Globalization is recovering from financial crisis, DHL Global Connectedness Index reveals

- The world's economic center of gravity shifts eastward; emerging economies see bigger connectedness gains than advanced economies
- Flows of trade, capital, information and people stretched out over more distant geographies, documenting a decline in regionalization
- Europe remains most globally connected region; Netherlands again ranks No. 1

New York, NY, November 3, 2014 – DHL, the global logistics leader, today released the third edition of its Global Connectedness Index (GCI), a detailed analysis of the state of globalization around the world. The latest report shows that global connectedness, measured by cross-border flows of trade, capital, information and people, has recovered most of its losses incurred during the financial crisis. Especially the depth of international interactions – the proportion of interactions that cross national borders – gained momentum in 2013 after its recovery had stalled in the previous year. Nonetheless, trade depth, as a distinct dimension of globalization, continues to stagnate and the overall level of global connectedness remains quite limited, implying that there could be gains of trillions of US dollars if boosted in future years.

"More connectedness leads to more opportunity as it enables consumers and businesses alike to participate in the global marketplace," said Thomas Kipp, CEO DHL eCommerce. "With its thorough analysis, the GCI 2014 demonstrates that even in today’s world, borders still matter. To unleash the full potential of connectedness and pave the way for greater prosperity, we need a stronger push to reduce barriers to international exchange."

The DHL Global Connectedness Index 2014 documents the substantial shift of economic activity to emerging economies that is pushing the world’s economic center of gravity eastward. Emerging countries are now involved in the majority of international interactions whereas before 2010, the majority of international flows were from one advanced economy...
to another. Notably, the 10 countries where global connectedness increased the most from 2011 to 2013 are all emerging economies, with Burundi, Mozambique and Jamaica experiencing the largest gains.

Advanced economies have not kept up with this shift. This suggests that they may be missing out on growth opportunities in emerging markets. “Counteracting this trend would require more companies in advanced economies to boost their capacity to tap into faraway growth,” said Professor Pankaj Ghemawat, co-author of the report and internationally acclaimed globalization expert and business strategist. “This is particularly evident in light of the fact that a decades-long trend toward trade regionalization has gone into reverse.” In fact, the GCI 2014 reveals that every type of trade, capital, information and people flow measured has expanded over greater distances in 2013 than in 2005, the report's baseline year.

The 2014 Index Results
In addition to a comprehensive overview on the state of globalization, the 2014 report also provides detailed insights into the connectedness of individual countries and regions. The Netherlands retained its top rank as the world’s most connected country and Europe is once again the world’s most connected region. All but one of the top 10 most globalized countries in the world are located in Europe, with Singapore as the one standout.

North America is the second most globally connected region and leads on the capital and information pillars, with the United States as the most connected country in the Americas. Overall the US is ranked 23rd place out of the 140 countries measured by the GCI. The largest average increases in global connectedness from 2011 to 2013 were observed in countries in South and Central America and the Caribbean. Middle East and North Africa was the only region to experience a significant decline in connectedness.

Measuring Globalization in 3-D
The report was commissioned by DHL and prepared by Pankaj Ghemawat (Professor at New York University Stern School of Business and at IESE Business School in Barcelona, Spain) together with Steven A. Altman (Senior Research Associate and Lecturer in Strategic Management at IESE Business School).
Unlike other established globalization indices, the GCI analyzes globalization in 3-D: It looks at the depth of countries' cross-border interactions, their directionality (outward flows versus inward flows) as well as their geographic distribution (breadth). “The GCI, with its unique 3-D approach, is the only one of the globalization indices to register what many observers regard as the biggest drop-off in the intensity of globalization during the financial crisis,” explains Professor Ghemawat. “That should boost confidence in using it as the basis for diagnosis and decision-making.”

The release of the DHL Global Connectedness Index 2014 takes place as New York University’s (NYU) Stern School of Business launches a new Center for the Globalization of Education and Management. The center, which aims to drive scholarship and pedagogy on the business implications of globalization, will be led by Professor Ghemawat.

“The DHL Global Connectedness Index enriches the debate on globalization and sheds light on the different dimensions of connectedness,” said Peter Henry, Dean of the NYU Stern School of Business. “It is a great example of the prolific work by Pankaj Ghemawat, who will put NYU in a position to lead important areas of inquiry on the most pressing issues facing firms, organizations and countries seeking to thrive in our interconnected, fiercely competitive, global economy.“

The 2014 DHL Global Connectedness Index draws on more than 1 million data points from international flows covering trade, capital, information and people accumulated over the last nine years. The ranking encompasses 99% of the world’s GDP and 95% of the world’s population.

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Note to editors:
The GCI 2014 contains 140 country profiles and custom maps of countries’ trade flows. It also includes groundbreaking visualizations of global flows, developed with experts from the Georgia Institute of Technology.

The report and supplemental background information can be downloaded at www.dhl.com/GCI
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DHL is part of Deutsche Post DHL. The Group generated revenues of more than 55 billion euros in 2013.