

Press release

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KOF Globalisation Index: globalisation is approaching its pre-pandemic level

Global interdependencies are gradually recovering, as the KOF Globalisation Index for 2022 shows. Globalisation is returning to its pre-COVID-19 pandemic level. Economic globalisation in particular has provided a boost here, while social and political globalisation continue to suffer from the after-effects of the pandemic. The most globalised country is the Netherlands, followed by Switzerland and Belgium.

Economic globalisation recorded the strongest growth in 2022. The easing of pandemic-related restrictions revitalised international trade in goods and services. Trade in services especially benefited from the lifting of most pandemic-related restrictions. Trade in goods also proved robust, supported by the resolution of supply-chain issues and continued high global demand.

In contrast, financial globalisation weakened. Foreign direct investment, portfolio investment and international debt levels all declined as a share of gross domestic product (GDP). The growth of economic globalisation in 2022 was therefore driven primarily by trade flows rather than by financial interdependencies.

Social and political globalisation achieving modest growth

Social globalisation is showing its first signs of recovery – particularly in areas such as cultural exchange and personal mobility. The social globalisation index rose further in 2022 owing to improvements in the institutional framework, such as international agreements (*de jure*), as well as an increase in actual cross-border contacts and activities, such as tourism and cultural exchange (*de facto*). Nevertheless, its level remains below that of 2019, as international mobility remained limited.

Political globalisation virtually stagnated. While institutional frameworks, such as membership of international organisations and multilateral treaties, improved slightly (*de jure*), the actual presence of international cooperation, for example in the form of diplomatic missions and non-governmental organisations (NGOs), decreased (*de facto*). Geopolitical tensions and a sharper focus on national interests helped to slow down global cooperation in this area.

Country analysis: The Netherlands was once again the most globalised country in 2022. This is primarily due to its role as a central trading hub in Europe. The port of Rotterdam – one of the largest transshipment centres for goods in Europe – plays a key role in the Netherlands' exceptionally large import and export volumes. This economic interdependence emphasises its importance in international trade.

Switzerland follows in second place, playing a leading role in all three dimensions of globalisation – economic, social and political. In particular, the strength of its exports in the pharmaceutical and chemical sectors and its



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close integration into international organisations and trade networks secure it an outstanding position in the rankings. Belgium is in third place, supported by its strong integration into the European economy and its high density of international organisations.

Russia, on the other hand, saw one of the sharpest declines in the globalisation index in 2022. International sanctions and the withdrawal of numerous international companies as a result of geopolitical tensions led to a significant decline in economic and social interdependencies.

Outlook for 2023: inflation and trade shaping globalisation

Inflation remained high in 2023, driven by energy crises and structural supply shortages, which weighed on global consumption and demand. Trade in goods declined while trade in services continued to return to normal, mainly owing to the recovery in tourism. At the same time, geopolitical tensions and economic uncertainty caused global trade flows to be reconfigured. These developments are likely to be reflected in the next KOF Globalisation Index.

Detailed information on the latest KOF Globalisation Index and interactive graphics are available here:

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

Contacts:

Tim Reinicke | tel. +41 44 633 89 85 | reinicke@kof.ethz.ch

KOF Corporate Communications | tel. +41 44 633 99 48 | media@kof.ethz.ch



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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.

