



Department
for Business
Innovation & Skills

OPENNESS TO TRADE:

**exports plus imports as a
share of GDP, ranked against
major competitors**

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Openness to trade: exports plus imports as a share of GDP, ranked against major competitors

Why is this indicator important?

Trade (both imports and exports) is vital to any successful modern economy. Trade is crucial for the competitiveness of the UK economy in the long run. There is a large body of evidence to support this. By exposing firms and products to international competition, economies are encouraged to focus on areas of comparative advantage. This helps ensure that scarce skills and resources are deployed where they are most productive.

Trade increases, amongst other things, competition (hence boosting productivity and innovation), enables firms to capitalise on economies of scale from having access to larger markets and encourages the spread of skills, knowledge and innovation.

This indicator enables BIS to assess the UK's openness to trade over time and benchmarks the UK against other major economies.

How are we performing?

In 2013, the UK was the third-highest ranked G8 country behind Germany and Canada.

In terms of comparisons with all major competitors, the UK ranked 27th (out of 37) in 2013, three positions lower than in 2012, as Canada, Greece and South Africa moved ahead of the UK.

The UK trade to GDP ratio was 61.6 in 2013, up from 51.6 in 2003. The general trend has been that of improvement, although there have been some fluctuations from year to year. The UK ratio peaked at 63.2 in 2011 and has worsened slightly in each of the following two years.

The UK has a strong commitment to trade and has competitive strength in a variety of sectors vital to a modern economy, but there are opportunities for improvement. The share of UK trade with emerging economies has been stable over the last five years, in contrast to other advanced economies which have seen small increases in share. Moreover, net trade has failed to make a positive contribution to growth in recent years.

Chart: UK position (rank) and value (index) for Openness to Trade

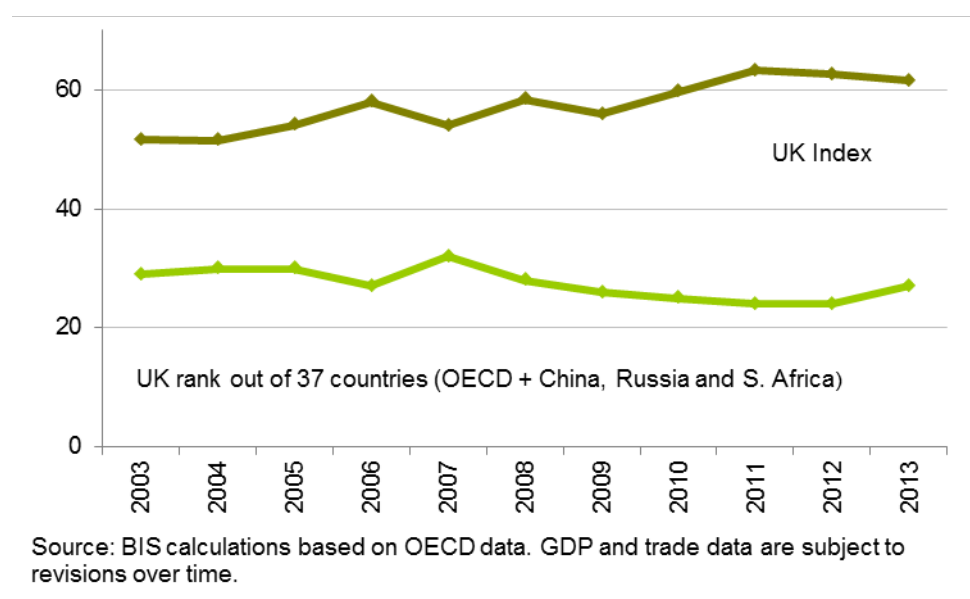


Table: UK position over time: rank out of 37 countries and UK ratio of total trade : GDP

Year	Ratio	Rank
2003	52	29
2004	52	30
2005	54	30
2006	58	27
2007	54	32
2008	58	28
2009	56	26
2010	60	25
2011	63	24
2012	63	24
2013	62	27

Source: OECD Macro Trade Indicators and OECD National Accounts database

What will influence this indicator?

This indicator will be influenced not only by the trade policies adopted by the UK and the result of multilateral trade negotiations, but also, and importantly, by the wider macro economic context such the state of the world economy. For instance, during the financial crisis of 2008 global trade fell by almost a quarter, and difficulties in the Eurozone for example, impacted on trade. Trade with the EU grew in 2013 after a slight fall in 2012. Trade with non-EU countries saw growth for the 4th consecutive year in 2013. The value of trade can also be affected by changes in the exchange rate.

What is BIS's role?

BIS is the leading department on trade negotiations. International and bi-lateral trade agreements (negotiated by the EU) create opportunities for UK businesses. However, all government departments have a role in trade and investment policy and a coordinated approach is ensured by a Cabinet sub-Committee under the chairmanship of the Minister for Trade and Investment, a joint BIS and FCO responsibility.

Even when markets are open, businesses can face difficulties in entering export markets because of other barriers such as identifying or gaining access to the right contacts. UK Trade and Investment, partly funded by BIS, provides information, advice and guidance to businesses of all types and sizes about trading internationally and investing in the UK. Businesses can also face barriers in accessing trade finance, particularly SMEs. BIS assists in addressing this problem through its support for UK Export Finance (Export Credits Guarantee Department) and by working with banks through the British Bankers' Association to share credit risks on new products.

Indicator definition

The indicator is defined as follows (at current prices, current exchange rates):

$$\frac{\text{Imports + exports (both goods and services)}}{\text{GDP}}$$

Methodology

The data are taken from the OECD ANA (Annual National Accounts) database, based on data provided by OECD member countries. Goods consist of merchandise imports and exports. Services cover transport, travel, communications, construction, IT, financial, other business, personal and government services, as well as royalties and license fees.

The trade-to-GDP-ratio is the sum of exports and imports divided by GDP. This

indicator measures a country's 'openness' or 'integration' in the world economy. It represents the combined weight of total trade in its economy, a measure of the degree of dependence of domestic producers on foreign markets and their trade orientation (for exports) and the degree of reliance of domestic demand on foreign supply of goods and services (for imports).

The trade-to-GDP-ratio is often called the 'trade openness ratio'. A low ratio for a country 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. For example, it is generally the case that exports and imports play a smaller role in large economies than they do in small economies. It should be noted that this indicator may also be expressed as average of exports and imports (not as the sum of both).

Further Information

[OECD Annual National Accounts database¹](#)

Who are our partners?

UKTI
FCO
UK Export Finance (ECGD)

Related indicators

[Number of Foreign Direct Investment projects attracted to the UK with UKTI involvement²](#)

[Average unit cost per UK business helped through internationalisation³](#)

[Number of UK Businesses helped to improve their performance through internationalisation⁴](#)

[Average Unit Cost per Foreign Direct Investment Project attracted to the UK with UKTI involvement⁵](#)

¹ http://stats.oecd.org/Index.aspx?DataSetCode=SNA_TABLE1

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277757/bis-performance-indicators-number-of-foreign-direct-investment-projects.pdf

³ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277763/bis-performance-indicators-average-unit-cost-per-uk-business.pdf

⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277750/bis-performance-indicators-number-of-uk-businesses-helped.pdf

⁵ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277761/bis-performance-indicators-average-unit-cost-per-foreign-direct-investment-project.pdf

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