

Friday, February 10, 2006, 11.30 a.m.

Press release

KOF Index of Globalization 2006

A new instrument of measuring the degree of globalization for more than 100 countries

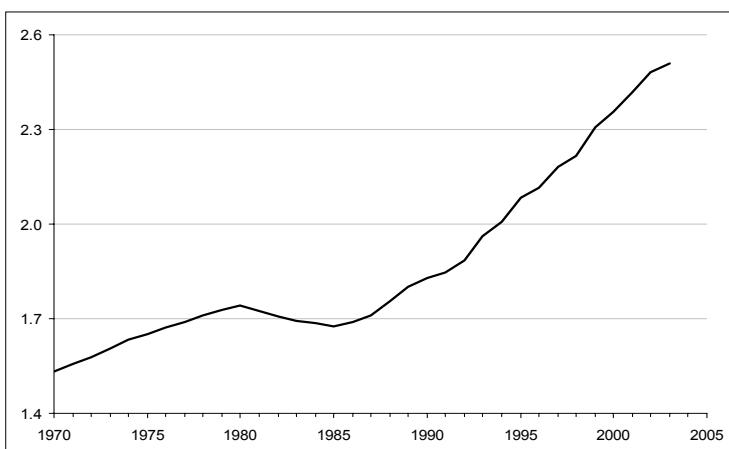
The KOF Index of Globalization measures economic, social and political dimensions of globalization. Contrary to the well known A.T.Kearney Index, the KOF index is calculated for a greater number of countries over a substantially longer period of time: The KOF Index of Globalization 2006 is available for 123 countries over the period 1970–2003, and is calculated on the basis of 23 variables.¹ The method employed in the calculation 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 controls 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.

Graph 1 shows how globalization has developed over time – measured by the average of the individual country indices: The degree of globalization did increase since the 1970s, particularly since the mid-80s.

Graph 1

Development of globalization across the world



¹ More recent data for the variables employed in constructing the index are not available. The KOF Index of Globalization will be updated on a yearly basis each February.

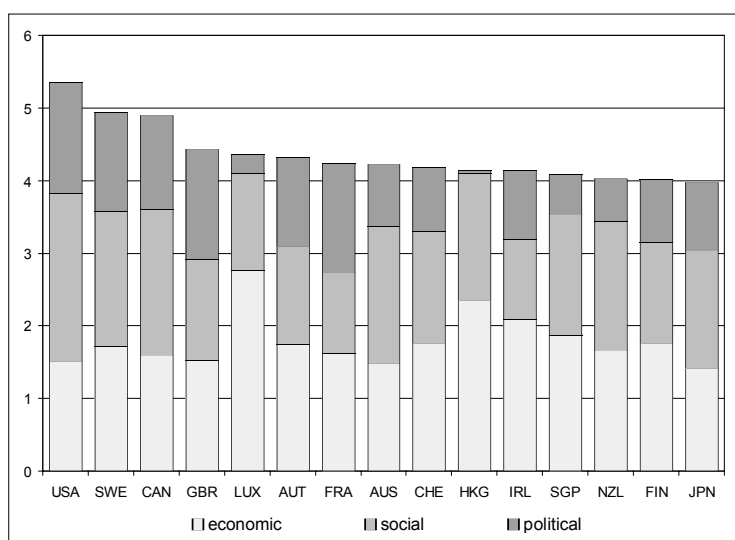
Country Rankings: USA and Sweden are the worlds most globalized countries – Switzerland ranks 9

As in previous years, the USA, Sweden and Canada are on top of the globalization ranking. On the bottom of the 2006 ranking are Togo, Chad and the Central African Republic. Graph 2 shows the world's 15 most globalized countries. The United Kingdom did particularly improve its position. Starting from rank 9 in 1999 the UK continuously increased its globalization score, implying the 4th position in the current ranking. This is mainly due to increases in the social and political dimensions of gobalization.

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.

Graph 2

The world's ten most globalized countries



Regarding economic globalization – and in line with the results for previous years – Luxembourg by far shows the highest score. Hong Kong (for which a score separate from China is calculated) ranks second, followed by Ireland, the Netherlands and Singapore – all of them small open economies. Least globalized in economic terms are Benin, Niger and the Bahamas.

The social globalization ranking is headed by the USA, Canada, Australia and Sweden, whereas the Democratic Republic of Congo, the Republic of Congo, and Guinea-Bissau are at the bottom of the ranking.

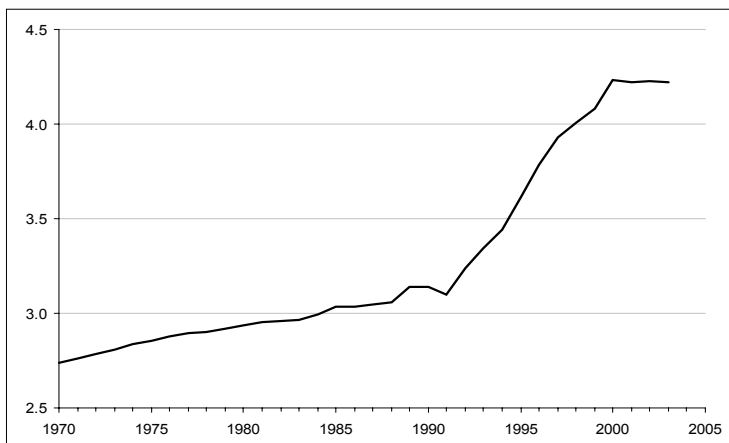
According to the political sub-index of globalization, the USA is the world's most globalized country. The United Kingdom, France, and Russia are also among the most politically globalized countries, whereas Belize, Barbados, Bahamas and Hong Kong show the lowest political globalization score.

Globalization process of Switzerland

Graph 3 shows the development of the KOF index of globalization for Switzerland. It can be seen that Switzerland continuously increased its globalization score since the 1970s – and particularly since the 90s. Since 1994 Switzerland is among the world's ten most globalized countries. However, between 2001–2003 the degree of globalization no longer increased. This is due to a decreasing degree of economic integration with the rest of the world. Social and political integration, to the contrary, continued to increase in those years.

Graph 3

Index of Globalization, Switzerland



Detailed Information about the KOF Index of Globalization 2006:

<http://www.kof.ethz.ch/globalization> or
<http://www.globalization-index.org>

Please contact axel.dreher@kof.ethz.ch for additional information.