

Malaysia's Performance in

GLOBALISATION INDEX 2012



Globalization Index 2012

1.0 OVERVIEW

1.1 Ernst & Young's 2012 Globalization Index was **developed by the Economist Intelligence Unit for Ernst & Young to measure the 60 largest countries/territories by GDP according to their degree of globalisation. It was first developed in 2009.**

1.2 The Index is based on a comprehensive understanding of the underlying drivers for globalisation across **five main pillars:**

- i. openness to trade;
- ii. capital flows;
- iii. exchange of technology and ideas;
- iv. labor movements; and
- v. cultural integration.

1.3 **The biggest increase in cross-border integration continues to be driven by technology, particularly global connectivity through broadband penetration and internet access, as well as an increase in R&D trade.**With these key categories, the Index incorporates a broad range of sub-indicators for 60 countries and spans a 20-year time horizon from 1995 to 2016.The top 10 country profiles in this document were developed as an extended analysis of the Globalization Index, highlighting the areas of change in each market.

2.0 HIGHLIGHTS OF THE RANKINGS

2.1 Malaysia, which has **maintained its 26th position** in the Ernst & Young's 2012 Globalisation Index and is projected to rise by six notches this year after performing marginally higher than the global average last year. The analysis of the 2012 index results showed that **the country was progressing steadily, driven by technology and trade. The six-notch projected leap this year**

would be powered by the country's ongoing improvements in the technology and talent pillars.

2.2 As one of the rapid growth markets, Malaysia is projected to outperform across all five indicators – trade, capital, labour, technology and culture – leaping forward to number 20 from 2013. **The rapid growth of Internet subscriptions and broadband penetration would strengthen the technology pillar, while the talent pillar would be advanced with the ongoing efforts of institutions such as Talent Corp Malaysia Bhd, which is pivotal in attracting local and skilled foreign talent besides developing talent within the country.**

2.3 **Malaysia's overall performance at 26th in 2012**, was better than Thailand (32nd), South Korea (33rd), Philippines (34th), Japan (43rd) and China (44th). **Appendix A** shows the comparison of the ranks from 2009 – 2012.

2.4 **Malaysia's performance against the top 10 countries** is shown below:

| Country 2012 | 2012 Rank | 2012 Score | 2011 Rank | 2011 Score | 2010 Rank | 2010 Score | 2009 Rank | 2009 Score |
|-----------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| Hong Kong | 1 | 7,81 | 1 | 7.42 | 1 | 7.48 | 2 | 6.90 |
| Singapore | 2 | 6,31 | 3 | 6.88 | 3 | 6.78 | 1 | 7.29 |
| Ireland | 3 | 5,63 | 2 | 7.24 | 2 | 7.43 | 3 | 6.87 |
| Belgium | 4 | 5,49 | 4 | 5.81 | 6 | 5.82 | 4 | 5.82 |
| Switzerland | 5 | 5,30 | 8 | 5.46 | 5 | 5.86 | 7 | 5.62 |
| Netherlands | 6 | 5,19 | 7 | 5.58 | 8 | 5.59 | 8 | 5.45 |
| Sweden | 7 | 4,96 | 5 | 5.72 | 7 | 5.60 | 5 | 5.77 |
| Denmark | 8 | 4,94 | 6 | 6.70 | 4 | 5.93 | 6 | 5.77 |
| Hungary | 9 | 4,75 | 10 | 5.19 | 9 | 5.35 | 13 | 4.88 |
| United Kingdom | 10 | 4,74 | 13 | 4.95 | 15 | 5.00 | 15 | 4.76 |
| Malaysia | 26 | 4,28 | 28 | 4.17 | 27 | 4.43 | 33 | 3.89 |

2.5 **Among Asian Nations, Malaysia is ranked 4th** after Hong Kong, Singapore and Taiwan. The rankings among Asian Nations from 2009 - 2012 are as follows:

Malaysia's Performance among Asian Nations, 2012

| Country 2012 | 2012 Rank | 2012 Score |
|-----------------|-----------|-------------|
| Hong Kong | 1 | 7,81 |
| Singapore | 2 | 6,31 |
| Taiwan | 3 | 4,55 |
| Malaysia | 4 | 4,28 |
| Thailand | 5 | 4.07 |
| South Korea | 6 | 4.02 |
| Philippines | 7 | 3.94 |
| Vietnam | 8 | 3.83 |
| Japan | 9 | 3.54 |
| China | 10 | 3.53 |
| India | 11 | 3.17 |
| Indonesia | 12 | 2.98 |

2.6 **Among ASEAN countries, Malaysia is ranked 2nd** after Singapore. The details are as shown in the Table below:

Malaysia's Performance among ASEAN countries, 2012

| Rank | ASEAN COUNTRIES |
|----------|-----------------|
| 1 | Singapore |
| 2 | Malaysia |
| 3 | Thailand |
| 4 | Philippines |
| 5 | Indonesia |

2.7 **Performance among countries in the Asia-Pacific Region, Malaysia is ranked 6th.** Hong Kong, Singapore and Canada were the top three countries.

| Country 2012 | 2012 Rank | 2012 Score |
|-----------------|-----------|-------------|
| Hong Kong | 1 | 7,81 |
| Singapore | 2 | 6,31 |
| Taiwan | 3 | 4,55 |
| New Zealand | 4 | 4,44 |
| Australia | 5 | 4,34 |
| Malaysia | 6 | 4,28 |
| Thailand | 7 | 4,07 |
| South Korea | 8 | 4,02 |
| Philippines | 9 | 3,94 |
| Vietnam | 10 | 3,83 |
| Japan | 11 | 3,54 |
| China | 12 | 3,53 |
| India | 13 | 3,17 |
| Indonesia | 14 | 2,98 |

3.0 METHODOLOGY

3.1 The new scoring system uses a dynamic normalisation technique. In addition, the following variables are included in the 2012 Index:

- Shares of main trading partners in total trade, as a percentage of GDP (trade in goods and services);
- Trade in Information and Communications Technology (ICT) goods, as a percentage of GDP (technology);
- Foreign Direct Investment (FDI) stocks, as a percentage of GDP (capital and finance); and
- Total international fixed telephone traffic (culture).

3.2 The last two of these variables are substitutions for FDI flows as a percentage of GDP (capital and finance) and international outgoing fixed telephone traffic (culture). The sub-indicator weights in the index have been redistributed to reflect the changes in the variables.

- 3.3 The purpose of these changes are to better capture relative country performance and performance over time across the five main drivers of globalisation. The changes are reflected in some larger-than-normal historical revisions to the 2011 ranking, but the updated Index methodology best captures the nuances in globalisation in today's world, suggesting improved forecasting capability and insights into key business opportunities and challenges.
- 3.4 As globalisation evolves, new and better data sets become available, it is appropriate to review the index data and methodology in order to accurately reflect these developments. In 2012 we introduced revisions to the Globalization Index scoring system and included several new sub-indicators to better reflect the state of play in the global economy, technology and markets.

APPENDIX A

MALAYISA'S PERFORMANCE AGAINST 60 COUNTRIES

| Country 2012 | 2012 Rank | 2012 Score | 2011 Rank | 2011 Score | 2010 Rank | 2010 Score | 2009 Rank | 2009 Score |
|-----------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| Hong Kong | 1 | 7,81 | 1 | 7.42 | 1 | 7.48 | 2 | 6.90 |
| Singapore | 2 | 6,31 | 3 | 6.88 | 3 | 6.78 | 1 | 7.29 |
| Ireland | 3 | 5,63 | 2 | 7.24 | 2 | 7.43 | 3 | 6.87 |
| Belgium | 4 | 5,49 | 4 | 5.81 | 6 | 5.82 | 4 | 5.82 |
| Switzerland | 5 | 5,30 | 8 | 5.46 | 5 | 5.86 | 7 | 5.62 |
| Netherlands | 6 | 5,19 | 7 | 5.58 | 8 | 5.59 | 8 | 5.45 |
| Sweden | 7 | 4,96 | 5 | 5.72 | 7 | 5.60 | 5 | 5.77 |
| Denmark | 8 | 4,94 | 6 | 6.70 | 4 | 5.93 | 6 | 5.77 |
| Hungary | 9 | 4,75 | 10 | 5.19 | 9 | 5.35 | 13 | 4.88 |
| United Kingdom | 10 | 4,74 | 13 | 4.95 | 15 | 5.00 | 15 | 4.76 |
| Germany | 11 | 4,72 | 14 | 4.88 | 16 | 4.89 | 16 | 4.71 |
| Slovakia | 12 | 4,66 | 15 | 4.84 | 11 | 5.16 | 23 | 4.34 |
| Finland | 13 | 4,62 | 9 | 5.39 | 10 | 5.29 | 10 | 5.14 |
| France | 14 | 4,58 | 20 | 4.49 | 18 | 4.71 | 19 | 4.51 |
| Canada | 15 | 4,55 | 16 | 4.83 | 17 | 4.89 | 14 | 4.87 |
| Israel | 16 | 4,55 | 11 | 5.08 | 13 | 5.11 | 9 | 5.16 |
| Taiwan | 17 | 4,55 | 12 | 5.06 | 12 | 5.15 | 11 | 4.90 |
| Czech Republic | 18 | 4,53 | 18 | 4.62 | 20 | 4.67 | 18 | 4.53 |
| Austria | 19 | 4,51 | 17 | 4.77 | 14 | 5.10 | 12 | 4.88 |
| Spain | 20 | 4,45 | 21 | 4.47 | 21 | 4.61 | 21 | 4.47 |
| New Zealand | 21 | 4,44 | 22 | 4.47 | 24 | 4.48 | 22 | 4.42 |
| Bulgaria | 22 | 4,37 | 26 | 4.25 | 23 | 4.48 | 28 | 4.03 |
| Norway | 23 | 4,36 | 19 | 4.55 | 19 | 4.67 | 17 | 4.59 |
| Australia | 24 | 4,34 | 24 | 4.39 | 26 | 4.43 | 20 | 4.47 |
| United States | 25 | 4,33 | 23 | 4.43 | 28 | 4.41 | 24 | 4.26 |
| Malaysia | 26 | 4,28 | 28 | 4.17 | 27 | 4.43 | 33 | 3.89 |
| Poland | 27 | 4,23 | 27 | 4.21 | 25 | 4.48 | 29 | 4.02 |
| Chile | 28 | 4,22 | 25 | 4.27 | 29 | 4.32 | 27 | 4.06 |
| Portugal | 29 | 4,21 | 30 | 4.13 | 22 | 4.49 | 26 | 4.11 |
| Italy | 30 | 4,20 | 31 | 4.06 | 31 | 4.32 | 31 | 3.96 |
| Romania | 31 | 4,10 | 32 | 4.05 | 30 | 4.32 | 30 | 4.00 |
| Thailand | 32 | 4,07 | 38 | 3.68 | 37 | 3.77 | 38 | 3.53 |
| South Korea | 33 | 4,02 | 29 | 4.13 | 33 | 4.17 | 25 | 4.17 |
| Philippines | 34 | 3,94 | 37 | 3.68 | 38 | 3.74 | 35 | 3.67 |
| Greece | 35 | 3,90 | 34 | 3.78 | 35 | 4.08 | 32 | 3.90 |
| Vietnam | 36 | 3,83 | 33 | 4.01 | 34 | 4.15 | 36 | 3.62 |
| Mexico | 37 | 3,76 | 36 | 3.73 | 36 | 3.81 | 39 | 3.50 |

| Country 2012 | 2012 Rank | 2012 Score | 2011 Rank | 2011 Score | 2010 Rank | 2010 Score | 2009 Rank | 2009 Score |
|--------------|-----------|------------|-----------|------------|-----------|------------|-----------|------------|
| Peru | 38 | 3.62 | 41 | 3.44 | 41 | 3.58 | 45 | 3.24 |
| Sri Lanka | 39 | 3.62 | 42 | 3.43 | 47 | 3.36 | 42 | 3.35 |
| Colombia | 40 | 3.59 | 43 | 3.43 | 40 | 3.61 | 44 | 3.33 |
| Saudi Arabia | 41 | 3.58 | 35 | 3.78 | 32 | 4.21 | 34 | 3.71 |
| Egypt | 42 | 3.56 | 45 | 3.27 | 45 | 3.39 | 43 | 3.33 |
| Japan | 43 | 3.54 | 40 | 3.47 | 42 | 3.57 | 37 | 3.57 |
| China | 44 | 3.53 | 39 | 3.56 | 39 | 3.63 | 40 | 3.41 |
| Brazil | 45 | 3.51 | 47 | 3.24 | 46 | 3.37 | 47 | 3.13 |
| Turkey | 46 | 3.46 | 48 | 3.24 | 44 | 3.43 | 49 | 3.07 |
| Ukraine | 47 | 3.31 | 44 | 3.31 | 43 | 3.49 | 41 | 3.41 |
| Russia | 48 | 3.24 | 56 | 2.91 | 51 | 3.13 | 55 | 2.77 |
| Ecuador | 49 | 3.23 | 49 | 3.15 | 48 | 3.28 | 54 | 5.79 |
| Pakistan | 50 | 3.21 | 51 | 3.04 | 50 | 3.14 | 51 | 3.02 |
| Azerbaijan | 51 | 3.19 | 53 | 2.96 | 52 | 3.11 | 53 | 2.86 |
| South Africa | 52 | 3.19 | 54 | 2.95 | 54 | 3.04 | 50 | 3.04 |
| Argentina | 53 | 3.17 | 50 | 3.13 | 49 | 3.18 | 48 | 3.08 |
| India | 54 | 3.17 | 55 | 2.91 | 57 | 2.96 | 46 | 3.14 |
| Nigeria | 55 | 3.16 | 46 | 3.25 | 55 | 3.03 | 57 | 2.65 |
| Kazakhstan | 56 | 3.12 | 52 | 3.03 | 53 | 3.09 | 52 | 2.97 |
| Indonesia | 57 | 2.98 | 57 | 2.82 | 56 | 3.00 | 56 | 2.70 |
| Venezuela | 58 | 2.88 | 58 | 2.80 | 58 | 2.85 | 59 | 2.42 |
| Algeria | 59 | 2.63 | 59 | 2.63 | 59 | 2.62 | 58 | 2.52 |
| Iran | 60 | 2.16 | 60 | 2.13 | 60 | 2.27 | 60 | 2.05 |