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**Towards a “Global” Political
Risk Analysis**

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TOWARDS A “GLOBAL” POLITICAL RISK ANALYSIS¹

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Abstract

The purpose of this paper is to test the relevance of the globalization variable for Political Risk Analysis (PRA). The concept of political risk and the analysis methodology adopted and used in PRA are extremely heterogeneous, varying profoundly case by case. However a common pattern can be identified. In almost every definition or operational concept of political risk, the focus relies almost entirely on the internal dimension. The models developed by both public and private agencies and institutions tend in fact to base their models on variables and indicators internal to the country object of the analysis. In those few cases in which the external variables are taken into consideration, they refer to classical events such as wars. In our opinion this approach is limited because it does not capture the structural processes generated by the global transformations of the last decades. In today's globalized and ever changing world, we think that in any political risk analysis model it is fundamental to include a transnational perspective. A transnational variable should accordingly be crafted in order to complement the national variable by weighting the effects of the international and global dimension on local and national socio-political events. By testing out hypotheses with reference to two indexes related respectively to stability and governance, we find evidence of a positive relationship between the level of global integration of a country and its degree of stability and even more its level of governance. While these results (to be further tested with more sophisticated statistical tools in the follow up of the research) remain preliminary, they are sufficient to delineate a new understanding of political risk analysis that – by taking into consideration current concepts of political risk and modern theories of globalization – integrates in a comprehensive framework the more traditional variables of political risk with a new transnational variable.

Summary

State of the Art in Political Risk Analysis – The Concept of Political Risk – Globalization and the New Political Scenario – Test 1 (Globalization-Stability) and Test 2 (Globalization-Governance) – Towards a Comprehensive Model of Political Risk Analysis – Conclusions – References

¹ This paper is part of a collective endeavor developed within the Research Unit on Political Risk, part of the ICEED-LUISS (website: <http://icedd.luiss.it/research-unit-political-risk-analysis>). It was first presented at the annual conference of the Italian Political Science Association in Florence (SISP, 2013) and then at the annual convention of the International Studies Association in Toronto (ISA, 2014). We would like to thank all the participants in those events, especially the two discussants: Carlo Gallo and Francesco Giumelli.

State of the Art in Political Risk Analysis

The discipline of Political Risk Analysis (PRA) is often seen as a component of the broader discipline of Country Risk Analysis (CRA). CRA began to be developed after the end of the second world war and the affirmation in the “west” of the liberal-capitalistic economic model. The post-war developments not only saw a rapid reconstruction and economic rise of western European countries, and the affirmation of the USA as the most developed country, but also, since the ‘60s, a process of generalized de-colonization in many countries previously under the direct control of western powers (Clark & Tunaru, 2002).

The need by western enterprises to invest and operate in political, economic, social environments of newly-formed countries brought many institutional agencies and private consultants to develop a new discipline, country risk analysis, in order to create a reliable framework of information on foreign countries risk profile in support of enterprise’s investments and operations. The rise of country risk analysis emerged, then, as a direct consequence of the specific need, coming from the business world, to have a set of information about risks in a given country for future possible operations and investments.

As Meldrum affirms “all business transactions involve some degree of risk. When business transactions occur across international borders, they carry additional risks not present in domestic transactions. These additional risks, called country risks, typically include risks arising from a variety of national differences in economic structures, policies, socio-political institutions, geography, and currencies. Country risk analysis attempts to identify the potential of these risks to decrease the expected return of a cross-border investment” (Meldrum, 2000).

In the first “phase” of the conceptual and operative development of Country Risk Analysis, between the 60s and 70s, the focus relied mainly on the political dimension of Country Risks. In this period, for instance, characterized by new political-institutional environments within many countries due to the post-colonization process, foreign enterprises needed a risk analysis and assessment on risks coming from the political environment, that is, risk of nationalization or breach of contract, or also risk coming from insecurity and political instability (Kobrin, 1979; Chermak, 1992; Gioia et al., 2012).

In a second phase, from the mid-70s and 80s, the focus of CRA rapidly shifted from political risks to economic and financial risks. Country Risk Analysis models, previously based on qualitative data analysis methodologies, began to develop mathematical and statistical techniques for the analysis – and aggregation - of complex quantitative data. The new trend in CRA also involved the development of aggregative risk scores index in order to compare the risk level among many different countries. This operative and conceptual shift in the discipline of CRA was due mainly to the debt crises in the 80s and financial crises in the 90s, that pushed enterprises to develop new analysis frameworks in order to operate in foreign countries safeguarding their profits (Fitzpatrick, 1983; Bouchet, Clark, & Gros Lambert, 2003; Gioia et al., 2012).

The new trend in today’s ever changing world is to develop comprehensive country risk analysis models in order to obtain risk profiles as much complete as possible (Brink, 2004; Althaus, 2008; Howell, 2008; Jensen, 2008). This new scenario is

characterized by the need of both economic-financial analysis (as demonstrated by the financial crises in 2008 and the current sovereign debt crisis) and political analysis (as demonstrated by the so called Arab springs). Within this context, it is widely acknowledged the lack of a common concept and definition of what actually constitutes a political risk. From the lack of a common definition of political risk derives the lack of a universal model of analysis. The two aspects of political risk analysis – that is the concept and definition of what political risk is and the methodology of analysis – are extremely heterogeneous and heavily depend upon the actor that develops the analysis model.

In the following, we will begin by addressing the question of what political risk is by offering a brief overview of some academic definitions, trying to develop a general definition of political risk. Then, we will assess how different practitioners – both international and national, public and private – define political risk through the variables used in their analysis model. Through this, we will be able to observe that political risk analysis models and definitions are mainly oriented to factors and variables internal to a country. In the second part of the paper we will turn to the globalization debate. We will show the relevance of the transnational dimension for a correct political risk analysis and propose a new model that integrates local and transnational variables.

The Concept of Political Risk

At the beginning of the scholarly debate on political risk analysis, the concept of political risk was associated mostly to the governmental action. Weston and Forge, for instance, affirmed that political risks come from the actions of national governments that intervene on financial transactions, change the terms of agreements, or cause a loss in the profits of foreign enterprises. This approach focus entirely on the actions coming from national governments and having an impact on the activity of foreign companies (Weston & Sorge, 1972).

Later on, however, the understanding of the variables associated to political risk widened. A number of authors, including Green, Van Agmatel, Zink, Daniels, and Dimsza took a different approach from the original government-centered one. In defining the concept of political risk, they took into account also “environmental” factors that can constitute an impediment or an obstacle for operations and investments of foreign economic actors, such as political instability and violence. For these authors, political risk is a combination of “environmental” and government led factors that creates obstacles to the economic activity or represent a threat for the profits of foreign companies (Gori, 1988).

Other authors, such as Robock, affirmed that there are political risks in international businesses when there are discontinuities in the sphere of business, these discontinuities are hard to anticipate and are the result of a political shift. In order to be a political risk these discontinuities should represent a potential threat for a foreign enterprise’s profits and/or objectives (Robock, 1971). In line with this approach is the definition of Haendell, according to whom political risk is the risk or probability of occurrence of political events that may change profit expectations for an investment (Haendel, 1979).

Root is probably the author that first elaborated a comprehensive definition of political risk, focusing not only on the relationship between the political drives of harmful events on foreign economic operations and investments, but also establishing a sort of classification of political risks. Root maintains that a political risk is the probability of occurrence of any political event (such as war, revolution, coup d'état, expropriation, discriminatory taxation, restriction on importations, etc.) both at national and international level, causing harms to the profits and/or assets of an international economic operator. Root introduces the difference between political/economic risks and socio/political risks. Political/economic risks are associated with the actions of governments, that are primarily responsible for non forecasted or anticipated changes in the internal and external economy of a country. Socio/political risks, on the other hand, come from government responses to non-economic changes in a country's society (Root, 1972).

Several authors concentrated on the interaction between economic and political areas. While the political dimension is strongly related to the economic dimension, a distinction needs to be made. Schollhammer affirms that a distinction is necessary since political risks come from public policies while economic risks come from market changes, both causing harms to the profits and operations of an economic actor. Schollhammer also holds that the actors responsible of political risk are more easily recognizable than those causing economic risks (Schollhammer, 1978).

Relevant is also the contribution of Smith. He proposes a distinction of political risk in three categories: traditional political risks, normative risks, and half-commercial risks. Traditional political risks are those risks effecting/including expropriations, currency conversion, currency transfers, political violence and instability. Normative risks include risks that effect the normative framework and were not anticipated, including, i.e. new taxation on foreign profit. Finally, half-commercial risks are those risk that come from an operation involving, as counterpart, government or state actors, with a questionable capacity to fulfill a contract (Smith, 1998).

From this brief survey, a general definition of political risk can be drawn. Political risk is constituted of those risks emerging from the political-institutional environment of a country and having possible harmful effects on profits, assets and/or interests of a (international or foreign) business company.

An important note should be formulated before moving on. From an analytical point of view, the notion of threat should be distinguished by that of risk. Accordingly threat is an objective, potential disruption of expectation about the standard course of events, a change in the pattern of actions, while risk is the ability (or disability) of the actor to manage such disruption. This way, risk would result from the combination of both external facts and internal characteristics of the agent. Risk is at the intersection of the agent-structure relation. In mainstream PRA, the agent-related perspective is at times overlooked. This however precludes a full understanding of the dynamics at stake. It is clear, for instance, that a disruption might be received as either a positive or a negative change, depending on the ability of the actor to tackle it and take advantage of or suffer from it. A security threat is usually seen negatively, but it might actually be considered positively if the agent at stake is a private security company or, as a minimum, an actor that is better equipped than its competitors in dealing with the threat. Similarly, political instability is usually considered a disincentive for foreign direct investments, but it constitutes an "attractive" feature for official development aid.

If we move from a general and theoretical definition to a more operational one, it is possible to analyze the specific components of political risk. This can be done through

an assessment of the practitioners' approaches to and definitions of PRA. Here we consider a Political Risk Practitioner any private or public, national or international, actor that performs, as part of its core business, political risk analysis.

The Multilateral Investment and Guarantee Agency (MIGA), institution part of the World Bank Group, is by no doubt a PRP. MIGA defines political risk as "the probability of disruption of the operations of companies by political forces and events, whether they occur in host countries or result from changes in the international environment. In host countries, political risk is largely determined by uncertainty over the actions not only of governments and political institutions, but also of minority groups and separatist movements" (MIGA, 2011, 21). In the 2011 report on "World Investment and Political Risk" MIGA identifies eight main components, or variables, of political risk (MIGA, 2011):

- Transfer and convertibility restrictions: risk of losses arising from an investor's inability to convert local currency into foreign exchange for transfer outside the host country. Currency devaluation is not covered.
- Expropriation: the loss of investment as a result of discriminatory acts by any branch of the government that may reduce or eliminate ownership, control, or rights to the investment either as result of a single action or through an accumulation of acts by the government.
- Breach of contract: risk of losses arising from the host government's breach or repudiation of a contractual agreement with the investor, including non-honoring of arbitral awards.
- Non-honoring of sovereign financial obligations: risk of losses due to non-compliance government guarantees securing full and timely repayment of a debt that is being used to finance the development of a new project or the enhancement of an existing project.
- Terrorism: risk of losses due to politically motivated acts of violence by non-state groups.
- War: risk of losses due to the destruction, disappearance, or physical damage as a result of organized internal or external conflicts.
- Civil disturbance: risk of losses due to social unrest.
- Other adverse regulatory changes: risk of losses for foreign investors stemming from arbitrary changes to regulations.

The OECD uses a country risk methodology relying principally upon a mathematical-statistic approach, identifying and calculating a country risk score based on economic-financial dimensions. In this model the political risk component has the role of a qualitative correction made to an aggregated score of economic-financial risk. In fact, the OECD developed a so called Country Risk Assessment Model (CRAM) with the purpose of creating an aggregated score giving the country risk profile. The CRAM is developed starting from an economic-financial risk score, developed through a quantitative risk analysis model based on three macro-variables: payment experience, financial situation and economic situation. These three variables form an aggregated economic-financial risk score, which is "qualitative adjusted" with the political risk score. That is, the "political situation" of a country is used to change, in better or worse,

the score in order to have an overall country risk score. The CRAM is taken as a point of reference by many other actors. For OECD, the “political risk” then is characterized by:

- Political stability;
- Social tensions;
- Expropriations;
- Political violence;
- Transfer risk.

Remaining in the field of public agencies, but moving from international to national perspective, SACE, the Italian Export Credit Agency, has a slightly different definition of political risk which is in line with the CRAM model of the OECD. For SACE, PR is composed of four main components: expropriation risk, breach of contract risk, transfer risk and risk of political violence (Ferrari & Rolfini, 2008; SACE, 2010).

Each of these four components is then declined in several indicators:

- Risk of expropriation: rule of law, government effectiveness and intervention, control of corruption, property rights.
- Risk of Breach of Contract: Rule of law, government effectiveness and intervention, control of corruption.
- Risk of Transfer: currency exchange, international reserves, political risk indicator, current account balance.
- Risk of Political Violence: voice and accountability, absence of violence/terrorism, rule of law.

Moving from public agencies to private ones, we observe that, despite different analysis model, the degree of divergence diminishes for what concerns the concept itself of political risk. For instance, the Country Risk Model defined by the Economist Intelligence Unit (EIU) defines political risk through ten variables: external conflict, governability/social unrest, electoral cycle, orderly transfers, event risk, sovereignty risk, institutional effectiveness, corruption, corruption in the banking sector, commitment to pay.² It is possible to observe that EIU uses a disaggregated approach compared to OECD, SACE and MIGA models: EIU developed more variables, which in other risk analysis models are compressed in macro-variables.

This last approach is used also by the PRS Group, editor of the International Country Risk Guide. The ICRG uses twelve variables for the definition of the political risk index: government stability, socioeconomic conditions, investment profile, internal conflict, external conflict, corruption, military in politics, religious tensions, law and order, ethnic tensions, democratic accountability, bureaucracy quality.³

² http://graphics.eiu.com/upload/eb/Benefits_CountryRiskService.pdf

³ http://www.prsgroup.com/ICRG_Methodology.aspx.#Background

Table: Different concepts of political risk

Practitioner	Political Risk Variables	
SACE	<ul style="list-style-type: none"> • Risk of Expropriation • Risk of Breach of contract 	<ul style="list-style-type: none"> • Risk of Transfer • Risk of Political Stability
MIGA	<ul style="list-style-type: none"> • Transfer and convertibility restrictions • Expropriation • Breach of Contract • Non – honoring of sovereign financial obligations 	<ul style="list-style-type: none"> • Terrorism • War • Civil Disturbance • Other adverse regulatory risk
OECD	<ul style="list-style-type: none"> • Political stability • Social tensions • Expropriation 	<ul style="list-style-type: none"> • Political violence • Transfer risk
EIU	<ul style="list-style-type: none"> • External conflict • Governability/social unrest • Electoral cycle • Orderly transfers 	<ul style="list-style-type: none"> • Institutional effectiveness, corruption • Corruption in the banking sector • Commitment to pay • Event risk, sovereignty risk
PRS Group	<ul style="list-style-type: none"> • Government stability • Socioeconomic conditions • Investment profile • Internal conflict • External conflict • Corruption, military in politics 	<ul style="list-style-type: none"> • Religious tensions • Law and order • Ethnic tensions • Democratic accountability • Bureaucracy quality

Source: personal elaboration

From these analyses emerge a variety of conceptualizations of political risk. It has to be underlined that most of these models are developed as Country Risk Analysis Models, and that the political risk is just one component of a broader analysis. Despite this, and the different concepts and variables used for defining political risk, we see that there is a common framework used for the development of political risk.

Observing the various concepts of political risk, it is possible to note that all models are based mostly or even exclusively on internal country-related variables. International variables taken into consideration tend to be related to single events such as wars. Classical PRA sees countries as “islands”, as monads that may be stricken by exogenous events such as wars, but are for the rest mostly autarchic. Although the international or external implications of each variable is assessed in the analysis, there is no formal recognition, in variables or under-variables, of the structural effects of transnational processes on political risk. From our point of view this constitutes a limitation: in a globalized and ever changing world, focusing entirely on the internal dimension of a given country may easily fail to capture the complexity of the socio-political phenomena. What is needed is a paradigm change according to which countries

are not seen any more as self-determining in relation to endogenous factors only, but also and at times more importantly are deeply influence by exogenous factors. The international, or transnational, dimension, is fundamental in order to understand, and then assess, in a correct way a very complex socio-political category such as political risk. In order to have a comprehensive picture of PRA we then need to turn our attention to the phenomenon of globalization.

Globalization and the New Political Scenario

Globalization is a phenomenon characterized by three, reciprocally intertwined, main elements. First, globalization is a dynamic that goes beyond the classical Westphalian state system, i.e. it goes beyond state-centrism. Second, globalization is animated by a wide range of actors, including private actors (both profit oriented or public interests oriented). Third, globalization is based on a growing interdependence among the different actors of the system (Caporaso & Madeira, 2012). Globalization and interdependence are however distinct phenomena that refer to a different types of interconnection (interdependence may refer to two actors only whereas globalization entails a more integrated relations) and to a different space dimension (globalization has a world outlook). There are many dimensions of globalization. While common sense understanding concentrates on the economic globalization, analogous processes are currently developing in other dimensions. We then witness military globalization, environmental globalization, globalization of communication, legal globalization, socio-cultural globalization, and of course political globalization. There is no world government, but a number of public policies and political processes are considerably spread all over the world. A clear convergence may be detected with reference to political regimes, forms of statehood, policies, standards, and regulations.

In more analytical term, Scholte defines globalization as the spread of transplanetary connections among people (Scholte, 2000, 59). According to such perspective, globalization is a dynamic process that goes beyond the Westphalian system and creates links and ties among different sub and supranational actors. Rather than seeing the international affairs as made of islands, here the image is that of a tight interdependence. Held and McGrew argue that globalization entails an extension, intensification, acceleration and deepening of the impact of the patters of social interaction (Held, McGrew, Goldblatt, & Perraton, 1999). Here reference is made to the transformation of social organization that now links distant communities and expands the scope of power relations among different actors. The scope of global networks, the intensity of global interconnections, the velocity of global flows and the deep influence of social interaction would create a ever growing global integration.

Many definitions of globalization have been provided (Steger, 2003). While we cannot survey them all, we adopt the overall approach by Keohane and Nye according to which globalization is seen as an increase in globalism, and globalism is defined as a state of the world that entails networks of interdependence of intercontinental nature (Keohane & Nye, 2000, 2). We then define globalization as the process of supranational and multidimensional integration that is structured on the creation of transnational networks and that tends to spread material and cognitive power among a plurality of actors, including nongovernmental ones (Marchetti, 2014, 20). The idea on which our concept of globalization relies is that it is mainly a multi-dimensional process, which

creates a global scenario comprising every aspect of human life. This process is characterized by interdependence between the vertical geographic level and the horizontal human level. The result is that cause-effect connection of today's events is very complex.

Given this concept of globalization, we think that, in an updated political risk analysis model, it is necessary to take in consideration the international – or transnational – dimension of political risk. If a PRA model aims to correctly capture the political risk profile for a given country, it is fundamental to assess the implications deriving from globalization and from the integration of that country into transnational processes.

A political risk analysis model that does not develop such a variable may underestimate very important factors (such as international ones) that have important effects on the internal variables used in the construction of political risk analysis. This is mainly due to globalization, which creates interdependence links between different dimensions and makes the cause-effect connection of events much more complex.

Our ultimate purpose will be precisely to contribute to the development of a transnational variable. But in order to do that it is necessary to understand the effects that globalization has on the political risk framework of a given country. That is, for the concrete construction of our comprehensive political risk analysis model we need to evaluate whether the level of globalization reached from a country constitutes a political risk factor or, on the other hand, a mitigating element.

Our hypothesis is that globalization constitutes a mitigating factor that diminishes the level of political risk for any given country: the level of global integration is thus expected to be related to the level of political risk. We do acknowledge that integration might also entail an increased, potential risk. It is enough to think about the cyberspace (or for the sake of the matter to the financial world). The more integration, the higher risk of contagion. Indeed, as Nassim Nicholas Taleb rightly pointed out, a flat world is over-optimized to maximum vulnerability. On the overall, however, we do think that an integrated system is more stable than many fragmented systems, that a global system is more stable than many national systems, due to its complex articulation that stabilizes its patterns of actions, especially in normal times. In times of exceptional crisis, a different scenario might materialize due to the absence of slacks which might lead to fast contagion. These exceptions are not discussed in this paper.

To test this hypothesis, we will develop in the next paragraph an empirical study that will demonstrate, through the use of different indexes, the relation existing between globalization and political (in)stability and governance. If our hypothesis is confirmed, an important progress will be made on the understanding of globalization's effects on the institutional, political and social dimensions. And this will reverberate both in the studies of global and national public policies, and on those on PRA.

Test 1 (Globalization-Stability) and Test 2 (Globalization-Governance)

In order to prove our hypothesis about the mitigating nature of globalization concerning political risk, we will develop two tests. These tests aim to show that a positive relation exists between the level of globalization (international integration) reached by a country and its inherent political risk. In order to test it, we will compare data about the level of global integration of 163 countries with on the one hand their

level of political stability, and on the other hand their level of governance. In test 1, we focus more narrowly on the relation with because political stability, on the assumption that political stability is one of the main components of any political risk analysis model, and usually is the pivotal factor that heavily effects all other variables. In test 2, we broaden the focus on the overall governance, and this will provide an even closer approximation to the political risk of the countries taken into account.

TEST 1

In order to carry out this test we use two main tools: the KOF Globalization Index and the Political instability Index developed by Economist Intelligence unit (EIU). These represent the more reliable and precise indexes currently available measuring respectively globalization and political instability.

The KOF Index is one of the most refined tools available today for the measurement of the globalization level reached by a country (see annex 1). We consider this as the most reliable index for four main reasons:

- it uses very reliable sources, offering a complete spectrum comprising all aspects of globalization (economic, socio-cultural, political);
- it covers a high number of countries;
- it covers an extended number of years;
- it allows to make aggregated and disaggregated researches.

EIU's Political Instability Index will instead be used to assess a country's political stability level (see annex 2). The EIU political instability index measures the level of vulnerability of a given country to social and political unrest. The first index was produced in 2007, and a second one was developed for the years 2009/2010. In particular, the index scores are derived by combining measures of economic distress and underlying vulnerability to unrest. We rely on this index in order to assess a country's political stability, and it will be the benchmark for our comparison between levels of globalization and political (in)stability.

In order to carry out our test on the relation between globalization and political risk we analyze the data related to the year 2010, the latest time period for which EIU's Index is available. In addition to this, we selected the 163 countries that are examined by both indexes: in fact, each index takes into consideration more than 163 countries, but we had to select those that are analyzed by both indexes.

It has to be underlined that the two indexes are very different from one to another, in terms of both of contents and methodology. The quantitative scale used for the development of final values, as well as the sources used for data analysis, differ from one index to another. For instance, EIU's Index uses a scale from 0 to 10, where 10 is the highest possible political instability and 0 is the lowest. At the same time, KOF's Index proposes a scale value from 0 to 100, where 100 is the highest level of globalization and 0 is the lowest.

Given this situation, we had to develop a way to compare the two indexes in order to find out if a relation exists between the two factors. In order to do that we proceeded by extracting from the two indexes the 2010's raking of the selected 163 countries, from the highest to the lowest value.

After that, we reversed the scale value for the EIU Index multiplying the scores by 100, in order to have a similar scale to the KOF's one. In doing this, we had the opportunity to compare with the same *ratium* the most globalized and politically stable countries. Then, we proceeded by creating four main categories comprising the top 25%, upper 25%, mid 25%, and lower 25% of the countries taken in consideration. In fact, the top three categories grouped 40 countries each, and the lower one 42 countries. In this way we could confront the results from the two indexes with a reasonable flexibility (see annex 3).

This way of proceeding allowed us to group countries in categories that represent with a fair amount of precision the level of globalization or political stability reached by a country, in a way that permitted us to compare the data from these two very different indexes. Through this standardization process the value of the single scores, which have sense only for the singular index, loose some of their importance, allowing us to create categories comparable one to another.

After this classification, we compared the categories reached by every single country: through this work, we could observe that in many cases they were comprise within the same level of globalization-political stability (Very High, High, Medium, Low). Aside from some exemptions, related to very particular countries experiencing critical socio-political situations, we registered at diversions to an extent of maximum one category. That is, for example, that if a country had a very high globalization level, it either reached a very high or a high political stability. This positive relation can be shown on maps representing the levels of globalization and political instability reached by countries.

If we analyze and compare the results from this categorization, we find that 64 countries, that is the 39,2% of the panel, registered the same category, and therefore had the same macro-levels of globalization and political stability. Looking at this result more in detail, it must be acknowledge that the major relation was registered for countries scoring very high and low levels of globalization-political stability. Together, they amounted the 63,2%

Result 1 - Perfect Relation		
Panel: 163 Countries		
Lev. 1	Very High Globalization – Very High Political Stability	23
Lev. 2	High Globalization – High Political Stability	10
Lev. 3	Moderate Globalization – Moderate Political Stability	11
Lev. 4	Low Globalization – Low Political Stability	20
TOTAL		64

It is very interesting to analyze this first sub-panel. In fact, we register that the majority of Level 1 countries are Developed Countries from North America, West Europe and in some cases Middle East (United Arab Emirates) and Asia (Singapore). At the same time, if we scale down, we notice that there is a neat positive relation between the level of development reached by countries and their globalization-political stability level. This is clear analyzing the last category: those countries showing low levels of globalization-political stability usually register post-conflict situations and/or low levels of economic, social and political development.

Country	KOF	Lev	Country	EIU	Lev
Afghanistan	31,46	4	Afghanistan	78,00	4
Angola	44,73	4	Angola	76,00	4
Australia	81,59	1	Australia	36,00	1
Austria	89,48	1	Austria	36,00	1
Bahrain	68,34	2	Bahrain	55,00	2
Bangladesh	40,65	4	Bangladesh	75,00	4
Belgium	92,03	1	Belgium	40,00	1
Belize	48,23	3	Belize	62,00	3
Brazil	59,21	2	Brazil	54,00	2
Canada	85,38	1	Canada	28,00	1
Central African Republic	36,33	4	Central African Republic	78,00	4
Chad	40,15	4	Chad	85,00	4
Colombia	52,04	3	Colombia	70,00	3
Congo (Brazzaville)	50,56	3	Congo (Brazzaville)	63,00	3
Congo (Democratic Republic)	36,87	4	Congo (Democratic Republic)	82,00	4
Cyprus	86,08	1	Cyprus	41,00	1
Czech Republic	84,86	1	Czech Republic	37,00	1
Denmark	88,12	1	Denmark	22,00	1
Egypt	58,01	2	Egypt	54,00	2
El Salvador	62,59	2	El Salvador	52,00	2
Finland	84,85	1	Finland	32,00	1
Gambia	51,51	3	Gambia	67,00	3
Germany	81,08	1	Germany	30,80	1
Guinea	42,31	4	Guinea	75,00	4
Guinea-Bissau	42,58	4	Guinea Bissau	75,00	4
Guyana	50,88	3	Guyana	67,00	3
Haiti	35,02	4	Haiti	78,00	4
Indonesia	55,02	3	Indonesia	68,00	3
Iraq	40,01	4	Iraq	79,00	4
Ireland	91,79	1	Ireland	46,00	1
Jamaica	59,21	2	Jamaica	60,00	2
Jordan	70,01	2	Jordan	54,00	2
Kuwait	70,97	2	Kuwait	55,00	2
Lesotho	47,00	3	Lesotho	70,00	3
Liberia	30,81	4	Liberia	74,00	4
Luxembourg	85,15	1	Luxembourg	36,00	1
Madagascar	42,53	4	Madagascar	71,00	4
Malta	76,09	1	Malta	47,00	1
Mongolia	57,29	3	Mongolia	61,00	3
Morocco	61,38	2	Morocco	50,60	2
Myanmar	31,98	4	Myanmar	71,00	4

Nepal	38,05	4	Nepal	75,00	4
Netherlands	91,33	1	Netherlands	40,00	1
New Zealand	78,22	1	New Zealand	36,00	1
Niger	37,81	4	Niger	75,00	4
North Korea		4	North Korea	77,00	4
Norway	81,99	1	Norway	12,00	1
Paraguay	57,57	3	Paraguay	64,00	3
Philippines	56,12	3	Philippines	68,00	3
Poland	79,01	1	Poland	45,00	1
Qatar	72,03	1	Qatar	41,00	1
Sierra Leone	38,97	4	Sierra Leone	72,00	4
Singapore	88,89	1	Singapore	40,70	1
Slovenia	76,85	1	Slovenia	38,00	1
South Korea	62,31	2	South Korea	51,00	2
Sudan	36,19	4	Sudan	80,00	4
Sweden	87,63	1	Sweden	32,00	1
Switzerland	86,28	1	Switzerland	34,00	1
Tajikistan	40,79	4	Tajikistan	71,00	4
Timor-Leste	24,35	4	Timor Leste	73,00	4
Uganda	46,18	3	Uganda	65,00	3
United Arab Emirates	75,66	1	United Arab Emirates	41,00	1
United Kingdom	85,39	1	United Kingdom	41,00	1
Uruguay	65,28	2	Uruguay	52,00	2

The second result takes into consideration those countries that registered a difference of one category between their levels of globalization and political stability. This sub-panel amounted to 62 countries, that is the 38% of the broader Panel. Together with the previous sub-panel, we have the 77,2% of countries that showed a strict relation between globalization and political stability variables.

Result 2 - Differentiation by one level (+1; -1).		
Panel: 163 Countries		
-1	Higher Globalization - Lower Political Stability	36
+1	Lower Globalization - Higher Political Stability	26
TOTAL		62

The spectrum of countries comprised in this second sub-panel is extremely heterogeneous. In fact we find developed, developing and underdeveloped countries. Although this is the first consideration that has to be made, looking in more detail we find that usually developed countries (such as Italy, the USA, Spain, Portugal, Israel,

etc.) registered a higher globalization level than political stability. On the other hand, less developed countries have levels of political stability that are higher than the globalization's one.

Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Albania	58,32	2	Albania	62,00	3	-1
Bolivia	53,08	3	Bolivia	77,00	4	-1
Bulgaria	71,73	1	Bulgaria	61,00	2	-1
Cambodia	47,68	3	Cambodia	80,00	4	-1
Chile	72,91	1	Chile	51,00	2	-1
Cote d'Ivoire	52,05	3	Cote d'Ivoire	78,00	4	-1
Croatia	75,36	1	Croatia	61,00	2	-1
Ecuador	54,01	3	Ecuador	77,00	4	-1
France	83,86	1	France	53,00	2	-1
Georgia	61,56	2	Georgia	63,00	3	-1
Guatemala	59,67	2	Guatemala	66,00	3	-1
Honduras	60,93	2	Honduras	68,00	3	-1
Hungary	86,85	1	Hungary	61,00	2	-1
Iceland	72,73	1	Iceland	50,30	2	-1
Israel	77,27	1	Israel	55,00	2	-1
Italy	81,01	1	Italy	50,00	2	-1
Kenya	48,79	3	Kenya	75,00	4	-1
Kyrgyz Republic	56,12	3	Kyrgyz Republic	71,00	4	-1
Latvia	69,00	2	Latvia	67,00	3	-1
Lebanon	67,51	2	Lebanon	70,00	3	-1
Macedonia, FYR	60,01	2	Macedonia	66,00	3	-1
Mali	46,87	3	Mali	70,00	4	-1
Montenegro	68,86	2	Montenegro	64,00	3	-1
Pakistan	51,38	3	Pakistan	78,00	4	-1
Portugal	87,07	1	Portugal	48,00	2	-1
Russia	67,78	2	Russia	65,00	3	-1
Saudi Arabia	67,49	2	Saudi Arabia	61,00	3	-1
Senegal	53,08	3	Senegal	75,00	4	-1
Serbia	64,09	2	Serbia	63,00	3	-1
Slovakia	83,49	1	Slovakia	55,00	2	-1
Spain	84,21	1	Spain	55,00	2	-1
Sri Lanka	49,85	3	Sri Lanka	73,00	4	-1
Thailand	63,64	2	Thailand	70,00	3	-1
United States of America	74,76	1	United States of America	53,00	2	-1
Venezuela	49,44	3	Venezuela	73,00	4	-1

Zambia	55,62	3	Zambia	78,00	4	-1
Algeria		4	Algeria	66,00	3	1
Armenia	54,72	3	Armenia	58,00	2	1
Azerbaijan	56,71	3	Azerbaijan	52,00	2	1
Burkina Faso	44,35	4	Burkina Faso	69,00	3	1
Burundi	33,05	4	Burundi	69,00	3	1
Cameroon	45,22	4	Cameroon	69,00	3	1
China	59,43	2	China	48,00	1	1
Costa Rica	61,64	2	Costa Rica	35,00	1	1
Eritrea	27,34	4	Eritrea	67,00	3	1
Gabon	53,45	3	Gabon	51,00	2	1
Ghana	54,55	3	Ghana	59,00	2	1
Iran	40,24	4	Iran	62,00	3	1
Japan	63,73	2	Japan	38,00	1	1
Kazakhstan	58,04	2	Kazakhstan	48,00	1	1
Mauritania	44,43	4	Mauritania	69,00	3	1
Mauritius	61,78	2	Mauritius	40,50	1	1
Mexico	0,00	4	Mexico	61,00	3	1
Mozambique	46,05	3	Mozambique	50,70	2	1
Namibia	54,99	3	Namibia	58,00	2	1
Oman	61,38	2	Oman	39,00	1	1
Papua New Guinea	45,71	4	Papua New Guinea	69,00	3	1
Togo	50,67	3	Togo	53,00	2	1
Trinidad and Tobago	57,97	2	Trinidad and Tobago	47,00	1	1
Tunisia	59,58	2	Tunisia	46,00	1	1
Uzbekistan	34,41	4	Uzbekistan	63,00	3	1
Yemen	45,18	4	Yemen	61,00	3	1

The third sub-panel is composed by those countries that registered a difference of two levels between their globalization and political stability scores. We counted 33 countries, that is the 24,2% of the whole Panel.

Result 3 – Differentiation by two levels (+2; -2).		
Panel: 163 Countries		
-2	Higher Globalization – Lower Political Stability	14
+2	Lower Globalization – Higher Political Stability	19
TOTAL		33

In this case too, the composition of the sub-panel is profoundly heterogeneous. However, a common path is recognizable. In fact, every country counted in this result

has some form of vulnerability. For instance, a typical example may be Greece, which registered an high level of globalization combined with a moderate political stability.

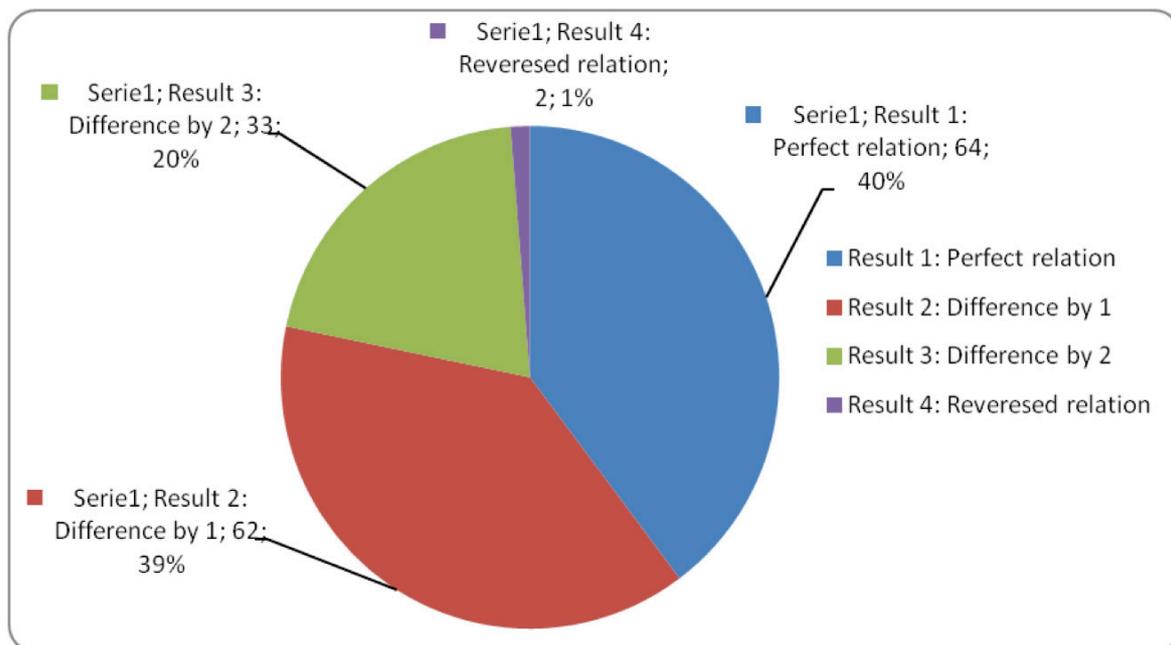
Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Argentina	58,03	2	Argentina	71,00	4	-2
Bosnia and Herzegovina	63,31	2	Bosnia and Herzegovina	75,00	4	-2
Dominican Republic	60,22	2	Dominican Republic	76,00	4	-2
Estonia	79,72	1	Estonia	67,00	3	-2
Greece	80,31	1	Greece	63,00	3	-2
Lithuania	72,79	1	Lithuania	61,00	3	-2
Malaysia	78,23	1	Malaysia	65,00	3	-2
Moldova	63,49	2	Moldova	75,00	4	-2
Nigeria	61,02	2	Nigeria	70,00	4	-2
Panama	67,43	2	Panama	71,00	4	-2
Peru	64,03	2	Peru	70,00	4	-2
Romania	72,53	1	Romania	64,00	3	-2
South Africa	64,39	2	South Africa	70,00	4	-2
Ukraine	67,78	2	Ukraine	76,00	4	-2
Belarus	54,98	3	Belarus	48,00	1	2
Benin	43,97	4	Benin	59,00	2	2
Bhutan	27,91	4	Bhutan	53,00	2	2
Botswana	46,24	3	Botswana	47,00	1	2
Cape Verde	45,76	4	Cape Verde	55,00	2	2
Cuba	48,88	3	Cuba	42,00	1	2
Equatorial Guinea	26,26	4	Equatorial Guinea	61,00	2	2
Ethiopia	37,46	4	Ethiopia	51,00	2	2
India	51,57	3	India	45,00	1	2
Laos	26,52	4	Laos	51,00	2	2
Libya	48,94	3	Libya	43,00	1	2
Malawi	42,06	4	Malawi	57,00	2	2
Rwanda	42,24	4	Rwanda	49,00	2	2
Seychelles	47,99	3	Seychelles	41,00	1	2
Swaziland	51,14	3	Swaziland	47,00	1	2
Syria	43,67	4	Syria	58,00	2	2
Tanzania	39,12	4	Tanzania	59,00	2	2
Turkmenistan	36,06	4	Turkmenistan	61,00	2	2
Vietnam	47,02	3	Vietnam	43,00	1	2

Finally, the fourth result takes into consideration those countries that registered a complete mismatch between levels of globalization and political stability. This final sub-panel counted only two countries, that is Nicaragua and Sao Tome and Principe.

Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Nicaragua	54,42	3	Nicaragua	59,00		3
Sao Tome and Principe	35,00	4	Sao Tome & Principe	43,00	1	3

The results of our investigation may be summarized in the following graph. The overall majority of countries registered a positive relationship between their levels of globalization and political stability. We can affirm that when a country is globalized, it tends to be politically stable, and vice-versa.

Figure: Aggregate results of WGI-EUI indexes compared



TEST 2

The results from our first test were highly positive. A positive relationship between globalization and political stability (or, in other terms, a reversed relation between globalization and political instability) has been demonstrated. But the latter is only one dimension, even if extremely relevant, of political risk.

In an attempt to broaden our testing, we will now consider the relation between globalization and political risk as a whole. In order to do that, we will examine the KOF's Index of Globalization in relation to the Worldwide Governance Indicators (WGI) developed by a project of the World Bank. offering an extremely accurate dataset of the economic, social, political and institutional situation of the countries analyzed.

The Worldwide Governance Indicators are produced by Daniel Kaufmann (Revenue Watch and Brooke Institution), Aart Kray (World Bank Development Research Group) and Massimo Mastruzzi (World Bank Institute) (see annex 4). This dataset take into consideration 215 countries over the period 1996-2012. WGI are composed of six broad dimensions of governance, that is "the traditions and

institutions by which authority in a country is exercised. This includes the process by which governments are selected, monitored and replaced; the capacity of the government to effectively formulate and implement sound policies; and the respect of citizens and the state for the institutions that govern economic and social interactions among them” (Kauffman, Kraay, & Mastruzzi, 2010, 4). The six dimensions are:

- Voice and Accountability (1);
- Political Stability and Absence of Violence (2);
- Government Effectiveness (3);
- Regulatory Quality (4);
- Rule of Law (5);
- Control of Corruption (6).

We decided to use this source for two main reasons: the WGI are able to aggregate a large amount of data from very reliable and validated sources, and they represent the “state of the art” in the definition of these six dimensions of political risk. In addition, if we look to the Political risk models presented earlier, we can notice that they tend to include – and are formed by - variables attributable to the six dimension assessed by WGI. Last, but not least, the WGI focus almost entirely on the internal dimension of a given country.

The WGI’s scale of value scores from -2.5 to 2.5. That is, -2.5 is the lowest possible score for a determinate dimension, and 2.5 is the maximum. Although the WGI don’t offer an aggregate score of all the six dimensions altogether, it is possible to create such an index through an average calculation (see annex 4). After this proceedings, we selected 160 countries that are analyzed in both the KOF’s index and in the WGI. The data extracted were from the year 2010. Then, we proceeded in a similar way as we did in the previous phase. We scaled down the two indexes from the highest to the lowest score, selecting four categories comprising each 25% of the Panel (that is, 40 countries each). Every category represent a “level” of globalization or governance reach by a country. In this case, for the WGI, the higher is the value the lower is the political risk.

If we analyze Result 1, we find that 100 countries registered the same category. The majority is formed by those scoring Level 1 and Level 4, in line with the results of the previous test.

Result 1 – Perfect Relation Panel: 160 Countries		
Lev. 1	Very High Globalization – Very High Governance	34
Lev. 2	High Globalization – High Political Governance	21
Lev. 3	Moderate Globalization – Moderate Governance	18
Lev. 4	Low Globalization – Low Political Governance	27
TOTAL		100

Country	WGI	Value	Country	KOF	Value	Difference
Afghanistan	-1,76	4	Afghanistan	31,46	4	0
Albania	-0,17	2	Albania	58,32	2	0
Algeria	-0,86	4	Algeria		4	0
Angola	-1,01	4	Angola	44,73	4	0
Argentina	-0,29	2	Argentina	58,03	2	0
Armenia	-0,30	3	Armenia	54,72	3	0
Australia	1,60	1	Australia	81,59	1	0
Austria	1,55	1	Austria	89,48	1	0
Bahrain	0,08	2	Bahrain	68,34	2	0
Bangladesh	-0,85	4	Bangladesh	40,65	4	0
Belgium	1,32	1	Belgium	92,03	1	0
Bolivia	-0,55	3	Bolivia	53,08	3	0
Brazil	0,11	2	Brazil	59,21	2	0
Cameroon	-0,91	4	Cameroon	45,22	4	0
Canada	1,61	1	Canada	85,38	1	0
Central African Republic	-1,30	4	Central African Republic	36,33	4	0
Chad	-1,37	4	Chad	40,15	4	0
Chile	1,22	1	Chile	72,91	1	0
Colombia	-0,37	3	Colombia	52,04	3	0
Congo (Democratic Republic)	-1,03	4	Congo (Democratic Republic)	36,87	4	0
Cuba	-0,59	3	Cuba	48,88	3	0
Cyprus	1,10	1	Cyprus	86,08	1	0
Czech republic	0,89	1	Czech Republic	84,86	1	0
Denmark	1,82	1	Denmark	88,12	1	0
El Salvador	-0,10	2	El Salvador	62,59	2	0
Equatorial guinea	-1,24	4	Equatorial Guinea	26,26	4	0
Eritrea	-1,40	4	Eritrea	27,34	4	0
Estonia	1,03	1	Estonia	79,72	1	0
Ethiopia	-0,94	4	Ethiopia	37,46	4	0
Finland	1,87	1	Finland	84,85	1	0
France	1,26	1	France	83,86	1	0
Gabon	-0,54	3	Gabon	53,45	3	0
Gambia, the	-0,52	3	Gambia	51,51	3	0
Georgia	-0,06	2	Georgia	61,56	2	0
Germany	1,43	1	Germany	81,08	1	0
Guinea	-1,26	4	Guinea	42,31	4	0
Guinea-bissau	-1,02	4	Guinea-Bissau	42,58	4	0
Guyana	-0,35	3	Guyana	50,88	3	0
Haiti	-1,16	4	Haiti	35,02	4	0

Hungary	0,71	1	Hungary	86,85	1	0
Iceland	1,43	1	Iceland	72,73	1	0
Indonesia	-0,48	3	Indonesia	55,02	3	0
Iran	-1,22	4	Iran	40,24	4	0
Iraq	-1,42	4	Iraq	40,01	4	0
Ireland	1,46	1	Ireland	91,79	1	0
Israel	0,57	1	Israel	77,27	1	0
Italy	0,52	1	Italy	81,01	1	0
Jamaica	-0,06	2	Jamaica	59,21	2	0
Jordan	-0,08	2	Jordan	70,01	2	0
Kenya	-0,66	3	Kenya	48,79	3	0
Kuwait	0,21	2	Kuwait	70,97	2	0
Lao pdr	-0,98	4	Laos	26,52	4	0
Lithuania	0,72	1	Lithuania	72,79	1	0
Luxembourg	1,72	1	Luxembourg	85,15	1	0
Macedonia, FYR	-0,10	2	Macedonia, FYR	60,01	2	0
Mali	-0,41	3	Mali	46,87	3	0
Malta	1,21	1	Malta	76,09	1	0
Mauritania	-0,89	4	Mauritania	44,43	4	0
Montenegro	0,09	2	Montenegro	68,86	2	0
Morocco	-0,27	2	Morocco	61,38	2	0
Myanmar	-1,74	4	Myanmar	31,98	4	0
Nepal	-0,89	4	Nepal	38,05	4	0
Netherlands	1,64	1	Netherlands	91,33	1	0
New zealand	1,78	1	New Zealand	78,22	1	0
Nicaragua	-0,64	3	Nicaragua	54,42	3	0
Norway	1,72	1	Norway	81,99	1	0
Oman	0,23	2	Oman	61,38	2	0
Panama	0,08	2	Panama	67,43	2	0
Peru	-0,25	2	Peru	64,03	2	0
Philippines	-0,55	3	Philippines	56,12	3	0
Poland	0,78	1	Poland	79,01	1	0
Portugal	0,94	1	Portugal	87,07	1	0
Qatar	0,71	1	Qatar	72,03	1	0
Saudi Arabia	-0,24	2	Saudi Arabia	67,49	2	0
Senegal	-0,44	3	Senegal	53,08	3	0
Serbia	-0,15	2	Serbia	64,09	2	0
Singapore	1,48	1	Singapore	88,89	1	0
Slovak republic	0,75	1	Slovakia	83,49	1	0
Slovenia	0,91	1	Slovenia	76,85	1	0
South africa	0,25	2	South Africa	64,39	2	0
Spain	0,86	1	Spain	84,21	1	0
Sri lanka	-0,38	3	Sri Lanka	49,85	3	0
Sudan	-1,61	4	Sudan	36,19	4	0
Swaziland	-0,51	3	Swaziland	51,14	3	0

Sweden	1,77	1	Sweden	87,63	1	0
Switzerland	1,71	1	Switzerland	86,28	1	0
Syria	-0,92	4	Syria	43,67	4	0
Tajikistan	-1,11	4	Tajikistan	40,79	4	0
Timor-leste	-0,83	4	Timor-Leste	24,35	4	0
Trinidad and Tobago	0,10	2	Trinidad and Tobago	57,97	2	0
Tunisia	-0,20	2	Tunisia	59,58	2	0
Turkey	-0,05	2	Turkey	69,02	2	0
Turkmenistan	-1,38	4	Turkmenistan	36,06	4	0
Uganda	-0,58	3	Uganda	46,18	3	0
United Kingdom	1,39	1	United Kingdom	85,39	1	0
United States of America	1,24	1	United States of America	74,76	1	0
Uzbekistan	-1,29	4	Uzbekistan	34,41	4	0
Vietnam	-0,57	3	Vietnam	47,02	3	0
Yemen	-1,27	4	Yemen	45,18	4	0
Zambia	-0,36	3	Zambia	55,62	3	0

Result 2 shows that 54 Countries, that is 33.8% of the Panel, registered a difference of 1 (+1;-1) in their levels of globalization and governance. Together with Result 1, we have more than 96% of the overall Panel showing a positive relation between globalization and governance. We remember that this result means also that 96% of the countries register an inverse relation with political risk: when a country is globalized, it tends to be less subject to political risk.

Result 2 - Differentiation by one level (+1; -1). Panel: 160 Countries		
-1	Higher Globalization - Lower Governance	23
+1	Lower Globalization - Higher Governance	31
TOTAL		54

Country	WGI	Value	Country	KOF	Value	Difference
Azerbaijan	-0,78	4	Azerbaijan	56,71	3	1
Belarus	-0,96	4	Belarus	54,98	3	1
Belize	-0,10	2	Belize	48,23	3	-1
Benin	-0,30	3	Benin	43,97	4	-1
Bosnia and Herzegovina	-0,39	3	Bosnia and Herzegovina	63,31	2	1
Bulgaria	0,22	2	Bulgaria	71,73	1	1
Cambodia	-0,86	4	Cambodia	47,68	3	1
Cape verde	0,48	2	Cape Verde	45,76	3	-1
China	-0,56	3	China	59,43	2	1

Congo (Brazzaville)	-1,67	4	Congo (Brazzaville)	50,56	3	1
Costa rica	0,61	1	Costa Rica	61,64	2	-1
Côte d'ivoire	-1,20	4	Cote d'Ivoire	52,05	3	1
Croatia	0,39	2	Croatia	75,36	1	1
Dominican Republic	-0,41	3	Dominican Republic	60,22	2	1
Ecuador	-0,80	4	Ecuador	54,01	3	1
Egypt	-0,54	3	Egypt	58,01	2	1
Ghana	0,10	2	Ghana	54,55	3	-1
Greece	0,40	2	Greece	80,31	1	1
Guatemala	-0,59	3	Guatemala	59,67	2	1
Honduras	-0,61	3	Honduras	60,93	2	1
India	-0,29	2	India	51,57	3	-1
Japan	1,22	1	Japan	63,73	2	-1
Kazakhstan	-0,50	3	Kazakhstan	58,04	2	1
Kyrgyz Republic	-0,88	4	Kyrgyz Republic	56,12	3	1
Latvia	0,64	1	Latvia	69,00	2	-1
Lebanon	-0,62	3	Lebanon	67,51	2	1
Lesotho	-0,12	2	Lesotho	47,00	3	-1
Liberia	-0,76	3	Liberia	30,81	4	-1
Libya	-1,07	4	Libya	48,94	3	1
Madagascar	-0,75	3	Madagascar	42,53	4	-1
Malawi	-0,29	3	Malawi	42,06	4	-1
Malaysia	0,34	2	Malaysia	78,23	1	1
Mauritius	0,77	1	Mauritius	61,78	2	-1
Moldova	-0,39	3	Moldova	63,49	2	1
Mongolia	-0,21	2	Mongolia	57,29	3	-1
Mozambique	-0,27	2	Mozambique	46,05	3	-1
Namibia	0,32	2	Namibia	54,99	3	-1
Niger	-0,70	3	Niger	37,81	4	-1
Pakistan	-1,11	4	Pakistan	51,38	3	1
Papua New Guinea	-0,70	3	Papua New Guinea	45,71	4	-1
Paraguay	-0,64	3	Paraguay	57,57	2	1
Romania	0,15	2	Romania	72,53	1	1
Russia	-0,74	3	Russia	67,78	2	1
São Tomé and Principe	-0,44	3	Sao Tome and Principe	35,00	4	-1
Seychelles	0,16	2	Seychelles	47,99	3	-1
Sierra Leone	-0,68	3	Sierra Leone	38,97	4	-1
Tanzania	-0,36	3	Tanzania	39,12	4	-1
Thailand	-0,34	3	Thailand	63,64	2	1
Togo	-0,89	4	Togo	50,67	3	1
Ukraine	-0,53	3	Ukraine	67,78	2	1
United Arab Emirates	0,40	2	United Arab Emirates	75,66	1	1
Uruguay	0,82	1	Uruguay	65,28	2	-1
Venezuela	-1,28	4	Venezuela	49,44	3	1
Zimbabwe	-1,54	4	Zimbabwe	50,07	3	1

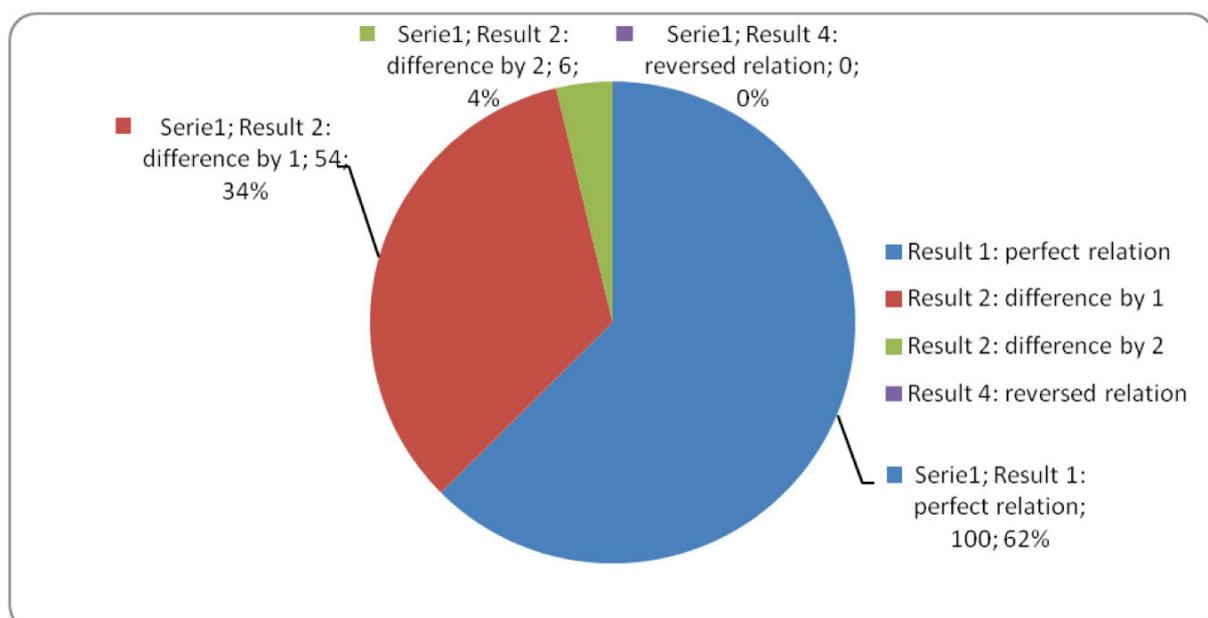
Finally, Result 3 and Result 4, that is countries registering differences between levels of globalization counting for 3 or 4 units, where only 6, and all in Result 2.

Result 3 - Differentiation by two levels (+2; -2). Panel: 160 Countries		
-2	Higher Globalization - Lower Governance	5
+2	Lower Globalization - Higher Governance	1
TOTAL		6
Result 4 - Differentiation by three levels (+3; -3). Panel: 160 Countries		
-3	Higher Globalization - Lower Governance	0
+3	Lower Globalization - Higher Governance	0
TOTAL		0

Country	WGI	Value	Country	KOF	Value	Difference
Bhutan	0,10	2	Bhutan	27,91	4	-2
Botswana	0,67	1	Botswana	46,24	3	-2
Burkina Faso	-0,28	2	Burkina Faso	44,35	4	-2
Mexico	-0,19	2	Mexico	0,00	4	-2
Rwanda	-0,26	2	Rwanda	42,24	4	-2
Nigeria	-1,17	4	Nigeria	61,02	2	2

The overall result of this test is shown in the Figure below. We can affirm that our assumption was correct: a positive relationship exist between globalization and political risk. That is, the more a country is globalized the less will be subject to risks related to the socio-economic, political and institutional scenario.

Figure: Aggregate results of WGI-KOF indexes compared



Thanks to these brief tests, it is possible to affirm that an overall positive relationship exists between globalization and political stability and governance, which are core variables in any political risk analysis models⁴.

Towards a Comprehensive Model of Political Risk Analysis

In this last section we delineate a conceptual political risk analysis model that incorporates the inter/transnational variable. As we previously assessed, globalization should be considered a political risk-mitigating factor. Therefore our model is crafted accordingly.

We adopt the PRA model developed by Leonardo Morlino and Cecilia Sottilotta and develop it further by integrating an international/trans-national dimension, constituted of different variables based upon indicators taken from reliable sources. In doing this, we develop a more “efficient” conceptual international variable introducing sources that are not taken into consideration by KOF’s Globalization Index.

The model developed by Morlino and Sottilotta defines a set of “rules of the political risk concept building” (Morlino & Sottilotta, 2012). These rules are:

1. When dealing with PRA, a part-whole hierarchy approach is to be preferred to classic, Aristotelian kind-hierarchy.
2. PRA can be thought of as a “three level concept”, with a basic level, a secondary level (dimensions) and an indicator/data level.
3. In order to build consistent and reliable measurement techniques for PRA, special attention should be paid to the relationship between the basic and the secondary level of the concept.
4. Such relationship should be conceptualized as a causal one, and its direction as being a “bottom-up one”, configuring a model in which the dimensions are the explicative variables, and political risk the explained one.

In their model, political risk is operationalized taking into account two dimensions: political stability and rule of law. Political stability is defined as the “absence of domestic civil conflict and violent behavior and of structural political change”. Rule of law is instead conceptualized as “a multifaceted concept in itself, lies at the heart of many scholarly endeavors aiming at defining it both in normative and empirical terms. The *rule of law* is not only the enforcement of legal norms. It also connotes the principle of the supremacy of law, that is, the Ciceronian *legum servi sumus*, and entails at least *the capacity*, even if limited, to make authorities respect the laws, and to have laws that are non-retroactive, publicly known, universal, stable, and unambiguous” (Morlino & Sottilotta, 2012). These two dimension are then empirically defined through several sub-dimensions. The sub-dimensions and the empirical definitions of political stability and rule of law are drawn up starting from previous researches in the fields of political science and comparative politics, and data are

⁴ These preliminary results will be tested with a stronger statistical analysis in the future research. We expect the results to be confirmed.

derived from reliable sources. In short, this model is very useful in the development of our trans-national dimension as it was constructed upon a very strong theoretical approach and the variables and indicators are identified relying on robust empirical researches. Therefore this model offers a solid base, especially for the internal dimensions of political risk, for the construction and development of our international/trans-national variable. In the following figure we summarize the model developed by Morlino-Sotttilotta in a schematic way. The figure shows the two dimensions, their sub dimensions and the sources utilized by the two authors.

Table: Morlino-Sotttilotta’s Political Risk Analysis Model and Sources

Political Stability Dimension	Rule of Law Dimension
<ul style="list-style-type: none"> • Human Development (HDI Index) • Inequality (HDI Index) • Political Legitimacy (EIU Political Stability Index) • Constraints to Responsiveness (TODEM Data by Morlino-Quaranta) • International/Regional Integration (Levitsky and Way Index) 	<ul style="list-style-type: none"> • Civil Order (Cingranelli and Richards Physical Integrity Index) • Property Rights (Fraser Institute's Economic Freedom of the World Index) • Military Interference (Fraser Institute's Economic Freedom of the World Index) • Integrity (Transparency International's Corruption Perceptions Index) • Constraints and Executive (Polity IV)

Source (Morlino & Sotttilotta, 2012)

The model described in the figure above contains a sub dimension called “International/Regional integration”, under the political stability dimension. As explained by Morlino-Sotttilotta, this sub-dimension “aims at capturing the external dimension of political stability, relying on the hypothesis that the lower the level of integration of a country in the international community, the higher the potential for political instability. Linkage is operationalized in terms of exports as share of GDP, leverage is measured in terms of membership in three international organizations: the UE, NATO and WTO” (Morlino & Sotttilotta, 2012). While it is positive that this model contains such sub dimension, in our opinion, this is too limited. The issue of globalization and international integration deserves a more sophisticated discussion based on multiple factors and indicators.

We suggest to include a third dimension, called **international/trans-national**, that aims to assess the level of global (both formal/institutional and informal/practice-based) integration reached by a country. This dimension is constructed upon three different sub dimensions: economic integration, political integration and socio-cultural integration. This operationalization reflects the modus operandi adopted by several globalization indices, such as the ones developed by KOF, A.T. Kearney/Foreign Policy and others.

The economic integration sub dimension analyses the level of international, trans-national and regional economic integration reached by a country. This first sub dimension is pivotal in the development of a international/trans-national dimension,

because, as we have seen, international economy and trade were the principal areas in which globalization started to develop and still are the primary drivers of the globalization process as a whole. As for the dimension as a whole, our assumption is that the higher is the level of international economic integration, the lowest is the political risk level.

The political sub dimension measures the international/transnational political integration. This aspect is very important as the participation to international organizations, the presence of NGOs, the presence of international or terrorist organizations, have a strong impact in classic variables of political risk such as rule of law, political stability, absence of violence, risk of breach of contract, etc... It is important to note that in this sub-division some indicators are political risk mitigating factors, while others are risk threats.

The socio-cultural sub dimension analyses the level of international, transnational and regional integration reached by a country from a social and cultural point of view. This sub dimension is particularly important for the development of a conceptualization of the world as one unified social entity, in short it allows the people to better accept and spread the process of globalization.

Table: dimensions of transnational influence

Economic integration	Political integration	Social integration
<ul style="list-style-type: none"> • <u>IMF Financial Data</u>: use of quota based resources to finance operations, national share of quota in the IMF • <u>Trade of Goods in US Dollar (Export-Import)</u> from the Commodity Trade Statistic Division, UN Statistic Database • <u>Export of Goods and Services in % of GDP</u>, World Bank Data • <u>Balance of Payments-current account</u>, UN Global Indicators Database • <u>Foreing Direct Investment net inflows</u>, World Bank Data • <u>External Debt Stock in current US Dollars</u>, UN Global Indicators Database • <u>Official Development assistance and official aid in US Dollars</u>, UN Indicators Database • <u>Structural Adjustment Projects</u>, Regional Bank for Reconstruction and Development Statistic Databases • <u>Taxes on international trade</u>, World Bank Data (risk factor) 	<ul style="list-style-type: none"> • <u>Participation to Treaties, Conventions, Charters, Pacts, Agreements developed by, deposited to, or sponsored by the United Nations</u>. UN Nations Treaty Collection Database • <u>International Disputes</u>, CIA World Factbook (risk factor) • <u>Terrorist Attacks from international/external terrorist groups</u>, Global Terrorism Database (risk factor) • <u>Presence of UN Peacekeeping Mission and/or filed missions</u>, United Nations Peacekeeping Statistics • <u>Presence of NGOs</u>, Worldwide NGO Directory • <u>Number of international refugees</u>, United Nations High Commissioner for Refugees • <u>Participation to International Organizations</u>, CIA World Factbook 	<ul style="list-style-type: none"> • <u>Arrivals of non resident tourists/visitors, departures and expenditure in the country and other countries</u>, World Tourism Organization • <u>Internet Users in % of population</u>, UN Global Indicators Database • <u>Daily Newspaper circulation per 1000 inhabitants</u>, UN Global Indicators Database • <u>Mobile Telephone subscriptions per 100 inhabitants</u>, UN Global Indicators Database • <u>Total Number of combined radio and television institutions</u>, UNESCO Institute for Statistics • <u>Foreign Population (non-citizens) from 15 years of age and over</u>, UNSD Demographic Statistics, UN Statistic Database • <u>Net Migration</u>, World Bank Data; • <u>International voice traffic out and in (minutes)</u>, World Development Database Indicator • <u>International Letters</u>, United Nations Commodity Trade Statistics Database

The international/transnational dimension allows to determine the level of integration reached by a determined country in a detailed way. We think that this approach, based on the three main dimensions of globalization (economic, political and socio-cultural) provides a solid ground for developing a comprehensive and precise variable that, in combination with the internal dimensions of political risk, is able to produce more reliable analysis.

The complete Political Risk Analysis model, elaborated from the model developed by Morlino-Sotttilotta, is shown in the following figure.

Table: An integrated, globalization-sensitive, political risk analysis model

Political Stability Dimension	Rule of Law Dimension	International/Transnational Dimension
<ul style="list-style-type: none"> • Human Development • Inequality • Political Legitimacy • Constraints to Responsiveness 	<ul style="list-style-type: none"> • Civil Order • Property Rights • Military Interference • Integrity • Constraints and Executive 	<ul style="list-style-type: none"> • Economic Integration • Political Integration • Socio-Cultural Integration

Source: Personal elaboration

Conclusions

The objective of this paper was to test the relation between global integration and political risk. We have shown that a clear positive relationship exists between the degree of global integration of any country and its internal stability and governance, which are crucial factors for the political risk. These preliminary results will be tested with more sophisticated statistical tools in the future development of this research. For the moment, however, the result sufficed to outline a new conceptual model of political risk analysis which incorporates a transnational variable. To this end, we focused our attention in developing the conceptual approach and in researching the most reliable indicators and sources (available through Open Source Intelligence) for the construction of the transnational variable. We think that the sub dimensions proposed, and the relative indicators, represent the best possible scheme for the construction of such a variable, given the information and data currently available.

These experiments were carried out in order to support our opinion that globalization is a political risk mitigating factor, and that a positive relationship exists between political risk and the level of international integration reached by a country. The test was conducted relying upon the aggregated sources available today. Through these tests we aimed at opening the course for a new research path that, developing

more sophisticated and uniformed indexes on both globalization and political risk variables, would allow to better understand the effects and implications of international and transnational factors within the political, social, institutional framework of a given country. In a globalized world, where international and local events correlate one with another, and the cause-effect relation is always more flexible, we believe that the understanding of the effect of internationalization and the adoption of a comprehensive approach toward socio-political environments is necessary in order to develop reliable political risk analysis models.

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Annexes

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Annex 1 – KOF Index of Globalization: Methodology and sources⁵

The KOF Index of Globalization was introduced in 2002 by Dr. Axel Dreher. The overall index covers the economic, social and political dimensions of globalization, defined as “the process of creating networks of connections among actors at multi-continental distances, mediated through a variety of flows including people, information and ideas, capital and goods”.

Globalization is conceptualized as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence.

More specifically, the three dimensions of the KOF index are defined as:

- **economic globalization**, characterized as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges;
- **political globalization**, characterized by a diffusion of government policies; and
- **social globalization**, expressed as the spread of ideas, information, images and people.

Economic Globalization

In the KOF Index, economic globalization has two dimensions. First, actual economic flows are usually taken to be measures of globalization. Second, the previous literature employs proxies for restrictions to trade and capital. Consequently, two indices are constructed that include individual components suggested as proxies for globalization in the previous literature.

- *Actual Flows*: The sub-index on actual economic flows includes data on trade, FDI and portfolio investment. Data on trade are provided by the World Bank (2011), stocks of FDI (normalized by GDP) are provided by UNCTAD STAT (2011). Portfolio investment is derived from the IMF’s International Financial Statistics (December 2011). More specifically, trade is the sum of a country’s exports and imports and portfolio investment is the sum of a country’s stock of assets and liabilities (all normalized by GDP). While these variables are straightforward, income payments to foreign nationals and capital are included to proxy for the extent that a country employs foreign people and capital in its production processes.
- *Restrictions*: The second index refers to restrictions on trade and capital using hidden import barriers, mean tariff rates, taxes on international trade (as a share of current revenue) and an index of capital controls. Given a certain level of trade, a country with higher revenues from tariffs is less globalized.

To proxy restrictions of the capital account, an index based on data by Gwartney et al. (2012) is employed. This index is based on the IMF’s Annual Report on Exchange Arrangements and Exchange Restrictions and includes 13 different types of capital controls. The index is constructed by subtracting the number of restrictions

⁵ http://globalization.kof.ethz.ch/media/filer_public/2013/03/25/method_2013.pdf

from 13 and multiplying the result by 10. The indices on mean tariff rates and hidden import barriers are also derived from Gwartney et al. (2012). Mean tariff rates originate from various sources. Gwartney et al. allocated a rating of 10 to countries that do not impose any tariffs. As the mean tariff rate increases, countries are assigned lower ratings. The rating will decline toward zero as the mean tariff rate approaches 50 percent (which is usually not exceeded by most countries among their sample). The original source for hidden import barriers, finally, is the World Economic Forum's Global Competitiveness Report (various issues).

Social Globalization

The KOF Index classifies social globalization in three categories. The first covers personal contacts, the second includes data on information flows and the third measures cultural proximity.

- *Personal Contacts*: This index is meant to capture direct interaction among people living in different countries. It includes international telecom traffic (traffic in minutes per person) and the degree of tourism (incoming and outgoing) a country's population is exposed to. Government and worker's transfers received and paid (in percent of GDP) measure whether and to what extent countries interact, while the stock of foreign population is included to capture existing interactions with people from other countries. The number of international letters sent and received also measure direct interaction among people living in different countries. Telecom traffic is provided by the International Telecommunication Union (2011), while the number of letters is taken from the Universal Postal Union's Postal Statistics Database. The remaining three variables are from the World Bank (2011, 2013).
- *Information flows*: While personal contact data are meant to capture measurable interactions among people from different countries, the sub-index on information flows is meant to measure the potential flow of ideas and images. It includes the number of internet users (per 100 people), the share of households with a television set, and international newspapers traded (in percent of GDP). All these variables to some extent proxy people's potential for receiving news from other countries – they thus contribute to the global spread of ideas. The variables in this sub-index derive from the World Bank (2011), International Telecommunication Union (2011), the UNESCO (various years), and the United Nations Commodity Trade Statistics Database (2011).
- *Cultural Proximity*: Cultural proximity is arguably the dimension of globalization most difficult to grasp. Dreher (2006) suggests the number of English songs in national hit lists or movies shown in national cinemas that originated in Hollywood. However, these data lack for the majority of countries in our sample. Instead, we thus use imported and exported books (relative to GDP), as suggested in Kluver and Fu (2004). Traded books proxy the extent to which beliefs and values move across national borders, taken from the UNESCO (various years), and the United Nations Commodity Trade Statistics Database (2011). According to Saich (2000, p.209) moreover, cultural globalization mostly refers to the domination of U.S. cultural products. Arguably, the United States is the trend-setter in much of the global socio-cultural realm (see Rosendorf, 2000, p.111). As an additional proxy for cultural proximity we thus include the number of McDonald's restaurants located in a country.

For many people, the global spread of McDonald's became a synonym for globalization itself. In a similar vein, we also use the number of Ikea per country.

Political Globalization

To proxy the degree of political globalization KOF Index employs the number of embassies and high commissions in a country and the number of international organizations to which the country is a member and the number of UN peace missions a country participated in. In addition, the Index includes the number of treaties signed between two or more states since 1945. These data are taken from the Europa World Yearbook (various years), the CIA World Factbook (various years), the UN Department of Peacekeeping Operations, and the United Nations Treaties Collection.

Method of Calculation

Indices and Variables	Weights
A. Economic Globalization	[36%]
i) Actual Flows	(50%)
Trade (percent of GDP)	(21%)
Foreign Direct Investment, stocks (percent of GDP)	(28%)
Portfolio Investment (percent of GDP)	(24%)
Income Payments to Foreign Nationals (percent of GDP)	(27%)
ii) Restrictions	(50%)
Hidden Import Barriers	(24%)
Mean Tariff Rate	(27%)
Taxes on International Trade (percent of current revenue)	(26%)
Capital Account Restrictions	(23%)
B. Social Globalization	[37%]
i) Data on Personal Contact	(34%)
Telephone Traffic	(25%)
Transfers (percent of GDP)	(3%)
International Tourism	(26%)
Foreign Population (percent of total population)	(21%)
International letters (per capita)	(24%)
ii) Data on Information Flows	(35%)
Internet Users (per 1000 people)	(33%)
Television (per 1000 people)	(36%)
Trade in Newspapers (percent of GDP)	(31%)
iii) Data on Cultural Proximity	(31%)
Number of McDonald's Restaurants (per capita)	(45%)
Number of Ikea (per capita)	(45%)
Trade in books (percent of GDP)	(10%)
C. Political Globalization	[26%]
Embassies in Country	(25%)
Membership in International Organizations	(28%)
Participation in U.N. Security Council Missions	(22%)
International Treaties	(26%)

In constructing the indices of globalization, each of the variables introduced above is transformed to an index on a scale of one to hundred, where hundred is the maximum value for a specific variable over the 1970-2010 period and one is the minimum value. Higher values denote greater globalization.

The data are transformed according to the percentiles of the original distribution. The weights for calculating the sub-indices are determined with the help of principal components analysis for the entire sample of countries and years. The analysis partitions the variance of the variables used in each sub-group. The weights are then determined in a way that maximizes the variation of the resulting principal component, so that the indices capture the variation as fully as possible. The same procedure is applied to the subindices in order to derive the overall index of globalization.

Data are calculated on a yearly basis. However, not all data are available for all countries and all years. In calculating the indices, all variables are linearly interpolated before applying the weighting procedure. Instead of linear extrapolation, missing values at the border of the sample are substituted by the latest data available. When data are missing over the entire sample period, the weights are readjusted to correct for this. When observations with value zero do not represent missing data, they enter the index with weight zero. Data for sub-indices and the overall index of globalization are not calculated, if they rely on a small range of variables in a specific year and country. Observations for the index are reported as missing if more than 40 percent of the underlying data are missing or at least two out of the three subindices cannot be calculated. The indices on economic, social and political globalization as well as the overall index are calculated employing the weighted individual data series instead of using the aggregated lower-level globalization indices. This has the advantage that data enter the higher levels of the index even if the value of a sub-index is not reported due to missing data.

Annex 2 - EIU Political Instability Index: Methodology and Sources⁶

The index draws on recent insights of the political science literature that seeks to identify and quantify the main social, economic and political factors and traits that are causally associated with, or that can predict, political instability. In particular, it draws on the work of the so-called Political Instability Task Force (PITF) based at George Mason University in the US. The PITF has created a simple model that has a rate of success of over 80% in identifying, ex post, outbreaks of serious instability for a data set that stretches back to 1955.

These attempts to predict the occurrence of unrest on the basis of quantitative models was borne of a dissatisfaction with the experience of traditional, qualitative analysis and assessments, which have had a poor record in predicting outbreaks of social and political turmoil. Some recent analyses have pointed to the need to combine quantitative models with traditional qualitative assessment by country experts. Although quantitative models have greater predictive success, they can miss out possibly pertinent specific features in countries that are not captured by the general model and the data that the model uses may also contain errors or may not always be up to date.

The final PITF model that had the greatest predictive power is a simple model that is based on only four factors: the level of development as measured by the infant mortality rate; extreme cases of economic or political discrimination against minorities (according to assessments and codings by the Minorities at Risk Project); "a bad neighbourhood" (if a country has at least four neighbours that suffered violent conflicts); and regime type (intermediate regimes that are neither consolidated democracies nor autocratic regimes combined with the existence in these regimes of intense factionalism in domestic politics, as coded by the Polity Project on democracy). Although over 80% of outbreaks of instability could be predicted (a very high "hit rate"), the model cannot predict the intensity or duration of the instability, or its exact timing.

The developers of EIU Index also look and measure other factors associated with instability that have been identified in the literature, such as inequality, a prior history of instability, ethnic fragmentation, poor governance, a proclivity to labour unrest, the level of provision of public services and state strength.

Economic distress and dislocation tend to be associated causally with instability, that is they precede, not only accompany, instability. Indeed, of the 50 cases of instability (instances of "adverse regime change") identified since 1980 by the PITF (about one-half of these were in Africa), in the vast majority of cases (46) the country that had an outbreak of instability had suffered a decline in GDP per head in at least one of the two years prior to the occurrence of instability.

Economic distress appears to be almost a necessary condition for serious instability, but it is not a sufficient one. There are many instances of declines in GDP per head that have not been followed by political instability. It is only when economic distress is accompanied by other, underlying or structural features of vulnerability that there is a high vulnerability to or risk of serious outbreaks of political and social unrest.

⁶Citation, http://viewswire.eiu.com/index.asp?layout=VWArticleVW3&article_id=874361472

Political unrest: those events or developments that pose a serious extra-parliamentary or extra-institutional threat to governments or the existing political order. The events will almost invariably be accompanied by some violence as well as public disorder. These need not necessarily be successful in the sense that they end up toppling a government or regime. Even unsuccessful episodes result in turmoil and serious disruption. The assessment of what constitutes a "serious threat" still requires judgment and can be arbitrary, but this is a step forward from having no definition at all.

Political Instability Index: the overall index on a scale of 0 (no vulnerability) to 10 (highest vulnerability) has two component indexes—an index of underlying vulnerability and an economic distress index.

The overall index is a simple average of the two component indexes. There are 15 indicators in all—12 for the underlying and 3 for the economic distress index.

I. Underlying vulnerability

Inequality

Measured by Gini coefficient
if lower than 40
if 40-50
if higher than 50

Sources: World Bank, *World Development Indicators 2008*; Economist Intelligence Unit estimates.

State history

Measured according to date of independence
if before 1900
if between 1900 and 1950
if after 1950

Source: CIA, *Factbook*.

Corruption

Economist Intelligence Unit ratings
for low
for moderate
for high

Source: Economist Intelligence Unit.

Ethnic fragmentation

Ethnic fractionalisation index (0 to 100 scale)
if lower than 30
if 30 to 50
if higher than 50

Source: Alesina Alberto et al, "Fractionalization", *NBER Working Paper 9411*, 2003.

Trust in institutions

Percentage of population that trusts/has confidence in parliament
if more than 50%
30-50%
if less than 30%

Sources: The Euro, Latino, Africa and Asia Barometer polls; World Values Survey.

Status of minorities

High rates of economic or political discrimination against minorities. Based on latest available assessment and scoring on 0 (no discrimination) to 4 (extreme discrimination) scale by Minorities at Risk Project (MRP). The MRP defines extreme discrimination (score of 4) if any minority group is subject to public policies that constitute formal exclusion and/or recurring repression, and that substantially restrict the groups' economic opportunities or political participation. There is significant discrimination (score of 3) if minority group suffers from significant poverty and under-representation owing to prevailing social practices by dominant group.

if low or no discrimination (MRP scores lower than 3)
if significant discrimination (if score of 3 by for any minority by MRP)
if extreme discrimination (if score of 4 for any minority by MRP)

History of political instability

Significant episodes or events of political instability (regime change) as recorded by Political Instability Task Force (PITF)

if no recorded episode
if one major episode
if two or more episodes

Source: PITF database.

Proclivity to labour unrest

Risk of labour unrest
if low
if moderate
if high

Source: Economist Intelligence Unit, Risk Briefing.

Level of social provision

Measured on the basis of the "expected" infant mortality rate; based on residuals from a regression of the natural logarithm of the infant mortality rate on the logarithm of GPP per head US\$ at purchasing power parity (PPP) for 2006.

if the actual infant mortality rate is lower than predicted, or if the actual rate does not exceed the predicted rate by a significant margin

if ratio between actual and predicted infant mortality rate is greater than 1.1 but less than 1.5

if ratio between actual and predicted infant mortality rate is greater than 1.5

Sources: Economist Intelligence Unit; World Bank, *World Development Indicators 2008*.

0. A country's neighbourhood

Based on the average vulnerability index (calculated on the basis of all indicators except the neighbourhood indicator) for all of the country's geographic neighbours.

if index is less than 5.8

if index is 5.8 to 6.3

if index is higher than 6.3

Source: Economist Intelligence Unit.

1. Regime type

Based on classification of political regimes, according to the Economist Intelligence Unit's Index of Democracy

if either a full democracy or authoritarian regime

if either a non-consolidated, "flawed" democracy or a hybrid regime (neither a democracy nor an autocracy)

Source: Economist Intelligence Unit.

2. Regime type and factionalism

The interaction of regime type with the existence of political factionalism (according to Polity IV database). According to Polity, factionalism is defined as polities with parochial (possibly, but not necessarily, ethnic-based) political factions that regularly compete for political influence to promote particularist agendas and favour heavily group members to the detriment of a common agenda.

if a country is both an intermediate regime and suffers from factionalism

if not

II. Economic distress

Growth in incomes

Growth in real GDP per head in 2009

if forecast growth in real GDP per head is positive, with minimal risks that it could be negative

if a fall in GDP per head is forecast or there is a significant risk of that occurring, but the decline is less than by 4%

if a forecast decline in GDP per head is greater than by 4% or there is a significant risk that this could occur

Source: Economist Intelligence Unit.

Unemployment

Unemployment rate, %.

if forecast unemployment rate is less than 6% and there are only minimal risks that it could be higher than 6%

if a forecast unemployment rate is higher than 6% or there is a significant risk of that occurring, but the rate does not surpass 10%

if a forecast unemployment rate is higher than 10% or there is a significant risk that this could occur

Sources: Economist Intelligence Unit; International Labour Organisation.

Level of income per head

Measured by GDP per head at PPP, US\$ in 2007, on the assumption that richer countries can more easily withstand economic distress

if more than US\$12,000

if between US\$3,000 and US\$12,000

if less than US\$3,000

Annex 3 – KOF and EIU Indexes Juxtaposed

PAESE	KOF Globalization Index
Belgium	92,03
Ireland	91,79
Netherlands	91,33
Austria	89,48
Singapore	88,89
Denmark	88,12
Sweden	87,63
Portugal	87,07
Hungary	86,85
Switzerland	86,28
Cyprus	86,08
United Kingdom	85,39
Canada	85,38
Luxembourg	85,15
Czech Republic	84,86
Finland	84,85
Spain	84,21
France	83,86
Slovakia	83,49
Norway	81,99
Australia	81,59
Germany	81,08
Italy	81,01
Greece	80,31
Estonia	79,72
Poland	79,01
Malaysia	78,23
New Zealand	78,22
Israel	77,27
Slovenia	76,85
Malta	76,09
United Arab Emirates	75,66
Croatia	75,36
United States of America	74,76
Chile	72,91
Lithuania	72,79
Iceland	72,73
Romania	72,53
Qatar	72,03
Bulgaria	71,73

PAESE	EIU Instability index
Zimbabwe	88,00
Chad	85,00
Congo (Democratic Republic)	82,00
Cambodia	80,00
Sudan	80,00
Iraq	79,00
Afghanistan	78,00
Central African Republic	78,00
Cote d'Ivoire	78,00
Haiti	78,00
Pakistan	78,00
Zambia	78,00
Bolivia	77,00
Ecuador	77,00
North Korea	77,00
Angola	76,00
Dominican Republic	76,00
Ukraine	76,00
Bangladesh	75,00
Bosnia and Herzegovina	75,00
Guinea	75,00
Guinea Bissau	75,00
Kenya	75,00
Moldova	75,00
Nepal	75,00
Niger	75,00
Senegal	75,00
Liberia	74,00
Sri Lanka	73,00
Timor Leste	73,00
Venezuela	73,00
Sierra Leone	72,00
Argentina	71,00
Kyrgyz Republic	71,00
Madagascar	71,00
Myanmar	71,00
Panama	71,00
Tajikistan	71,00
Colombia	70,00
Lebanon	70,00

Kuwait	70,97
Jordan	70,01
Turkey	69,02
Latvia	69,00
Montenegro	68,86
Bahrain	68,34
Russia	67,78
Ukraine	67,78
Lebanon	67,51
Saudi Arabia	67,49
Panama	67,43
Uruguay	65,28
South Africa	64,39
Serbia	64,09
Peru	64,03
Japan	63,73
Thailand	63,64
Moldova	63,49
Bosnia and Herzegovina	63,31
El Salvador	62,59
South Korea	62,31
Mauritius	61,78
Costa Rica	61,64
Georgia	61,56
Morocco	61,38
Oman	61,38
Nigeria	61,02
Honduras	60,93
Dominican Republic	60,22
Macedonia, FYR	60,01
Guatemala	59,67
Tunisia	59,58
China	59,43
Brazil	59,21
Jamaica	59,21
Albania	58,32
Kazakhstan	58,04
Argentina	58,03
Egypt	58,01
Trinidad and Tobago	57,97
Paraguay	57,57
Mongolia	57,29
Azerbaijan	56,71
Kyrgyz Republic	56,12

Lesotho	70,00
Mali	70,00
Nigeria	70,00
Peru	70,00
South Africa	70,00
Thailand	70,00
Burkina Faso	69,00
Burundi	69,00
Cameroon	69,00
Mauritania	69,00
Papua New Guinea	69,00
Honduras	68,00
Indonesia	68,00
Philippines	68,00
Turkey	68,00
Eritrea	67,00
Estonia	67,00
Gambia	67,00
Guyana	67,00
Latvia	67,00
Algeria	66,00
Guatemala	66,00
Macedonia	66,00
Malaysia	65,00
Russia	65,00
Uganda	65,00
Montenegro	64,00
Paraguay	64,00
Romania	64,00
Congo (Brazzaville)	63,00
Georgia	63,00
Greece	63,00
Serbia	63,00
Uzbekistan	63,00
Albania	62,00
Belize	62,00
Iran	62,00
Bulgaria	61,00
Croatia	61,00
Equatorial Guinea	61,00
Hungary	61,00
Lithuania	61,00
Mexico	61,00
Mongolia	61,00

Philippines	56,12
Zambia	55,62
Indonesia	55,02
Namibia	54,99
Belarus	54,98
Armenia	54,72
Ghana	54,55
Nicaragua	54,42
Ecuador	54,01
Gabon	53,45
Bolivia	53,08
Senegal	53,08
Cote d'Ivoire	52,05
Colombia	52,04
India	51,57
Gambia	51,51
Pakistan	51,38
Swaziland	51,14
Guyana	50,88
Togo	50,67
Congo (Brazzaville)	50,56
Zimbabwe	50,07
Sri Lanka	49,85
Venezuela	49,44
Libya	48,94
Cuba	48,88
Kenya	48,79
Belize	48,23
Seychelles	47,99
Cambodia	47,68
Vietnam	47,02
Lesotho	47,00
Mali	46,87
Botswana	46,24
Uganda	46,18
Mozambique	46,05
Cape Verde	45,76
Papua New Guinea	45,71
Cameroon	45,22
Yemen	45,18
Angola	44,73
Mauritania	44,43
Burkina Faso	44,35
Benin	43,97
Syria	43,67

Saudi Arabia	61,00
Turkmenistan	61,00
Yemen	61,00
Jamaica	60,00
Benin	59,00
Ghana	59,00
Nicaragua	59,00
Tanzania	59,00
Armenia	58,00
Namibia	58,00
Syria	58,00
Malawi	57,00
Bahrain	55,00
Cape Verde	55,00
Israel	55,00
Kuwait	55,00
Slovakia	55,00
Spain	55,00
Brazil	54,00
Egypt	54,00
Jordan	54,00
Bhutan	53,00
France	53,00
Togo	53,00
United States of America	53,00
Azerbaijan	52,00
El Salvador	52,00
Uruguay	52,00
Chile	51,00
Ethiopia	51,00
Gabon	51,00
Laos	51,00
South Korea	51,00
Mozambique	50,70
Morocco	50,60
Iceland	50,30
Italy	50,00
Rwanda	49,00
Belarus	48,00
China	48,00
Kazakhstan	48,00
Portugal	48,00
Botswana	47,00
Malta	47,00
Swaziland	47,00

Guinea-Bissau	42,58
Madagascar	42,53
Guinea	42,31
Rwanda	42,24
Malawi	42,06
Tajikistan	40,79
Bangladesh	40,65
Iran	40,24
Chad	40,15
Iraq	40,01
Tanzania	39,12
Sierra Leone	38,97
Nepal	38,05
Niger	37,81
Ethiopia	37,46
Congo (Democratic Republic)	36,87
Central African Republic	36,33
Sudan	36,19
Turkmenistan	36,06
Haiti	35,02
Sao Tome and Principe	35,00
Uzbekistan	34,41
Burundi	33,05
Myanmar	31,98
Afghanistan	31,46
Liberia	30,81
Bhutan	27,91
Eritrea	27,34
Laos	26,52
Equatorial Guinea	26,26
Timor-Leste	24,35
Mexico	0,00
Algeria	
North Korea	

Trinidad and Tobago	47,00
Ireland	46,00
Tunisia	46,00
India	45,00
Poland	45,00
Libya	43,00
Sao Tome & Principe	43,00
Vietnam	43,00
Cuba	42,00
Cyprus	41,00
Qatar	41,00
Seychelles	41,00
United Arab Emirates	41,00
United Kingdom	41,00
Singapore	40,70
Mauritius	40,50
Belgium	40,00
Netherlands	40,00
Oman	39,00
Japan	38,00
Slovenia	38,00
Czech Republic	37,00
Australia	36,00
Austria	36,00
Luxembourg	36,00
New Zealand	36,00
Costa Rica	35,00
Switzerland	34,00
Finland	32,00
Sweden	32,00
Germany	30,80
Canada	28,00
Denmark	22,00
Norway	12,00

KOF Globalization		EIU Political Instability	
Very High Globalization	1	Very High Political Stability	1
High Globalization	2	High Political Stability	2
Mid Globalization	3	Mid Political Stability	3
Low Globalization	4	Low Political Stability	4

PAESE	KOF Globalization Index
Afghanistan	31,46
Albania	58,32
Algeria	
Angola	44,73
Argentina	58,03
Armenia	54,72
Australia	81,59
Austria	89,48
Azerbaijan	56,71
Bahrain	68,34
Bangladesh	40,65
Belarus	54,98
Belgium	92,03
Belize	48,23
Benin	43,97
Bhutan	27,91
Bolivia	53,08
Bosnia and Herzegovina	63,31
Botswana	46,24
Brazil	59,21
Bulgaria	71,73
Burkina Faso	44,35
Burundi	33,05
Cambodia	47,68
Cameroon	45,22
Canada	85,38
Cape Verde	45,76
Central African Republic	36,33
Chad	40,15
Chile	72,91
China	59,43
Colombia	52,04
Congo (Brazzaville)	50,56
Congo (Democratic Republic)	36,87
Costa Rica	61,64
Cote d'Ivoire	52,05
Croatia	75,36
Cuba	48,88
Cyprus	86,08

PAESE	EIU Instability index
Afghanistan	78,00
Albania	62,00
Algeria	66,00
Angola	76,00
Argentina	71,00
Armenia	58,00
Australia	36,00
Austria	36,00
Azerbaijan	52,00
Bahrain	55,00
Bangladesh	75,00
Belarus	48,00
Belgium	40,00
Belize	62,00
Benin	59,00
Bhutan	53,00
Bolivia	77,00
Bosnia and Herzegovina	75,00
Botswana	47,00
Brazil	54,00
Bulgaria	61,00
Burkina Faso	69,00
Burundi	69,00
Cambodia	80,00
Cameroon	69,00
Canada	28,00
Cape Verde	55,00
Central African Republic	78,00
Chad	85,00
Chile	51,00
China	48,00
Colombia	70,00
Congo (Brazzaville)	63,00
Congo (Democratic Republic)	82,00
Costa Rica	35,00
Cote d'Ivoire	78,00
Croatia	61,00
Cuba	42,00
Cyprus	41,00

Czech Republic	84,86
Denmark	88,12
Dominican Republic	60,22
Ecuador	54,01
Egypt	58,01
El Salvador	62,59
Equatorial Guinea	26,26
Eritrea	27,34
Estonia	79,72
Ethiopia	37,46
Finland	84,85
France	83,86
Gabon	53,45
Gambia	51,51
Georgia	61,56
Germany	81,08
Ghana	54,55
Greece	80,31
Guatemala	59,67
Guinea	42,31
Guinea-Bissau	42,58
Guyana	50,88
Haiti	35,02
Honduras	60,93
Hungary	86,85
Iceland	72,73
India	51,57
Indonesia	55,02
Iran	40,24
Iraq	40,01
Ireland	91,79
Israel	77,27
Italy	81,01
Jamaica	59,21
Japan	63,73
Jordan	70,01
Kazakhstan	58,04
Kenya	48,79
Kuwait	70,97
Kyrgyz Republic	56,12
Laos	26,52
Latvia	69,00
Lebanon	67,51
Lesotho	47,00
Liberia	30,81

Czech Republic	37,00
Denmark	22,00
Dominican Republic	76,00
Ecuador	77,00
Egypt	54,00
El Salvador	52,00
Equatorial Guinea	61,00
Eritrea	67,00
Estonia	67,00
Ethiopia	51,00
Finland	32,00
France	53,00
Gabon	51,00
Gambia	67,00
Georgia	63,00
Germany	30,80
Ghana	59,00
Greece	63,00
Guatemala	66,00
Guinea	75,00
Guinea Bissau	75,00
Guyana	67,00
Haiti	78,00
Honduras	68,00
Hungary	61,00
Iceland	50,30
India	45,00
Indonesia	68,00
Iran	62,00
Iraq	79,00
Ireland	46,00
Israel	55,00
Italy	50,00
Jamaica	60,00
Japan	38,00
Jordan	54,00
Kazakhstan	48,00
Kenya	75,00
Kuwait	55,00
Kyrgyz Republic	71,00
Laos	51,00
Latvia	67,00
Lebanon	70,00
Lesotho	70,00
Liberia	74,00

Libya	48,94
Lithuania	72,79
Luxembourg	85,15
Macedonia, FYR	60,01
Madagascar	42,53
Malawi	42,06
Malaysia	78,23
Mali	46,87
Malta	76,09
Mauritania	44,43
Mauritius	61,78
Mexico	0,00
Moldova	63,49
Mongolia	57,29
Montenegro	68,86
Morocco	61,38
Mozambique	46,05
Myanmar	31,98
Namibia	54,99
Nepal	38,05
Netherlands	91,33
New Zealand	78,22
Nicaragua	54,42
Niger	37,81
Nigeria	61,02
North Korea	
Norway	81,99
Oman	61,38
Pakistan	51,38
Panama	67,43
Papua New Guinea	45,71
Paraguay	57,57
Peru	64,03
Philippines	56,12
Poland	79,01
Portugal	87,07
Qatar	72,03
Romania	72,53
Russia	67,78
Rwanda	42,24
Sao Tome and Principe	35,00
Saudi Arabia	67,49
Senegal	53,08
Serbia	64,09
Seychelles	47,99

Libya	43,00
Lithuania	61,00
Luxembourg	36,00
Macedonia	66,00
Madagascar	71,00
Malawi	57,00
Malaysia	65,00
Mali	70,00
Malta	47,00
Mauritania	69,00
Mauritius	40,50
Mexico	61,00
Moldova	75,00
Mongolia	61,00
Montenegro	64,00
Morocco	50,60
Mozambique	50,70
Myanmar	71,00
Namibia	58,00
Nepal	75,00
Netherlands	40,00
New Zealand	36,00
Nicaragua	59,00
Niger	75,00
Nigeria	70,00
North Korea	77,00
Norway	12,00
Oman	39,00
Pakistan	78,00
Panama	71,00
Papua New Guinea	69,00
Paraguay	64,00
Peru	70,00
Philippines	68,00
Poland	45,00
Portugal	48,00
Qatar	41,00
Romania	64,00
Russia	65,00
Rwanda	49,00
Sao Tome & Principe	43,00
Saudi Arabia	61,00
Senegal	75,00
Serbia	63,00
Seychelles	41,00

Sierra Leone	38,97
Singapore	88,89
Slovakia	83,49
Slovenia	76,85
South Africa	64,39
South Korea	62,31
Spain	84,21
Sri Lanka	49,85
Sudan	36,19
Swaziland	51,14
Sweden	87,63
Switzerland	86,28
Syria	43,67
Tajikistan	40,79
Tanzania	39,12
Thailand	63,64
Timor-Leste	24,35
Togo	50,67
Trinidad and Tobago	57,97
Tunisia	59,58
Turkey	69,02
Turkmenistan	36,06
Uganda	46,18
Ukraine	67,78
United Arab Emirates	75,66
United Kingdom	85,39
United States of America	74,76
Uruguay	65,28
Uzbekistan	34,41
Venezuela	49,44
Vietnam	47,02
Yemen	45,18
Zambia	55,62
Zimbabwe	50,07

Sierra Leone	72,00
Singapore	40,70
Slovakia	55,00
Slovenia	38,00
South Africa	70,00
South Korea	51,00
Spain	55,00
Sri Lanka	73,00
Sudan	80,00
Swaziland	47,00
Sweden	32,00
Switzerland	34,00
Syria	58,00
Tajikistan	71,00
Tanzania	59,00
Thailand	70,00
Timor Leste	73,00
Togo	53,00
Trinidad and Tobago	47,00
Tunisia	46,00
Turkey	68,00
Turkmenistan	61,00
Uganda	65,00
Ukraine	76,00
United Arab Emirates	41,00
United Kingdom	41,00
United States of America	53,00
Uruguay	52,00
Uzbekistan	63,00
Venezuela	73,00
Vietnam	43,00
Yemen	61,00
Zambia	78,00
Zimbabwe	88,00

Result 1 – Perfect Relation		
Panel: 163 Countries		
Lev. 1	Very High Globalization – Very High Political Stability	23
Lev. 2	High Globalization – High Political Stability	10
Lev. 3	Moderate Globalization – Moderate Political Stability	11
Lev. 4	Low Globalization – Low Political Stability	20
TOTAL		64

Country	KOF	Lev	Country	EIU	Lev
Afghanistan	31,46	4	Afghanistan	78,00	4
Angola	44,73	4	Angola	76,00	4
Australia	81,59	1	Australia	36,00	1
Austria	89,48	1	Austria	36,00	1
Bahrain	68,34	2	Bahrain	55,00	2
Bangladesh	40,65	4	Bangladesh	75,00	4
Belgium	92,03	1	Belgium	40,00	1
Belize	48,23	3	Belize	62,00	3
Brazil	59,21	2	Brazil	54,00	2
Canada	85,38	1	Canada	28,00	1
Central African Republic	36,33	4	Central African Republic	78,00	4
Chad	40,15	4	Chad	85,00	4
Colombia	52,04	3	Colombia	70,00	3
Congo (Brazzaville)	50,56	3	Congo (Brazzaville)	63,00	3
Congo (Democratic Republic)	36,87	4	Congo (Democratic Republic)	82,00	4
Cyprus	86,08	1	Cyprus	41,00	1
Czech Republic	84,86	1	Czech Republic	37,00	1
Denmark	88,12	1	Denmark	22,00	1
Egypt	58,01	2	Egypt	54,00	2
El Salvador	62,59	2	El Salvador	52,00	2
Finland	84,85	1	Finland	32,00	1
Gambia	51,51	3	Gambia	67,00	3
Germany	81,08	1	Germany	30,80	1
Guinea	42,31	4	Guinea	75,00	4
Guinea-Bissau	42,58	4	Guinea Bissau	75,00	4
Guyana	50,88	3	Guyana	67,00	3
Haiti	35,02	4	Haiti	78,00	4
Indonesia	55,02	3	Indonesia	68,00	3
Iraq	40,01	4	Iraq	79,00	4
Ireland	91,79	1	Ireland	46,00	1
Jamaica	59,21	2	Jamaica	60,00	2
Jordan	70,01	2	Jordan	54,00	2
Kuwait	70,97	2	Kuwait	55,00	2
Lesotho	47,00	3	Lesotho	70,00	3
Liberia	30,81	4	Liberia	74,00	4
Luxembourg	85,15	1	Luxembourg	36,00	1
Madagascar	42,53	4	Madagascar	71,00	4
Malta	76,09	1	Malta	47,00	1
Mongolia	57,29	3	Mongolia	61,00	3
Morocco	61,38	2	Morocco	50,60	2

Myanmar	31,98	4	Myanmar	71,00	4
Nepal	38,05	4	Nepal	75,00	4
Netherlands	91,33	1	Netherlands	40,00	1
New Zealand	78,22	1	New Zealand	36,00	1
Niger	37,81	4	Niger	75,00	4
North Korea		4	North Korea	77,00	4
Norway	81,99	1	Norway	12,00	1
Paraguay	57,57	3	Paraguay	64,00	3
Philippines	56,12	3	Philippines	68,00	3
Poland	79,01	1	Poland	45,00	1
Qatar	72,03	1	Qatar	41,00	1
Sierra Leone	38,97	4	Sierra Leone	72,00	4
Singapore	88,89	1	Singapore	40,70	1
Slovenia	76,85	1	Slovenia	38,00	1
South Korea	62,31	2	South Korea	51,00	2
Sudan	36,19	4	Sudan	80,00	4
Sweden	87,63	1	Sweden	32,00	1
Switzerland	86,28	1	Switzerland	34,00	1
Tajikistan	40,79	4	Tajikistan	71,00	4
Timor-Leste	24,35	4	Timor Leste	73,00	4
Uganda	46,18	3	Uganda	65,00	3
United Arab Emirates	75,66	1	United Arab Emirates	41,00	1
United Kingdom	85,39	1	United Kingdom	41,00	1
Uruguay	65,28	2	Uruguay	52,00	2

Result 2 – Differentiation by one level (+1; -1).		
Panel: 163 Countries		
-1	Higher Globalization – Lower Political Stability	36
+1	Lower Globalization – Higher Political Stability	26
TOTAL		62

Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Albania	58,32	2	Albania	62,00	3	-1
Bolivia	53,08	3	Bolivia	77,00	4	-1
Bulgaria	71,73	1	Bulgaria	61,00	2	-1
Cambodia	47,68	3	Cambodia	80,00	4	-1
Chile	72,91	1	Chile	51,00	2	-1
Cote d'Ivoire	52,05	3	Cote d'Ivoire	78,00	4	-1

Croatia	75,36	1	Croatia	61,00	2	-1
Ecuador	54,01	3	Ecuador	77,00	4	-1
France	83,86	1	France	53,00	2	-1
Georgia	61,56	2	Georgia	63,00	3	-1
Guatemala	59,67	2	Guatemala	66,00	3	-1
Honduras	60,93	2	Honduras	68,00	3	-1
Hungary	86,85	1	Hungary	61,00	2	-1
Iceland	72,73	1	Iceland	50,30	2	-1
Israel	77,27	1	Israel	55,00	2	-1
Italy	81,01	1	Italy	50,00	2	-1
Kenya	48,79	3	Kenya	75,00	4	-1
Kyrgyz Republic	56,12	3	Kyrgyz Republic	71,00	4	-1
Latvia	69,00	2	Latvia	67,00	3	-1
Lebanon	67,51	2	Lebanon	70,00	3	-1
Macedonia, FYR	60,01	2	Macedonia	66,00	3	-1
Mali	46,87	3	Mali	70,00	4	-1
Montenegro	68,86	2	Montenegro	64,00	3	-1
Pakistan	51,38	3	Pakistan	78,00	4	-1
Portugal	87,07	1	Portugal	48,00	2	-1
Russia	67,78	2	Russia	65,00	3	-1
Saudi Arabia	67,49	2	Saudi Arabia	61,00	3	-1
Senegal	53,08	3	Senegal	75,00	4	-1
Serbia	64,09	2	Serbia	63,00	3	-1
Slovakia	83,49	1	Slovakia	55,00	2	-1
Spain	84,21	1	Spain	55,00	2	-1
Sri Lanka	49,85	3	Sri Lanka	73,00	4	-1
Thailand	63,64	2	Thailand	70,00	3	-1
United States of America	74,76	1	United States of America	53,00	2	-1
Venezuela	49,44	3	Venezuela	73,00	4	-1
Zambia	55,62	3	Zambia	78,00	4	-1
Algeria		4	Algeria	66,00	3	1
Armenia	54,72	3	Armenia	58,00	2	1
Azerbaijan	56,71	3	Azerbaijan	52,00	2	1
Burkina Faso	44,35	4	Burkina Faso	69,00	3	1
Burundi	33,05	4	Burundi	69,00	3	1
Cameroon	45,22	4	Cameroon	69,00	3	1
China	59,43	2	China	48,00	1	1
Costa Rica	61,64	2	Costa Rica	35,00	1	1
Eritrea	27,34	4	Eritrea	67,00	3	1
Gabon	53,45	3	Gabon	51,00	2	1

Ghana	54,55	3	Ghana	59,00	2	1
Iran	40,24	4	Iran	62,00	3	1
Japan	63,73	2	Japan	38,00	1	1
Kazakhstan	58,04	2	Kazakhstan	48,00	1	1
Mauritania	44,43	4	Mauritania	69,00	3	1
Mauritius	61,78	2	Mauritius	40,50	1	1
Mexico	0,00	4	Mexico	61,00	3	1
Mozambique	46,05	3	Mozambique	50,70	2	1
Namibia	54,99	3	Namibia	58,00	2	1
Oman	61,38	2	Oman	39,00	1	1
Papua New Guinea	45,71	4	Papua New Guinea	69,00	3	1
Togo	50,67	3	Togo	53,00	2	1
Trinidad and Tobago	57,97	2	Trinidad and Tobago	47,00	1	1
Tunisia	59,58	2	Tunisia	46,00	1	1
Uzbekistan	34,41	4	Uzbekistan	63,00	3	1
Yemen	45,18	4	Yemen	61,00	3	1

Result 3 – Differentiation by two levels (+2; -2).

Panel: 163 Countries

-2	Higher Globalization – Lower Political Stability	14
+2	Lower Globalization – Higher Political Stability	19
TOTAL		33

Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Argentina	58,03	2	Argentina	71,00	4	-2
Bosnia and Herzegovina	63,31	2	Bosnia and Herzegovina	75,00	4	-2
Dominican Republic	60,22	2	Dominican Republic	76,00	4	-2
Estonia	79,72	1	Estonia	67,00	3	-2
Greece	80,31	1	Greece	63,00	3	-2
Lithuania	72,79	1	Lithuania	61,00	3	-2
Malaysia	78,23	1	Malaysia	65,00	3	-2
Moldova	63,49	2	Moldova	75,00	4	-2
Nigeria	61,02	2	Nigeria	70,00	4	-2
Panama	67,43	2	Panama	71,00	4	-2
Peru	64,03	2	Peru	70,00	4	-2
Romania	72,53	1	Romania	64,00	3	-2
South Africa	64,39	2	South Africa	70,00	4	-2
Ukraine	67,78	2	Ukraine	76,00	4	-2
Belarus	54,98	3	Belarus	48,00	1	2
Benin	43,97	4	Benin	59,00	2	2

Bhutan	27,91	4	Bhutan	53,00	2	2
Botswana	46,24	3	Botswana	47,00	1	2
Cape Verde	45,76	4	Cape Verde	55,00	2	2
Cuba	48,88	3	Cuba	42,00	1	2
Equatorial Guinea	26,26	4	Equatorial Guinea	61,00	2	2
Ethiopia	37,46	4	Ethiopia	51,00	2	2
India	51,57	3	India	45,00	1	2
Laos	26,52	4	Laos	51,00	2	2
Libya	48,94	3	Libya	43,00	1	2
Malawi	42,06	4	Malawi	57,00	2	2
Rwanda	42,24	4	Rwanda	49,00	2	2
Seychelles	47,99	3	Seychelles	41,00	1	2
Swaziland	51,14	3	Swaziland	47,00	1	2
Syria	43,67	4	Syria	58,00	2	2
Tanzania	39,12	4	Tanzania	59,00	2	2
Turkmenistan	36,06	4	Turkmenistan	61,00	2	2
Vietnam	47,02	3	Vietnam	43,00	1	2

Country	KOF	Lev.	Country	EIU	Lev.	Diff.
Nicaragua	54,42	3	Nicaragua	59,00		3
Sao Tome and Principe	35,00	4	Sao Tome & Principe	43,00	1	3

Annex 4 - Worldwide Governance Indicators: Methodology and Sources⁷

Sources

The WGI compile and summarize information from 31 existing data sources that report the views and experiences of citizens, entrepreneurs, and experts in the public, private and NGO sectors from around the world, on the quality of various aspects of governance. The WGI draw on four different types of source data:

- **Surveys of households and firms** (9 data sources including the Afrobarometer surveys, Gallup World Poll, and Global Competitiveness Report survey);
- **Commercial business information providers** (4 data sources including the Economist Intelligence Unit, Global Insight, Political Risk Services);
- **Non-governmental organizations** (10 data sources including Global Integrity, Freedom House, Reporters Without Borders);
- **Public sector organizations** (8 data sources including the CPIA assessments of World Bank and regional development banks, the EBRD Transition Report, French Ministry of Finance Institutional Profiles Database).

Methodology

Each of six aggregate WGI measures are constructed by averaging together data from the underlying sources that correspond to the concept of governance being measured. This is done in the three steps described below.

STEP 1: Assigning data from individual sources to the six aggregate indicators. Individual questions from the underlying data sources are assigned to each of the six aggregate indicators. For example, a firm survey question on the regulatory environment would be assigned to Regulatory Quality, or a measure of press freedom would be assigned to Voice and Accountability. A full description of the individual variables used in the WGI and how they are assigned to the six aggregate indicators, can be found by clicking on the names of the six aggregate indicators listed above. Note that not all of the data sources cover all countries, and so the aggregate governance scores are based on different sets of underlying data for different countries.

STEP 2: Preliminary rescaling of the individual source data to run from 0 to 1. The questions from the individual data sources are first rescaled to range from 0 to 1, with higher values corresponding to better outcomes. If, for example, a survey question asks for responses on a scale from a minimum of 1 to a maximum of 4, we rescale a score of 2 as $(2 - \text{min}) / (\text{max} - \text{min}) = (2 - 1) / (4 - 1) = 0.33$. When an individual data source provides more than one question relating to a particular dimension of governance, we average together the rescaled scores.

The 0-1 rescaled data from the individual sources are available interactively through the WGI website [here](#), in the [country data sheets](#), and in the [data files](#) for each individual

⁷ <http://info.worldbank.org/governance/wgi/index.aspx#doc>

source. Although nominally in the same 0-1 units, this rescaled data is not necessarily comparable across sources. For example, one data source might use a 0-10 scale but in practice most scores are clustered between 6 and 10, while another data source might also use a 0-10 scale but have responses spread out over the entire range. While the max-min rescaling above does not correct for this source of non-comparability, the procedure used to construct the aggregate indicators does (see below).

STEP 3: Using an Unobserved Components Model (UCM) to construct a weighted average of the individual indicators for each source. A statistical tool known as an Unobserved Components Model (UCM) is used to make the 0-1 rescaled data comparable across sources, and then to construct a weighted average of the data from each source for each country. The UCM assumes that the observed data from each source are a linear function of the unobserved level of governance, plus an error term. This linear function is different for different data sources, and so corrects for the remaining non-comparability of units of the rescaled data noted above. The resulting estimates of governance are a weighted average of the data from each source, with weights reflecting the pattern of correlation among data sources. Click [here](#) for the weights applied to the component indicators.

The UCM assigns greater weight to data sources that tend to be more strongly correlated with each other. While this weighting improves the statistical precision of the aggregate indicators, it typically does not affect very much the ranking of countries on the aggregate indicators. The composite measures of governance generated by the UCM are in units of a standard normal distribution, with mean zero, standard deviation of one, and running from approximately -2.5 to 2.5, with higher values corresponding to better governance. We also report the data in percentile rank term, ranging from 0 (lowest rank) to 100 (highest rank).

Country	1	2	3	4	5	6	WGI Aggregate
AFGHANISTAN	-1,48	-2,55	-1,47	1,53	1,90	-1,62	-1,76
ALBANIA	0,11	-0,19	-0,27	0,23	0,44	-0,49	-0,17
ALGERIA	-1,03	-1,26	-0,48	1,17	0,75	-0,49	-0,86
AMERICAN SAMOA	1,02	0,94	0,49	0,38	1,16	0,37	0,73
ANDORRA	1,33	1,31	1,51	1,37	1,23	1,33	1,35
ANGOLA	-1,12	-0,22	-1,13	1,02	1,26	-1,32	-1,01
ANGUILLA	1,02	1,44	1,51	1,37	1,42	1,33	1,35
ANTIGUA AND BARBUDA	0,51	0,93	0,49	0,63	0,99	1,33	0,81
ARGENTINA	0,33	-0,09	-0,19	0,76	0,62	-0,41	-0,29
ARMENIA	-0,85	0,03	-0,17	0,30	0,47	-0,65	-0,30

ARUBA	1,26	1,12	1,23	1,37	1,42	1,13	1,25
AUSTRALIA	1,44	0,87	1,77	1,69	1,76	2,04	1,60
AUSTRIA	1,47	1,12	1,84	1,47	1,81	1,63	1,55
AZERBAIJAN	-1,26	-0,25	-0,79	0,37	0,85	-1,18	-0,78
BAHAMAS, THE	0,98	0,99	1,07	0,52	0,69	1,36	0,93
BAHRAIN	-0,97	-0,51	0,48	0,73	0,48	0,25	0,08
BANGLADESH	-0,28	-1,40	-0,75	0,83	0,79	-1,02	-0,85
BARBADOS	1,21	1,09	1,41	0,45	1,04	1,44	1,11
BELARUS	-1,54	-0,13	-1,14	1,16	1,04	-0,73	-0,96
BELGIUM	1,38	0,78	1,58	1,29	1,37	1,49	1,32
BELIZE	0,68	0,06	-0,44	0,45	0,36	-0,08	-0,10
BENIN	0,29	0,22	-0,58	0,32	0,70	-0,74	-0,30
BERMUDA	1,02	0,94	1,00	1,37	1,16	1,33	1,14
BHUTAN	-0,46	0,77	0,57	1,19	0,12	0,82	0,10
BOLIVIA	-0,07	-0,44	-0,50	0,79	1,05	-0,44	-0,55
BOSNIA AND HERZEGOVINA	-0,13	-0,70	-0,73	0,10	0,37	-0,32	-0,39
BOTSWANA	0,44	0,96	0,46	0,46	0,67	1,00	0,67
BRAZIL	0,53	0,01	-0,04	0,16	0,00	0,00	0,11
BRUNEI DARUSSALAM	-0,65	1,24	0,90	1,12	0,79	0,89	0,72
BULGARIA	0,52	0,33	0,11	0,64	0,10	-0,21	0,22
BURKINA FASO	-0,28	-0,15	-0,56	0,14	0,18	-0,39	-0,28
BURUNDI	-0,94	-1,60	-1,10	1,10	1,19	-1,11	-1,17
CAMBODIA	-0,93	-0,54	-0,92	0,46	1,09	-1,23	-0,86
CAMEROON	-1,08	-0,73	-0,88	0,73	1,05	-0,98	-0,91
CANADA	1,38	0,90	1,79	1,69	1,81	2,10	1,61
CAPE VERDE	0,89	0,86	-0,02	0,04	0,42	0,80	0,48
CAYMAN ISLANDS	0,54	1,20	1,23	1,14	0,89	1,13	1,02
CENTRAL AFRICAN REPUBLIC	-1,12	-2,01	-1,39	1,15	1,29	-0,84	-1,30
CHAD	-1,37	-1,51	-1,45	1,06	1,48	-1,34	-1,37
CHILE	1,09	0,67	1,26	1,46	1,32	1,49	1,22

CHINA	-1,63	-0,66	0,10	0,22	-	-	-0,60	-0,56
COLOMBIA	-0,15	-1,53	-0,04	0,26	0,35	-	-0,41	-0,37
COMOROS	-0,47	-0,50	-1,74	1,42	1,06	-	-0,75	-0,99
CONGO, DEM. REP.	-1,44	-2,23	-1,73	1,58	1,61	-	-1,42	-1,67
CONGO, REP.	-1,06	-0,33	-1,23	1,27	1,18	-	-1,11	-1,03
COOK ISLANDS	-0,30	1,45	-1,01	1,24	0,89	-	-0,24	-0,37
COSTA RICA	1,04	0,69	0,31	0,50	0,49	-	0,65	0,61
CÔTE D'IVOIRE	-1,10	-1,57	-1,26	0,91	1,24	-	-1,14	-1,20
CROATIA	0,43	0,58	0,63	0,55	0,17	-	-0,03	0,39
CUBA	-1,55	0,33	-0,39	1,69	0,66	-	0,41	-0,59
CYPRUS	1,02	0,44	1,53	1,43	1,20	-	1,00	1,10
CZECH REPUBLIC	1,00	0,96	0,91	1,30	0,93	-	0,26	0,89
DENMARK	1,58	1,03	2,09	1,88	1,90	-	2,41	1,82
DJIBOUTI	-1,25	0,26	-0,99	0,63	0,71	-	-0,32	-0,61
DOMINICA	1,01	0,99	0,65	0,43	0,69	-	0,74	0,75
DOMINICAN REPUBLIC	0,03	-0,07	-0,66	0,15	0,80	-	-0,81	-0,41
ECUADOR	-0,26	-0,62	-0,72	1,16	1,21	-	-0,86	-0,80
EGYPT, ARAB REP.	-1,15	-0,91	-0,38	0,16	0,12	-	-0,55	-0,54
EL SALVADOR	0,05	0,06	0,00	0,38	0,87	-	-0,23	-0,10
EQUATORIAL GUINEA	-1,87	0,23	-1,69	1,38	1,27	-	-1,49	-1,24
ERITREA	-2,16	-0,87	-1,37	2,25	1,29	-	-0,47	-1,40
ESTONIA	1,10	0,60	1,11	1,40	1,13	-	0,86	1,03
ETHIOPIA	-1,31	-1,62	-0,42	0,85	0,75	-	-0,70	-0,94
FIJI	-1,00	-0,15	-0,73	0,67	0,85	-	-0,85	-0,71
FINLAND	1,52	1,39	2,25	1,89	1,98	-	2,18	1,87
FRANCE	1,20	0,67	1,45	1,31	1,51	-	1,44	1,26
FRENCH GUIANA	1,11	0,19	1,18	1,25	1,17	-	1,13	1,01
GABON	-0,89	0,30	-0,78	0,57	0,51	-	-0,78	-0,54
GAMBIA, THE	-1,09	0,08	-0,66	0,38	0,51	-	-0,56	-0,52

GEORGIA	-0,18	-0,72	0,29	0,59	0,21	-0,12	-0,06
GERMANY	1,31	0,78	1,57	1,58	1,62	1,74	1,43
GHANA	0,49	0,02	-0,04	0,12	0,06	0,06	0,10
GREECE	0,88	-0,13	0,55	0,64	0,61	-0,16	0,40
GREENLAND	1,24	1,63	0,98	1,36	1,72	1,20	1,35
GRENADA	0,82	0,51	0,17	0,33	0,11	0,44	0,40
GUAM	0,81	0,43	-0,03	0,63	1,16	0,85	0,64
GUATEMALA	-0,33	-0,87	-0,70	0,13	1,00	-0,48	-0,59
GUINEA	-0,95	-1,68	-1,13	1,08	1,50	-1,19	-1,26
GUINEA-BISSAU	-0,90	-0,66	-1,04	1,14	1,35	-1,06	-1,02
GUYANA	0,05	-0,44	-0,12	0,58	0,48	-0,55	-0,35
HAITI	-0,73	-0,99	-1,63	1,01	1,39	-1,21	-1,16
HONDURAS	-0,51	-0,54	-0,64	0,21	0,89	-0,87	-0,61
HONG KONG SAR, CHINA	0,51	0,88	1,70	1,91	1,54	1,97	1,42
HUNGARY	0,90	0,67	0,67	1,02	0,75	0,25	0,71
ICELAND	1,48	1,01	1,59	0,88	1,70	1,94	1,43
INDIA	0,43	-1,23	0,02	0,37	0,04	-0,51	-0,29
INDONESIA	-0,07	-0,85	-0,20	0,39	0,64	-0,75	-0,48
IRAN, ISLAMIC REP.	-1,57	-1,62	-0,48	1,70	0,98	-0,99	-1,22
IRAQ	-1,06	-2,26	-1,22	1,05	1,62	-1,31	-1,42
IRELAND	1,34	0,98	1,34	1,61	1,77	1,70	1,46
ISRAEL	0,56	-1,32	1,37	1,22	0,90	0,67	0,57
ITALY	0,95	0,47	0,45	0,89	0,38	0,00	0,52
JAMAICA	0,42	-0,41	0,20	0,28	0,50	-0,38	-0,06
JAPAN	1,04	0,85	1,52	1,03	1,33	1,57	1,22
JERSEY, CHANNEL ISLANDS	#N/D	#N/D	#N/D	#####	#####	#N/D	#N/D
JORDAN	-0,80	-0,31	0,13	0,25	0,20	0,06	-0,08
KAZAKHSTAN	-1,10	0,45	-0,43	0,34	0,61	-0,98	-0,50
KENYA	-0,23	-1,17	-0,54	0,07	0,99	-0,94	-0,66
KIRIBATI	0,68	1,48	-0,85	1,35	0,07	-0,04	0,00

KOREA, DEM. REP.	-2,19	-0,38	-1,88	2,45	1,30	-1,34	-1,59
KOREA, REP.	0,73	0,29	1,22	0,94	0,99	0,40	0,76
KOSOVO	-0,20	-1,13	-0,61	0,06	0,64	-0,62	-0,54
KUWAIT	-0,51	0,44	0,18	0,17	0,60	0,40	0,21
KYRGYZ REPUBLIC	-0,96	-1,03	-0,63	0,25	1,28	-1,11	-0,88
LAO PDR	-1,62	-0,27	-0,87	1,01	0,92	-1,21	-0,98
LATVIA	0,77	0,49	0,72	0,99	0,78	0,13	0,64
LEBANON	-0,35	-1,63	-0,28	0,08	0,69	-0,86	-0,62
LESOTHO	-0,14	0,47	-0,32	0,60	0,30	0,18	-0,12
LIBERIA	-0,26	-0,46	-1,27	1,05	1,01	-0,53	-0,76
LIBYA	-1,89	-0,03	-1,10	1,18	0,94	-1,26	-1,07
LIECHTENSTEIN	1,58	1,57	1,76	1,52	1,62	1,85	1,65
LITHUANIA	0,90	0,67	0,76	0,97	0,75	0,27	0,72
LUXEMBOURG	1,56	1,44	1,71	1,69	1,83	2,06	1,72
MACAO SAR, CHINA	0,61	0,55	1,32	1,34	0,70	0,43	0,83
MACEDONIA, FYR	0,09	-0,49	-0,15	0,28	0,29	-0,06	-0,10
MADAGASCAR	-0,83	-1,05	-0,95	0,56	0,85	-0,27	-0,75
MALAWI	-0,21	0,06	-0,42	0,58	0,14	-0,46	-0,29
MALAYSIA	-0,48	0,12	1,13	0,59	0,53	0,13	0,34
MALDIVES	-0,10	-0,13	-0,21	0,40	0,33	-0,53	-0,28
MALI	0,13	-0,21	-0,84	0,48	0,44	-0,65	-0,41
MALTA	1,16	1,21	1,20	1,43	1,44	0,86	1,21
MARSHALL ISLANDS	1,12	1,26	-1,28	0,99	0,27	-0,33	-0,08
MARTINIQUE	0,59	0,43	0,74	0,87	0,89	0,85	0,73
MAURITANIA	-0,95	-1,08	-0,96	0,82	0,87	-0,67	-0,89
MAURITIUS	0,78	0,58	0,85	0,90	0,86	0,65	0,77
MEXICO	0,15	-0,74	0,14	0,26	0,58	-0,37	-0,19
MICRONESIA, FED. STS.	1,08	1,23	-0,80	0,91	0,09	-0,12	0,06
MOLDOVA	-0,11	-0,39	-0,64	0,10	0,39	-0,69	-0,39
MONACO	1,04	1,00	#N/D	#####	0,90	#N/D	#N/D

MONGOLIA	0,04	0,59	-0,57	-	-	-0,73	-0,21
MONTENEGRO	0,20	0,54	0,09	-	-	-0,24	0,09
MOROCCO	-0,73	-0,38	-0,09	-	-	-0,18	-0,27
MOZAMBIQUE	-0,11	0,34	-0,57	-	-	-0,43	-0,27
MYANMAR	-2,08	-1,28	-1,65	-	-	-1,68	-1,74
NAMIBIA	0,35	0,81	0,11	-	-	0,32	0,32
NAURU	1,08	1,54	-0,57	-	-	0,06	0,24
NEPAL	-0,48	-1,60	-0,86	-	-	-0,65	-0,89
NETHERLANDS	1,49	0,91	1,73	-	-	2,18	1,64
NETHERLANDS ANTILLES (FORMER)	0,37	1,05	0,74	-	-	0,85	0,80
NEW CALEDONIA	#N/D	-0,19	#N/D	####	####	#N/D	#N/D
NEW ZEALAND	1,55	1,22	1,81	-	-	2,40	1,78
NICARAGUA	-0,49	-0,51	-0,96	-	-	-0,77	-0,64
NIGER	-0,67	-1,18	-0,67	-	-	-0,67	-0,70
NIGERIA	-0,80	-2,19	-1,15	-	-	-1,00	-1,17
NIUE	-0,30	1,45	-1,01	-	-	-0,44	-0,33
NORWAY	1,64	1,31	1,86	-	-	2,10	1,72
OMAN	-1,00	0,59	0,42	-	-	0,28	0,23
PAKISTAN	-0,84	-2,67	-0,76	-	-	-1,07	-1,11
PALAU	1,20	1,54	-0,86	-	-	-0,44	0,22
PANAMA	0,52	-0,11	0,13	-	-	-0,35	0,08
PAPUA NEW GUINEA	0,00	-0,84	-0,74	-	-	-1,13	-0,70
PARAGUAY	-0,12	-0,81	-0,94	-	-	-0,74	-0,64
PERU	0,07	-0,98	-0,20	-	-	-0,25	-0,25
PHILIPPINES	-0,06	-1,63	-0,02	-	-	-0,80	-0,55
POLAND	1,03	0,99	0,64	-	-	0,41	0,78
PORTUGAL	1,10	0,70	1,02	-	-	1,03	0,94
PUERTO RICO	0,82	0,41	0,34	-	-	0,50	0,61
QATAR	-0,89	1,12	0,89	-	-	1,57	0,71

RÉUNION	1,24	0,43	1,00	1,12	0,89	0,85	0,92
ROMANIA	0,42	0,25	-0,25	0,64	0,04	-0,22	0,15
RUSSIAN FEDERATION	-0,88	-0,91	-0,45	0,37	0,77	-1,06	-0,74
RWANDA	-1,31	-0,20	-0,05	0,18	0,30	0,46	-0,26
SAMOA	0,45	0,79	-0,05	0,28	0,65	0,13	0,28
SAN MARINO	1,18	1,54	#N/D	#####	0,90	#N/D	#N/D
SÃO TOMÉ AND PRINCIPE	0,08	0,12	-0,81	0,86	0,72	-0,43	-0,44
SAUDI ARABIA	-1,74	-0,22	0,03	0,18	0,26	0,06	-0,24
SENEGAL	-0,32	-0,43	-0,56	0,27	0,40	-0,69	-0,44
SERBIA	0,27	-0,44	-0,05	0,02	0,40	-0,29	-0,15
SEYCHELLES	0,15	0,88	0,18	0,57	0,02	0,29	0,16
SIERRA LEONE	-0,18	-0,24	-1,21	0,72	0,96	-0,77	-0,68
SINGAPORE	-0,20	1,14	2,26	1,80	1,68	2,21	1,48
SLOVAK REPUBLIC	0,89	1,02	0,83	1,00	0,53	0,24	0,75
SLOVENIA	1,04	0,83	1,03	0,75	0,98	0,85	0,91
SOLOMON ISLANDS	0,07	0,41	-0,95	1,21	0,70	-0,42	-0,47
SOMALIA	-2,07	-3,11	-2,24	2,38	2,45	-1,74	-2,33
SOUTH AFRICA	0,58	-0,02	0,39	0,36	0,11	0,09	0,25
SOUTH SUDAN	#N/D	#N/D	#N/D	#####	#####	-0,77	#N/D
SPAIN	1,12	-0,29	0,99	1,16	1,16	1,01	0,86
SRI LANKA	-0,52	-0,92	-0,18	0,20	0,08	-0,40	-0,38
ST. KITTS AND NEVIS	1,18	1,06	0,72	0,43	0,71	1,04	0,86
ST. LUCIA	1,22	0,82	0,81	0,43	0,82	1,22	0,89
ST. VINCENT AND THE GRENADINES	1,16	0,82	0,72	0,40	0,86	1,04	0,83
SUDAN	-1,72	-2,66	-1,37	1,33	1,30	-1,26	-1,61
SURINAME	0,33	0,09	-0,09	0,69	0,10	-0,43	-0,15
SWAZILAND	-1,25	-0,04	-0,52	0,60	0,49	-0,17	-0,51
SWEDEN	1,58	1,09	2,01	1,67	1,96	2,32	1,77
SWITZERLAND	1,63	1,23	1,89	1,65	1,77	2,10	1,71
SYRIAN ARAB REPUBLIC	-1,64	-0,81	-0,60	0,89	0,50	-1,08	-0,92
TAIWAN, CHINA	0,83	0,84	1,19	1,14	1,02	0,72	0,96

TAJIKISTAN	-1,40	-0,97	-0,90	1,01	1,18	-1,20	-1,11
TANZANIA	-0,13	-0,02	-0,58	0,41	0,49	-0,54	-0,36
THAILAND	-0,50	-1,43	0,19	0,19	0,20	-0,32	-0,34
TIMOR-LESTE	0,02	-0,49	-1,21	1,10	1,22	-0,97	-0,83
TOGO	-1,00	-0,20	-1,38	0,87	0,91	-0,96	-0,89
TONGA	0,30	0,74	-0,32	0,60	0,08	-0,31	-0,02
TRINIDAD AND TOBAGO	0,48	-0,04	0,27	0,50	0,22	-0,36	0,10
TUNISIA	-1,37	-0,04	0,24	0,02	0,12	-0,15	-0,20
TURKEY	-0,12	-0,92	0,31	0,31	0,12	0,03	-0,05
TURKMENISTAN	-2,00	0,26	-1,58	2,08	1,45	-1,44	-1,38
TUVALU	0,76	1,48	-0,50	1,18	1,02	-0,21	0,23
UGANDA	-0,50	-1,01	-0,52	0,15	0,39	-0,90	-0,58
UKRAINE	-0,10	-0,02	-0,75	0,52	0,81	-0,98	-0,53
UNITED ARAB EMIRATES	-0,91	0,79	0,91	0,34	0,37	0,93	0,40
UNITED KINGDOM	1,29	0,40	1,56	1,74	1,76	1,56	1,39
UNITED STATES	1,12	0,44	1,55	1,43	1,63	1,26	1,24
URUGUAY	1,14	0,82	0,64	0,38	0,70	1,24	0,82
UZBEKISTAN	-2,06	-0,73	-0,74	1,58	1,37	-1,24	-1,29
VANUATU	0,60	1,33	-0,28	0,79	0,24	0,35	0,24
VENEZUELA, RB	-0,90	-1,24	-1,10	1,61	1,64	-1,21	-1,28
VIETNAM	-1,48	0,11	-0,26	0,61	0,53	-0,63	-0,57
VIRGIN ISLANDS (U.S.)	0,81	0,47	1,26	0,63	0,89	0,85	0,82
WEST BANK AND GAZA	-0,76	-1,94	-0,42	0,29	0,21	-0,34	-0,56
YEMEN, REP.	-1,34	-2,42	-1,02	0,60	1,07	-1,16	-1,27
ZAMBIA	-0,26	0,46	-0,83	0,48	0,50	-0,57	-0,36
ZIMBABWE	-1,48	-1,12	-1,50	2,05	1,81	-1,31	-1,54

Annex 5 – KOF and WGI Indexes Juxtaposed

KOF Globalization		Worldwide Governance indicators	
Very High Globalization	1	Very High Governance (Low Political Risk)	1
High Globalization	2	High Governance (Moderate Political Risk)	2
Mid Globalization	3	Moderate Governance (High Political Risk)	3
Low Globalization	4	Low Governance (Very High Political Risk)	4

Country	WGI Aggregate index
FINLAND	1,87
DENMARK	1,82
NEW ZEALAND	1,78
SWEDEN	1,77
NORWAY	1,72
LUXEMBOURG	1,72
SWITZERLAND	1,71
NETHERLANDS	1,64
CANADA	1,61
AUSTRALIA	1,60
AUSTRIA	1,55
SINGAPORE	1,48
IRELAND	1,46
ICELAND	1,43
GERMANY	1,43
UNITED KINGDOM	1,39
BELGIUM	1,32
FRANCE	1,26
UNITED STATES	1,24
JAPAN	1,22
CHILE	1,22
MALTA	1,21
CYPRUS	1,10
ESTONIA	1,03
PORTUGAL	0,94
SLOVENIA	0,91
CZECH REPUBLIC	0,89
SPAIN	0,86
URUGUAY	0,82
POLAND	0,78

PAESE	KOF Globalization Index
Belgium	92,03
Ireland	91,79
Netherlands	91,33
Austria	89,48
Singapore	88,89
Denmark	88,12
Sweden	87,63
Portugal	87,07
Hungary	86,85
Switzerland	86,28
Cyprus	86,08
United Kingdom	85,39
Canada	85,38
Luxembourg	85,15
Czech Republic	84,86
Finland	84,85
Spain	84,21
France	83,86
Slovakia	83,49
Norway	81,99
Australia	81,59
Germany	81,08
Italy	81,01
Greece	80,31
Estonia	79,72
Poland	79,01
Malaysia	78,23
New Zealand	78,22
Israel	77,27
Slovenia	76,85

MAURITIUS	0,77
SLOVAK REPUBLIC	0,75
LITHUANIA	0,72
HUNGARY	0,71
QATAR	0,71
BOTSWANA	0,67
LATVIA	0,64
COSTA RICA	0,61
ISRAEL	0,57
ITALY	0,52
CAPE VERDE	0,48
UNITED ARAB EMIRATES	0,40
GREECE	0,40
CROATIA	0,39
MALAYSIA	0,34
NAMIBIA	0,32
SOUTH AFRICA	0,25
OMAN	0,23
BULGARIA	0,22
KUWAIT	0,21
SEYCHELLES	0,16
ROMANIA	0,15
BRAZIL	0,11
TRINIDAD AND TOBAGO	0,10
BHUTAN	0,10
GHANA	0,10
MONTENEGRO	0,09
PANAMA	0,08
BAHRAIN	0,08
TURKEY	-0,05
GEORGIA	-0,06
JAMAICA	-0,06
JORDAN	-0,08
BELIZE	-0,10
MACEDONIA, FYR	-0,10
EL SALVADOR	-0,10
LESOTHO	-0,12
SERBIA	-0,15
ALBANIA	-0,17
MEXICO	-0,19
TUNISIA	-0,20
MONGOLIA	-0,21
SAUDI ARABIA	-0,24

Malta	76,09
United Arab Emirates	75,66
Croatia	75,36
United States of America	74,76
Chile	72,91
Lithuania	72,79
Iceland	72,73
Romania	72,53
Qatar	72,03
Bulgaria	71,73
Kuwait	70,97
Jordan	70,01
Turkey	69,02
Latvia	69,00
Montenegro	68,86
Bahrain	68,34
Russia	67,78
Ukraine	67,78
Lebanon	67,51
Saudi Arabia	67,49
Panama	67,43
Uruguay	65,28
South Africa	64,39
Serbia	64,09
Peru	64,03
Japan	63,73
Thailand	63,64
Moldova	63,49
Bosnia and Herzegovina	63,31
El Salvador	62,59
Mauritius	61,78
Costa Rica	61,64
Georgia	61,56
Morocco	61,38
Oman	61,38
Nigeria	61,02
Honduras	60,93
Dominican Republic	60,22
Macedonia, FYR	60,01
Guatemala	59,67
Tunisia	59,58
China	59,43
Brazil	59,21

PERU	-0,25
RWANDA	-0,26
MOROCCO	-0,27
MOZAMBIQUE	-0,27
BURKINA FASO	-0,28
INDIA	-0,29
ARGENTINA	-0,29
MALAWI	-0,29
ARMENIA	-0,30
BENIN	-0,30
THAILAND	-0,34
GUYANA	-0,35
ZAMBIA	-0,36
TANZANIA	-0,36
COLOMBIA	-0,37
SRI LANKA	-0,38
MOLDOVA	-0,39
BOSNIA AND HERZEGOVINA	-0,39
DOMINICAN REPUBLIC	-0,41
MALI	-0,41
SÃO TOMÉ AND PRINCIPE	-0,44
SENEGAL	-0,44
INDONESIA	-0,48
KAZAKHSTAN	-0,50
SWAZILAND	-0,51
GAMBIA, THE	-0,52
UKRAINE	-0,53
GABON	-0,54
EGYPT, ARAB REP.	-0,54
BOLIVIA	-0,55
PHILIPPINES	-0,55
CHINA	-0,56
VIETNAM	-0,57
UGANDA	-0,58
GUATEMALA	-0,59
CUBA	-0,59
HONDURAS	-0,61
LEBANON	-0,62
NICARAGUA	-0,64
PARAGUAY	-0,64
KENYA	-0,66
SIERRA LEONE	-0,68

Jamaica	59,21
Albania	58,32
Kazakhstan	58,04
Argentina	58,03
Egypt	58,01
Trinidad and Tobago	57,97
Paraguay	57,57
Mongolia	57,29
Azerbaijan	56,71
Kyrgyz Republic	56,12
Philippines	56,12
Zambia	55,62
Indonesia	55,02
Namibia	54,99
Belarus	54,98
Armenia	54,72
Ghana	54,55
Nicaragua	54,42
Ecuador	54,01
Gabon	53,45
Bolivia	53,08
Senegal	53,08
Cote d'Ivoire	52,05
Colombia	52,04
India	51,57
Gambia	51,51
Pakistan	51,38
Swaziland	51,14
Guyana	50,88
Togo	50,67
Congo (Brazzaville)	50,56
Zimbabwe	50,07
Sri Lanka	49,85
Venezuela	49,44
Libya	48,94
Cuba	48,88
Kenya	48,79
Belize	48,23
Seychelles	47,99
Cambodia	47,68
Vietnam	47,02
Lesotho	47,00

NIGER	-0,70
PAPUA NEW GUINEA	-0,70
RUSSIAN FEDERATION	-0,74
MADAGASCAR	-0,75
LIBERIA	-0,76
AZERBAIJAN	-0,78
ECUADOR	-0,80
TIMOR-LESTE	-0,83
BANGLADESH	-0,85
ALGERIA	-0,86
CAMBODIA	-0,86
KYRGYZ REPUBLIC	-0,88
NEPAL	-0,89
TOGO	-0,89
MAURITANIA	-0,89
CAMEROON	-0,91
SYRIAN ARAB REPUBLIC	-0,92
ETHIOPIA	-0,94
BELARUS	-0,96
LAO PDR	-0,98
ANGOLA	-1,01
GUINEA-BISSAU	-1,02
CONGO, REP.	-1,03
LIBYA	-1,07
TAJIKISTAN	-1,11
PAKISTAN	-1,11
HAITI	-1,16
NIGERIA	-1,17
CÔTE D'IVOIRE	-1,20
IRAN, ISLAMIC REP.	-1,22
EQUATORIAL GUINEA	-1,24
GUINEA	-1,26
YEMEN, REP.	-1,27
VENEZUELA, RB	-1,28
UZBEKISTAN	-1,29
CENTRAL AFRICAN REPUBLIC	-1,30
CHAD	-1,37
TURKMENISTAN	-1,38
ERITREA	-1,40
IRAQ	-1,42

Mali	46,87
Botswana	46,24
Uganda	46,18
Mozambique	46,05
Cape Verde	45,76
Papua New Guinea	45,71
Cameroon	45,22
Yemen	45,18
Angola	44,73
Mauritania	44,43
Burkina Faso	44,35
Benin	43,97
Syria	43,67
Guinea-Bissau	42,58
Madagascar	42,53
Guinea	42,31
Rwanda	42,24
Malawi	42,06
Tajikistan	40,79
Bangladesh	40,65
Iran	40,24
Chad	40,15
Iraq	40,01
Tanzania	39,12
Sierra Leone	38,97
Nepal	38,05
Niger	37,81
Ethiopia	37,46
Congo (Democratic Republic)	36,87
Central African Republic	36,33
Sudan	36,19
Turkmenistan	36,06
Haiti	35,02
Sao Tome and Principe	35,00
Uzbekistan	34,41
Myanmar	31,98
Afghanistan	31,46
Liberia	30,81
Bhutan	27,91
Eritrea	27,34

ZIMBABWE	-1,54
SUDAN	-1,61
CONGO, DEM. REP.	-1,67
MYANMAR	-1,74
AFGHANISTAN	-1,76

Laos	26,52
Equatorial Guinea	26,26
Timor-Leste	24,35
Mexico	0,00
Algeria	

Result 1 – Perfect Relation Panel: 160 Countries		
Lev. 1	Very High Globalization – Very High Governance	34
Lev. 2	High Globalization – High Political Governance	21
Lev. 3	Moderate Globalization – Moderate Governance	18
Lev. 4	Low Globalization – Low Political Governance	27
TOTAL		100

Country	WGI Aggregate index	Value	PAESE	KOF Globalization Index	Value	Difference
AFGHANISTAN	-1,76	4	Afghanistan	31,46	4	0
ALBANIA	-0,17	2	Albania	58,32	2	0
ALGERIA	-0,86	4	Algeria		4	0
ANGOLA	-1,01	4	Angola	44,73	4	0
ARGENTINA	-0,29	2	Argentina	58,03	2	0
ARMENIA	-0,30	3	Armenia	54,72	3	0
AUSTRALIA	1,60	1	Australia	81,59	1	0
AUSTRIA	1,55	1	Austria	89,48	1	0
BAHRAIN	0,08	2	Bahrain	68,34	2	0
BANGLADESH	-0,85	4	Bangladesh	40,65	4	0
BELGIUM	1,32	1	Belgium	92,03	1	0
BOLIVIA	-0,55	3	Bolivia	53,08	3	0
BRAZIL	0,11	2	Brazil	59,21	2	0
CAMEROON	-0,91	4	Cameroon	45,22	4	0
CANADA	1,61	1	Canada	85,38	1	0
CENTRAL AFRICAN REPUBLIC	-1,30	4	Central African Republic	36,33	4	0
CHAD	-1,37	4	Chad	40,15	4	0
CHILE	1,22	1	Chile	72,91	1	0
COLOMBIA	-0,37	3	Colombia	52,04	3	0
CONGO, REP.	-1,03	4	Congo (Democratic	36,87	4	0

			Republic)			
CUBA	-0,59	3	Cuba	48,88	3	0
CYPRUS	1,10	1	Cyprus	86,08	1	0
CZECH REPUBLIC	0,89	1	Czech Republic	84,86	1	0
DENMARK	1,82	1	Denmark	88,12	1	0
EL SALVADOR	-0,10	2	El Salvador	62,59	2	0
EQUATORIAL GUINEA	-1,24	4	Equatorial Guinea	26,26	4	0
ERITREA	-1,40	4	Eritrea	27,34	4	0
ESTONIA	1,03	1	Estonia	79,72	1	0
ETHIOPIA	-0,94	4	Ethiopia	37,46	4	0
FINLAND	1,87	1	Finland	84,85	1	0
FRANCE	1,26	1	France	83,86	1	0
GABON	-0,54	3	Gabon	53,45	3	0
GAMBIA, THE	-0,52	3	Gambia	51,51	3	0
GEORGIA	-0,06	2	Georgia	61,56	2	0
GERMANY	1,43	1	Germany	81,08	1	0
GUINEA	-1,26	4	Guinea	42,31	4	0
GUINEA-BISSAU	-1,02	4	Guinea- Bissau	42,58	4	0
GUYANA	-0,35	3	Guyana	50,88	3	0
HAITI	-1,16	4	Haiti	35,02	4	0
HUNGARY	0,71	1	Hungary	86,85	1	0
ICELAND	1,43	1	Iceland	72,73	1	0
INDONESIA	-0,48	3	Indonesia	55,02	3	0
IRAN, ISLAMIC REP.	-1,22	4	Iran	40,24	4	0
IRAQ	-1,42	4	Iraq	40,01	4	0
IRELAND	1,46	1	Ireland	91,79	1	0
ISRAEL	0,57	1	Israel	77,27	1	0
ITALY	0,52	1	Italy	81,01	1	0
JAMAICA	-0,06	2	Jamaica	59,21	2	0
JORDAN	-0,08	2	Jordan	70,01	2	0
KENYA	-0,66	3	Kenya	48,79	3	0
KUWAIT	0,21	2	Kuwait	70,97	2	0
LAO PDR	-0,98	4	Laos	26,52	4	0
LITHUANIA	0,72	1	Lithuania	72,79	1	0
LUXEMBOURG	1,72	1	Luxembourg	85,15	1	0
MACEDONIA, FYR	-0,10	2	Macedonia, FYR	60,01	2	0
MALI	-0,41	3	Mali	46,87	3	0
MALTA	1,21	1	Malta	76,09	1	0
MAURITANIA	-0,89	4	Mauritania	44,43	4	0

MONTENEGRO	0,09	2	Montenegro	68,86	2	0
MOROCCO	-0,27	2	Morocco	61,38	2	0
MYANMAR	-1,74	4	Myanmar	31,98	4	0
NEPAL	-0,89	4	Nepal	38,05	4	0
NETHERLANDS	1,64	1	Netherlands	91,33	1	0
NEW ZEALAND	1,78	1	New Zealand	78,22	1	0
NICARAGUA	-0,64	3	Nicaragua	54,42	3	0
NORWAY	1,72	1	Norway	81,99	1	0
OMAN	0,23	2	Oman	61,38	2	0
PANAMA	0,08	2	Panama	67,43	2	0
PERU	-0,25	2	Peru	64,03	2	0
PHILIPPINES	-0,55	3	Philippines	56,12	3	0
POLAND	0,78	1	Poland	79,01	1	0
PORTUGAL	0,94	1	Portugal	87,07	1	0
QATAR	0,71	1	Qatar	72,03	1	0
SAUDI ARABIA	-0,24	2	Saudi Arabia	67,49	2	0
SENEGAL	-0,44	3	Senegal	53,08	3	0
SERBIA	-0,15	2	Serbia	64,09	2	0
SINGAPORE	1,48	1	Singapore	88,89	1	0
SLOVAK REPUBLIC	0,75	1	Slovakia	83,49	1	0
SLOVENIA	0,91	1	Slovenia	76,85	1	0
SOUTH AFRICA	0,25	2	South Africa	64,39	2	0
SPAIN	0,86	1	Spain	84,21	1	0
SRI LANKA	-0,38	3	Sri Lanka	49,85	3	0
SUDAN	-1,61	4	Sudan	36,19	4	0
SWAZILAND	-0,51	3	Swaziland	51,14	3	0
SWEDEN	1,77	1	Sweden	87,63	1	0
SWITZERLAND	1,71	1	Switzerland	86,28	1	0
SYRIAN ARAB REPUBLIC	-0,92	4	Syria	43,67	4	0
TAJIKISTAN	-1,11	4	Tajikistan	40,79	4	0
TIMOR-LESTE	-0,83	4	Timor-Leste	24,35	4	0
TRINIDAD AND TOBAGO	0,10	2	Trinidad and Tobago	57,97	2	0
TUNISIA	-0,20	2	Tunisia	59,58	2	0
TURKEY	-0,05	2	Turkey	69,02	2	0
TURKMENISTAN	-1,38	4	Turkmenistan	36,06	4	0
UGANDA	-0,58	3	Uganda	46,18	3	0
UNITED KINGDOM	1,39	1	United Kingdom	85,39	1	0
UNITED STATES	1,24	1	United States of America	74,76	1	0
UZBEKISTAN	-1,29	4	Uzbekistan	34,41	4	0
VIETNAM	-0,57	3	Vietnam	47,02	3	0

YEMEN, REP.	-1,27	4	Yemen	45,18	4	0
ZAMBIA	-0,36	3	Zambia	55,62	3	0

Result 2 – Differentiation by one level (+1; -1).		
Panel: 160 Countries		
-1	Higher Globalization – Lower Governance	23
+1	Lower Globalization – Higher Governance	31
TOTAL		54

Country	WGI Aggregate index	Value	PAESE	KOF Globalization Index	Value	Difference
AZERBAIJAN	-0,78	4	Azerbaijan	56,71	3	1
BELARUS	-0,96	4	Belarus	54,98	3	1
BELIZE	-0,10	2	Belize	48,23	3	-1
BENIN	-0,30	3	Benin	43,97	4	-1
BOSNIA AND HERZEGOVINA	-0,39	3	Bosnia and Herzegovina	63,31	2	1
BULGARIA	0,22	2	Bulgaria	71,73	1	1
CAMBODIA	-0,86	4	Cambodia	47,68	3	1
CAPE VERDE	0,48	2	Cape Verde	45,76	3	-1
CHINA	-0,56	3	China	59,43	2	1
CONGO, DEM. REP.	-1,67	4	Congo (Brazzaville)	50,56	3	1
COSTA RICA	0,61	1	Costa Rica	61,64	2	-1
CÔTE D'IVOIRE	-1,20	4	Cote d'Ivoire	52,05	3	1
CROATIA	0,39	2	Croatia	75,36	1	1
DOMINICAN REPUBLIC	-0,41	3	Dominican Republic	60,22	2	1
ECUADOR	-0,80	4	Ecuador	54,01	3	1
EGYPT, ARAB REP.	-0,54	3	Egypt	58,01	2	1
GHANA	0,10	2	Ghana	54,55	3	-1
GREECE	0,40	2	Greece	80,31	1	1
GUATEMALA	-0,59	3	Guatemala	59,67	2	1
HONDURAS	-0,61	3	Honduras	60,93	2	1
INDIA	-0,29	2	India	51,57	3	-1
JAPAN	1,22	1	Japan	63,73	2	-1

KAZAKHSTAN	-0,50	3	Kazakhstan	58,04	2	1
KYRGYZ REPUBLIC	-0,88	4	Kyrgyz Republic	56,12	3	1
LATVIA	0,64	1	Latvia	69,00	2	-1
LEBANON	-0,62	3	Lebanon	67,51	2	1
LESOTHO	-0,12	2	Lesotho	47,00	3	-1
LIBERIA	-0,76	3	Liberia	30,81	4	-1
LIBYA	-1,07	4	Libya	48,94	3	1
MADAGASCAR	-0,75	3	Madagascar	42,53	4	-1
MALAWI	-0,29	3	Malawi	42,06	4	-1
MALAYSIA	0,34	2	Malaysia	78,23	1	1
MAURITIUS	0,77	1	Mauritius	61,78	2	-1
MOLDOVA	-0,39	3	Moldova	63,49	2	1
MONGOLIA	-0,21	2	Mongolia	57,29	3	-1
MOZAMBIQUE	-0,27	2	Mozambique	46,05	3	-1
NAMIBIA	0,32	2	Namibia	54,99	3	-1
NIGER	-0,70	3	Niger	37,81	4	-1
PAKISTAN	-1,11	4	Pakistan	51,38	3	1
PAPUA NEW GUINEA	-0,70	3	Papua New Guinea	45,71	4	-1
PARAGUAY	-0,64	3	Paraguay	57,57	2	1
ROMANIA	0,15	2	Romania	72,53	1	1
RUSSIAN FEDERATION	-0,74	3	Russia	67,78	2	1
SÃO TOMÉ AND PRINCIPE	-0,44	3	Sao Tome and Principe	35,00	4	-1
SEYCHELLES	0,16	2	Seychelles	47,99	3	-1
SIERRA LEONE	-0,68	3	Sierra Leone	38,97	4	-1
TANZANIA	-0,36	3	Tanzania	39,12	4	-1
THAILAND	-0,34	3	Thailand	63,64	2	1
TOGO	-0,89	4	Togo	50,67	3	1
UKRAINE	-0,53	3	Ukraine	67,78	2	1
UNITED ARAB EMIRATES	0,40	2	United Arab Emirates	75,66	1	1
URUGUAY	0,82	1	Uruguay	65,28	2	-1
VENEZUELA, RB	-1,28	4	Venezuela	49,44	3	1
ZIMBABWE	-1,54	4	Zimbabwe	50,07	3	1

Result 3 – Differentiation by two levels (+2; -2). Panel: 160 Countries		
-2	Higher Globalization – Lower Governance	5
+2	Lower Globalization – Higher Governance	1
TOTAL		6

Result 4 – Differentiation by three levels (+3; -3).		
Panel: 160 Countries		
-3	Higher Globalization – Lower Governance	0
+3	Lower Globalization – Higher Governance	0
TOTAL		0

Country	WGI Aggregate index	Value	PAESE	KOF Globalization Index	Value	Differenziale
BHUTAN	0,10	2	Bhutan	27,91	4	-2
BOTSWANA	0,67	1	Botswana	46,24	3	-2
BURKINA FASO	-0,28	2	Burkina Faso	44,35	4	-2
MEXICO	-0,19	2	Mexico	0,00	4	-2
RWANDA	-0,26	2	Rwanda	42,24	4	-2
NIGERIA	-1,17	4	Nigeria	61,02	2	2