Most of us have a mental image of what globalization looks like. It’s garment workers in an overcrowded Bangladeshi factory, making clothing that will end up on sale at a discount store in a strip mall. It’s container ships stuffed with consumer electronics from China headed for American ports, or tankers full of Middle Eastern oil fulfilling the world’s demand for energy.

Those images aren’t wrong. But they are incomplete, and more so with each year that passes. That’s the key conclusion I take from a new study from the McKinsey Global Institute, the in-house think tank of the giant consulting firm.

The researchers aimed to capture the full range of “global flows,” as they call them, that collectively represent the world’s interconnections. That includes not just trade in goods and services, but also the flow of money across national borders and of information through digital connectivity.

What it shows is a world in which the fastest-growing forms of interconnection are not the ones that fit a lot of those preconceptions.
“We focus a lot on the cheap goods from Vietnam and Bangladesh going to Walmart,” said Susan Lund, one of the authors. “In fact, the growing and larger share of global trade right now is about knowledge-intensive goods and services.”

That insight by itself isn’t particularly new, of course. People who study international economics and globalization have noted the shift for many years. The McKinsey study, though, adds some useful approaches to quantifying the ways it now occurs.

Economists have a habit of looking at the world in terms of aggregates. The trade deficit numbers that the United States government releases each month treat an American company buying engineering services from a French consulting firm the same as it does an American buying a bottle of French wine. But the impact on the economy and society is very different — the wine represents a story of simple commercial transactions in which people in one country buy goods and services from people in another.

But it is those complex, long-lasting and knowledge-intensive forms of international connection, like the engineering example, that are increasing the fastest.

Global trade in knowledge-intensive goods — airplanes, pharmaceuticals, advanced electronics — rose at a nearly 8 percent annual rate from 2002 to 2012, compared with 6 percent for both capital-intensive but lower-tech goods (like petroleum and agricultural products) and labor-intensive goods (like textiles and toys).

The same pattern is evident in the services sector. The sharpest growth, at 7 percent a year from 2002 to 2012, is in international trade of knowledge-intensive services — engineering and programming, royalties for intellectual property, and so forth. Less knowledge-intensive services, like travel and transportation (think spending on hotels and airline tickets), are growing more slowly.

Finally, the McKinsey researchers looked at financial flows. The amount of money crossing global borders has plummeted since the financial crisis, as banks around the world have drastically cut back on international lending.

Foreign direct investment is also down from its 2007 peak, but not nearly so sharply. It is already back to its 2006, pre-crisis level of $1.8 trillion. The change in the composition of international financial flows has big implications for globalization.
When an American hedge fund buys Brazilian bonds, it counts the same for purposes of financial flows and current account data as if an American company builds a factory in Brazil. But in terms of the true economic interconnection it signifies, the two are different worlds.

The hedge fund managers could change their minds on a moment’s notice and dump the bonds, while the builder of a factory is building a partnership that will most likely last years and involve the transfer of knowledge back and forth.

It makes sense that foreign direct investment has held up, Ms. Lund said, “because that reflects long-term corporate strategy.”

“It reflects a desire to be close to consumers in emerging markets or create long global supply chain, and that has continued despite the financial crisis,” she said. “If that reduces the volatility of financial flows, that’s a silver lining.”

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