

News release

Donna Liew
Ernst & Young Solutions LLP
+65 309 6129
donna.liew@sg.ey.com

Singapore tops the Globalization Index 2009

Ernst & Young and EIU report predicts globalization to resume in 2010 after temporary blip

SINGAPORE, 29 January 2010 – Singapore leads the world’s largest 60 countries (by GDP) on the Globalization Index 2009, according to a new report, *Redrawing the map: globalization and the changing world of business*, released today by Ernst & Young in cooperation with the Economist Intelligence Unit (EIU). Hong Kong SAR and Ireland takes the second and third spots respectively (see Annex 1 for the Globalization Index ranking and score).

The report draws on three sources of original research: a Globalization Index which measures 60 countries according to their degree of globalization relative to their GDP; an online survey of 520 senior business executives worldwide conducted in late 2009; and a program of in-depth interviews with 30 senior executives and high-level experts.

The Globalization Index, which covers the period from 1995 to 2013, has five criteria: openness to trade, capital movements, exchange of technology and ideas, labor movements and cultural integration. Each of the criteria’s weighting was validated by the business leaders surveyed. The index measures the relative level of global engagement of a country. It does not measure the absolute or relative impact a country has on global commerce or the global economy.

Steven Phan, Country Managing Partner, Ernst & Young LLP, explains: “Generally, smaller countries that rely heavily on exports and world trade appear at the top. Singapore has further distinguished itself by being top scorer for the trade category, and excelling across all the other criteria. This top ranking is a reflection of Singapore’s long-standing commitment to

operate a free and open economy, underpinned by its dual-pronged strategy of attracting foreign investments and talents, and enabling our local enterprises and workforce to grow and internationalize.”

Globalization pauses temporarily

The report also highlights how globalization has slowed over the last two years. The scores for the average annual overall level of globalization reached its peak of 4.12 in 2007, fell in 2008 by around 0.1 points, followed by a further dip of 0.4 points in 2009. But as the economy recovers in 2010, the growth of globalization is expected to resume, although at a slower pace than in the past decade, and surpass the 2007-level in 2011.

Steven Phan comments: “The halt to the globalization trend is unsurprising – it’s a reflection of the global financial and economic crisis, which had resulted in a dramatic reduction in international capital flows and volume of world trade. 2010 will be a transition year where we expect some modest economic recovery before markets fully stabilizes to achieve some semblance of pre-crisis days.”

Businesses respond to globalization

Longer-term implications of globalization will remain significant for businesses. The survey of 520 senior business executives and interviews with 30 senior executives and high-level experts for this report show how businesses are responding to globalization.

Companies based in emerging markets are looking to compete more and more with established corporates from developed markets. This competition is playing out not only in the emerging markets themselves but also increasingly in Western markets. Also, despite the recent downturn, companies are still planning geographic expansion.

Steven Phan continues: “To win in this new globalized world, companies must rethink many aspects of their overall strategy ranging from their business models to capital raising to how they source their products. And as companies deepen and broaden their presence in international markets, the need for culturally diverse management teams becomes all the more pressing.”

To fully maximize the benefits of more open global markets, business will also have to make a more concerted effort to engage with governments and other policy makers on global issues such as protectionism, regulation and trade.

Steven Phan concludes: “Globalization is here to stay and will deepen further over the longer term. It is no longer optional to consider the implications of globalization for your business. So similarly for Ernst & Young, we too are building a borderless business through having integrated our practices into a single business unit in the Far East and globally. We believe this offers us a strong competitive edge in delivering the seamless, consistent quality services that are expected by our clients as well as the mobility opportunities demanded by talents in today’s globalized world.”

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Notes to editors

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Annex 1: The Globalization Index

Rank	Country	Score	
1	Singapore	7.29	
2	Hong Kong	6.90	
3	Ireland	6.87	
4	Belgium	5.82	
5	Sweden	5.77	
6	Denmark	5.77	
7	Switzerland	5.62	
8	Netherlands	5.45	
9	Israel	5.16	
10	Finland	5.14	
11	Taiwan	4.90	
12	Austria	4.88	
13	Hungary	4.88	
14	Canada	4.87	
15	United Kingdom	4.76	
16	Germany	4.71	
17	Norway	4.59	
18	Czech Republic	4.53	
19	France	4.51	
20	Australia	4.47	
21	Spain	4.47	
22	New Zealand	4.42	
23	Slovakia	4.34	

Rank	Country	Score	
31	Italy	3.96	
32	Greece	3.90	
33	Malaysia	3.89	
34	Saudi Arabia	3.71	
35	Philippines	3.67	
36	Vietnam	3.62	
37	Japan	3.57	
38	Thailand	3.53	
39	Mexico	3.50	
40	China	3.41	
41	Ukraine	3.41	
42	Sri Lanka	3.35	
43	Egypt	3.33	
44	Colombia	3.33	
45	Peru	3.24	
46	India	3.14	
47	Brazil	3.13	
48	Argentina	3.08	
49	Turkey	3.07	
50	South Africa	3.04	
51	Pakistan	3.02	
52	Kazakhstan	2.97	
53	Azerbaijan	2.86	

24	United States of America	4.26	
25	South Korea	4.17	
26	Portugal	4.11	
27	Chile	4.06	
28	Bulgaria	4.03	
29	Poland	4.02	
30	Romania	4.00	

54	Ecuador	2.79	
55	Russia	2.77	
56	Indonesia	2.70	
57	Nigeria	2.65	
58	Algeria	2.52	
59	Venezuela	2.42	
60	Iran	2.05	