The Global Top 20

The world's most integrated countries come in very different shapes and sizes, and they have followed very different paths to globalization.

Recent months have offered plenty of fresh evidence that the world is falling apart. Conflict in the Middle East, a nuclear stalemate between Iran and the West, perilously high oil prices, and the collapse of the Doha round of global trade talks all suggest a world that has gone off the rails. In this volatile environment, isolation has a powerful appeal.

Why should states bind themselves more firmly to such an unstable political and economic order? Why would they willingly court greater reliance on foreign producers and politicians? Why, in short, should they want globalization?

Part of the answer is that the daily headlines that report each new crisis or conflict miss the gradual but often profound currents of global integration that lurk beneath the surface. Fractious though the world may be, globalization still has

POLITICAL ENGAGEMENT
Including participation in treaties, organizations, and peacekeeping

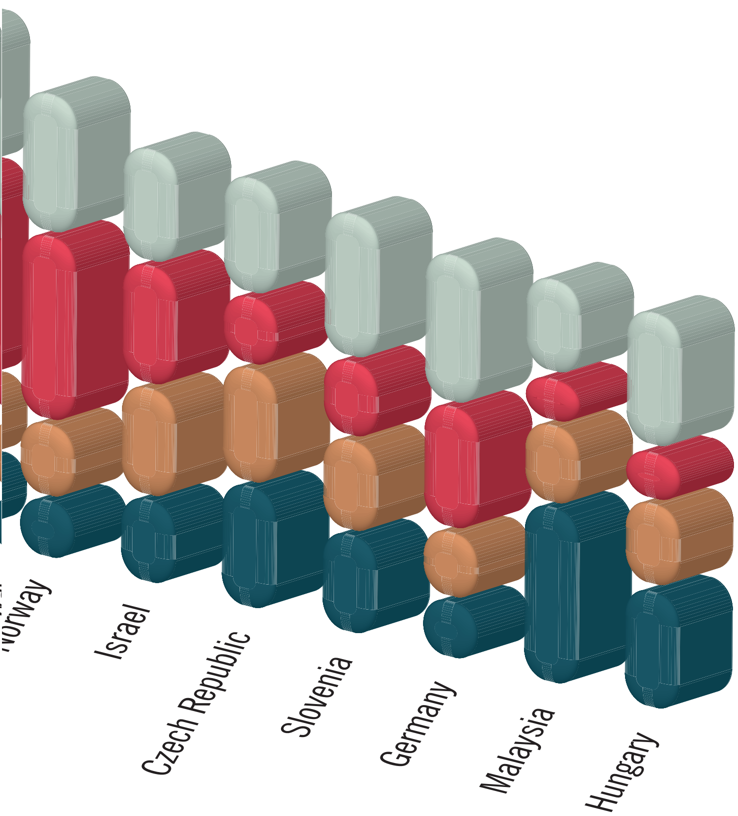
TECHNOLOGICAL CONNECTIVITY
Including number of internet users, hosts, and secure servers

PERSONAL CONTACT
Including telephone, travel, and remittances

ECONOMIC INTEGRATION
Including international trade and foreign direct investment

The *Globalization* Index

It's a small world, and globalization is making it smaller, even in the face of conflict and chaos. For the sixth year, FOREIGN POLICY, *in collaboration with A.T. Kearney, sorts out globalization's winners and losers. Find out which countries come out on top and which ones are falling behind.*



much to offer, and a momentum of its own. The annual A.T. Kearney/FOREIGN POLICY Globalization Index examines the underlying international trends that reveal whether the world's leading nations are becoming more or less globally connected.

This year's index looks at data from 2004, which was a banner year for global political integration, at least on paper. In May of that year, the European Union (EU) took on 10 new members. A month later, European leaders drafted a constitution to cement the union's remarkable expansion.

For its part, the NATO alliance added seven brand-new members. And on the other side of the globe, Cambodia and Nepal joined the World Trade Organization. In the corporate world, too, former bitter rivals joined hands. After months of legal wrangling, software powerhouses Oracle and Peoplesoft merged. Some of the steps toward integration, of course, turned out to be false ones. The March 11 bomb blasts in Madrid led to heightened security and tighter immigration policies across Europe. And in 2005, voters in France and the Netherlands unceremoniously sent the EU constitution back to the drafting table.

But by the numbers, 2004 was still a good one for globalization. International trade grew by a robust 9 percent, and trade became more central to most national economies. Trade in merchandise led the way, growing even faster than services. Many countries in the developing world shared in the profits as commodity prices soared, thanks to powerful demand from China. And it wasn't just steel, fuel, and concrete that headed east. So too did piles of mostly Western cash: Foreign investment in Asia jumped 45 percent from the previous year. Latin America also got a boost from foreign investors, who upped their ante in the region by 44 percent. Overall, foreign direct investment increased 9 percent, and most of that increase was due to investment in developing countries.

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Cooperation extended to realms beyond economics. Financial and personnel contributions to U.N. peacekeeping missions jumped, as a spate of new missions got under way or expanded in places including Burundi, the Democratic Republic of the Congo, Haiti, and the Ivory Coast. International tourism also soared to record levels, with the fastest growth in Asia and the Middle East. Many of those not traveling were at least plugging into the world at home. Internet usage spiked in some unlikely places, including Indonesia, Morocco, Nigeria, and Senegal. Of course, the spread of the Internet was not welcome news for phone companies around the world; the growth in telephone contacts slowed considerably.

The Rankings

In the table, the countries ranking in the top 10 in each category are shaded red, and those ranking in the bottom 10 are shaded blue.

In an effort to take stock of globalization's progress, the index examines several indicators spanning trade, business, politics, and information technology to determine the rankings of 62 countries. These countries together account for 96 percent of the world's gross domestic product (GDP) and 85 percent of the world's population. The index measures 12 variables, which are divided into four "baskets": economic integration, personal contact, technological connectivity, and political engagement.

The resulting rankings offer a breakdown of which countries are globalizing and which are not. Even more, the index reveals the very different ways that countries are opening themselves up. For some, globalization is primarily an economic phenomenon. But there are many other ways of assessing how global a country is, from international phone calls and remittances sent abroad to the number of Internet users a country has and its participation in international treaties. France, for example, tops the rankings in political globalization—as measured by such factors as participation in treaties, peacekeeping, and international organizations—but it lags badly on the economic side because of high tariffs and stubborn agriculture subsidies. Clearly, states prefer some forms of globalization to others. But no matter the crisis du jour, the forces of globalization remain a reality for everyone.

THE WINNERS' CIRCLE

Perennial powerhouse Singapore kept its place atop the Globalization Index, but there was plenty of jostling in the top 10. In one of the biggest moves, Australia climbed four spots to eighth place. High commodity prices—mining accounts for 5 percent of Australia's economy—combined with strong services and greater foreign investment to boost the Aussies'

			Dimension				Item												
							Economic Integration		Personal Contact			Technological Connectivity			Political Engagement				
2006 GI Rankings		Change from 2005	Economic	Personal	Technological	Political	Trade	FDI	Telephone	Travel	Remittances and Personal Transfers	Internet Users	Internet Hosts	Secure Servers	International Organizations	U.N. Peacekeeping	Treaties	Government Transfers	2005 GI Rankings
1	Singapore	0	1	3	12	29	1	1	1	4	49	10	12	13	33	10	42	47	1
2	Switzerland	1	9	1	7	23	17	7	2	6	2	17	15	5	33	9	42	10	3
3	United States	1	58	40	1	41	62	36	18	33	52	6	1	1	1	25	58	38	4
4	Ireland	-2	4	2	14	7	4	5	3	3	9	26	20	8	11	1	31	23	2
5	Denmark	2	8	8	5	6	20	6	6	16	16	12	3	7	11	13	6	8	7
6	Canada	0	23	7	2	10	30	12	4	20	57	7	14	2	2	14	6	32	6
7	Netherlands	-2	21	11	6	5	11	52	8	11	40	9	2	11	5	17	6	6	5
8	Australia	4	18	36	3	27	55	3	14	32	50	3	5	4	33	18	31	37	12
9	Austria	-1	15	4	13	2	15	18	10	2	29	19	7	14	11	3	6	7	8
10	Sweden	0	19	12	9	9	21	16	11	9	39	1	9	9	25	8	6	15	10
11	New Zealand	0	35	15	4	24	41	26	5	23	54	8	8	3	33	22	6	26	11
12	United Kingdom	1	25	14	8	4	48	10	12	15	42	4	17	6	5	7	6	20	13
13	Finland	-4	31	21	10	14	33	30	19	12	45	5	4	12	11	6	31	18	9
14	Norway	0	39	23	11	18	29	46	17	24	30	24	6	10	25	16	6	29	14
15	Israel	2	20	9	17	40	19	20	7	27	12	16	16	17	48	4	61	4	17
16	Czech Republic	-1	5	6	22	35	5	14	31	1	27	14	22	26	11	43	31	11	15
17	Slovenia	3	13	13	20	15	10	28	22	7	22	18	25	20	11	19	6	16	20
18	Germany	3	41	28	16	11	32	45	15	21	48	20	23	15	2	12	31	13	21
19	Malaysia	0	3	19	28	48	2	11	29	10	18	23	39	34	33	45	42	49	19
20	Hungary	3	7	17	27	20	7	13	41	5	34	29	19	27	11	32	1	24	23
21	Panama	3	2	46	32	39	8	2	35	39	32	42	44	21	48	55	1	31	24
22	Croatia	-6	14	5	29	32	13	19	21	8	7	27	33	25	33	49	1	22	16
23	France	-5	40	18	21	1	50	24	16	13	38	22	21	19	2	5	6	9	18
24	Portugal	-2	29	20	25	3	34	17	23	17	20	28	18	23	5	11	6	5	22
25	Spain	1	22	31	24	16	45	9	26	18	33	25	29	18	5	21	6	19	26
26	Slovakia	-1	6	45	26	19	3	29	28	34	37	21	28	33	11	28	1	54	25
27	Italy	0	50	25	23	8	51	40	13	22	47	15	24	24	5	15	6	12	27
28	Japan	1	62	58	15	13	61	57	42	44	59	13	11	16	33	2	6	46	29
29	South Korea	-1	32	39	19	33	26	41	25	38	24	2	13	29	33	27	31	58	28
30	Romania	5	11	30	36	28	22	8	37	30	10	32	43	43	11	46	1	36	35
31	Philippines	2	26	10	52	43	14	50	47	51	1	52	47	45	11	47	31	28	33
32	Greece	-2	56	22	33	12	49	55	20	14	41	33	26	37	5	20	31	3	30
33	Poland	-2	30	32	31	25	23	34	34	19	25	31	35	31	11	38	6	14	31
34	Chile	0	10	53	30	30	31	4	40	40	51	30	32	30	11	39	6	25	34
35	Taiwan	1	12	33	18	62	9	32	9	31	62	11	10	22	62	62	62	55	36
36	Uganda	-4	44	24	61	17	52	25	62	58	3	61	56	60	48	61	6	1	32
37	Tunisia	0	27	29	47	42	16	39	33	26	14	45	60	59	33	31	31	41	37
38	Botswana	1	24	42	56	26	18	23	30	25	36	56	46	62	48	57	6	2	39
39	Ukraine	-1	17	38	46	46	12	38	44	28	19	47	42	48	48	40	31	30	38
40	Morocco	0	37	16	44	53	28	43	38	41	4	39	52	49	48	37	52	34	40
41	Senegal	0	49	35	55	21	37	54	36	47	11	55	58	53	33	23	6	21	41
42	Mexico	0	36	41	38	37	39	35	27	36	28	36	31	38	11	44	6	60	42
43	Argentina	4	46	56	34	22	53	31	48	45	53	34	27	36	25	24	6	39	47
44	Saudi Arabia	1	43	26	49	56	24	59	24	29	13	50	48	44	48	36	52	53	45
45	Thailand	1	16	49	41	57	6	56	53	42	31	41	38	40	25	56	52	43	46
46	Sri Lanka	-3	38	27	58	58	25	48	50	50	5	59	55	47	58	48	42	44	43
47	Russia	5	33	52	42	36	43	22	51	37	44	40	37	46	25	26	42	40	52
48	Nigeria	-4	34	50	60	38	40	27	61	59	23	58	61	58	25	41	6	62	44
49	South Africa	-1	54	54	39	31	47	51	45	43	55	48	34	28	25	33	6	27	48
50	Peru	3	53	47	40	45	56	37	32	48	35	38	41	39	33	54	6	59	53
51	China	3	28	55	50	47	27	21	56	52	43	49	54	54	33	29	52	57	54
52	Brazil	5	45	61	35	44	60	15	52	56	56	37	30	35	11	42	31	56	57
53	Kenya	-4	55	48	54	34	42	60	58	55	21	54	50	56	48	30	6	33	49
54	Colombia	-3	51	44	43	54	54	33	39	54	17	43	40	42	48	52	42	35	51
55	Egypt	4	42	43	53	59	35	42	49	46	15	53	59	50	33	51	58	17	59
56	Pakistan	-6	60	34	59	55	59	53	54	62	6	60	51	55	48	34	52	42	50
57	Turkey	-1	47	57	37	51	38	47	46	35	61	35	36	32	33	50	42	45	56
58	Bangladesh	0	61	37	62	49	57	58	57	60	8	62	62	61	58	35	42	52	58
59	Venezuela	-4	48	60	45	52	44	44	43	53	58	44	45	41	33	53	42	51	55
60	Indonesia	0	52	59	51	50	36	61	59	57	46	51	49	52	25	60	42	48	60
61	India	0	59	51	57	60	58	49	60	61	26	57	53	51	58	59	52	50	61
62	Iran	0	57	62	48	61	46	62	55	49	60	46	57	57	58	58	58	61	62

economic ranking. Switzerland padded its score by almost doubling its financial contributions to U.N.-sponsored peacekeeping missions and with the help of a citizenry that keeps in close touch with the rest of the world through tourism and remittances. Ireland, the most globalized country in 2001 and 2002, lost two places as foreign investment shifted to Asia and Eastern Europe. The United States climbed one rung, buoyed as always by an off-the-charts technology score. More foreign investment in the United States and a greater financial commitment to international peacekeeping helped outweigh its poor marks for supporting free trade and entering into treaties.

Dreaming big: Consumers in the developing world's rural areas may be getting ready to spend.

AJAY VERMA/REUTERS

Waiting for the Heavyweights

Ask investment bankers about globalization's newest frontier, and they might respond with one cryptic syllable: BRIC. The acronym, coined by the investment bank Goldman Sachs, stands for Brazil-Russia-India-China. "If things go right," says one Goldman report, "in less than 40 years, the BRIC economies together could be larger than the G6 [Britain, France, Germany, Italy, Japan, and the United States] in US dollar terms." But for all their prominence in predictions about globalization's future, the BRICs have generally scored poorly on the Globalization Index, in large part because they have massive populations that are still rural and isolated from the global economy.

This year's index shows that the isolation may finally be ending. China climbed three spots in the index, while Brazil and Russia each improved by five places. India's ranking remained the same, but its overall performance improved in most areas. Each of these developing-world heavyweights is opening up in its own way. China's trade volume grew to more than $1 trillion in 2004, pushing it past Japan to become the world's third-largest trading nation (behind the United States and Germany). Foreign direct investment in Russia rose on the strength of the oil and gas sector. Investors also warmed up to India and Brazil in 2004—foreign direct investment in those countries increased by 23 and 80 percent, respectively.

Today the BRICs are best known for the goods they supply to the rest of the world: everything from inexpensive consumer electronics to commodities and information technology services. But what happens when their consumers start connecting with the global marketplace? Experts believe that an economy starts to hit a "sweet spot" in terms of consumer spending when income per capita crosses $3,000 per year. Russia has already reached that level, and China and Brazil may be there in the next decade, with India following close behind. International banks are already lining up to help provide the plastic for the anticipated consumer boom. At that point, globalization will have an important new engine: millions of developing-world consumers armed with credit cards and a hunger to spend.

Rich Man's World

The extremely wealthy often pose delicate challenges for national governments. For starters, they have resources on par with national treasuries; Bill Gates's personal fortune is larger than the GDP of Vietnam, after all. And they sometimes have the political ambitions to match. Silvio Berlusconi and the recently deposed Thaksin Shinawatra used their billion-dollar empires to become the leaders of Italy and Thailand, respectively. Many observers saw Vladimir Putin's assault on Russian billionaire Mikhail Khodorkovsky as a bid to keep the charismatic businessman from moving into politics. Putin may have had reason to feel cornered: The wealth of billionaires accounts for nearly 20 percent of Russia's GDP.

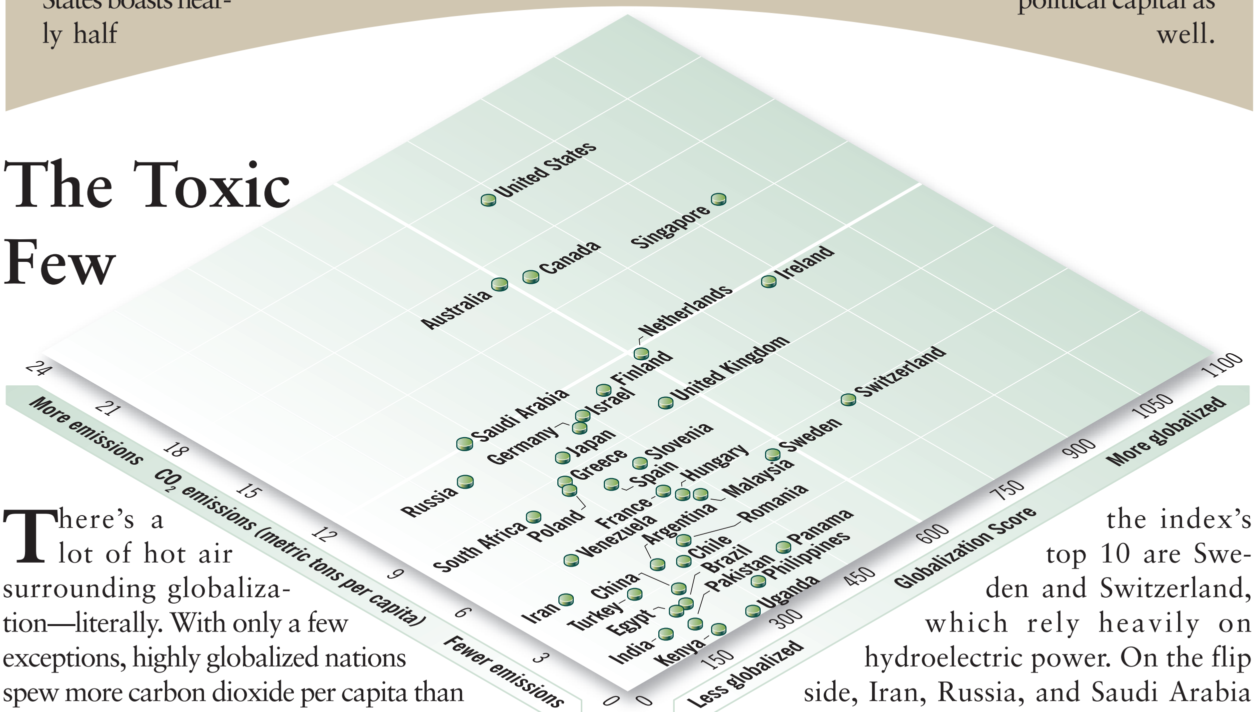
Some governments work just as hard at attracting the rich as reining them in. Singapore—the most globalized country—revised its tax laws in 2004 to lure in billionaires from India and Hong Kong. Only four billionaires hail from Singapore, but dozens of others now stash their money there.

The United States is still home to the world's greatest wealth. According to *Forbes*, the United States boasts nearly half of the world's billionaires (371 of 793). But the collective net worth of billionaires in less globalized countries—such as Brazil, India, and Turkey—makes up about 10 percent of each country's GDP. And the figures appear to be rising as the developing world quickly adds new faces to the ranks of the ultrarich. India's list of billionaires grew from 9 to 19 in the last year, mainland China now claims 8, and Turkey comes in with an impressive 21 billionaires, seven more than France. Political elites in these countries better take notice: The nouveau riche may soon be after their political capital as well.

Sweet ride: The ranks of the world's super-rich are swelling.

CLARO CORTES/REUTERS

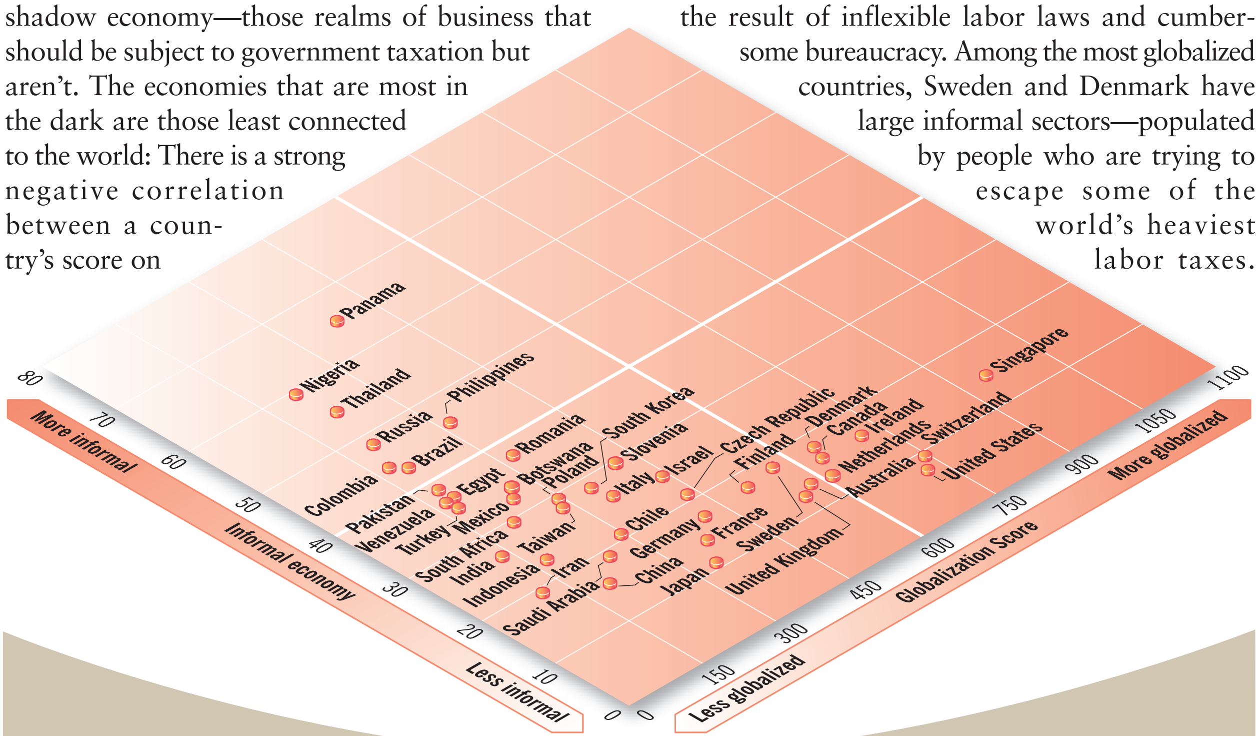
The Toxic Few



There's a lot of hot air surrounding globalization—literally. With only a few exceptions, highly globalized nations spew more carbon dioxide per capita than less globalized countries. The United States, Australia, Canada, and Singapore—all of which score well in the Globalization Index—also rank among the world's worst polluters. The greenest countries in the index's top 10 are Sweden and Switzerland, which rely heavily on hydroelectric power. On the flip side, Iran, Russia, and Saudi Arabia neither score well on the index nor are they environmentally friendly. These major oil producers are not only selling to others, they are consuming a lot of their own product.

Cash on the Side

Taxes may be as certain as death, but they are a lot easier to cheat. Millions of people around the world do just that every year by working in the shadow economy—those realms of business that should be subject to government taxation but aren't. The economies that are most in the dark are those least connected to the world: There is a strong negative correlation between a country's score on the index and the estimated size of its informal economy. Panama's informal economy is the largest in the world as a percentage of gross domestic product, the result of inflexible labor laws and cumbersome bureaucracy. Among the most globalized countries, Sweden and Denmark have large informal sectors—populated by people who are trying to escape some of the world's heaviest labor taxes.



Latin America's Soft Left Turn

No region has moved further to the left in recent years than Latin America. A new crop of leaders, including Brazil's Luiz Inácio "Lula" da Silva, Bolivia's Evo Morales, and Venezuela's Hugo Chávez, have often expressed deep skepticism about the fairness of economic globalization. During his presidential campaign, Lula called the proposed Free Trade Area of the Americas an "annexation" of Latin America by the United States. And one of Morales's first acts as president was to restore national control of Bolivia's natural gas refineries, declaring, "The pillage of our natural resources by foreign companies is over."

It's the kind of talk that sends shivers down free traders' spines. Yet for all the rhetoric and atmospherics, there's scant evidence so far that the political shift has actually clipped globalization's wings. In fact, this year's index shows most Latin American countries—with the exception of Colombia and Venezuela—climbing the ranks. The region's economic output grew by a healthy 6 percent. Regional giants Argentina and Brazil both jumped in the index's economic rankings, and Panama and Peru upped their technology scores as more citizens logged on to the Web.

In part, these results reflect a small regional economic boom as Argentina emerges from its recent financial meltdown. But it is also clear that the Latin American left is not entirely divorced from economic reality. Despite Lula's leftist trappings, he jetted to the World Economic Forum in Davos, Switzerland, to woo international investors just a few weeks after his inauguration. The trip, and other signs that he was not willing to alter Brazil's trajectory dramatically, outraged many leftist die-hards. When Lula attended an annual antiglobalization meeting last year, some protestors heckled him by yelling, "Lula, come back to reality!" But the record of his first four years in office suggests he never left.

Buying into Dubai

Companies hoping to make a splash with global investors once had few options. New York and London were the places to list their names and launch their shares. Global markets may be all about competition, but for many years there wasn't a lot of competition between financial markets. That may finally be changing.

A host of new sites are bidding to lure the world's CEOs and financial leaders. One of the most aggressive comes from tiny Dubai, a gulf emirate with little oil but plenty of moxie. The United Arab Emirates' Crown Prince Sheik Mohammed bin Rashid al-Maktoum has spearheaded Dubai's dash to global prominence. In 2005, the Dubai Exchange opened its doors. Oil money in the region has helped fuel the project. The fact that the emirate does not collect taxes or regulate companies as aggressively as some Western exchanges hasn't hurt, either. Major banks and investment houses are snapping up office space in Dubai's new financial district.

As befits an aspiring agent of globalization, Dubai attracts thousands of immigrants from the Middle East, Asia, and Europe. About 80 percent of the emirate's population is expatriate. Manual labor comes from as far away as Bangladesh, Sri Lanka, and the Palestinian territories. The massive building projects where they toil, such as the artificial islands built in the shape of a palm tree, cater to the wealthy pining for luxury and seclusion. Sometime residents now include soccer star David Beckham and crooner Rod Stewart.

Safe harbor: **Dubai wants to be the next big thing in global finance.**

JON HICKS/CORBIS

The flow of people, money, and expertise is hastened by Dubai's open-skies policy. Even though the government of Dubai owns Emirates Airline, it has welcomed carriers from dozens of other countries. Airline competition, it seems, is a small price to pay for making sure that all flight paths lead to Dubai. FP

[Want to Know More?]

The data sources and methodology used to compile the sixth annual A.T. Kearney/FOREIGN POLICY Globalization Index are available online at **www.ForeignPolicy.com** and the Web site of A.T. Kearney's Global Business Policy Council, at **www.ATKearney.com**.

The World is Flat: A Brief History of the Twenty-First Century (New York: Farrar, Straus and Giroux, 2005) by *New York Times* columnist Thomas L. Friedman provides an excellent primer on globalization and its consequences. A.T. Kearney's Paul A. Laudicina advises businesses on how to confront the pressures of globalization in ***World Out of Balance: Navigating Global Risks to Seize Competitive Advantage*** (New York: McGraw-Hill, 2005).

FOREIGN POLICY has examined several of globalization's cultural and corporate icons recently. Ibsen Martínez discusses why Latin soap operas travel so well in **"Romancing the Globe"** (November/December 2005). In **"The Center of the World"** (September/October 2005), Brook Larmer chronicles Chinese basketball star Yao Ming's rise to global stardom. And Robert Litan examines the challenges corporations face doing business in multiple markets in **"Attention, Wal-Mart Executives"** (November/December 2005).

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