

2008 KOF Index of Globalization: Definitions and Sources

Source:

Dreher, Axel, 2006, Does Globalization Affect Growth? Empirical Evidence from a new Index, *Applied Economics* 38, 10: 1091-1110.

Updated in:

Dreher, Axel; Noel Gaston and Pim Martens, 2008, *Measuring Globalization - Gauging its Consequences*, New York: Springer.

Indices and Variables	Sources	Definitions
A. Economic Globalization		
i) Data on actual Flows		
Trade (percent of GDP)	World Bank (2007)	Trade is the sum of exports and imports of goods and services measured as a share of gross domestic product. Data are in percent of GDP.
Foreign Direct Investment, flows (percent of GDP)	World Bank (2007)	Gross foreign direct investment is the sum of the absolute values of inflows and outflows of foreign direct investment recorded in the balance of payments financial account. It includes equity capital, reinvestment of earnings, other long-term capital, and short-term capital. Data are in percent of GDP.
Foreign Direct Investment, stocks (percent of GDP)	UNCTAD (2007)	Sum of inward and outward FDI stock as a percentage of GDP.
Portfolio Investment (percent of GDP)	IMF (2007)	Portfolio investment is the sum of the absolute values of inflows and outflows of portfolio investment recorded in the balance of payments. Data are in percent of GDP.
Income Payments to Foreign Nationals (percent of GDP)	World Bank (2007)	Income payments refer to employee compensation paid to nonresident workers and investment income (payments on direct investment, portfolio investment, other investments). Income derived from the use of intangible assets is excluded. Data are in percent of GDP.
ii) Data on restrictions		
Hidden Import Barriers	Gwartney and Lawson (2007)	The index is based on the Global Competitiveness Report's survey question: "In your country, tariff and non-tariff barriers significantly reduce the ability of imported goods to compete in the domestic market." The question's wording has varied slightly over the years.
Mean Tariff Rate	Gwartney and Lawson (2007)	As the mean tariff rate increases, countries are assigned lower ratings. The rating declines toward zero as the mean tariff rate approaches 50%.
Taxes on International Trade (percent of current revenue)	World Bank (2007)	Taxes on international trade include import duties, export duties, profits of export or import monopolies, exchange profits, and exchange taxes. Current revenue includes all revenue from taxes and nonrepayable receipts (other than grants) from the sale of land, intangible assets, government stocks, or fixed capital assets, or from capital transfers from nongovernmental sources. It also includes fines, fees, recoveries, inheritance taxes, and nonrecurrent levies on capital. Data are for central government and in percent of all current revenue.
Capital Account Restrictions	Gwartney and Lawson (2007)	Index based on two components: (i) Beginning with the year 2002, this sub-component is based on the question: "Foreign ownership of companies in your country is (1) rare, limited to minority stakes, and often prohibited in key sectors or (2) prevalent and encouraged". For earlier years, this sub-component was based on two questions about "Access of citizens to foreign capital markets and foreign access to domestic capital markets". (ii) Index based on the IMF's Annual Report on Exchange Arrangements and Exchange Restrictions, including 13 different types of capital controls. It is constructed by subtracting the number of restriction from 13 and multiplying the result by 10.
B. Social Globalization		
i) Data on Personal Contact		
Outgoing Telephone Traffic	World Bank (2007)	Outgoing traffic refers to telephone traffic, measured in minutes per 1000 people. (Minutes per subscriber, that originated in the country with a destination outside the country multiplied with number of telephone mainlines per 1000 people.)
Transfers (percent of GDP)	World Bank (2007)	Sum of gross inflows and gross outflows of goods, services, income, or financial items without a quid pro quo. Data are in percent of GDP.
International Tourism	World Bank (2007)	Sum of arrivals and departures of international tourists as a share of population.
Foreign Population (percent of total population)	World Bank (2007)	Foreign population is the number of foreign or foreign-born residents in a country. Data are in percent of total population.
International letters (per capita)	Universal Postal Union, Postal Statistics database	Number of international letters sent and received per capita.
ii) Data on Information Flows		
Internet Users (per 1000 people)	World Bank (2007)	Internet users are people with access to the worldwide internet network.
Cable Television (per 1000 people)	World Bank (2007)	Cable television subscribers are households that subscribe to a multichannel television service delivered by a fixed line connection, per 1000 people. Some countries also report subscribers to pay television using wireless technology or those cabled to community antenna systems.
Trade in Newspapers (percent of GDP)	UNESCO (various years)	The sum of exports and imports in newspapers and periodicals in percent of GDP. Data are provided by the Statistical Division of the United Nations and correspond to those published in the U.N. World Trade Annual. Newspapers and periodicals correspond to code 892.2 of the Standard International Trade Classification (SITC).
Radios (per 1000 people)	World Bank (2007)	Radios refer to radio receivers in use for broadcasts to the general public, per 1000 people.
iii) Data on Cultural Proximity		

Indices and Variables

Number of McDonald's Restaurants (per capita)
 Number of Ikea (per capita)
 Trade in books (percent of GDP)

Sources

various sources
 UNESCO (various years)

Definitions

Number of McDonald's Restaurants (per capita).
 Number of Ikea (per capita).
 The sum of exports and imports in books and pamphlets in percent of GDP. Data are provided by the Statistical Division of the United Nations and correspond to those published in the U.N. World Trade Annual. Books and pamphlets correspond to code 892.11 of the Standard International Trade Classification (SITC), Revision 1.

C. Political Globalization

Embassies in Country

Europa World Yearbook
 (various years)

Absolute number of embassies in a country.

Membership in International Organizations

Yearbook of international
 organizations and CIA
 World Factbook, various
 years

Absolute number of international inter-governmental organizations.

Participation in U.N. Security Council Missions

Department of
 Peacekeeping Operations,
 UN

Absolute number of U.N. Security Council Missions participated.

References

Gwartney, James and Robert Lawson (2007), Economic Freedom of the World: 2007 Annual Report, <http://www.freetheworld.org/>.
 International Monetary Fund (2007), International Financial Statistics Indicators, CD-Rom, Washington, DC.
 UNCTAD (2007), World Investment Report.
 UNESCO (various years), Statistical Yearbook.
 World Bank (2007), World Development Indicators, CD-Rom, Washington, DC.