STEVEN A. ALTMAN AND CAROLINE R. BASTIAN

CONNECTING TO THE WORLD

Lessons from 10 Years of the DHL Global Connectedness Index

Key Highlights
# ABOUT THE DHL GLOBAL CONNECTEDNESS INDEX

Globalization is often equated with international trade. The DHL Global Connectedness Index takes a broader view. Aside from global trade, we also look at cross-border flows of capital, information, and people around the world.

The index goes beyond just tracking metrics such as the quantity of traded goods, the amount of international investment or the number of migrants – because these absolute numbers alone say little about the actual extent of globalization. For example, could we say that globalization has progressed just because trade has grown by 2%? And should we be afraid of hyper-globalization if the world’s exports reach $30 trillion? To answer questions like these, we need to put these numbers in perspective. We do this in two ways:

## TRADE

<table>
<thead>
<tr>
<th>Merchandise Trade</th>
<th>Services Trade</th>
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## CAPITAL

<table>
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<tr>
<th>Foreign Direct Investment (FDI) Stocks</th>
<th>Foreign Direct Investment (FDI) Flows</th>
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<tbody>
<tr>
<td>Portfolio Equity Stocks</td>
<td>Portfolio Equity Flows</td>
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## INFORMATION

<table>
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<tr>
<th>International Internet Bandwidth*</th>
<th>Telephone Call Minutes</th>
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<tbody>
<tr>
<td>Scientific Research Collaboration</td>
<td>Trade in Printed Publications</td>
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## PEOPLE

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<thead>
<tr>
<th>Tourists (Departures and Arrivals)</th>
<th>International University Students</th>
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<tbody>
<tr>
<td>Migrants (Foreign-Born Population)</td>
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* Country Level Only

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**INTRODUCTION**

Dear Reader,

The story of human progress is a story of expanding our horizons—of growing the circles of cooperation and competition in which business and life take place. But this progression has always entailed risks and challenges, and setbacks have often followed advances. The DHL Global Connectedness Index (GCI) tracks this multifaceted phenomenon based on over 3.5 million data points on international trade, capital, information, and people flows.

On the tenth anniversary of the GCI, we have released a special report that offers a set of lessons from this body of research. It addresses:

- The power of a connected world to expand prosperity
- How to make globalization work better for all
- Five key policy drivers of global connectedness
- Five country case studies
- Future outlook for globalization

In the following pages, we summarize key highlights from this special report. As you will see, the most powerful drivers of connectedness are not always the most obvious ones.

We hope this material will pique your interest to learn more about the GCI. The full report, along with the latest country rankings, is available at [www.dhl.com/gci](http://www.dhl.com/gci).

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Frank Appel
CEO, Deutsche Post DHL Group
Global connectedness is a powerful force for expanding prosperity, with the potential to improve lives in countries at all levels of economic development.

Some of the most important drivers of connectedness—such as countries’ income levels, population sizes, and geographic locations—are beyond the direct control of policymakers.

Despite setbacks, the world remains close to a record high level of globalization. Trends point to a future where countries and companies will still have large opportunities to gain from stronger links to the wider world.

Global connectedness is not a one-size-fits-all package that must be either embraced fully or rejected. Instead, countries can foster the connections that fit best with their national contexts and priorities.

Five policy areas, nonetheless, stand out for their potential to strengthen countries’ links to the rest of the world:

1. **Peace and security** are fundamental building blocks for global connectedness.
2. An **attractive domestic business environment** may boost a country’s global connectedness even more than traditional pro-globalization policies.
3. Policies directly increasing **openness to international flows** can also be very effective, and they can be tailored to target specific types of trade, capital, information and people flows.
4. **Regional integration** powerfully supports global connectedness, since about half of all international flows take place inside major world regions.
5. Building **societal support for global connectedness** is crucial to sustaining the benefits of a more open world.
1. **Peace and security** are the most fundamental building blocks for global connectedness. In other words, danger is a powerful disconnector, cutting countries off from productive engagement with the rest of the world. Sierra Leone and Mozambique are powerful illustrations of this pattern. In both countries, significant increases in connectedness followed the conclusion of brutal civil wars.

2. An attractive domestic business environment can provide a big boost to global connectedness. In other words, the path to stronger international flows begins at home. Domestically-focused measures on the World Economic Forum's Global Competitiveness Index, such as those tracking private sector access to finance and effective public institutions, are especially strong predictors of connectedness.

3. **Openness to international flows** can also increase a country’s global connectedness. In other words, governments can boost connectedness by lowering barriers to international flows. But there is no standard recipe: countries can focus on where they see the best opportunities across trade, capital, information, and people flows. Think broadly about areas such as tariffs, trade facilitation and logistics, capital flow regulations, and visa policies.

4. **Regional integration** is not a substitute for globalization but rather a natural and efficient foundation of a more connected world. In other words, joining and strengthening regional blocs that facilitate trade, investment, and other flows with neighbors boosts connectedness. About half of all international flows take place within rather than between world regions.

5. **Public support** plays a crucial role in sustaining policies that impact connectedness. In other words, countries should not underestimate the power of public opinion. It is necessary to consider public perceptions and preferences, demonstrate the benefits of global connectedness, and foster fact-based policy debates. After all, people tend to think the world is much more globalized than it really is, which exacerbates the fear of globalization.

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**GLOBAL CONNECTEDNESS KEY POLICY AREAS**

The most powerful drivers of a country’s level of global connectedness are not always the most obvious. Policymakers should look for opportunities in five main areas, with careful attention to their own unique national contexts.

**COUNTRY CASE STUDIES**

Country case studies highlight the power of our five policy areas to boost connectedness across a wide variety of national contexts. In the 2020 GCI, the Netherlands ranked as the world’s most connected country. The United Arab Emirates was fourth. Sierra Leone posted the largest connectedness increase since 2001. Viet Nam, the United Arab Emirates, and Mexico are also among the countries that increased their connectedness the most. Finally, Viet Nam and the Netherlands are among those that have consistently beaten expectations by the widest margin.

**DHL GLOBAL CONNECTEDNESS INDEX SCORE**

- **Netherlands**: Strong performance across all five policy areas has propelled the Netherlands to the top of the GCI rankings every year since 2005.
- **United Arab Emirates**: By putting globalization at the heart of its economic development strategy, the United Arab Emirates has soared into fourth place in the GCI rankings.
- **Viet Nam**: A successful export-led growth strategy has fueled Viet Nam’s rise from among the world’s poorest countries to middle-income status.
- **Mexico**: Mexico’s efforts to boost international trade and investment over several decades have impressively increased its global connectedness.
- **Sierra Leone**: Sierra Leone’s global connectedness rebounded after its civil war ended, resulting in the largest connectedness increase observed since 2001.
There is a strong positive relationship between global connectedness and prosperity. The wealthiest countries are all among the most active in international exchange, while the poorest are all among the least connected to the rest of the world. Also, countries with higher scores on the DHL Global Connectedness Index tend to perform better on the United Nations Development Program’s Human Development Index, which combines measures of income levels with health and education indicators.

How does global connectedness contribute to prosperity?

Three direct benefits stand out:

- Specialization and scale economies
- Competition boosting quality, lowering prices
- Greater variety of available products and services

Global connectedness also indirectly boosts prosperity by contributing to productivity growth:

- Spreading ideas and technologies
- Fostering ongoing innovation
- Competition pushing progress

Sources: DHL Global Connectedness Index 2020, World Bank World Development Indicators
CONCLUSION AND OUTLOOK

This report underscores the advantages of a more connected world. What’s more, it highlights lessons learned from a decade of research and two decades of data, discussing ways that countries can expand their gains from global connectedness.

The DHL Global Connectedness Index shows that robust international flows continue to create large opportunities, despite recent setbacks. That’s good news because there is strong evidence that global connectedness increases prosperity. Also, contrary to popular beliefs, global connectedness is not a driving force behind inequality, environmental harms, or economic risks.

The five key policy areas outlined in the report can guide efforts to expand connectedness well into the future. Global connectedness is not a one-size-fits-all package that must be either embraced fully or rejected. Instead, countries can foster the connections that fit best with their national contexts and priorities.
THE AUTHORS

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THE DHL INITIATIVE ON GLOBALIZATION

The DHL Initiative on Globalization at NYU Stern’s Center for the Future of Management aims to develop and maintain the academic world’s most comprehensive collection of data on the globalization of trade, capital, information, and people flows and to be a leading center of excellence for data-driven globalization research. Drawing upon this unique research base, the Initiative strives to provide business leaders, policymakers, and educators timely and useful insights into the state and trajectory of globalization, how globalization affects companies and countries, and best practices for connecting across borders. Find out more at: www.stern.nyu.edu/globalization

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