The Service Globalization Index: Case Studies of Korea and G7 Countries

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Abstract

This paper attempts to provide a new concept and measurement of the globalization of the service industry, particularly for Group Seven (G7) countries and South Korea. The Service Globalization Index (SGI) is theoretically constructed based on the General Agreement on Trade in Services (GATS) four modes of trade flows in services. The estimation result of SGI for G7 countries and South Korea shows that trade and foreign direct investment (FDI) in services are the factors that significantly contribute to the index result. The information technology (IT), tourism, and migration also play critical roles in speeding up globalization of the service sector. Among investigated countries, United States and United Kingdom are the leading countries in terms of service globalization, while Japan and Korea lag behind other advanced countries. Overall, SGI is not only connected with economic development but also depend on the socio-economic...
I. Introduction

Globalization is an emerging phenomenon in recent decades. The concept of globalization is still in debate and its meaning can be different to different people and different disciplines. In general, globalization is the increasing interconnectedness of economies, people and societies as well as governments and environments. According to OECD, the term "globalization" has been widely used to describe the increasing internationalization of financial markets and of markets for goods and services. Another rising issue of globalization phenomenon is how to measure it. It is particularly difficult to find a statistical measure for globalization, due to the variety in globalization concepts. Globalization challenges and places new demands on statistics and indicators designed to help public authorities and firms to assess developments and formulate appropriate policies. Thus, a new concept has to be identified, defined and explained, and it has to be integrated with existing tools into a common analytical framework. Statistics on measuring globalization also has to be developed and based on international standards.

Globalization affects all aspects of the world society. Within an economy, how and to what extent an industry or sectors globalize? The literature of globalization studies shows the great attention of many researchers on the