

## 3. COMPETING IN THE WORLD ECONOMY

### 3.1. International trade

The value of their 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 to satisfy domestic demand than larger countries. Size, however, is not the only determinant of trade integration. Other factors help explain differences across countries: geography, history, culture, (trade) policy, the structure of the economy (especially the weight of non-tradable services), re-exports and the presence of multinational firms (intra-firm trade).

The average ratio of exports and imports to gross domestic product (GDP), in constant prices of 2007, increased between 1997 and 2007 in all OECD countries. In 2007, it was over 160% in Luxembourg and very high in Belgium, the Slovak Republic, Estonia, Hungary, as well as the Czech Republic. In contrast, it was less than 20% in Japan, the United States and Brazil, owing in part to their larger size.

Traditionally, international trade in goods has been the principal channel for economic integration. Over the past 20 years, however, other forms of transactions have become prevalent (*e.g.* foreign direct investment, portfolio investment) as firms increasingly implement global strategies and capital movements are liberalised.

In 2007, the average trade-to-GDP ratio of goods in the OECD area was 19.2%, up from 17.3% in 1997, an increase very similar to that for total trade. The ratio was above 60% in the Slovak Republic, Belgium, the Czech Republic, Hungary and Estonia.

As a share of GDP in 2007, average trade in services in the OECD area only accounted for around 5.4% of GDP. Luxembourg and Ireland had the highest values. In

Luxembourg, financial services played a dominant role in exports, and in Ireland, technology payments were a very important component of total imports.

#### **The trade-to-GDP ratio**

The most frequently used indicator of the importance of international transactions relative to domestic transactions is the trade-to-GDP ratio, which is the average share of exports and imports of goods and services in GDP.

The trade-to-GDP ratio is often called the trade openness ratio. However, the term "openness" to international competition may be somewhat misleading. In fact, a low ratio does not necessarily imply high (tariff or non-tariff) obstacles to foreign trade, but may be due to the factors mentioned above, especially size and geographic remoteness from potential trading partners.

#### **Sources**

OECD, National Accounts Database, June 2009.

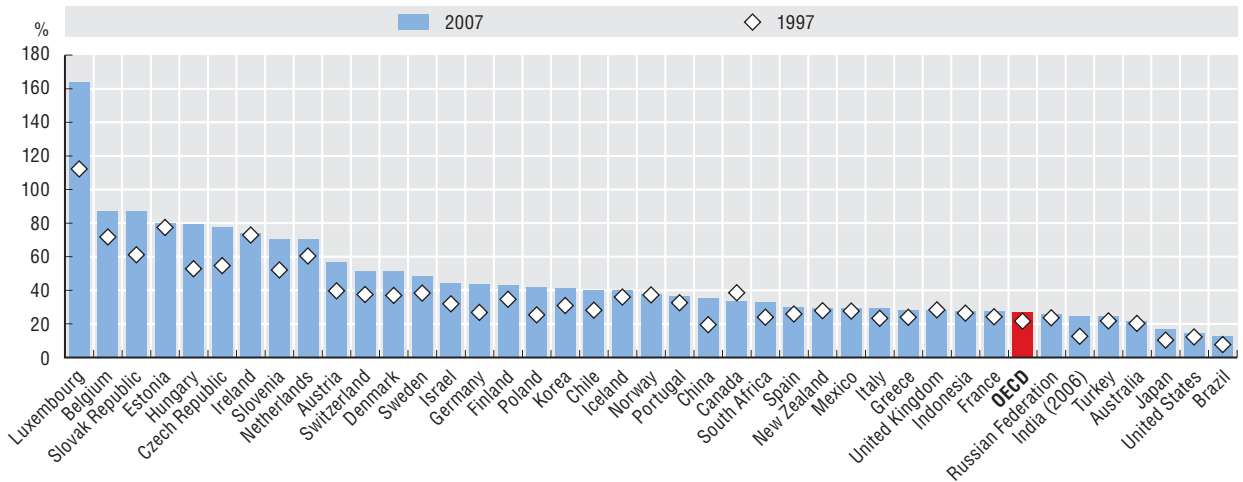
International Monetary Fund, June 2009.

#### **Going further**

OECD (2005), *Measuring Globalisation: OECD Handbook on Economic Globalisation Indicators*, OECD, Paris.

### Total exports and imports, 2007

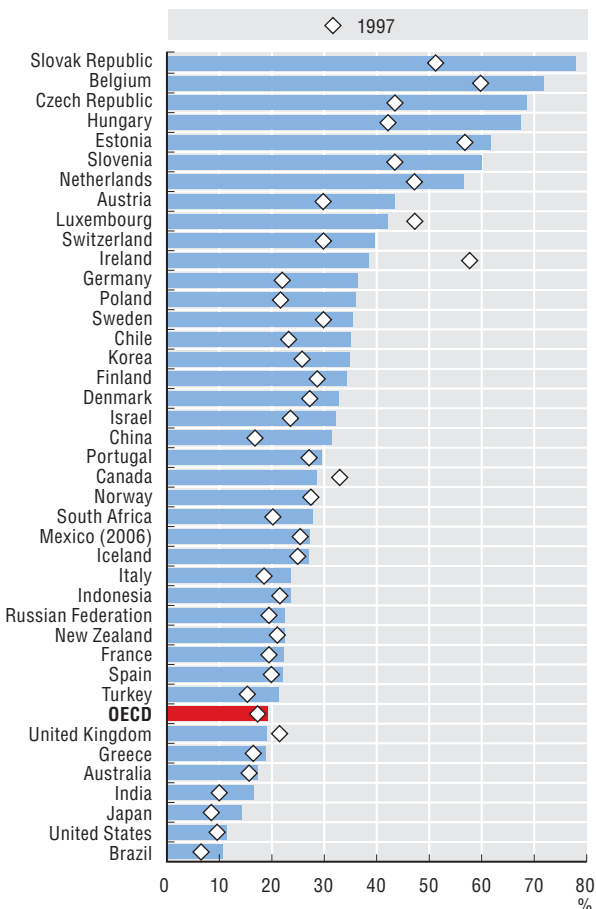
Average, as a percentage of GDP



StatLink <http://dx.doi.org/10.1787/744325750814>

### Exports and imports of goods, 2007

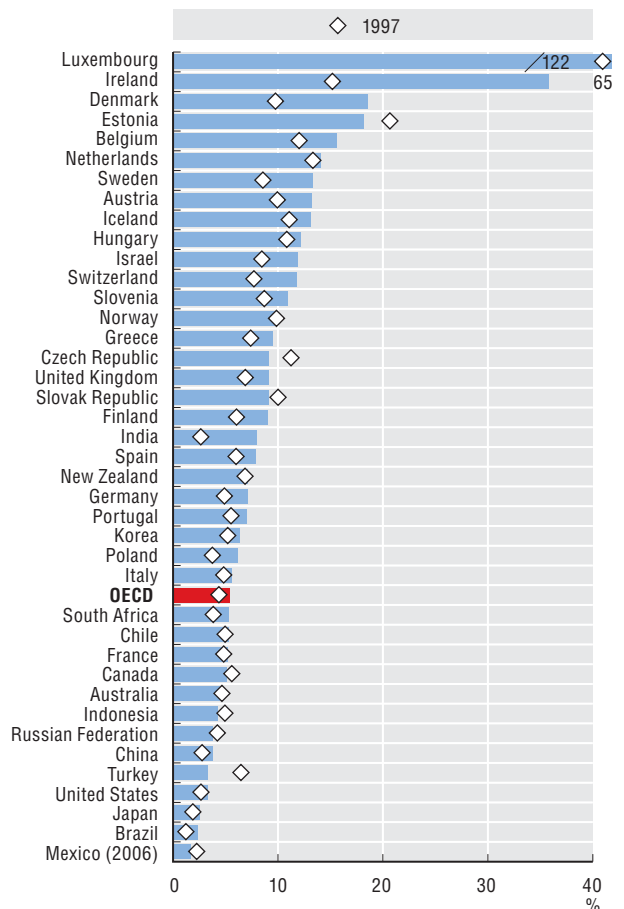
Average, as a percentage of GDP



StatLink <http://dx.doi.org/10.1787/744374642145>

### Exports and imports of services, 2007

Average, as a percentage of GDP



StatLink <http://dx.doi.org/10.1787/744425588570>



**From:**  
**OECD Science, Technology and Industry  
Scoreboard 2009**

**Access the complete publication at:**  
[https://doi.org/10.1787/sti\\_scoreboard-2009-en](https://doi.org/10.1787/sti_scoreboard-2009-en)

**Please cite this chapter as:**

OECD (2009), "International trade", in *OECD Science, Technology and Industry Scoreboard 2009*, OECD Publishing, Paris.

DOI: [https://doi.org/10.1787/sti\\_scoreboard-2009-33-en](https://doi.org/10.1787/sti_scoreboard-2009-33-en)

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to [rights@oecd.org](mailto:rights@oecd.org). Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at [info@copyright.com](mailto:info@copyright.com) or the Centre français d'exploitation du droit de copie (CFC) at [contact@cfcopies.com](mailto:contact@cfcopies.com).