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How Globalized is the Islamic World?

Introduction:

The literature on globalization and Islam mainly concentrates on whether Islamic countries can ever form part of a globalized order. It fails to show the extent of globalization that has already occurred in the Islamic world or whether the current globalization of Islamic countries is any different from other countries in the developing world. The work done on the topic is mostly normative; concentrating on Islamic ideology and principles, and whether the Muslims would be comfortable by adopting a western sponsored globalization offer. What little positive and empirical work exists looks mainly at public opinion surveys like the World Values Survey or the Pew Global Attitudes Survey, to infer that Muslims are against basic Western principles which naturally put them at odds to embrace globalization. The question that hasn't been answered and begs to be answered is: how globalized is the Islamic World?

If being an Islamic country does not significantly affect a country's extent of globalization, then all the hue and cry about Muslims opposing globalization in theory will be of less worth because in practicality the situation will be shown to be very different. The aim of this paper is to concentrate on majority Muslim countries and depict their extent of their globalization empirically. Moreover, I control for extant political and economic variables that likely affect the level of globalization.

The paper hypothesizes that being a majority Muslim country will not significantly affect indications of globalization. Furthermore, the paper also posits that different regions in the Muslim world with cultural dissimilarities will not necessarily display different globalization outcomes. For example, the Middle East and North African Arab countries are commonly conceived to be more resistant to globalization compared to the Malay Islamic countries. Why should we expect this? Do these hypotheses hold up to the empirical story?

In testing the hypothesis proceeds as follows: first, a summarized literature review on the topic of Islam and globalization highlights the major contentions and introduces the paper's stance on them. Second, regression analysis and descriptive statistics test the hypotheses. Finally, the results of the empirical analysis are presented, and based on those, a conclusion reached.

Literature Review and Argument:

There has been considerable theoretical debate among scholars about whether the Islamic world can form part of a globalized world order. Scholars have come up with range of hypotheses but two major groupings appear. On the one hand, some scholars believe Islamic injunctions and way of life are opposed to globalization, so much so that they predict a clash of ideologies, cultural war and perhaps the coalescing of an opposing Islamic global world order. On the other hand, there are scholars who believe that the Islamic world can be effectively globalized if certain misunderstandings are ameliorated. These scholars are of the opinion that Islam is not monolithic and has different divisions within countries and sects; they see the majority of Muslim countries embracing globalization pressures if the right case is presented.

Authors of several seminal works argue that it will be really difficult for Muslims to form part of the globalized world order. Barber(1995) in "Jihad vs. McWorld" argues that effect of

globalization will lead to Muslim involvement in a sharply focused and vehement “anti-Western anti-universalist struggle”(Barber, 1995: 207)¹. He sees Western-backed globalization and Islamic principles as natural repellents; tension bound to arise between the conflicting ideologies. Noland and Pack(2004) hypothesize that Islam may be an impediment for globalization and show that “2003 Pew Global Attitudes Survey revealed a significant level of discomfort with globalization in the Middle East” (Noland, 2004: 109)². Guisio et. al.(2002) use World Value Survey Data to show that Islam is negatively associated with attitudes that are conducive to growth and assert that among adherents to the world's major religions, Muslims are the most anti-market³. The last two quoted works are interesting pieces in the literature that do make use of empirical analysis to assess the situation. However, they do not focus on the ground realities in the Muslim World. Instead, they privilege ideological differences, connecting attitudes to outcomes which remain untested. But do these theoretical differences convert into empirical, observable resistance to globalization? On the basis of mere theology others like Ira Rifkin(2004) in “Spiritual Perspectives on Globalization” see the religion of Islam as anti-globalization⁴. Popular reasons may include the lack of individual rights such as LGBT rights, the forbidding the interest and ascription of gender roles. It will be unfair here not to recognize Samuel Huntington(1992), and his famous “Clash of Civilizations” article, which brought prominence to the argument that western civilization and some other civilizations like the Islamic civilization are rooted in age-old conflicts, based on religion, culture and a power for

¹ Barber, B. R. (1995) *Jihad vs. McWorld*. New York: Random House.

² Noland, M., & Pack, H. (2004). Islam, Globalisation and Economic Performance in the Middle East. *International Economics Policy Briefs*. Washington, DC: Institute for International Economics (3), 91-106.

³ Luigi Guiso, Paola Sapienza, and Luigi Zingales, "People's Opium? Religion and Economic Activities," *N13FH Working Paper 9237*, (Cambridge, MA: National Bureau of Economic Research, 2002).

⁴ Rifkin, Ira (2004) *Spiritual Perspectives on Globalization*. Woodstock, VT: Skylight Paths.

supremacy for one's civilization.⁵ His article was brought back in to significance in the aftermath of the September 11th attacks as many people thought that Huntington's prophecies of civilization war were coming true. Many of Huntington's contemporaries like Roger Scruton(2002) in "West and the Rest" have further shown that the Islamic civilization is based on principles that are diametrically opposed to almost all the Western concepts of globalization⁶. Since the attacks of September 11th because the focus has been on Islamic civilization, the Huntington equation has been translated as a West v. Islam struggle. All these works, share a common theme: they all hold Western globalization and Islam as incompatible. This leads to the inference that the majority Muslim countries would resist and work against globalization. Translated in practical rather than theoretical terms, if this viewpoint were to be true one would see Muslim countries fall short of the globalization criterion.

Many scholars oppose the view that Islam and globalization are incompatible; a majority of whom are of eastern origin. Fauzi Najjar(2005) holds that to consider Islam as monotonous would be wrong, as Islamic countries are diversified and in which only a magnified minority oppose globalization⁷. Similarly, Stone(2004) sees Islamic civilization as consisting of different parts and having different views on globalization. He therefore posits consideration of Muslim nations as deterministically opposed to western globalization is wrong⁸. In these arguments too, we see shades of a Huntington argument, in that Huntington too divides the Islamic Civilization in to three categories mainly: the Arab, Turkic and Malay Civilizations; the Arab civilization is

⁵ Samuel Huntington, —The Clash of Civilizations, *Foreign Affairs* 72, 3 (Summer 1993): 22-49.

⁶ Scruton, Roger. *The West and the Rest: Globalization and the Terrorist Threat*. Washington, DC: ISI Books, 2002.

⁷ Najjar, F. (2005). *The Arab, Islam and Globalization*. Middle East Policy Council, xii

⁸ Stone, L. (2002) 'The Islamic Crescent: Islam, Culture and Globalization', *Innovation* 15(2): 121-32.

portrayed to be the most vehement in opposing globalization and the Malay Civilization the most flexible in accepting western demands. To what extent the argument that different Muslim regions are respond differently to globalization pressures, is true, needs to be tested. Other scholars in the field like Arjomand(2004) do not consider economic globalization of the Muslim world to be difficult but rather social and political globalization as the problem.⁹ Arjomand argues that when it comes to questions of economic livelihood practicality trumps ideology. Resisting economic globalization might lead to economic failure. Social and democratic globalization do not relate to subsistence and therefore we expect these indications of globalization to be most opposed in the Islamic world. In sum, the dominant critique of Islam's supposed incompatibility with globalization focuses on the internal schisms in Muslim society or regional differences that predict differentiated reactions to globalization predicted on sub-cultural idiosyncrasies.

There is another strain of literature showing a counter-globalization movement occurring in the Muslim world. The view holds that improvements in communication technology empower the goal of achieving a united Muslim nation and have induced Muslims all over the world (including Europe and North America) to join in transnational Islamic movements like Muslim Brotherhood or the Jamaat-e-Tableegh. Rather than joining in Western globalization, Muslims have started globalizing on their own to form a counter Western globalization movement. Prominent scholars in this strain include Roy(2004), Mazrui(2006), Akbar Ahmed(2007) and Pasha(2000)¹⁰. Unfortunately, this paper limits its analysis to majority Muslim majority countries

⁹ Arjomand, Said (2004) 'Islam, Political Change and Globalization', *Thesis Eleven* 76: 9–28.

¹⁰ Roy, Oliver. *Globalised Islam*, London, C. Hurst, 2004

Mazrui, A. A. (2006). *Islam between Globalization and Counter-Terrorism*. Oxford: James Currey Ltd

and the extent of this counter-Western movement may not be fully covered. However, the research design implemented here will test the literature in an important way. If true, one should see that Muslim countries fall well short on the criteria of Western globalization, if there is a counter Western movement emerging.

The paper hypothesizes that both the literature that supports the notion that globalization is merely impossible in the Muslim World and the literature on the Muslim population accepting of globalization has its shortcomings. Muslims may not support western attempts at globalization but practically speaking, the benefits of accepting western demands lures many countries to give in to globalization pressures. The pro-globalization argument that some regions in the Muslim World may be more compatible to globalization based on their cultural evolution may also be misleading as Islam and culture is often a non-issue in a state's decision to globalize. The paper posits a country's perceived success due to globalization, perhaps given by its increase in economic output or the strengthening of its democratic institutions may cause a country to sway in the winds of globalization. The main determinants of globalization are the level of democracy, economic development, size of GDP and education levels rather than being an Islamic country.

The literature has already shown that economic development and whether a country is a democracy may significantly affect its globalization. Scholars who have shown that democratic and political liberalization positively affects globalization include Brune et al. (2001), Dutt & Mitra (2002), Eichengreen & Leblang (2007), Garrett (2000), Milner & Kubota (2005),

Ahmed, A. (2007). *Journey into Islam: The Crisis of Globalization*. Washington DC: Brookings Institution
Pasha, Mustapha Kamal. 2000. "Globalization, Islam and Resistance." Pp. 241-254 in Barry K. Gills (ed.), *Globalization and the Politics of Resistance*. Houndmills: Macmillan

O'Rourke & Taylor (2006), Stokes (2001), Weyland (2002), Quinn (2003)¹¹. Alt et. al. (1996) have shown that countries with higher level of development are more likely to globalize compared to others with lowers of development¹². Similarly, Garrett(2000) lists economic development as one the prime causes for globalization: he reasons “countries with higher income per capita are likely to have relatively more owners of capital and skilled labor and to have relatively more specialized production profiles.... It may also be the case that in higher income countries, the ‘median voter’ consumes more imports, again making liberalization more likely. Moreover, governments in more developed countries seem better able to raise taxes from their citizens, allowing them to rely less on trade taxes”(Garrett, 2000: 343)¹³. Some scholars have also argued that globalization causes economic development. Although there is definite case for endogeneity that could be made, research has provided compelling evidence that economic development is a cause for globalization.

Ross(2009) argues that the presence of oil and natural resources in countries may impede globalization efforts as governments may feel less inclined to speed up globalization efforts

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- ¹¹ Brune N, Garrett G, Guisinger A, Sorens J. 2001. *The political economy of capital account liberalization*. Presented at Annu. Meet. Polit. Sci. Assoc., 32nd, San Francisco
Dutt P, Mitra D. 2002. Endogenous trade policy through majority voting: an empirical investigation. *J. Int. Econ.* 58:107–33
Eichengreen B, Leblang D. 2007. *Democracy and globalization*. Work. Pap., Dep. Polit. Sci., Univ. Colorado
Garrett G. 2000. The causes of globalization. *Comp. Polit. Stud.* 33:341–91
Milner H, Kubota K. 2005. Why the move to free trade? Democracy and trade policy in the developing countries. *Int. Organ.* 59:107–43
O'Rourke K, Taylor A. 2006. *Democracy and protectionism*. Work. Pap., Dep. Econ., Univ. Calif. Davis
Stokes S. 2001. *Mandates and Democracy: Neoliberalism by Surprise in Latin America*. New York: Cambridge
Quinn DP. 2003. Capital account liberalization and financial globalization, 1890–1999: a synoptic view. *Int. J. Fin. Econ.* 8:189–204
Weyland K. 2002. *The Politics of Market Reform in Fragile Democracies: Argentina, Brazil, Peru, and Venezuela*. Princeton, NJ: Princeton Univ. Press.
- ¹² Alt, James E., Jeffrey Frieden, Michael J. Gilligan, Dani Rodrik and Ronald Rogowski. 1996. The Political Economy of International Trade. *Comparative Political Studies* 29: 689-717.
- ¹³ Garrett G. 2000. The causes of globalization. *Comp. Polit. Stud.* 33:341–91

given the revenue security provided by natural resources¹⁴. This resource curse of oil may be especially relevant to oil rich Muslim countries where authoritarian governments can restrict globalization and yet have economic sufficiency. The size of a country's economy may also encourage it to globalize further as larger countries tend to vouch for more influence and search for more avenues for trade. It could also be that the larger a country's economy the more it has the economic capacity to maintain relations with other countries; hence helping its political globalization. Levels of education and human development may also promote globalization as an educated population may be more willing to interact with the global population. It would be, however, unfair to present democracy, level of economic and human development and size of the GDP to be the only causes for globalization. Quinn and Toyoda(2007) have given evidence that a domestic anti-capitalist ideology may increase a country's resistance to capital account liberalization¹⁵. If capitalist ideology matters, should Islamic ideology also matter? The paper controls for the level of development, education, oil production, GDP size and democratization in order to assess the impact of an Islamic majority on globalization?

With respect to the regional differences within the Islamic world the evidence also seems to be inconclusive. If one takes the Malay Islamic countries as an example, on the one hand: a collection of speeches of former Malaysian premier Muhatir Mohammad(2002) in "Globalization and the New Realities" shows how he unsuccessfully tried to resist globalization¹⁶. This suggests a unwillingness on the part of the Malaysian people to accept

¹⁴ Ross, M.L. (2009). 'Oil and Democracy Revisited', *Mimeo*, UCLA.

¹⁵ Quinn DP, Toyoda AM. 2007. Ideology and voter preferences as determinants of financial globalization. *Am. J. Polit. Sci.* 51:344–63

¹⁶ Mohamad, Muhatir. 2002. *Globalization and the New Realities*. Subang Jaya: Pelanduk. Publications (M) Sdn. Berhad.

globalization in contradiction to the values of the leadership. Similarly, Iik Arifin

Mansurnoor(2000) in “Islam in Brunei Darussalam and Global Islam” depicts that this Malay Kingdom has preserved its allegiances with Global Islam in contrast to Western globalization¹⁷.

Johan Meuleman in “South East Asian Islam and the Globalization Process” also sees Indonesian increasingly rejecting the notion of globalization and maintaining an Islamic identity¹⁸.

On the other hand, other scholars have seen ASEAN Islamic countries as an example for all Muslim countries as they have observed pluralistic traditions which allowed them to globalize as well as remain Islamic. For example, Judith Nagata(1994) in “How to be Islamic Without Being an Islamic State” holds Malaysia as a model country for all in the Islamic world as it has he depicts that it has not only globalized but also maintained its Islamic identity¹⁹. Do regional differences in the Islamic world really matter as determinants for globalization?

Data, Variables and Empirical Model:

Dependent Variables:

The paper uses the KOF index of globalization for 2008 as a measure for a country’s globalization. The KOF Index of Globalization has an overall globalization index and three subdivisions for economic, political and social globalization, calculated annually. The definition of globalization that the KOF index is based upon follows the definition used by Clark (2000), Norris (2000) and Keohane and Nye (2000), whereby “globalization (is) the process of creating networks of connections among actors at multi-continental distances, mediated through a variety

¹⁷ Mansurnoor, Iik Arifin 2000. *Islam in Brunei Darussalam and Global Islam*. New York: Routledge Curzon.

¹⁸ Meuleman, Johan 2002. *South-East Asian Islam and the Globalization Process* New York: Routledge Curzon.

¹⁹ Nagata, Judith. 1994. ‘How to Be Islamic without Being an Islamic State: Contested Models of Development in Malaysia’, in A. S. Ahmed and H. Donnan (eds) *Islam, Globalization and Postmodernity*, pp. 63–86. London: Routledge

of flows including people, information and ideas, capital and goods; globalization is conceptualized as a process that erodes national boundaries, integrates national economies, cultures, technologies and governance and produces complex relations of mutual interdependence”²⁰.

The KOF index is constructed through a weighted index(the exact weight for each of the variables are given in Appendix 1 at the end of the paper), whereby for each sub-division a value between 1 and 100 is calculated. This is then aggregated to form an overall globalization index. Specifically, “economic globalization” takes into account actual economic flows and proxies for restrictions to trade and capital. “Social globalization” examines personal contacts, the data on information flows and measures cultural proximity. Political globalization follows A.T. Kearney’s (2001) proxy. The number of embassies and high commissions in a country, the number of international organizations to which the country is a member and the number of UN peace missions a country participated in, helps measures its degree of political globalization²¹.

Independent Variables:

The paper defines the Islamic world consisting of countries in which the majority population is Muslim. 49 such countries are identified; however, data on globalization is only available for 48 countries. The list includes:

²⁰ Dreher, Axel, 2006, Does Globalization Affect Growth? Empirical Evidence from a new Index, *Applied Economics* 38, 10: 1091-1110.

²¹ Details on the weights and methods of calculation for all variables are given in Appendix 1 at the end of the paper.

1	Afghanistan	26	Malaysia
2	Albania	27	Maldives
3	Algeria	28	Mali
4	Azerbaijan	29	Mauritania
5	Bahrain	30	Morocco
6	Bangladesh	31	Niger
7	Bosnia and Herzegovina	32	Nigeria
8	Brunei Darussalam	33	Oman
9	Burkina Faso	34	Pakistan
10	Chad	35	Qatar
11	Comoros	36	Saudi Arabia
12	Djibouti	37	Senegal
13	Egypt, Arab Rep.	38	Sierra Leone
14	Gambia, The	39	Somalia
15	Guinea	40	Sudan
16	Indonesia	41	Syrian Arab Republic
17	Iran, Islamic Rep.	42	Tajikistan
18	Iraq	43	Tunisia
19	Jordan	44	Turkey
20	Kazakhstan	45	Turkmenistan
21	Kosovo (not incl.)	46	United Arab Emirates
22	Kuwait	47	Uzbekistan
23	Kyrgyz Republic	48	West Bank and Gaza
24	Lebanon	49	Yemen, Rep.
25	Libya		

Furthermore, for the regional analysis the Islamic is divided into: North African and Middle Eastern Arab countries (given by membership to the Arab League), Central and South Asian Islamic countries, Malay/ASEAN Islamic countries and African Islamic countries. These again are widely used categories and are along the lines of Huntington's division of the Islamic

civilization into the “Arab, Turkic and Malay civilizations”²²; the remaining African Islamic countries not mentioned by Huntington are categorized separately. The list of countries in these groups is given Tables 2-5 below:

1	Algeria
2	Bahrain
3	Comoros
4	Djibouti
5	Egypt, Arab Rep.
6	Iraq
7	Jordan
8	Kuwait
9	Libya
10	Mauritania
11	Morocco
12	Oman
13	Qatar
14	Saudi Arabia
15	Somalia
16	Sudan
17	Syrian Arab Republic
18	Tunisia
19	United Arab Emirates
20	West Bank and Gaza
21	Yemen, Rep.

1	Afghanistan
2	Azerbaijan
3	Bangladesh
4	Iran, Islamic Rep.
5	Kazakhstan
6	Kyrgyz Republic
7	Pakistan
8	Tajikistan
9	Turkey
10	Turkmenistan
11	Uzbekistan

1	Burkina Faso
2	Chad
3	Gambia, The
4	Guinea
5	Mali
6	Niger
7	Nigeria
8	Senegal
9	Sierra Leone

1	Brunei Darussalam
2	Indonesia
3	Malaysia

²² Huntington, S. P. (1996) *The Clash of Civilizations and the Making of World Order*. New York: Simon and Schuster.

Economic development, an essential control for the analysis, is measured by the GDP per capita of country adjusted at Percentage Power Parity(PPP) rates in constant dollars, given by IMF data²³. Another control for the analysis will be a variable for democratization. These are Polity II scores of a country, as measured by the Center for Systemic Piece²⁴. The polity scores are on a scale for -10 to 10, whereby autocracies are given scores of -10 to -6, anocracies -5 to +5, and democracies +6 to +10. Education is controlled for by the self-reported literacy rates of countries given in the United Nations Development Program 2009 Report²⁵. A better measure for a control for education could have been, for example, the percentage of population with a high school diploma. However, due to the paucity of data on education this was only complete measure that could be found. This measure maybe quite misleading as countries have different criteria for literacy, with some countries considering a person who could write his name and read a couple of sentences to be literate. Furthermore, as these percentages are self-reported by countries the percentages these are usually over stated. The size of economy is controlled for by the by taking the natural log of the World Bank's measure for nominal GDP in constant dollars. Following, Karl(2007) and Herb(2009) the factor of oil is controlled for by the oil production per capita²⁶. This is taken from the CIA's World Factbook database²⁷. A per capita measure is used to ensure the effect of oil production is not over stated. For example, Saudi Arabia's produces approximately four times as much oil as the UAE but its population is six times that of the UAE.

²³ <http://www.imf.org/external/data.htm>. Accessed march 25, 2011

²⁴ <http://www.systemicpeace.org/polity/polity4.htm>.

²⁵ http://hdr.undp.org/en/media/HDR_2009_EN_Complete.pdf. Accessed 12/09/11.

²⁶ Karl, T.L. (2007). 'Ensuring Fairness. The Case for a Transparent Fiscal Social Contract.' in Humphreys, M., Sachs, J.D., Stiglitz, J.E., *Escaping the Resource Curse*, Columbia University Press.

Herb, M. (2009). 'A nation of bureaucrats: political participation and economic diversification in Kuwait and The United Arab Emirates', *International Journal Middle East Studies* Vol.41, pp.375–395.

²⁷ <https://www.cia.gov/library/publications/the-world-factbook/fields/2173.html>

Another commonly used measure for oil is oil production as a percentage of GDP but this is usually used to measure a country's dependence on oil. The measures included in this paper to control for democracy, economic development, education, oil and the size of an economy have been widely used by researchers before.

For the empirical test, first, arithmetic means are calculated to compare the overall globalization and the three sub-divisions of economic, political and social globalization of Islamic countries compared to OECD countries and the remaining countries of the developing world. Then, Ordinary Least Squares (OLS) regressions are run to determine if being an Islamic country significantly affects its globalization controlling for the level of development, democratization, education, oil production and size of the economy. Table 6 shows the list of variables, the expected signs and definitions used in the regression analysis. The equations would be formulated as shown by regression equations 1-4.

Table 6: Key Variables, Expected Signs and Descriptions²⁸:

Variable	Description
Dependent Variables	
Overall Globalization	Combination of Economic Globalization(36%), Social Globalization(38%), Political Globalization(25%). On a scale of 1-100.
Economic Globalization	Characterized as long distance flows of goods, capital and services as well as information and perceptions that accompany market exchange. On a scale of 1-100.
Social Globalization	Characterized by a diffusion of government policies. On a scale of 1-100.
Political Globalization	Expressed as the spread of ideas, information, images and people. On a scale of 1-100.
Independent Variables	
Economic Development(+)	GDP per capita adjusted for PPP for a country, in constant dollars
Democracy(+)	A dummy variable in which value of 1 is given if a country is a democracy, a value of 0 given otherwise.
Islamic(-)	A dummy variable in which a value of 1 is given if a country is a majority Muslim country and a value of 0 if otherwise.
Education(+) ²⁹	Given by a country's self-reported literacy rates.
Size(+)	Natural log (Ln) of nominal GDP in constant dollars.
Oil(-)	Production(measured in barrels) per capita.

²⁸ Descriptions for dependent variables are taken from the KOF Index website: <http://globalization.kof.ethz.ch/>

²⁹ Due to the unavailability of data the variable for education is measured by the last reported literacy rates from countries between 1995-2005, and not from the year 2008.

Regression Equation 1

Overall Globalization = A+ A1(Economic Development) + A2(Democracy) + A3(Islamic) + A4(Education) + A5 (Size) + A6 (Oil)

Regression Equation 2

Economic Globalization = B+ B1(Economic Development) + B2(Democracy) + B3(Islamic) + B4(Education) + B5 (Size) + B6 (Oil)

Regression Equation 3

Social Globalization = C+ C1(Economic Development) + C2(Democracy) + C3(Islamic) + C4(Education) + C5 (Size) + C6 (Oil)

Regression Equation 4

Political Globalization = D+ D1(Economic Development) + D2(Democracy) + D3(Islamic) + C4(Education) + C5 (Size) + C6 (Oil)

The main coefficients of concern in the regression equations are A3, B3, C3 and D3, which represent the effect of being an Islamic country compared to being any other country, to the dependent variables of globalization, controlling for economic development, democratization, education, oil and size of the economy. Inferring from the majority of the literature on Islam and Globalization, the “Islamic” variable should have large negative and significant effects on globalization, however this paper hypothesizes its coefficient to be insignificant in accounting for the variation in globalization. It is expected that the control variable of economic development, democratization, education should have coefficients with large positive and significant impacts on the level of globalization, as it is hypothesized that these variables rather

than being an Islamic country are the major determinants of globalization. The size of the economy should also positively affect a country's prospects for globalization because of the advantage of additional resources it may have over other countries. Oil, which would represent a resource curse as discussed earlier, should negatively affect globalization. Thus the coefficients A1-D1, A2-D2, A4-D4, A5-D5 are projected to have positive and significant values while A6-D6 should have negative values.

For the regional comparison, first, means will be calculated comparing overall globalization and the three subdivisions of economic, social and political globalization, of the different regions in the Islamic world. Since, a regression analysis is not possible, as the number of countries in each group is too small to get significant results; country rankings given by the KOF index are sorted in terms of Islamic countries, to give a clearer picture of where regions stand in comparison to each other and to the rest of the world.

Results:

Table 7 shows the arithmetic means of the measures of globalization of Islamic countries compared to OECD countries and the rest of the developing world. The OECD countries as expected have high levels of globalization compared to the Islamic countries and other developing countries, but the similarity in the means for indexes between the Islamic countries and the rest of the developing world is striking. The average for the overall globalization for Islamic countries is 52.24 while the average for the developing world is 52.99; the average for the economic globalization for Islamic countries is 54.74 compared to the average for the developing world of 57.80; the average for the political globalization for Islamic countries is 66.24 and the average for the developing world is 66.49; and finally, the average for the social

globalization for Islamic countries is 41.18 compared to the average for the developing world of 41.72. These basic measures of mean give credence to the argument that Islamic countries are no different from other countries of the developing world in the extent of globalization.

Table 7: Mean Values KOF Index 2008 World Country Groups

KOF measures	Country Groups		
	OECD Countries (n=34)	Islamic Countries(n=48)	Non-Islamic Non-OECD Countries (n=83)
Overall Globalization	81.66	52.24	52.99
Economic Globalization	79.80	54.74	57.80
Political Globalization	89.66	66.24	66.49
Social Globalization	78.00	41.18	41.72

Table 8 shows the regression results for the empirical model. The main variable of concern, “Islamic”, has insignificant and positive effects on the dependent variables of overall globalization, economic globalization, social globalization and political globalization in all four regressions. Simply put whether a country is majority Muslim appears to have negligible and positive effects on globalization.

As hypothesized in the democratization has large, positive and significant effects globalization. An increase the polity score of 1 raises overall globalization by 0.59 index points, economic globalization by 0.44 index points, social globalization by 0.365 index points and has the greatest effect on political globalization raising it by 0.975 index points.

Level of economic development has large, significant and positive effects on overall, economic and social globalization but has a small and insignificant effect on political globalization. For the first three equations a \$1000 increase in GDP per capita raises the respective globalization index by 1 index point.

Education, given by literacy rates, has a significant and positive effect on overall, economic and social globalization but contrary to expectation a significant and negative effect on political globalization. An increase in literacy rate by 1% increases overall globalization by 0.193 index points, economic globalization by 0.378 index points, social globalization by 0.369 index points and decreases political globalization by 0.206 index points.

Oil production per capita has large, negative significant effects on overall globalization and social globalization but negative and insignificant effects on economic and political globalization. For overall globalization, a production increase of one barrel per capita decreases the overall globalization by 20.2796 index points; for social globalization, a production increase of barrel per capita decreases social globalization by 26.485 index points.

Size, given by the natural log of nominal GDP of the country in constant dollars has a positive and significant effect on overall, social and political globalization but a negative and significant effect on economic globalization. A 1% increase in nominal GDP increases the overall globalization by 1.788%, social globalization by 0.973%, political globalization by a large 5.8% and decreases economic globalization by 1.706%.

Most results are according to expectations, however the last regression, where the dependent variable is political globalization especially produces some surprising results. Economic development has an insignificant effect and education is shown to have negative and

significant effect on political globalization. This may be due to the coding of the political globalization variable which depends on the embassies in country, membership in international organization and participation in U.N. security council missions. Here the over-riding factor seems to be the size of the country's GDP that dwarfs all variables. It is also logically sound that the size of a country's economy this would enable a country to have the capacity to participate in political globalization and represent its importance in the world market.

The second regression equation where the dependent variable is economic globalization also produces a couple of astonishing results. The size of a country's GDP is negatively effecting its economic globalization contrary to expectation. This maybe well because larger countries have the ability to resist economic globalization and yet not be affected the adverse economic outcomes of such a decision. A prime example here is China, where there are strict restrictions on capital flow but yet multinationals are attracted to invest in the country to take advantage of its huge market. Oil also has an insignificant effect on economic globalization perhaps because oil-rich authoritarian regimes have little incentive to resist economic globalization which may not be the case for social globalization.

All regression equations have high R-squared values showing that the independent variables explain, 78.7% of the variation for the dependent variable for overall globalization, 64.6% of the variation in economic globalization, 79.6% of the variation in social globalization and 61.3% of the variation in political globalization.

Table 8: Results Regression Equations 1-4

<u>Variables</u>	<u>Regression 1</u>	<u>Regression 2</u>	<u>Regression 3</u>	<u>Regression 4</u>
Constant	-10.917 (-1.254)	60.510*** (4.522)	-17.621 (-1.615)	-58.801*** (-4.749)
Economic Development	.001*** (9.587)	.001*** (7.824)	.001*** (11.112)	9.044E-5 (1.035)
Democracy	.590*** (4.533)	0.440* (2.182)	.365*** (2.239)	0.975*** (5.271)
Islamic	3.290 (1.971)	4.433 (1.668)	3.335 (1.595)	4.246 (1.790)
Education	.193*** (4.662)	.378*** (5.993)	.369*** (7.138)	-.206*** (-3.502)
Size	1.788*** (4.688)	-1.706** (-2.884)	.973* (2.037)	5.814*** (10.718)
Oil	-20.796*** (-4.023)	-12.951 (-1.446)	-26.485*** (-4.090)	-11.996 (-1.632)
	Dependent Variable: Overall Globalization	Dependent Variable: Economic Globalization	Dependent Variable: Social Globalization	Dependent Variable: Political Globalization
	R-squared = 0.787	R-squared = 0.646	R-squared = .796	R-squared = .613

NOTES:

t-stats in ()

* Significant at the .1 level

** Significant at the .05 level

*** Significant at the .01 level

For the regional analysis Table 9 shows the mean values for the globalization indexes in the different regions of the Islamic world. No certain trend emerges from the initially calculated means. The Malay countries are doing well in all categories of globalization, however the number of countries is small (n=3) and it could well be that an outlier is pushing the results in upward direction. Other regions are doing well in some categories of globalization, while doing badly in others. For example, the African Islamic countries are doing well in social globalization with a mean value of 74.9 but doing badly in political globalization with a mean of 27.0. The Arab Islamic countries, contrary to the stereotype of being anti-globalization are doing well in all categories of globalization. This could also be due to the high levels of development in oil rich Arab countries. The averages give us a start but fail to provide a clear picture for the differences.

Table 9: Mean Values KOF Index Islamic Country Groups

KOF measures	Islamic Country Groupings			
	Malay(n=3)	South and Central Asian (n=11)	Arab(n=21)	Other African(n=9)
Overall Globalization	63.9761	47.4174	55.4698	45.5593
Economic Globalization	67.755	49.0157	62.5767	42.9763
Political Globalization	54.6567	37.2273	45.0952	27.0311
Social Globalization	75.3012	65.7383	62.7431	74.9404

Since regression analysis is not possible as the number of countries in some categories is too small, the paper proceeds by analyzing the country ranks provided by the KOF index, which in 2008 ranked around 120 countries in each category. The paper sorts these ranks with respect to Islamic countries.

Tables 10-13 show the globalization rank for Islamic countries in all categories. For the overall globalization the countries ranked in the first three positions are all from different regions of the Islamic world. Malaysia being from the Malay Islamic countries, Turkey being from the Central and South Asian Islamic countries and the UAE from the Arab Islamic countries. Similar results are seen in almost every category, with the Top 5 countries including countries from the three major regional divisions of the Islamic world. The African Islamic countries are not seen in the top ranks as these are one of the poorest categories of countries in the world; the debate in the literature also usually surrounds the Arab, Turkic, Malay Islamic countries and neglects the African Islamic countries. The reason for why the Malay Islamic countries had such high arithmetic means is also exposed as Malaysia is recognized as the outlier pushing these statistics upwards. Indonesia is mid to low table on all categories and Brunei is not even listed in the ranks. The evidence refutes explanations of regional or cultural specificity related to globalization in the Islamic world. Results are clearly individual. Perhaps, yet again the differences may lie in the economic development, democratization, size and education level of a country rather than its culture and religion. The mere randomness of the countries and region they are a part of, within each lists, proves than any argument based on regionalism is inconclusive.

Table 10: Ranks for the Overall Globalization of the Islamic World

Islamic Country Rank	Country	World Rank	Score
1	Malaysia	24	75.60
2	Turkey	32	69.96
3	United Arab Emirates	35	69.07
4	Jordan	38	65.94
5	Kuwait	40	65.49
6	Bahrain	54	57.66
7	Morocco	61	56.35
8	Nigeria	62	55.95
9	Egypt, Arab Rep	64	55.15
10	Indonesia	66	54.86
11	Oman	69	53.57
12	Tunisia	70	53.49
13	Pakistan	75	51.79
14	Senegal	93	45.72
15	Algeria	94	45.56
16	Albania	98	42.82
17	Mali	102	40.15
18	Chad	104	38.94
19	Syrian Arab Republic	106	38.46
20	Bangladesh	107	38.31
21	Iran, Islamic Rep	112	34.23

Table 11: Ranks for the Economic Globalization of the Islamic World

Islamic Country Rank	Country	World Rank	Score
1	Malaysia	32	77.15
2	Oman	40	70.51
3	Turkey	41	69.86
4	Kuwait	49	67.64
5	Jordan	51	67.31
6	Nigeria	52	67.16
7	Indonesia	53	65.99
8	Tunisia	58	64.40
9	Mali	79	53.96

10	Mauritius	81	53.80
11	Albania	84	52.17
12	Egypt, Arab Rep.	86	51.61
13	Morocco	87	51.08
14	Chad	91	49.82
15	Sierra Leone	97	46.41
16	Algeria	98	45.43
17	Pakistan	99	44.45
18	Senegal	107	35.16
19	Bangladesh	109	33.74
20	Iran, Islamic Rep.	112	27.50
21	Niger	114	27.03

Table 12: Ranks for the Social Globalization of the Islamic World

Islamic Country Rank	Country	World Rank	Score
1	Kuwait	23	76.92
2	United Arab Emirates	27	75.52
3	Saudi Arabia	36	68.18
4	Malaysia	38	66.05
5	Turkey	44	58.24
6	Oman	46	57.00
7	Jordan	48	55.76
8	Bahrain	52	53.62
9	Morocco	73	44.83
10	Senegal	87	36.43
11	Pakistan	90	35.88
12	Egypt, Arab Rep.	91	33.97
13	Albania	92	33.04
14	Tunisia	98	30.10
15	Indonesia	100	28.87
16	Chad	104	26.67
17	Syrian Arab Republic	105	26.07
18	Nigeria	107	25.74
19	Algeria	110	24.37
20	Sierra Leone	113	23.77
21	Iran, Islamic Rep.	116	20.90
22	Bangladesh	118	20.61
23	Niger	119	19.48

24	Mali	120	18.50
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Table 13: Ranks for the Political Globalization of the Islamic World

Islamic Country Rank	Country	World Rank	Score
1	Egypt, Arab Rep.	11	92.37
2	Turkey	17	87.88
3	Malaysia	18	87.87
4	Pakistan	21	86.49
5	Nigeria	25	85.73
6	Morocco	33	81.40
7	Jordan	35	79.41
8	Indonesia	36	78.33
9	Algeria	39	77.90
10	Senegal	42	74.98
11	Tunisia	46	73.36
12	Bangladesh	48	71.73
13	Iran, Islamic Rep.	56	64.13
14	Mali	74	53.17
15	Niger	75	52.91
16	Saudi Arabia	81	48.10
17	Kuwait	84	45.07
18	Albania	87	44.24
19	Chad	93	41.94
20	United Arab Emirates	95	38.16
21	Syrian Arab Republic	96	37.51
22	Sierra Leone	97	37.03
23	Bahrain	107	26.24
24	Oman	108	24.06

Conclusion:

Two main conclusions can be drawn from the evidence and analysis. First, Islamic majorities do not empirically affect a country's level of globalization whether social, economic, political or the combined overall. Second, regional differences that could be translated in to cultural differences within the Islamic world fail to predict or explain differentiation in

globalization, as some countries in the region are doing well with globalization, while others are not doing so well. The driving factors of globalization as shown by the regression analysis and the other descriptive evidence seem the level of economic development , democratization, size of a country's economy, oil production and education rather than being an Islamic majority country or belonging to a specific region.

This paper shows the current picture in the Islamic world and does not attempt prophesy the future of Islamic nations. However, based on the current evidence it seems that Islamic ideology that does not factor in an Islamic country's decision to globalize. There are maybe many reasons for such a happening. First, perhaps, most leaders of Islamic countries are either Western-planted entities or allies of the West. Even if the populations in Muslim countries may be opposed to some concepts of globalization, these wishes may often be ignored. Although the leaders may give lip service to oppose concepts such as interest(forbidden in Islam), in actuality they may be basing their systems on the global capitalist structure and engaging in trade even if it may be with Israel. Second, there is an obvious economic case for globalization. Countries that have adjusted to and taken part in economic globalization have been known to be and shown to be benefited with economic growth, development and prosperity. Examples include the Asian tiger economies, Japan, several European countries and even China. On the contrary, countries that have resisted globalization have suffered economic ailment, a prime example is North Korea, known to suffer years of famine in the decade of prosperity which was the 1990s. Therefore, even if the ideological concepts that form part of the globalization process like an individualist democracy and secularism maybe unacceptable to the Islamic countries, the economic attraction may drive them towards globalization no matter what the compromises. Third, the situation may

actually be that the majority of the Islamic countries are open to globalization, and scholars that are highlighting that Islam is diametrically opposed to globalization only considering a minority, conservative, rather extremist group of Muslims, who form only one section of the Muslim nations.

Frieden(1991) shows that countries which benefited from capital mobility decided to liberalize their economies earlier than countries which thought they would lose out to capital liberalization³⁰. In my opinion, the Islamic countries with respect to globalization work on a similar logic. Like any other rational actor in the world system, they choose to globalize if the benefits of globalization (economic, social or political) outweigh the perceived losses. Therefore, their globalization often coincides with higher levels of economic development and democratization, as it becomes easier to reap the benefits globalization once a country is developed or to strengthen the already present democratic institutions if an Islamic country is a democracy.

In conclusion, the paper suggests if the west or any group of countries is interested in promoting globalization in the Islamic world, this may be difficult to achieve if a change of culture, ideas, religious values or ideology is imposed, as this would only help surface antagonism, hatred and cultural conflict. The paper provides evidence that being a majority Muslim country or being from a specific region of the Muslim world, is inconclusive in suggesting a state's failure to globalize. On the contrary, as the paper depicts and as many other previous studies have shown that factors such as economic development and democratization seem the major determinants of globalization; thus a policy focusing on increasing the level of

³⁰ Jeffrey Frieden, —Invested Interests: The Politics of National Economic Policies in a World of Global Finance, *International Organization* 45, 4 (Autumn 1991): 425-451.

development and encouraging democratization in the Islamic world should prove to be more successful than blaming the result on the religion of Islam.

Future Research:

Future research on the topic could analyze the trend of globalization in the Muslim world through a time series analysis. This paper restricts itself in providing a cross-sectional model, whereby data from 2008 is used to find evidence for the hypothesis. Better data on education levels and perhaps other variable like economic equality within a country may help improve results.³¹ Also, one could look at Muslim minorities in Western developed countries to see how their behavior affects the globalization outcomes in their respective countries.

³¹ Inequality was not included as a control in the regression analysis because of missing data, especially for Islamic countries.

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Appendix I

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.

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 UNESCO (various years), Statistical Yearbook.
 World Bank (2007), World Development Indicators, CD-Rom, Washington, DC.

2008 KOF Index of Globalization

Indices and Variables	Weights
A. Economic Globalization	[36%]
i) Actual Flows	(50%)
Trade (percent of GDP)	(18%)
Foreign Direct Investment, flows (percent of GDP)	(21%)
Foreign Direct Investment, stocks (percent of GDP)	(22%)
Portfolio Investment (percent of GDP)	(19%)
Income Payments to Foreign Nationals (percent of GDP)	(20%)
ii) Restrictions	(50%)
Hidden Import Barriers	(24%)
Mean Tariff Rate	(28%)
Taxes on International Trade (percent of current revenue)	(27%)
Capital Account Restrictions	(20%)
B. Social Globalization	[38%]
i) Data on Personal Contact	(30%)
Outgoing Telephone Traffic	(13%)
Transfers (percent of GDP)	(6%)
International Tourism	(28%)
Foreign Population (percent of total population)	(26%)
International letters (per capita)	(28%)
ii) Data on Information Flows	(35%)
Internet Users (per 1000 people)	(25%)
Cable Television (per 1000 people)	(25%)
Trade in Newspapers (percent of GDP)	(21%)
Radios (per 1000 people)	(29%)
iii) Data on Cultural Proximity	(35%)
Number of McDonald's Restaurants (per capita)	(40%)
Number of Ikea (per capita)	(41%)
Trade in books (percent of GDP)	(19%)
C. Political Globalization	[25%]
Embassies in Country	(35%)
Membership in International Organizations	(36%)
Participation in U.N. Security Council Missions	(29%)

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 Consequence*, New York: Springer.