Geo Factsheet

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MEASURING GLOBALISATION

Globalisation

The concept of **globalisation** developed in the 1960s after the Canadian academic Marshall McLuhan used the term **global village** to describe the breakdown of spatial barriers around the world. Globalisation refers to a range of processes and impacts that occur at a global scale, usually economic systems, but it can include physical systems (global warming) and socio-cultural systems (fashion, music, film industry).

Forms of globalisation

There are three main forms of globalisation:

1 **economic** – largely caused by the growth of MNCs/TNCs
2 **cultural** – the impact of western culture, art, media, sport and leisure pursuits on the world
3 **political** – the growth of western democracies and their influence on poor countries, and the decline of centralised economies.

McLuhan argued that the similarities between places were greater than the differences between them, and that much of the world had been caught up in the same economic, social and cultural processes. He suggested that economic activities operated at a global scale and that other scales were becoming less important and that this leads to an increasingly interconnected world.

Measuring global interactions

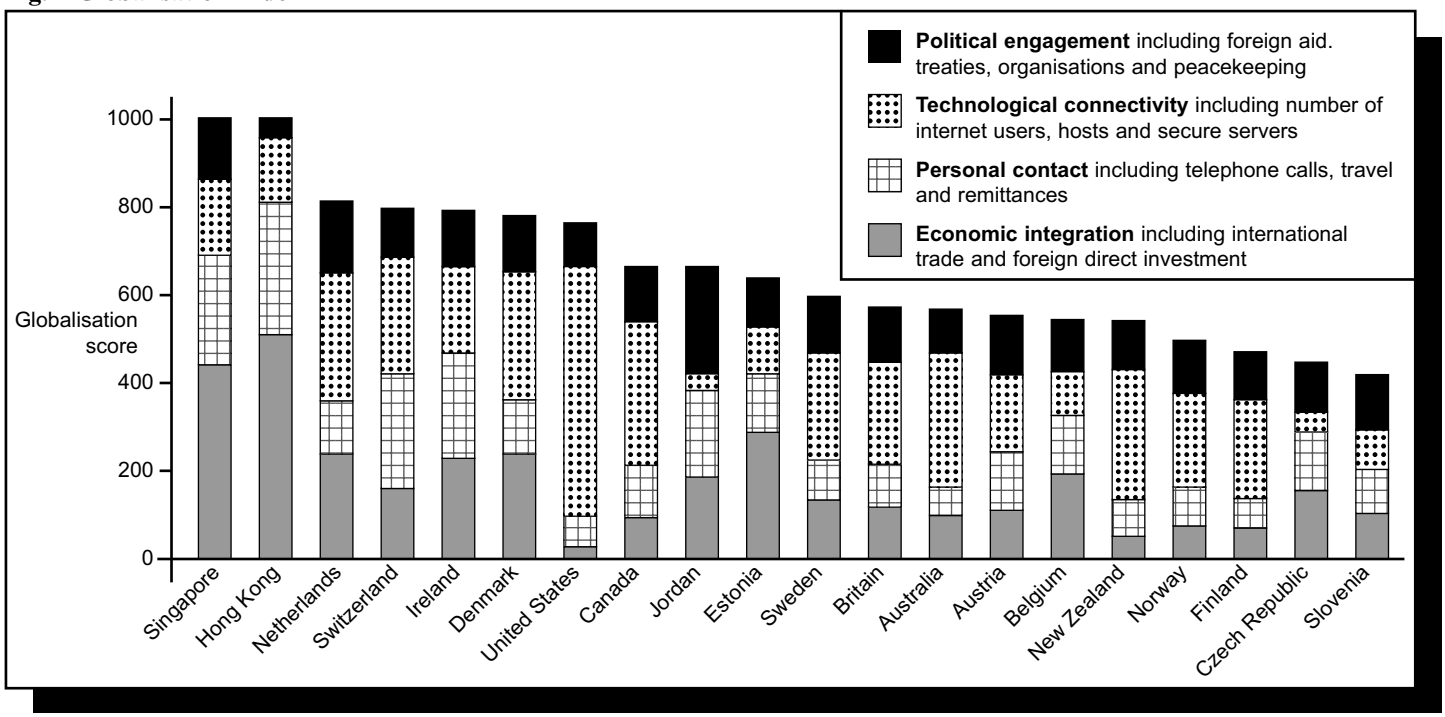
There are many ways of measuring globalisation and this Factsheet looks at two different globalisation indexes and then looks at the concept of interconnectivity as demonstrated by internet connections and landlines.

1. Globalisation Index

The Globalisation Index tracks and assesses changes in four key components of global integration *(Fig. 1)*. The 72 countries ranked in the 2007 globalisation index account for 97% of the world's GDP and 88% of the world's population. Major regions of the world, including developed and developing countries, are covered to provide a comprehensive and comparative view of global integration. The information largely comes from the Kearney/Foreign Policy Magazine Index.

- Economic integration combines data on trade and foreign direct investment (FDI) inflows and outflows, international travel and tourism.
- Personal contact includes international telephone calls, and cross-border remittances.
- Technological connectivity counts the number of internet users and internet hosts.
- Political engagement includes each country's memberships in a variety of representative international organisations.

Fig. 1 Globalisation Index



Methodology

The resulting data for each given variable are then "normalised" through a process that assigns the value of 1 to the highest data, with all other data points valued as fractions of 1. The base year (1998 in this case) is assigned a value of 100. The given variable's scale factor for each subsequent year is the percentage growth or decline in the GDP – or population-weighted score of the highest data point, relative to 100. Globalisation index scores for every country and year are derived by summing all the indicator scores.

In 2007 Hong Kong, Jordan, and Estonia debuted among the top 10 most globalised nations in their first year on the Globalisation Index. Singapore was ranked first for the third consecutive year. However, Hong Kong came very close behind. The Netherlands was third, followed by Switzerland and Ireland. The USA dropped to seventh overall, despite its continued strength in the index's technology score. Jordan and Estonia ranked ninth and tenth, respectively *(Fig. 2)*.

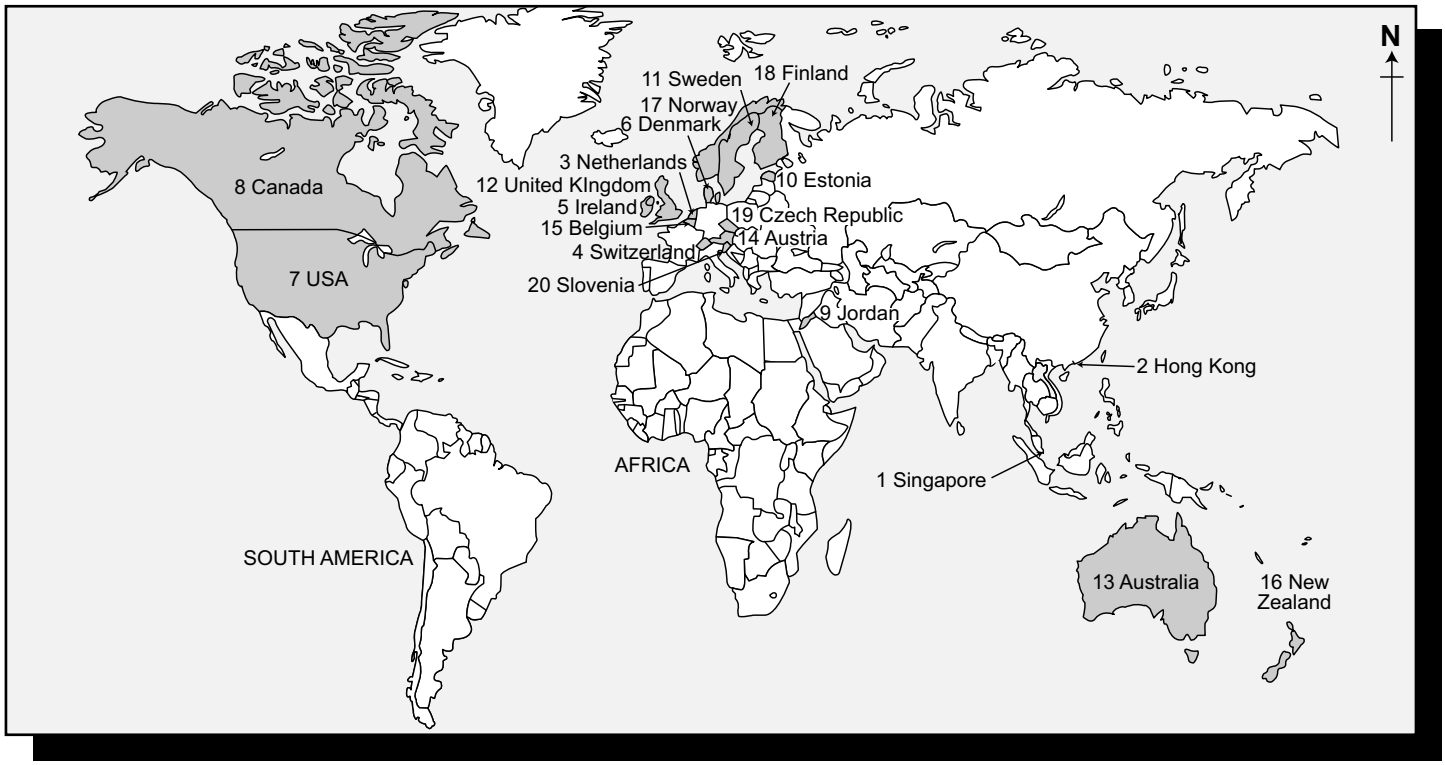
The index measures 12 variables grouped into four categories: economic integration, personal contact, technological connectivity, and political engagement.

- Ranked second overall, Hong Kong ranked first in both the economic and personal contact categories of the index. Hong Kong's ties with China also helped as China was responsible for a large and increasing share of the special administrative region's tourist visits, direct investment, and trade.
- Jordan debuted at number nine after finishing in the top 10 for the economic, social, and political components of the index. Jordan has one of the highest levels of peacekeeping troop contributions of all U.N. member states.
- Belgium, another first-year index participant, debuted at 15 overall. The country scored in the top 20 in both the economic and social indexes.
- Estonia joined the index at number 10 due to its economy's reliance on trade and investment, as well as openness to international tourists and business travellers. It received the third-highest economic score after Hong Kong and Singapore.
- The USA dropped to seventh place in the 2007 rankings, finishing second-to-last (just above Algeria) in economic measures as overall trade grew only modestly and inward foreign direct investment shrank.
- Vietnam ranked 10th in terms of trade, demonstrating its recent progress toward economic liberalisation. Export-driven sectors such as textiles and garments helped the economy grow and further integrated Vietnam into global supply chains.
- China fell 15 places. The country's decline is in part a result of lower trade growth compared to the previous year-possibly as the country shifts its emphasis to domestic demand-led growth over export-led growth-and a decline in the political index due to smaller increases in contributions to U.N. peacekeeping operations. However, its position is likely to increase when the 2008 figures are taken into account – it saw a huge increase in tourism due to the Beijing Olympics.
- India's export of services and its total trade both rose by more than a third, but the country still finished near the bottom of the rankings at 71 overall. In many respects the country is still very poor – 70% of its population lives in rural areas. Despite a doubling of Internet users in 2005, only 5% of India's population had access to the Internet and less than half of its population was attached to the power grid.

In addition to the rankings, the 2007 index also explores the relationships between a country's global integration and its size, Web traffic, and urban growth. The results show that:

- Globalisation is a much larger imperative for smaller countries with small domestic markets and limited natural resources. Seven of the top 10 countries in the index have populations fewer than 8 million. However, total trade as a percentage of gross domestic product for countries such as Ireland and Singapore is more than twice that of economic heavyweights China and India.
- More globalised countries have more international Internet bandwidth. The bandwidth of the United States, for example, exceeds that of other countries so much that most of the e-mail traffic flowing between Latin America and Europe passes through the USA.
- Less globalised countries tend to have faster-growing cities. Low-ranking countries such as Nigeria, Bangladesh, and Indonesia have urban growth rates much higher than countries that performed well in the index.

Fig. 2 Top 20 most globalised countries 2007.



2. The KOF Index of Globalisation

The KOF index of globalisation was introduced in 2002 and covers the economic, social and political dimensions of globalisation. KOF defines globalisation 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 (Fig. 3). Globalisation is conceptualised 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 globalisation**, characterised as long-distance flows of goods, capital and services, as well as information and perceptions that accompany market exchanges
- **political globalisation**, characterised by a diffusion of government policies
- **social globalisation,** expressed as the spread of ideas, information, images and people.

In addition to the indices measuring these dimensions, KOF calculates an overall index of globalisation and sub-indices referring to actual economic flows, economic restrictions, data on information flows, data on personal contact and data on cultural proximity. The 2008 index introduced an updated version of the original index, employing more recent data than had been available previously.

- ***Economic globalisation***
  Broadly speaking, economic globalisation has two dimensions. First, actual economic flows, which are usually taken to be measures of globalisation; and, second, restrictions to trade and capital.

- ***Political globalisation***
  Political globalisation uses the number of embassies and high commissions in a country, the number of international organisations to which the country is a member and the number of UN peace missions a country has participated in.

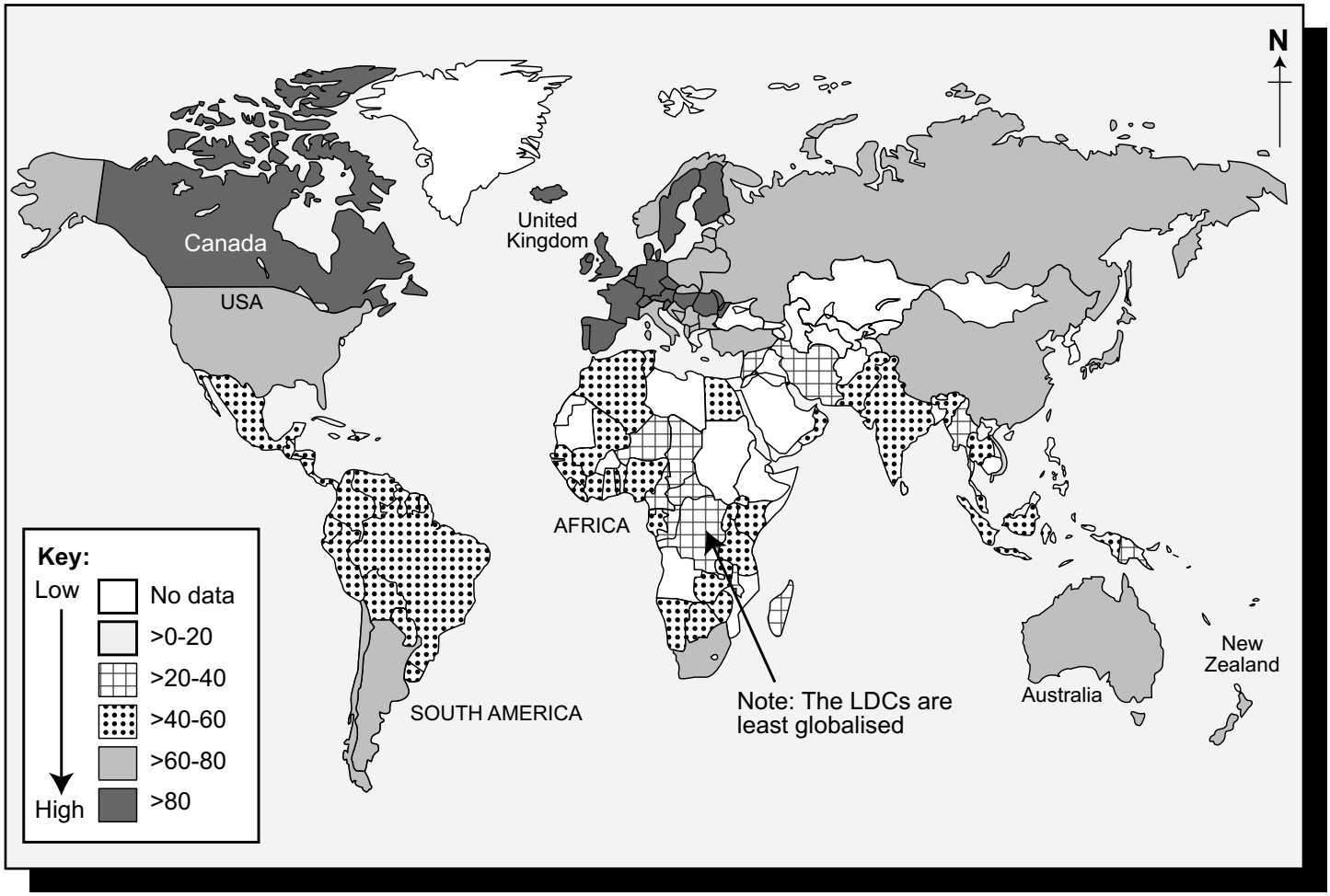
- ***Social globalisation***
  The KOF index classifies social globalisation in three categories. The first covers personal contacts, the second includes data on information flows and the third measures cultural proximity.

  - **Personal contacts** includes international telecom traffic (outgoing traffic in minutes per subscriber) and the degree of tourism (incoming and outgoing) a country's population is exposed to. Government and workers' transfers received and paid (as a percentage of GDP) measure whether and to what extent countries interact.

  - **Information flows** include the number of internet users, cable television subscribers, number of radios (all per 1000 people), and international newspapers traded (as a percentage of GDP).

  - **Cultural proximity** is arguably the dimension of globalisation most difficult to grasp. According to one geographer, cultural globalisation mostly refers to the domination of US cultural products. KOF includes the number of McDonald's restaurants located in a country. In a similar vein, it also uses the number of Ikea stores per country.

Fig. 3 The 2005 KOF Index.



3. Global internet use

The Internet is the fastest growing tool of communications ever. Radio took 38 years to reach its first 50 million users; television took 13 years, and the Internet just 4 years.

The global internet map *(Fig. 4)* is a striking image of how uneven development is. The bulk of internet traffic is between and within North America, Western Europe and, to a limited extent, East Asia. In Asia, Japan accounts for the major share of internet traffic. The amount of traffic to Africa and South America is very small, as would appear to be the case with Russia.

The digital divide refers to the inequalities in opportunities between individuals, households, businesses, nations to access ICT. The digital divide also occurs between urban and rural areas, and between different regions of a country. For example:

- over 75% of internet users come from rich countries which account for just 14% of the world's population
- in Thailand 90% of Internet users live in urban areas
- in Chile 74% of Internet Users are under 35 years
- in Ethiopia 86% of Internet users are male
- in the UK 30% of users have salaries of over $120,000
- in the UK over 50% of users have degrees.

Instead of reducing inequalities between people the digital divide may well have reinforced them. There is a widening gap between rich and poor countries.

Within rich countries, such as the USA, Internet users are more likely to be white, middle class and male. There are many people that do not have access to ICT and they cannot benefit from the knowledge-based economy. To date there has been little action from rich countries to ensure that the benefits of ICT are extended top people in poorer countries, regions and areas.

Case Study: Contrasting Internet use in Iceland and India

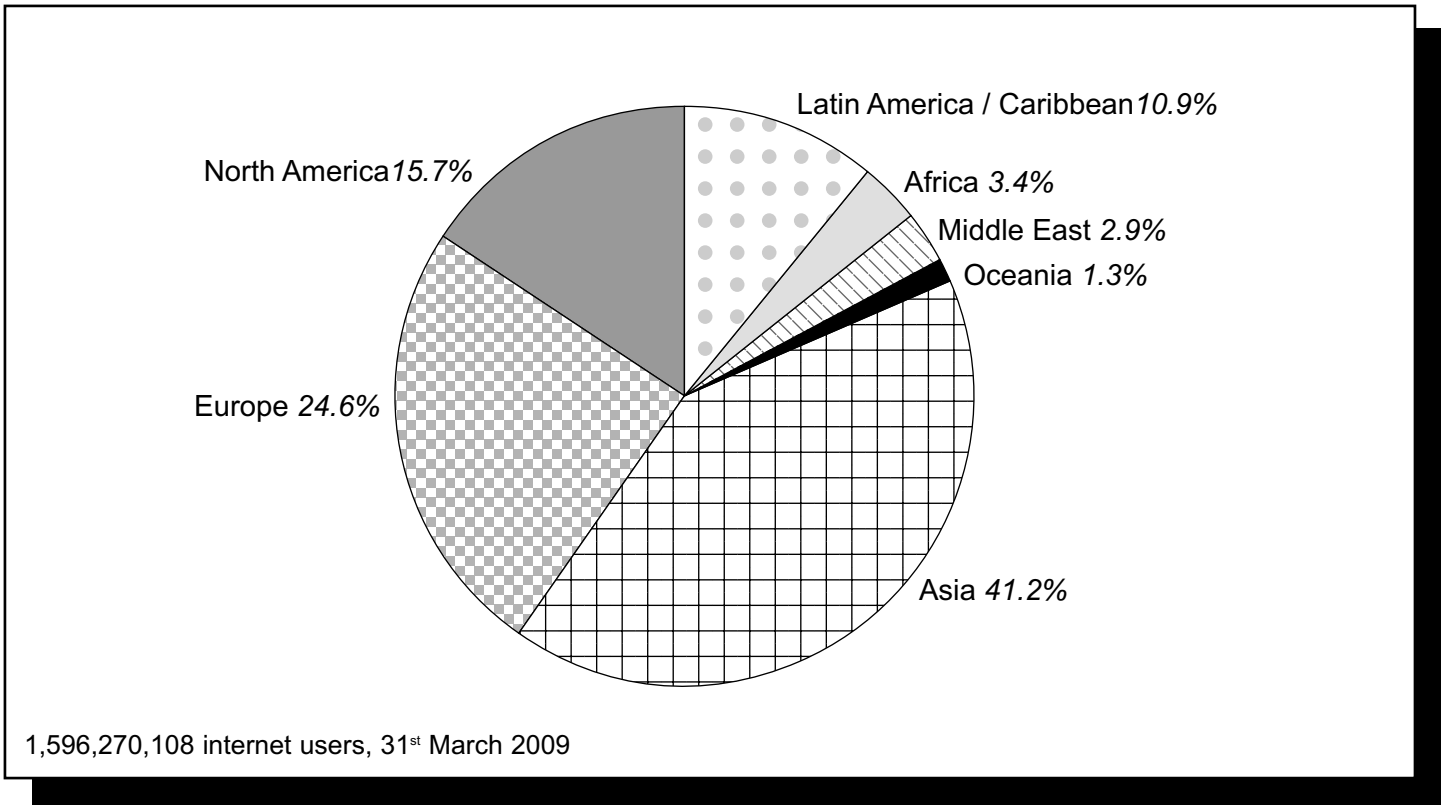
The number of Internet users in India has reached 42 million. Of these, the number of 'active users' has risen to over 21 million. India's population is over 1,130,000,000 so only 3.7% of the population has access to the Internet. 'Active Users' define users who have used the Internet at least once in the previous 30 days.

Young people are the main drivers of Internet usage in India. College students and those below the age of 35 are the biggest segment on the Internet. Both these segments have the highest proportion of conversion of 'Ever' users to 'Active' users of Internet. Besides the youth, small cities and towns are further fuelling the growth. As per the survey, smaller metros and towns are increasingly embracing the Internet evolution and are pushing growth from below.

The reasons for the low uptake of ICT in India are simple – poverty is the main one. People cannot afford the luxury of computers. In addition, not all areas have electricity. Rural areas and shanty towns in particular have limited access to electricity. Third, the distances in India are so vast that trying to connect all areas to the web is almost impossible as well as vastly expensive. Moreover, India has other issues to deal with – housing, health, food supply, water supply – access to the Internet has much to compete with.

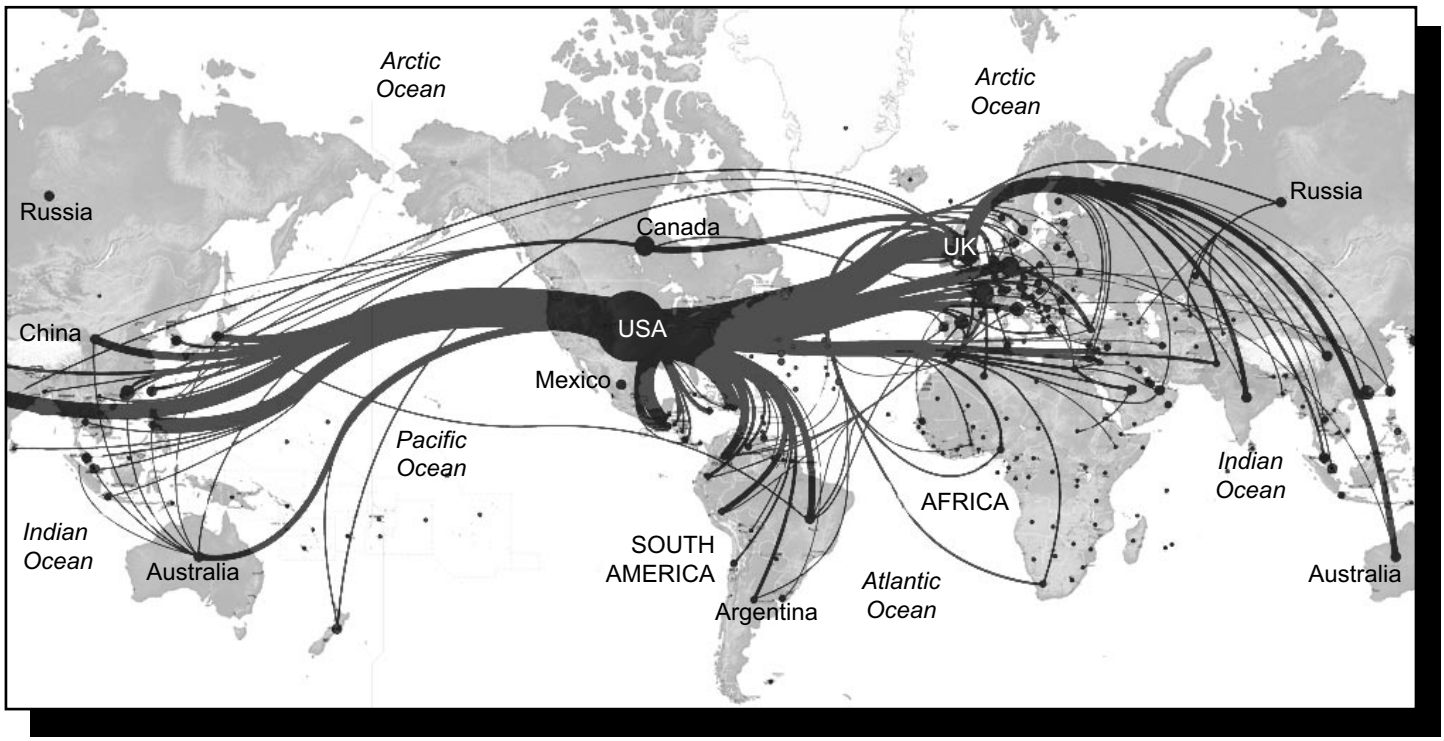
In contrast, in Iceland some 258,000 people out of a population of 299,076 are internet users. That is a staggering 86.3% of the population. Unlike India, Iceland is a rich country and a sparsely populated one. Almost half of the country's population live in the Rekjavik region. Being able to communicate by ICT is extremely useful in a country where the road network is limited and travel in winter is difficult.

Fig. 4 World internet users by world regions, 2009.



Source: *www.internetworldstats.com/stats.htm*

Fig. 5 Global telephone landline calls.



4. Geographical variations in landlines

Fig. 5 shows the annual flow of inter-continental calls by fixed landline telephones (not cell phones) in 2007. Clearly the greatest volume of traffic is between North America and Europe followed by North America and South East Asia. There also large flows between North America and the Caribbean and Latin America. There are relatively few flows between Africa and the other continents.

A number of reasons can help explain these patterns

- **population size** – countries with small populations, such as Greenland, are likely to generate a limited number of calls;
- **population density** – within the USA, for example, there is a small flow to and from Alaska but a very large flow to and from north-east USA;
- **wealth** – countries that are wealthy, such as Japan and the USA can afford more phones compared with poorer countries in Africa;
- trading partners – countries within a trading bloc, such as the EU, are likely to generate large volumes of calls;
- **TNC or MNC activities** – companies which have offices and factories in different countries are likely to create large volumes of calls between those countries;
- **migration** – there is likely to be a high volume of calls between the area a migrant moves to and their home country – however, the origin may be relatively poor and have relatively few phones;
- **colonial history** – it is likely that there will be political and historic ties between a former colonial power and its former colonies – the UK and the British Empire is a good example;
- **language** – it is likely that the volume of calls will be greater among countries that share the same language.

Conclusion

There are many aspects to globalisation. The most obvious is economic (e.g. trade) but increasingly social, cultural, and political aspects are being seen as important too. It would appear that globalisation may have increased inequalities between the switched on and switched off. This appears to be the case for internet use and use of phones, for example. Also, there appears to be a difference in the importance of globalisation with the size and type of country.

Globalisation affects all countries and all peoples – but how it affects them will differ from country to country, and within countries. Three different ways are shown of measuring globalisation giving three different results.

Review Questions

1. Explain why the LDCs of Africa are the least globalised countries.
2. Explain why the rankings in each index change from year to year.

Answer Hints

1. • Low levels of technology
   • FDI by TNCs
   • Poor interconnection by transport outside country
2. Look at what is measured – could be a range of factors such as wars, economy, recession etc.

Further Research

Books:

Bigelow, Rethinking Globalisation
Guinness, P. Globalisation. Access to Geography. Hodder
Globalisation . TIDE (Development Centre Publication)
Elwood, No Nonsense Guide to Globalisation. Virago

Articles:

Globalisation GeoFactsheet
www.bowneglobal.com

Websites - Global indexes:

GSGR Index www2.warwick.ac.uk
Kearney Index www.atkearney.com
Global Index www.transeurope-project.org/globalindex

Acknowledgements
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