

Chapter 1 World Openness Index 2020

In 2020, as the COVID-19 pandemic was still raging, how open was the world, and how open will it be? What characteristics have been shown compared to 2019? This chapter will attempt to offer an answer to these questions.

I. World Openness Index

1. The world is not as open as it used to be

In 2020, the World Openness Index was 0.7491, down 0.02% from 2019, 4.1% from 2008, and 1.5% from 2015.

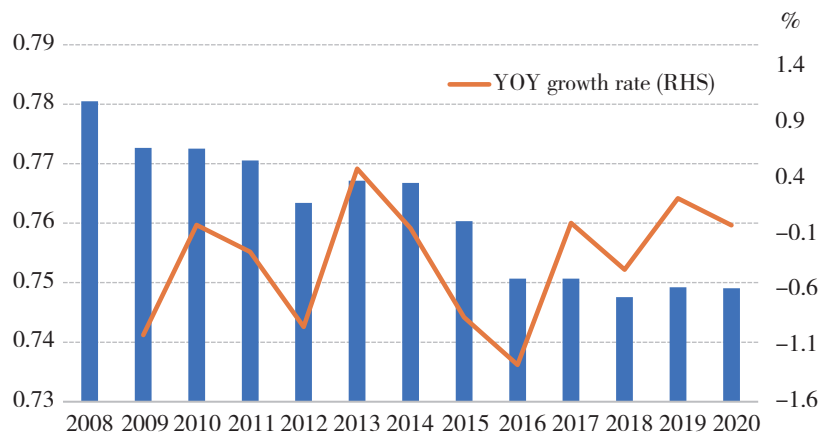


Fig. 1.1 World Openness Index, 2008-2020

2. Top 20 most open economies

Singapore was the most open economy in the world in 2020. Its Openness Index ranked top among the 129 economies gauged. In the 13 years after 2008, Singapore ranked top in six years and second in the remaining seven years.

Germany and China's Hong Kong SAR ranked second and third in 2020. The two economies have perched in second to fourth place in recent years.

Ireland, Switzerland, the Netherlands, Canada, Malta, France, and the United Kingdom ranked fourth to tenth.

The economies ranking eleventh to twentieth were, respectively, Belgium, South Korea, Luxembourg, Hungary, New Zealand, Czech Republic, Australia, Austria, Cyprus, and Denmark.

Table 1.1 Top 20 most open economies in the world, 2020
(G20 members are shown in bold)

	2020	2019	2008
Singapore	1	1	2
Germany	2	2	3
Hong Kong, China	3	3	4
Ireland	4	4	11
Switzerland	5	6	10
The Netherlands	6	7	8
Canada	7	9	7
Malta	8	10	6
France	9	8	9
The UK	10	5	5
Belgium	11	12	16
South Korea	12	14	51
Luxembourg	13	20	41
Hungary	14	25	26
New Zealand	15	28	14
Czech	16	19	27
Australia	17	16	25
Austria	18	23	21
Cyprus	19	15	19
Denmark	20	24	23

For the openness index numbers and rankings of the 129 economies, see the Appendix I & II of this report.

II. World Openness: Specific Indexes

1. The world was more open economically and culturally, yet less open socially in 2020 than in 2019

a. Slightly more open economically than in 2019

Economic openness refers to the degree to which cross-border trade in goods and services, direct investment, and securities investment are registered. The World Economic Openness Index (WEOI) in 2020 was 0.8805, up 0.5% from 2019, and down 8.4% from 2008 and 4% from 2015.

The most open economy was Singapore, followed by Germany (2nd), Hong Kong, China (3rd), Ireland (4th), South Korea (5th), Malta (6th), Switzerland (7th), Belgium (8th), Hungary (9th), and France (10th). China, the United States, and Japan ranked 69th, 110th, and 50th, respectively.

In terms of the economic openness index, South Korea registered the greatest cumulative growth (13.3%) from 2008 to 2020, followed by Ireland (5.2%), Singapore (2.6%), Hong Kong, China (1.3%), and Germany (0.2%). The number for China, the United States, and Japan was 1.6%, -24.6%, and -6.1%, respectively.

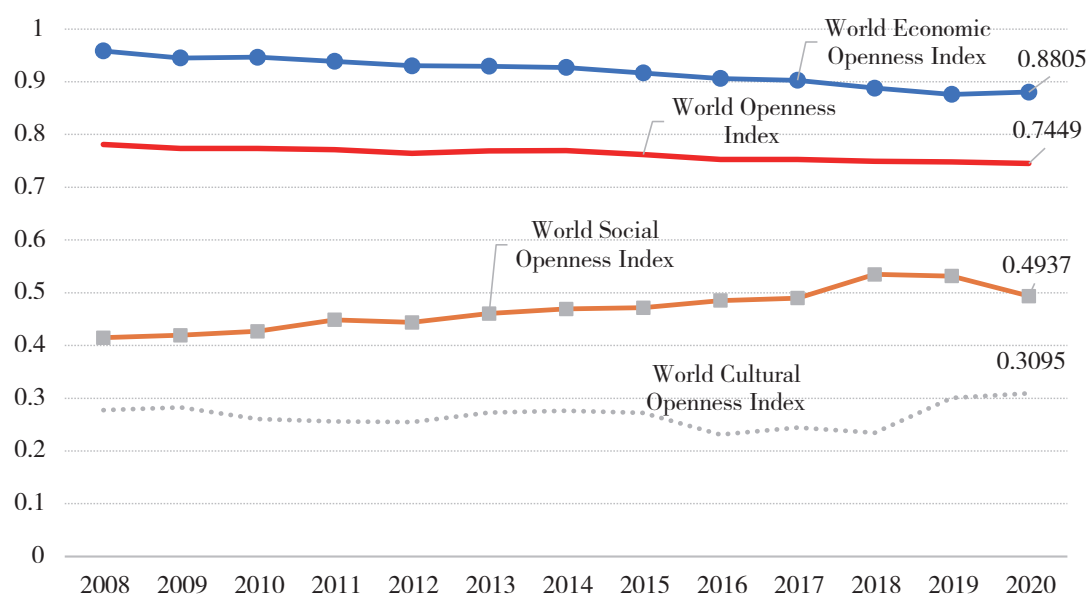


Fig. 1.2 World Economic, Social and Cultural Openness Indexes, 2008-2020

b. Significantly less open socially than in 2019

Social openness refers to the degree to which cross-border movement of people, i.e. the movement and migration of tourists and international students, are registered.

The World Social Openness Index (WSOI) in 2020 was 0.4937, down 7.1% from 2019, and up 18.4% from 2008 and 5.3% from 2015. The top ten most socially open economies were: Macau, China (0.4521, 1st), Germany (0.4299, 2nd), Australia (0.3972, 3rd), the United States (0.3911, 4th), Singapore (0.3897, 5th), Canada (0.3779, 6th), United Kingdom (0.3756, 7th), Switzerland (0.3744, 8th), Luxembourg (0.3703, 9th), and France (0.3675, 10th).

c. Slightly more open culturally than in 2019

Cultural openness refers to the degree to which the cross-border flow of cultural products is registered, mainly including cross-border trade in cultural goods and intellectual property services, cross-border patent applications, and international citations of literature.

The World Cultural Openness Index (WCOI) in 2020 was 0.3095, up 2.9% from 2019, 16.4% from 2008, and 17.8% from 2015. The top ten most culturally open economies were: the United States (0.4437, 1st), Hong Kong, China (0.2438, 2nd), Singapore (0.24, 3rd), Ireland (0.2231, 4th), Japan (0.197, 5th), Cambodia (0.1904, 6th), China (0.1882, 7th), Guyana (0.1867, 8th), Canada (0.185, 9th), and Vietnam (0.1824, 10th).

The situation in which the economic openness index is higher than, the social openness index, which in turn is higher than the cultural openness index, has remained since 2008, although the latter two have grown faster than the former to narrow the gaps between the three. The ratio between the WEOI, WSOI, and WCOI was 2.8:1.6:1 in 2020, 2.9:1.8:1 in 2019, and 3.5:1.5:1 in 2008.

2. Slightly lower openness performance and policy indexes

Openness performance refers to the cross-border flow of carriers of economic, social, and cultural openness (goods, services, capital, personnel, knowledge, etc.). It indicates the direct results of openness. Openness policy refers to the government's standardized regulations on economic, social, and cultural openness. It indicates the willingness of a sovereign government to open up.

a. The openness performance index declined amid fluctuations

In 2020, the World Openness Performance Index (WOPerI) was 0.7445, down 0.09% from 2019, 0.9% from 2008, and 1.8% from 2015. The top 10 economies in terms of openness performance index were: the United States (0.8815, 1st), Singapore (0.8693, 2nd), Germany (0.8445, 3rd), Hong Kong, China (0.8428, 4th), China (0.8228, 5th), Ireland (0.8107, 6th), Luxembourg (0.7729, 7th), Macau, China (0.7505, 8th), Canada (0.7369, 9th), and Netherlands (0.7364, 10th).

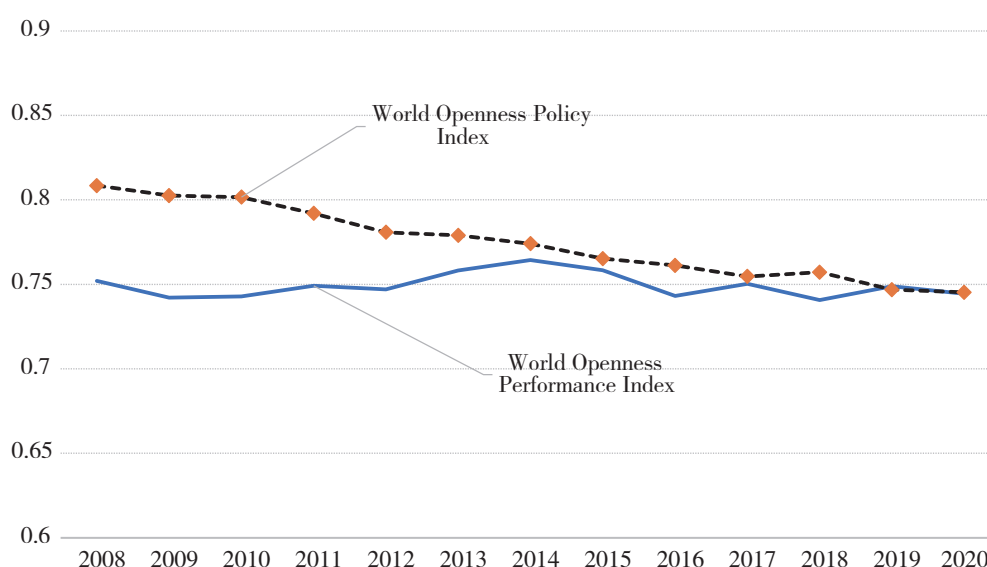


Fig. 1.3 World Openness Performance and Openness Policy Indexes, 2008-2020

b. The openness policy index dropped consistently

In 2020, the World Openness Policy Index (WOPolI) was 0.7453, down 0.2% from 2019, 8.1% from 2008, and 2.6% from 2015. The top 10 economies in terms of openness policy index were: Singapore (0.9093, 1st), South Korea (0.8924, 2nd), Switzerland (0.8866, 3rd), Czech Republic (0.8764, 4th), Australia (0.874, 5th), Lithuania (0.8739, 6th), Latvia (0.8732, 7th), Germany (0.8729, 8th), Estonia (0.8716, 9th), and Romania (0.8697, 10th).

3. World inbound and outbound openness Indexes

For an economy, there are two types of openness: one is its openness to other economies (“inbound openness”); the other is the openness of other economies to it (“outbound openness”). The corresponding indexes are the “inbound openness

index” and the “outbound openness index”. The inbound and outbound openness indexes of each sample economy are weighted according to their share in the total GDP of all sample economies to get the world inbound and outbound openness indexes. The inbound and outbound openness indexes of each economy are not necessarily equal. The same applies to the world inbound and outbound openness indexes.

a. World Inbound Openness Index

In 2020, economies were opened wider to other economies than in 2019. The World Inbound Openness Index (WIOI) was 0.8306, up 1.2% from 2019, but down 10.5% from 2008 and 4.3% from 2015. The YoY growth rate of the WIOI was negative in 12 of the 13 years from 2008 to 2020.

In 2020, the top 10 economies that were most open to other economies were: Hong Kong, China (0.9299, 1st), Singapore (0.9231, 2nd), Ireland (0.897, 3rd), Malta (0.8756, 4th), Bahrain (0.8711, 5th), Cambodia (0.8546, 6th), Macau, China (0.8523, 7th), Luxembourg (0.8509, 8th), Australia (0.8497, 9th), and Jordan (0.8479, 10th).

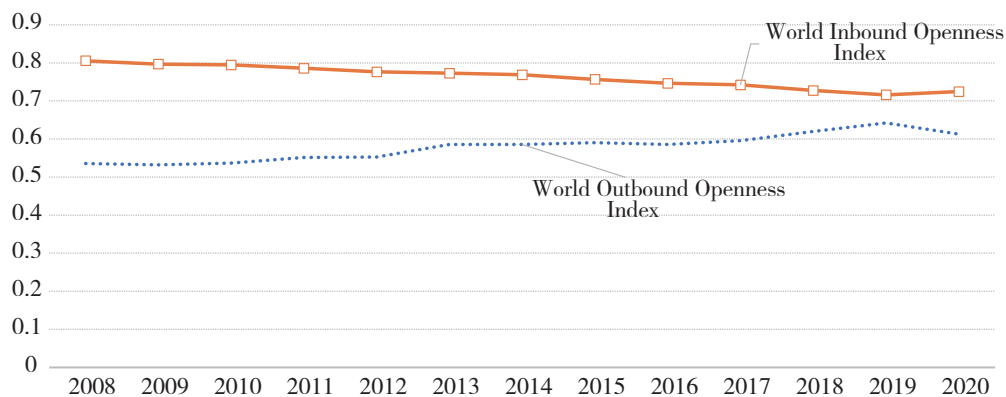


Fig. 1.4 World Inbound and Outbound Openness Indexes, 2008-2020

b. World Outbound Openness Index

In 2020, the world was less open to other economies than it was in 2019. The World Outbound Openness Index (WOOI) was 0.5719, down 4.6% from 2019, but up 13.8% from 2008 and 4.8% from 2015. In the 13 years since 2018, there were ten years when WOOI achieved positive YoY growth.

In 2020, the top ten economies in terms of outbound openness index were: the

United States (0.8555, 1st), China (0.7368, 2nd), Germany (0.7151, 3rd), South Korea (0.6204, 4th), Japan (0.6179, 5th), Singapore (0.5973, 6th), France (0.555, 7th), Switzerland (0.5534, 8th), United Kingdom (0.5477, 9th), and the Netherlands (0.5469, 10th).

III. Regional Openness Index

1. High-income and upper-middle-income economies continued to open wider, while those in other income groups became less open

In 2020, the most open economies were still high-income ones (with 49 sample economies, the same below), the least open were lower-middle-income economies (30), and in between the two were upper-middle-income economies (39) and low-income economies (11).

The groups with a higher openness index in 2020 than in 2019 were high-income and upper-middle-income economies, and those with lower openness were lower-middle-income and low-income economies.

The openness index for each group in 2020 was as follows.

The openness index of economies in the high-income group was 0.7804, up 0.01% from 2019, and down 5.6% and 2.33% from 2008 and 2015, respectively.

The openness index of upper-middle-income economies was 0.712, up 0.61% from 2019, 5.83% and 2.11% from 2008 and 2015, respectively, marking the fifth consecutive YoY growth.

The openness index of lower-middle-income economies was 0.6033, down 0.31% from 2019, and up 5.93% and 0.1% from 2008 and 2015, respectively.

The openness index of low-income economies was 0.6381, down 1.63% from 2019 and 0.46% from 2015, and up 0.27% from 2008.

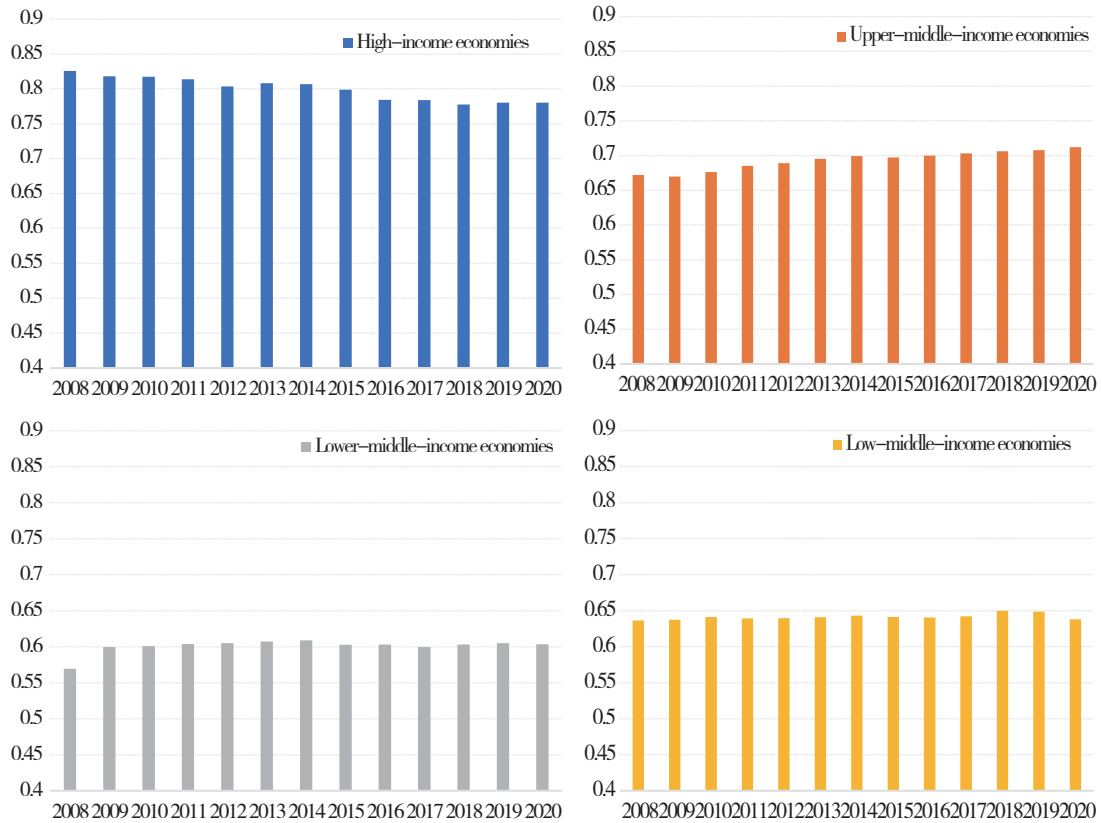


Fig. 1.5 Openness index by income group, 2008-2020

2. Openness index of the seven geographic regions

In 2020, the three regions with the highest openness index were Europe and Central Asia (0.7745), North America (0.7699), and East Asia and the Pacific (0.7538).

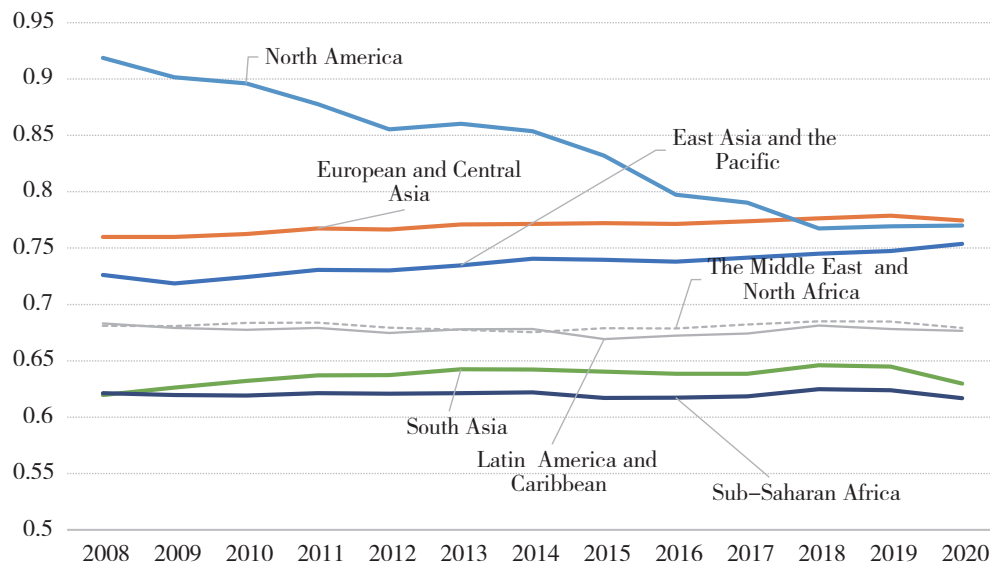


Fig. 1.6 Openness index by geographic region, 2008-2020

Only two regions opened wider in 2020 than in 2019, that is, East Asia and the Pacific, and North America, with their openness index up by 0.86% and 0.08%, respectively. The remaining five regions became less open in 2020: the region with the largest drop was South Asia (-2.34%), followed by Sub-Saharan Africa (-1.13%), Latin America and the Caribbean (-0.26%), Europe and Central Asia (-0.55%), the Middle East and North Africa (-0.82%).

3. Openness index of the “Belt and Road” economies

As of February 6, 2022, there are 149 signatory economies under the *Belt and Road Initiative* (BRI), of which 99 were subject to the gauging of the World Openness Index. This paper takes these 99 economies as a sample to calculate their openness indexes, which indicate the degree to which these 149 economies are open (see Appendix IV for details).

In 2020, the openness index of the BRI economies was 0.7218, up 0.4% from 2019, and 5% and 1.7% from 2008 and 2015, respectively. In the 12 years from 2009 to 2020, except for the YoY decline in 2009, each of the subsequent years saw YoY growth. This indicates the widening openness of the “Belt and Road” economies and the huge potential for greater openness brought about by the BRI.

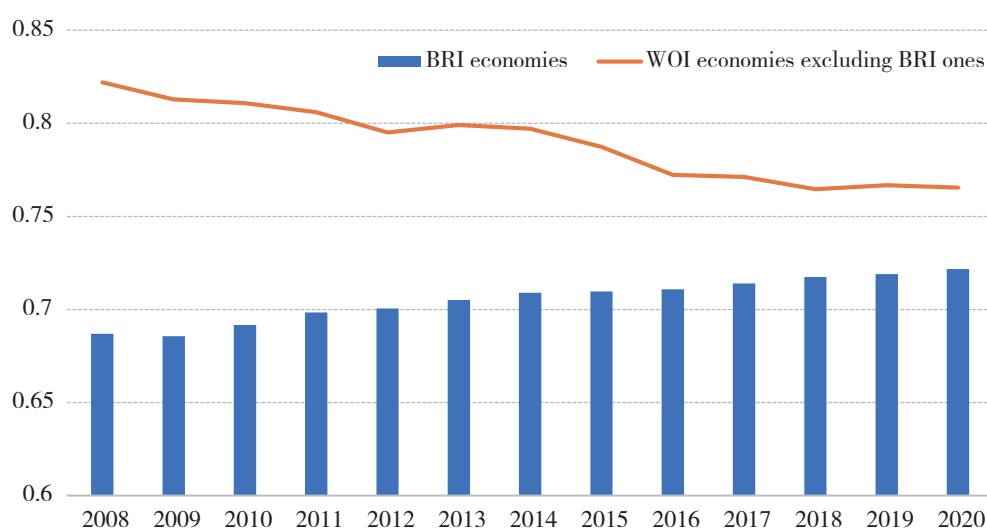


Fig. 1.7 Openness Index in BRI and non-BRI economies, 2008-2020

The BRI economies have been opened wider, in stark contrast with the other 30 economies (hereinafter referred to as “non-BRI economies”, unless otherwise

specified) gauged by the World Openness Index. Firstly, the degree of openness for the non-BRI economies has long been higher than the BRI economies. From 2008 through 2020, the openness index of the BRI economies was between 0.7646 and 0.8221, while that of non-BRI economies was between 0.6869 and 0.7218. Secondly, the degree of openness for non-BRI economies has been shrinking, with their openness index down by 7.1% from 2008 (down 0.2% from 2019), a cumulative decrease exceeding that of the BRI economies. The gap between the two has been narrowing, from 20% to 6%.

4. Openness index of G20

In 2020, the openness index of the G20 countries (exclude the EU, unless otherwise specified) was 0.7526, down 0.1% from 2019, down 5.6% and 2.2% from 2008 and 2015, respectively.

The openness index of the remaining economies gauged by the World Openness Index was 0.7347 in 2020, up 0.3% from 2019, and 2.2% and 1.4% from 2008 and 2015, respectively.

Thus, the gap between the openness of G20 members and that of the remaining economies is shrinking. In 2008, the openness index of G20 members was 10.7% higher than that of other economies. The number was 6.1% in 2015 and merely 2.4% in 2020.

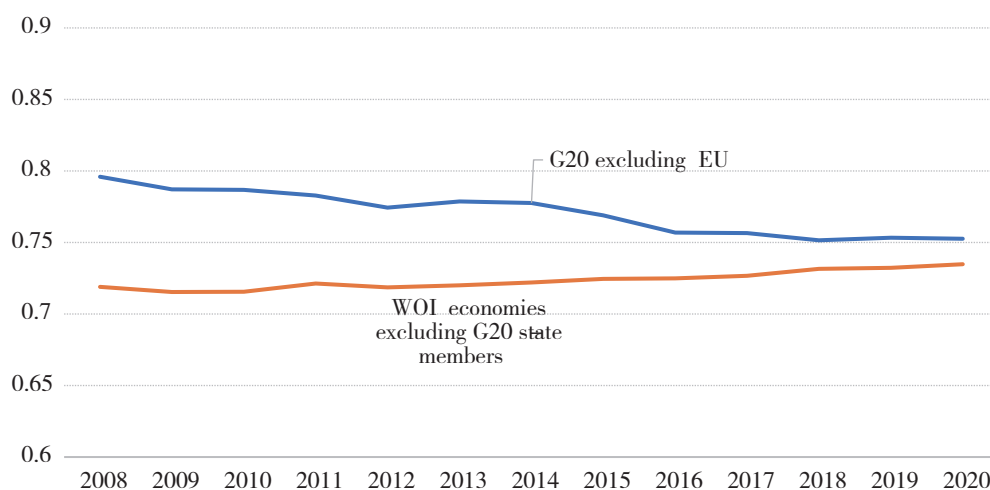


Fig. 1.8 Openness index in G20 and non-G20 economies, 2008-2020

5. Openness index of BRICS countries

In 2020, the BRICS openness index was 0.7091, up 0.2% from 2019. Non-BRICS

economies, i.e. the 124 economies measured by the World Openness Index, have an openness index of 0.7617 in 2020, roughly the same as in 2019.

Since 2008, the openness of the BRICS countries has been on the rise, but that of non-BRICS economies has shown a downward trend. The openness index of BRICS countries in 2020 grew by 6.3% and 1.6% over 2008 and 2015, respectively, while the numbers for non-BRICS economies were -5.3% and -2%, respectively.

In other words, BRICS countries are less open than non-BRICS economies, but the gap is narrowing. The openness index of BRICS countries was 17.2% lower than non-BRICS economies in 2008, 10.3% lower in 2015, and 6.9% lower in 2020.

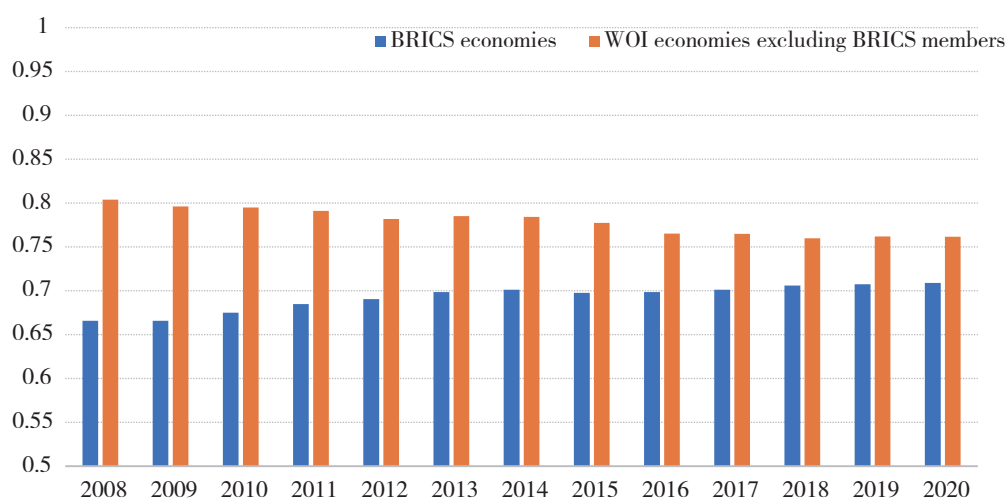


Fig. 1.9 Openness index, BRICS and non-BRICS economies, 2008-2020

6. Openness index of developed economies

Among the 129 economies gauged, 36 are developed economies (40 developed economies in total, see Appendix IV for details), and the remaining 93 economies are emerging markets and developing economies, which are collectively referred to as “developing economies” in this chapter.^①

^① The 36 economies are listed in alphabetical order as follows: Australia, Austria, Belgium, Canada, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, China’s Hong Kong SAR, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Macau China, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, Slovakia, Slovenia, South Korea, Spain, Sweden, Switzerland, United Kingdom, United States. The other four developed economies not gauged by the Openness Index are Andorra, Puerto Rico, San Marino, and Taiwan Province of China. See IMF (2022): World Economic Outlook, April 2022, <https://www.imf.org/en/Publications/WEO/weo-database/2022/April/select-country-group>

In 2020, the openness index of developed economies was 0.783, a slight decrease from 2019, and a decrease of 5.9% and 2.5% from 2008 and 2015, respectively.

The openness index of developing economies was 0.6963, an increase of 0.2% over 2019, and an increase of 4.4% and 1.5% over 2008 and 2015, respectively.

In other words, the openness gap between developed and developing economies is shrinking. The openness index of the former was 24.7% higher than that of the latter in 2008, 17% in 2015, and only 12.4% in 2020.

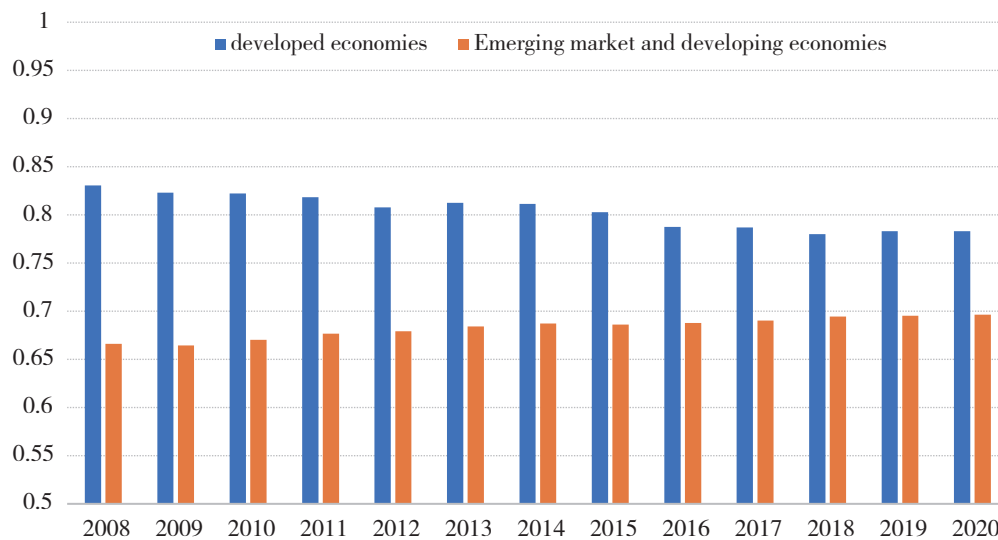


Fig. 1.10 Openness index in developed and developing economies, 2008-2020

The EU has continued to open wider over the past 13 years. In 2020, the openness index of the EU was 0.7974, surpassing that of non-EU economies (0.7371), an increase of 0.2% over 2019, 1.7% over 2015, and 3.3% over 2008.

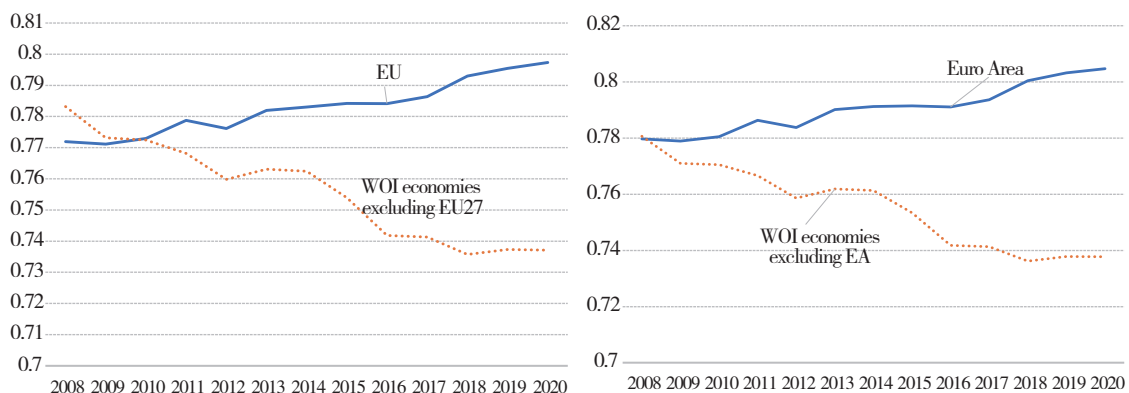


Fig. 1.11 Openness index in EU, Euro Area, Non-EU and Non-Euro Area Economies, 2008-2020

In 2020, the openness index of the 19 countries in the euro area was 0.8047, higher than that of the non-euro area (0.7378), up 0.2% from 2019, 1.7% from 2015, and 3.2% from 2008. The gap between the euro area and the non-euro area is widening. In 2008, the openness index of the former was 0.1% lower than that of the latter, but it was 5% higher in 2015 and 9.1% higher in 2020.

The degree of openness of Group 7 (G7) continued to shrink. In 2020, its openness index was 0.7824, down 8.7%, 3.7% and 0.2% from 2008, 2015 and 2019, respectively.

The non-G7 countries have continued to open wider. In 2020, its openness index increased by 3.6%, 1.3% and 0.3% compared with 2008, 2015 and 2019, respectively. The openness gap between the G7 and non-G7 economies has been narrowing. The openness index of the former was 23% higher than that of the latter in 2008, 14.3% higher in 2015, and 8.7% higher in 2020.

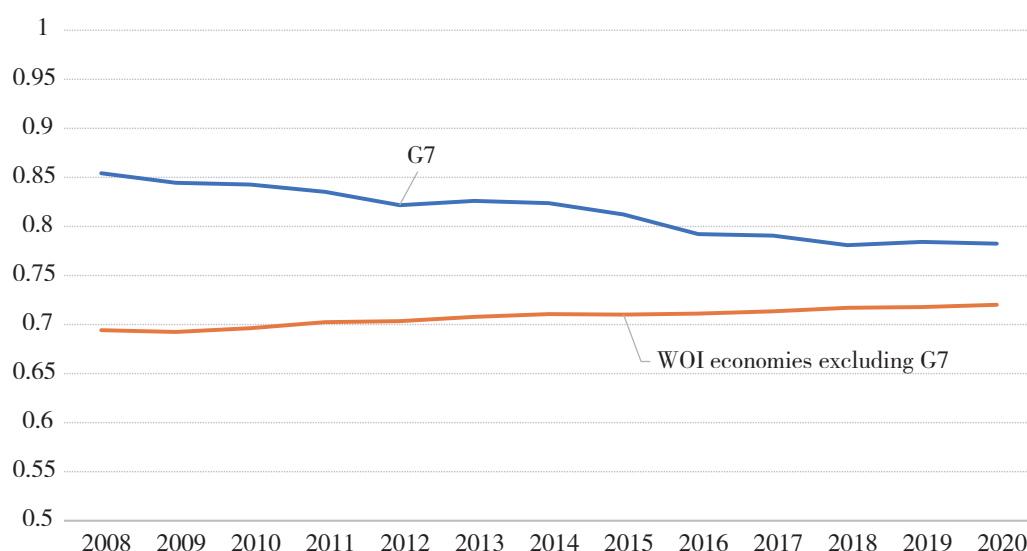


Fig. 1.12 Openness index in G7 and non-G7 economies, 2008-2020

To sum up, The openness of the world in 2020 is slightly lower than that in 2019. This is mainly due to the strengthening of cross-border social isolation caused by the COVID-19 pandemic. The world's opening policy and performance both declined slightly, and the decline of opening policy was bigger than that of opening performance.