

The 2013 Open Markets Index (OMI) is published biennially by the International Chamber of Commerce. Beginning in 2011, the OMI ranks the world's countries by measuring the relative trade openness of their economies. The OMI assesses 75 countries, including all G20 and EU member states and a mixture of other upper, middle, and low income countries. Four sub-scores comprise the OMI:

- Trade Policy,
- Trade Enabling Infrastructure,
- Foreign Direct Investment (FDI) Openness, and
- Trade Openness.

The Trade Policy and Trade Enabling Infrastructure sub-scores are based on measures of what could be considered trade affecting inputs, such as tariff rates or national logistics performance. The FDI Openness and Trade Openness sub-scores are primarily comprised of observed trade outcomes, such as the real growth of merchandise imports or the ratio of FDI to GDP. The OMI scores range from one to six, with a higher score referring to a more open economy (please see the last section of the snapshot for a more detailed explanation of the methodology). In this snapshot the term USAID-assisted country denotes non-high-income countries that received at least \$2 million in obligations of USAID assistance in fiscal year 2011.

## 2013 Scores and Rankings

Hong Kong and Singapore received the highest OMI scores and are the only two countries that score above five. European and East Asian and Pacific (EAP) countries fill out the rest of the top half of the index. Out of the top thirty, only Canada and the United Arab Emirates come from outside Europe or EAP. At the other end, Ethiopia receives the lowest score. The other bottom spots are dominated by Sub-Saharan African and South Asian countries. Five of the six Sub-Saharan African countries in the index are found in the bottom ten spots and all four South Asian countries place in the bottom fifteen spots. Of the overall bottom ten places, only Algeria, Brazil, and Venezuela are outside of Sub-Saharan Africa or South Asia.

### Overall OMI Scores by Region

Score	North America	EAP	MENA	Europe and Central Asia	Latin America	Sub-Saharan Africa	South Asia	Total
5-6 (more open)		2						2
4-5	1	3	1	22				27
3-4	1	6	3	10	4	1		25
2-3		2	4	2	4	3	3	18
1-2 (less open)						2	1	3



Among USAID assisted countries, Ukraine receives the highest score, followed by a regionally diverse list of middle income countries. USAID assisted countries dominate the bottom of the rankings. Out of the bottom twenty places, only four countries are not USAID assisted.

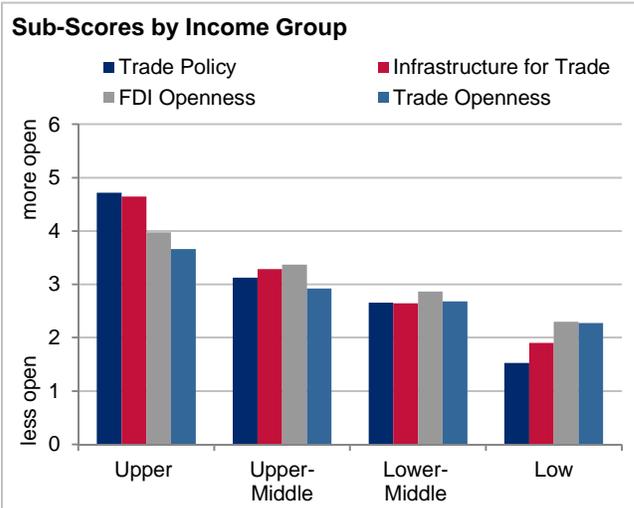
## Scores by Income Group

The OMI score of a country is highly correlated with its income group as defined by the World Bank in 2012. High income countries consistently receive the highest scores. In fact, all but three of the top thirty places are filled by high income countries. Upper-middle income countries fill the next highest positions in the index, with Eastern European countries typically receiving the highest scores within this income group. Lower-middle income and low income countries are clustered at the bottom of the rankings. Only two countries from the lower-middle and lower income groups, Ukraine and Vietnam, break the top fifty positions.

High income countries outperform low income countries to a much greater extent in certain sub-scores. On average, high income country sub-scores for Trade Policy and Trade Enabling Infrastructure are approximately 200 percent and 150 percent higher than the sub-scores for the low income group. However, the average high income sub-scores for FDI and Trade Openness are only 70 percent and 35 percent higher than the sub-scores for the low income group. This result suggests that sub-scores consisting of trade affecting input measures differ much more across income groups than sub-scores based on observed trade outcomes.

## Top and Bottom USIAD-Assisted Countries

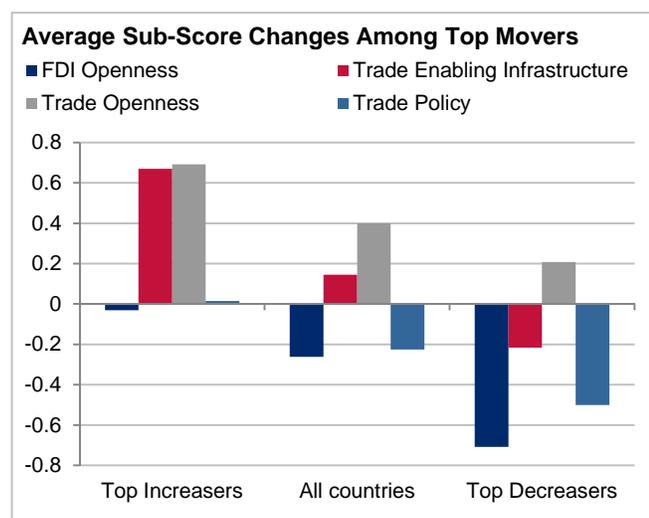
Top 10 (rank)	Bottom 10 (rank)
Ukraine (36)	Ethiopia (75)
Peru (43)	Sudan (74)
Vietnam (46)	Bangladesh (73)
Thailand (49)	Uganda (71)
South Africa (50)	Pakistan (69)
Jordan (51)	Kenya (68)
Colombia (52)	Brazil (67)
Indonesia (53)	Nigeria (66)
Mexico (54)	Sri Lanka (65)
Kazakhstan (55)	India (64)



## Changes since 2011

Overall score changes (2011 to 2013) by themselves do not indicate changes in trade openness. Shifts in rankings, however, do reflect relative changes in trade openness among countries, and therefore can be compared across time periods. Malta made the biggest gain between the 2011 and 2013 rankings, jumping 17 spots to the 5th position. This rise is mainly due to large increases in its Trade Enabling Infrastructure and Trade Openness sub-scores. On the flip side, USAID-funded Kazakhstan had the biggest fall in the rankings, dropping 20 spots to the 55th position in 2013. Much lower sub-scores in Trade Policy and Trade Enabling Infrastructure are the primary drivers of its considerable fall.

The already top scoring upper and upper-middle income countries make up most of the countries that increased by five places or more in the rankings. Of the low and lower-middle income groups, only Egypt, Ukraine, and Sri Lanka moved up five or more places. On the other hand, countries that dropped five places or more are evenly spread across all income groups. Additionally, USAID-assisted countries find themselves in both groups and no one region dominates either top increases or decreases in the rankings.



Following Malta's lead, many of the countries that rose in the rankings saw large increases in both their Trade Enabling Infrastructure and Trade Openness sub-scores. Conversely, large decreases in the Trade Policy and FDI Openness sub-scores contributed to many of the large drops in the rankings.

## Small Country Bias

The publisher admits that both the FDI and the Trade Openness sub-scores are negatively affected by the size of an economy, independent of trade barriers. For example, the FDI Openness sub-score is partly determined by a country's FDI inflows compared to its GDP while the Trade Openness sub-score is partly determined by the ratio of imports to GDP. In both cases, these ratios are consistently smaller for large economies because they inherently depend less on international trade and investment than their smaller counterparts. This result drags down the scores of large countries with big economies, despite having nothing to do with the openness of their economies.

This bias toward small economies is apparent in the rankings. Focusing on the Trade Openness sub-score, the top ranks go almost exclusively to small countries. Only four of the top 20 scoring countries in this category have a population greater than fifteen million according to the current United Nation Population Prospects estimates. Conversely, of the bottom ten countries in this category, only three have a population less than 90 million. While less strong, this trend is also present in the FDI Openness sub-score.

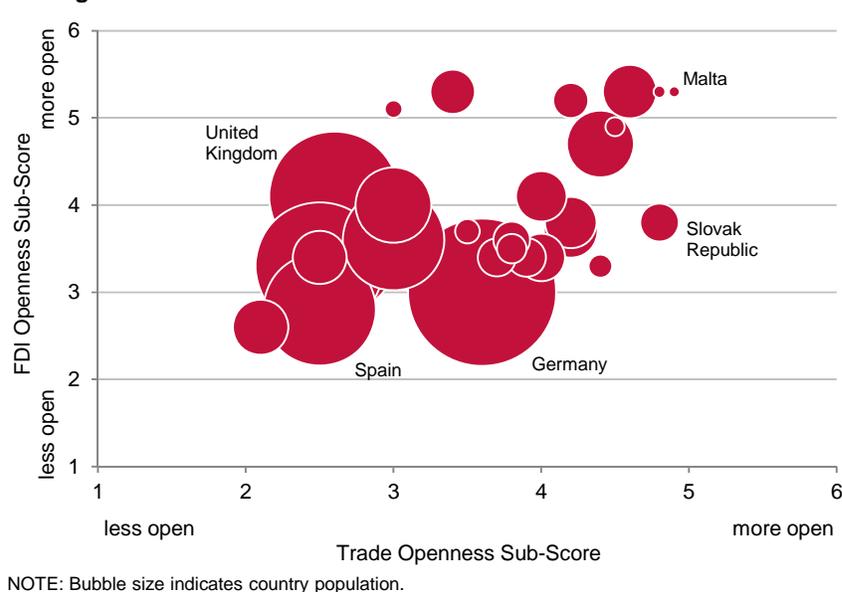
## Countries that Changed Five or More Places Between 2011 and 2013

Increases (change)	Decreases (change)
Malta (17)	Kazakhstan* (20)
Canada (11)	Saudi Arabia (13)
New Zealand (11)	Latvia (11)
Norway (10)	Cyprus (10)
Peru* (10)	Nigeria* (10)
Ukraine* (9)	Bulgaria (9)
Israel (7)	Philippines* (9)
Colombia* (7)	France (7)
Sri Lanka* (7)	Denmark (5)
Slovenia (6)	Hungary (5)
Australia (5)	Thailand* (5)
Egypt* (5)	Uruguay (5)
Taiwan (5)	

\* Indicates a USAID-assisted country.

The graph illustrates how population size can affect sub-scores, even among countries that are otherwise very similar. EU member nations are subject to the same trade policies and have relatively similar investment environments. Therefore it would stand to reason that they should receive similar FDI and Trade Openness sub-scores, yet the graph illustrates that the sub-scores diverge quite significantly and the score difference is highly correlated with population size. Thus, it is important for the reader to take note of this characteristic of the scoring system when assessing the overall scores.

**Effect of Population on FDI and Trade Openness Sub-Scores Among EU Members**



## Methodology

As previously stated, four sub-scores make up the OMI, each measuring a different aspect of economic openness. The sub-scores are comprised of several indicators which in turn are comprised of different series. A formula-based scoring system is used to normalize the values of each series so that they can be easily aggregated despite being measured in different dimensions. The normalized series are weighted in order to calculate a score for the indicators that determine the value of the four sub-scores of the overall index. The table lists each sub-score along with their determining indicators.

### Weights of OMI Sub-Scores and Indicators

Sub-Score or Indicator	Weight of sub-score	Weight of indicator
Trade Openness	35%	100%
A. Trade to GDP Ratio		33.3%
B. Merchandise and services imports per capita		33.3%
C. Real growth of merchandise imports		33.3%
Trade Policy	35%	100%
A. Applied Tariffs		60%
B. Tariff Profile		20%
C. Non-tariff barriers AD		10%
D. Efficiency of border administration		10%
FDI Openness	15%	100%
A. FDI		50%
B. FDI Welcome Index		50%
Infrastructure in Trade	15%	100%
A. Logistics Performance index		60%
B. Communication infrastructure		40%

NOTE: A more detailed description of the OMI scoring system is available at [http://www.iccwbo.org/Data/Documents/Global-Influence/G20/Products/2013-Open-Markets-Index-\(OMI\)-high-resolution-pdf/](http://www.iccwbo.org/Data/Documents/Global-Influence/G20/Products/2013-Open-Markets-Index-(OMI)-high-resolution-pdf/).

#### Additional Information

For questions or more information, please contact the author, Darren Enterline, at [denterline@devtechsys.com](mailto:denterline@devtechsys.com).

Open Markets Index Data: To access the entire ICC's Open Market Index dataset, please visit the Economic and Social Database (ESDB) at <http://esdb.eads.usaidallnet.gov/>. The ESDB also includes data from many of the OMI's source organizations, including UNCTADstat, the World Bank's Doing Business Indicators, and the World Bank's World Development Indicators.

More information on World Bank Income Groups is available at [http://esdb.eads.usaidallnet.gov/query/do?\\_program=/eads/esdb/countriesByWBIncome](http://esdb.eads.usaidallnet.gov/query/do?_program=/eads/esdb/countriesByWBIncome).