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Press Release

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KOF Index of Globalization 2008

According to the KOF Index of Globalization 2008, Belgium and Austria are the world's most globalized countries – Switzerland ranks 4 (last year: rank 6). The KOF Index of Globalization 2008 shows that globalization is still on the rise, driven by increased economic and political globalization, while social globalization stagnates.

The KOF Index of Globalization measures the economic, social and political dimensions of globalization. The index allows comparing degree and changes in globalization over a large number of countries and more than 30 years: The KOF Index of Globalization 2008 is available for 122 countries over the period 1970–2005, and is calculated on the basis of 24 variables.¹ The method employed in the calculations allows direct comparison of a specific country's degree of globalization over time.

The economic dimension of the KOF Index measures long distance flows of goods, capital and services as well as information and perceptions that accompany market exchanges. In addition to actual flows of trade and foreign investment, it captures the degree to which a specific country restricts capital and trade flows. The social dimension measures the spread of ideas, information, images, and people, while the political dimension captures diffusion of government policies.

Chart 1 shows how globalization has developed over time – measured by the average of the individual country indices: The degree of globalization has been increasing since the 1970s, particularly since the mid-80s according to all three dimensions of globalization. Social globalization, however, did stagnate since 2001.

According to **charts 2 and 3**, the development for the overall index has mostly been independent of income and region, even though the degree of globalization differs largely. The charts show in particular that globalization is most prevalent in Western, high income countries. There, however, the process of globalization practically came to a halt since 2001 and did actually decrease slightly during the last year.

¹ More recent data for the variables employed in constructing the index are not available. The KOF Index of Globalization is updated on a yearly basis at the beginning of the year.

Chart 1

KOF Index of Globalization worldwide

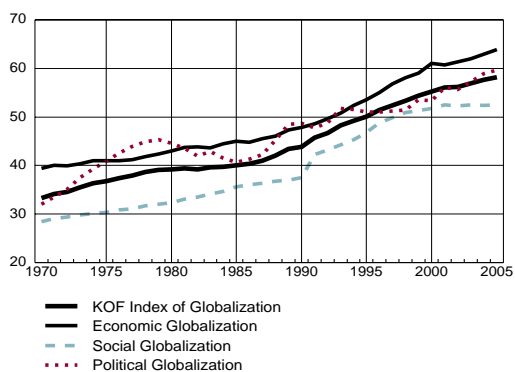


Chart 2

KOF Index of Globalization worldwide

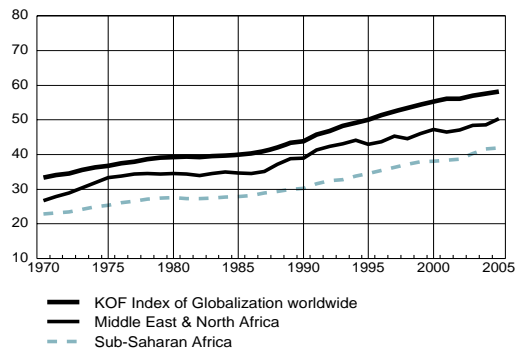
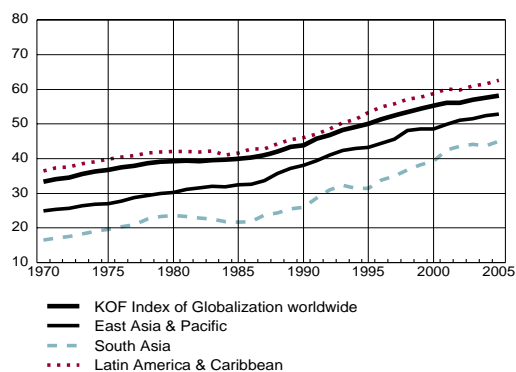
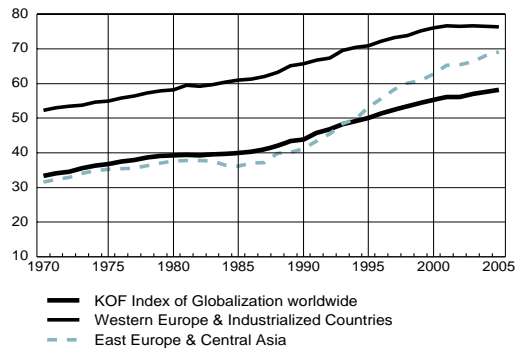
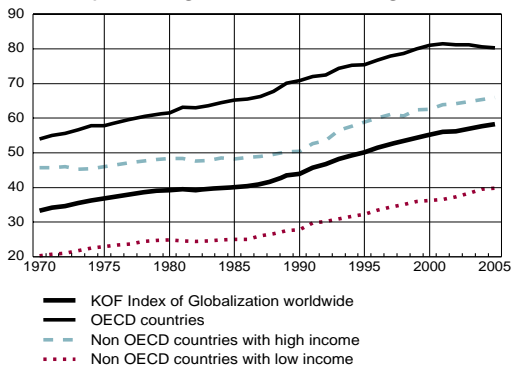


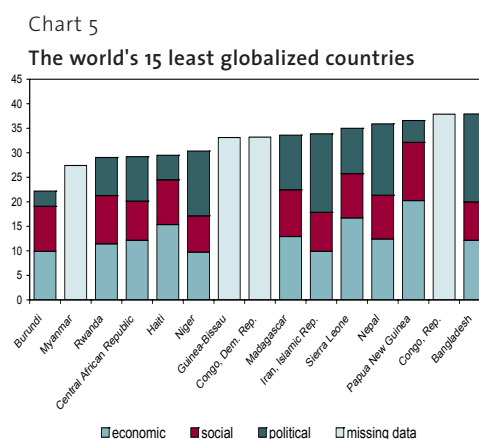
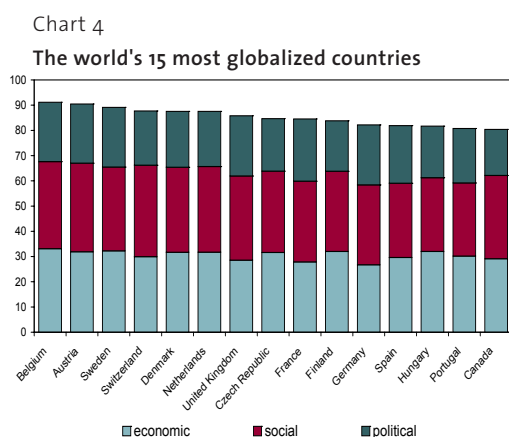
Chart 3

Development of globalization according to income



Country Rankings

Chart 4 shows the world's 15 most globalized countries, while those least globalized are displayed in **chart 5**. According to the new calculations, Belgium and Austria are on top of the globalization ranking since 2001. On the bottom of the 2008 ranking are Burundi, Myanmar, and Rwanda. Countries at the bottom of the ranking consistently score lower across all three dimensions: The degree of globalization in the ten least globalized countries is about one third of the ten most globalized ones.



Regarding economic globalization – and in line with the results for previous years – Singapore shows the highest score. Switzerland ranks 19 (previous year: 20). Luxembourg ranks second, followed by Belgium and Malta – all of them small open economies. Least globalized in economic terms are Niger, Burundi, and Iran. The social globalization ranking is headed by Switzerland, Austria, Singapore, and Belgium, whereas Myanmar, Mali, Niger, and Bangladesh are at the bottom of the ranking. According to the political sub-index of globalization, France is the world's most globalized country. The USA, Russia and Italy are also among the most politically globalized countries, whereas the Bahamas, Burundi, Barbados and Belize show the lowest political globalization score. Regarding political globalization, Switzerland ranks 24 – as in the previous year. According to the world average, social globalization did no longer proceed since 2001, while economic and political integration did.

Charts 6 and 7 display the changes in the KOF globalization ranking as compared to the previous year. While chart 6 shows the most severe changes across the world, chart 7 focuses on the changes across the most globalized countries. As compared to the previous year, globalization decreased most dramatically in Ghana (12 positions), while the greatest increase in

the degree of globalization has been experienced by Zimbabwe (15 positions). Among the most globalized countries, Germany (+7) displays the greatest increase in globalization – Canada (–9) decreased its degree of globalization the most.

Chart 6
The biggest changes
(as compared to previous year)

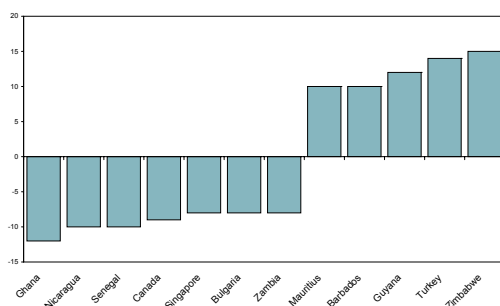
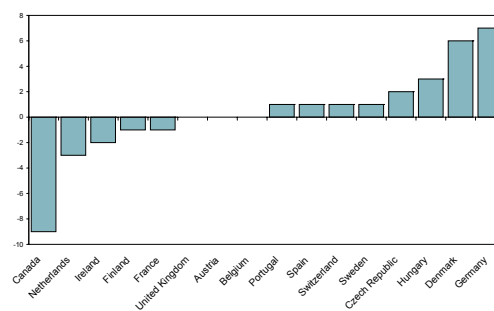


Chart 7
The changes among most globalized countries
(as compared to previous year)



Methodological Aspects

The KOF Index of Globalization measures globalization on a scale of 1–100, where the underlying variables enter in percentiles. The impact of extreme data points is thus reduced, also introducing fewer fluctuations over time. One variable included in the previous version of the index is no longer included, as the original source is not updated: The number of internet hosts per country. Due to this revision, the current data can not directly be compared with the previous version of the index. Comparisons reported in the text base on the current version of the KOF Index.

Information on individual countries

Globalization of Germany

The KOF Index of Globalization for Germany continuously increased since the 1970s for about 30 years. Since 1996 Germany has been for most of the time among the world's 15 most globalized countries. From 2001–2004 Germany lost ground, continuously decreasing its globalization score and falling back until rank 18. From there, it substantially increased its position and ranks 11 according to the new KOF Index. This increase is mainly due to the substantial rise in economic globalization, where the score increased by almost 10 points due to a substantial increase in foreign direct investment.

Globalization of Great Britain

The KOF Index of Globalization for Great Britain continuously increased since the 1970s for about 30 years. During the 1990s the UK has always been among the world's ten most globalized countries. While the degree of globalization stagnated in recent years, the UK ranks 7 according to the new index – the same rank as last year. Political globalization, in particular, decreased during the last two years. This is due to the decrease in the UK's participation in United Nations peacekeeping missions.

Globalization of France

The KOF Index of Globalization for France continuously increased since the 1970s for about 30 years. While the degree of globalization stagnated in the last couple of years, France ranks 9 according to the new index, as compared to 8 in the previous year. Trade openness increased by about 2 percentage points, while the stock of foreign direct investment increased by more than 6 percentage points. However, restrictions on the capital account became stricter at the same time.

Globalization of Italy

The KOF Index of Globalization for Italy continuously increased since the 1970s for about 30 years – and particularly since the mid-80s. While Italy's degree of globalization stagnated during the last couple of years, Italy ranks 18 according to the new index, as compared to 21 in the previous year. This increase is mainly due to a rise in foreign direct investment flows and openness to trade.

Table 1

KOF Index of Globalization, selected countries

	Germany	United Kingdom	France	Italy	Switzerland	United States
1970–79	58.07	63.30	57.37	51.51	73.94	60.96
1980–89	66.56	72.31	69.19	56.38	81.36	66.66
1990–99	76.67	82.43	80.33	71.45	87.48	74.64
2000	84.34	87.75	85.85	79.83	91.60	78.11
2001	82.97	86.51	84.43	79.77	90.99	77.98
2002	83.49	87.15	85.03	79.32	90.59	77.34
2003	82.01	87.60	84.57	77.91	90.60	77.16
2004	79.44	86.21	85.07	78.43	88.11	77.97
2005	83.01	86.67	85.38	79.44	88.60	76.76

Globalization of Switzerland

The KOF Index of Globalization for Switzerland continuously increased since the 1970s for about 30 years – and particularly since the 90s. Since 1991 Switzerland is among the world's ten most globalized countries. While the degree of globalization decreased in the last couple of years, Switzerland ranks 4 according to the new index, as compared to 6 in the previous year. This increase is due to the substantial rise in foreign direct investment. Net inflows in percent of GDP increased from 0.63 to 4.20, while net outflows increased from 7.25 to 14.20.

Globalization of the USA

The KOF Index of Globalization for the US continuously increased since the 1970s for about 30 years. While the degree of globalization decreased in the last couple of years, the US ranks 22 according to the new index – the same rank as in the previous year. The small decrease in the overall US index from 78 to 77 is mainly due to the substantial decrease in foreign direct investment. Net outflows in percent of GDP, in particular, decreased from 2.2 to 0.10. This resulted in a decline in economic globalization of about 4 points on the index.

Detailed information about the KOF Index of Globalization 2008:

- <http://www.kof.ethz.ch/globalization>
- Dreher, Axel, Noel Gaston and Pim Martens (2008), *Measuring Globalisation – Gauging its Consequences*, New York: Springer.

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