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KOF Globalisation Index: Globalisation Lull Continues

Worldwide globalisation continues to develop flatly. The flattening in globalisation that began in 2015 is continuing. Switzerland, the Netherlands and Belgium are the most globalised countries in the world. The current KOF Globalisation Index reflects economic, social and political globalisation since 1970.

The level of worldwide globalisation increased rapidly between 1990 and 2007. However, the financial crisis and the subsequent Great Recession have slowed down its development. Since 2015, globalisation has continued to flatten out. Even in 2016, the most recent year of the index, the level of globalisation rose only slightly. Economic globalisation stagnated. Although financial globalisation continued to progress, trade integration declined somewhat at the same time. Social globalisation increased only slightly. Global information flows continued to increase, but at the same time the degree of cultural globalisation declined slightly. Of all the dimensions, political globalisation increased the most.

The KOF Globalisation Index also distinguishes between *de facto* and *de jure* globalisation (see box Methodology). In 2016, the conditions for globalisation improved equally in terms of *de jure* globalisation and *de facto* globalisation. Economic globalisation shows that in particular *de facto* trade globalisation, i.e. the cross-border exchange of goods and services, declined in 2016, although *de jure* trade globalisation, i.e. the regulation of global trade, improved. In contrast, the increase in financial globalisation is primarily due to international financial flows, i.e. *de facto* financial globalisation. The regulatory environment, i.e. the *de jure* financial globalisation, remained unchanged.

Country focus

In 2016 Switzerland was the most globalised country in the world, followed by the Netherlands and Belgium. Sweden, the United Kingdom, Denmark, Germany, France, Finland and Norway followed on the next places. The first non-European countries are Canada in 16th place, Singapore in 20th and the United States in 23rd place. At the bottom of the ranking are Eritrea, the Central African Republic, the Comoros, Afghanistan and Guinea-Bissau.

Due to their greater degree of interdependence, for example with neighbouring countries, smaller countries tend to be placed higher up in this ranking than larger countries. This leaves the largest national economies around the world in the mid-range. The US ranks 65th in economic globalisation, 23rd and 12th in social and political globalisation. The People's Republic of China ranks 79th in the overall index. While it ranks 27th in political globalisation, its degree of economic and social globalisation is much lower. The third largest economy in the world, Japan, ranks 36th. Large EU economies such as Germany, the United Kingdom, France and Spain are overall much more globalised due to their high level of economic, social and political interdependence within the EU. In the overall ranking, the United Kingdom ranks 5th, France 8th, Germany 9th and Spain 12th.

Methodology

The KOF Globalisation Index measures the economic, social and political dimensions of globalisation. It is used in order to monitor changes in the level of globalisation of different countries over a long period. The current KOF Globalisation Index is available for 195 countries and covers the period from 1970 to 2016. The index distinguishes between *de facto* and *de jure* globalisation in the overall index as well as in the economic, social and political dimensions. The index measures globalisation on a scale from 1 to 100. The figures for the constituent variables are expressed as percentiles. 42 different variables are used, which are aggregated on the basis of statistically determined weights (principle component analysis).

The subdivision of **economic globalisation** contains both trade and financial globalisation. *De facto* trade globalisation is determined based on trade in goods and services. *De jure* trade globalisation includes customs duties, taxes and trade restrictions. *De facto* financial globalisation includes foreign investment in various categories. *De jure* financial globalisation includes investment restrictions, openness of the capital account and international investment agreements.

The **social globalisation** sub-domain in turn comprises of three segments, each with its own *de facto* and a *de jure* segment. Interpersonal contact is measured within the de facto segment with reference to international telephone connections, tourist numbers and migration. Within the de jure segment, it is measured with reference to telephone subscriptions, international airports and visa restrictions. Flows of information are determined within the de facto segment with reference to international patent applications, international students and trade in high technology goods. The de jure segment measures access to TV and the internet, freedom of the press and international internet connections. Cultural proximity is measured in the de facto segment from trade in cultural goods, international trademark registrations and the number of McDonald's restaurants and IKEA stores. The de jure area focuses on civil rights (freedom of citizens), gender equality and public spending on school education.

The sub-domain of **political globalisation** is regarding the de facto segment measured with reference to the number of embassies and international non-governmental organisations (NGOs), along with participation in UN peacekeeping missions. The de jure segment contains variables focussing on membership of international organisations and international treaties.

Detailed information concerning the current KOF Globalisation Index along with interactive graphs can be found at:

https://www.kof.ethz.ch/en/forecasts-and-indicators/indicators/kof-globalisation-index.html→

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