

Press release

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KOF Globalisation Index: degree of globalisation still below pre-pandemic levels

Globalisation increased moderately in 2021. However, it has not fully recovered from the effects of the COVID-19 pandemic and remains below its 2019 level. The most globalised country is Switzerland, followed by Belgium and the Netherlands. While economic globalisation is showing signs of recovery, social globalisation is characterised by ongoing restrictions owing to the pandemic.

Historically, globalisation has often been influenced by significant events: the COVID-19 pandemic was one such event. Following a sharp decline in 2020 due to the pandemic and the resulting collapse of trade and international relations, the KOF Globalisation Index for 2021 is recovering slightly, although it will not reach its pre-pandemic level of 2019.

Economic globalisation increased in 2021

While the overall conditions for economic globalisation (de jure) have remained largely stable, significant growth in trade (de facto) has been evident. This is mainly due to the sharp rise in consumer spending on goods after the pandemic year of 2020. Trade in services, on the other hand, has remained subdued. In addition, financial integration has decreased, possibly because of greater market volatility and investor caution in the uncertain economic environment following the pandemic.

Social globalisation declined slightly overall in 2021

This situation was influenced by opposing trends owing to the persistent effects of the pandemic. For example, traditional in-person exchanges such as tourism and migration stagnated as a result of the ongoing travel restrictions. In contrast, the digital segment recorded significant growth. The increase in online communication and internet usage shows that connectivity has become increasingly digitalised – especially during the pandemic. The degree of political globalisation continues to grow moderately, while the overall conditions (de jure), such as the number of posts at international organisations, have increased.

Country comparison

The fact that Switzerland comes top of the current rankings is due in particular to its high levels of exports and imports, its influential role in the global financial sector and the presence of numerous international organisations in Switzerland. Switzerland is followed by the Netherlands and Belgium – two countries that are strongly integrated into the global economy through international trade and the financial sector.



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Countries such as Sweden, the United Kingdom, Austria, Germany, Denmark, Finland and France come next in the rankings. Their place in the top ten is largely due to the economic, social and political interdependence of member states within the European Union.

Smaller countries – such as Switzerland, the Netherlands and Belgium – often have more links to large economies and neighbouring states. These stronger links outside their own borders in turn lead to a higher degree of globalisation. In contrast, large economies such as China and the United States reveal more complex globalisation patterns. The US is economically less globalised, but politically more so. China, on the other hand, is a major political player on the world stage but ranks lower in terms of both economic and social globalisation.

Countries such as Albania, Rwanda and Georgia are climbing up the rankings, indicating an increasing openness to global trade, digital connectivity and international diplomacy. These changes underline the stronger growth in globalisation among developing and emerging economies. Low-income countries have already exceeded the level of globalisation achieved before the pandemic, while the overall index is still slightly below this level.

Details of the latest KOF Globalisation Index as well as interactive charts are available here:

<https://www.kof.ethz.ch/prognosen-indikatoren/indikatoren/kof-globalisierungsindex.html>

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Methodology

The KOF Globalisation Index measures the economic, social and political dimensions of globalisation. It is used to monitor changes in countries' degree of globalisation over a long period of time. The latest KOF Globalisation Index is available for 195 countries and the period from 1970 to 2021. The index distinguishes between *de facto* globalisation and *de jure* globalisation in the overall index and in the economic, social and political components. The index measures globalisation on a scale of 1 to 100, and the values of the underlying variables are divided into percentiles. Forty-two different variables are used and are aggregated using statistically determined weights (principal component analysis).

The sub-section of **economic globalisation** comprises trade flows on the one hand and financial flows on the other. *De facto* trade globalisation is determined on the basis of trade in goods and services. *De jure* trade globalisation includes customs duties, taxes and trade barriers. *De facto* financial globalisation comprises foreign investment in various categories. *De jure* financial globalisation includes investment restrictions, capital account openness and international investment agreements.

The sub-section of **social globalisation** comprises the areas of personal contacts, information flows and cultural globalisation. A distinction is made between *de facto* globalisation and *de jure* globalisation for each area. Personal contacts of a *de facto* nature are measured on the basis of international telephone connections, tourism flows and migration, while contacts of a *de jure* kind are determined on the basis of telephone contracts, international airports and visa restrictions. *De facto* information flows are determined on the basis of international patent applications, international students and high-tech trade. In the *de jure* sphere, access to TV and the internet, freedom of the press, and international internet connections are measured. *De facto* cultural globalisation consists of trade in cultural goods, international trademark registrations and the numbers of McDonalds restaurants and IKEA stores. The *de jure* domain is measured by civil rights, gender equality and educational attainment.

The sub-section of **political globalisation** is determined *de facto* by the numbers of embassies, international non-governmental organisations (NGOs) and participation in UN peacekeeping missions. The *de jure* domain includes variables on membership of international organisations and international treaties.

