

Trade Openness Index of European countries

	Country	Trade Openness Index
1	Slovakia	180
2	Estonia	167
3	Belgium	165
4	Lithuania	163
5	Czech Republic	160
...		
43	Russia	43

EuCham data based on World Bank data reports
43 European countries were considered

Source: eucham.eu/charts

- Small economies are usually more dependent on trade than large economies. In general, export exceeds import in many of the countries, which means they are not only able to provide the domestic demand, but foreign markets as well.
- Trade has an impact on total GDP of the country as it encourages the development and the exchange of goods and services between a country and its international partners.
- Total GDP is affected by consumer, government and investment spending, importing and exporting.

Detailed Information

EuCham - European Chamber lists the Trade Openness Index of 43 countries identifying the economic performance of each country related to international trade. By taking the sum of import and export divided by the total GDP, the Index shows the percentage of trade compare with GDP and the differences between countries varying from 43 to 180.

Foreign trade has a significant impact on total GDP of the country. Trade encourages the development not only for the country itself but also for international partners. For instance, one country can increase their trade by concentrating on the production of comparative advantage goods and export to the international market. Other countries can also benefit from trade as they can enter and invest in tangible and intangible channels such as technology transfer, allocation and distribution of resources.

According to OECD iLibrary, small economies typically depend more on international trade than large economies as they can only export a limited number merchandise based on the specialty. Nevertheless, small economies import more goods and services to provide the domestic demand. The statistic shows that Slovakia has the highest Index, with value in import and export of 87.8% and 91.9%, respectively, to the total GDP. Therefore, it is the most open country when trading with other countries. On the other hand, Russia comes last with an Index of 43. In 2014, Russia went under severe economic crisis as the ruble currency dropped together with the oil price, which led to the large change in exports and GDP as oil and gas account for 67% of Russia's exports. As a result, it placed major impact on the trade and economy of Russia from mid-2014.

The higher value of import and export compared with GDP results in the higher the Index. The main reason for it is that the GDP is calculated based on the formula:

$$\text{GDP} = \text{Consumption spending} + \text{Government spending} + \text{Investment spending} + (\text{Exports} - \text{Imports})$$

The trade openness of a country also has an effect on the economic growth. It helps to improve imports and exports, which leads to the development of technology with efficient and effective production processes. However, trade is not the only element to decide whether a country's economy is developing or not. Based on the formula above, total GDP is also be affected by the consumption expenditures, government purchases and investment. The reason why big and strong countries like Spain, France, United Kingdom, Italy, Germany and Russia have lower Index than other countries is that

they utilize their spending in three other sectors more than the imports and exports itself, which results in the high total GDP. Moreover, the necessity of trade in larger economies is lower as they can provide the domestic market from their own capacity.

Methodology

All data was retrieved from the World Development Indicators of The World Bank, Trading Economics and Central Intelligence Agency website. The sources include the total import and export, as well as total GDP in million US dollars. The Openness Index is calculated by taking the sum of import and export to divided by total GDP of the country (OECD iLibrary). The year 2014 is considered for the collection of data before implementing the calculation.

Figure 1: Trade Openness Index

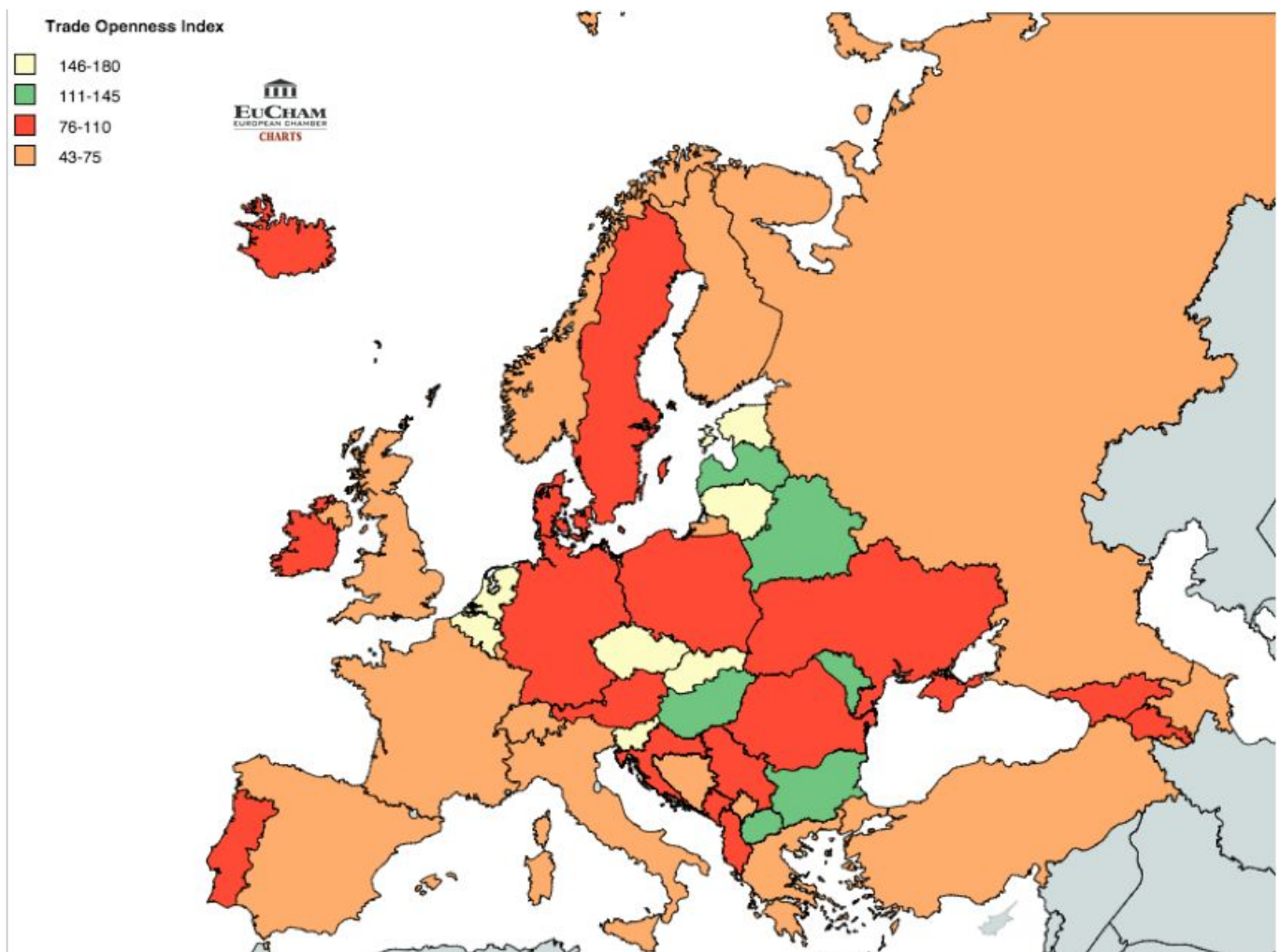


Figure 2: Import, Export and total GDP (for countries with GDP above 1,000,000 Million USD)

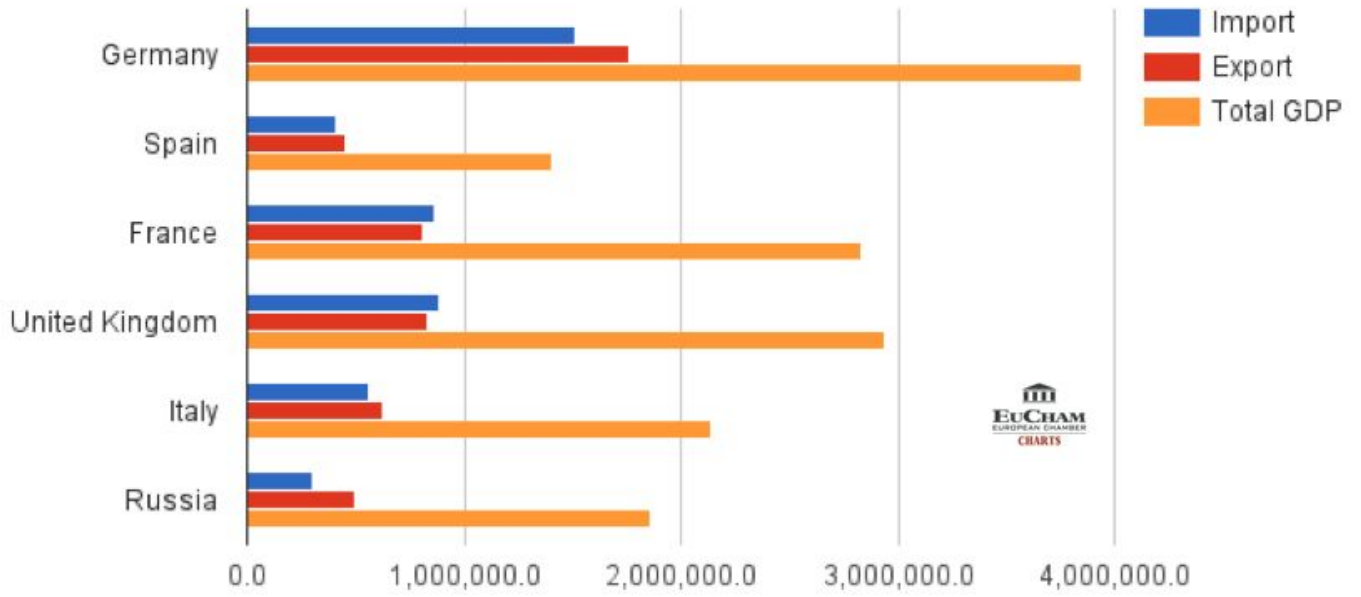


Figure 3: Import, Export and Total GDP (countries with GDP below 1,000,000 Million USD)

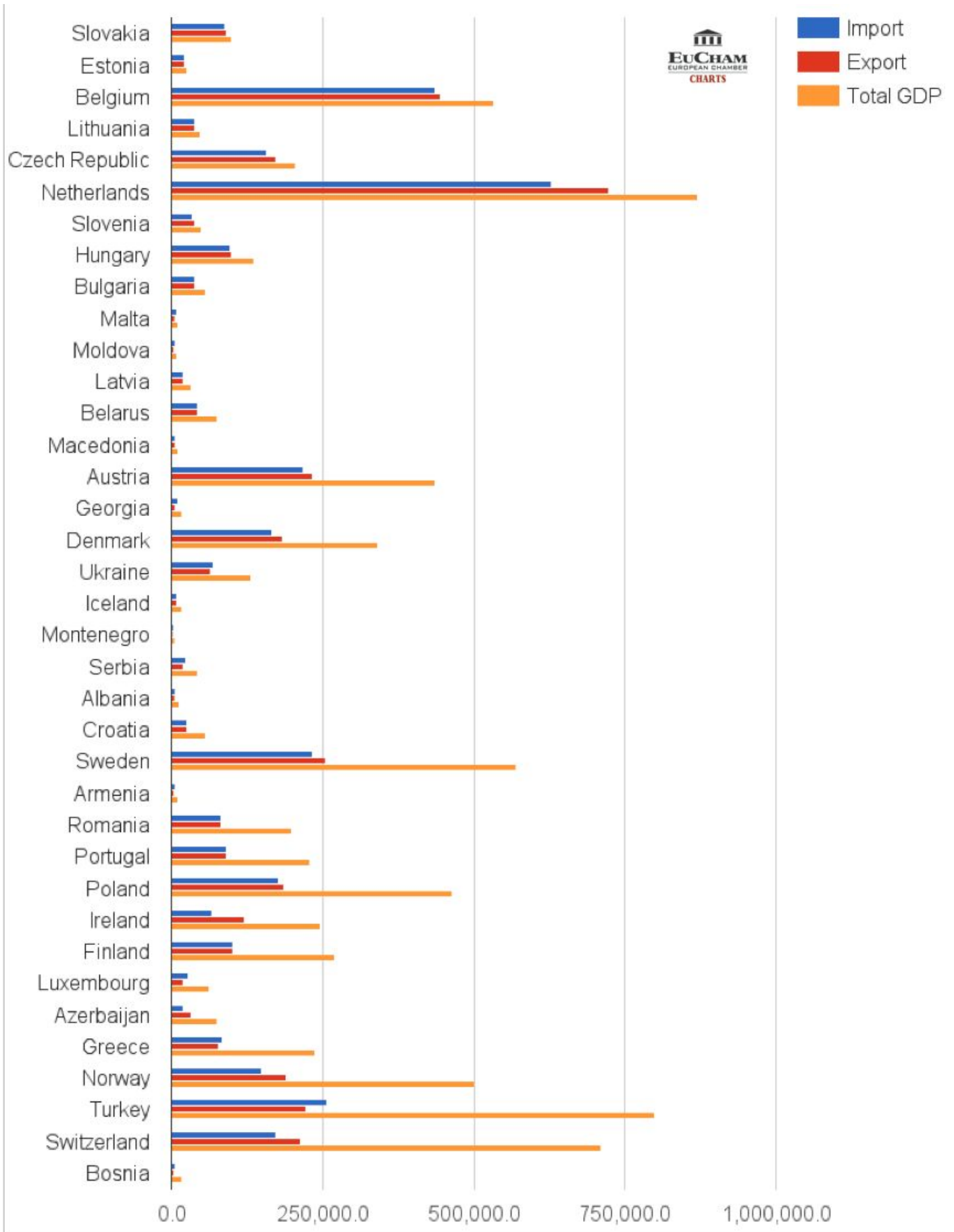


Table 1: Ranking of Trade Openness Index in 2014

Ranking	Country	Import million USD	Export million USD	Total GDP million USD	Openness Index 2014
1	Slovakia	87,615.7	91,707.1	99,790.1	180
2	Estonia	21,267.9	21,941.5	25,904.9	167
3	Belgium	435,773.8	445,908.0	533,382.8	165
4	Lithuania	39,308.5	39,404.9	48,172.2	163
5	Czech Republic	157,841.6	171,817.1	205,522.9	160
6	Netherlands	628,654.4	722,561.2	869,508.1	155
7	Slovenia	33,948.9	37,951.6	49,416.1	146
8	Hungary	96,830.0	99,540.0	137,103.9	143
9	Bulgaria	38,234.0	37,843.9	55,734.7	137
10	Malta	8,384.0	4,938.0	10,580.0	126
11	Moldova	6,268.0	3,344.5	7,944.2	121
12	Latvia	19,439.8	18,514.1	31,920.8	119
13	Belarus	44,084.7	43,551.7	76,139.3	115
14	Macedonia	7,371.8	5,424.1	11,323.8	113
15	Austria	217,735.5	233,880.2	436,343.6	104
16	Georgia	9,984.1	7,091.4	16,530.0	103
17	Denmark	165,504.6	183,628.0	341,951.6	102
18	Ukraine	70,120.3	64,848.1	131,805.1	102
19	Iceland	8,040.4	9,133.0	17,071.0	101
20	Montenegro	2,745.3	1,815.0	4,583.2	100
21	Serbia	23,819.5	19,432.8	43,866.4	99
22	Albania	7,514.1	4,866.8	13,370.2	93
23	Croatia	24,949.1	26,150.7	57,222.6	89
24	Germany	1,510,202.0	1,756,765.6	3,852,556.2	85
25	Sweden	232,801.3	254,483.7	570,591.3	85
26	Armenia	5,571.4	3,405.9	10,881.6	83
27	Romania	81,607.9	81,807.0	199,043.7	82
28	Portugal	90,456.0	91,603.9	229,583.7	79
29	Poland	178,125.5	185,258.2	463,509.9	78
30	Ireland	66,940.0	121,300.0	245,920.8	77
31	Finland	102,044.0	100,961.3	270,673.6	75
32	Luxembourg	27,920.0	18,900.0	62,400.0	75
33	Azerbaijan	19,701.9	32,560.7	75,198.0	70
34	Greece	83,870.1	78,405.5	237,592.3	68
35	Norway	148,030.5	190,039.2	500,103.1	68
36	Spain	415,674.7	449,378.1	1,404,306.5	62
37	Turkey	256,650.7	221,471.2	799,535.0	60
38	France	862,903.6	811,978.1	2,829,192.0	59
39	United Kingdom	888,449.4	835,495.5	2,941,885.5	59
40	Italy	561,816.6	630,435.4	2,144,338.2	56
41	Switzerland	172,625.8	212,873.4	711,000.0	54
42	Bosnia	5,928.9	3,305.8	18,340.0	50
43	Russia	308,001.0	496,661.0	1,860,590.0	43

No data: Andorra, Liechtenstein, Monaco, San Marino.

Source: World Bank (2015), OECD iLibrary (2011), Trading Economics (2015), Central Intelligence Agency (2015)

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