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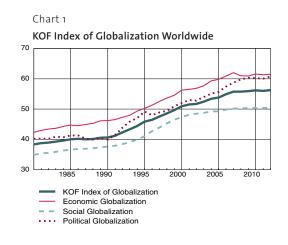
Press Release

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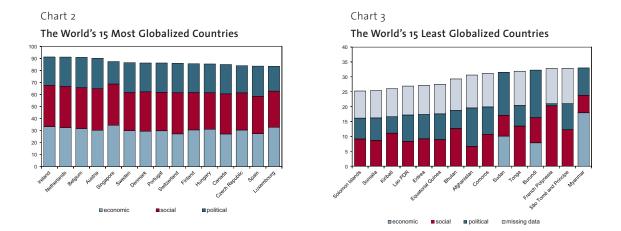
KOF Index of Globalization: Globalization Is Stagnating

The latest KOF Globalization Index reflects the degree of economic, social and political globalization in 2012. The year was dominated by the aftermath of the Arab Spring as the Muslim Brotherhood took over Egypt and the civil war in Syria intensified. In the eurozone, the debt and confidence crisis came to a head and impelled the European Central Bank to take all necessary steps to ensure the survival of the euro. In the USA, Barack Obama won a second term in the Oval Office. According to the Globalization Index, globalization in 2012 rose very little compared to the previous year. The OECD countries even recorded a slight decline in the degree of globalization. In contrast, the Index for South and East Asia as well as Sub-Saharan Africa rose to some extent. In all other regions, globalization declined in 2012.

According to the KOF Globalization Index, Ireland, which had also been top of the Index the year before, was the most globalized country in the world in 2012, followed by the Netherlands and Belgium with the latter switching places from 2011. Austria ranked 4th, followed by Singapore. Sweden advanced one place to number 6, thereby relegating Denmark to 7th place. Portugal remained in 8th place while Switzerland caught up two places from the previous year and ranked 9th – and was back among the top 10 most globalized countries in the world. Place 11 was occupied by Hungary and place 10 by Finland.



In 2012, the largest jump among the highly globalized countries was recorded by the Czech Republic which advanced a total of four places thanks to increased foreign trade and direct investment, ending up in 13th place. Next in line was Norway which advanced three places to number 18 owing to a reduction of trade barriers. Cyprus, in contrast, lost three places and ended up in 16th place owing to an increase in customs duties and the introduction of capital transaction controls during the financial crisis.



Due to the size of their markets, the world's major economies are more inward-looking and tend to occupy lower ranks on the Globalization Index. The world's largest economy, the USA, ranks 35 (down 2 places), China 75 (down 3 places), Japan 54 (up 5 places) and Germany 27 (down 3 places).

The lower end of the Globalization Index showed little movement in 2012. The least globalized countries in the world are the Solomon Islands, Somalia, Kiribati, Laos and Eritrea (in ascending order). Cuba recorded the largest descent in 2012, slipping down 28 places to number 136. Due to a lack of relevant data, an Economic Globalization Index cannot be calculated for this country and its Social Globalization Index declined significantly in 2012. Substantial setbacks were also recorded by Albania (down 13 places), Saudi Arabia (down 11 places) and Guinea-Bissau (down 10 places). The most significant advances in the overall Index in 2012 were recorded by Armenia (up 16 places), Liberia (up 14 places) and Thailand (up 13 places).

Economic Globalization

The economic dimension of globalization comprises the extent of cross-border trade, investment and revenue flows in relation to GDP as well as the impact of trade and capital transaction restrictions. Since the financial crisis of 2008, economic globalization has made very little progress. In 2009, the slump in international trade and capital flows resulted in a particularly noticeable decline in economic globalization. Since then, both trade and capital flows have started to recover and continued to rise in 2012. Increasing restrictions on trade and capital transactions have since had a slow-down effect on economic globalization. In 2012, all four variables utilised in the Index indicated more restrictions. As in the previous year, Singapore came out top in the Economic Globalization Sub-Index in 2012, followed by Ireland and Luxembourg. The bottom ranks were occupied by Nepal, Ethiopia und Burundi (in descending order).

Social Globalization

The KOF Globalization Index measures the social dimension of globalization by means of three categories: Firstly, it assesses cross-border personal contacts in the form of telephone calls, letters and tourist flows as well as the size of foreign population. Secondly, cross-border information flows are measured in terms of access to the internet, TV and foreign press products, and thirdly the index attempts to measure cultural affinity to the global mainstream by means of the number of McDonald's and Ikea branches as well as book imports and exports in relation to GDP. Social globalization stagnated in 2012.

Switzerland ranked 4th in terms of the social dimension of globalization behind Singapore, Ireland and Austria (in descending order). Myanmar, Ethiopia and the Democratic Republic of Congo occupied the bottom ranks of the sub-index.

Political Globalization

The political dimension of globalization is measured in terms of the number of foreign embassies resident in a country, the number of international organisations of which the country is a member, the number of UN peace missions in which the country has been engaged and the number of bilateral and multilateral agreements the country has concluded since 1945. In 2012, Italy occupied the top rank in this sub-index, followed by Austria and France. At the bottom of the field were small islands and archipelagos. Following two years of stagnation, the degree of political globalization rose in 2012, predominantly due to an increase in countries' membership of international organisations.

Methodology

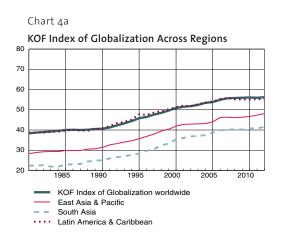
The KOF Globalization Index, which measures the economic, social and political dimensions of globalization, observes changes in the globalization of a series of countries over a prolonged period of time. The current KOF Globalization Index, which includes 23 variables, covers 187 countries and relates to the period 1970 to 2012. The Index comprises an economic, social and political component and measures globalization on a scale from 1 to 100. The underlying variables are divided into percentiles to smooth out extreme peaks and reduce fluctuation over time. The data on which the Index is based were updated for recent years using the original sources. The new data cannot be compared with last year's KOF Index since the database was also updated and recalculated for all previous years. All comparisons with previous years that appear in the above text are based on the new database.

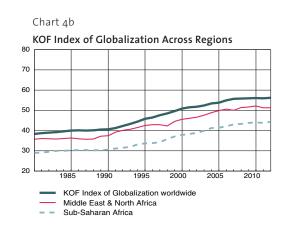
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The following sources provide detailed information regarding the KOF Index of Globalization:

- http://globalization.kof.ethz.ch/
- Dreher, Axel (2006), Does Globalization Affect Growth? Evidence from a new Index of Globalization, Applied Economics 38, 10: 1091–1110.
- Dreher, Axel, Noel Gaston und Pim Martens (2008), *Measuring Globalization – Gauging its Consequences*, New York: Springer.





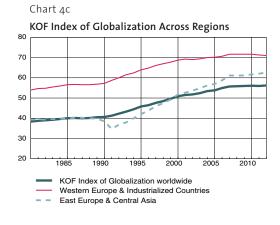
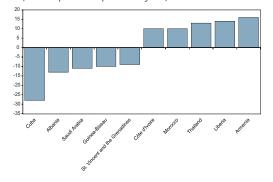


Chart 6

The Biggest Changes (as compared to previous year)



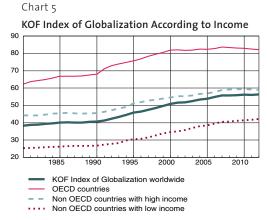


Chart 7

The Changes Among Most Globalized Countries (as compared to previous year)

