2013 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 (2011)	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, stocks (percent of GDP)	UNCTAD (2011)	Sum of inward and outward FDI stock as a percentage of GDP.
Portfolio Investment (percent of GDP)	IMF (2011)	Portfolio investment is the sum of portfolio investment assets stocks and portfolio investment liabilities stocks. Data are in percent of GDP.
Income Payments to Foreign Nationals (percent of GDP)	World Bank (2011)	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 et al. (2012)	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 et al. (2012)	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 (2011)	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
Capital Account Restrictions	Gwartney et al. (2012)	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 restrictions from 13 and multiplying the result by 10.
B. Social Globalization		
i) Data on Personal Contact		
Telephone Traffic	International Telecommunication Union (2011)	International voice traffic is the sum of international incoming and outgoing telephone traffic (in minutes per person). When fixed and mobile traffic is not available, fixed traffic is used.
Transfers (percent of GDP)	World Bank (2011)	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 (2013)	Sum of arrivals and departures of international tourists as a share of population.
Foreign Population (percent of total population)	World Bank (2011)	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 recieved per capita.
ii) Data on Information Flows		
Internet Users (per 1000 people)	World Bank (2011)	Internet users are people with access to the worldwide internet network.
Television (per 1000 people)	World Bank (2007), International Telecommunication Union (2011)	Share of households with a television set.
Trade in Newspapers (percent of GDP)	United Nations Commodity Trade Statistics Database (2011)	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.

Indices and Variables	Sources	Definitions
iii) Data on Cultural Proximity		
Number of McDonald's Restaurants (per capita)	various sources	Number of McDonald's Restaurants (per capita).
Number of Ikea (per capita)	Ikea	Number of Ikea (per capita).
Trade in books (percent of GDP)	UNESCO (various years), United Nations Commodity Trade Statistics Database (2011)	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.
C. Political Globalization		
Embassies in Country	Europa World Yearbook (various years)	Absolute number of embassies in a country.
Membership in International Organizations	CIA World Factbook (various years)	Absolute number of international inter-governmental organizations.
Participation in U.N. Security Council Missions	Department of Peacekeeping Operations, UN	Personnel contributed to U.N. Security Council Missions per capita.
International Treaties	United Nations Treaties Collection	Any document signed between two or more states and ratified by the highest legislative body of each country since 1945. Not ratified treaties, or subsequent actions, and annexes are not included. Treaties signed and ratified must be deposited in the Office of Secretary General of the United Nations to be included.

References

Central Intelligence Agency (various years), World Factbook, https://www.cia.gov/library/publications/the-world-factbook/.
Europa World Yearbook (various years), Routledge.
Gwartney, James D.; Joshua C. Hall and Robert Lawson (2012), 2012 Economic Freedom Dataset, published in Economic Freedom of the World: 2012 Annual Report, Publisher: Economic Freedom Network, http://www.freetheworld.com/2012/EFWdataset2012.xls.
International Monetary Fund (2011), International Financial Statistics Indicators, CD-Rom, December, Washington, DC.
International Telecommunication Union (2011), World Telecommunication/ICT Indicators database.
UNCTAD (2011), UNCTADstat, http://unctadstat.unctad.org.
UNESCO (various years), Statistical Yearbook.
Universal Postal Union, Postal Statistics data base, http://www.upu.int.
United Nations Commodity Trade Statistics Database (2011), http://comtrade.un.org/.
United Nations Department of Peacekeeping Operations, http://www.un.org/Depts/dpko/dpko/contributors/.
United Nations Treaties Collection, http://treaties.un.org.
World Bank (2007, 2011, 2013), World Development Indicators, Washington, DC.