

## **A New Globalisation Index for Developing Countries – Assisting Development Policy Analysis and Development Policy Formation**

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Recurring international crises and the limited success of developing countries regarding their integration into the world economy - despite growing shares of these countries in world trade<sup>1</sup> - make it necessary to analyse the globalisation trends much more deeply than so far. This knowledge will help to govern the globalisation process. National and international development policies have to be reshaped also in the context of the current world economic crisis. It is therefore essential to understand better the theoretical background of the globalisation process and to introduce and apply new methods of measurement. Existing methods in measuring globalisation<sup>2</sup> leave doubts about the theoretical foundation of the process and about the adequacy of methods for measuring the globalisation process in developing countries.

In his research at the Institute for World Economics and International Management (IWIM) the author has developed a new index of globalisation for developing countries<sup>3</sup>. All variables are deviated from a semi-axiomatic system which consists of theories describing theoretically relevant elements of globalisation (theories of international trade, of international production, of international migration, of global capital markets,...) and their importance for developing countries (transmission mechanisms). The multidimensionality of globalisation is considered in the design of the methodology in such a way that the arbitrariness in the selection of variables and indicators could be overcome. Therefore the new index consists only of variables which are relevant for the measurement of globalization according to the various dimensions of the theory of globalisation and important for an investigation of the integration of developing countries into the world economy. The index of globalisation is derived with a special focus to provide policy recommendations for new international, regional and national development policies in the context of globalisation.

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<sup>1</sup> E.g. UNCTAD: Trade and Development Report: Developing Countries in World Trade, Geneva: UNCTAD 2002; Kaplinsky, R.: Globalization and Unequalisation: What can be learned from value chain analysis?, in: Journal of Development Studies, 2000, 37 (2), pp. 117-140.

<sup>2</sup> See: Dreher, A. (et. al.): Measuring Globalisation: Gauging its Consequences. Springer-Verlag. 2008.

<sup>3</sup> Ebenthal, S.: Messung von Globalisierung in Entwicklungsländern: Zur Analyse und Gestaltung der Globalisierung. Peter Lang Publishing Group. Forthcoming 2009.

In a second part of the research the new instrument is used to analyse the impact of globalisation on developing countries<sup>4</sup>. The cases of Mexico, Tanzania, Vietnam and Venezuela give evidence of the usefulness to apply the instrument for the purpose of shaping the national policies in times of globalization. The evaluation of different kinds of rankings, indexes and case studies in this context shows that developing countries can adapt successfully to the new environment by implementing individually planned packages of adequate national development policies. However, regional and international measures have to complement these policies.

The research provides further evidence that globalisation affects developing countries in each case differently, and not in each case in a positive way, so that a deep analysis of the globalization impacts is needed and an innovative policy formation process is requested. The new index gives proof by application that it is very useful in evaluating development strategies and for giving detailed policy recommendations. For international politics and political economy an important implication of the research undertaken is to reserve policy space for specific and adapted development policies.

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<sup>4</sup> E.g. Ebenthal, S.: Mexiko im Kontext der Globalisierung: Ergebnisse eines Globalisierungsindex für Entwicklungsländer. Berichte aus dem Weltwirtschaftlichen Colloquium der Universität Bremen. Nr. 111. 2008.