Just a few years ago, the upward march of globalization seemed to many almost a law of nature. Trade would grow twice as fast as GDP while international investment and information flows scaled new peaks. The global financial crisis hit trade and capital flows hard and now many question whether globalization has stalled or even gone into reverse. We have entered an age of ambiguity, in which there is, naturally, greater interest in measuring globalization.

The DHL Global Connectedness Index aims to provide the most comprehensive and timely account of the world’s global connectedness, backed up by regional and country-level analysis covering 140 countries that encompass 99% of the world’s GDP and 95% of its population. It focuses on 12 types of trade, capital, information, and people flows (or stocks cumulated from past flows) and is generated based entirely on hard data to separate the facts about global connectedness from fiction or “globaloney.” Moreover, it avoids mixing up flows and enablers of globalization so as to serve as a basis for better policy analysis. The historical coverage stretches back to 2005 and subsumes more than 1 million data points.

The DHL Global Connectedness Index takes a unique “3-D” approach to measuring globalization. It looks not only at the depth of international interactions but also at their geographic distribution (breadth) and their directionality (outward versus inward).

Depth measures countries’ international flows relative to the size of their domestic economies. While all the established globalization indexes devote some attention to depth, the DHL Global Connectedness Index is the only one to register the steep drop-off in trade and capital flows that accompanied the global financial crisis. It also reveals that the depth of the world’s global connectedness started growing again in 2013 after its post-crisis recovery stalled in 2012—even though trade depth continues to stagnate and capital flows have yet to recover to pre-crisis levels. Overall, the depth of global connectedness remains quite limited—lower than many people think. The leading countries and territories on the depth dimension of the index tend to be wealthy and relatively small, such as Hong Kong SAR (China), Singapore, and Luxembourg.

In addition to depth, the DHL Global Connectedness Index also looks—unlike other globalization indexes—at breadth as well as several other measures of the distribution of international interactions. Breadth measures how closely a country’s distribution of international flows across its partner countries matches the global distribution of the same type of flows. The index reveals that breadth of global connectedness is declining because advanced economies have not kept up with the big shift of economic activity to emerging economies: their breadth is declining while that of emerging economies is increasing (albeit from lower levels). The leading countries in terms of breadth—such as the United Kingdom, the United States, and the Netherlands—also tend to be wealthy, but are larger than those that lead on depth.

The DHL Global Connectedness Index combines depth and breadth to rank the world’s most globally connected countries. The Netherlands remains the top-ranked country in terms of overall global connectedness, although it tops neither the depth nor the breadth rankings. It is followed, in order, by Ireland, Singapore, Belgium, Luxembourg, Switzerland, the United Kingdom, Denmark, Germany, and Sweden. Nine of the 10 most connected countries are located in Europe, and despite recent setbacks, Europe remains the world’s most globally connected region, averaging the highest scores on the trade and people pillars of the index. North America ranks second overall and is the leading region on the capital and information pillars.
The least globally connected regions are Sub-Saharan Africa, South and Central Asia, and South and Central America and the Caribbean—reflecting the fact that emerging economies typically lag advanced economies in this regard. More specifically, emerging economies are about as globally connected as advanced economies in terms of trade flows, but only about one-quarter as deeply integrated into international capital and people flows and one-ninth as globalized in terms of information flows. But this picture is changing with the rising participation of emerging economies in international flows.

The 10 countries where global connectedness increased the most from 2011 to 2013 are all emerging economies, and eight of them were located in two regions: South and Central America and the Caribbean and Sub-Saharan Africa. Overall, emerging economies are now involved in the majority of international interactions whereas before 2010, the majority of international flows were from one advanced economy to another advanced economy. The big shift of economic activity to emerging economies is reshaping global connectedness as it pushes the planet’s economic center of gravity eastward. After rising for decades, trade regionalization has gone into reverse, and more generally every type of flow measured on the DHL Global Connectedness Index took place over greater distances in 2013 than in 2005.

In addition to ranking countries on the basis of depth and breadth/distribution, the DHL Global Connectedness Index provides information—again, unlike other indexes—on the directionality of connectedness by distinguishing between inbound and outbound flows. Such directionality is often a major concern of policymakers, as evinced by the focus on countries’ trade balances. But it turns out that merchandise trade is actually the most balanced of the interactions tracked on the index: imbalances on the non-trade interactions range from two to five times as high. And over the 2005–2013 period, imbalances increased instead of decreasing across most types of interactions.

What will the future hold for global connectedness? As we were putting the finishing touches on this report, markets were swooning in reaction to another downward revision in the IMF’s worldwide growth forecasts—a revision that might be expected to put pressure on global connectedness as well. While the concerns are real, it is worth remembering that despite the latest downgrade, in October 2014, the world economy is still projected to grow faster between 2014 and 2019 than it did during the 1980s, 1990s, and 2000s. And that given limited levels of global connectedness, increasing them could be a powerful lever for boosting global growth—adding trillions of dollars to world GDP.

Global connectedness can be increased multilaterally, bilaterally, and via individual countries’ foreign and domestic policies. The DHL Global Connectedness Index can help inform those policy choices. The country profiles at the back of this report provide detailed data on countries’ connectedness patterns as well as indicators of structural and policy influences on connectedness levels. Such information may itself become an enabler of more global connectedness—or so we hope.