

measures of a country's commitment to integration into the multilateral trade and investment system.

Transparent and restriction-free exchange rates are important in order not to distort price signals in an economy and to facilitate trade. An index based on the IMF's annual survey of exchange rate policies and restrictions is used.¹⁷

Sustainable fiscal deficits and relatively low inflation are important to long-term growth. Given the very large differences in actual performances across countries, the index uses maximum and minimum benchmarks drawn from a recent unpublished World Bank study:

- Maximum score (one) for a fiscal deficit less than or equal to 1.5% of GDP (considered "good" by the World Bank); minimum score (zero) for a fiscal deficit of above 7% of GDP (considered very poor by the World Bank).
- Maximum score (one) for an inflation rate less than or equal to 10% (considered "good or adequate" by the World Bank); minimum score (zero) for an inflation rate above 100% (considered "very poor" by the World Bank).

3.3 Commitment to the environment (3 indicators)

This cluster assesses a government's commitment to wildlife and habitat conservation, the control of hazardous substances and protection of the atmosphere, as well as the conservation of forest cover.

Indicators of environmental performance across countries are generally lacking, although work is ongoing in several fora. Proxies used here, in the absence of better data, are adherence to major global wildlife and habitat conventions (including CITES), adherence to major global atmosphere and hazardous substances conventions (including the Montreal Protocol on Ozone Depleting Substances and the Biological and Toxin Weapons Convention), as well as protection of forest cover over the decade 1977/79-1987/89.

¹⁷ The index considers specifically whether import exchange rates are different than export exchange rates, restrictions on current and capital transactions and whether the country imposes surrender or repatriation requirements for export proceeds.