



A Natural Pairing: The Rule of Law and Business

Expanding the Global Business Rule of Law Dashboard

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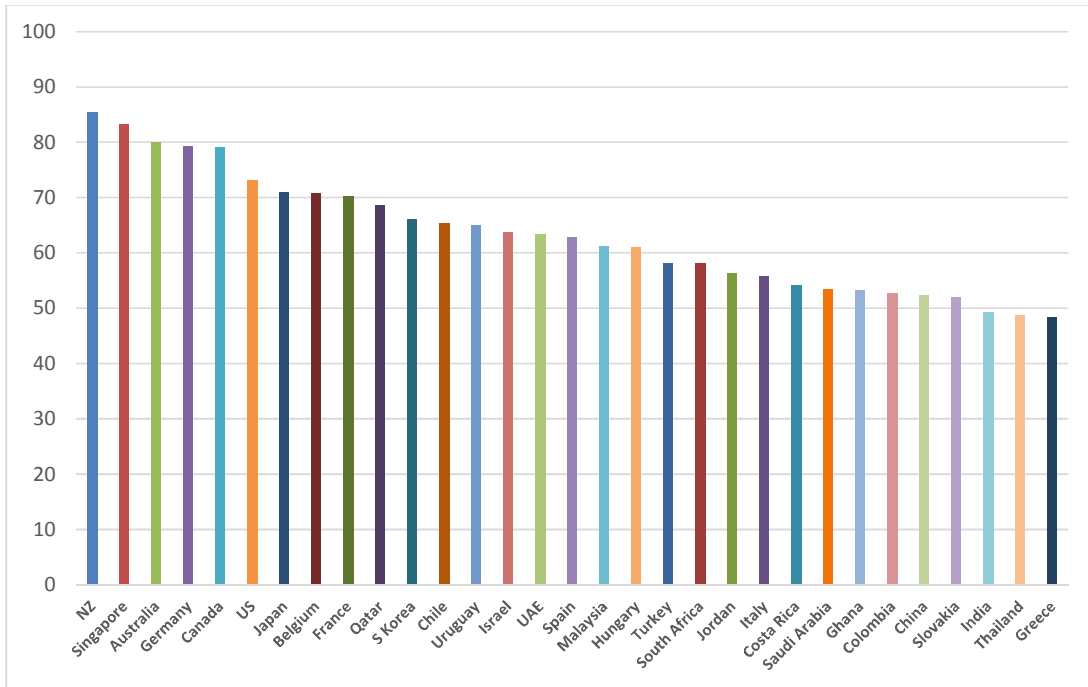
Executive Summary

In 2013, Pugatch Consilium was commissioned by the U.S. Chamber to provide an evidence-based analysis of existing indices and surveys of the rule of law. In the subsequent report, *Connecting the Dots: The Rule of Law and Business Developing a Global Business Rule of Law Dashboard*, the extent to which existing international indices and surveys of legal and regulatory environments include indicators and measure areas of rule of law as they relate to business was extensively mapped. Based on these findings and this mapping exercise, those relevant indicators identified as relating the closest to rule of law as it relates to business were extracted and amalgamated into a composite meta-measure (the “Dashboard”) comparing a regional sample of countries from the Americas.

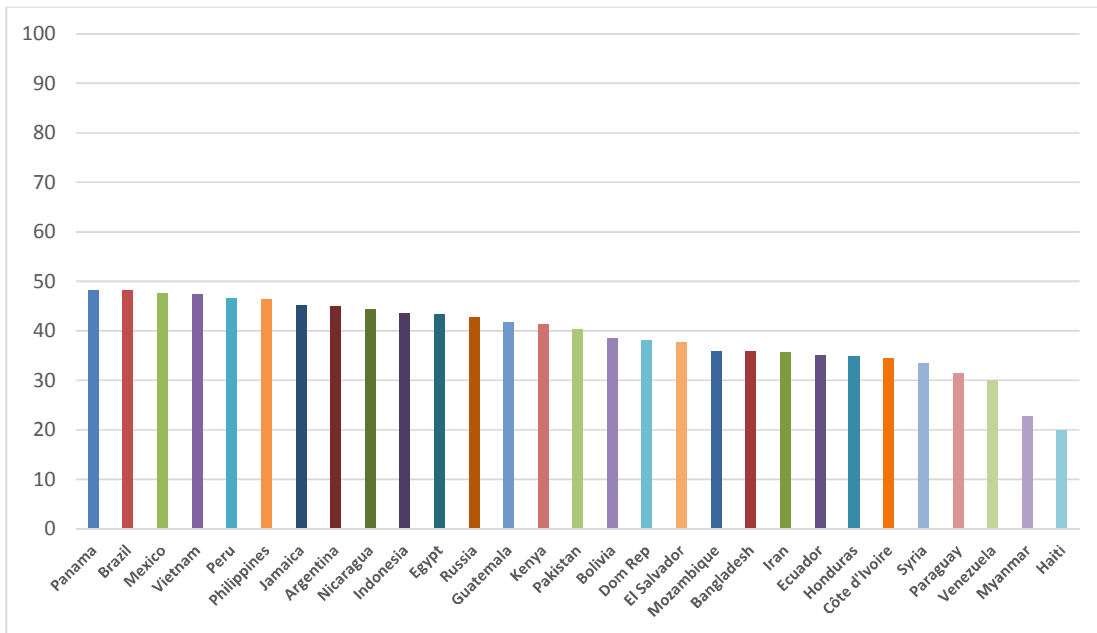
This report builds on the work of this analysis. It expands the country sample of 10 countries from the Americas to 60 countries in total by adding 50 new countries from four regions: Europe, Asia, Africa, and the Middle East. These additional countries provide a sizeable sample from the fastest growing and most dynamic regions in the world, including emerging markets, frontier markets, and more established OECD economies. This expansion has added a significant amount of country data and evidence on the symbiotic relationship between the rule of law and creating a thriving business environment. Overall, these data suggest that countries with strong environments and rankings on the Dashboard tend also to be more competitive as measured by the underlying indices and surveys sampled.

The below figures show the overall results of the Dashboard for the 60 countries mapped and their relative rankings on the Dashboard.

Dashboard: Overall results, top 30 countries, % available score



Dashboard: Overall results, bottom 30 countries, % available score



The results are fairly consistent based on the country performance in the underlying measures used. Countries in the top 10 are as expected—all are developed, high-income, mainly OECD countries. New Zealand, Singapore, Australia, Canada, and Germany make up the top five. There is a noticeable 6 percentage point gap between the U.S. at sixth and the top five. There is also a steep drop of almost 20 percentage points from the top score (83-85%) and countries outside the top 10. Of note is Qatar, which comes in at No. 10 ahead of larger, more established economies such as Italy and Spain.

Countries facing the most challenging rule of law and business environments are primarily drawn from Asia, the Caribbean, and South America. Haiti and Myanmar both achieve a score of around a fifth of the total Dashboard, between 19 and 22% of the available percentage score. Venezuela, Paraguay, and Syria are clumped together just after, at 30-33%. Honduras, Ivory Coast, Ecuador, Iran, Bangladesh, and Mozambique are the next group—separated by less than 1.5% between 34.5 and 36%.

Looking at the BRIC economies, India, Brazil and Russia, achieve the lowest rankings of the five at 29th, 33rd and 43rd place respectively. South Africa has the strongest environment of all, with the 20th best environment. China has the next-highest ranking at 27th place, followed by India (29th), Brazil (33rd), and Russia (43rd).

As one would expect, broadly speaking, the Dashboard results correlate and follow the results of the indices and surveys examined and on which the Dashboard is built. Nevertheless, significant discrepancies and differences in country results occur from measure to measure and indicator to indicator. For example, the results from the *Global Integrity Index* (GII) and *Global Corruption Barometer* (GCB) differ quite significantly from the other measures mapped and included in the Dashboard. Indeed, it is somewhat surprising how well some countries do on the extracted indicators from these two measures compared with the other indices and surveys mapped. For instance, on the GII, South Africa, Argentina, and Turkey come out as top-rated countries overall, whereas in most other measures they are in the bottom half, significantly behind countries such as the U.S. and Canada. Similarly, on the indicators extracted from the GCB, China, Bangladesh, and Vietnam have lower

perceived rates of corruption (7th, 9th, and 10th, respectively) than the U.S. (18th) and Japan (22nd).

In addition to these Dashboard rankings, the report makes two main findings:

- **Greater need for the business community to understand the coverage and meaning of existing rule of law indices and surveys, and their operational implications**—As in the previous edition of the Dashboard, one of the key findings of this report is that each measure mapped seeks to assess different things: rule of law, economic competitiveness, rate of corruption, governance, and so on. Overall, some indices and surveys have a greater degree of focus and specificity toward rule of law and business issues than others. See, for example, the *Global Competitiveness Report*, *Rule of Law Index*, and *GII*. It is of real importance for the business community to gain greater insight and a detailed picture of exactly how the mapped indices and surveys work, what they measure, and the manner in which the indicators measured can be used in a concrete, practical, and operational manner by businesses on the ground.
- **Gaps relating to the practical, on-the-ground rule of law needs of business**—Given that they are often only a small part of the overall findings of existing measures, business-related rule of law indicators are often overlooked or submerged in the overall findings of a given index or survey. Although, it should be noted that this lack of specificity or focus on business-related indicators is **not** a weakness or criticism of existing measures; it is not the purpose of these individual measures to focus exclusively on rule of law and business indicators.

It is clear that the Dashboard fills a void in the current research. Extracting and combining key indicators on rule of law business issues to build the Dashboard both reveals and emphasizes data and results that are often lost in the wider work of the mapped measures. The reassessment and remapping of all measures together with the significant expansion of the country sample has only emphasized this point.