of establishing a foreign subsidiary," which has not been updated by the World Bank experts.

Component 4: Infrastructure for trade

A country needs an enabling infrastructure for exports and imports if it is to participate in the global economy and provide meaningful access to its market. Consequently, the fourth component of the OMI captures the quality of trade-enabling infrastructure across countries. Table 9 below defines the key indicators used to measure the trade-enabling infrastructure. The table also provides a short commentary on each indicator, describing the issues that should be considered when interpreting the findings.

Table 9 | Indicators of trade-enabling infrastructure

Indicator	Description
Logistics performance index *Source: World Bank*	This index covers six areas: efficiency of customs clearance, quality of trade and transport-related infrastructure, ease of arranging competitively priced shipments, competence and quality of logistics services, ability to track and trace consignments, and timeliness of shipment to consignee within scheduled time. The index is based on the evaluation of logistics experts living in the region and was last assembled in 2014.
Communication infrastructure *Source: ITU*	An economy's access, quality and affordability of telecommunication services are critical factors for integration and market access. Two time series identify access and spread of modern communications: fixed line plus mobile subscriptions per capita and Internet use per 100 people. Over the last years a marked catching up process could be observed in many developing countries.

Methodological issues

The final element in creating the OMI is integrating the indicators described above into a cohesive, single index that appropriately measures the relative openness of different economies.

Three key methodological issues are critical:

- Data availability
- Scoring
- Aggregation

Data availability

The objective of this report is to synthesize information on market access to major markets worldwide. The 75 countries covered by this study accounted for more than 90% of world imports of goods and services in 2013. The sampling also represents a broad geographical coverage, including 35 developed countries, 37 developing economies and three successor states of the former USSR (the Russian Federation, Ukraine and Kazakhstan).

In a number of cases, the standard source for a specific time series did not provide the information for the entire set of 75 markets. The missing information could sometimes be found by using national statistics, but in general it was estimated. The number of estimates is limited except for two indicators: antidumping actions and the FDI welcome index.

All the time series used are published annually by international organizations; however, the only exception is the information communicated directly by the International Trade Centre on applied tariffs (including preferential rates).

Scoring

The objective of the scoring process is to make comparable those time series that are measured in different dimensions. At the same time, scoring is used to establish country groupings according to different degrees of openness. Different approaches are used in the scoring of data in the various globalization indices.

This report has taken a formula approach to scoring. The maximum and the minimum values are attributed the highest and lowest scores, respectively. The span between the two extreme values is split evenly into a number of categories that allow grouping of the individual country scores.

If, for example, the scores range from 1 (minimum) to 6 (maximum) then the following formula applies:

5*((country value x less minimum value) / (sample maximum less sample minimum)) + 1.

In those cases where the higher values indicate less openness (i.e., tariff rates), then the order has to be inversed for scoring with the following formula:

-5*((country value x less sample minimum) / (sample maximum less sample minimum)) + 6.

The results of this approach are strongly influenced by the presence of extreme values. Assuming one extreme upper value and the rest of the sample values with a normal standard distribution around the average, then the results of the scoring would be highly uneven, with most values squeezed in the bottom groups.

To correct for this in some instances, adjustments were made to account for extreme outliers in the data. The OMI modifies the formula approach by defining as “extreme value or outlier” all values exceeding three times the median value of the sample. All outliers are attributed the top score. These adjustments assured that the average score of the 75 countries for each basic component was in the middle range (3 to 3.99).

Another challenge for the formula approach is posed by those samples in which data are concentrated around the average value. The formula approach will automatically split the sample into five groups even if an analysis of the data would conclude that there is materially no or only a negligible difference among the country data. For example, the rejected ratio of “collected import duties to imports” of the developed countries ranges from 0.8% to 1.1% and reflects quite similar openness. The formula approach, however, will establish 5 degrees/groups of openness.

In determining the number of degrees of openness to include, we decided that an uneven number of groups provides the advantage that a “middle group” is established in which most countries would be found in a sample with a standard distribution. More groups result in more differentiation. Adding more detail offsets to some extent the “concentration effect” in and around the middle group, which occurs when many indicators are averaged.

In this report, scores range from 1 to 6 and compose five groups:

- **Category 1:** Most open, excellent (score of 5-6)
- **Category 2:** Above average openness (Score 4-4.99)
- **Category 3:** Average openness (Score 3-3.99)
- **Category 4:** Below average openness (Score 2-2.99)
- **Category 5:** Very weak (Score 1-1.99)

Aggregation

The aggregation of time series scored in a standard way (e.g., from 1 to 6) can be accomplished with the arithmetic average or with specific weights for each time series, indicator and each basic component. The scores of each time series are first weighted to obtain an indicator, then indicators are weighted to obtain one of the four basic components. Eventually, the four basic components are aggregated to form the Open Markets Index.

The arithmetic average could be used if the indicators are considered to be of similar importance or if no information on their relative importance. In all other cases, relative weights assigned by a researcher’s own judgment or an expert panel result in a “better informed” overall index. Of course, expert opinions will differ about the precise relative weights, but in general, the “average expert opinion” improves the analytical value of the summary index. Annex 2 reports the weights that have been assigned to each time series/indicator and each basic component. They are unchanged from the first edition of OMI published in 2011.

ICC WORLD TRADE AGENDA

The ICC World Trade Agenda is an initiative to enable global business leaders define multilateral trade negotiation priorities and help governments set a trade and investment policy agenda for the 21st century that contributes to economic growth and job creation. The initiative actively promotes a robust post-Bali trade and investment policy agenda in relevant forums, including the Business 20 and G20 discussions, and in particular at the WTO in the lead-up to and during its next Ministerial Conference.

INTERNATIONAL CHAMBER OF COMMERCE (ICC)

ICC is the world business organization, a representative body that speaks with authority on behalf of enterprises from all sectors in every part of the world.

A world network of national committees keeps the ICC International Secretariat in Paris informed about national and regional business priorities. More than 2,000 experts drawn from ICC's member companies feed their knowledge and experience into crafting the ICC stance on specific business issues.

QATAR CHAMBER OF COMMERCE AND INDUSTRY

Qatar Chamber is a strategic partner of the ICC Business World Trade Agenda initiative. It is dedicated to promoting Qatar's burgeoning economy and assuring that the interests of the business community are well represented. By providing key support services, networking opportunities and leadership, the chamber has helped oversee one of the most dynamic and fastest-growing economies in the world.

ICC COMMISSION ON TRADE AND INVESTMENT POLICY

As trade and investment are consistently top priorities for global business, the Commission on Trade and Investment Policy represents ICC's main working body on multilateral trade and investment policy issues. The Commission examines issues that will facilitate cross-border trade and investment by business to sustain the economic recovery, job creation and sustainable development.

The mandate of the Commission is to break down barriers to international trade and investment so that all countries can benefit from improved living standards through increased trade and investment flows. The commission has 186 members from over 30 countries. They comprise trade policy specialists from ICC member companies and business representative organizations.

Senior trade policy experts from the staff of intergovernmental organizations such as the WTO, UNCTAD, and the OECD are frequently invited to address commission meeting. The Commission provides a forum for business experts to examine trade and investment policy issues and draw up policy recommendations for governments.

ICC INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

T +33 (0)1 49 53 28 28 www.iccwbo.org

غرفة قطر
QATAR CHAMBER

T +974 44 55 91 11 www.qatarchamber.com