4TH EDITION 2017

ICC OPEN MARKETS INDEX

COMMISSIONED BY THE ICC WORLD TRADE AGENDA

ICC INTERNATIONAL CHAMBER OF COMMERCE
The world business organization

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QATAR CHAMBER

4TH EDITION 2017

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Foreword

Since 2015, when our last Open Markets Index was published, the world has seen an unprecedented rise in anti-globalisation rhetoric—destabilising the foundations of the collaborative economic and social consensus that has raised living standards for millions of people worldwide over the past 50 years.

This edition of the Open Markets Index therefore comes at a critical moment for trade and the global economic system. One in which, for the first time in living memory, we are seeing division in terms of ideology and attitude, as to how we should deal with the consequences of globalisation.

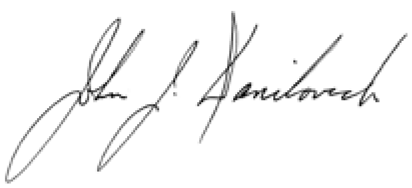
While we should not ignore legitimate concerns about trade, we must also keep in mind the proven power of open markets to drive vast increases in prosperity and economic opportunity. In this context, the real debate on the future of globalisation should be centred on how we can better harness the power of open economies to benefit more people—or, in other words, how we can make trade more inclusive.

This year's Index results show there is still much scope to harness simple policy leavers to enhance the economic and social potential of trade. Realizing these opportunities could go a long way to delivering on the promise of the United Nations Sustainable Development Goals to deliver a brighter future for all. We hope that the Open Markets Index will encourage and inspire positive action in this regard by all governments.

Accounting for 85% of global gross domestic product and making up approximately two-thirds of the world's population, the G20 must demonstrate leadership and set the example on the world stage when it comes to making trade work for all.

The International Chamber of Commerce had steadfastly called on the G20 to maintain a strong stance against protectionism since the global financial crisis. There must be no return to 1930's style beggar-thy-neighbor policies—and the private sector must not shy away from driving this point home. As the world business organization, we will remain engaged at the highest level of governments to make the positive— evidence based—case for open markets and to inform public debate on the potential for trade to drive prosperity gains the world over.

John Danilovich



Secretary General
International Chamber of Commerce

Introduction

The fewer the barriers to the cross-border flow of goods, services, capital and labour, the greater the openness of an economy. The International Chamber of Commerce (ICC) publishes the Open Markets Index (OMI) with the aim of presenting a balanced and reliable measurement of an economy's openness to trade. ICC hopes that the OMI may serve as a guide for governments in implementing reforms to enable trade as a driver of sustainable growth and job creation.

The period covered by the report concludes at the end of 2015, as not all economic indicators for 2016 were reported by the economies at the time of compilation. The report therefore shows results from a period of trade and investment that led to a gradual slowdown in global trade growth (1.3% for 2016).

The OMI 2017 set out in this report covers four main areas of focus, which are further split across 23 indicators intended to cover factors of openness in each area.

The four main components of OMI 2017 are:

- Observed openness to trade
- Trade policy settings
- Foreign direct investment (FDI) openness
- Trade-enabling infrastructure

As with earlier versions of the OMI, due to complexity and data availability, the OMI 2017 does not address restrictive private business practices, or behind-the-border measures such as subsidies. A detailed overview of the four main components and key indicators within each component is provided in Annex I.

The economies selected for the study include all G20 economies, all EU member states, and a mix of lower, middle and upper-income economies. When taken together the OMI 2017 represents 90% of trade and investment worldwide. Detailed profiles on each of the 75 economies selected are published in addition to this report.

Key findings from the OMI 2017

The overall index results of the OMI 2017, are examined followed by specific focus on the performance of the G20 economies.

Highlights include:

- When taken together, the 75 economies have much progress to make on reforms. The average score of the 75 economies in OMI 2017 is 3.6 out of 6 (where 6 is the most open, and 1 is the least open), making the total performance of all economies fall into the *average openness* category.
- No economy scored an aggregate score falling in the *very weak* category (a score of between 1-1.99 out of 6).
- All economies demonstrate both strengths and room for improvement particularly when considering the 23 indicators:
  - The top two performers, **Singapore** and **Hong Kong SAR**, can improve in relation to certain indicators, for example in relation to procedures, and ease of establishing a business.
  - The lowest two performers, **Sudan** and **Venezuela**, achieved scores of 2.1 and 2.0 respectively (where 1 is the minimum score), showing strengths on numerous indicators including foreign direct investment (FDI) inflow, and percentage of people using the internet.
- Many of the world's largest economies have achieved only *average openness* in the overall OMI 2017 (for example, **United States** 3.6, **Japan** 3.7, **China** 3.2, and **France** 3.7).
- The **G20** as a group achieves an average score of 3.4, whereas the average for the whole OMI 2017 group of 75 economies is 3.6. This means that the G20 economies are behind when it comes to openness in OMI 2017.
- Only one G20 economy, **Canada**, ranked among the top 20 economies. There are no other G20 economies in the *above-average* or *most open* categories of openness.
- BRICS economies (**Brazil**, **Russia**, **India**, **China** and **South Africa**) scored in the lower half of the *average* category of openness in OMI 2017.

The OMI 2017 aggregate scores and ranking

In the OMI 2017, individual economy scores fall between 1 and 6, where 1 indicates the least open, and 6 indicates the most open. In understanding the scoring, it is important to bear in mind the interpretation of scoring according to the following 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 sets out the key findings from the OMI 2017. It presents the aggregate score and ranking for the 75 economies considered. Further detailed is provided in the individual economy profiles published in conjunction with this report.

Table 1 | Economy scores and rankings

Category		Rank	Score	Category		Rank	Score
1 Most Open	Singapore	1	5.6	3 Average Openness	Korea, Rep.	39	3.7
	Hong Kong SAR	2	5.5		United States	40	3.6
	Luxembourg	3	5.0		Saudi Arabia	41	3.6
2 Above Average Openness	Netherlands	4	4.8		Spain	42	3.6
	Ireland	5	4.8		Romania	43	3.6
	Switzerland	6	4.7		Cyprus	44	3.6
	Malta	7	4.7		Italy	45	3.5
	United Arab Emirates	8	4.7		Mexico	46	3.5
	Belgium	9	4.6		Jordan	47	3.4
	Iceland	10	4.3		Thailand	48	3.4
	Norway	11	4.2		South Africa	49	3.3
	Slovak Republic	12	4.2		Greece	50	3.3
	Hungary	13	4.1		Colombia	51	3.3
	Czech Republic	14	4.1		Uruguay	52	3.3
	Estonia	15	4.1		Turkey	53	3.3
	Lithuania	16	4.1		Morocco	54	3.2
	Canada	17	4.1		Kazakhstan	55	3.2
	Sweden	18	4.1		China	56	3.2
	Austria	19	4.1		Ukraine	57	3.2
	Denmark	20	4.0		Russian Federation	58	3.1
	New Zealand	21	4.0		Sri Lanka	59	3.1
3 Average Openness	Germany	22	3.9		Egypt	60	3.0
	Chinese Taipei	23	3.9		Tunisia	61	3.0
	Chile	24	3.9		Philippines	62	3.0
	Latvia	25	3.9		Indonesia	63	3.0
	Slovenia	26	3.9	4 Below Average openness	India	64	2.9
	Israel	27	3.9		Uganda	65	2.8
	United Kingdom	28	3.9		Kenya	66	2.7
	Finland	29	3.9		Algeria	67	2.6
	Australia	30	3.8		Argentina	68	2.6
	Malaysia	31	3.8		Brazil	69	2.4
	Poland	32	3.8		Bangladesh	70	2.3
	Vietnam	33	3.8		Nigeria	71	2.3
	Peru	34	3.7		Pakistan	72	2.1
	France	35	3.7		Ethiopia	73	2.1
	Portugal	36	3.7		Sudan	74	2.1
	Japan	37	3.7		Venezuela	75	2.0
	Bulgaria	38	3.7				

Category 1 (*most open*) contains only three economies. Category 2 (*above-average openness*) contains 17 economies, followed by Category 3 (*average openness*) with 40 economies. Category 4 (*below-average openness*) comprises 15 economies and there are no economies found in Category 5 (*very weak*).

The key findings in relation to each category of the index are discussed below.

Category 1: Most open economies

Only three economies, **Singapore, Hong Kong SAR**, and **Luxembourg**, ranked *excellent* in terms of their overall market openness. These three economies obtained scores above 5.0 in the aggregate of all four components.

Category 2: Above-average openness

The 18 economies with *above-average openness* include **15 European economies**, and the **United Arab Emirates, New Zealand** and **Canada**.

- The highest scores within the group are recorded by the **smaller European economies** and the **United Arab Emirates**. The *above-average openness* score of the **United Arab Emirates** can be attributed to its excellent score in in trade openness for component 1 (4.8) and in trade enabling infrastructure for component 4 (5.1), both linked to its function as regional trade hub.
- **Canada** is the only G20 economy that recorded *above-average openness*.

Category 3: Average openness

42 economies score *average* openness. Notably:

- Nearly all the G20 economies are listed in this category, with the exception of **Canada** (with *above-average openness*), and **India**, **Argentina** and **Brazil** (with *below-average openness*).
- **China**, **United States**, **Japan** and **Germany** all fall into this category.
- Other major EU economies in this category (with a population size in excess of 40 million people) include **France** (3.7), which ranks ahead of **Italy** (3.5) and **Spain** (3.6).

Category 4: Below-average openness

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

- **Venezuela**, **Sudan** and **Ethiopia** scored in the lower range of the band, however each of these economies demonstrates strengths as identified in the individual economy profiles released in conjunction with this report.

Category 1: Very weak

There were no economies in the very weak category of OMI 2017.

The OMI and G20 economy performance

Table 2 below provides a more detailed analysis of the performance in the OMI 2017 of G20 members.[1] The table lists each G20 economy's overall score and ranking as well as its score for each of the four components of the index.

The G20 economies account for over 85% of the world economy and nearly 80% of global trade, and have the potential to lead by example in keeping markets open and rejecting and rolling back trade restrictive measures.

Table 2 | G20 scores on the Open Markets Index 2017

G20 rank	Country	Overall OMI 2017 Rank	Aggregate Score	Trade Openness	Trade Policy	FDI Openness	Trade Enabling Infrastructure
1	**Canada**	**17**	**4.1**	*2.7*	*5.1*	*4.2*	*4.7*
2	**Germany**	**22**	**3.9**	*2.9*	*4.8*	*2.9*	*5.4*
3	**United Kingdom**	**28**	**3.9**	*2.4*	*4.8*	*3.8*	*5.2*
4	**Australia**	**30**	**3.8**	*2.6*	*4.7*	*3.9*	*4.6*
5	**France**	**35**	**3.7**	*2.3*	*4.8*	*3.4*	*4.8*
6	**Japan**	**37**	**3.7**	*2.0*	*5.2*	*2.9*	*5.1*
7	**Korea, Rep.**	**39**	**3.7**	*3.1*	*4.1*	*3.3*	*4.6*
8	**United States**	**40**	**3.6**	*2.1*	*4.7*	*3.4*	*4.8*
9	**Saudi Arabia**	**41**	**3.6**	*3.2*	*4.6*	*2.3*	*3.5*
10	**Italy**	**45**	**3.5**	*2.1*	*4.8*	*3.1*	*4.4*
11	**Mexico**	**46**	**3.5**	*2.4*	*4.8*	*3.5*	*2.9*
12	**South Africa**	**49**	**3.3**	*2.4*	*4.1*	*2.9*	*4.2*
13	**Turkey**	**53**	**3.3**	*2.4*	*4.1*	*3.2*	*3.4*
14	**China**	**56**	**3.2**	*2.6*	*3.8*	*2.5*	*3.8*
15	**Russian Federation**	**58**	**3.1**	*2.1*	*4.2*	*3.4*	*2.6*
16	**Indonesia**	**63**	**3.0**	*2.2*	*4.2*	*2.2*	*2.5*
17	**India**	**64**	**2.9**	*2.9*	*3.0*	*2.5*	*3.0*
18	**Argentina**	**68**	**2.6**	*2.3*	*2.5*	*2.7*	*3.1*
19	**Brazil**	**69**	**2.4**	*2.3*	*2.2*	*2.6*	*3.1*

In terms of aggregate performance, the average score for the G20 economies is 3.4, which is lower than the average of the 75-economy sample (3.6). Only one G20 economy (**Canada**) achieved *above-average openness*. Most fall into the *average* market openness grouping. Three record an aggregate score of *below-average openness*.

1 The G20 is a grouping of 20 systemically important economies, including 19 economies and the European Union. The G20 meets once a year at the level of heads of state and government.

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

G20 performance across the four OMI 2017 components

Looking in greater detail at the components of the index, the following comments can be made about the G20:

- **Trade Openness:** The G20 economies perform poorly on average on this component of the index when compared with the overall performance of the 75 economies. Only two of the G20 economies record average trade openness and the remainder score below-average trade openness. The three lowest scoring economies for this component are **Italy, Russia** and **Japan**.
- **Trade Policy:** The G20 economies record an average score in trade policy of 4.2, somewhat less than the 4.3 average for the 75-economy sample. The individual economy scores differ widely (see Economy-Specific Profiles). 15 economies record *above-average openness* scores for Trade Policy. Within this group, **Japan** and **Canada** have the highest scores with 5.2 and 5.1 respectively. **Argentina** and **Brazil** scored a *below-average* openness for Trade Policy.
- **FDI openness:** The G20 score an *average* performance (3.1) on the Foreign Direct Investment (FDI) component, lower than the overall group of 75 economies (3.5). **Canada** is the only G20 economy rated *above-average*, with the remainder falling within the *average* and *below-average openness* categories for FDI. Nine G20 economies are rated *below-average* openness. The lowest score for FDI openness was attributed to **Indonesia** (2.2).
- **Trade-enabling infrastructure:** The G20 economies perform best on this component, recording collectively an openness score of 4.0, which is above the average scored for the 75-economy sample (3.7). Three economies are rated as excellent in terms of infrastructure (**Germany**, **United Kingdom**, and **Japan**) while a further seven G20 economies achieved *above-average openness*. Three economies scored *below-average openness* in this component: **Mexico**, **Russia** and **Indonesia**.

Table 3 | Individual Economy Scores—Open Markets Index 2017

		I	II	III	IV
6 = most open 1 = least open	TOTAL SCORE OMI 2017	*Trade Openness*	*Trade Policy Regime*	*FDI Openness*	*Trade Enabling Infrastructure*
Weight	1.00	0.35	0.35	0.15	0.15
Algeria	**2.6**	*3.0*	*2.3*	*2.5*	*2.3*
Argentina	**2.6**	*2.3*	*2.5*	*2.7*	*3.1*
Australia	**3.8**	*2.6*	*4.7*	*3.9*	*4.6*
Austria	**4.1**	*3.2*	*4.8*	*3.1*	*5.3*
Bangladesh	**2.3**	*2.5*	*2.2*	*2.6*	*1.7*
Belgium	**4.6**	*4.4*	*4.8*	*4.0*	*5.1*
Brazil	**2.4**	*2.3*	*2.2*	*2.6*	*3.1*

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Weight	1.00	0.35	0.35	0.15	0.15
Bulgaria	**3.7**	*3.0*	*4.7*	*3.9*	*2.7*
Canada	**4.1**	*2.7*	*5.1*	*4.2*	*4.7*
Chile	**3.9**	*2.7*	*5.0*	*4.9*	*3.4*
China	**3.2**	*2.6*	*3.8*	*2.5*	*3.8*
Chinese Taipei	**3.9**	*3.0*	*4.9*	*3.1*	*4.6*
Colombia	**3.3**	*2.6*	*4.2*	*3.8*	*2.2*
Cyprus	**3.6**	*2.5*	*4.8*	*3.7*	*3.0*
Czech Republic	**4.1**	*3.7*	*4.7*	*3.6*	*4.3*
Denmark	**4.0**	*3.3*	*4.8*	*3.3*	*4.8*
Egypt	**3.0**	*2.5*	*3.4*	*3.4*	*2.9*
Estonia	**4.1**	*3.5*	*4.8*	*4.0*	*4.0*
Ethiopia	**2.1**	*2.8*	*2.0*	*2.0*	*1.0*
Finland	**3.9**	*2.6*	*4.8*	*3.7*	*4.8*
France	**3.7**	*2.3*	*4.8*	*3.4*	*4.8*
Germany	**3.9**	*2.9*	*4.8*	*2.9*	*5.4*
Greece	**3.3**	*1.9*	*4.7*	*3.1*	*3.5*
Hong Kong SAR	**5.5**	*5.3*	*5.8*	*5.6*	*5.6*
Hungary	**4.1**	*3.5*	*4.7*	*4.6*	*3.8*
Iceland	**4.3**	*3.2*	*5.5*	*4.2*	*4.1*
India	**2.9**	*2.9*	*3.0*	*2.5*	*3.0*
Indonesia	**3.0**	*2.2*	*4.2*	*2.2*	*2.5*
Ireland	**4.8**	*4.5*	*4.8*	*5.5*	*4.5*
Israel	**3.9**	*2.5*	*5.1*	*3.7*	*4.4*
Italy	**3.5**	*2.1*	*4.8*	*3.1*	*4.4*
Japan	**3.7**	*2.0*	*5.2*	*2.9*	*5.1*
Jordan	**3.4**	*2.4*	*4.2*	*4.1*	*3.0*
Kazakhstan	**3.2**	*2.4*	*3.8*	*4.0*	*3.0*
Kenya	**2.7**	*2.6*	*2.8*	*2.5*	*3.1*
Korea, Rep.	**3.7**	*3.1*	*4.1*	*3.3*	*4.6*
Latvia	**3.9**	*3.1*	*4.9*	*3.7*	*3.7*
Lithuania	**4.1**	*3.5*	*5.0*	*3.3*	*4.2*
Luxembourg	**5.0**	*4.9*	*4.8*	*5.3*	*5.6*
Malaysia	**3.8**	*2.9*	*4.8*	*3.7*	*3.9*
Malta	**4.7**	*5.2*	*4.7*	*4.8*	*3.4*

Table 3 | Individual Economy Scores — Open Markets Index 2017

		I	II	III	IV
6 = most open 1 = least open	TOTAL SCORE OMI 2017	*Trade Openness*	*Trade Policy Regime*	*FDI Openness*	*Trade Enabling Infrastructure*
Weight	1.00	0.35	0.35	0.15	0.15
Mexico	**3.5**	*2.4*	*4.8*	*3.5*	*2.9*
Morocco	**3.2**	*2.6*	*4.1*	*3.5*	*2.4*
Netherlands	**4.8**	*4.5*	*5.0*	*4.7*	*5.4*
New Zealand	**4.0**	*2.6*	*5.5*	*3.6*	*4.0*
Nigeria	**2.3**	*2.3*	*2.2*	*2.5*	*2.0*
Norway	**4.2**	*3.2*	*5.5*	*3.5*	*4.5*
Pakistan	**2.1**	*1.6*	*2.5*	*2.6*	*2.1*
Peru	**3.7**	*2.7*	*5.2*	*3.8*	*2.5*
Philippines	**3.0**	*1.9*	*4.5*	*2.3*	*2.4*
Poland	**3.8**	*2.9*	*4.9*	*3.3*	*3.8*
Portugal	**3.7**	*2.4*	*4.9*	*4.0*	*3.8*
Romania	**3.6**	*2.7*	*4.7*	*3.7*	*2.8*
Russian Federation	**3.1**	*2.1*	*4.2*	*3.4*	*2.6*
Saudi Arabia	**3.6**	*3.2*	*4.6*	*2.3*	*3.5*
Singapore	**5.6**	*5.5*	*5.9*	*5.7*	*5.2*
Slovak Republic	**4.2**	*4.2*	*4.7*	*3.5*	*3.8*
Slovenia	**3.9**	*3.5*	*4.7*	*3.3*	*3.4*
South Africa	**3.3**	*2.4*	*4.1*	*2.9*	*4.2*
Spain	**3.6**	*2.1*	*4.8*	*3.4*	*4.4*
Sri Lanka	**3.1**	*2.4*	*3.8*	*2.8*	*3.1*
Sudan	**2.1**	*2.1*	*2.0*	*2.6*	*1.5*
Sweden	**4.1**	*3.0*	*4.8*	*3.5*	*5.4*
Switzerland	**4.7**	*4.5*	*5.2*	*3.9*	*5.1*
Thailand	**3.4**	*2.9*	*4.1*	*3.3*	*3.1*
Tunisia	**3.0**	*2.5*	*3.6*	*3.7*	*2.0*
Turkey	**3.3**	*2.4*	*4.1*	*3.2*	*3.4*
Uganda	**2.8**	*2.7*	*3.0*	*3.0*	*2.2*
Ukraine	**3.2**	*1.6*	*4.8*	*3.6*	*2.5*
United Arab Emirates	**4.7**	*4.8*	*4.8*	*3.5*	*5.1*
United Kingdom	**3.9**	*2.4*	*4.8*	*3.8*	*5.2*
United States	**3.6**	*2.1*	*4.7*	*3.4*	*4.8*
Uruguay	**3.3**	*2.7*	*3.6*	*4.1*	*3.2*
Venezuela	**2.0**	*2.0*	*2.4*	*1.4*	*1.9*
Vietnam	**3.8**	*3.9*	*4.2*	*3.5*	*2.8*

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. The individual economy profiles published in conjunction with the OMI 2017 are designed to provide a fair and balanced comparison of each economy to average performance of the group as a whole.

As with previous editions of the Open Markets Index, the goal of the OMI 2017 is to assist governments in taking action and shaping policies that contribute to sustainable economic growth and inclusive job creation. The recommendations below may provide effective ways to help economies improve their trade policy scores and and raise their performance in openness to trade and FDI components.

Short-term measures

Implement the WTO Trade Facilitation Agreement

The WTO Trade Facilitation Agreement (TFA) entered into force on 22 February 2017. Trade facilitation is a series of measures whereby economies reduce red tape and simplify customs and other procedures for handling goods at borders.

The recently concluded TFA is expected to deliver gains of at least US$ 130 billion annually, with most of the gains benefiting developing economies.[2] With full implementation, the TFA could reduce trade costs by an average of 14.3%. All WTO members must now implement its provisions to better increase access for trade and investment, and open up domestic markets for trade-led growth.

It is widely acknowledged that government-business cooperation can play a strategically important role in the implementation of trade facilitation reforms. The TFA encourages WTO members to engage with the private sector in implementing the agreement, including through the establishment of national trade facilitation committees. Recognizing that neither governments nor the private sector can deliver on the full potential of the TFA on their own, the World Economic Forum, the International Chamber of Commerce and the Center for International Private Enterprise together with the governments of Australia, Canada, Germany, the United Kingdom and the United States joined forces in the Global Alliance for Trade Facilitation, a unique public-private platform to leverage business expertise, leadership and resources to support effective trade facilitation reforms measured by real-world business metrics.

Facilitate better access to trade finance

World trade depends on an adequate supply of finance to support imports and exports. The United Nations' annual Financing for Development review noted an estimated US$1.6 trillion gap in trade finance.[3] Small businesses face increasing difficulties accessing bank finance to support international transactions, meaning that companies are unable to sell their products and services internationally, even where there is demand in overseas markets as. Policy-makers have been slow to address regulatory barriers to the provision of trade finance.

2 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.

3 http://www.un.org/esa/ffd/ffdforum/wp-content/uploads/sites/3/2017/05/E-FFDF-2017-L.1_Draft-Outcome.pdf

Further reform to access to trade finance as identified in ICC's Rethinking Trade and Finance 2017 will bring improvements to the openness of economies.

Encourage the growth of e-commerce worldwide

Recent developments in the digital economy have created unprecedented opportunities for SMEs to enter global markets, and SMEs that use on-line platforms are more than five times more likely to export than those in the traditional economy. Between 2000 and 2015, internet penetration has increased from 6.5% to 43 % of the global population. It is estimated e-commerce was worth around US$22 trillion in 2016.[4] On both counts, the numbers continue to rise rapidly. E-commerce allows businesses and consumers to access a global market place, to reach a wider range of consumers and provides the potential to join global value chains

Global rules for e-commerce could help boost small business growth, and improve market access for businesses to connect to global value chains. Given the key role that information technology plays in driving global growth, the current moratorium on imposing customs duties on e-commerce transactions should be made permanent. A clear programme for future specific work should be agreed.

Longer-term measures

Liberalize trade in services

The economic case for greater openness to trade in services has become stronger over time, partly because the share of services has grown in many economies. A growing part of global trade, services trade growth stands at healthy levels in some sectors and certain regions. The rapid growth of the digital economy has both generated increased trade in services and improved the potential for what, and how much, services can be traded. Continued acceleration in the digital economy and the uptake of new digital innovations will push the frontier of possibility even farther. Improved conditions for services trade also encourage trade in goods. According to the Organisation for Economic Co-operation and Development (OECD), about a third of the value of manufactured goods is created by services as intermediary inputs.[5]

There is no simple formula for liberalizing trade in services. What is needed is a combination of improved multilateral trade rules and achievements through plurilateral and autonomous trade reforms. The Trade in Services Agreement (TiSA) negotiations are important and should be accelerated. While it is not an ideal form for freeing up trade in services, the political reality is that TiSA is still the most realistic initiative whose successful conclusion could build momentum for liberalisation outside the group of currently participating countries. There should also be multilateral complements to TiSA—initiatives that would involve the full Membership and address issues that presently do not form part of TiSA.[6]

4 International Chamber of Commerce, ECIPE, 2017, A World Trade Agenda for the Buenos Aires Ministerial, p 7.
5 OECD, 2016.
6 International Chamber of Commerce, ECIPE, 2017, A World Trade Agenda for the Buenos Aires Ministerial, p 7.

Encourage investment facilitation

There is a new interest among countries to consider issues that relate to the market access and protection of investment. Some of this new interest comes on the heels of a changing profile of global investment, with a lot more outward investment from developing and emerging economies. There are also lot of remaining market-access restrictions and large gaps between investment openness. There is a strong economic case to be made for both improving market access for investment and the protection of investments.

There is clearly a renewed interest in the Membership to revisit issues about investment and investment facilitation. While actual work in this areas has been dormant for a long time, there are potential approaches that should be explored in the short-to-medium term. Possible approaches include:

- Trade Facilitation approach to investment facilitation
- Strengthening investment rules by building on GATS
- Restarting the Working Group on Trade and Investment

At the minimum, a good outcome at the upcoming WTO Ministerial Conference would be an agreement to restart discussions in this area with an exploratory agenda.[7]

7 Ibid, p 17.

Annex I: Methodology and data sources

Developing cross-country indices to reflect the openness of economies 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. Below is an overview of the analytical approach taken to develop the ICC 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
- A description of the approach to aggregation used in the OMI

Table 4 | Weightings—Open Markets Index 2017

		Weight of component	Weight of indicator in 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 measures AD		10.0
	Initiations of AD invest.		5.0
	AD measures		5.0
II.4	Efficiency of border admin.		10.0
	No of documents for imports		3.3
	No 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
No of procedures		16.7
No 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%**	

The four components of the OMI

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.

As was the case for earlier editions of the OMI, more than 30 time series were considered for the construction of the indicators, of which 23 were retained. Overlaps of some time series and a lack of data availability formed the basis for removal of certain indicators.

Statistical sources are from publicly available data, to maximise the usefulness of the study for policy-makers. Sources include general databases of international organisations such as the World Bank, the World Trade Organization and United Nations Conference on Trade and Development. Where data was missing, publicly available government sources were substituted. Broadly, the time series includes up to the end of 2015, on account of reporting of figures for 2016 being unavailable at the time of compiling this report.

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 below. The table also provides a short commentary on each indicator, identifying the issues that should be considered when interpreting the findings.

Component 1: Observed openness to trade

Table 5 presents key indicators used to measure the observed openness to trade.

Table 5 | Indicators of observed openness to trade

Indicator	Description
Trade-to-GDP ratio *Source: World Bank Development Indicators*	This ratio is a key indicator of economic openness. The (nominal) value of exports and imports of goods and services is compared to the (gross) value-added of domestic output. This ratio generally reflects the relative importance of international trade to an individual economy. Small economies often depend more on international trade than large economies. Additionally, it should be noted that economies having a role as a trade hub (e.g. Hong Kong SAR, 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 Development Indicators (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: 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., 2005-15).

Component 2: Trade policy

Table 6 describes key indicators used to evaluate the "import-friendliness" of the trade policy regime. 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's trade policy, therefore, is presumed to be identical to that of the EU.

Table 6 | Indicators of trade policy

Indicator	Description
Average applied tariff levels *Source: UN COMTRADE/WITS*	These three indicators use an adjusted form of the arithmetic average of applied MFN tariffs, with a separate assessment of agricultural and non-agricultural applied tariff levels. 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 separately according to the share of these product groups in world trade. This adjustment results in a significantly lower average tariff rate for those economies that protect agricultural products more than industrial products. In addition, the OMI uses publicly available UN Comtrade/World Bank databases to assess Effectively Applied Tariffs including preferential rates. The specific methodology defines effectively applied tariffs as the lowest available tariff—where a preferential tariff exists, it is used as the effectively applied tariff, otherwise the MFN applied tariff is used. Two indicators of average applied tariff levels (applied and effectively applied) are used 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: UNCTAD, WITS, World Bank*	The structure and complexity of tariffs can also impact the overall level of protection: › **Tariff binding levels:** A high proportion of tariffs with binding levels tends to increase the stability and predictability of a tariff, and has 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 lines with international 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 schedule with the same average tariff but uniform rates.
Non-tariff measures **Number of antidumping (AD) actions** *Source: WTO*	The use of WTO-consistent contingent protections such as antidumping (AD), countervailing (CV) and safeguards is generally considered to contain a protectionist element. Economies 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 economies and 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 import procedures; the number of documents required for the imports of goods; and the cost (US$ per container) associated with all the procedures required to import goods. Trade is improved with economies 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 7 below lists key indicators used to measure the openness to FDI. . 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 7 | Indicators of FDI OPENNESS

Indicator	Description
FDI inflows to GDP *Source: UNCTAD*	This indicator aims to assess both an economy's policy towards inward investment and its attractiveness to foreign investors due to market size or resource endowments.
FDI inflows to Gross fixed capital formation (GFCF) *Source: UNCTAD*	This indicator assesses the relative importance of FDI to domestic investment. For economies with a low saving/investment level, FDI inflows will have a relatively larger impact on growth prospects, when compared to economies with a high domestic saving/investment level.
FDI inward stock to GDP *Source: UNCTAD*	FDI stock data lowers the impact of assessing only short-term fluctuations in FDI inflows. Stock data signal the long-standing presence of foreign investment, which continues to contribute to the 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.

Investing Across Borders: Ease of starting foreign business *Source: World Bank*	The FDI Welcome Index (renamed from the World Bank's Investing Across Borders "Starting a foreign business" indicators) was developed in 2012 and assesses the administrative hurdles to 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.

Component 4: Infrastructure for trade

Infrastructure—such as logistics and telecommunications pathways—is essential to delivering of meaningful market access in an economy. Consequently, the fourth component of the OMI captures the quality of trade-enabling infrastructure across economies.

Table 8 below defines the key indicators used to measure the trade-enabling infrastructure.

Table 8: Indicators of trade-enabling infrastructure

Indicator	Description
Logistics performance Index *Source: World Bank*	The World Bank Logistics Performance Index is a comprehensive coverage and ranking of the following six areas of trade-enabling infrastructure: 1) efficiency of customs clearance, 2) quality of trade and transport-related infrastructure, 3) ease of arranging competitively priced shipments, 4) competence and quality of logistics services, 5) ability to track and trace consignments, and 6) timeliness of shipment to consignee within scheduled time. This index is based on the evaluations of logistics experts in each economy, and was last prepared in 2016.
Communication infrastructure *Source: ITU*	Telecommunication services are critical for integration and openness to market access. This indicator examines two time series: fixed line and mobile subscriptions per capita, and percentage of people using the internet.

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 in this regard:

- Data availability
- Scoring
- Aggregation

Data availability

The objective of the OMI is to synthesize information on market access to major economies worldwide. The 75 economies covered by this study account for more than 90% of world imports of goods and services in 2015. The economies have been selected to ensure broad geographical coverage with 35 developed economies, 37 developing economies and three successor states of the former USSR (the Russian Federation, Ukraine and Kazakhstan).

In a number of indicators, certain economies did not have a standard source for a specific time series. The missing information could sometimes be found by using national statistics, but in general it was estimated using the mean drawn from that economy's performance in previous years, with the prime intention being not to advantage or disadvantage the affected economy. The number of estimates is limited in OMI 2017.

All the time series used are published annually by international organisations to ensure fairness in the ranking.

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:

$$5*((\text{economy value} - \text{sample minimum}) / (\text{sample maximum} - \text{sample minimum})) + 1$$

In circumstances where a higher value indicate less openness (i.e. tariff rates, where a higher tariff indicates less openness), then the order is inverted for scoring with the following formula:

$$-5*((\text{economy value} - \text{sample minimum}) / (\text{sample maximum} - \text{sample minimum})) + 6$$

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 economies 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 economy 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, it was 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 would 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. The weights that have been assigned to each time series/indicator and each basic component remain unchanged from the first edition of OMI published in 2011.

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