

Press Release

Zurich, 4 March 2016, 9.00 a.m.

The KOF Globalization Index 2016: Netherlands Beat Ireland and Belgium

The current KOF Globalization Index reflects the extent of economic, social and political globalization in 2013. According to the Index, the degree of globalization in 2013 increased very little compared to the preceding year. While the Index continued to stagnate in the industrialised countries, Eastern Europe and the Asian and Pacific regions recorded a rise. The Netherlands are at the top of the Index. Switzerland is occupying the fifth rank.

A number of key developments determined the trend in 2013: The gradual recovery of the global economy continued. In the USA, signs indicated an imminent normalisation of monetary policy. However, the Fed's announcement of reduced bond purchases led to major capital outflows and currency devaluations in the emerging markets. Although the Eurozone finally came out of recession, massive public debt continued to place a strain on the economies in the crisis countries. The Middle East was dominated by the aftermath of the Arab Spring. Syria was wrecked by civil war and Egypt saw the military get back into power.

Small globalised countries

According to the KOF Globalization Index, the Netherlands were the most globalised country in the world in 2013, closely followed by Ireland in second and Belgium in third place. The same three countries occupied the first three places in the previous year's globalization ranking. Austria remained in fourth place while Switzerland moved up two places to fifth rank, relegating Singapore to sixth place. Denmark advanced one place to seventh rank, followed by Sweden, which went down two places to rank 8. The ninth and tenth place are occupied by Hungary and Canada.

Thanks 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 USA, the world's largest economy, ranks 34 (-1 rank), China 73 (-1 rank), Japan 48 (+3 ranks) and Germany 27 (-3 ranks).

The lower end of the Globalization Index showed little movement in 2013. The least globalized country in the world are the Solomon Islands, followed by Eritrea, Equatorial Guinea, Micronesia, Laos and the Comoros (in ascending order). Macedonia recorded the largest descent in 2013, slipping down 19 places to rank 93. The country reverted predominantly in the field of social globalization. Substantial setbacks were also recorded by Kazakhstan (-17 ranks), Lesotho (-13 ranks), Angola (-9 ranks) and Sierra Leone (-9 ranks). The biggest climbers in the overall index in 2013 were Puerto Rico (+47 ranks), Egypt (+24 ranks), Zambia (+16 ranks), the Dominican Republic (+9 ranks) and Malawi (+9 ranks).

The KOF Globalization Index measures the economic, social and political dimensions of globalization.

Economic Globalization

The economic dimension of globalization refers to 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. The financial crisis of 2008 not only put a stop to the extensive economic integration that had lasted since the 1990s but even reversed

it to some extent. In 2013, integration of international trade and capital flows largely stagnated. At the same time, the trend towards restrictions on trade and capital transactions imposed in the aftermath of the financial crisis was reversed. The increase in economic globalization in 2013 was largely due to a cutback of non-tariff trade barriers.

As before, Singapore came out top in the Economic Globalization Sub-Index in 2013, followed by Ireland and Luxembourg. The bottom ranks were occupied by Burundi, Ethiopia and Iran.

Social Globalization

The KOF Globalization Index measures the social dimension of globalization in 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 the resident 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 proximity 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. In 2013, social globalization rose slightly faster than in the previous years, primarily due to the cultural proximity sub-index.

Austria, Singapore and Switzerland held the first three ranks in the Social Globalization Sub-Index (in descending order). At the bottom end of the sub-index are the Democratic Republic of Congo, Myanmar and Ethiopia.

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 2013, Italy continued to occupy the top rank in this sub-index, followed by France in second and Belgium in third place. At the bottom of the field were small islands and archipelagos. Compared to the previous year, the degree of political globalization rose very slightly in 2013.

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 long-term period. Based on 23 variables, the KOF Globalization Index 2016 covers 187 countries and relates to the period 1970 to 2013. The Index comprises an economic, a social and a political component and measures globalization on a scale from 1 to 100. The underlying variables are divided into percentiles to smooth out outliers 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 are not comparable 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 calculation method.

Contacts

Florian Hälg | Phone +41 44 632 54 46 | haelg@kof.ethz.ch
Corporate Communications | Phone +41 44 632 40 61/ 53 44 | kofcc@kof.ethz.ch

Read an interview with Florian Hälg in the current **KOF Bulletin**:

<http://kof.ethz.ch/en/publications/kof-bulletin/> →

Detailed information regarding the KOF Globalization Index 2016 is available at:

<http://globalization.kof.ethz.ch/> →

More Information:

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 Globalization – Gauging its Consequences. New York: Springer.

Graphs

Chart 1
KOF Index of Globalization Worldwide

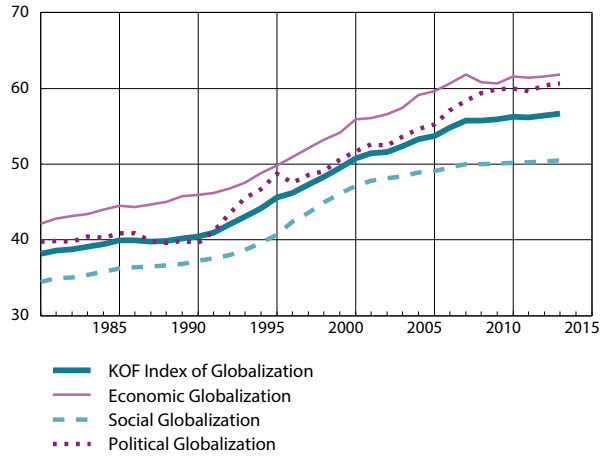


Chart 2
The World's 15 Most Globalized Countries

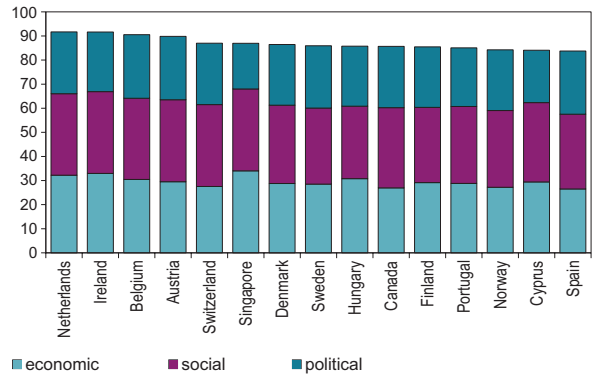


Chart 3
The World's 15 Least Globalized Countries

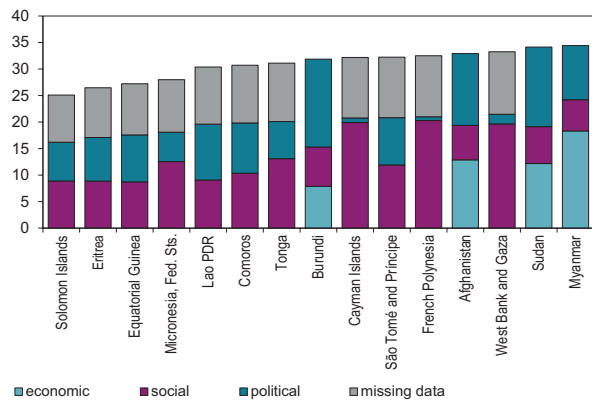


Chart 4a
KOF Index of Globalization Across Regions

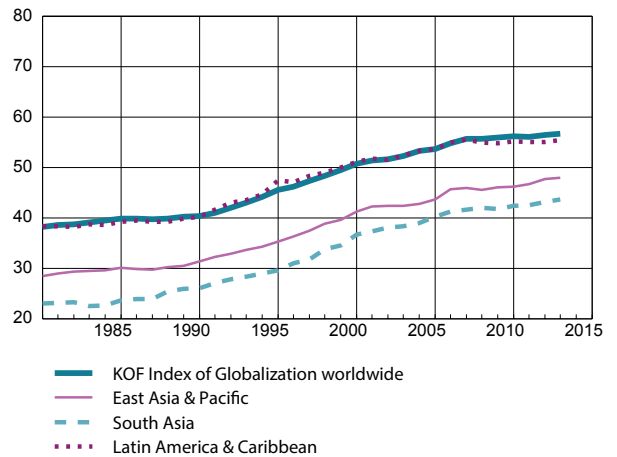


Chart 4b
KOF Index of Globalization Across Regions

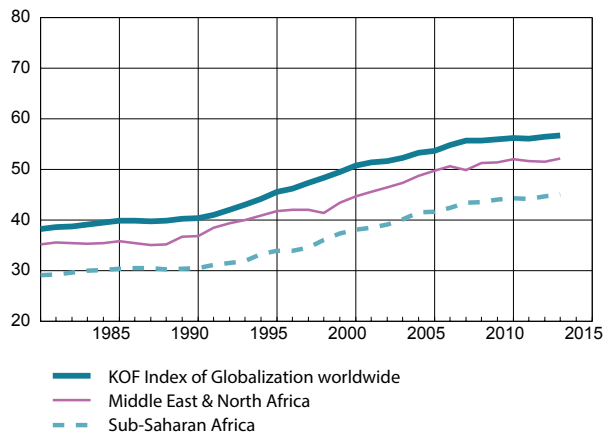
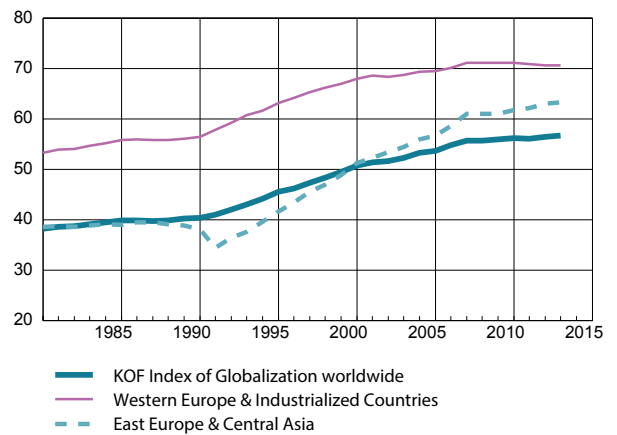


Chart 4c
KOF Index of Globalization Across Regions



Grafiken

Chart 5
KOF Index of Globalization According to Income

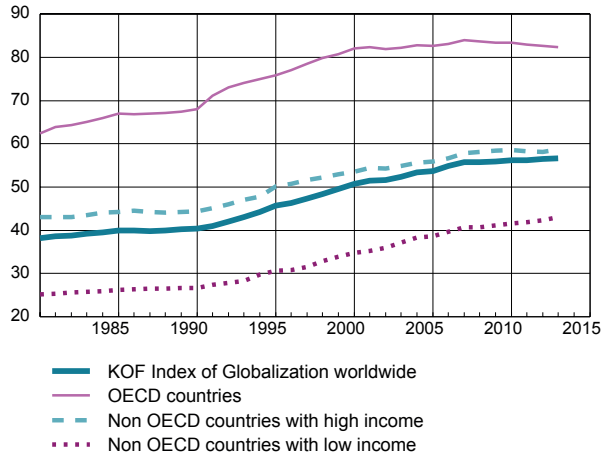


Chart 6
The Biggest Changes
(as compared to previous year)

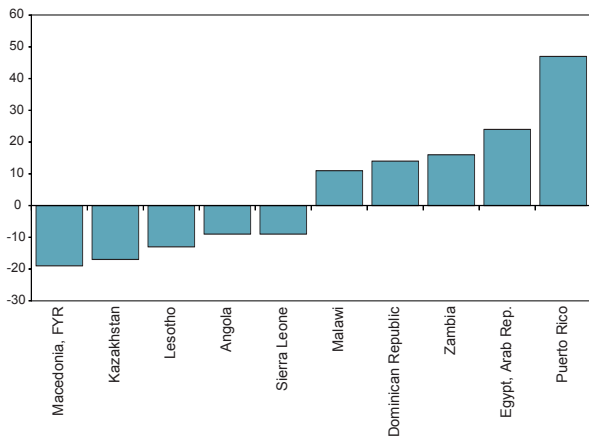


Chart 7
The Changes Among Most Globalized Countries
(as compared to previous year)

