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International Trade Barrier Index 2025

Full Report

COVERING 96% OF THE WORLD GDP AND 80% OF THE WORLD POPULATION

THOLOS FOUNDATION

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Introduction

The 2025 Trade Barrier Index (TBI) measures the most direct and indirect trade barriers imposed by 122 countries affecting 97% of global GDP and 80% of the world's population.

This edition marks a significant expansion from the last edition in 2023, which covered 88 countries, reflecting an enhanced effort to capture the evolving landscape of global trade restrictions. The direct trade barriers assessed by the TBI fall into three categories: Tariffs, Non-Tariff Barriers (NTBs), and Services Restrictions. A fourth pillar, Facilitation, captures the behind-the-border economic fundamentals that allow trade to occur on a market basis: logistics performance, property rights, digital trade restrictions, and membership in Free Trade Agreements (FTAs). See figure 1 for 2025 world TBI rankings.[1]

1. The data was collected and analyzed in the early months of 2025. In the month before publishing in May of 2025, the president of the United States, Donald Trump, has launched a tariff campaign to correct perceived trade imbalances. Trump's tariffs, if permanent, would plunge the U.S. score from 61st to 111th overall and to last in the Tariff pillar. The trade pillar is made of three indicators: the MFN tariff rate, the share of lines duty-free, and the total number of tariff lines, These tariffs would raise the average tariff rate to the highest in the 122 country group (which is currently Egypt at 19 percent) and reduce the share of duty-free lines from 47 percent to 0 percent.

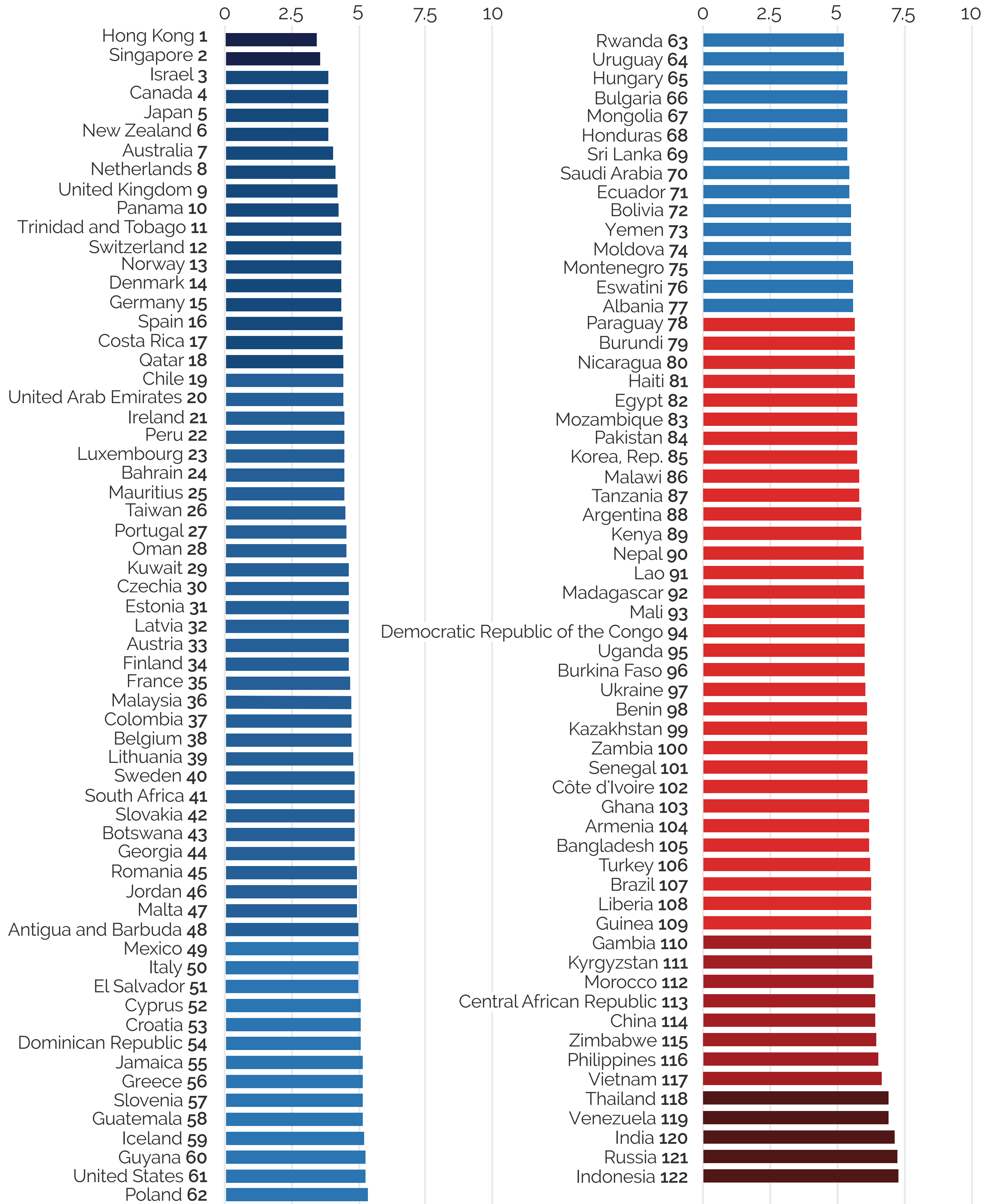


Figure 1 TBI World Ranking for 2025

The average TBI score in 2025 is 4.22 on a 10-point scale, where 10 indicates the highest use of trade barriers, signaling an increase of 7 percent in global trade barriers since 2023's average of 3.95 (Figure 2).

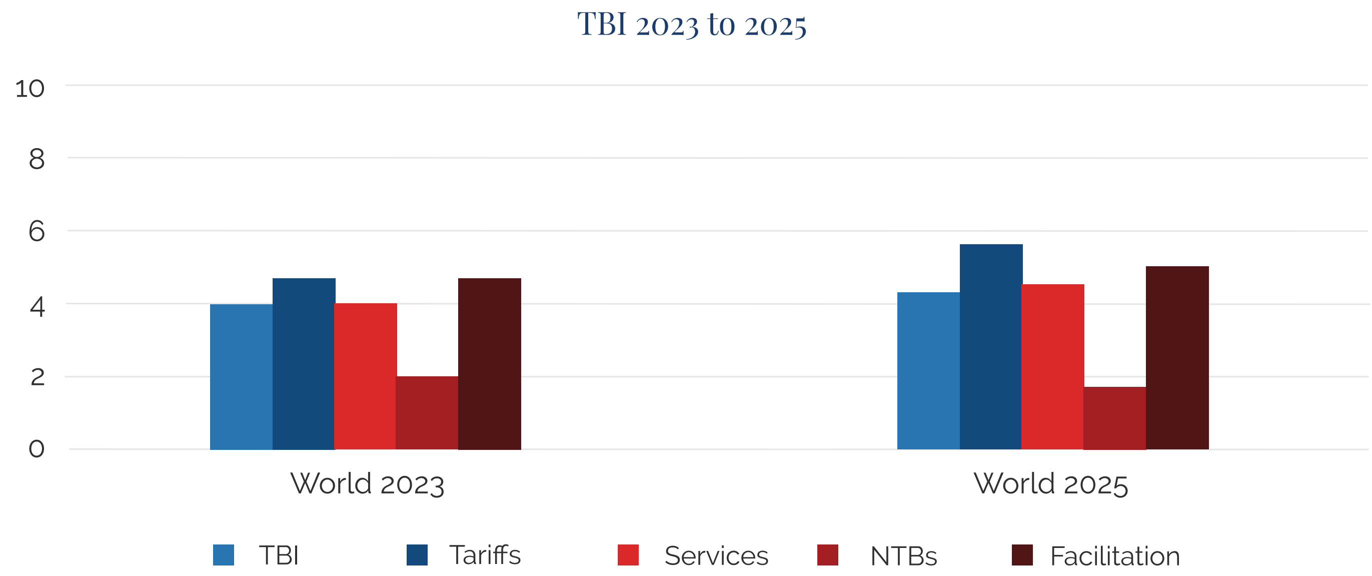


Figure 2 TBI 2023 to 2025

As a composite index, the TBI draws data from authoritative sources such as the Organization for Economic Cooperation and Development (for Services Restrictions) and the World Trade Organization (WTO) for NTBs, Tariffs, and FTAs. This edition builds on methodological refinements introduced in 2023, maintaining consistency while adapting to new global challenges.

While Most Favored Nation (MFN) tariffs and duty-free tariff lines remain relatively stable, the 2025 TBI records a notable rise in indirect barriers such as Digital Trade Restrictions (DTR). DTRs comprise a quarter of the Facilitation pillar, and display the most significant increase, driven by policies such as content localization and data flow restrictions. These restrictions are particularly common in high-income economies.

The 2025 edition adds 34 new countries to the index, including previously excluded nations such as Algeria, Botswana, Cameroon, Côte d'Ivoire, Honduras, Lebanon, Mali, Mauritius, Pakistan, Panama, Qatar, Trinidad & Tobago, and Tunisia, alongside others, enabled by improved data availability. This expansion broadens regional representation, notably in Sub-Saharan Africa and the Middle East & North Africa. The shift from 88 to 122 countries reflects a deliberate effort to encompass a more comprehensive share of global economic activity, aligning with the TBI's mission to inform policymakers, businesses, and researchers about trade dynamics.

Trends and Shifts in Trade Barriers

The 2025 Trade Barrier Index (TBI) finds a world grappling with heightened protectionism amid geopolitical tensions, supply chain reconfigurations, and the rapid digitization of commerce. Tariffs remain a persistent tool for lower-income economies, with countries like India and Egypt maintaining terrible MFN tariff rates (119th and 122nd) in that sub-indicator, while high-income economies such as Hong Kong and Singapore (tied for 1st) in the same category for continuing to lead with zero tariffs. Figure 3 and Figure 4 display shifts from 2023 to 2025 in the pillars with the most movement: Tariffs and Facilitation. Under Tariffs, Mauritius now tops the list due to few tariff lines, overtaking Hong Kong, which drops to second, while Israel climbs to third, reflecting its low MFN score (4th) and share of lines duty-free (5th). Georgia, previously sixth, falls off the top 10, replaced by Australia, signaling improved tariff openness due to its low MFN rate where it is 8th. Singapore slips to ninth, impacted by an increase in tariff lines that moved the city-state to 107th for that indicator.

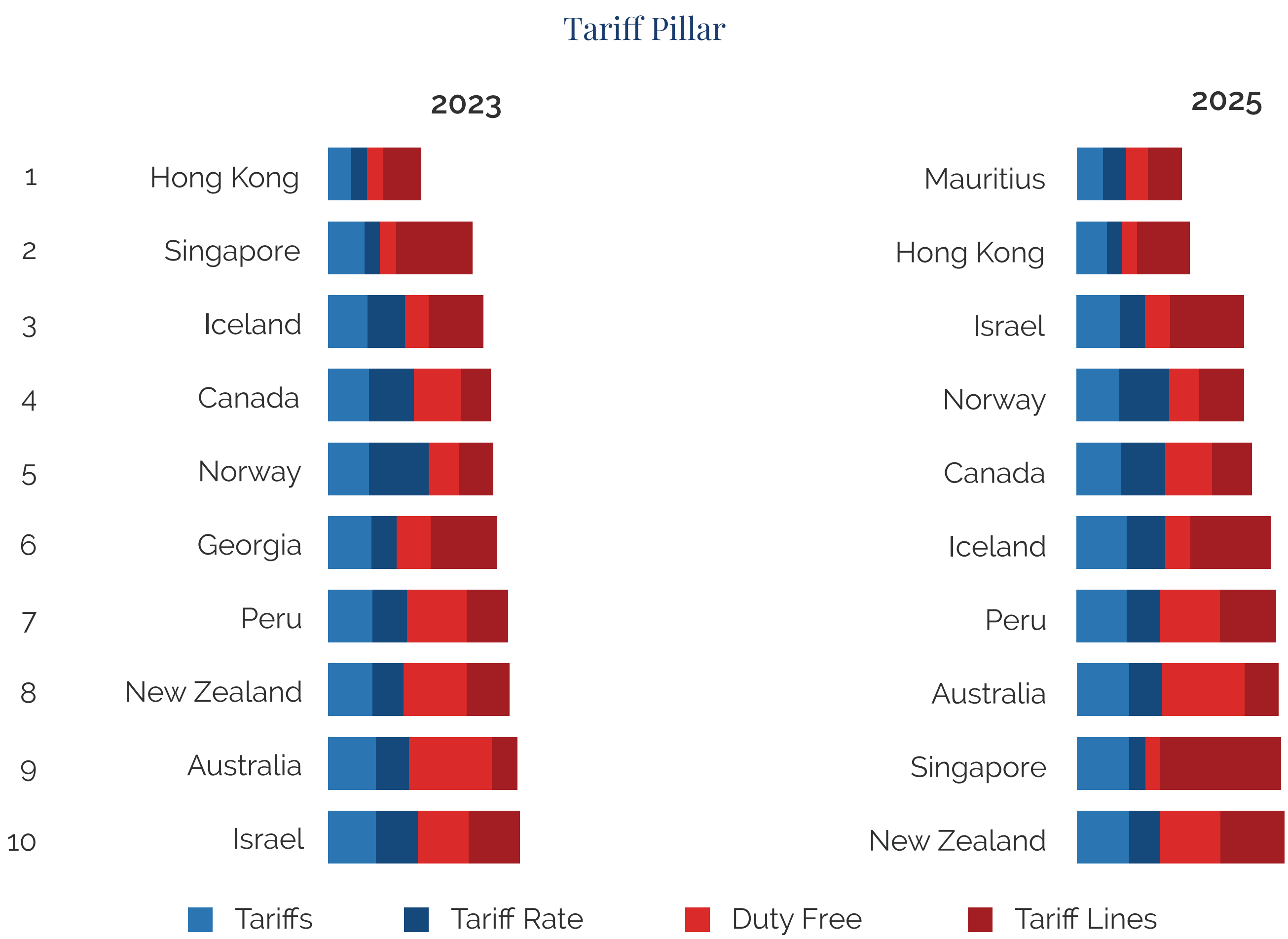


Figure 3 Changes in Tariffs

Facilitation Pillar

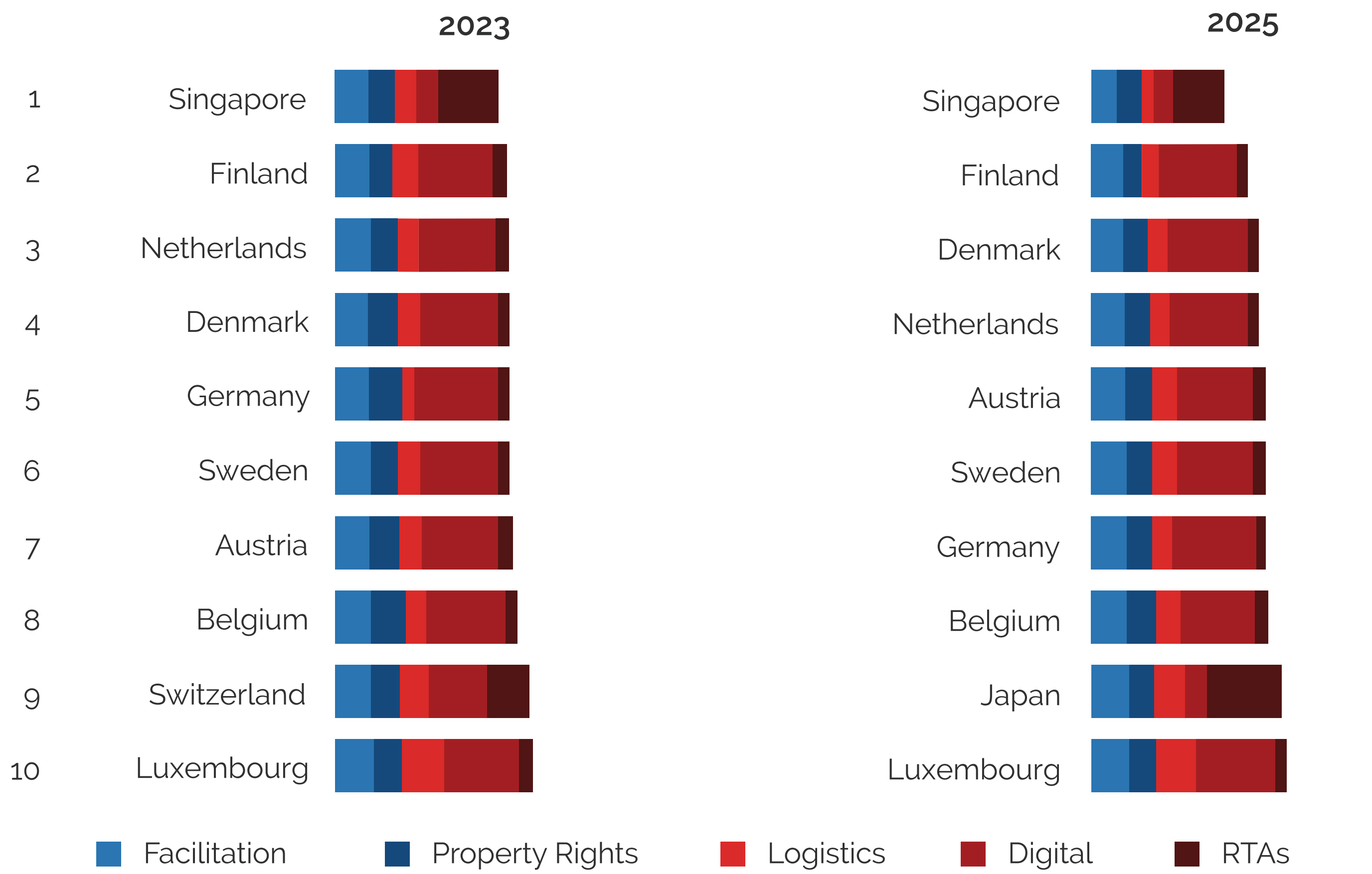


Figure 4 Changes in Facilitation

The Facilitation Pillar (Figure 4) reveals tight competition between the most-free economies. Singapore retains its top spot, but Denmark rises to third, driven by strong property rights where it is 3rd in that category and the Netherlands falls to 4th in Facilitation overall. The Netherlands is also slightly affected by a national digital content localization measure in addition to EU baseline restrictions. Japan enters the Facilitation top 10 at 9th by staying away from EU or China style Digital Trade Restrictions, while Switzerland drops out, hindered by its digital scores where it is 112th .

In fact, Digital Trade Restrictions have surged globally. Even the most-free countries in the Facilitation pillar find their DTR scores in the bottom quartile of that indicator. High income and upper middle-Income countries in Europe and Asia have been racing to set digital trade rules. In Asia, China, India, Vietnam are most restrictive with content localization and security measures while the European Union is most restrictive with Data Flow, Onerous Barriers, and digital Taxes including fines that restrict innovation and competition.

Trade Barriers and Regional Groups

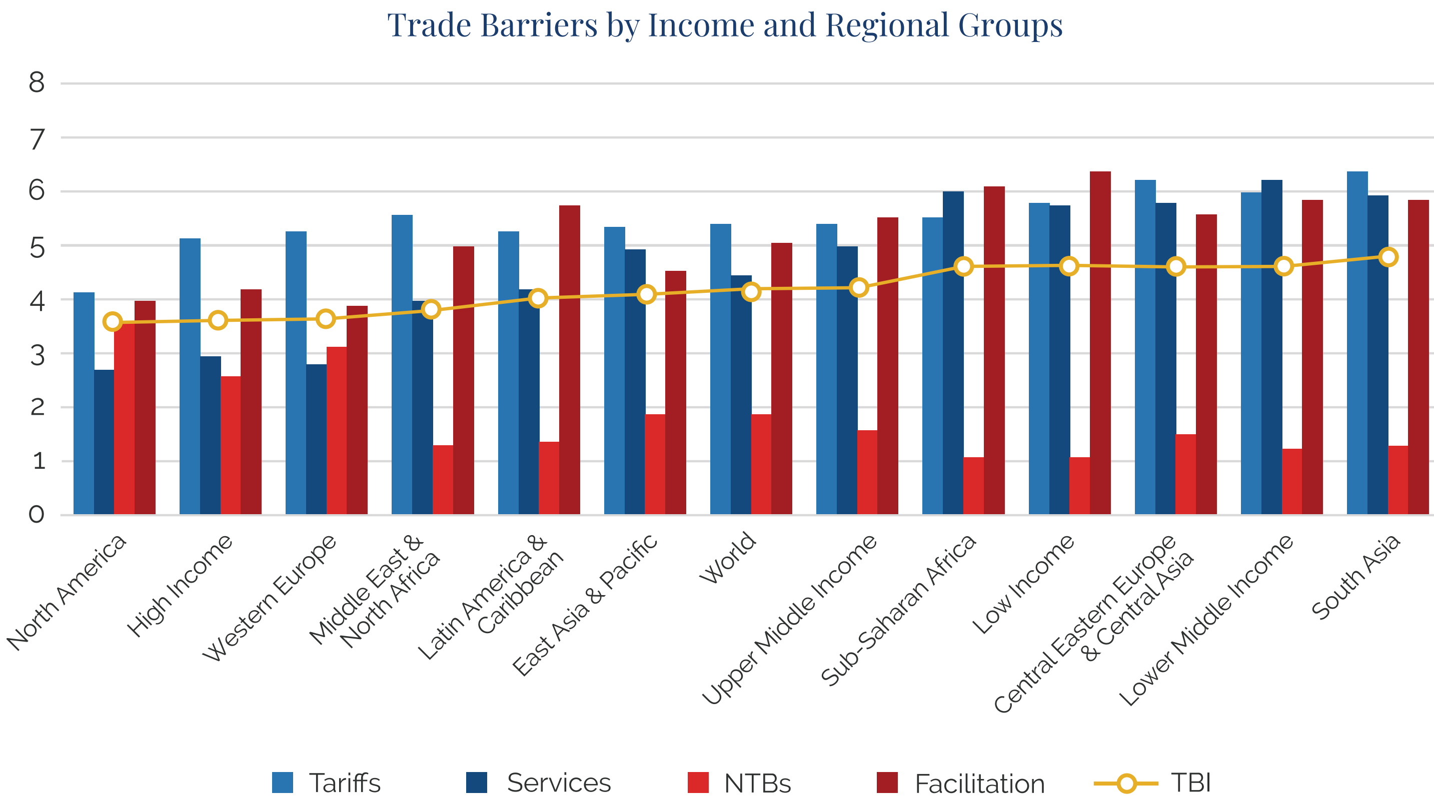


Figure 5 Regional and Income Group Pillars

In the 2025 TBI the Middle East & North Africa as well as the East Asia & Pacific regions join Western Europe and Latin America & Caribbean regions in being below the world average (Figure 5). North America leads as the least restrictive region, driven by Canada (3rd) and the United States (65th), with strong Facilitation scores (4.09 and 3.91, respectively). Western Europe follows closely, averaging a TBI of 3.76, though NTBs (where Germany is 99th) and digital trade restrictions (Spain, Italy, Hungary, Germany, and France are 118th, 119th, 120th,121st,122nd) temper the region's performance. The East Asia & Pacific region span extremes, with Hong Kong (1st) and Singapore (2nd) excelling, while Indonesia (last) and Vietnam (117th) score poorly in the Tariff pillar (7.11 and 6.75) and Services Restrictions (7.44 and 8.15). South Asia ranks as the most restrictive region, averaging a TBI of 4.89, led by India (120th), Bangladesh (105th), and Pakistan (84th), which use tariffs heavily (e.g., India's MFN score is 119th and is 96th in Services Restrictions).

After North America, Western Europe, and High-Income countries other regions and income groups barely uses non-tariff barriers as a key trade restriction. Instead, they utilize Tariffs, poor trade Facilitation and Services Restrictions as tools of choice to restrict trade.

Sub-Saharan Africa shows improvement with new entrants like Mauritius (25th overall and 1st in the Tariff pillar), but high tariffs in countries like Zimbabwe (115th overall and 101st in Tariffs) keep the regional average at 4.68. Latin America & Caribbean and Middle East & North Africa average 4.15 and 3.93, respectively, with Chile and Israel as outliers in their regions due to low tariffs (MFN scores of: 3.84 and 1.61). Central Eastern Europe and Central Asia, with Georgia (23rd), balance moderate tariffs (3.34) and facilitation (5.27), Georgia is most-free in Digital Trade Restrictions.

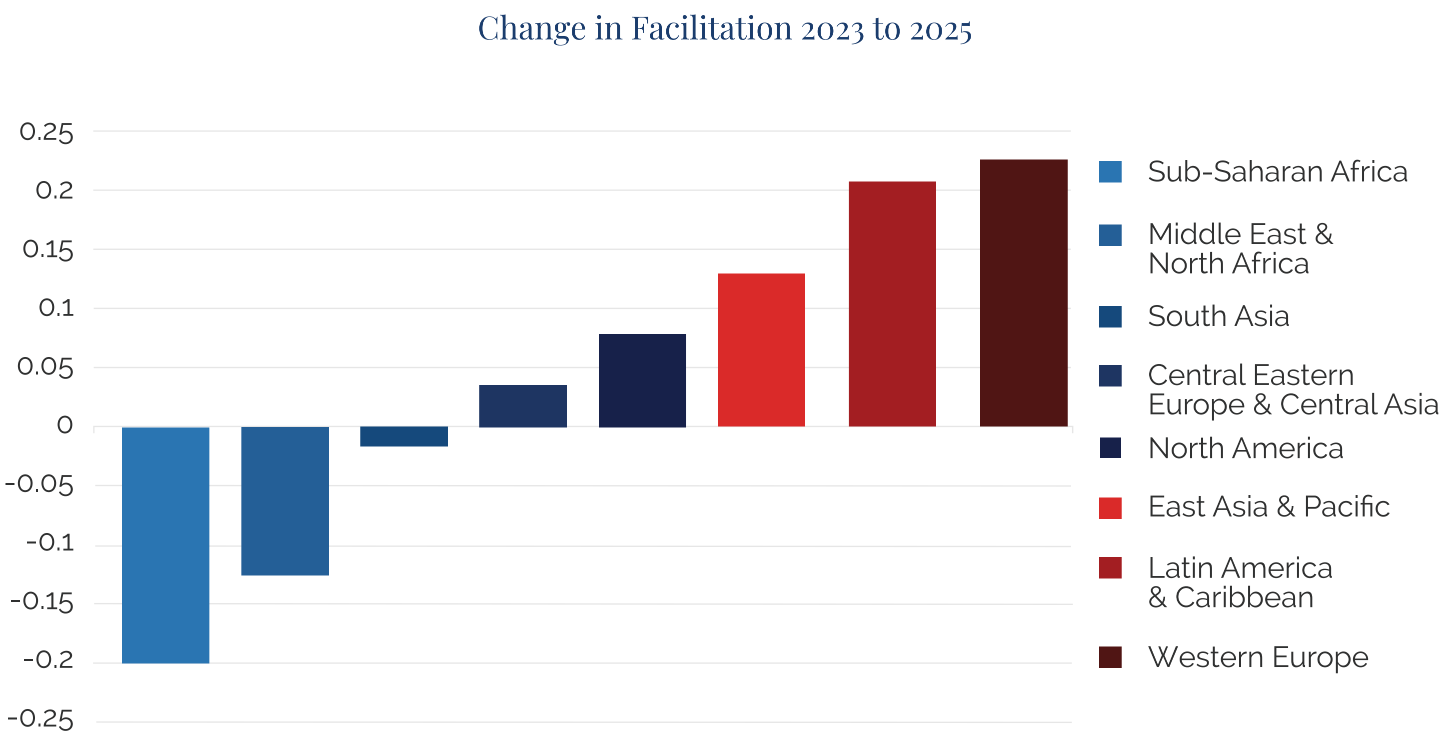


Figure 6 Change in Facilitation

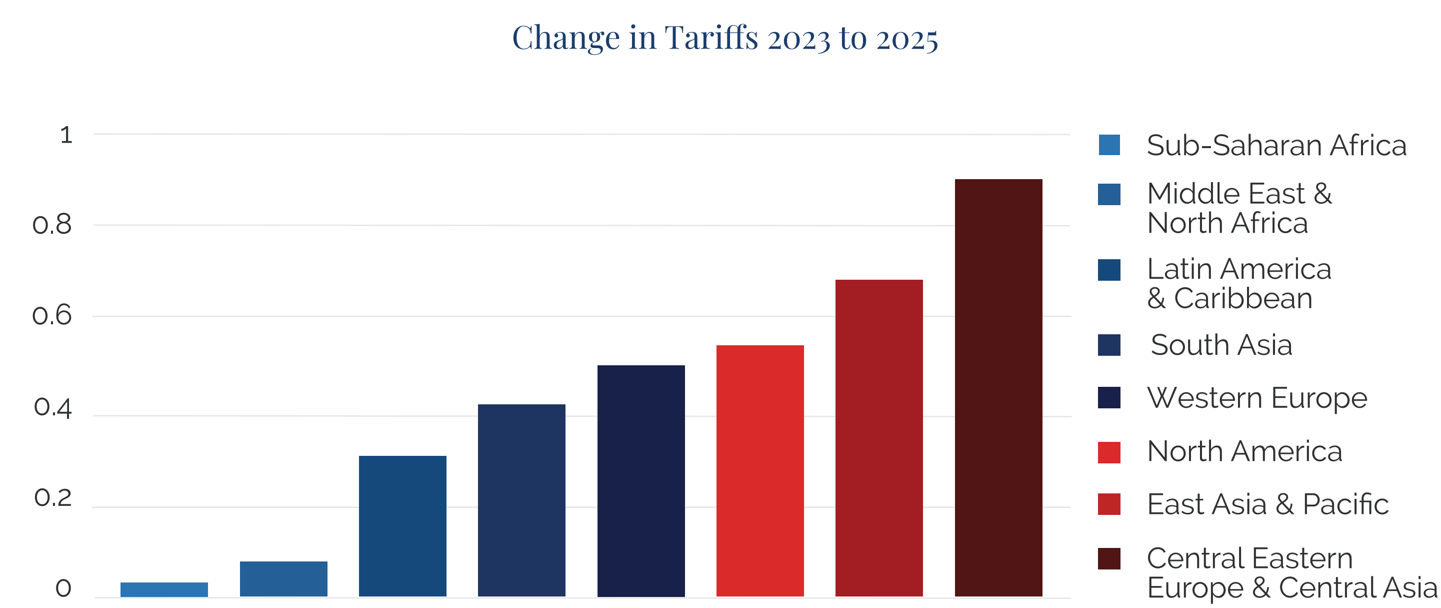


Figure 7 Change in Tariffs

Tariff changes from 2023 to 2025 (Figure 7) show sub-Saharan Africa with the smallest increase (0.01), while Central Eastern Europe and Central Asia rises the most (0.9), driven by Turkey increasing its MFN rate from 10.7 percent to 16.2 percent).

Facilitation improvements (Figure 6) are led by Sub-Sahara Africa (-0.2 decrease in barriers), reflecting better logistics, while East Asia & Pacific worsens (+.13), Latin America & Caribbean (+.20) and Western Europe worsen the most (+.224) due to rising DTRs.

From an income perspective (Figure 8), high-income economies are the least restrictive, averaging a TBI of 3.71, led by Hong Kong (1st) and Singapore (2nd), though the income group is the heaviest user of NTBs. Upper-middle-income countries average 4.39, with Indonesia (122nd) blending high tariffs and services restrictions. Lower-middle-income nations, averaging 4.80, include India (120th) and Vietnam (117th), while low-income countries like Yemen (73rd) struggle with poor Facilitation where it is last with a score of 7.10.

Besides regional and income-based ties, it can't be ignored path dependence can supersede the similarities between regional and income groups. For example, the CANZUK group comprising the United Kingdom, Canada, New Zealand, and Australia spans across the globe. Yet their scores are closer to each other than their regional medians, and all are found within the top 10 in the TBI.

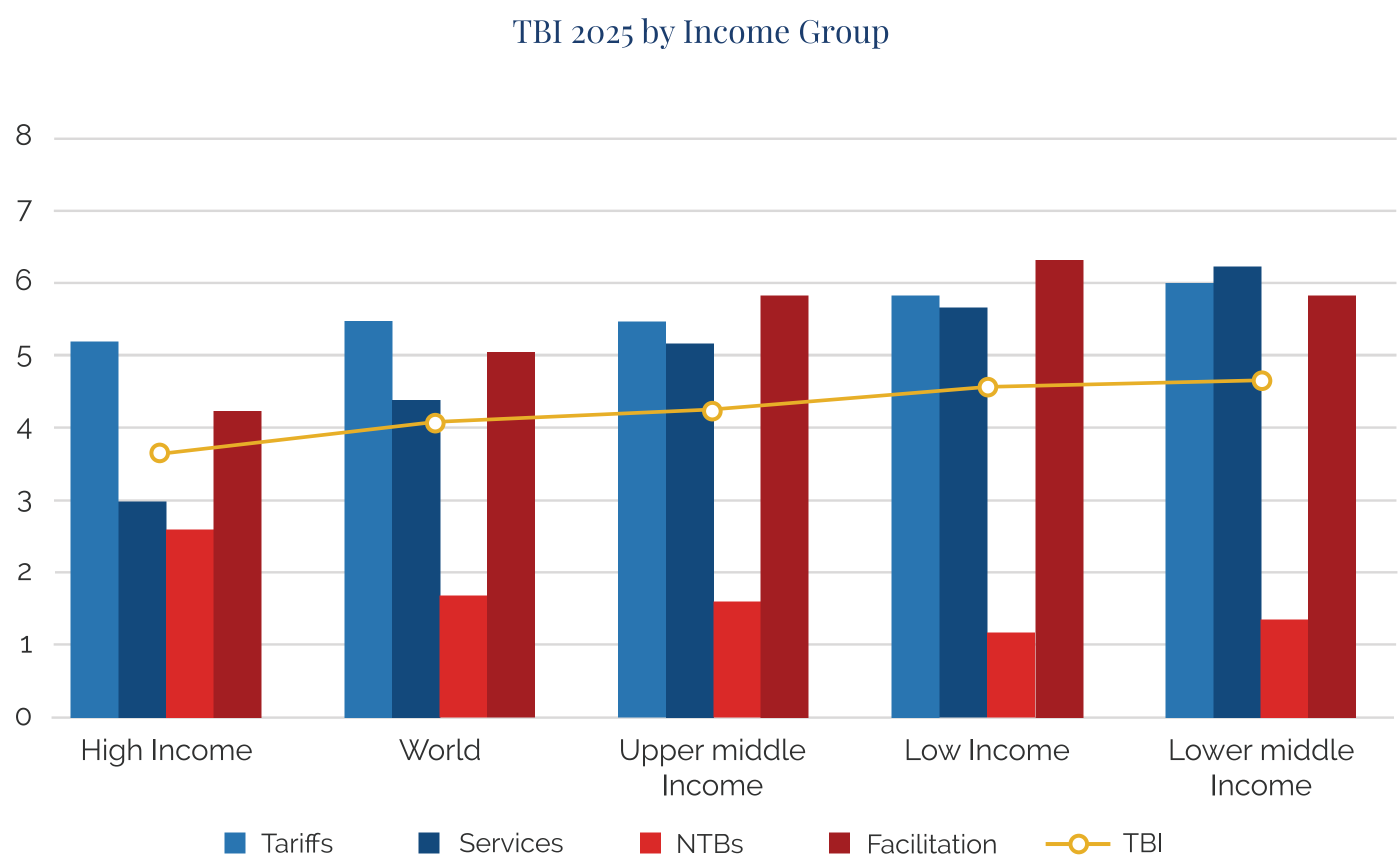


Figure 8 TBI World Ranking for 2025

Tariffs

The Tariffs component of the 2025 TBI measures the use of Most Favored Nation (MFN) tariffs, the percentage of duty-free tariff lines, and the total number of tariff lines imposed by each country. Tariffs remain a foundational trade barrier, particularly for lower-income economies seeking revenue or domestic industry protection. The global average MFN tariff of the 122 countries in the 2025 TBI is 7.6 percent, or 4.6 when scaled to the TBI, an increase of 8.7 percent from the mean MFN rate between the 88 countries in the 2023 TBI, reflecting increasing protectionism. The trend is present for high-income countries which saw their average MFN tariffs grow from 5.0 percent to 5.11 percent. High-income economies like Hong Kong and Singapore maintain zero-tariffs across all lines, while lower-middle-income countries like Egypt (122nd) and India (199th) score poorly for imposing rates more than double the world average.

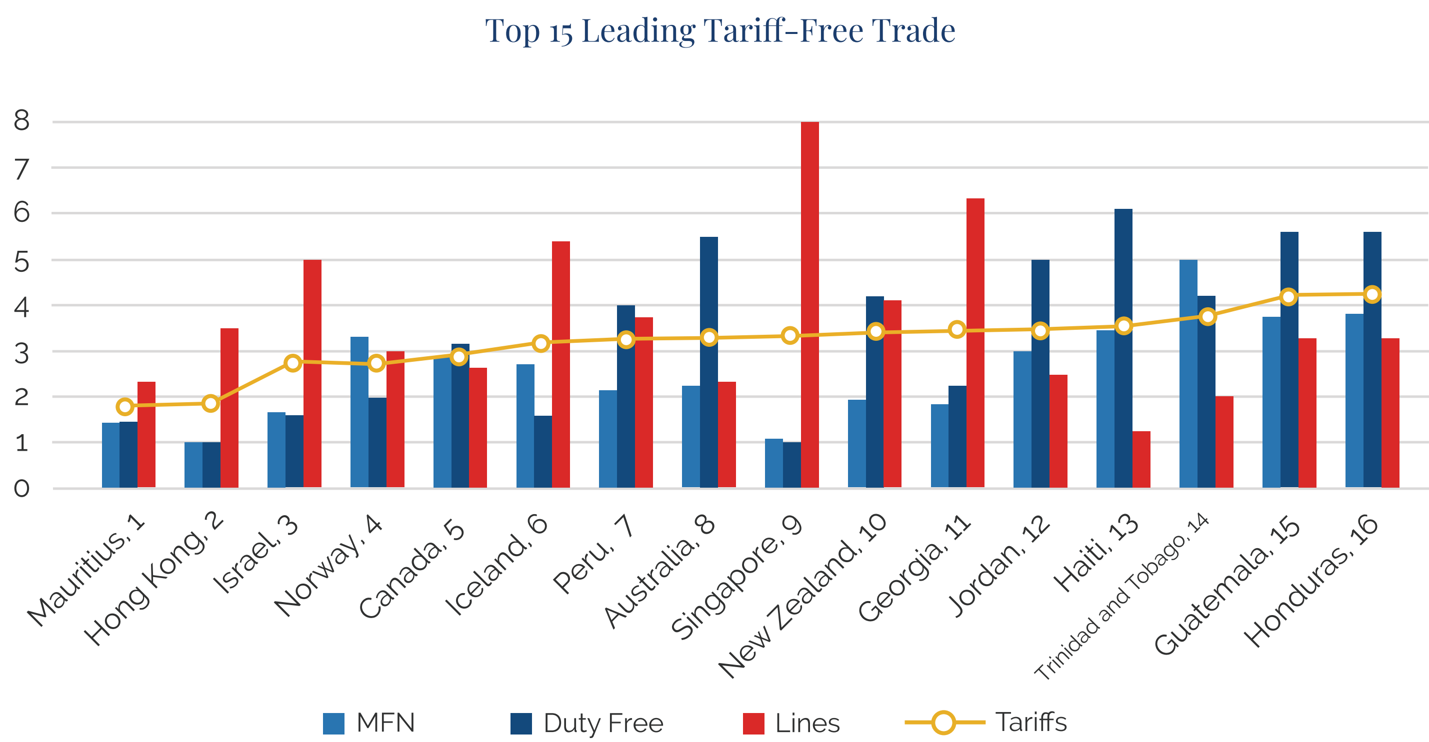


Figure 9 The 15 Most Tariff-Free

The top 15 most Tariff-Free (Figure 9) are a blend of small, trade-dependent nations and strategic outliers. In the MFN component Hong Kong and Singapore lead by imposing zero tariffs and keeping 100% of tariff lines duty-free, embodying pure free-trade models. However, Mauritius leads in the pillar due to very few tariff lines, while Singapore scores 107th for that indicator. Israel's entry into the top three, with an MFN score of 1.61 and duty-free score of 1.58, highlights its integration into global supply chains, a notable achievement for a Middle Eastern economy.

We find in the top 15 Most-Tariff Free list a diversity of income and regional groups. Leading is Mauritius from the Sub-Saharan Africa and the Upper Middle-Income group. The next five are High-Income countries from East Asia, Western Europe, North America, and the Middle-East, until Peru at 7th, an Upper-Middle income country in Latin America. Finally at 12th and 13th are Lower-Middle income Jordan and Haiti followed by a mix of High-Income, Lower-Middle, and Upper-Middle income countries from Latin America.

This suggest having low tariffs is not necessarily a golden ticket to economic development. Instead, there is room for countries to improve their Tariff score by broadening the number of tariff lines that are duty-free and to reach an average tariff rate below 5 percent. Finally, the fewer tariff lines in Lower-Middle and Upper-Middle income countries may indicate weaker institutional capacity to police the border and enforce the regulations across complex supply lines, a trend found in a dynamic high-Income countries. At the same time, High-Income countries with tariff lines above the mean indicate targeted protectionism rather than efficient and effective institutions intent to treat all goods as similarly as possible.

Services Restrictions

The Services component evaluates restrictions across five key sectors: Professional, Entertainment, Telecom, Financial, and Construction. The global average Services score is 4.45 up from 3.97 in 2023.

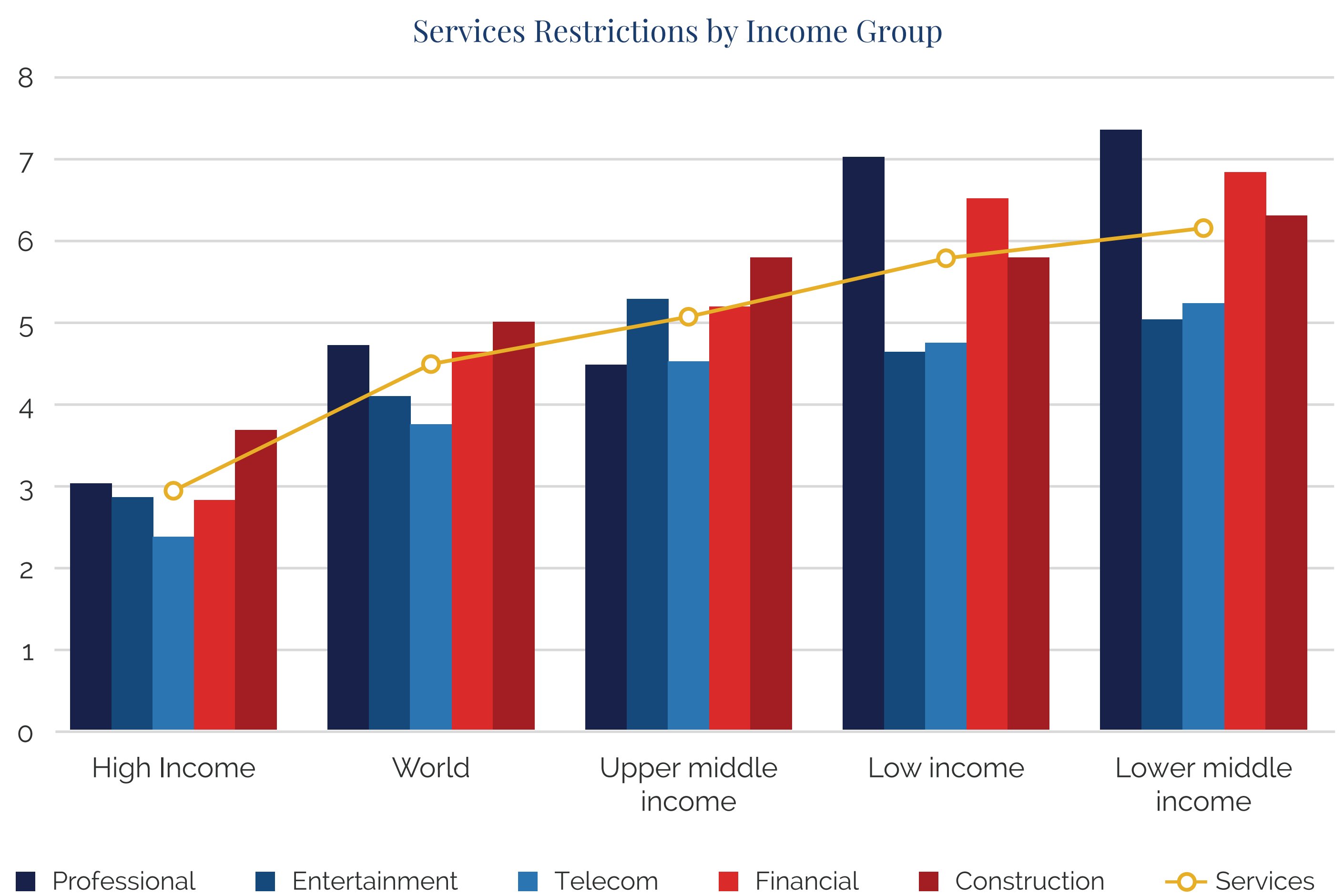


Figure 10 Services Restrictions by Income Group

Figure 10 reveals stark disparities across income levels. High-income economies average 2.96, with Telecom (2.39) and Financial (2.83) sectors reflecting markets open for foreign competitors to operate within their markets. The score for High-Income countries is so low, there is a whopping 40 percent gap between it and the next income group, allowing the world mean to be lower than all the other income groups. Upper-middle-income countries average 5.06, with Entertainment (5.31) and Construction (5.81) services facing the heaviest restrictions, often due to local ownership, content, and public procurement requirements. Indonesia is last in this pillar and subject to a 2025 TBI case study precisely for its Services restrictions imposed on iPhones, preventing them from reaching the market due to content requirements. Lower-middle-income nations average 6.17, with Professional services (7.36) being the most restricted, as seen in countries like India (120th in the pillar and overall). However, with the caveat, the TBI was able to expand the Index to cover more countries by including a methodology to impute one score if data for all other direct trade barriers were available. For many countries in the Lower-Middle-Income and Lower-Income groups this was the Services score.

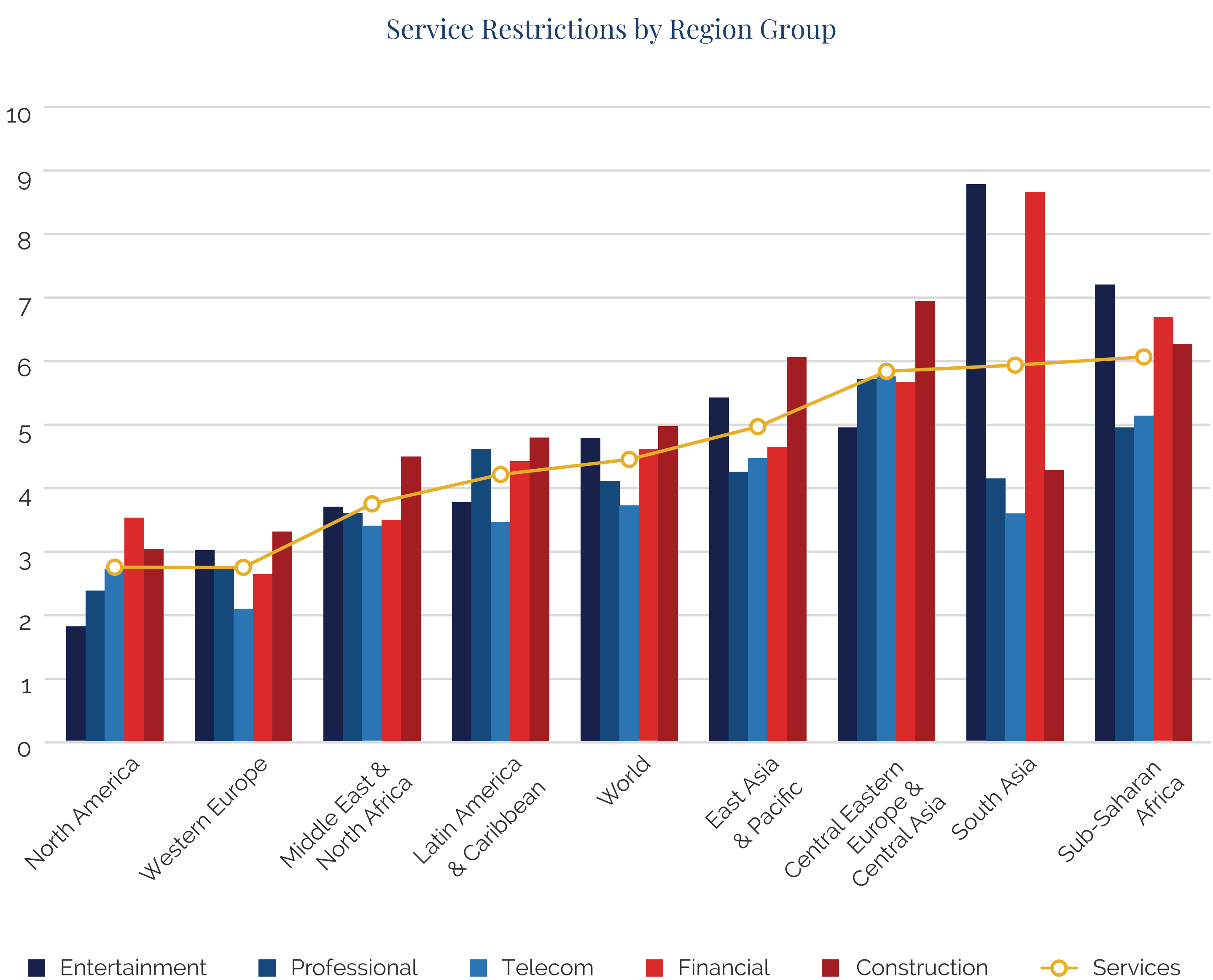


Figure 11 Services Restrictions by Region

Figure 11 highlights regional variations. Sub-Saharan Africa is the most restrictive, averaging 6.06 with Professional (7.21) and Financial (6.69) barriers most prominent. In South Asia, Professional services (8.81) are the most restrictive. Central Eastern Europe and Central Asia follow at 5.84, driven by Construction restrictions (6.99). North America is the most open at 2.72, with the United States scoring 13th in the category. Western Europe almost ties the United States and Canada with a regional score of 2.76.

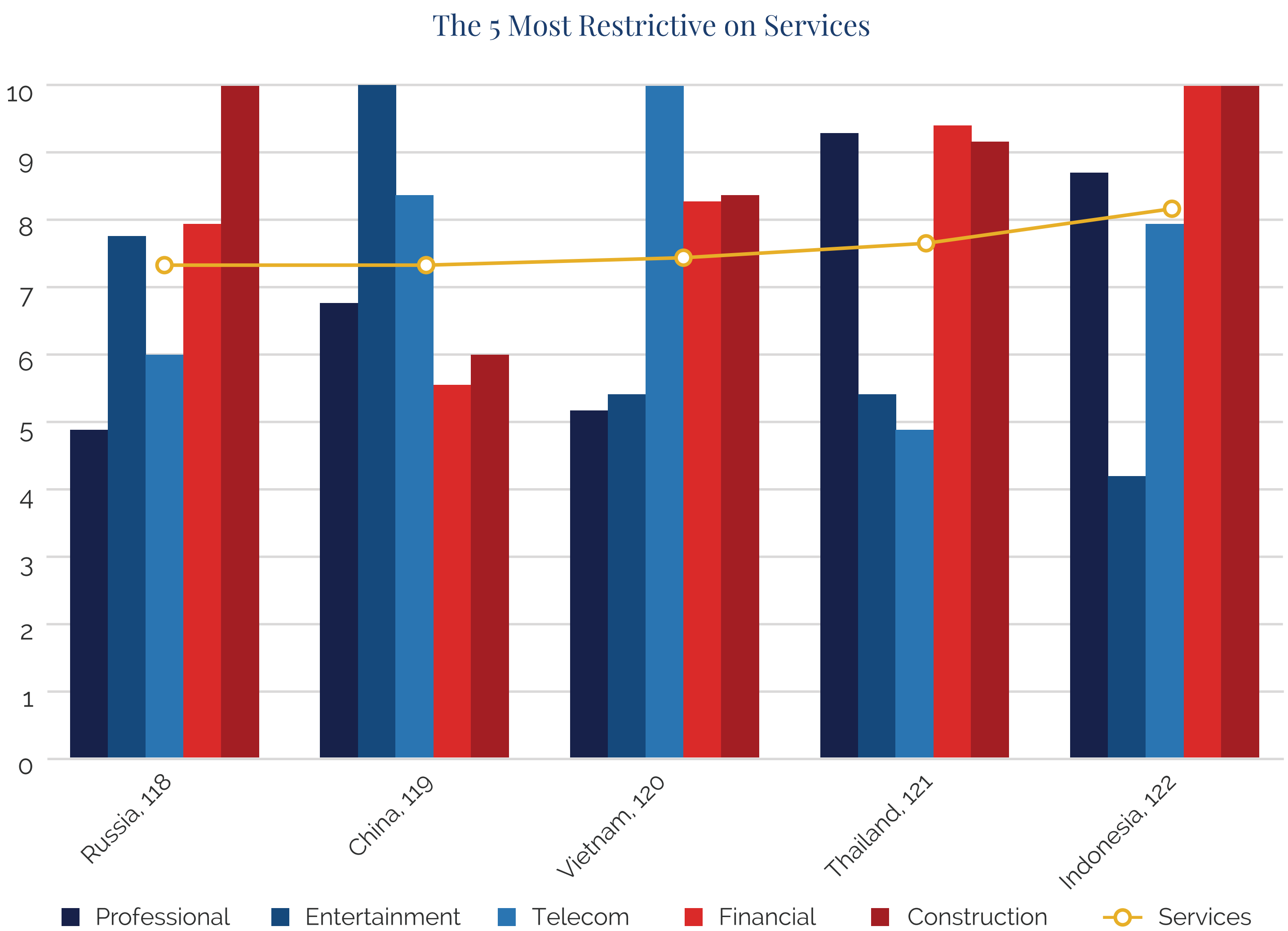


Figure 12 The 5 Most Restrictive on Services

In Figure 12 we see the most restrictive countries for Services, the data comes from the 2024 OECD Services Trade Restrictiveness Index. Russia's restrictions are consistent with its pre-wartime position, and don't reflect restrictions imposed since its full scale invasion of Ukraine. Russia severely restricts Construction (10) and Financial services (7.96) to promote domestic firms over others. Similarly, China (119th in the pillar) follows at 7.32, with Entertainment (10.0) and Telecom (8.37) restrictions highlighting its protective stance on electronic services. Vietnam (119th overall) scores a maximum Telecom score (10.0), while Thailand (121st overall) at 7.65 and Indonesia (122nd overall) at 8.15. Both impose heavy Construction restrictions (9.18 and 10.0), underscoring regional trends of import substitution through services barriers.

Non-Tariff Barriers

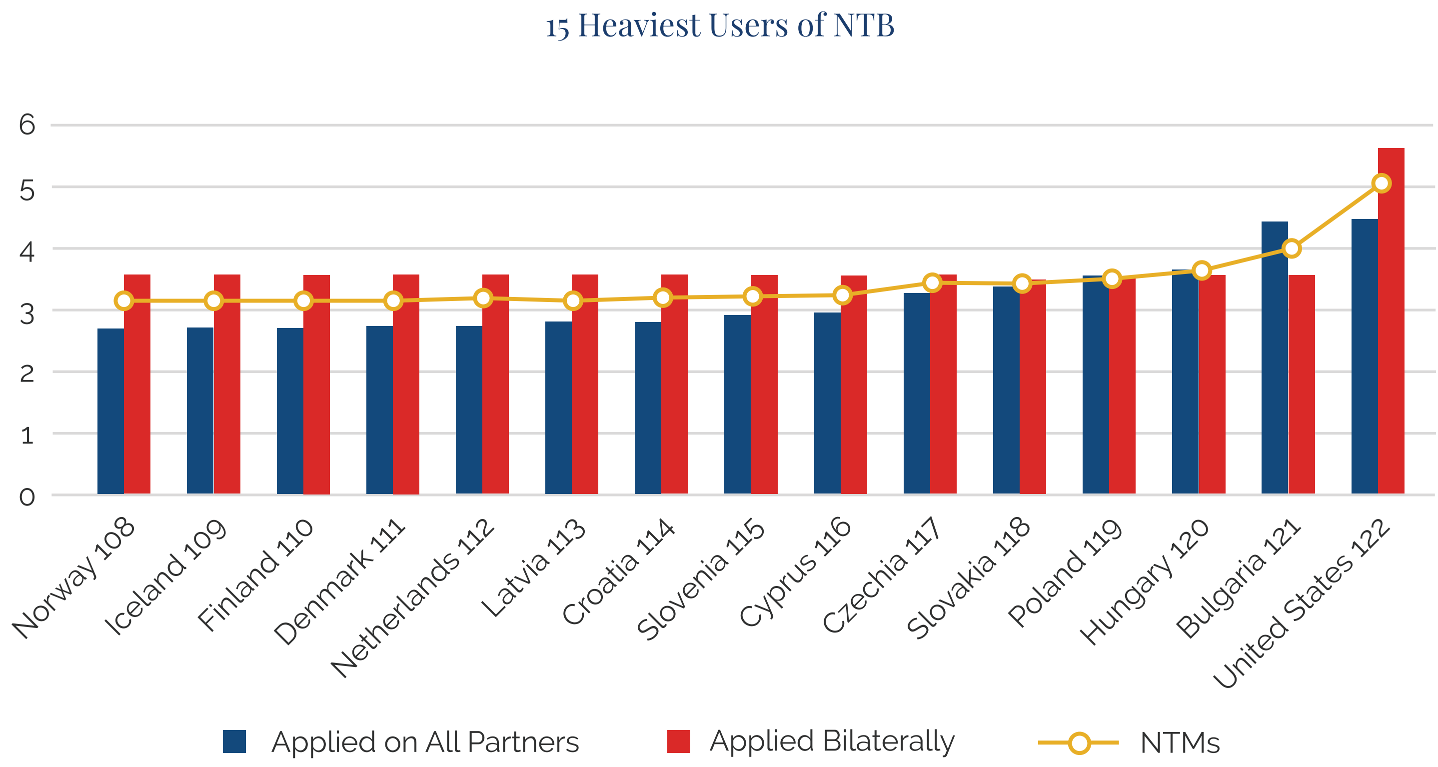
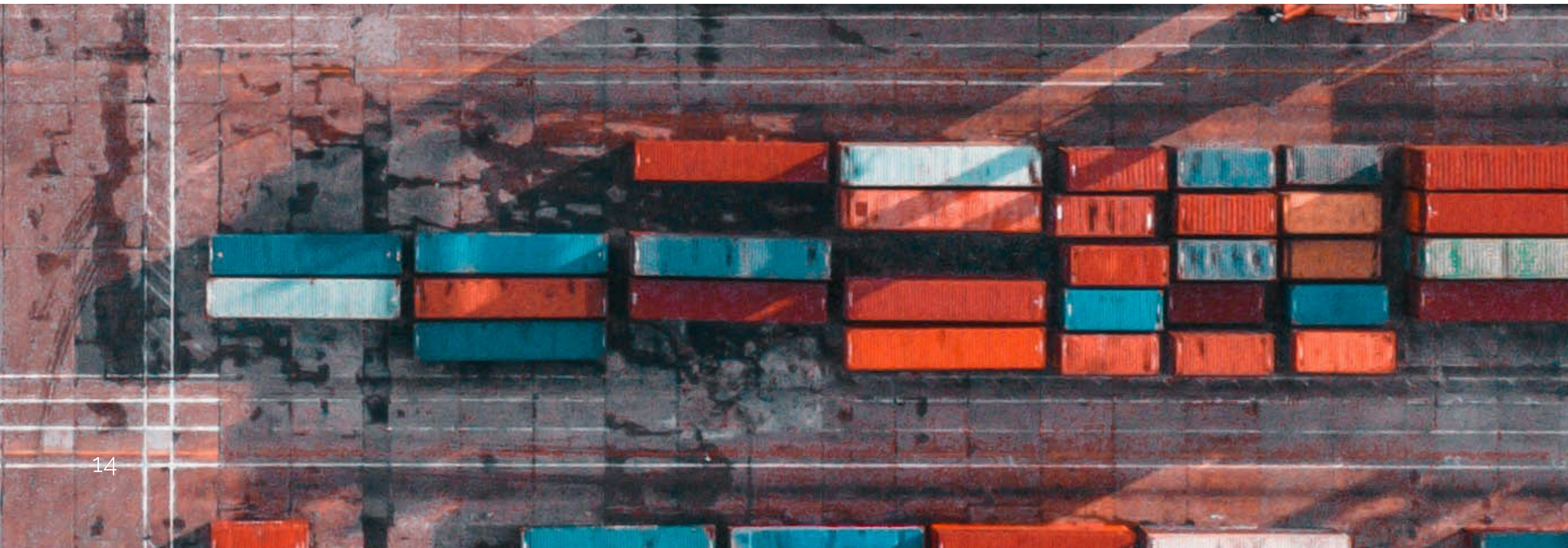


Figure 13 The 15 Heaviest Users of Non-Tariff Barriers

The Non-Tariff Barriers (NTBs) component of the TBI captures regulatory restrictions that are often more costly than tariff or other restrictions. These include export subsidies, quantitative restrictions, safeguards, sanitary and phytosanitary (SPS) measures, tariff-rate quotas (TRQs), and bilateral measures such as countervailing duties (CVDs) and antidumping duties (AD). Data is sourced from the WTO's Integrated Trade Intelligence Portal (I-TIP), ensuring comprehensive and updated coverage. The global average NTB score is 1.85, reflecting how these regulatory barriers are not as widely used as other trade barriers. Figure 13 displays the 15 countries that deploy Non-Tariff Barriers the most- all from Western Europe with the United States in last place.



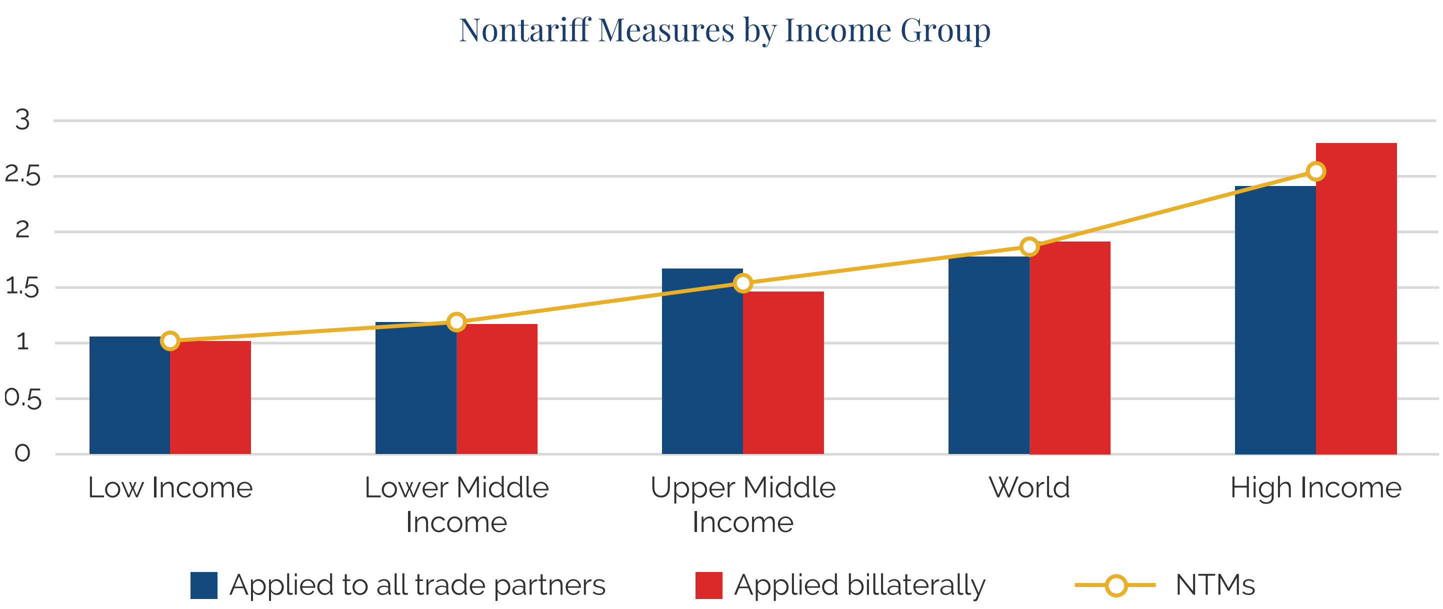
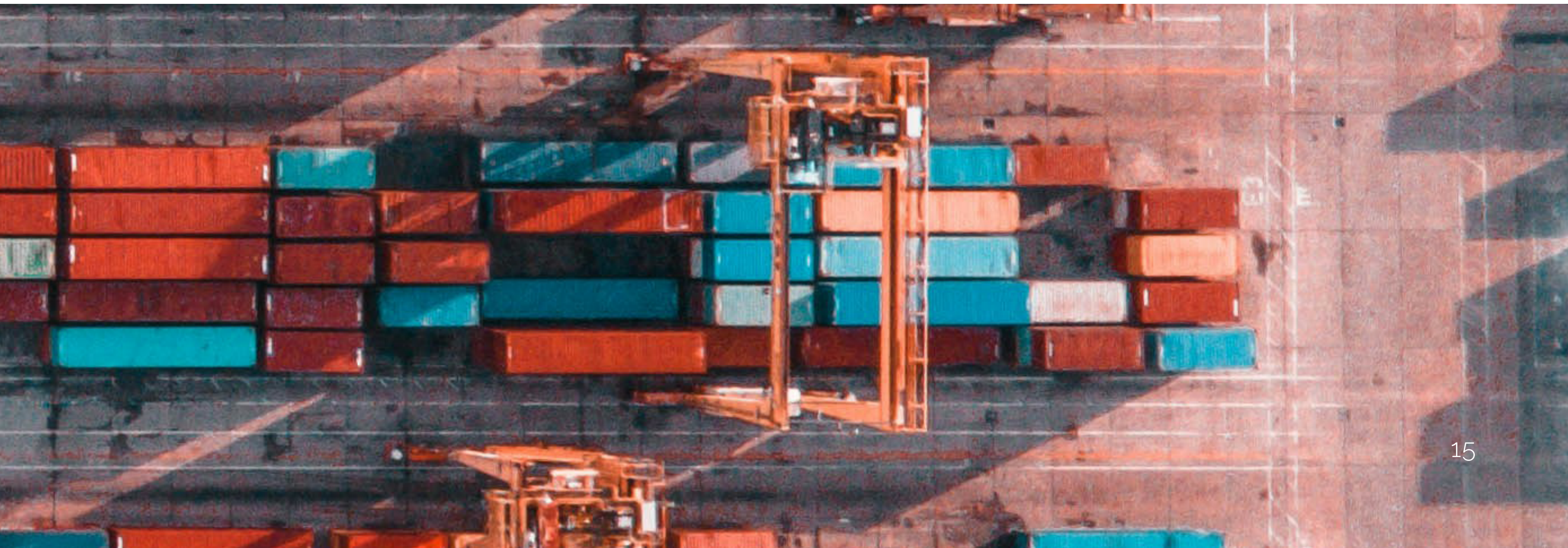


Figure 14 Non-Tariff Barriers by Income Group

Figure 14 captures a clear trend, high-income economies have the worst NTB score at 2.54. The United States is included in this group and comes in last for the NTB pillar with a score of 5.04, though the United States is 61st overall. Of measures applied to All-Trade partners the United States leads in only the SPS category. These are numerous regulations requiring inspections, licensing, and documentation for the import of agriculture. The European Union's NTBs are notorious as well, known for blocking poultry and other major agricultural exports from the United States and around the world. The United States and Europe lead in Bilateral Non-Tariff Barriers as well, these are regulations often in the form of additional tariffs imposed on one country due to perceived unfairness . The United States in particular is the heaviest user of Bilateral Non-tariff Barriers: Antidumping and Countervailing Duties (CVD).



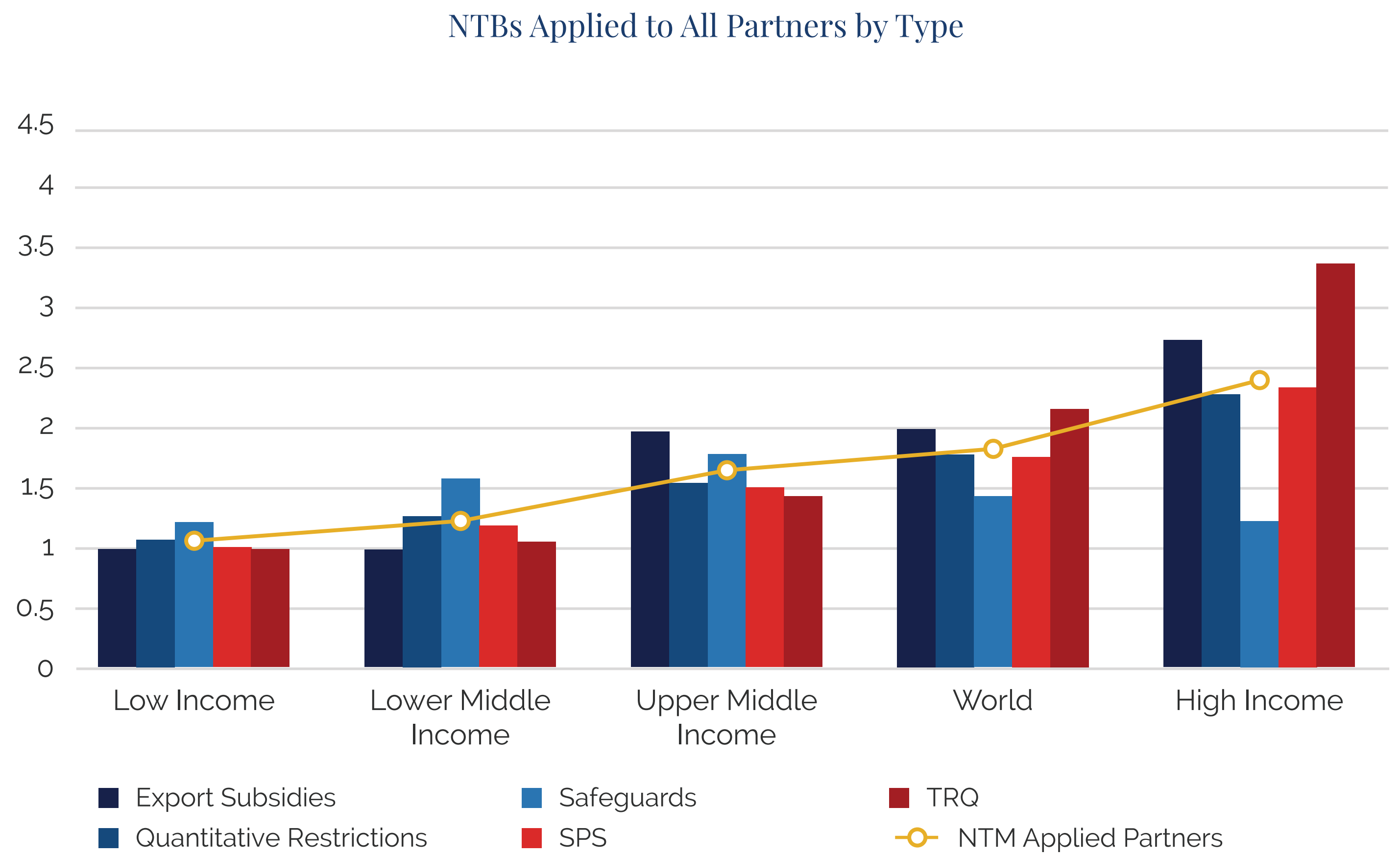


Figure 15 Non-Tariff Barriers Applied to All Trade Partners

Through the lense of Income group association, in Figure 15 we see how high-income countries choose Tariff-Rate Quotas the most while upper-middle-income countries choose export subsidies as their preferred NTB. High-income countries also use more SPS controls, however Brazil, 5.18, Peru 4.12, and the Philippines 3.36 are the next highest users after the United States in the category. lower-middle-income countries such as Indonesia (122nd overall) use safeguards heavily (10.0). Low-income nations like Gambia (110th overall) show negligible use across all types (1.0).

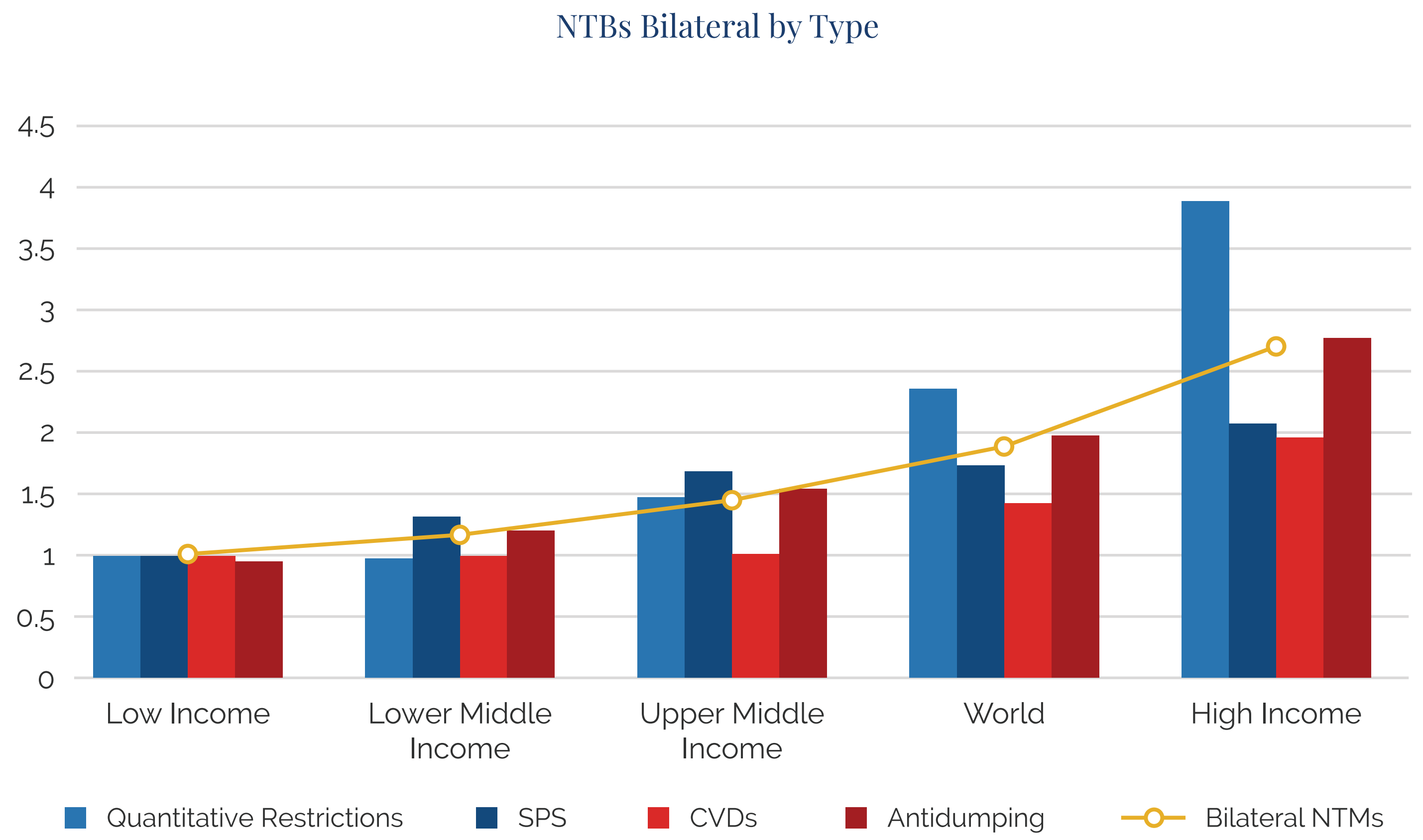


Figure 16 Non-Tariff Barriers applied Bilaterally

Figure 16 underscores the dominance of high-income economies deploying bilateral NTBs, averaging 2.7, with the United States leading in antidumping (10.0) and CVDs (10.0). Upper-middle-income countries like Peru are the heaviest users of bilateral SPS controls (22nd overall but 122nd in the category) , while lower-middle and low-income groups, such as Vietnam (117th overall) and Burundi (79th overall), rarely use bilateral NTBs (1.08 and 1.0, respectively). The disparity highlights how wealthier nations leverage bilateral NTBs to target specific trade partners, often to counter perceived unfair practices, while poorer countries lack the resources to implement such measures. In summary, the TBI reveals a strategic use of NTBs by high-income economies to protect domestic markets, contrasting with the minimal usage in low-income nations, where simpler tariff-based barriers dominate.

Facilitation

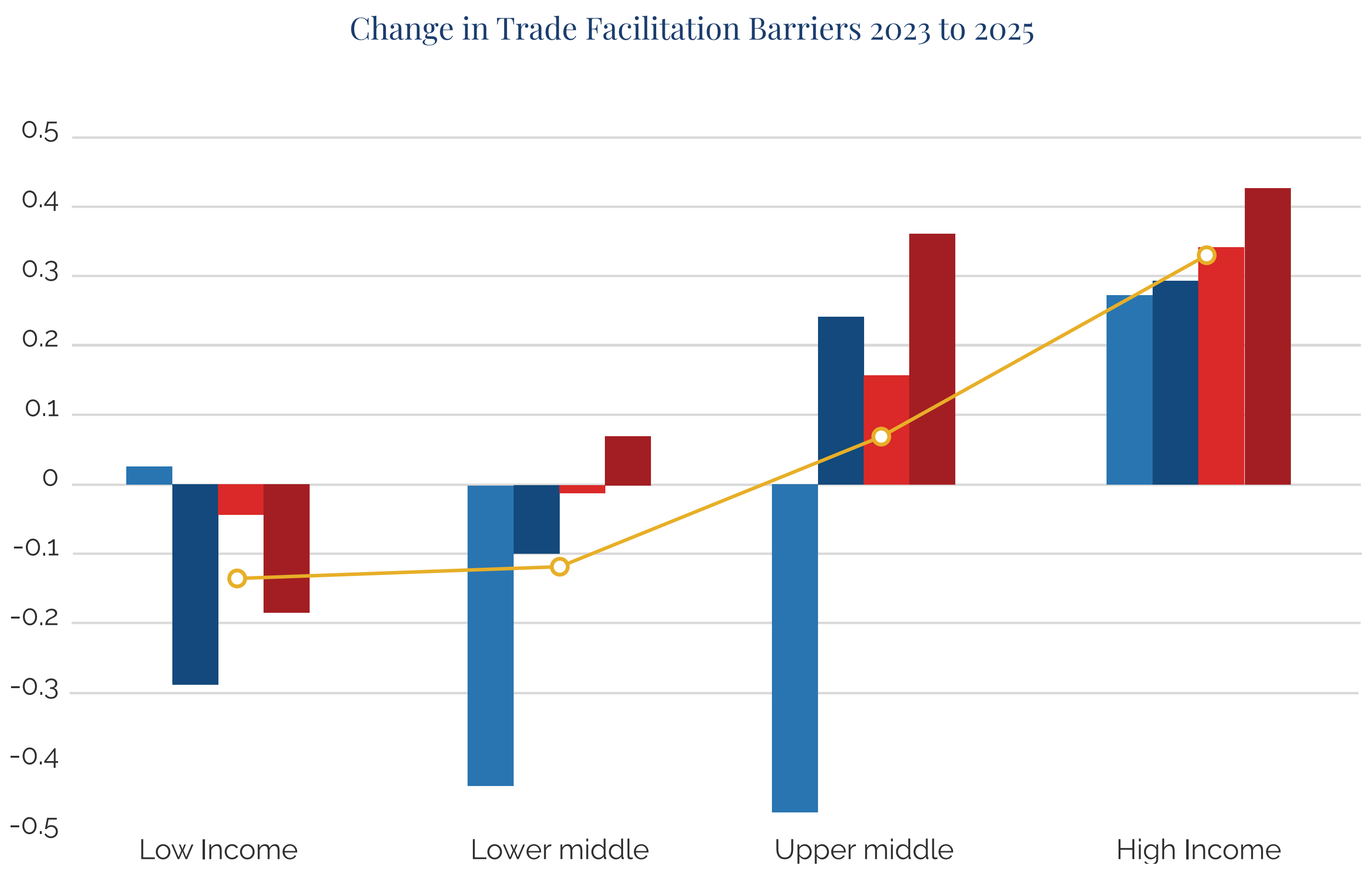


Figure 17 Change in Facilitation Barriers 2023 to 2025

The Facilitation component of TBI measures the behind-the-border conditions essential to allow trade to occur on mutually beneficial terms with the least intervention by third parties. Facilitation in the TBI includes digital trade restrictions (DTR), Logistics performance, Property Rights, and membership in Regional Trade Agreements. See Table 1 for descriptions of DTRs. The global average Facilitation score is 5.11, with significant variation across income groups and regions, reflecting diverse challenges in enabling trade.

In figure 17 shifts in facilitation barriers by income group show high-income economies worsened the most, with a 0.33 increase in barriers, driven by rising DTRs and fewer new trade. Upper-middle-income countries saw only a .07 point increase, though issues remain prominent (e.g., Brazil, 107th overall, 57th in Logistics). Lower-middle-income nations improved slightly, by two percent, while low-income countries saw a similar improvement of .12 points (1.4 percent) reflecting only slight improvement across all indicators, except DTRs.

7 Types of Digital Trade Barriers
1. TAXES: Levies imposed on digital services, often targeting foreign firms' global revenues, raising operational costs.
• Digital Service Taxes, such as those imposed by **Canada** and **EU** members, is a 3 percent tax on digital services • **India** imposes an equalization levy on goods and services purchased through foreign e-commerce sites
2. CONTENT MODERATION: Rules requiring platforms to monitor, remove, or preserve online content
• **Germany's** NetzDG law mandates U.S. platforms to screen and remove illegal content within short deadlines • In India, IT Rules that mandate content screening and traceability
3. CONTENT LOCALIZATION: Requirements for digital platforms or service providers to maintain quotas of local content or parts
• China's Online Video Restrictions cap foreign content at 30% on streaming platforms. • In Canada, the Online Streaming Act forces Canadian content quotas
4. SECURITY BARRIERS: Regulations using cybersecurity as a pretext to limit foreign digital services or enforce local standards.
• China's Cybersecurity Law requires security reviews and local encryption standards • In **France** a security standard for certain in cloud storage discriminates against foreign providers
5. DATA FLOW RESTRICTIONS: Restrictions on cross-border data transfers, often requiring local storage or processing.
• The EU's GDPR restricts data flows to non-EU countries without adequate protection, impacting U.S. firms. • Broadening the definition of Telecom Providers to extend existing regulation to the digital sector
6. ONEROUS BARRIERS: Broad, burdensome regulations that hinder digital operations, such as excessive reporting or licensing.
• The EU's Digital Markets Act imposes interoperability and reporting requirements on gatekeeper platforms. • Vietnam introduces new approval requirements for foreign electronic payment processing
7. GIG ECONOMY RESTRICTIONS: Policies limiting digital platforms that enable freelance or on-demand work, often via licensing or labor rules.
• Proposed regulations in various countries requiring gig platforms (e.g., Uber) to register locally or comply with strict labor laws.

Table 1: 7 Types of Digital Trade Barriers

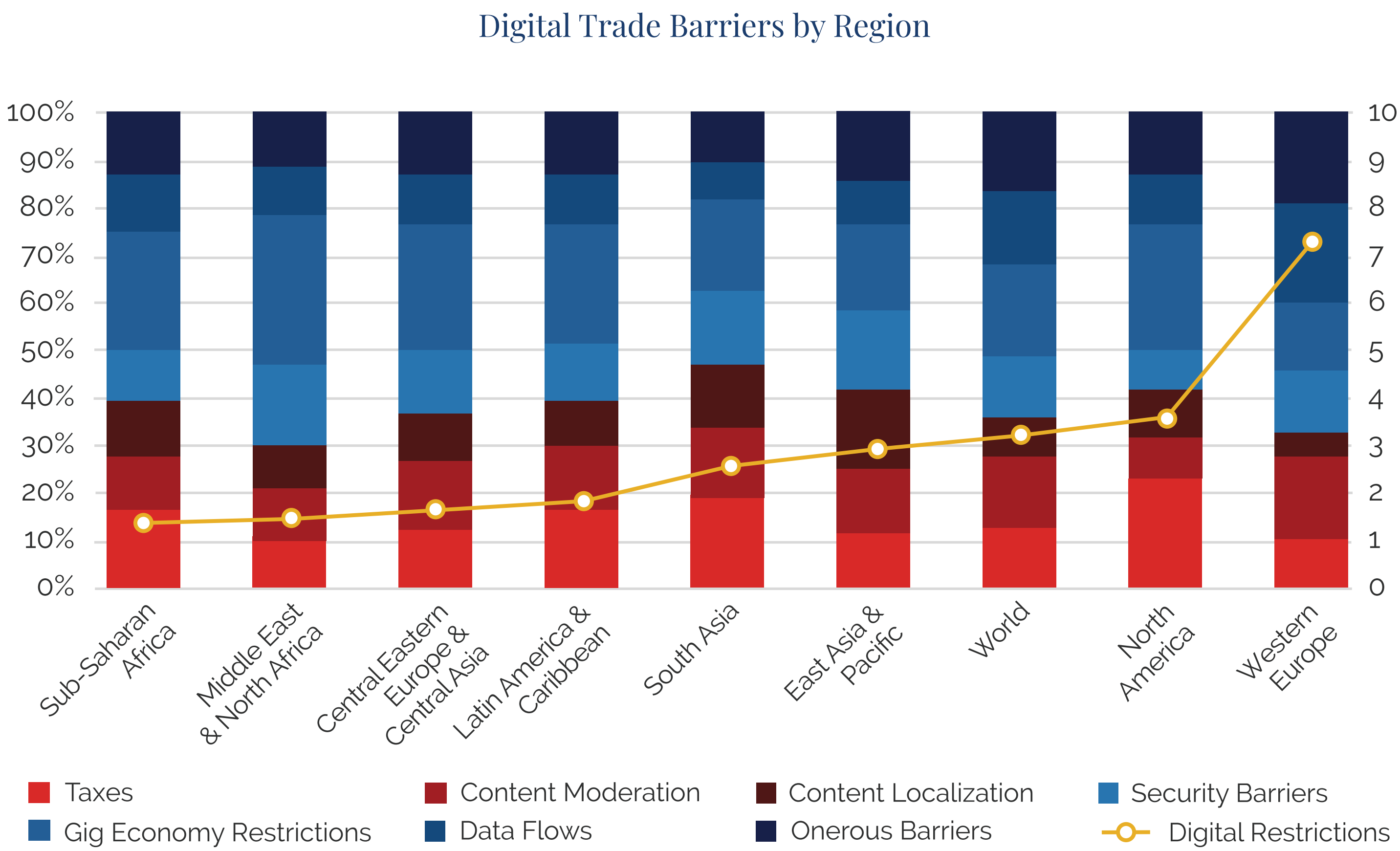


Figure 18 Digital Trade Barriers by Region

Western Europe once again dominates new DTRs (Figure 18). In the 2023 TBI this was due to new proposals such as the Digital Markets Act and Digital Services Act which would enact sweeping regulations on the way online platforms moderated content as well as how they compete and operate in Europe. Since then, they have moved from proposed measures to implemented, increasing their score in the TBI, while at the same time the EU has enacted an alphabet soup of other DTRs. These include the Cyber Resilience Act (CRA), AI Act, and the Data Act (DA). The region has an average DTR score of 7.25, with Germany (15th overall, but 121st in DTRs) and the UK (10th overall, but 117th in DTRs) imposing heavy data flow and content moderation restrictions (9.05 and 8.5 respectively). China in the East Asia & Pacific region scores just before the EU countries at 91st it has the worst DTR scores in Content Localization (10) and Security Barriers (10). The East Asia region averages 2.84, with China's 6.12 contrasting Singapore's 1.95 (2nd overall). Sub-Saharan Africa is the least restrictive (average: 1.34), due to avoiding DTR regulations.

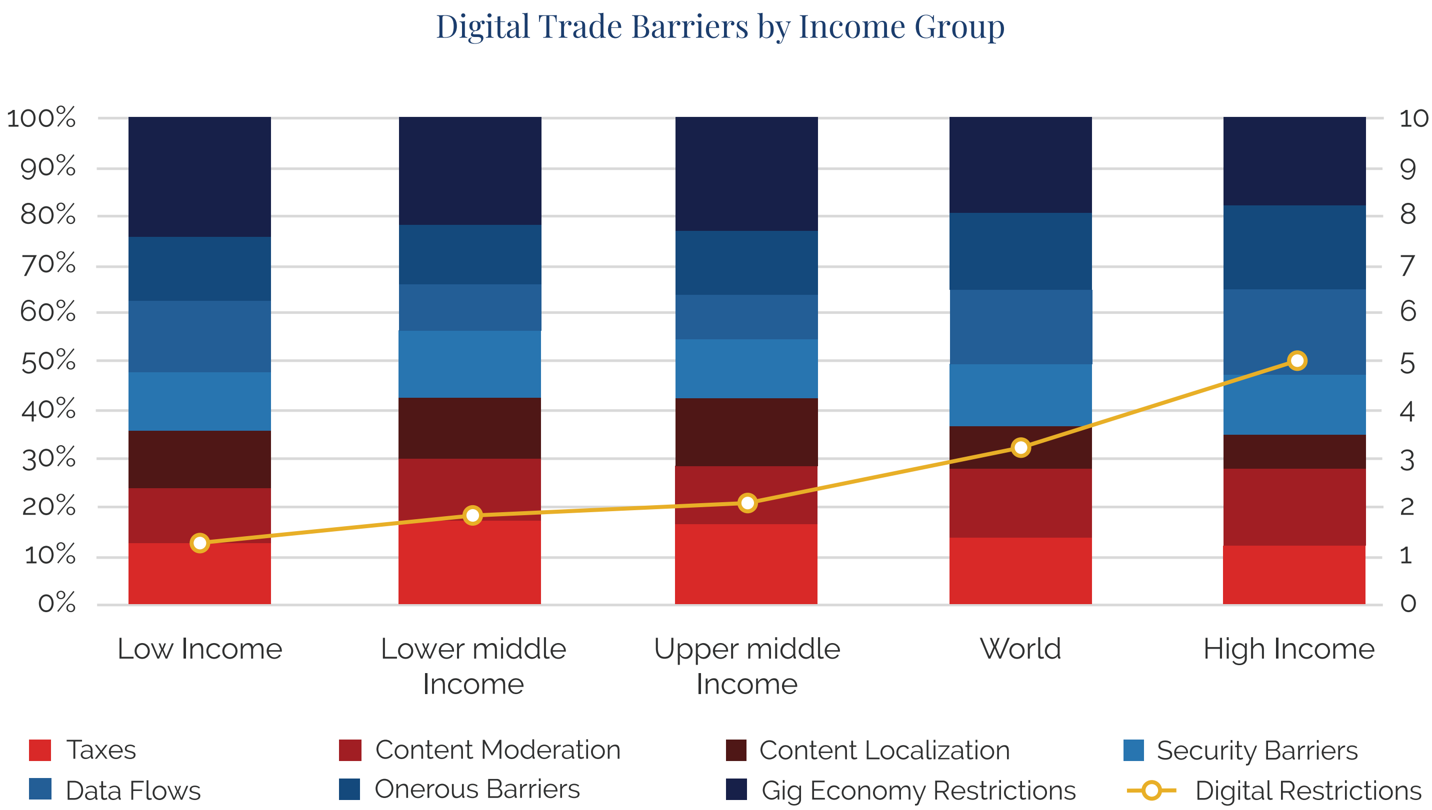


Figure 19 Digital Trade Barriers by Income Group

While High-income countries from the European Union lead in DTRs (figure 19), followed by China, India, Vietnam, and Indonesia (a group of Upper and Lower-Middle Income countries), the rest of the High-Income countries from outside of Europe including Canada, Australia, South Korea, and the United States are all in the bottom quarter of the DTR sub-category. The average score for the high-income group is 4.98, or 53 percent greater than the world average at 3.21. High-income countries use more Onerous Barriers, Content Moderation, and Data flow restrictions. While Upper and Lower-Middle income countries deploy more Security measures, Content Localization, and types of digital taxes and fines.

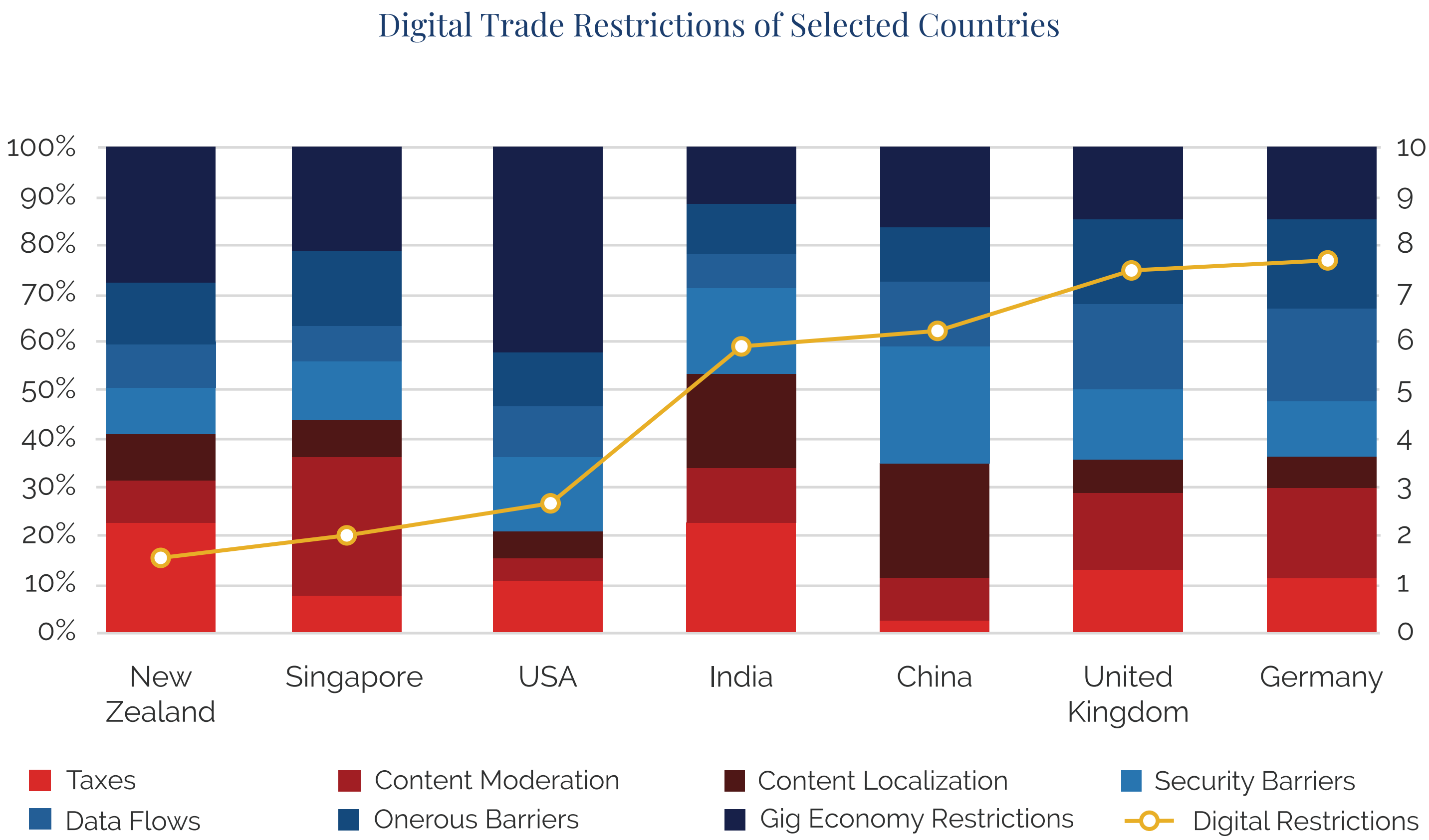


Figure 20 Selected Countries Digital Trade Restrictions

To illustrate the different types of digital trade restrictions being deployed (Figure 20) displays the measures used by selected countries from Europe, South Asia, East Asia and the Pacific, and North America. Germany and the UK have heavy restrictions on data flows that add liability and uncertainty to platforms and, through General Data Protection Regulation (GDPR), have restrictions on where data can flow freely. The 2025 TBI identifies additional Content Moderation and Security Barriers in these otherwise free economies. China, known for its Great Firewall uses security as a justification to localize data, and deploys broad definitions of critical infrastructure and personal information to restrict foreign digital services in the country. Singapore and New Zealand remain quite open for digital trade, yet Singapore uses very broad Content Moderation laws and New Zealand greatly restricts Gig-economy workers and imposes various fines and taxes based on global turnover. Meanwhile the United States has stayed away, at least at the federal level from imposing grand EU style regulations that restrict how online marketplaces compete or regulate content. Instead, the 2025 TBI identified the United States imposing numerous Gig-economy barriers at the state level that restrict the time, location, and types of property users can make available through digital apps to provide physical services. This category also includes legislation that would restrict how workers classify their employment.

Trade Barriers and People

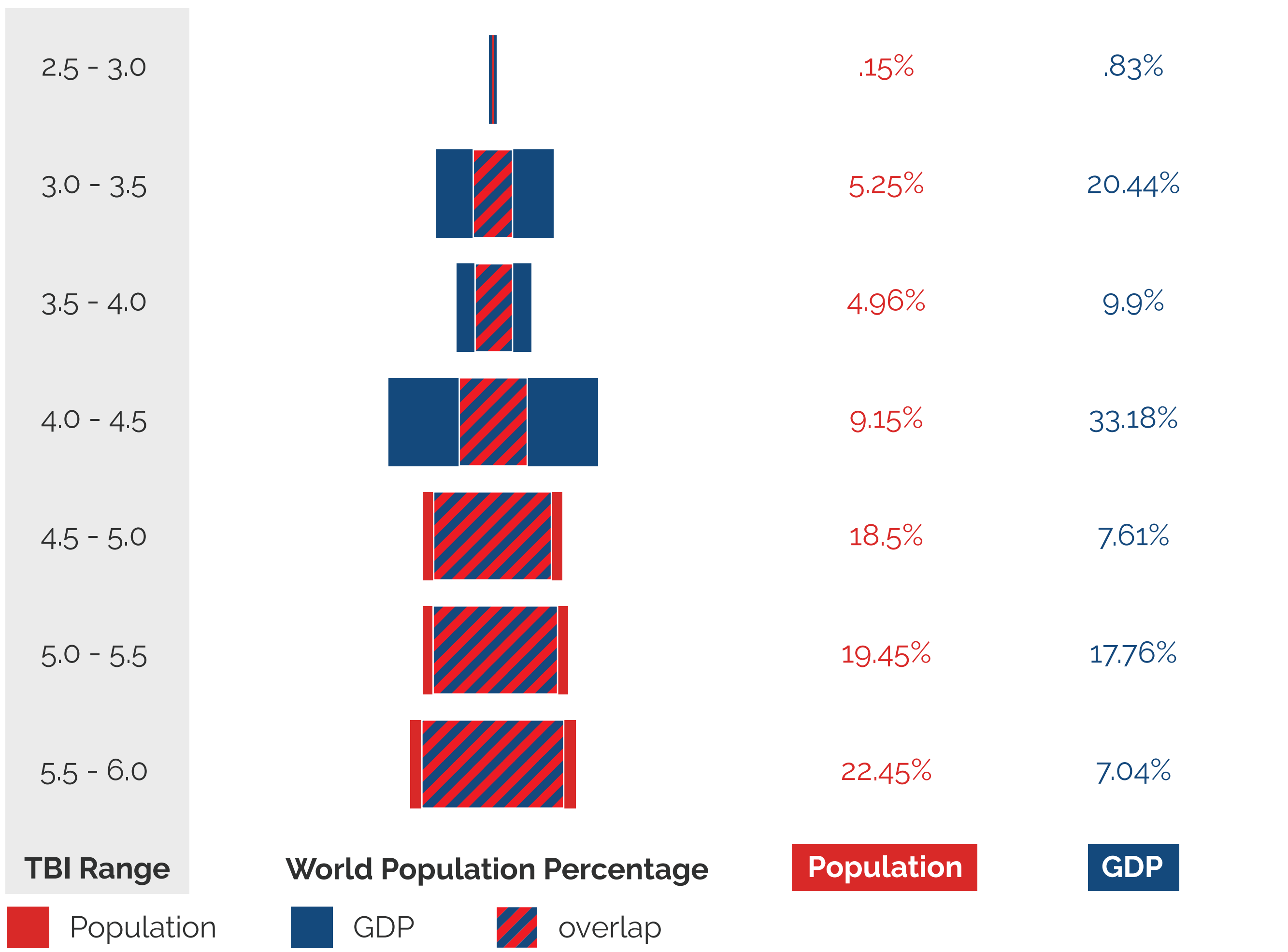


Figure 21 Trade Barriers and People

At its core, global trade is driven not by countries, but by ordinary people who exchange goods, services, and ideas across borders- on their own mutually beneficial terms. The 2025 TBI evaluates the trade barriers imposed by 122 countries, encompassing 80% of the world's population. The distribution of these barriers reveals stark disparities in how they affect populations and their productivity.

Figure 21 illustrates the population pyramid across TBI score ranges. In the freest range (2.5–3.0), only 13 million people reside from only two countries, a mere 0.15 percent of the global population. The 3.0–3.5 range includes 458 million people (5.2 percent of the world), this includes Canada (3rd overall), that range contributes 20 percent of global GDP. The 3.5–4.0 range, is home to 432 million 4.9 percent of the world) and responsible for 10 percent of global GDP. The 4.0–4.5 range, including the United States (65th overall), houses 797 million (9.15 percent of the world) and they generate 33 percent of global GDP. Barriers take a larger toll in the 4.5–5.0 range, where 1.61 billion people (18 percent) of the world live, including Brazil (108th overall), but they produce much less, only 7.6 percent of global GDP. The 5.0–5.5 range, with 1.69 billion (19.6 percent of the world), contributes just 17% of global GDP, and the most restrictive 5.5–6.0 range, dominated by India (121st overall) and Russia (118th overall), includes 1.96 billion (22.5 percent) but they produce only 7.5 percent of global GDP, underscoring the economic inefficiencies of high trade barriers.

Correlations with Freedom and Commerce

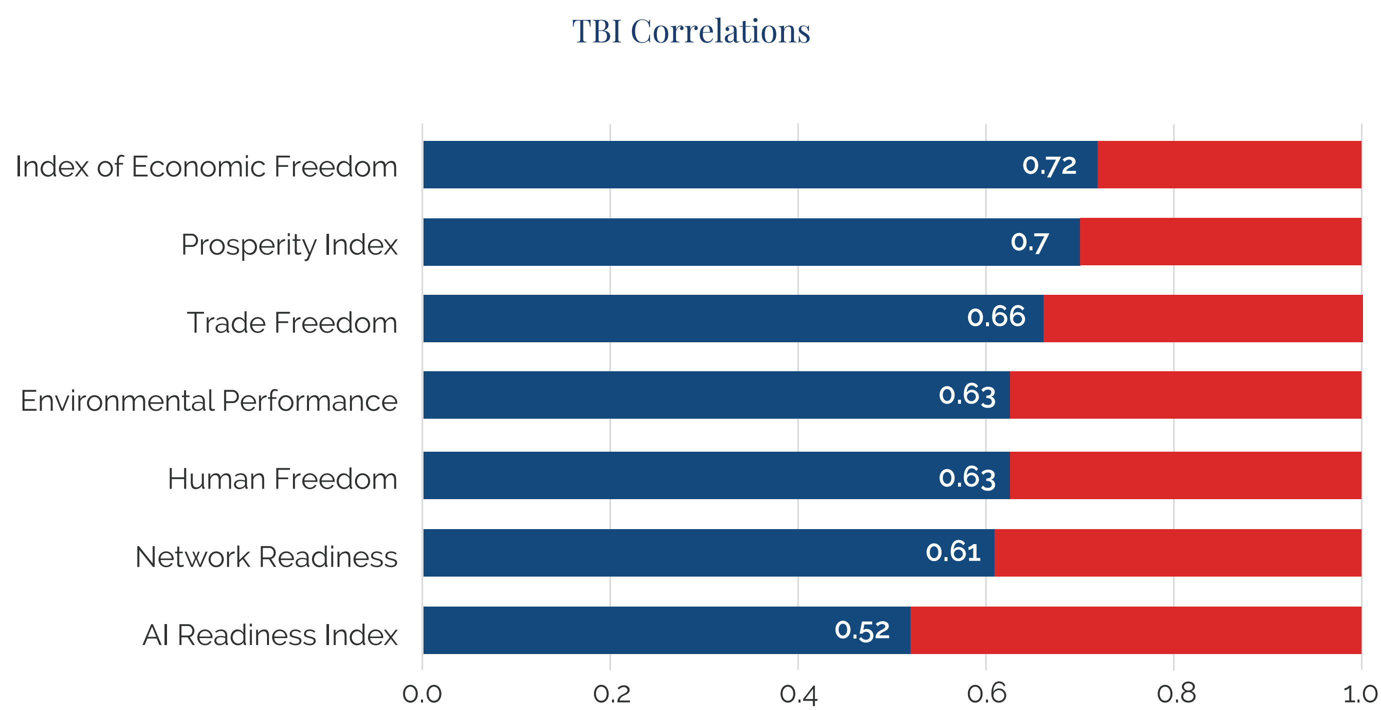


Figure 22 TBI Correlations

To analyze the effectiveness of the TBI at capturing trade barriers as an abuse of liberty, scores were correlated with established indices dedicated to measuring freedom and other social indicators (Figure 22). The TBI correlated strongest with the Heritage Foundation's Index of Economic Freedom at .72, followed by the Prosperity Index at .7, and then the Trade Freedom sub component of the Economic Freedom Index at .66. The Facilitation component has the strongest relationship with measures of social and economic freedom (Figure 23) — a nearly perfect correlation Network Readiness at .91, and a robust relationship with the Prosperity Index at .88, and many more signifying trade openness with innovation, competition, and frontier technologies. The measures lend credibility to the arguments that reducing trade barriers allows ideas to be exchanged freely.

Facilitation Correlations

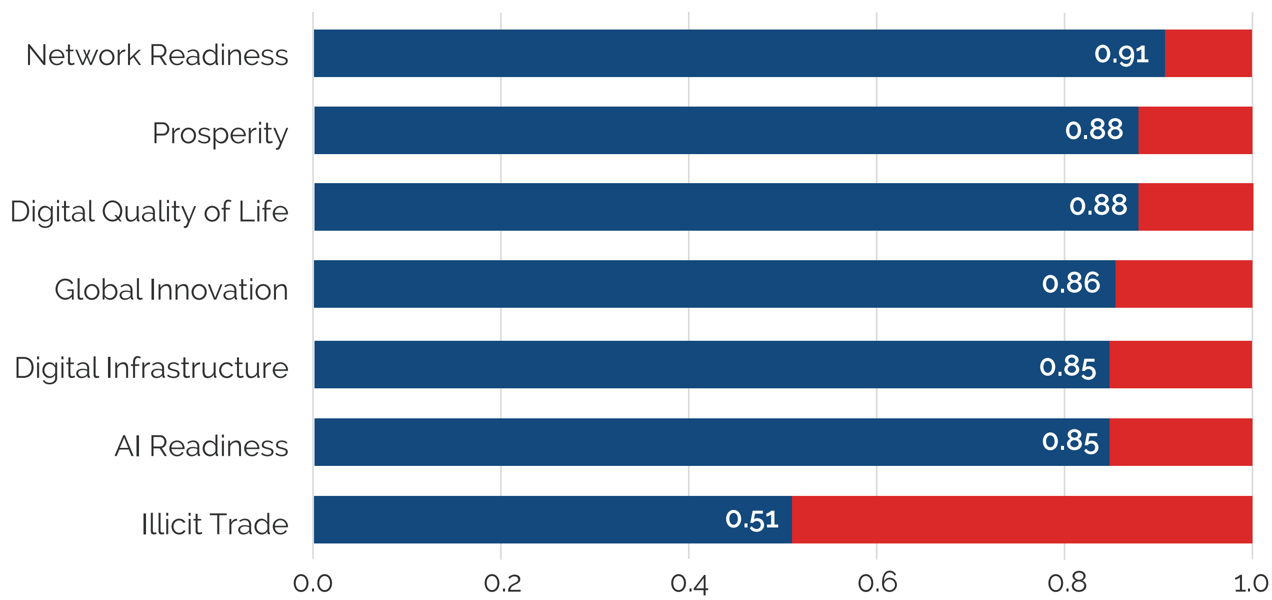


Figure 23 Facilitation Correlations

TBI Case Studies

Navigating the Intersection: Argentina's High Tariffs, Import Substitution Strategy, the Mercosur-EU Trade Agreement, and the Role of Intellectual Property

By: Lucas Lehtinen, Austral University, Argentina

This case study delves into the intersection of Argentina's import substitution industrialization (ISI) strategy, high tariff regime, and the opportunities presented by the Mercosur-EU trade agreement. It highlights the historical and economic implications of protectionist trade policies, which have fostered domestic industries but also led to inflation and reduced competitiveness.

The study introduces an additional focus on intellectual property (IP) as a critical yet underexplored element in Argentina's trade policy. IP rights are pivotal in shaping innovation ecosystems, particularly in the context of global trade agreements. The Mercosur-EU trade agreement, with its strong emphasis on IP provisions, presents both opportunities and challenges for Argentina, as it seeks to align its IP framework with international standards while fostering local innovation.

By exploring the role of IP in Argentina's trade strategy, this case study provides a holistic perspective on how trade barriers, economic policies, and IP regulations intersect to influence the country's global competitiveness.

Balancing Act: How EU Environmental and Digital Regulations Have Shaped Trade Negotiations with Mercosur and Indonesia

By: Dr. Pasztor Pásztor, Research Director, Oeconomus Economic Research Foundation, Hungary

Europe's environmental and digital regulations have impeded trade liberalization in case of the MERCOSUR region. The European Union's stringent environmental standards present significant challenges for MERCOSUR countries, especially regarding deforestation concerns linked to increased agricultural production. (Galarza et al.) These regulations have delayed the EU-MERCOSUR trade agreement and raised questions about balancing economic growth with environmental sustainability. Similarly, trade tensions with Indonesia highlight conflicts between EU palm oil regulations and Indonesia's economic agenda, illustrating how sustainability measures can restrict market access. The analysis highlights that while the EU's regulatory policies aim to protect the public interest, they may unintentionally obstruct global trade liberalization and lead to conflicts with trading partners.

The World Trade Organization (WTO) plays a crucial role in resolving these disputes by promoting legal frameworks that align trade practices with environmental objectives. (Sasmal et al., 2024) Compliance with the ever-increasing EU digital and environmental standards, can limit market access and increase protectionist pressures. These examples demonstrate how regulatory ambitions aimed at sustainability often clash with the principles of free trade, requiring a more coordinated international approach. The paper concludes that future policy reforms are essential to harmonize environmental goals with global trade interests and reduce regulatory barriers.

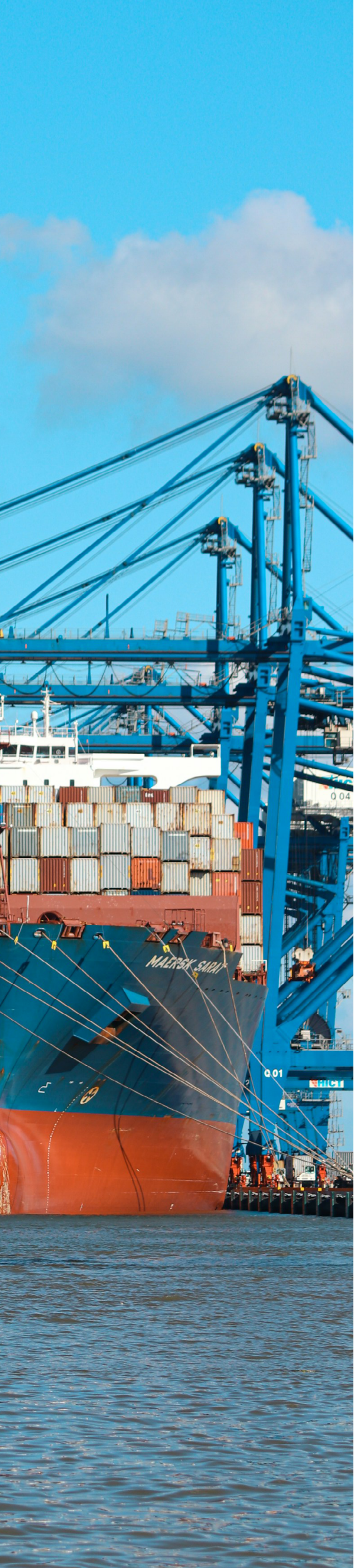
Digital regulation in the UK as a trade barrier

By: Fred de Fossard, Director of Strategy, Prosperity Institute, United Kingdom

Britain's antitrust regulator, the Competition and Markets Authority, has been given new powers to regulate digital markets since the country left the European Union. The CMA has become one of the most interventionist antitrust regulators in the world, keen to intervene on mergers and even the development of new products, in the purported interest of competition.

The CMA was granted new powers to prosecute the world's largest tech companies under the Digital Markets, Competition and Consumers Act 2024. With these powers it has introduced ex ante regulations to regulate companies it deems to have "strategic market status" in digital markets, which are overwhelmingly likely to be American tech giants.

As highlighted by Prosperity Institute's 2023 paper, Protecting Prosperity and Innovation in the UK's Digital Economy, digital regulation and antitrust policies have emerged as a new type of trade barrier in the 21st century. Regulators around the world have found novel ways of implementing quasi-protectionist policies in the form of regulations. This is especially true of digital markets, where regulators like the CMA or the European Commission have tried to levy fines and regulations on foreign tech giants in the interest of smaller domestic competitors. The great risk of this approach is that it may actually harm domestic technology companies and consumers, by starving start-ups of investment and international capital, and putting in place regulations which prevent consumers from gaining access to new and innovative products.



First Nations Communities and Contraband Tobacco: A Case Study of Incentives and Market Processes in Canada

By: Joseph Quesnel and Danny LeRoy, Frontier Centre for Public Policy, Canada

It is well known that when people are taxed because of the goods they purchase, it increases out of pocket expense and tends to reduce the quantity demanded. Taxation creates an incentive to minimize, avoid, and to seek alternatives – legal or otherwise. This response among tobacco consumers is seen everywhere taxes on them have been imposed. The larger the tax, the greater the lucrative opportunity to satisfy their demand for tobacco through extra-legal channels. A typically proffered solution is to reduce taxes to mitigate the limit of extra-legal potential profits and to attenuate the illegal activities aimed at realizing them

This has been done in Canada, yet contraband tobacco is as prevalent as ever. What is it about the extralegal markets for tobacco in Canada which makes the problematic situation persist? Why does a resolution seem intractable? To better understand the nature of problem, this study we will draw upon the thinking of three prominent economists and apply them to Canada.

Missed Call: What Indonesia's iPhone 16 Ban Reveals About LCR Policies

By: Alvin Desfiandi, Chief Economist; Alfian Banjaransari, Country Manager, Center for Market Education, Indonesia

Indonesia's recent ban on the iPhone 16 series highlights the broader economic implications of Local Content Requirements (LCRs) as a protectionist trade barrier. Often intended to stimulate domestic industry, LCR policies often impose unintended costs, limiting consumer access to global products and increasing production expenses. High LCR compliance costs translate to higher consumer prices, making it challenging for industries to enhance domestic value addition without excessive reliance on imported inputs. This case study explores the structural limitations of Indonesia's LCR framework, including low labor productivity, overlapping regulations, and inadequate infrastructure. These constraints ultimately weaken competitiveness and innovation. Eschewing LCRs in strategic sectors could reduce inefficiencies, ensuring that domestic industries integrate more effectively into global supply chains while maintaining affordability and market dynamism.

Two Visions, One Market: Draghi's Europe vs. Hungary's Sovereignty Model

By: Arian Aghashahi, Managing Director, Centre for Trade & Cooperation, Visiting Fellow, Danube Institute, Hungary

The European Union's internal market is no longer held together by economic logic alone. Trade barriers—once seen as technical relics—have become constitutional indicators. They tell a deeper story: of competing visions for how Europe should be governed, by whom, and to what end.

This case study, produced within the framework of the Tholos Foundation's *Trade Barrier Index 2025*, compares two official EU-level documents that represent fundamentally opposing answers to the question of European competitiveness: the **Draghi Report** (*The Future of European Competitiveness*, 2024) and the **Hungarian Council Presidency Programme** (*Programme and Priorities of the Hungarian Presidency of the Council of the EU*, 2024).

EU Protectionist Digital Trade Barriers Restrict Innovation and Diminish Competition

By: Philip Thompson & Andreas Hellmann, Americans for Tax Reform, THOLOS Foundation, USA

In the past decade the European Union has pioneered restrictive regulations on the flow of data across borders as well as the larger digital economy in an attempt to tame a new industry considered to be unregulated and escaping oversight. In doing so the EU has passed what has become model legislation for data protection and digital taxes while jeopardizing data flow with its largest trade partner and inviting a potential tariff war for its discrimination. The latest EU digital regulations, such as the Digital Markets Act and cloud certification schemes, go further by restricting free expression and prohibiting foreign competition. These new rules about digital competition will increase the regulatory burden imposed on the targeted companies and pose great danger to innovation, competition and the digital economy as we know it.

Structure and Methodology

The TBI is composed of four pillars. The first three — Tariffs, Non-Tariff Barriers (NTBs), and Services Restrictions — represent the most direct, and often used, trade barriers. The fourth component, Facilitation, captures necessary ehind the border measures neccessary to allow trade to occur with the least market intervention: membership in Regional Trade Agreements, restrictions on digital trade, the property rights ecosystem, and the logistics infrastructure that allows goods to move across borders efficiently. The TBI, as a composite index, captures these elements from various internationally recognized measures and scales the scores on a range between 1 and 10. A one indicates the least use of trade barriers and 10 indicates the highest use of the trade barrier in the index. Each pillar includes sub-components as illustrated in Appendix I. Complete data sources can be found in Appendix II.

Methodology - Tariffs

In order to get a full picture of how each country uses tariffs as a discriminatory tool, the TBI identifies three tariff measures: the Applied Simple Average Most-Favored-Nation (MFN) Tariff rate, the actual number of MFN applied tariff lines, and finally the share of tariff lines that are duty-free. The data source for these measures comes from the latest year available on the World Trade Organization's (WTO) "World Tariff Profiles 2024" report.

The latest year tariff data was used, for most countries that meant the tariff data reported in 2023 that was used in the 2024 World Tariff Profile report. For a few countries included in Appendix IV. their latest data came from previous year reports.

MFN simple average applied rate: This represents the country's the average tariff rate placed on imported goods from all countries, unless a lower rate is agreed upon in a comprehensive Regional Trade Agreement (RTA) or Preferential Trade Agreement (PTA), otherwise known as a Free Trade Agreement (FTA) is applied. It is normalized through the min-max function; the max is set to 19 which is the highest tariff rate in the TBI group of countries, belonging to Egypt, the lowest rate was 0.

Number of MFN applied tariff lines: In 2022 the World Customs Organization introduced the HS Nomenclature 2022 edition. The 2022 edition affected over 1,500 tariff lines and introduced new lines for high-end technology products and their components such as electronic nicotine devices and smart phones, technologies that were not commonplace in the previous edition. The last HS 2017 revision had 5,387 separate tariff lines, or groups of goods identified by a 6-digit code. Countries may create national lines by creating subcategories of goods leading to 10-digit codes. Therefore, the number of tariff lines in use is a key indicator of tariffs being used to pinpoint specific competitors to national champions. While the 2022 edition went into force Jan 1, 2022, the tariff lines counted in the WTO 2022 profiles use the HS 2017 nomenclature. The min-max method was used to normalize tariff lines in the TBI. Mozambique used the fewest tariff lines at 5,807 while Kazakhstan used the most at 13,258.

Share of MFN duty-free tariff lines: Not all tariff lines in use are assigned a tariff rate; some are duty-free. Though, the tariff line number is still used to identify goods and non-tariff measures or for other administrative purposes. This measure rewards countries with higher shares of duty-free lines by inverting the number, then normalizing it through standard min-max formulation to account for the share of regulations that allow for tariff-free trade. Morocco continued to be last place by decreasing the share of lines duty-free from 6.4 percent to 0 percent of lines duty-free.

Tariff Score = (MFN AHS + MFN applied lines + Duty-Free lines)/3

Methodology - Non-Tariff Barriers (NTB)

Apart from tariffs on goods, non-tariff measures are known as regulatory barriers that impose additional import requirements resulting in longer shipping times, extra financial burdens, and other bureaucratic obstacles that hamper the ability of goods to pass through customs and be competitive in the domestic market. The TBI uses the NTMs database developed by the World Trade Organization's Integrated Trade Intelligence Portal (I-TIP). The I-TIP data contains most NTB data including trade defense measures and Specific Trade Concerns.

The taxonomy classifies NTMs into eight parent categories: export subsidies, quantitative restrictions, safeguards, special safeguards, sanitary and phytosanitary (SPS) measures, tariff rate quotas (TRQ), anti-dumping (AD), and countervailing duties (CVD).

The TBI-NTB score separates the total number of these measures applied bilaterally and those applied to all trade partners. The number of measures in each component is normalized through the min-max function, unbounded. Finally, the sub-component scores Applied to All Partners and Applied Bilaterally are each the mean of the NTB indicator in each.

NTBs **Applied on All Partners** = (export subsidies + quantitative restrictions + safeguards + SPS + TRQ)/5

NTBs **Applied Bilaterally**= (Bilateral anti-dumping + Bilateral CVD + Bilateral quantitative restrictions + Bilateral SPS)/4

NTB = (NTBs All Partners + NTBs Bilateral)/2

Source: https://i-tip.wto.org/goods/default.aspx

Methodology - Services Restrictions

Services increasingly account for a growing share of trade and world GDP. The first editions of the TBI utilized the Services Trade Restrictions Database (STRD) developed by the Development Economics Research Group at the World Bank. The STRD, through extensive legal surveys, measures services restrictions based on modes 1, 3, and 4 identified in the General Agreement on Trade in Services (GATS) agreement administered by the WTO. It further identifies restrictions in relation to major service industries: retail, telecom, financial, transportation, and professional. Unfortunately, despite plans to update the STRD, it did not.

The 2023 TBI adopted the OECD Services Trade Restrictions Index, a comprehensive evidenced-based tool measuring services restrictions across 19 services industries and five policy categories. Similar to the STRD the STRI, it maintains a database of measures informing the Index. It differs from the STRD by encompassing 50 economies instead of 103, yet it is updated annually. The 2023 TBI Services Trade Restrictions is calculated by inverting the STRI restriction estimates for professional, entertainment, telecom, retail, financial, and construction services then using the min-max function to standardize the output.

Services Restrictions = (professional + entertainment + telecom + financial + construction services)/5

Source: https://stats.oecd.org/Index.aspx?DataSetCode=STRI

Methodology - Facilitation

Trade barriers are not limited to active measures designed to restrict imports. The behind the border regulatory environment also plays a role in ensuring that traded goods and services can cross borders unimpeded. The Facilitation portion of the TBI gathers data on the most essential and least intrusive measures necessary to allow unimpeded trade flows. These are property rights, logistics performance, participation in Regional Trade Agreements, and restrictions on digital trade. Below is a description of each measure and the index used.

In this way, countries that score well in trade Facilitation are able to demonstrate that data, as well as physical goods and services, can travel into, out of, and through the territory legally. The countries are able to extend property rights protections to traded goods, crucial to combating illicit trade and expanding market participation and, at the same time, ensure preferential market access abroad and common standards with trade partners.

The International Property Rights Index (IPRI): Inspired by renown economist Hernando de Soto, the IPRI assesses the legal and political environment, physical property rights protection, and protection of intellectual property rights of 129 countries. The IPRI is a composite index itself, based on data from the World Bank Doing Business Index, World Bank Governance Indicators, the Competitiveness Index from the World Economic Forum, the Park Patent Index, and the BSA Global Software Survey.

The IPRI scores are already normalized to a 1 to 10 scale. They are inverted to match the TBI scoring of one (least trade restrictive barriers) and ten (most restrictive).

Source: http:/www.internationalpropertyrightsindex.org/

Logistics Performance Index (LPI): Created through a worldwide global survey of freight forwarders and express carriers as well as incorporating quantitative performance data, the LPI measures essentials necessary to efficiently transport goods across borders: customs management, basic infrastructure, ease of arranging shipments, quality of logistics, ability to track and trace, and timeliness.

The LPI score is inversed, then the min-max formulation is applied to normalize the scores to a 1 to 10 scale.

Source: https://lpi.worldbank.org/

Regional Trade Agreements (RTA): TBI acknowledges that RTAs are the most effective and most common policy instrument used to reduce trade barriers and increase market-access. The measure chosen to include in the TBI was the number of RTAs in force and notified to the WTO, and its predecessor, the GATT (General Agreements on Tariffs and Trade). The number of RTAs were normalized through the min-max method.

Source: WTO Regional Trade Agreements Information System (RTA-IS)

https://rtais.wto.org/UI/publicPreDefRepByCountry.aspx

Digital Trade Restrictions: In this third edition of the TBI this indicator continues the same methodology developed in the second edition of the TBI. The Digital Trade Restriction Index (Appendix V) identifies seven types of digital trade restrictions: taxes, content moderation, content localization, security barriers, data flows, onerous barriers, and gig economy restrictions. See Table 1 for a description of each category of digital restrictions and examples. The TBI assigns 10 points for each proposed restriction that is under consideration, 20 points for each restriction already imposed, and rarely additional points for extreme use of a regulation to shut down large swathes of a digitally enabled industry, such as Russia using a "fake news" law to block access to news websites. Then the sum is calculated for each category in each TBI country. Finally, using the min-max method, the scores for each category are standardized on a 10 point scale.

Imputing Scores

As a composite index, the TBI is constructed from six well-known international and authoritative indices measuring different classes of trade barriers and an in-house measure surveying the number and types of digital trade restrictions. In previous editions, the TBI included all countries with data from all sources; one exception, had 85 percent of data available, and imputed the missing score. Due to replacing the parent index for Services trade restrictions with the OECD Services Trade Restrictions Index in 2023, which is limited to 50 countries, a further exception was made. In the 2023 edition, countries were allowed to have one missing data component from the first three most direct forms of trade barriers: Tariffs, Non-Tariff Barriers, and Services Restrictions, and one missing value from the Facilitation component measuring Property Rights, membership in Regional Trade Agreements, Logistics Performance, and Digital Trade Restrictions.

The imputation process was completed by calculating the absolute distance between the country's available scores and all scores in its associated region and income group. The score from the group with the shortest absolute distance was chosen to replace the missing value. A complete list of countries requiring an imputed value along with their income and regional group scores before imputation can be found in Appendix VI.

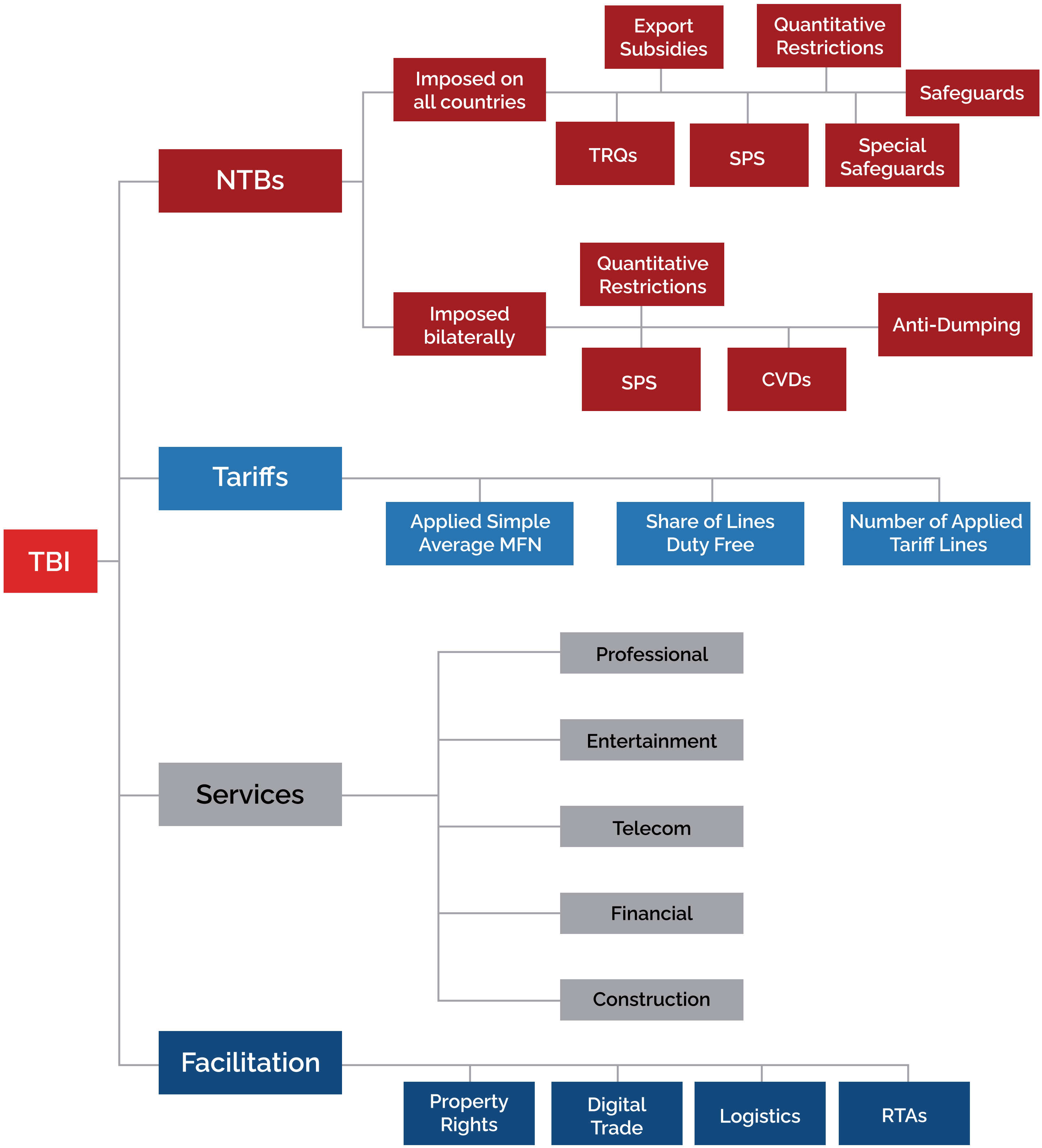


Figure 24 TBI Organizational Chart

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Check out the Trade Barrier Index Online to access more case studies, read the full report, and compare how countries impose trade barriers.

TRADEBARRIERINDEX.ORG