



## **DHL Global Connectedness Index**

Hardly a day passes without references to today's supposedly "globalized world" or its "borderless markets" as the justification for a particular public policy or business strategy. While it is celebrated by some and decried by others, the extent of global connectedness today is often assumed to be complete, or nearly so. But this report reveals that the actual extent of global connectedness is not only far more limited than popular rhetoric presumes, but also varies widely among countries. Thus, the opportunity for future growth among the countries that promote globalization through public policy and business strategies is huge – potentially trillions of dollars.

Global connectedness, as defined here, refers to the depth and breadth of a country's integration with the rest of the world, as manifested by its participation in international flows of products and services, capital, information, and people. This report summarizes overall levels of global connectedness, and of its depth and breadth dimensions, at the level of 10 different types of flows for 125 countries and territories from 2005 to 2010. In 2010, these countries and territories accounted for 98% of the world's GDP and 92% of its population.

The DHL Global Connectedness Index is based entirely on hard data and focuses on measures of actual international flows (and stocks cumulated from prior flows) so as to distinguish clearly between connectedness and its enablers. The following types of flows are included in the calculation of the DHL Global Connectedness Index: merchandise trade, services trade, foreign direct investment, portfolio equity investment, international telephone calls, international internet bandwidth (as a proxy for internet traffic), and international trade in printed publications, international tourism, international education, and international migration.

The top ten overall ranks in the 2011 DHL Global Connectedness Index are occupied, in descending order, by the Netherlands, Singapore, Ireland, Switzerland, Luxembourg, United Kingdom, Sweden, Belgium, Hong Kong (China), and Malta. These leaders in terms of global connectedness are a diverse set of countries, spread across Europe and



Asia, and ranging from the world's sixth largest economy (United Kingdom) to one of the smaller independent nations (Malta). The diversity of the leading countries in the index is amplified when one looks at the top 50 countries, which include representatives from all six continents covered in the study.

Looked at over time, global connectedness generally increased between 2005 and 2010 but the depth dimension, in particular, was hit hard by the financial crisis. This reminds us of the fragility of such connectedness and reinforces the need for policies to strengthen it. Indications that absolute levels of global connectedness are limited imply that *all* countries have substantial headroom to increase their levels of connectedness.

The report also lays out in some detail the channels through which global connectedness can contribute to economic and noneconomic gains and considers, more briefly, some of the concerns about the alleged negative side-effects of global connectedness. Having established that levels of global connectedness are limited and the benefits of increasing them potentially large, the final topic this report addresses is the scope for public policy to increase the depth of global connectedness and, thereby, global welfare.

The study produces evidence that policy measures specifically targeting globalization do impact the depth of connectedness, and reveal that policies that target improvements to the domestic business environment can also significantly enhance global connectedness. In other words, countries can promote global connectedness both via policies that directly target globalization as well as by enhancing their domestic business environments. And a review of the different channels through which gains can be achieved suggests that they can range as high as trillions of dollars! The findings suggest that expanding global connectedness should be a priority to speed our exit from the current economic crisis and put growth on a solid, more sustainable foundation. It is hoped that the hard data and analyses presented in this report – particularly the data demonstrating how limited levels of connectedness actually are – will calm crisis-induced fears and strengthen the resolve to keep reaching outward.