

## Press Release

Zurich, 1 March 2013, 9.00 a.m.

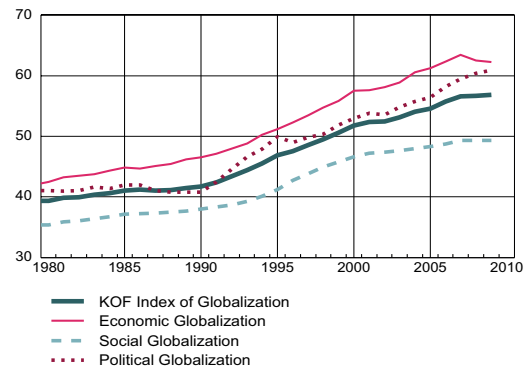
### KOF Index of Globalization 2013 Slight Recovery of Economic Globalization

The results of the economic crisis clearly slowed down the process of world-wide globalization. This is visible in the basically unchanged overall index value of the KOF Index of Globalization compared to the previous year. No changes occurred among the top five countries. Belgium is the most globalized country in the world followed by Ireland and the Netherlands. Switzerland climbed up one position and is now listed among the top ten. Lesotho and the Dominican Republic made the biggest steps both moving up by 22 places in the ranking (now ranked 127th and 69th, respectively). Samoa experienced the largest fall in the ranking (32 positions, now 135th).

The KOF Index of Globalization measures the economic, social and political dimensions of globalization. The current analysis, based on the most recent available raw data (from 2010), shows the consequences of the financial and economic crisis. The crisis is clearly visible in the results of the current KOF Index of Globalization: the steady significant growth is halted for a second year in a row. But there is a slight recovery in economic globalization. The second and third components of the Index of Globalization – social and political globalization – basically remained unchanged.

Chart 1

KOF Index of Globalization Worldwide



#### KOF Index of Globalization Worldwide

The basic standstill in the globalization process is visible in all world regions. The biggest upward movement as a region occurred in South Asia (albeit a very minor increase) while Latin America and Sub Saharan Africa saw a very minor decrease in their regional average. High income countries and in particular OECD countries continue their trend of stagnation which has started even before the current crisis.

Chart 2  
The World's 15 Most Globalized Countries

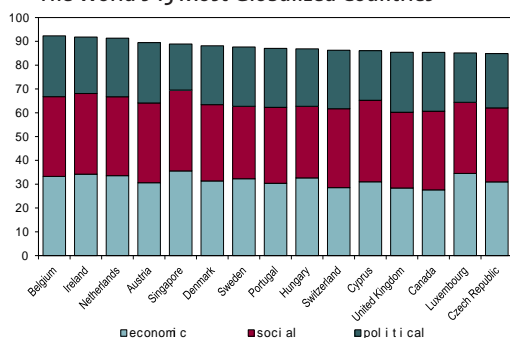
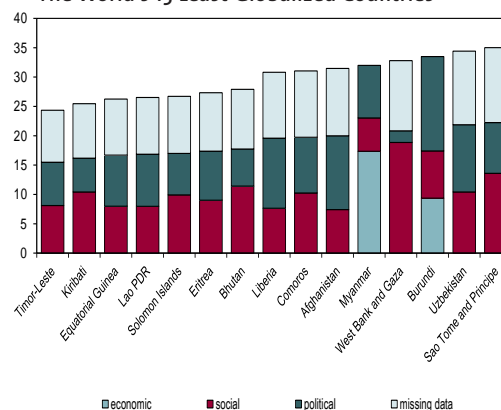


Chart 3  
The World's 15 Least Globalized Countries



Belgium, Ireland, the Netherlands, Austria, and Singapore remain unchanged as the five most globalized countries in the world. The second half of the top ten consists of Denmark (+1 position as compared to last year), Sweden (-1), Portugal (1), Hungary (-1), and Switzerland (+1). Cyprus dropped out of the top ten while the U.K. climbed up three positions and is now ranked 12th. The biggest movements up the ranking are shared by Lesotho and the Dominican Republic each stepping 22 positions up the ranking while Fiji moves 20 positions upwards. Samoa, Botswana, and Mauritania have dropped the furthest in the ranking (32, 21 and 19 positions, respectively).

### Economic Globalization

As in the prior years Singapore is the country with the highest score on economic globalization followed by Luxembourg, Ireland, and Malta. All of these countries held their positions compared to last year. The Netherlands gains one spot and moves into the top five. Again the top five in this category consists of small, open economies. Austria is at position 16 while Switzerland is ranked 27th and Italy 39th. Germany is holding position 48 while the United States is ranked 82nd. Nepal, Ethiopia, and Burundi are taking the last three positions according to the economic globalization ranking.

### Social Globalization

Cyprus is still number one in the ranking of social globalization and is followed by Singapore, Ireland, Austria, and Belgium. Switzerland keeps position 6 while Germany is ranked at position 15. The USA is ranked 27th while China is sandwiched between Mexico and the Maldives at position 90. The three lowest scores occur in the Democratic Republic of Congo, Niger, and Myanmar.

### **Political Globalization**

The top of the ranking of political globalization remains unchanged with Italy as the number one followed by France and Belgium. Spain, Austria, and the U.K. follow after that. Switzerland is at position 14, three spots ahead of Germany and five ahead of the USA. As in the previous year, Northern Marina Island, the Isle of Man, and the Channel Islands are occupying the final three positions in this ranking.

### **Information on specific countries**

#### **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 dynamic. Germany has held the same position for three years in a row at 22. In terms of economic globalization, Germany is ranked 48th, three spots lower than the previous year. In terms of political globalization, Germany has moved up to 17th place (previous year: 19th). Germany stepped up by one spot to 15th in the social component of globalization.

#### **United Kingdom**

For the second year in a row, the United Kingdom was able to make up some ground against other countries in the overall standing: it is currently ranked 12th (previous year: 15th). This upward movement occurred despite losing two positions in terms of economic globalization and social globalization (now rank at 29 and 12, respectively) and keeping position 6 regarding political globalization.

#### **France**

France occupies the 18th place in the current rankings. It has held this position for four years in a row. In terms of economic globalization, it has preserved its position on place 46. France also moves up one spot and thus into the top ten regarding social integration. France remains the second country in the ranking of political globalization after Italy.

#### **Italy**

Italy occupies the 23rd place in the current rankings and moves up by one position. In terms of economic globalization, the country has moved down from 38th to 39th place. Despite structural problems and low economic growth, Italy's development has proved to be relatively stable during the last four years but the current financial crisis is not yet accounted for in the data. In terms of social globalization, Italy is still ranked 31st and also kept its top position in political globalization.

Table 1  
KOF Index of Globalization, Selected Countries

	CH	CHN	GER	F	UK	I	J	USA
2000	90.93	50.95	81.56	83.20	87.05	81.65	58.07	76.76
2001	90.19	53.82	81.21	82.13	86.48	81.12	57.73	75.90
2002	89.73	54.85	81.92	82.34	86.45	80.90	57.98	74.96
2003	89.41	55.52	81.97	82.62	86.85	80.49	59.57	75.36
2004	87.09	57.83	81.74	83.70	85.87	81.33	59.70	76.03
2005	87.62	59.93	82.18	83.28	86.31	81.16	60.11	76.14
2006	87.33	58.88	82.37	83.74	86.01	80.98	64.83	77.02
2007	87.71	60.11	82.77	84.51	85.87	81.71	65.35	77.49
2008	86.05	58.92	81.92	84.00	85.45	81.34	63.63	76.27
2009	86.24	58.84	81.23	83.97	85.44	80.98	63.73	74.76
2010	86.28	59.43	81.08	83.86	85.39	81.01	63.73	74.76

### Switzerland

Until 2000, the KOF Index of Globalization for Switzerland had risen steadily. It stagnated or decreased in subsequent years. The strongest decline occurred in the year 2004. The overall index is moving more or less sideways since then. In the country rankings, Switzerland, as a small open economy, is again among the top ten of the most globalized countries, being ranked 10th. Switzerland's economic integration has moved down one position in the ranking (now: 27th). In terms of social globalization, Switzerland remained at position 6. Its ranking regarding political globalization declines by one place: Switzerland occupies the 14th place.

### USA

The USA has kept its position in the rankings of the previous year and is still 34th. The USA has lost ground in terms of economic globalization compared to the previous year. The USA is now ranked 82nd (previous year: 80th). 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. As in the majority of industrial nations, social globalization has remained at approximately the same level for several years (position 27), while the USA moved up 3 positions in terms of political globalization (Rank 19).

**Japan**

In the overall ranking Japan is found on the 56th position, the same as the year before, 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 lost two places, being ranked 125th. 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 stepped up one spot and is in 33rd place – between Pakistan and South Africa.

**China**

The second largest economy in the world, China, is ranked 73rd in the KOF Index of Globalization 2013. Compared to the previous year, China has moved up three positions. In terms of economic globalization, the People's Republic has stayed put (currently: 109th); it has gained three ranks in terms of social integration and is now ranked 90th. Owing to its involvement in international politics and its increasing importance, China is ranked 44th in the political globalization component (one place higher than in 2009).

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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 2013 is now available for 187 countries for the period 1970–2010 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 2013:

- <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 Globalisation – Gauging its Consequences*, New York: Springer.

Chart 4a

### KOF Index of Globalization Across Regions

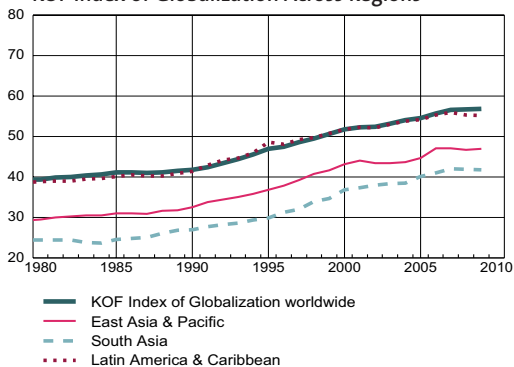


Chart 4b

### KOF Index of Globalization Across Regions

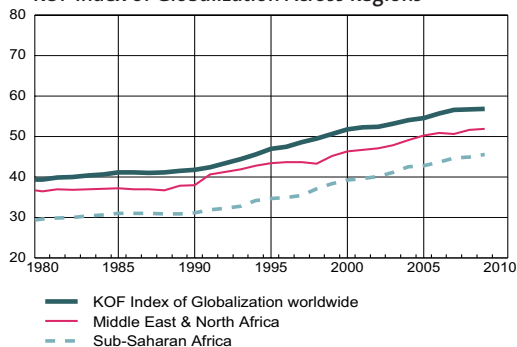


Chart 4c

### KOF Index of Globalization Across Regions

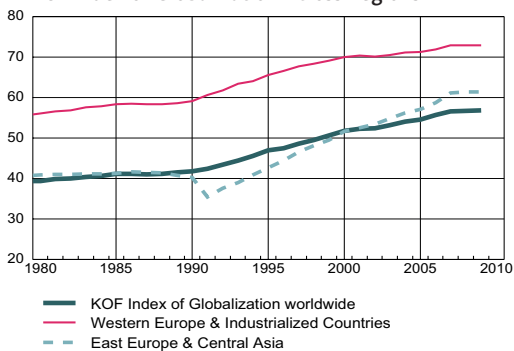


Chart 5

### KOF Index of Globalization According to Income

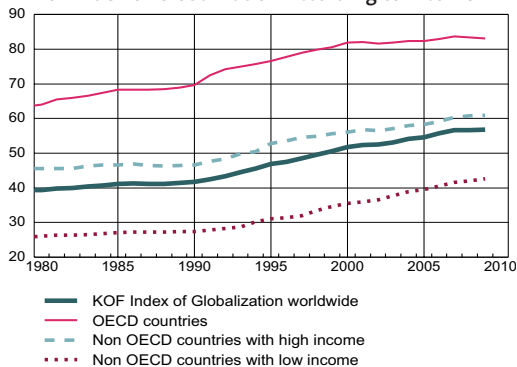


Chart 6

### The Biggest Changes (as compared to previous year)

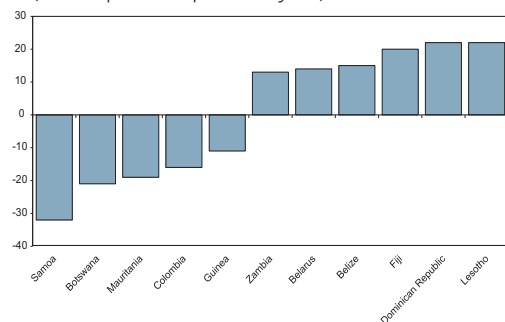


Chart 7

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

