

## News release

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### **Globalization projected to increase in Malaysia in the next few years**

Kuala Lumpur, 31 January – Globalization is projected to increase in Malaysia in the next few years, driven by cultural openness, measured by an increase in tourism and telephone traffic, coupled with increases in broadband and internet subscriptions according to an analysis by the Economist Intelligence Unit commissioned by Ernst & Young.

Ernst & Young's *Globalization Index* released at Davos earlier this week ranked Malaysia at No. 27 (one rank above the USA at No. 28) amongst the world's 60 largest globalized economies, relative to their GDP. Malaysia moved up six ranks from its No. 33 spot in 2009, a significant improvement over the period of one year. Malaysia joins Hong Kong (No.1), Singapore (No.3), Taiwan (No. 12) in the top 30, the only four Asian countries in the top 30.

In explaining the results, Chow Sang Hoe, Advisory leader of Ernst & Young Advisory Services Malaysia said, "A small increase in trade as a percentage of GDP as well as an increase in tourism moved Malaysia's overall rank from No. 33 in 2009 to No. 27 in 2010. Looking back in the past 15 years, we find that persistent impediments to the movement of capital and labor since 1995 have led to only small improvements in Malaysia's overall score and a fall in overall rank from No. 16 in 1995 to No. 33 in 2009.

A dramatic decrease in net migration from 4.5 per 1000 population in 1995 to 1 per 1000 people in 2010 combined with a decrease in portfolio capital flow and a greater risk of expropriation, are the main obstacles to the movement of capital and labor.

However, the improved ranking in 2010 clearly demonstrates the Government's recognition of those impediments and the actions needed to ensure Malaysia remains competitive and relevant in the current economic reality of a globalized world."

Added Chow, “The increased exchange of technology and ideas, followed by cultural integration and trade, can help improve Malaysia’s globalization score. We need higher levels of imports and exports relative to GDP and an economic environment designed to stimulate cross-border trade. Labor mobility and the movement of goods and services are also important factors that can contribute to an improvement in Malaysia’s globalization score.”

Chow further commented, “The future challenge for businesses in Malaysia will be to strike the balance between these opposing forces of globalization and national markets and achieve both scale and local relevance. Business opportunities are now distributed more evenly around the world than at any time in history. The convergence of market potential between the developed and emerging worlds means that the number of markets that businesses in Malaysia must consider as “strategic” has increased. Competition, capabilities and resources can all now reside anywhere in the world and travel in new, sometimes unexpected directions.”

“Businesses in Malaysia must essentially operate at multiple speeds in order to fit their strategies to both fast-growth and slow-growth markets. Success in the former requires rapid-fire decision-making and the capacity to experiment, learn and scale at speed. This may require a decrease in bureaucracy to maximize agility.

Business is certainly getting more international in its aspirations. Understanding the political environment, and how it might affect the company’s ability to do business, has become a core competence for global corporate,” concluded Chow.

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### **Notes to Editors**

#### **About *The Globalization Index***

The *Globalization Index* developed for this report measures and tracks the performance of the world’s 60 largest economies according to 20 separate indicators that capture the key aspects of cross-border integration of business. The indicators fall into five broad categories: openness to trade; capital movements; exchange of technology and ideas; labor movements; and cultural integration. The Index measures “relative” rather than “absolute” globalization. This means that a country’s\* trade, investment, technology, labor and cultural integration with other countries is measured relative to its GDP rather than by the absolute value of these elements being

exchanged. The Index, therefore, reflects the degree to which the global integration of a country is observable or experienced from within that country.

\*Country or where applicable territory

**About *Winning in a polycentric world***

The Economist Intelligence Unit surveyed 1,050 business executives in November 2010

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