

Risks and gains of globalization for developing countries

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[1] Today the world is changing, interrelating and integrating as fast as never before. This change has an increasing pace and an expanding character. In other words this change is called globalization. Process of globalization is experienced by every region, country, government, man and woman on Earth. It has an objective character and its own pros and cons. But what is the quantitative and qualitative effect of globalization on various states? What is the effect of this phenomenon on the main countries of our study – United States, Ukraine and Russia and what are the changes through years 2006 and 2007? To answer that we would have go through a set of calculations and analysis, as follows. *INDEX TERMS:* 1600 Global Change; 6300 Policy Sciences; 6600 Public Issues; *KEYWORDS:* globalization, developing countries, globalization indices.

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Introduction

[2] Globalization, according to an American scholar Helda McGrew, is an expansion, deepening and acceleration of interrelations in all aspects of modern human life. It embodies the idea of integration of countries into the world community and their general development. Globalization concerns various fields of personal activity, from culture to crime, from finance to spirituality; therefore it reasonably causes set of discussions and disputes. The globalization becomes the mean of concentration of wealth and power in hands of particular people and groups. In that way, by bringing up some facts, we can see that three richest people in the world hold total wealth which exceeds the prosperity of 47 poorest countries and 475 richest hold fortunes that is bigger than the wealth of the half of the humanity. Correlation between the richest and poorest 1/5 of the world's population is 1:75. Meanwhile, in 1973 the gap between the profits of the most developed and the least developed countries could have been rated 44:1. Globalization has enabled the developed countries and the largest transnational corporations to take advantage of more powerful productive forces. The large capital used these forces for the further enrichment. As a result, in the beginning of XXI century the gap of the profits between the richest and the poorest among countries has increased to the ratio of 72:1. It is rather a disturbing tendency, taking into account the increase in the amount of the world's conflicts, growth of the level of corruption, ter-

rorism, crime, lack of access to the qualitative education for a lot of nations, increasing ecology problems and the people's overall health maintenance.

[3] Such actual problems and tendencies, as recognition of national sovereignty, national idea, national culture, religion, language and overall the entity of a human strictly in the borders of the exact state or territory are gradually being replaced by uncontrollable processes of globalization, unification and integration of all humanity into the organic whole. In this way with every coming day the world is becoming smaller and the human development not depending on its national, ethnical and religious belonging is becoming the society's main priority that is superior to any governmental or national interests.

[4] This is why we carry out special measurement of globalization that consists of different factors that together evaluate the integration, interrelation and a general change of the country's development. In 2006 the evaluation was done for 58 countries and the accent was put on three countries of our study – Ukraine, United States and Russia [Zgurovsky, 2007]. In 2007 we carried out a similar calculation for 60 countries in general and in more detail for three countries of our study. In this article we will compare the two sets of data in order to analyze the change and prove the modern tendencies.

Measurement of Globalization

[5] In order to analyze the effects of globalization we need to know how globalized the countries are, but how could

we exactly measure it? There are two systems that give a quantitative and qualitative measurement of globalization. The first was introduced by Swiss Institute of business research (KOF Konjunkturforschungsstel der ETH Zurich; www.kof.ch/globalization/), second was founded by the international organization called Carnegie Endowment for International Peace (CEIP) (www.atkearney.com; www.foreignpolicy.com). Both institutions carry out an annual quantitative rating – the index of globalization (I_g). The first system (KOF system) rates 123 countries, while the second (CEIP system) rates only 62.

[6] The index of globalization allows to estimate the scale of integration of vast majority of countries in the world and to compare the different countries in this parameter. The index of globalization in system KOF is determined by three measurements: economic (I_{ge}), social (I_{gs}) and political (I_{gp}). It could also be estimated as the sum of components $I_g = 0.34 I_{ge} + 0.37 I_{gs} + 0.29 I_{gp}$ with corresponding weight factors. In the CEIP system this index is determined by four measurements: economic (I_{ge}), personal contact (I_{gpc}), technological (I_{gt}) and political (I_{gp}). It is also estimated as the sum of the specified components with equal weight factors.

[7] While comparing the measurements of an globalization index in both systems, it is easy to see, that personal and technological measurements in the CEIP system can be reduced to social measurement as it is in the KOF system. Therefore, for further convenience in comparison between two, we will unit personal and technological measurements in one social measurement for the CEIP system.

[8] 1. Economic measurement of globalization (I_{ge}) demonstrates a constant growth of interrelation between people's needs, on the one hand, and possibility of goods and services production and distribution through the international trade, foreign investments and the spread of transnationalization. Both indexes are determined by the following general indicators: level of trade as the sum of all exports and imports and foreign direct investments as the sum of their inflow and outflow. In the KOF system additional indicators are used: portfolio investments as the sum of absolute cost of their inflow and outflow and incomes of nonresidents from the investments as a percentage of GDP. Economic measurement of globalization of any country is a directly proportional dependence on its political stability and the developed legislature for both of which it takes long time to change and develop. In other words, this parameter is very sensitive to a level of investor's confidence to receive profits from their investments.

[9] 2. Social measurement of globalization (I_{gs}) is the factor reflecting a degree of integration of the ordinary human being, his/her family, his/her life and work into the international public institutes. This measurement in both systems is estimated by such indicators, as intensity of personal contacts in banking, telecommunication and tourist fields with other countries, a level of international tourism's development and a level at which man is interacted with mass media and telecommunications. In addition, KOF system takes into account the two following indicators: percentage of foreign citizens in the country and a level of international trade country.

[10] 3. Political measurement of globalization (I_{gp}) reflects political weight and influence of any country allows estimating scale of expansion of political participation. In both systems the specified measurement is quantitatively estimated with use of such general indicators, as: membership of the country in the international organizations and its participation in specified missions of the United Nations Security Council. The amount of foreign embassies in the country is used in the KOF system as an indicator, while the amount of ratified international agreements is used in the CEIP system. A Swiss scholar Axel Drehel considers (see www.kof.ch/globalization/), that political globalization promotes the country's development with the help of its influence on the world stage. The outcomes of political globalization are less significant than of economic and social globalization, but as a result they more global [Drehel, 2005].

The Analysis of changes of globalization process in years 2006–2007

[11] We are to measure the change in two consecutive years in 2006 for 58 countries in Table 1 and in 2007 for 60 countries in Table 2 with the use of economic, social and political indexes of globalization.

[12] **1. Change in economic index of globalization (I_{ge}).** Calculation of economic measurement of globalization for 2005–2006 demonstrates that by the KOF system Luxembourg was on the first place (not determined by the CEIP system), Hong Kong was on the second place (not determined by the CEIP system), Ireland resided on the third place (CEIP-3), Netherlands were on the fourth place (CEIP-6), finally Singapore was the fifth (CEIP-1). The United States resided only on 28 place (CEIP-52). Ukraine occupied the 82 place (CEIP-18) after Argentina and in front of Philippines. Russia occupied the 91 place (CEIP-43) after Albania and before Malawi.

[13] In the 2007 index of economic globalization Luxembourg remains on the first place (not determined by the CEIP system), Singapore has moved from the 5th to the 2nd place (CEIP-1), Ireland is 3rd (CEIP-4), Belgium has moved to the 4th place (not determined by the CEIP system), and finally Estonia moved up to 5th position. Ukraine place (CEIP-17) moved from 82nd to 75th place in front of the African republic of Ghana and after Russia place (CEIP-33). United States are on the 39th place place (CEIP-58) after Botswana and in front of Germany.

[14] Moreover, according to the Carnegie Endowment for International Peace organization, the world's newest economic frontier is BRIC. The acronym, that stands for Brazil-Russia-India-China. By this analysis in just 40 years BRIC economies could be larger than UK, France, Germany, Italy, United States and Japan put together in US dollar terms. Nevertheless, despite all their prominence about their future, today they score poorly on the Globalization Index, in large respect because they have massive populations that are still rural and are isolated from the global economy. Meanwhile,

Table 1. 58 most globalized countries in the world (2006)

Country	Globalization index (I_g)		Globalization index dimensions						Gini Index	Corruption perception
	KOF	CEIP	Economic(I_{ge})		Social(I_{gs})		Political(I_{gp})			
			KOF	CEIP	KOF	CEIP	KOF	CEIP		
United States	1	4	28	52	1	17	1	31	40.81	7.5
Sweden	2	8	12	14	4	6	5	19	25.00	9.3
Canada	3	6	18	25	2	14	8	14	31.50	8.7
United Kingdom	4	12	27	32	12	11	2	10	35.97	8.7
Austria	6	9	10	13	13	7	12	7	30.50	8
France	7	18	17	28	22	19	3	6	32.74	6.9
Australia	8	13	38	35	3	20	36	25	35.19	8.8
Switzerland	9	3	7	12	9	1	33	23	33.13	8.8
Ireland	11	2	3	3	23	3	24	18	35.90	7.5
Singapore	12	1	5	1	7	5	65	30	42.48	9.4
New Zealand	13	11	13	33	5	12	59	20	36.17	9.5
Finland	14	10	8	20	11	10	34	9	25.60	9.7
Japan	15	28	44	57	8	25	27	15	24.85	7.0
Netherlands	17	5	4	6	18	8	44	8	32.60	8.9
Denmark	18	7	30	29	15	2	15	16	24.70	9.5
Norway	19	14	20	31	10	16	30	17	25.79	8.8
Germany	20	21	35	42	20	21	10	13	38.22	7.7
Israel	22	17	14	19	17	4	71	46	35.50	7
Spain	23	26	16	22	36	22	22	11	32.50	6.9
Czech Republic	24	15	32	11	31	9	28	35	25.40	3.9
Italy	25	27	62	47	35	23	9	6	36.03	5.3
Portugal	26	22	15	44	34	18	43	1	38.45	6.6
Hungary	27	23	26	6	33	30	32	22	24.44	4.8
South Korea	29	30	63	38	27	28	21	45	31.59	4.3
Malaysia	30	19	45	4	42	38	18	49	49.15	5.2
Poland	31	31	61	33	38	26	14	37	31.60	3.6
Greece	33	29	19	55	39	24	42	9	35.37	4.3
Chile	37	34	21	16	47	37	47	30	57.47	7.4
Russian Federation	39	52	91	46	67	43	4	36	45.62	2.7
Slovenia	40	20	40	17	30	13	70	23	28.41	5.9
Turkey	43	56	55	49	61	44	16	47	40.03	3.1
China	44	54	84	26	77	58	6	54	40.30	3.4
Egypt	45	59	74	56	80	47	11	59	34.41	3.3
Argentina	46	47	81	58	49	35	19	20	—	2.5
Slovak Republic	47	25	42	8	48	31	53	7	25.81	3.7
South Africa	48	48	52	48	71	45	29	28	59.33	4.4
Romania	49	35	64	25	54	32	31	27	30.25	2.8
Croatia	50	16	67	7	40	15	49	26	29.00	3.7
Pakistan	54	50	69	53	99	49	17	52	32.99	2.5
Brazil	56	57	71	57	58	46	41	44	60.66	3.9
Panama	58	24	36	3	46	44	93	34	48.50	3.4
Indonesia	59	60	66	50	96	57	26	48	30.33	1.9
India	62	61	104	59	95	50	13	60	37.83	2.8
Kenya	63	49	70	52	108	56	23	38	—	1.9
Ukraine	64	39	82	13	66	40	38	41	28.96	2.3
Peru	65	53	53	54	81	41	52	39	46.24	3.7
Iran	67	62	79	51	76	53	45	61	43.00	3
Mexico	68	42	65	41	59	36	61	31	51.86	3.6
Thailand	69	46	76	14	60	47	54	58	43.15	3.3
Sri Lanka	71	43	46	34	92	42	20	33	34.36	3.4
Venezuela	74	55	76	31	60	51	57	50	49.53	2.4
Nigeria	76	44	102	20	114	55	69	56	50.56	1.4
Philippines	80	32	83	28	73	27	55	42	46.09	2.5
Tunisia	82	37	94	23	82	39	48	40	41.66	4.9
Senegal	86	41	105	40	101	54	40	24	41.28	3.2
Bangladesh	89	58	107	61	107	48	35	53	31.79	1.3
Morocco	90	40	85	21	87	33	58	55	39.50	3.3
Uganda	92	33	43	39	109	34	99	14	37.36	2.2
Colombia	93	51	73	42	74	55	81	51	57.14	3.7
Botswana	95	38	49	30	90	52	112	12	63.01	5.7
Saudi Arabia	123	45	121	45	123	29	62	57	—	4.5

Table 2. 60 most globalized countries in the world (2007)

Country	Globalization index (I_g)		Globalization index dimensions						Gini Index	Corruption perception
	KOF	CEIP	Economic(I_{ge})		Social(I_{gs})		Political(I_{gp})			
			KOF	CEIP	KOF	CEIP	KOF	CEIP		
Belgium	1	—	4	—	3	—	10	—	45.53	7.3
Austria	2	9	7	15	1	5	9	2	28.21	8.6
Sweden	3	10	8	19	6	9	7	9	25.28	9.2
United Kingdom	4	12	10	25	8	10	4	4	38.42	8.6
Netherlands	5	7	10	21	4	6	20	5	33.35	8.7
France	6	23	6	40	14	18	1	1	30.38	7.4
Canada	7	6	18	23	10	7	5	10	32.22	8.5
Switzerland	8	2	22	9	7	1	24	23	31.94	9.1
Finland	9	13	12	31	15	13	21	14	25.86	9.6
Czech Republic	10	16	13	5	11	12	31	35	22.45	4.8
Denmark	11	5	30	8	5	2	16	6	24.70	9.5
Ireland	12	4	3	4	24	4	45	7	36.38	7.4
Portugal	13	24	9	29	22	20	26	3	38.45	6.6
Spain	14	25	21	22	26	24	14	16	32.97	6.8
Germany	15	18	40	41	16	23	6	11	36.73	8.0
Singapore	16	1	2	1	2	3	76	29	42.48	9.4
Hungary	17	20	12	7	25	22	34	20	22.41	5.2
Australia	18	8	27	18	17	17	32	27	35.68	8.7
United States	19	3	39	58	23	19	2	41	41.65	7.3
Italy	20	27	24	50	30	26	8	8	38.75	4.9
Poland	21	33	37	30	28	29	15	25	30.72	3.7
Norway	22	14	42	39	13	16	38	18	25.79	8.8
Malaysia	23	19	35	3	36	21	27	48	51.04	5.0
Greece	24	32	36	56	37	27	30	12	35.55	4.4
New Zealand	26	11	23	35	31	8	56	24	35.79	9.6
Slovak Republic	27	26	43	6	21	34	54	19	22.32	4.7
Israel	29	15	19	20	20	11	92	40	39.22	5.9
Russia	31	47	76	33	39	45	3	36	49.00	2.5
Chile	32	34	15	10	58	40	44	30	58.25	7.3
Croatia	33	22	34	14	40	15	53	32	31.35	3.4
Slovenia	34	17	31	13	33	14	69	15	26.01	6.4
China	37	51	55	28	62	55	11	47	41.49	3.3
South Korea	38	29	62	32	53	28	23	33	35.51	5.1
Japan	40	28	67	62	54	31	18	13	22.72	7.6
Argentina	41	43	68	46	57	44	17	22	—	2.9
Turkey	44	57	52	47	72	51	19	51	34.99	3.8
Romania	45	30	54	11	63	33	29	28	27.01	3.1
South Africa	49	49	51	54	71	48	33	31	56.64	4.6
Ukraine	50	39	75	17	48	41	39	46	25.25	2.8
Brazil	54	52	60	45	86	50	22	44	66.91	3.3
Philippines	55	31	57	26	79	32	41	43	46.09	2.5
Panama	57	21	26	2	49	38	103	39	52.78	3.1
Peru	58	50	58	53	82	54	47	45	51.24	3.3
Thailand	59	45	66	16	78	46	49	57	39.23	3.6
Mexico	61	42	65	36	61	39	64	37	56.24	3.3
Latvia	62	—	25	—	38	—	105	—	26.37	4.7
Egypt	64	55	93	42	91	52	12	59	34.41	3.3
Venezuela	67	59	61	48	68	56	72	52	51.59	2.3
Saudi Arabia	68	44	115	43	34	35	78	56	—	3.3
Nigeria	69	48	78	34	108	57	25	38	40.90	2.2
Morocco	70	40	99	37	75	30	36	53	40.70	3.2
Pakistan	71	56	97	60	88	47	28	55	36.95	2.2
Columbia	72	54	56	51	66	37	85	54	54.05	3.9
Tunisia	73	37	73	27	100	36	46	42	44.21	4.6
Indonesia	78	60	82	52	96	59	37	50	26.35	2.4
India	82	61	105	59	95	58	13	60	33.32	3.3
Sri Lanka	83	46	87	38	81	42	59	58	37.39	3.1
Kenya	85	53	96	55	93	56	40	34	—	2.2
Senegal	88	41	103	49	89	53	43	21	39.99	3.3
Botswana	93	38	38	24	84	60	116	26	64.12	5.6
Uganda	96	36	72	44	99	43	81	17	32.64	2.7
Bangladesh	112	58	108	61	121	62	51	49	26.08	2.0
Iran	115	62	109	57	116	61	55	61	47.30	2.7

Russia's income per capita is \$3000 a year, the wealth of its billionaire's accounts for 20% of its GDP what is ten times less in the United States. This is due to low level of globalization of Russia; because the globalized the country is the smaller the percentage of wealth of domestic billionaires that accounts for country's GDP.

[15] While determining the globalization level for the main countries of our study we should also determine the rate at which Ukraine has been developing in the last 14 years and to compare it to two countries which have the greatest impact on it – United States and Russia.

[16] **2. Change in social index of globalization (I_{gs}).** By the KOF system, the first five countries in 2006 in the world were: the US (CEIP-20), Canada (CEIP-17), Australia (CEIP-19), Sweden (CEIP-13) and New Zealand (CEIP-16). Ukraine resides on the 66 place (CEIP-38), which is before Belize and in front of Russia – 67 place (CEIP-42).

[17] First five places in 2007 were mounted by Austria (CEIP-5), Singapore (not determined by the CEIP system), Belgium (not determined by the CEIP system), Netherlands (CEIP-6) and Denmark (CEIP-2). This year Ukraine has improved it's result by 18 places having occupied the 48th place (CEIP-41) after Jordan and in front of Panama, while Russia ended up on the 39th place (CEIP-45) in front of Latvia and after Croatia. United States are on 23rd place (CEIP-19) in front of Ireland and after Portugal.

[18] United States had the highest level of social globalization which has increased by 70% in the last 14 years, while Ukraine and Russia had been globalizing 7–8 times slower and this much faster than the countries at the bottom of the list. The social development in Ukraine during the period of our study has been critically low, and there have been almost no changes (Figure 1). This fact should be a serious warning for the Ukrainian policy makers, because of the possible increase of social tension and the public dissatisfaction.

[19] Unfortunately, Ukraine is considered to be the one of the main “anti-leaders” among all five threats and already for a long time it doesn't seem to be attempting any significant actions to get rid of that status. The country is on 4th place in the world in the matter of illegal migration (4.2%). It is on the low position in freedom from corruption scale (2, 3 out of 10 Table 1). And Ukraine is included into 30 most unattractive countries of the world in the matter of money-laundering. The level of illegal use of intellectual property in Ukraine makes up 91% of all usage. On this parameter it is on the 4 place in the bottom of the list, conceding only to China – 95%, Russia and India – 93%. Finally the level of drug usage in Ukraine threateningly grows.

[20] **3. Change in political index of globalization (I_{gp}).** Apparently the five world leaders in this measurement are: USA – 1 place (CEIP-31), United Kingdom – 2 place (CEIP-10), France – 3 place (CEIP-6), Russia – the 4 place (CEIP-29) and Sweden – 5 place (CEIP-19). Ukraine is only on 38 place (CEIP-34) after Ghana, but in front of Uruguay.

[21] Meanwhile, the top five list of states in 2007 consists of France (CEIP-1), United States (CEIP-41), Russia (CEIP-36), United Kingdom (CEIP-6) and Canada (CEIP-10). Ukraine went down one position this year being 32nd

in the political globalization ranking (CEIP-46) after Kenya and in front of Norway.

[22] Russia, unlike Ukraine, has achieved a significant political integration into the world community. It is one of the most powerful political players in the world, despite of the weak economic and social parameters. This could be explained by Russia's heritage of Soviet Union's influence, its participation in the G-8, presence of powerful military potential and rich reserves of natural resources.

[23] Political globalization is also accompanied by various new threats. The largest and the most considerable is the spreading terrorism. But it is difficult to indicate a precise dependence between a level of political globalization and the level terrorism. On the other hand some data published on the *Foreign Policy* portal (www.foreignpolicy.com), testifies, that more isolated countries, such as India, Turkey, Saudi Arabia, Columbia, etc. are more vulnerable to various kinds of terrorist assaults.

[24] **General index of globalization (I_g).** Finally, having analysed the economic, social and political measurements of globalization, we can come to the general index of globalization (Table 1). As we can see, the United States are on the first place in KOF system (CEIP-4) due to its first position in social and political globalization. Sweden is on the second position (CEIP-8), Canada on the third (CEIP-6), United Kingdom on the fourth (CEIP-12) and Luxembourg is on the fifth (not determined by the CEIP system). Due to a rather high position of Russian Federation in political globalization, on the general index (I_g) it 39 place (CEIP-52), that first of all shows much more of Russian participation in foreign, rather than in domestic.

[25] Ukraine in KOF system is on 64 place (CEIP-39), behind Kenya and in front of Peru. Here we can see, that it has been globalizing almost in 2.4 times slower than the United States, and in 1.2 times – than Russia (Figure 1).

[26] In order for our study to be more solid we will analyze the phenomenon of globalization using both systems depending on their three measurements. 58 analyzed countries are presented in Table 1 for year 2006 and 60 countries are demonstrated in Table 2 for year 2007, as follows.

[27] We can see that in 2007 United States significantly went down in all three dimensions of globalization. Most of all this concerns social and economic globalization where the US are down by 22 and 11 positions comparing with 2006 respectively. On this basis the United States have moved down from the 1st place in 2006 to the 19th (CEIP – from 4th to 3rd) in 2007 in the general index of globalization. Meanwhile, Russia in the general index went up to the 31st place (CEIP-47) in front of Chile and after UAE, just like the US, both countries clearly concentrate more of their attention to the overseas issues rather than domestic. For United States, one of such issues is the overextended crisis in Iraq along with many other challenges of that character.

[28] Out of three countries of our study, Ukraine is third being on the 50th place in the general index (CEIP-39) in front of Uruguay and after South Africa. In that way, Ukraine has went up 14 positions since last year generally by reason of its improved results in economic and social globalization indexes. This witnesses the constant integration

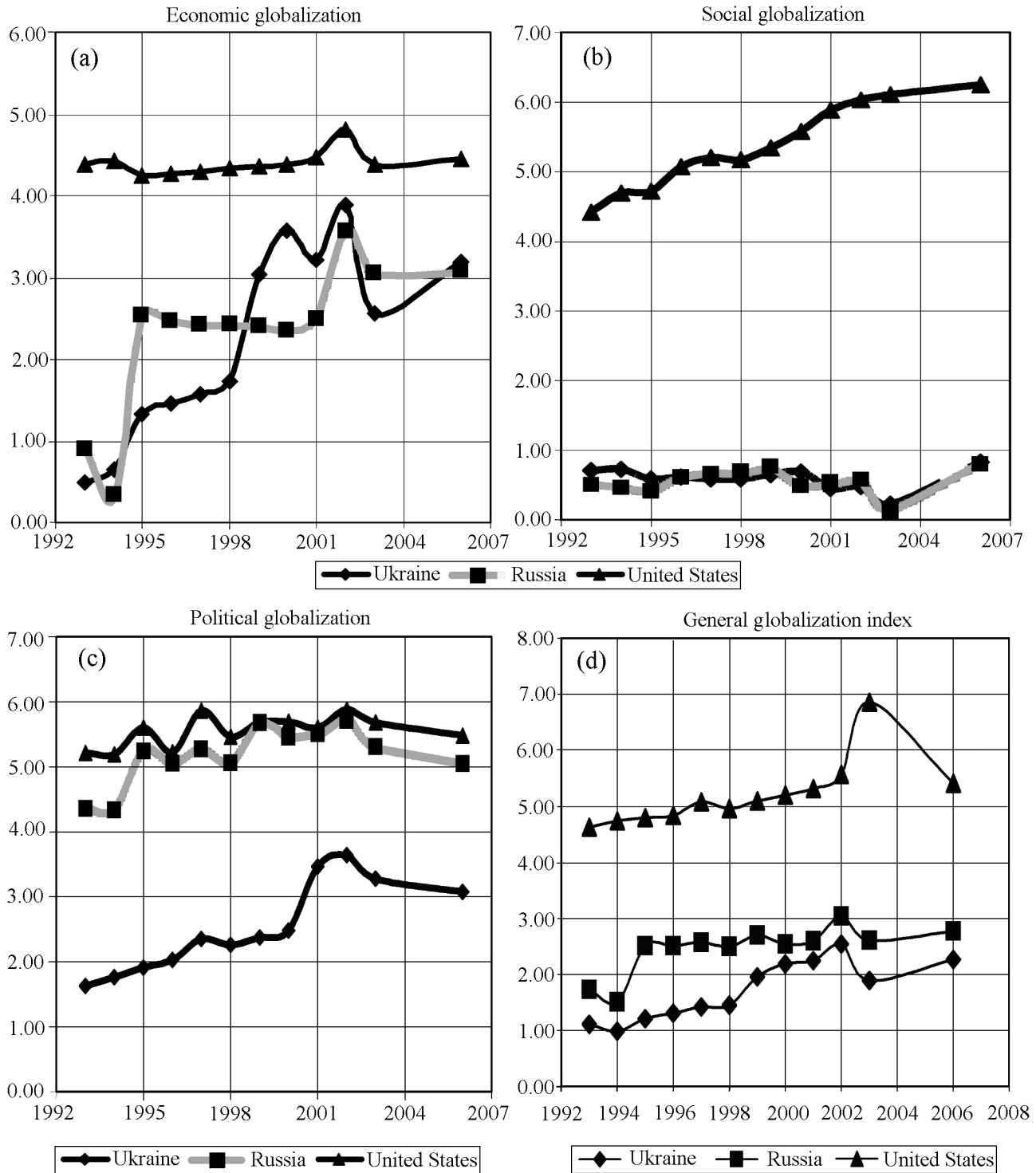


Figure 1. The evolution of globalization index within its dimensions. (a) – Economic globalization, (b) – Social globalization, (c) – Political globalization and (d) – General globalization index.

of the country into the world’s society and vice versa, the advance in living standards and enrichment of its citizens. Unfortunately, due to a high level of political instability the upsurge of Ukraine’s weight on the world’s arena is almost inappreciable and its contribution to a number of international

projects and organizations is insignificant. The potential opportunities of Ukraine go far beyond its tangible achievements. According to the new figures we see that Ukraine globalizes 1.3 times slower than the United States and 1.1 times slower than Russia.

Conclusions

[29] As a result, we can see, that the level of integration of the US into the world economy for the last 14 years appeared to be very stable and varied in a range: $I_g = (4.30-4.35)$, whereas Ukraine and Russia, being a transition economies, confidently developed from practically closed to liberal open economy while integrating into the rest of the world. The level of economic globalization of Russia for this period has increased by 310%, and Ukraine – on 640%. In the same period of time United States and Russia have demonstrated a strong position in political weight in the world, which is their heritage since the cold war times. Meanwhile, in social measurement of globalization during last 14 years Ukraine and Russia have showed a poor performance, nevertheless, both countries experienced a slight improvement in the courses of recent years with the first signs of stability and economic growth. United States, though, have always demonstrated significant level of social globalization but in recent years the

marginal rate of its social dimension has decreased due to considerable levels of inequality, corruption, threat of terrorism i.e. Finally, according to our study we are able to conclude that overall Ukraine and Russia, being a developing countries, demonstrate a more significant pace of globalization, while United States' pace insensibly slows down along with a number of other advanced states.

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