

## Press Release

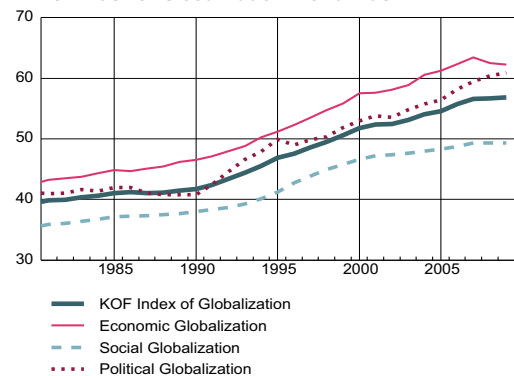
Zurich, 16 March 2012, 9.00 am

### KOF Index of Globalization 2012 Economic Crisis Brings Economic Globalization to Fall

The pace of economic and social globalization decelerated in 2009. As in the previous year, Belgium, the Netherlands and Austria head the KOF Index of Globalization, but now, Ireland joined the top five rising ten places to the 2nd place. Switzerland has maintained its position being ranked 10th. The Republic of Congo is the highest climber of the 187 countries covered: +29 places (now ranked 112th). Lesotho and Venezuela have slipped furthest down the list (–15 places, now ranked 148th and 115th, respectively).

The KOF Index of Globalization measures the economic, social and political dimensions of globalization. The current analysis, which applies to 2009, shows the consequences of the financial and economic crisis. The crisis is clearly visible in the results of the current KOF Index of Globalization: a falling trend in economic globalization. The second and third components of the Index of Globalization – social and political globalization – increased further.

Chart 1  
KOF Index of Globalization Worldwide



There has been a progressive upward trend in the three dimensions of globalization – economic, social and political – since the 1970s with a strong boost after the end of the Cold War. The bursting of the dot com bubble and the events of 9/11 merely slowed down the pace of globalization; the latest economic and financial crisis has, however, created a severe setback for the globalization process.

Chart 2  
The World's 15 Most Globalized Countries

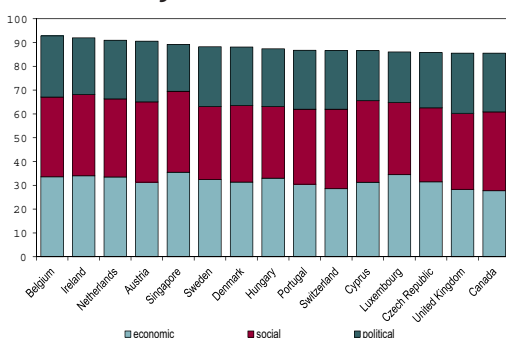
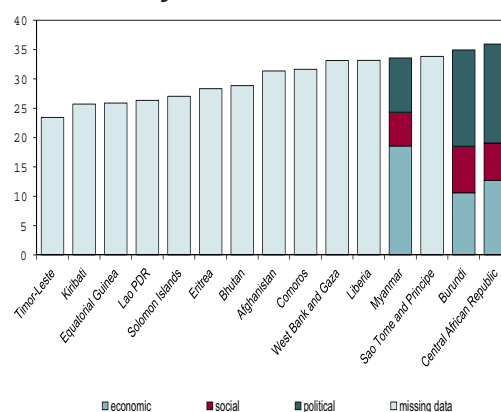


Chart 3  
The World's 15 Least Globalized Countries



## KOF Index of Globalization Worldwide

There has been a progressive upward trend in globalization in the developing and emerging countries in Eastern Europe and Central Asia in recent years. However, the Index of Globalization 2012 confirms that this trend stopped in 2007. There has been no relative change in the world regions in 2009 so that the extent of globalization remains highest in Eastern Europe, in Central Asia, in the industrial nations and in Western Europe, although globalization in the industrial nations and Western Europe has been stagnating for quite some time. The globalization process still moves sideways in East Asia and the Pacific area. While the Middle East and North Africa are showing a small increase in globalization, the effects of the Arab Spring are not yet captured by the current Index.

Belgium, Ireland, the Netherlands and Austria occupy the first four positions in the KOF Index of Globalization. Singapore and Sweden have kept their positions being ranked 5th and 6th while Denmark moved down three spots, until the 7th place. Finland (ranked 17th) is no longer among the 15 most globalized countries, having dropped two places since 2008. The Republic of Congo moved furthest up the rankings: this country has advanced 19 places up to 112th position. Mongolia went up 17 places, entering in the top 100 most globalized countries on the 93rd spot. Lesotho and Venezuela have fallen furthest in the Index of Globalization.

## Economic Globalization

As in previous years, Singapore leads the economic globalization rankings, followed by Luxembourg, Ireland, Malta and Belgium – all of them are quite small, open economies. The Netherlands rank 6th in the economic globalization stakes. Switzerland is 25th, six positions lower than in the previous year, being topped by Spain. Larger countries such as Germany and the USA are ranked 44th and 79th respectively. Japan is currently ranked 120th. Syria, the Bahamas, Burkina Faso and Tanzania are the least economically globalized countries.

### **Social Globalization**

Ireland entered the top ten socially globalized countries, on the 2nd position, being topped by Cyprus and followed by Singapore. Austria and Belgium are 4th and 5th, respectively. Switzerland has moved from the 4th position in 2008 to the 6th position in 2009. In terms of social globalization Germany is ranked 16th, as it was in the previous year. China and India are ranked 93rd and 142nd, respectively. Ethiopia, Myanmar and the Democratic Republic of Congo are the bottom three countries regarding social globalization.

### **Political Globalization**

There were only slight changes in the top rankings of European countries in the political globalization component of the Index. Italy is now in the 1st place ahead of France, Belgium, Austria and Spain. The Northern Mariana Islands, the Isle of Man and the Channel Islands make up the least politically globalized countries. Switzerland occupies 11th place, three positions higher than in the previous year. United Kingdom is 6th, Japan 33rd and the USA 22nd.

## **Information on Selected Countries**

### **Globalization Germany**

The KOF Index of Globalization for Germany rose steadily in the 1990s. At the beginning of the new century the globalization process lost some of its momentum. Since then it has been moving sideways with some cyclical movements. Germany is currently ranked 22nd. It has thus kept its position compared to 2008. In terms of economic globalization, Germany is ranked 44th, three spots lower than the previous year. In terms of political globalization, Germany has moved up to 17th place (previous year: 20th). Germany is 16th in the social component of globalization.

### **Globalization United Kingdom**

In comparison to the last ranking, United Kingdom was able to make up some ground against other countries: it is currently ranked 14th overall (previous year: 16th). In terms of economic globalization it is now 26th (previous year: 34nd). Moreover, United Kingdom's degree of social globalization remains high in an international comparison: 11th place. The same can be said of political globalization. United Kingdom ranks 6th, one position lower than in 2008.

### **Globalization France**

France occupies 18th place in the current rankings. In terms of economic globalization, it has preserved its position on place 45. France also remains unchanged regarding social integration (10th place). There was, however, a change in its level of political integration. Despite the combination of foreign embassies in Paris, France's membership in international organizations, participation in UN Security Council missions and the number of international treaties signed, the leader of the year 2008, was surpassed by Italy.

Table 1

**KOF Index of Globalization, Selected Countries**

	CH	CHN	GER	F	UK	I	J	USA
2000	91.11	51.56	81.71	83.39	87.05	81.82	58.43	76.87
2001	90.31	54.32	81.47	82.27	86.58	81.21	58.25	76.11
2002	89.88	55.31	82.13	82.55	86.53	81.05	58.29	75.09
2003	89.61	56.18	82.17	82.74	86.91	80.74	59.77	75.55
2004	87.37	58.39	82.00	83.85	85.97	81.45	60.07	76.25
2005	87.85	60.53	82.22	83.45	86.46	81.29	60.43	76.30
2006	87.41	59.43	82.47	84.04	86.16	81.16	65.32	77.08
2007	87.89	60.54	83.03	84.69	85.99	81.85	65.86	77.54
2008	86.33	59.35	82.09	84.34	85.62	81.35	64.07	76.40
2009	86.64	59.37	81.53	84.12	85.54	81.02	64.13	74.88

**Globalization Italy**

Italy occupies 24th place in the current rankings. In terms of economic globalization, the country has moved down from 35th to 37th place. Despite structural problems and low economic growth, Italy's development has proved to be relatively stable during the last three years. In terms of social globalization, Italy gains one position being ranked 31st. Italy was able to become the leader in political globalization, surpassing France.

**Globalization Switzerland**

Until 2000 the KOF Index of Globalization for Switzerland had risen steadily. It stagnated in subsequent years. In 2003 it fell slightly and since then it has been moving sideways. In the country rankings Switzerland, as a small open economy, is still among the top ten of the most globalized countries, being ranked 10th. Switzerland's economic integration has moved up by six positions in the ranking (now: 25th). In terms of social globalization, Switzerland is now at position 6, while it was among the top five in the previous year. Its ranking regarding political globalization improves by three places: Switzerland occupies 11th place.

### **Globalization USA**

The USA has slipped down compared to the rankings of the previous year and now comes 35th (previous year: 32nd). The USA has lost ground in terms of economic globalization compared to the previous year. The USA is now ranked 79th (previous year: 71st). As a large economy, a high proportion of its trade is internal, which means that the USA does not “need” to be as globalized as small countries. The “Actual Flows” sub-indicator that includes trade and cash flows has fallen as a result of the financial and economic crisis. Signs of the crisis that originated in the USA are evident here. The “Restrictions” indicator, which comprises import restrictions, customs and taxes on international goods and capital movement restrictions, has fallen at the same time. As in the majority of industrial nations, social globalization has remained at approximately the same level for several years, while the USA lost 5 positions in terms of political globalization (Rank 22).

### **Globalization Japan**

Japan had to surrender its position as the world’s second largest economy to China. The KOF Index of Globalization, which applies to 2009, already shows this development. In the overall ranking Japan is found on the 55th position (previous year: 57th) and is consequently way behind other major economies such as the USA or Germany. In terms of economic globalization, the Land of the Rising Sun moved up one place, being ranked 120th. In terms of social globalization, Japan has maintained its position, being ranked 51st in the current KOF Index of Globalization. In terms of political globalization the island state has gained some ground and is in 33rd place (previous year: 35th) – between the Republic of Korea and the Czech Republic.

### **Globalization China**

Now the second largest economy in the world, China is ranked 73rd in the KOF Index of Globalization 2012. Compared to the previous year, China has preserved its position. In terms of economic globalization, the People’s Republic has moved down five places (currently: 107th), it has lost one rank in terms of social integration and is now ranked 93rd. Owing to its involvement in international politics and its increasing importance China is ranked 41st in the political globalization component (two places higher than in 2008) and is in the top midrange score.

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### Methodological Comments

The KOF Index of Globalization measures the economic, social and political dimensions of globalization. The KOF Index can be used to observe the change in globalization in a large number of countries over a long period of time. The KOF Index of Globalization 2012 is now available for 187 countries for the period 1970–2009 and comprises 23 variables.

The economic dimension of the KOF Index measures actual trade and investment volumes on the one hand, as well as the extent to which countries apply trade and capital movement restrictions to protect their own economies on the other hand. The social dimension of globalization reflects the extent of the dissemination of information and ideas, whereas the political dimension shows the degree of political cooperation between countries.

The KOF Index measures globalization on a scale of 1–100 and the expressions of the underlying variables are divided into percentiles. This reduces the impact of extreme data points, which results in fewer fluctuations over time. The data used have been updated for past years on the basis of the original sources. The current data are not comparable with the KOF Index that was published one year ago as the database has been updated and recalculated also for all past years. The comparisons with previous years mentioned in the text are consequently based on the new computation method.

Detailed Information about the KOF Index of Globalization 2012:

- <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 (2009), *Measuring Globalisation – Gauging its Consequences*, New York: Springer.  
Please contact [dreher@kof.ethz.ch](mailto:dreher@kof.ethz.ch) for additional information.

Chart 4a

**KOF Index of Globalization Across Regions**

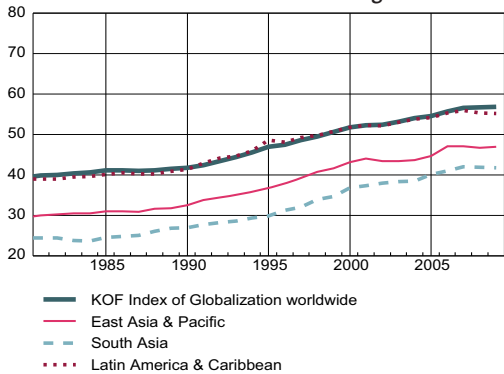


Chart 4b

**KOF Index of Globalization Across Regions**

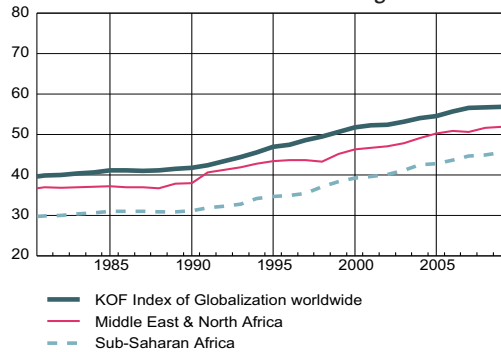


Chart 4c

**KOF Index of Globalization Across Regions**

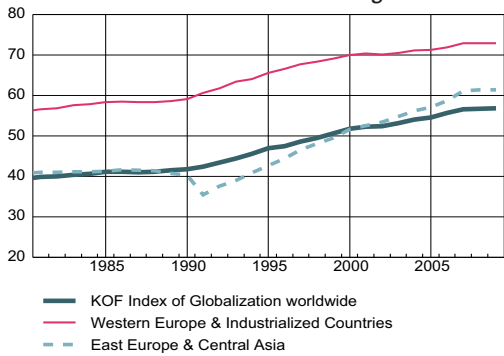


Chart 5

**KOF Index of Globalization According to Income**

