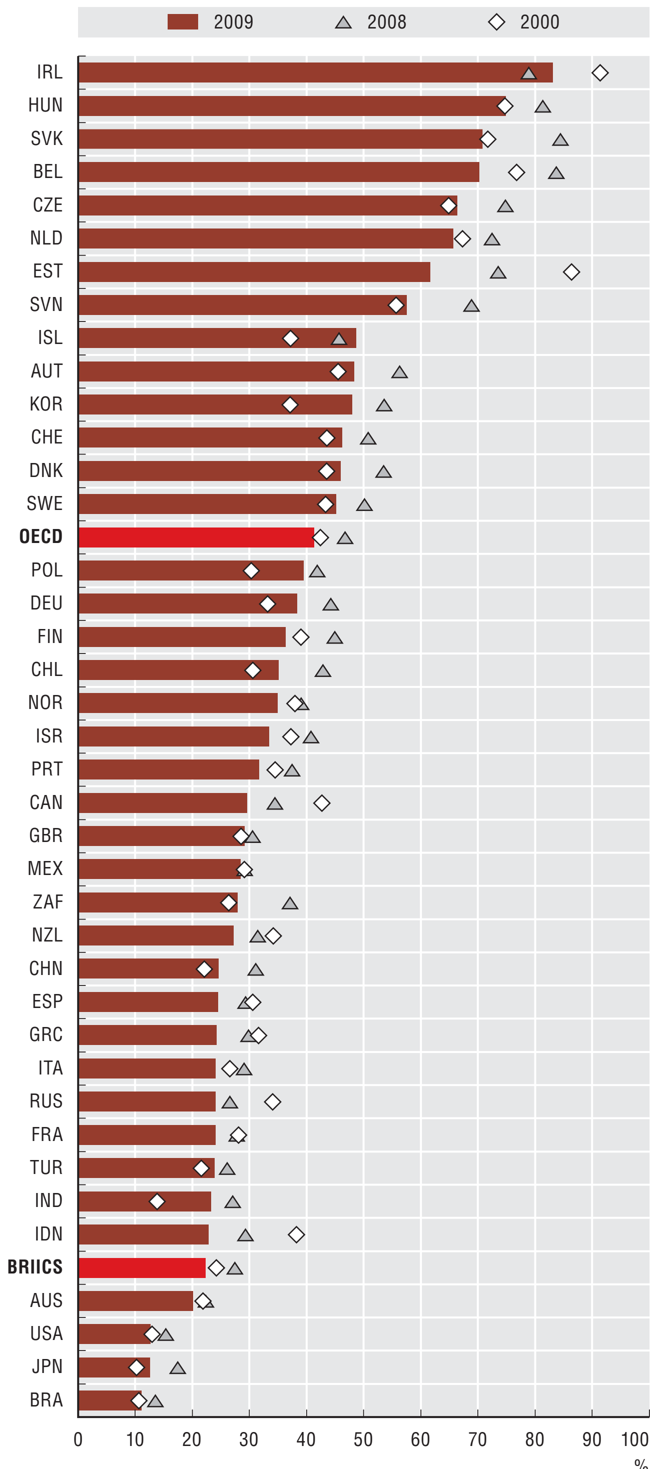
6. Trade openness

Average of total exports and imports as a percentage of GDP, 2000, 2008 and 2009



Source: OECD, National Accounts Database, June 2011; International Monetary Fund, World Economic Outlook and Balance of Payments Databases, May 2011. See chapter notes.

StatLink http://dx.doi.org/10.1787/888932487818

The relative impact of the economic crisis on international trade can be seen in a comparison of exports and imports as a percentage of gross domestic product (GDP) between 2008 and 2009. GDP was severely affected in many countries, but international trade suffered even more. After widespread increases in the trade-to-GDP ratio between 2000 and 2008, all OECD countries (except Iceland and Ireland) and the BRIICS (Brazil, the Russian Federation, India, Indonesia, China, South Africa) saw a drop in this ratio between 2008 and 2009, mostly owing to significant drops in trade in goods. In many countries it fell below the ratio recorded at the beginning of the decade.

For Canada, Estonia, Ireland and New Zealand as well as Indonesia and the Russian Federation, the decline in the relative importance of trade started before 2008, owing in part to the expansion and changing structure of their domestic economies.

In 2009, the average trade-to-GDP ratio of OECD countries was about 41%, nearly double that of the BRIICS. In part, this is because the OECD includes many relatively small economies. Considering the OECD as a single aggregate, with high weights for Japan and the United States, would give a ratio closer to 20%, similar to that of the BRIICS.

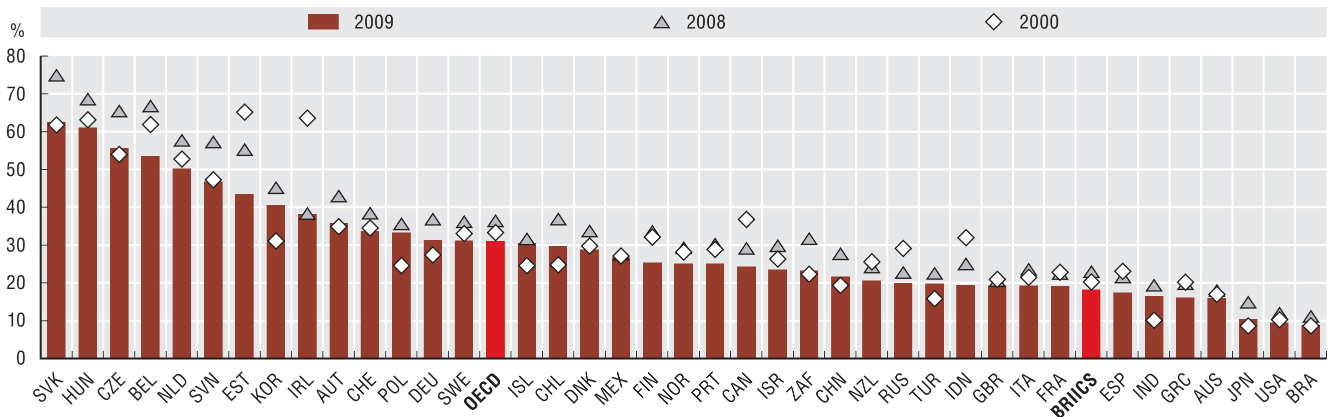
Despite significant falls in 2009, trade in goods remains many countries' principal channel for economic integration. It represents, on average, three times the value of trade in services in OECD countries and more than four times in the BRIICS. However, the crisis had a much smaller impact on trade in services than in goods; few countries experienced significant falls in the ratio of trade in services to GDP.

International trade in services continues to expand. Countries such as Ireland and India are particularly active in this area.

Definitions

The *trade-to-GDP ratio* is frequently used to measure the importance of international transactions relative to domestic transactions. This indicator is calculated for each country as the simple average (*i.e.* the mean) of total trade (*i.e.* the sum of exports and imports of goods and services) relative to GDP. This ratio is often called the trade openness ratio, although the term "openness" may be somewhat misleading, since a low ratio does not necessarily imply high (tariff or non-tariff) barriers to foreign trade, but may be due to factors such as size of the economy and geographic remoteness from potential trading partners. For the OECD and the BRIICS the unweighted averages of countries' shares of GDP are presented to indicate, for example, a typical OECD country's share rather than an aggregate share heavily influenced by countries such as the United States and Japan.

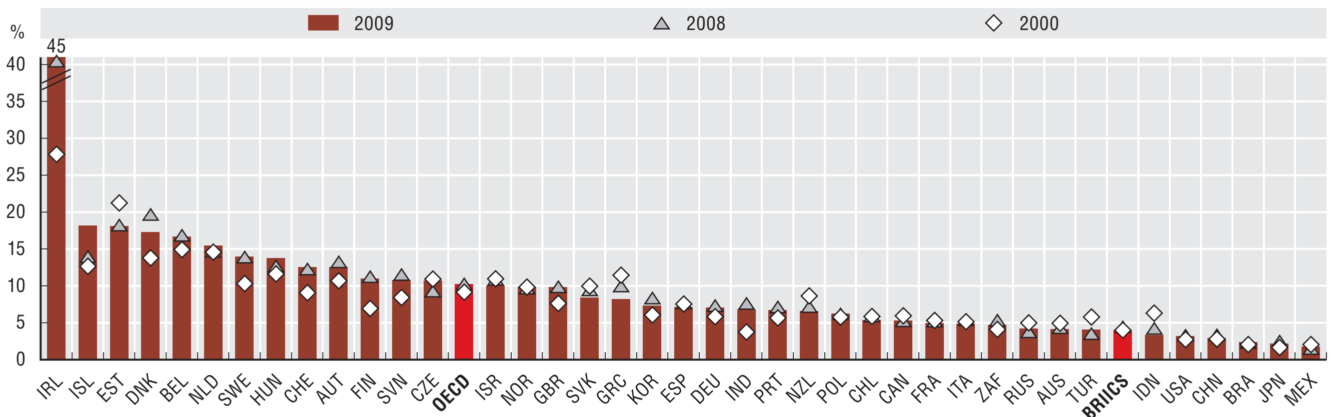
Average of exports and imports of goods as a percentage of GDP, 2000, 2008 and 2009



Source: OECD, National Accounts Database, June 2011; International Monetary Fund, World Economic Outlook and Balance of Payments Databases, May 2011. See chapter notes.

StatLink http://dx.doi.org/10.1787/888932487837

Average of exports and imports of services as a percentage of GDP, 2000, 2008 and 2009



Source: OECD, National Accounts Database, June 2011; International Monetary Fund, World Economic Outlook and Balance of Payments Databases, May 2011. See chapter notes.

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Measurability

The aggregate value of international trade in goods and services reflects countries' integration into the world economy. Small countries are generally more integrated: their exports tend to be in a limited number of sectors and they need to import more goods and services than larger countries in order to satisfy domestic demand. Nonetheless, size is not the only determinant of trade integration. Other factors help to explain differences across countries: geography, history, culture, trade policy, structure of the economy (in particular the weight of non-tradable services) and integration in global production chains, where measured trade may include a significant proportion of re-exports and intra-firm trade linked to the presence of multinational firms.

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