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It is five years since the terrorist attacks on the US of September 11 2001. This is not a long time. But it is long enough to assess the immediate impact.

For the world economy, that impact has been extremely small. But large-scale terrorism remains one of a range of threats to the integrating world economy. Globalisation lives. But its health is not assured.

The immediate aftermath of September 11 was a period of gloom. Many expressed concern over the short-term consequences of such a massive jolt to confidence, particularly one aimed directly at Wall Street at a time of post-bubble anxiety. Others saw it as the end of the dream of globalisation. How, they asked, will the free flow of people and goods be sustained with security concerns uppermost and trust in foreigners at a low point?

Osama bin Laden could neither have timed nor executed his assault better. But if his aim was to lay the world's globalising economy low, he failed. That this turned out to be the case is a credit to policymakers and a sign of the strength of the forces behind globalisation. The world economy recovered sharply and integration proceeded. The world can take pride in these achievements. But it cannot be complacent.

The broad story, however, is encouraging. In 2001 and 2002, the world economy grew at just 1.5 per cent and 1.8 per cent, in real terms. In 2003, it grew by 2.7 per cent, followed by 4 per cent in 2004 and 3.4 per cent in 2005. This is at the least a respectable performance.

At the purchasing power parity exchange rates favoured by the International Monetary Fund, however, which give greater weight to the growth of developing countries and, in particular, of the Asian giants, China and India, growth has been far faster: 4.1 per cent in 2003, 5.3 per cent in 2004 and 4.8 per cent in 2005.

Growth also turned out to be broad based: the US recovered from a mild slowdown in 2003, while Japan recovered from its much longer and deeper one in the same year. Developing Asia grew at between 8 and 9 per cent in 2003, 2004 and 2005, with China at close to 10 per cent.

But all the broad regions of the developing world have been growing strongly, despite the obstacle of high oil prices. The eurozone came late to the party, but growth has finally taken hold there too.

Integration of the world economy has also proceeded apace. According to the World Trade Organisation, the volume of global merchandise exports rose by 25 per cent between 2001 and 2005, while global gross product rose by 11 per cent over the same period.

World merchandise exports rose 9.5 per cent in 2004 and 6 per cent in 2005, in constant prices. Within this, Asian trade was particularly dynamic, with exports rising by 14 per cent in 2004 and 9.5 per cent in 2005.

China's performance is the most remarkable, with exports in constant prices up 24 per cent in 2004 and another 25 per cent in 2005. China is now the world's third largest trading entity, ahead of Japan, though still behind Germany (or the European Union) and the US.

The worries about terrorism, the fall of the stock market between 2000 and 2003 and the slowdown in the world economy affected foreign direct investment more than trade. This is not surprising, since FDI necessitates longer-term commitments than trade.

According to the Economist Intelligence Unit's World Investment Prospects to 2010, global FDI reached $946bn in 2005, which put it above the $875bn of 2001 for the first time since then. Inflows into emerging market economies reached $316bn in 2004 and then $399bn in 2005, well above the $289bn of 2001.

The continued rise in financial globalisation is astonishing. A recent paper from three staff members of the IMF and Kenneth Rogoff of Harvard University showed the total international financial assets of the advanced economies jumping from less than $60,000bn in 2000 to close to $100,000bn in 2004. For emerging markets, the comparable rise is from a little over $5,000bn to close to $8,000bn.*

The conclusion is stark: the underlying drivers of contemporary economic integration - falling costs of transport and, above all, communications, liberalisation of barriers to transactions across frontiers and the entry of billions of people into the world economy for the first time - continue to work their powerful effects. Monetary policy continues to be supportive of growth, without risking serious inflation. Against this helpful background, terrorism, collapsing stock markets, war, soaring oil prices, protectionist pressures, a failing round of multilateral trade negotiations and global imbalances have failed to halt the underlying dynamic.

This is not to say that ending the present era of globalisation would be impossible. In 1910 few expected the disasters that were about to unfold over the following three and a half decades. But it may take equally large disasters to halt the rise of global economic integration this time.

What might those disasters be? A return to massive protection in the high-income countries is one possibility. But this time the interests of workers and companies in seeking protection are more likely to be divided than united, since the latter look to global markets and global sourcing. Moreover, despite the disappointment of the Doha round, the World Trade Organisation continues to exist. Nobody has suggested repudiating their obligations.

Another potential disaster might be far higher oil prices still, perhaps as a result of a war in some producing region, in the context of soaring demand. But most analysts believe prices are already well above their longer-term equilibrium levels and so are more likely to fall than rise. A third disaster might be a huge financial crisis perhaps involving a collapsing dollar and a brutal reduction in the US external deficit.

But the creditor countries have such a strong economic and political interest in avoiding such a calamity that it must be deemed highly unlikely.

A fourth possibility is some terrible event - a global flu pandemic or a successful act of nuclear terrorism, with hundreds of thousands of casualties. Both could disrupt the world economy and halt the flow of people and goods, but the effects are likely to prove temporary, even if "temporary", in this case, might prove a matter of years.

A final nightmare is war among the great powers, as happened so disastrously in 1914. At present, despite the obvious sources of friction, US military power is overwhelming and, for the moment, chastened, while other powers are trying to develop rather than provoke.

Neither China nor India needs more people. Neither is in a position to contemplate seizing territories containing valuable resources, against US opposition. The obvious flashpoint is Taiwan. But both China and the US know this very well.

In the end September 11 2001 changed little in the world economy or in the underlying move towards globalisation. Both have rebounded heroically.

The rumours of globalisation's death that circulated in the aftermath turned out to be highly exaggerated.

* M. Ayhan Kose, **Eswar Prasad**, Kenneth Rogoff and Shang-Jin Wei, "Financial Globalization: a Reappraisal", June 2006, www.imf.org .

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