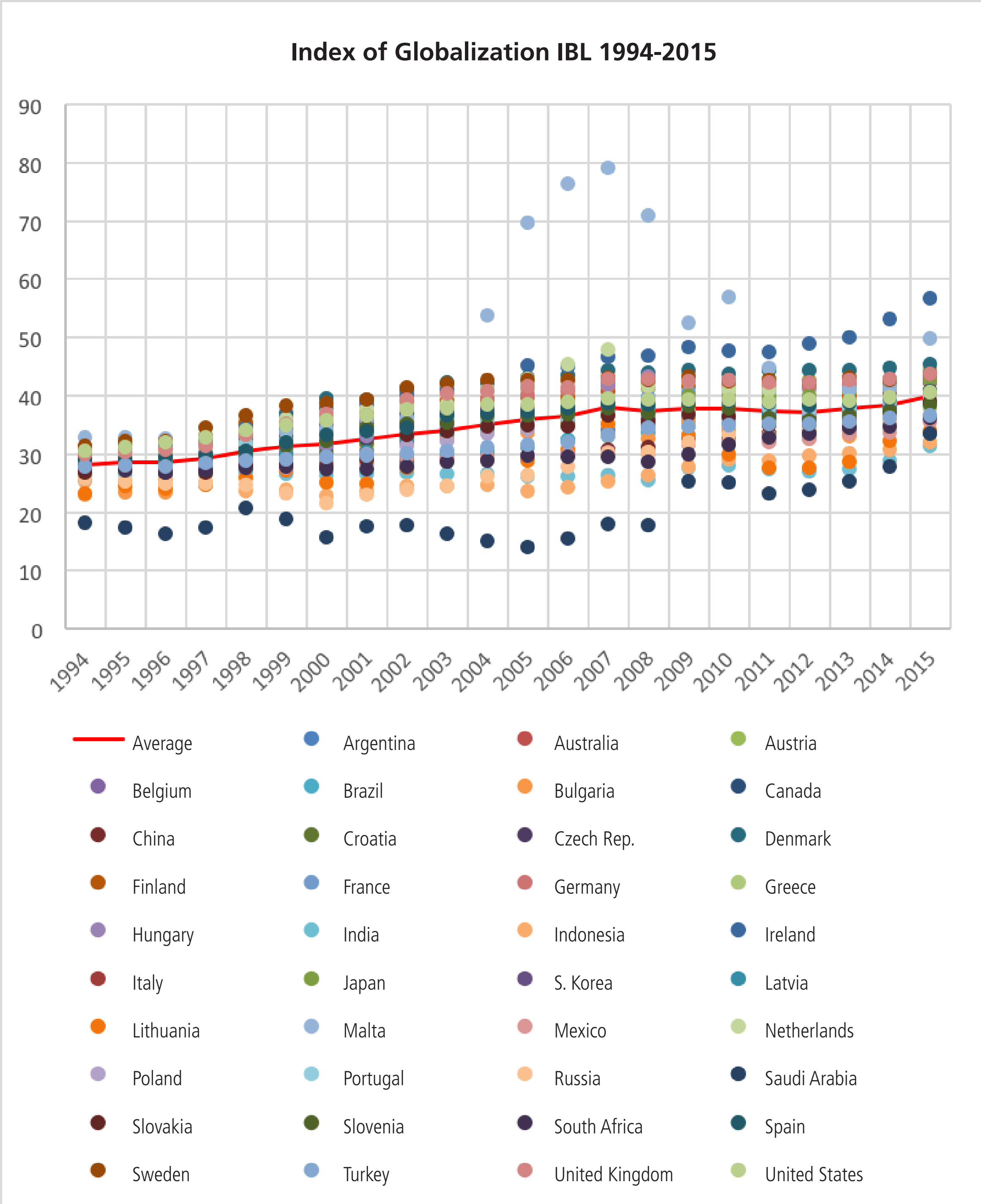
Index of Globalization

- Globalization is a complex phenomenon, that produced vast changes at all levels.
- Globalization was made possible by the reduction of transaction costs, thanks to technological innovation, the development of global financial markets, the global integration of value chains and free trade treaties.
- Empirical evidence shows that globalization had an overall positive impact, boosting GDP growth, investments and employment, and helping in significant measure to decrease inequality. It can also entail adjustment costs, which tend to have local and short term nature.
- To measure the degree of globalization of individual countries and gauge its impact, we built a Globalization Index based on three main indicators: 1) the exposure of countries to global trade; 2) the individual countries' ability to attract or generate foreign direct investments; 3) the degree of connectivity of countries and their participation to the global markets of knowledge. The Index considers 39 countries among the members of G20 and European Union for a period of 22 years (1994-2015).
- The Index can be understood as the gap with the leading edge. The "leading edge" is assumed to be a hypothetical country characterized by the smaller observed values of each indicator we have used, across all countries of the sample and over the whole period we considered. Actual countries are assigned a higher score depending on how far they are from the leading edge.
- The Index shows that an expansive phase of globalization, largely overlapping the period of the multilateral negotiations, has been replaced, in correspondence with the economic crisis, by a slowdown in trade and investments. This is partly due to macroeconomic trends, but is also not trivially attributable to the protectionist reaction that many States have experienced in the face of economic and occupational challenges. Paradoxically, this reaction has exacerbated, rather than alleviated, the crisis' impacts.
- To test the Index, we matched it with a number of variables – GDP per capita, several measures of unemployment, inequality, and index of gender gap in literacy rates, as well as a proxy of environmental quality – always finding significant correlations and with the expected sign.
- In particular, we show that the Index is positively correlated with GDP per capita, the gender equality in access to education and environmental quality, while it is negatively correlated with unemployment (in particular youth and female unemployment) and inequality. In other words, the countries with a higher score of the Globalization Index (i.e. the furthest from the minimum values in all the Index' components) tend to have higher GDP, higher social equality, higher environmental quality, lower unemployment and lower inequalities.
- In this perspective, the role of multinational companies seems to be of paramount importance. In fact, the largest firms not only tend to create more stable and better paid jobs, but they also are a vehicle of technological transfers, of investments and, ultimately, of the culture of globalization.
- The results of the Index, which are described in detail in this paper, are summarized in the following table, which shows for each year the most globalized country (and the corresponding score), as well as Italy's rank and score. The figure in the following page represents the Index' evolution in time and the variance between countries.
- Italy appears to be a highly globalized country with respect to trade, but not with respect to foreign direct investments. This suggests that there is great room for improvement, by introducing reforms that make our country more attractive and that make it possible to generate investments, growth and jobs. Nevertheless Italy, like the majority of EU member States, after having experienced a period of great

openness, seems to have slowed down. This is due of course to general macroeconomic conditions, but it also offers food for thought.

- In fact, the Italian challenges are attributable in large part to the Index component relative to investments (whereas, as regards the trade in goods, particularly exports, in the last year was characterized by record results). These challenges clearly emphasize the importance of the structural reforms' issue, which should have the goal of making Italy a more attractive economy. Again, therefore, the focus is the ability of the State-system to put in motion the dynamics of productivity, a result that can be achieved only by creating the conditions for the establishment of new productive firms and the growth in size of businesses.
- Participating more actively to globalization, including by enticing greater multinational companies' investments, can represent a lever for Italy's growth.

Year	Best Country	Score	Italy's Ranking	Italy's Score
1994	Malta	33	14	29
1995	Malta	33	17	30
1996	Malta	33	16	30
1997	Sweden	35	16	30
1998	Sweden	37	17	31
1999	Sweden	38	16	33
2000	Denmark	39	14	34
2001	Denmark	39	15	35
2002	Sweden	41	16	36
2003	Danimarca	42	19	36
2004	Malta	54	19	36
2005	Malta	70	16	37
2006	Malta	76	15	38
2007	Malta	79	17	38
2008	Malta	71	18	38
2009	Malta	53	18	38
2010	Malta	57	15	39
2011	Ireland	47	14	39
2012	Ireland	49	14	39
2013	Ireland	50	14	39
2014	Ireland	53	14	40
2015	Ireland	57	17	40


Index of Globalization IBL 1994-2015
90
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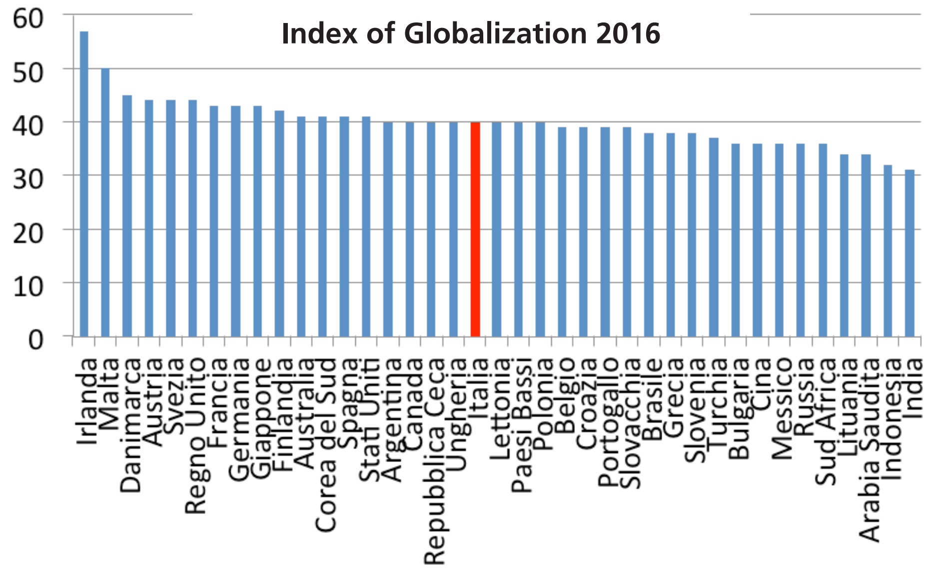
Argentina
Australia
Austria
Belgium
Brazil
Bulgaria
Canada
China
Croatia
Czech Rep.
Denmark
Finland
France
Germany
Greece
Hungary
India
Indonesia
Ireland
Italy
Japan
S. Korea
Latvia
Lithuania
Malta
Mexico
Netherlands
Poland
Portugal
Russia
Saudi Arabia
Slovakia
Slovenia
South Africa
Spain
Sweden
Turkey
United Kingdom
United States


Index of Globalization 2016
60
50
40
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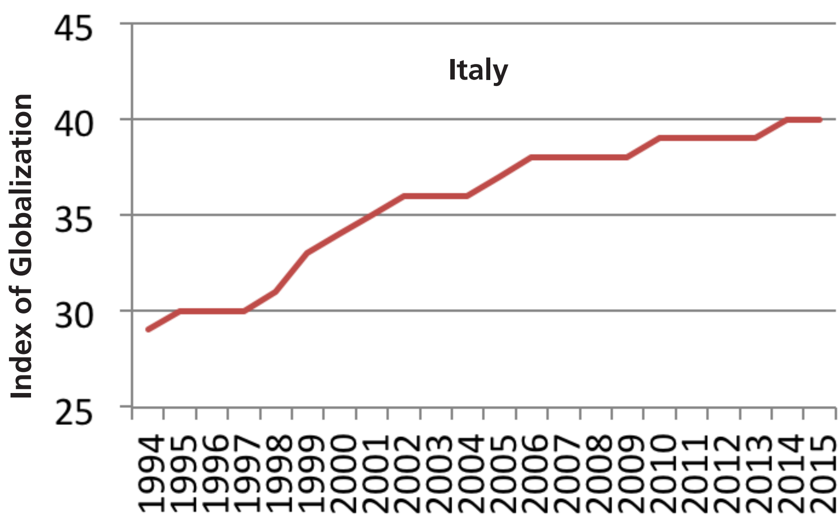
0
Irlanda
Malta
Danimarca
Austria
Svezia
Regno Unito
Francia
Germania
Giappone
Finlandia
Australia
Corea del Sud
Spagna
Stati Uniti
Argentina
Canada
Repubblica Ceca
Ungheria
Italia
Lettonia
Paesi Bassi
Polonia
Belgio
Croazia
Portogallo
Slovacchia
Brasile
Grecia
Slovenia
Turchia
Bulgaria
Cina
Messico
Russia
Sud Africa
Lituania
Arabia Saudita
Indonesia
India


Italy
Index of Globalization
45
40
35
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25
1994
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2006
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