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DHL Global Connectedness Tracker

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Contents

The DHL Global Connectedness Tracker aims to provide the most timely and comprehensive available resource for tracking global flows of trade, capital, information, and people. The online version features interactive charts with country- and region-level analysis, helping readers spot patterns relevant to their own countries and companies. The data updates for this edition were completed in January 2026, and encompass developments up to September–December 2025 for trade, greenfield foreign direct investment (FDI), and mergers & acquisitions (M&A) activity, full-year 2025 projections for DHL Global Connectedness Index global depth trends, and results through 2024 for most other indicators.

This edition of the Tracker focuses on three key questions: (1) How are policy shocks affecting the growth of international flows? (2) Is geopolitical rivalry fracturing the world economy? (3) Are international flows becoming more regional? The data indicates that a reversal of globalization is a risk but not a current reality.

Key takeaways

1. Global connectedness remains stable. The DHL Global Connectedness Index does not indicate a shift from international to domestic activity across trade, capital, information, and people flows. Global connectedness reached a record high in 2022 and has not changed appreciably through 2025.
2. Goods trade grew faster in 2025 than in any year since 2017, excluding the volatile Covid-19 pandemic period. U.S. buyers rushed to import goods ahead of tariff hikes, China increased exports to non-U.S. destinations, and investment in AI infrastructure boosted trade in goods such as semiconductors and data transmission equipment.
3. Trade growth is forecast to continue over the 2026–29 period at the same average pace as during the past decade. U.S. tariff increases only modestly reduced forecast global trade growth. Other countries supported trade growth by not raising tariffs, and many negotiated new trade deals to secure access to alternative markets.
4. U.S.–China ties continue to diminish. Since 2016, the share of U.S. trade, capital, information, and people flows with China has dropped 42%, while China's share with the U.S. is down 37%. However, close allies of the U.S. and China (excluding Russia) show no similar pattern of decoupling from geopolitical rivals.
5. The share of U.S. imports coming directly from China has fallen from a peak of 22% in 2017 to 13% in 2024, before plummeting further to only 9% during the first three quarters of 2025. Nonetheless, analysis considering Chinese inputs in goods imported from other countries does not show a clear declining trend in U.S. reliance on content from China.
6. The world remains far from a split into disconnected geopolitical blocs. Only 4–6% of global goods trade, greenfield FDI, and cross-border M&A have shifted away from geopolitical rivals over the past decade. Trade flows shifted more toward neutral countries than to close allies, implying more 'de-risking' than 'friendshoring'.
7. Most international business already occurs among friendly countries, limiting the threat de-risking strategies pose to globalization. In 2025, only 12% of global goods trade, 5% of greenfield FDI, and 3% of cross-border M&A took place between U.S.-aligned and China-aligned blocs of close allies.
8. Goods trade and greenfield FDI crossed their longest average distances on record in 2025, while the shares of these flows occurring within major geographic regions fell to new lows. It remains to be seen whether nearshoring strategies will ultimately lead to more regionalized business patterns.

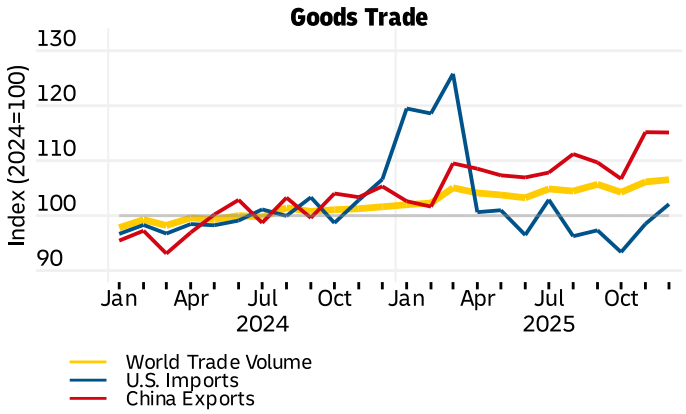
Question 1: How are Policy Shocks Affecting the Growth of International Flows?

Despite recent policy disruptions, international flows continue to expand. Forecasts call for tariffs to slow but not reverse global trade growth. However, assessing the true trajectory of globalization requires more than tracking growth alone—it demands a closer look at the share of global activity that crosses national borders. By comparing international flows to domestic ones, we find that the depth of globalization is holding steady. There is no general weakening of business ties between countries.

Trade Defies Turbulence

International trade proved surprisingly resilient in 2025, despite heightened trade policy uncertainty and U.S. tariffs rising to levels last seen in the 1930s (see **Figure 1**). Global trade volumes grew faster in 2025 than in any year since 2017 (excluding the 2021 rebound after trade plummeted at the beginning of the Covid-19 pandemic).[1] U.S. imports surged early in the year as buyers frontloaded purchases ahead of tariff hikes. Meanwhile, China posted positive exports growth despite steep declines (discussed later) in shipments to the U.S. Trade in goods related to the build-out of AI infrastructure boomed, with semiconductors and other AI-related products driving 42% of global goods trade growth.

FIGURE 1: MONTHLY GOODS TRADE VOLUME (VS. 2024 LEVEL)



Data Source: CPB World Trade Monitor

Note: Gray line: 2024 Average.

[1] Based on seasonally-adjusted monthly trade volumes from CPB World Trade Monitor.

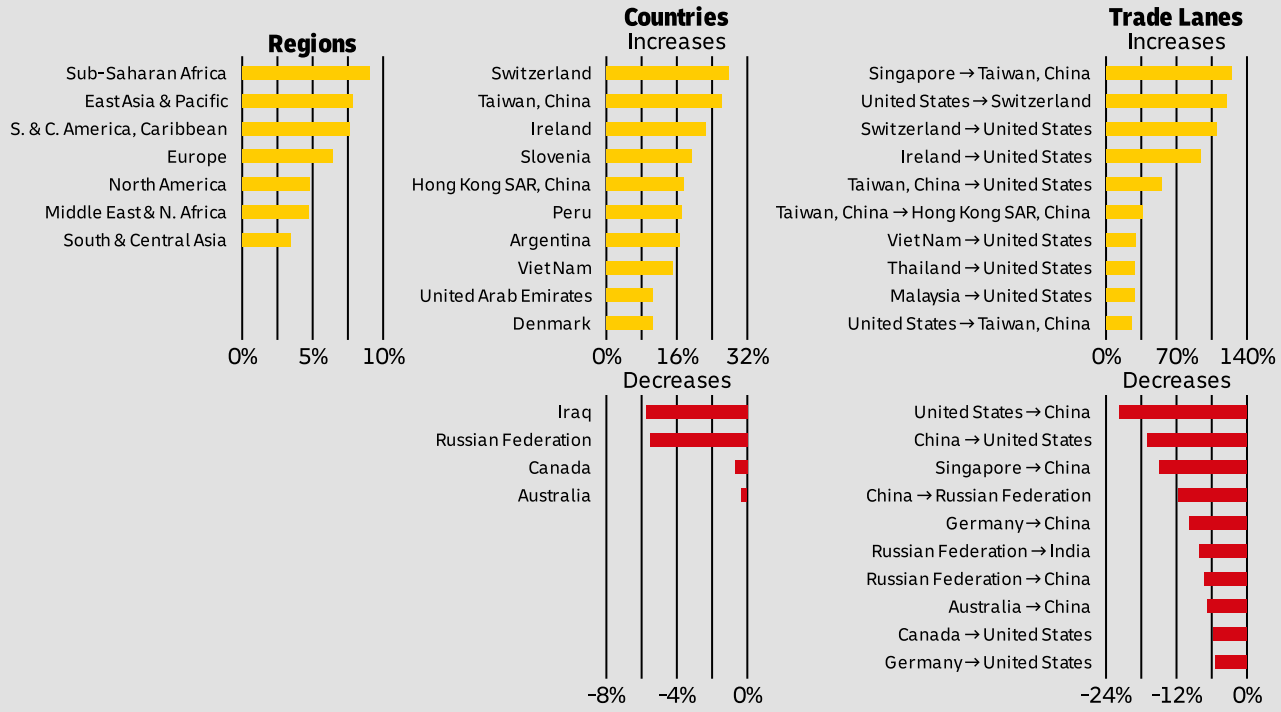
Trade Growth by Region, Country, and Trade Lane

Trade growth trends vary widely across regions, countries, and trade lanes (flows between country pairs), as shown in **Figure 2**.[2] Sub-Saharan Africa led with a 9% increase in trade value (in current U.S. dollars) in the first nine months of 2025 versus the same period in 2024. East Asia & Pacific and South & Central America, Caribbean followed with 8% growth.

Among the 50 largest trading nations—together accounting for 92% of global trade—Switzerland saw the fastest trade value growth in the first nine months of 2025, up 28% year-over-year. Taiwan, China followed with a 26% increase, and Ireland with 22%. Exports from Ireland and Switzerland surged due to U.S. frontloading of pharmaceutical imports, and gold also played an important part in Switzerland's trade growth. Taiwan's trade growth was boosted by the boom in AI-related trade. The steepest trade value declines during the first nine months of 2025 were in Iraq (–6%), the Russian Federation (–6%), and Canada (–1%).

Among the world's 100 largest trade lanes—nearly half of global trade—the fastest growth was in exports from Singapore to Taiwan, China (+125%), followed by exports from the United States to Switzerland (+120%), and from Switzerland to the United States (+110%). The steepest declines were in exports from the United States to China (–22%), China to the United States (–17%), and Singapore to China (–15%).

FIGURE 2: GOODS TRADE VALUE TOP INCREASES AND DECREASES (2025 VS. 2024 YTD)



Data Source: IMF International Trade in Goods (IMTS), China Customs, CPT Single Window

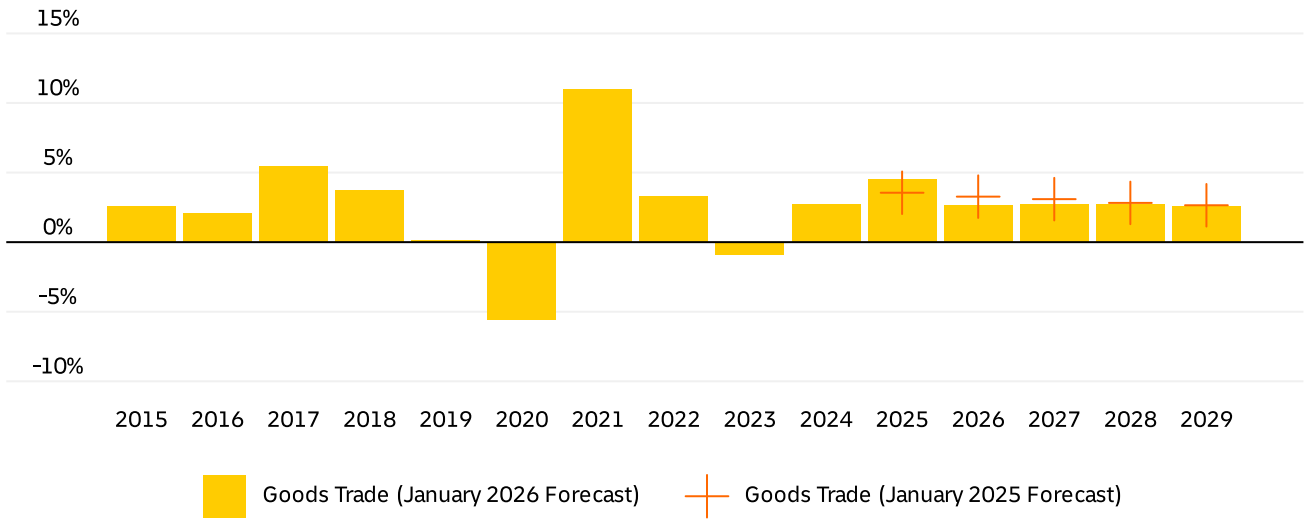
[2] Figure 2 uses changes in trade value (measured in current U.S. dollars) instead of trade volume data due to more complete recent country-level trade value data.

Tariffs Take a Bite, But Global Trade Still Forecast to Grow

Looking forward, U.S. tariff increases have, unsurprisingly, prompted downgrades to global trade growth forecasts. **Figure 3** compares pre-tariff forecasts from January 2025 with the latest projections as of January 2026, using the composite forecasts we assemble from four sources for the DHL Trade Atlas.[3] Global trade volumes grew faster than predicted in 2025, but current forecasts call for slower growth in 2026 and 2027.

Even after downgrades tied to tariffs and policy uncertainty, the January 2026 outlook predicts a 2.6% global trade volume growth rate over the 2026–29 period. This matches the actual growth rate observed over the past decade, implying that medium-term trade expansion will remain broadly in line with what business leaders have experienced in recent years.

FIGURE 3: ANNUAL GOODS TRADE GROWTH



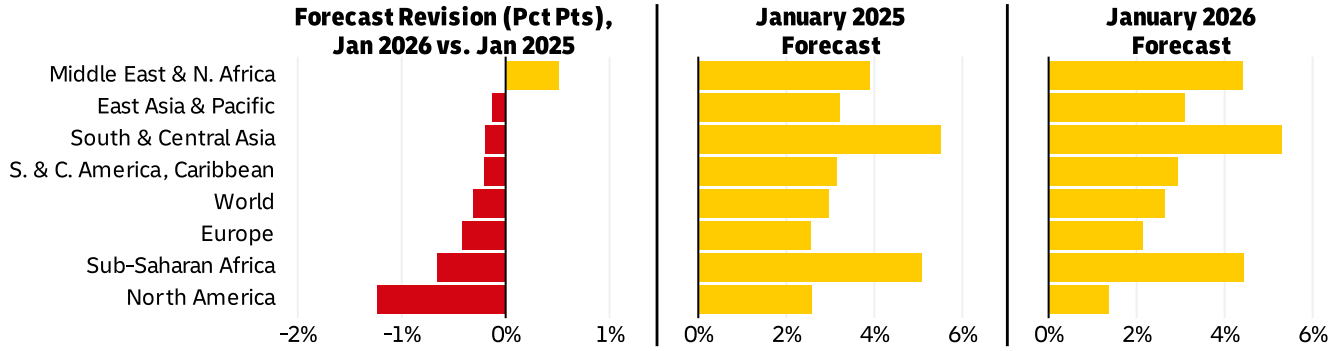
Data Sources: Economist Intelligence Unit; IMF World Economic Outlook; Oxford Economics Global Data; S&P Global Market Intelligence

A key factor behind the expected resilience of trade growth is the relatively modest role the U.S. plays in global trade—accounting for just 13% of global goods imports and 9% of exports in 2025 (Jan–Sep)—and the fact that other countries have not followed the U.S. on its current path of across-the-board tariff increases. To the contrary, many countries have accelerated negotiations on new trade agreements to secure access to alternative markets.

Considering trade growth forecasts by region, the steepest downgrades following U.S. tariff hikes were for North America, where projected trade volume growth for 2026–29 was cut by 49%—from 2.6% CAGR in January 2025 to just 1.4% in January 2026 (see **Figure 4**). Most other regions saw more modest downward revisions. In contrast, forecasts were upgraded modestly for one region: the Middle East & North Africa. The Middle East outlook benefits from planned increases in oil production and exports, as well as robust growth in non-oil sectors. Most countries in this region face comparatively small U.S. tariff increases.

[3] Composite forecast drawn from IMF World Economic Outlook, Economist Intelligence Unit, Oxford Economics, and S&P Global Market Intelligence, following methodology employed in Steven A. Altman and Caroline R. Bastian, DHL Trade Atlas 2025, DHL Group, 2025.

FIGURE 4: GOODS TRADE GROWTH FORECAST 2026–29 CAGR, JAN 2026 VS. JAN 2025 VERSIONS

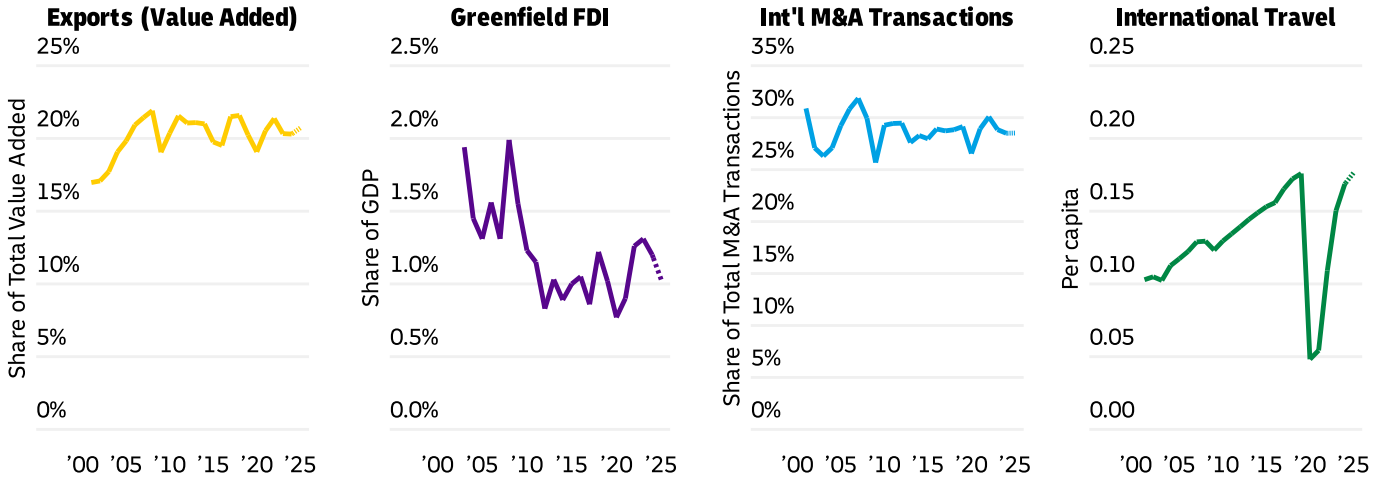


Data Source: DHL Trade Atlas composite forecast based on IMF World Economic Outlook, Economist Intelligence Unit, Oxford Economics Global Data, S&P Global Market Intelligence

No Retreat from International to Domestic Business

Recent trends underscore the absolute growth of international flows despite policy shocks. However, we need to compare international relative to domestic activity to assess whether globalization is advancing or receding. A rising share of global activity crossing national borders would point to globalization advancing; a declining share would suggest a retreat from globalization. **Figure 5** presents these globalization "depth" measures across a variety of areas.

FIGURE 5: INDIVIDUAL FLOW DEPTH TRENDS



Data Sources: Asian Development Bank Multiregional Input-Output; Financial Times fDi Markets; IMF World Economic Outlook; SDC Platinum; Tourism Economics; UNCTAD World Investment Report

Note: Exports (Value Added) measures share of value that ends up in a different country from where it was produced (regardless of how many borders crossed in multi-country value chains).

In 2025, an estimated 21% of the value of all goods and services produced around the world was traded internationally—up slightly from the 2024 level and just below the record high of 22% set

in 2008 and roughly matched in 2022.[4] This means that global economic integration via trade remains close to record high levels, while also indicating that the vast majority of economic activity (about 79%) is still domestic, suggesting substantial potential for further trade growth.

The investment data are even more striking. The share of announced mergers and acquisitions (M&A) transactions crossing national borders has remained close to 30% for more than a decade. Goldman Sachs reports that the international share of M&A transactions reached a five-year high during the first half of 2025, and McKinsey reports a stable share of cross-regional M&A deals.

Data on announced greenfield FDI tell a broadly similar story. The estimated value of announced greenfield FDI projects relative to world GDP increased after the Covid-19 pandemic and, despite modest declines in 2024 and 2025, remained in line with the average over the past decade. Additionally, recent global data show announced greenfield FDI growing faster than total capital expenditure.

These results, along with the M&A data, indicate that business leaders have not embraced a general shift toward domestic rather than international investment. Other measures in the DHL Global Connectedness Report 2026 show that multinational firms continue to earn near-record shares of their sales abroad and generate close to the highest recorded shares of global value-added, employment, and trade. The report also highlights several measures showing the resilience of international production via global value chains.

Looking beyond trade and international business, the recovery of international travel following the Covid-19 pandemic has reached a milestone. In 2025, the number of travelers to foreign countries finally surpassed its 2019 (pre-Covid) level in all months except March.[5] International trips per capita also matched 2019 levels. The travel recovery was strongest in the Middle East, where international arrivals in 2025 were 39% higher than in 2019. Africa achieved the second largest increase (17%), while Europe also recorded a smaller (6%) increase. By contrast, arrivals remained well below pre-Covid levels in the Asia-Pacific region (down 9%) and were down modestly in the Americas.

One Quarter Globalized

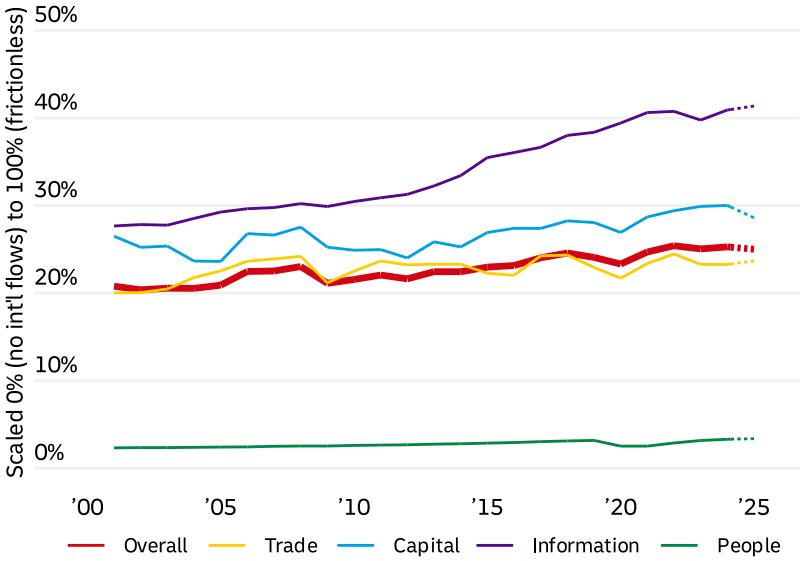
The depth dimension of the DHL Global Connectedness Index provides summary-level measures of international relative to domestic activity, drawn from data on 14 types of international trade, capital, information, and people flows (see **Figure 6**). The overall index reached a record high of 25.4% in 2022 and has not changed substantially since then. The 2024 level was 25.3%. Current projections indicate a level of 25.0% in 2025.

The index shows that information flows are the most globalized, and—thanks to digitization—have seen the largest globalization gains over the past two decades. However, the globalization of information flows has slowed since 2021, due in part to reduced scientific collaboration between the U.S. and China. Capital and trade flows are less globalized than information flows, with their highest levels relative to domestic activity recorded in 2024 and 2022, respectively. People flows remain the least globalized, though the post-Covid rebound in international travel pushed them to new highs in 2024 and 2025.

[4] We measure this using the ratio of trade in value added to world GDP, counting the value of traded goods only once regardless of how many borders they may cross in multi-country supply chains. Recent trends through 2024 were calculated based on data from the Asian Development Bank's Multiregional Input-Output Tables at current prices (62-country version), and the 2025 projections are based on gross trade and GDP growth projections.

[5] UN Tourism Data Dashboard

FIGURE 6: DHL GLOBAL CONNECTEDNESS INDEX DEPTH TRENDS



Flow Types Measured by the DHL Global Connectedness Index

- Trade
  - Goods Trade
  - Services Trade
- Capital
  - Announced Greenfield FDI
  - Announced M&A Transactions
  - FDI Flows
  - FDI Stock
  - Portfolio Equity Stock
- Information
  - Scientific Research Collaboration
  - Charges for Use of Intellectual Property
  - International Patenting
- People
  - International Travel
  - International University Students
  - Migrants (foreign-born population)

Data Source: DHL Global Connectedness Index

Notes: Dotted Lines: Forecast. Scaled from 0% (no flows cross national borders) to 100% (no border or distance effects).

While the DHL Global Connectedness Index shows no significant decline in globalization, it also indicates that globalization remains limited. We measure the depth of global connectedness on a scale from 0% to 100%. A level of 0% would indicate that no flows cross national borders at all. In contrast, a level of 100% would mean that borders and distance have ceased to matter, and flows are as likely to happen between countries as within them.[6] The current level of roughly 25% means that even after decades of globalization, the world remains far closer to a collection of separate national economies than to full global integration.

Question 2: Is Geopolitical Rivalry Fracturing the World Economy?

In 2024, the number of active conflicts around the world rose to the highest level since World War II. Escalating geopolitical tensions and conflicts pose a threat to globalization, with substantial concern about mutually beneficial economic ties being "weaponized" to harm a country's interests. Several recent studies point to what the IMF calls "geoeconomic fragmentation," with trade and investment becoming more influenced by geopolitical considerations.

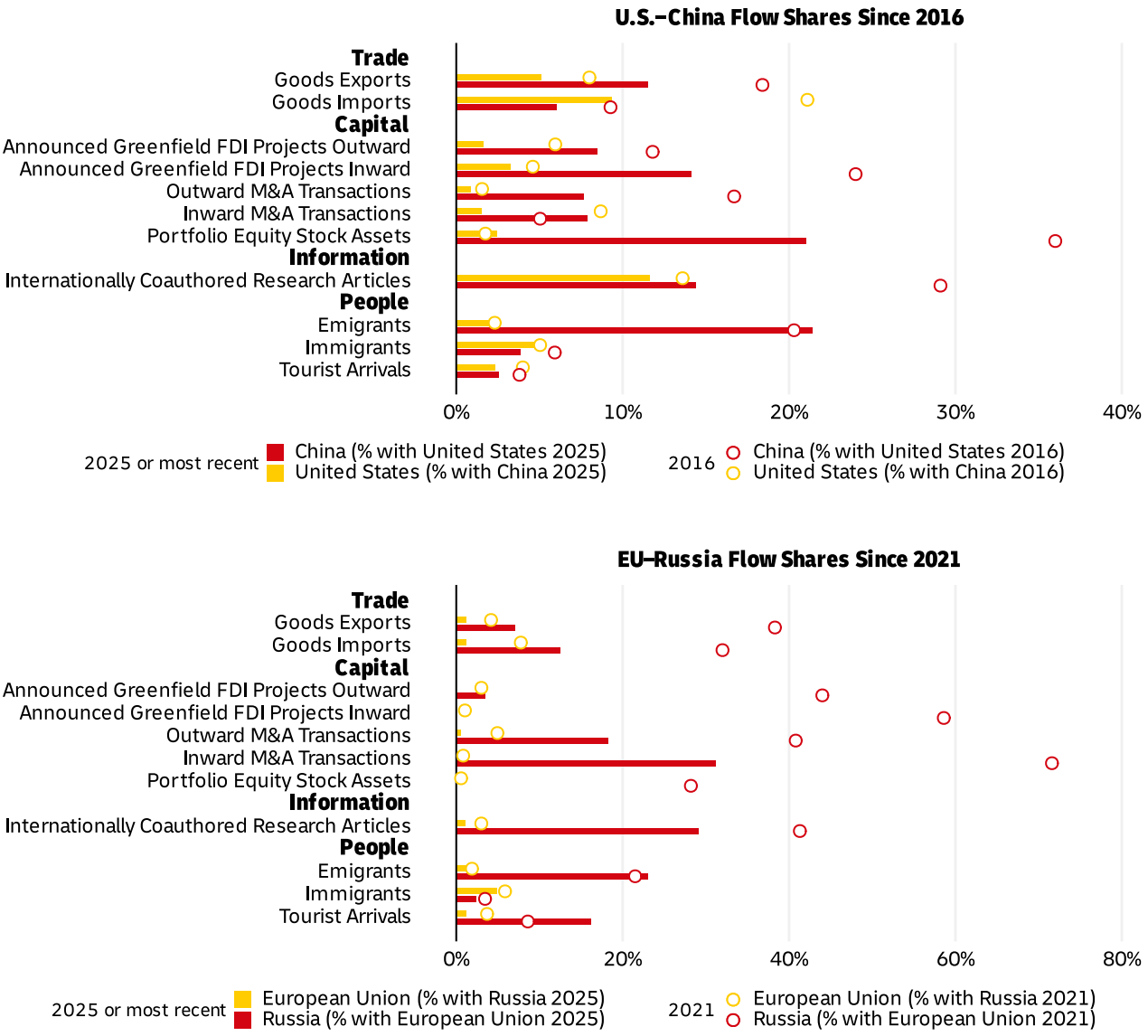
The extent of such fragmentation, however, is still very limited. While direct U.S.–China ties continue to diminish and there has been a profound split between Russia and Western-aligned economies, most of the world has not substantially reoriented its international activity along geopolitical lines—at least not yet.

[6] For a brief explanation of this scaling method and selected references, see Endnote 1 on p. 101 of the DHL Global Connectedness Report 2026. Additional details are provided in Section 8 of the same report.

The Impact of Great Power Rivalry

Geopolitical tensions are indeed reshaping the international flows of some countries, with the U.S.–China relationship at center stage. **Figure 7** compares U.S. and China shares of flows with each other in 2016 and 2025.

FIGURE 7: FLOW SHARE SHIFTS SUMMARY



Data Sources: China Customs; Clarivate Web of Science; Financial Times fDi Markets; IMF International Trade in Goods (IMTS); IMF Portfolio Investment Positions by Counterpart Economy (PIP); LSEG SDC Platinum; Tourism Economics; UN DESA International Migrant Stock

Notes: Goods trade data for 2025 reflect first nine months. Announced greenfield FDI data for 2025 reflect first 11 months. Most recent portfolio equity data are from 2024. Russia portfolio equity data are unavailable. Emigration and Immigration data substitute 2015 for 2016 and 2020 for 2021. Intra-EU flows are excluded from EU–Russia analysis.

The shares of various types of U.S. trade, capital, information, and people flows involving China have fallen by about 43%, on average, since 2016. Over the same period, the shares of China's flows involving the U.S. have fallen by roughly 37%.[7]

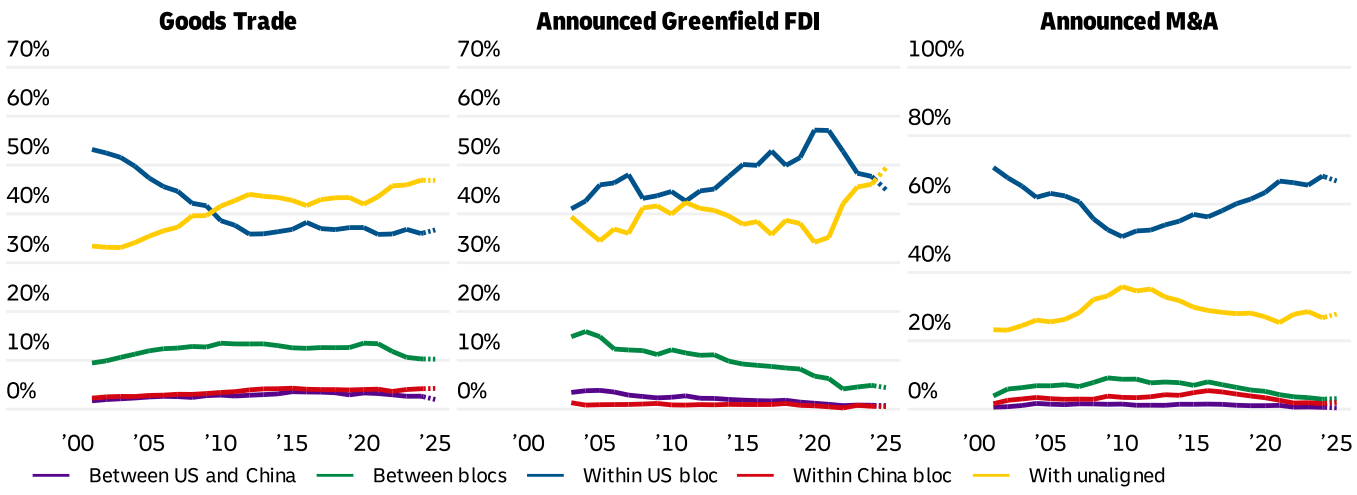
Figure 7 shows an even sharper rupture between the European Union (EU) and Russia since Russia's full-scale invasion of Ukraine in 2022. The average share of EU flows that are to or from Russia fell by 74%, while the share of Russia's flows to or from the EU fell by 62%. Unlike the gradual decoupling between the U.S. and China, military conflict and sweeping sanctions have triggered a far more abrupt and profound break between Russia and Western-aligned nations.

Yet when viewed globally at the level of allied blocs, the pattern of separation is far less pronounced than the disruptions seen between countries at the center of current conflicts.

Geopolitical Shifts in Global Perspective

Figure 8 offers a broad breakdown of global flows, distinguishing between those directly between the U.S. and China, those crossing between rival blocs allied with each superpower, flows within each bloc, and flows involving countries aligned with neither superpower. The geopolitical classifications are according to Capital Economics,[8] with alternative groupings available under the "customize" tab of the interactive charts. The U.S.-aligned bloc includes the U.S. and its "close allies"—such as major European economies, Japan, Australia, and Canada. The China-aligned bloc includes China and "close allies" such as Russia, Iran, Pakistan, and a variety of smaller economies, mainly in Africa and Asia.

FIGURE 8: SHARE OF TOTAL INTERNATIONAL FLOWS BETWEEN AND WITHIN BLOCS



Data Sources: CPT Single Window, General Administration of Customs People's Republic of China, IMF International Trade in Goods, UN Comtrade; Financial Times fDi Markets; SDC Platinum

Notes: Bloc classifications based on Williams, M., Evans-Pritchard, J., & Walsh, R., 2025. The Shape of the Fractured World in 2025. Capital Economics.

[7] Calculated using simple averages across components within DHL Global Connectedness Index pillars, weighted averages across pillars (35% each for Trade and Capital, 15% each for Information and People).

[8] Refer to DHL Global Connectedness Report 2026, page 57, to see how specific countries were classified.

U.S.–China Decoupling ≠ Global Fragmentation

The share of global goods trade occurring directly between the U.S. and China has dropped from a peak of 3.6% in 2015 to 2.0% in 2025 (Jan–Sep)—a large drop in U.S.–China trade, but modest in global terms.[9] Similarly, their share of announced global M&A deals fell from 1.5% in 2016 to 0.4% in 2025. The U.S.–China share of greenfield FDI peaked much earlier at 3.9% in 2005 and has gradually declined since then to just 0.7% in 2025 (Jan–Nov). These low shares of global business activity happening directly between the U.S. and China caution against equating weaker ties between the world's two largest economies with a global fracturing of the world economy.

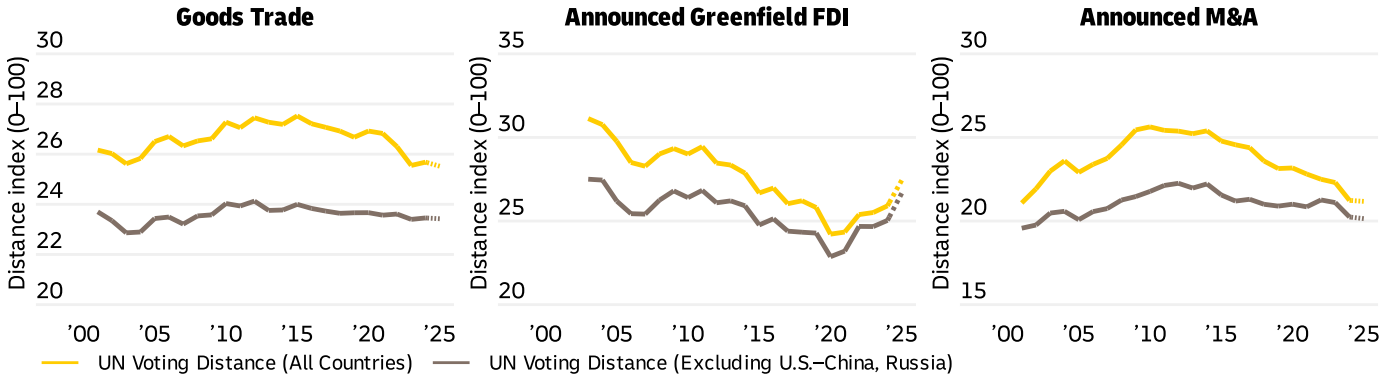
Most Business Already Between Friendly Countries

The vast majority of international business already occurs within groups of close allies. In 2025, current data show three times more goods trade among close allies than between countries in rival blocs, along with 9 times more announced greenfield FDI projects and 20 times more M&A deals. Since most business activity already occurs among friendly countries, de-risking exposure to geopolitical rivals may require smaller shifts in global flows than commonly assumed.

Limited Realignments of Global Flows Along Geopolitical Lines

For additional perspective on geopolitical shifts, **Figure 9** reports the average "geopolitical distance" traversed by international flows (measured based on the similarity of how countries vote in the UN General Assembly). When geopolitical distance declines, this suggests geoeconomic fragmentation because flow patterns more closely follow countries' geopolitical alignments (less with rivals and more with friendly or neutral countries).

FIGURE 9: AVERAGE GEOPOLITICAL DISTANCE



Data Sources: CPT Single Window; Financial Times fDi Markets; General Administration of Customs People's Republic of China; IMF International Trade in Goods; SDC Platinum; UN Comtrade

Notes: Dotted line indicates partial year data. Excluding U.S.–China, Russia: values excluding direct flows between the United States and China and flows between Russia and all partner countries. Geopolitical distance calculated according to 2019–23 UN General Assembly votes (rescaled 0–100), based on the Ideal Point Distance measure reported by Bailey, M. A., Strezhnev, A. & Voeten, E. 2017. Estimating Dynamic State Preferences from United Nations Voting Data. The Journal of Conflict Resolution, 61(2): 430–56.

[9] Larger economies tend to trade less intensively than smaller economies, since more of their activity naturally takes place within their large domestic markets. As the world's two largest economies, it is therefore unsurprising that the share of trade taking place between the U.S. and China is much lower than these two countries' shares of both GDP and total trade.

Focusing first on the trends for all countries (yellow lines in Figure 9), goods trade showed a substantial fragmentation trend in 2022 and 2023, following Russia's full-scale invasion of Ukraine. This fragmentation, however, did not continue in 2024 and the first nine months of 2025. Greenfield investment, which showed a "friendshoring" pattern from roughly 2011 to 2020, now reflects rising flows between countries with different geopolitical alignments. M&A data show a long-run pattern of more deals happening between friendly countries, but that decelerated markedly in 2025.

Most of the recent fragmentation in global flows has been due to weaker U.S.–China ties and sanctions on Russia. When excluding U.S.–China flows and all flows involving Russia (gray lines), the declines since 2021 in the average geopolitical distance traversed by international flows shrink by 89% for goods trade and 69% for M&A deals.

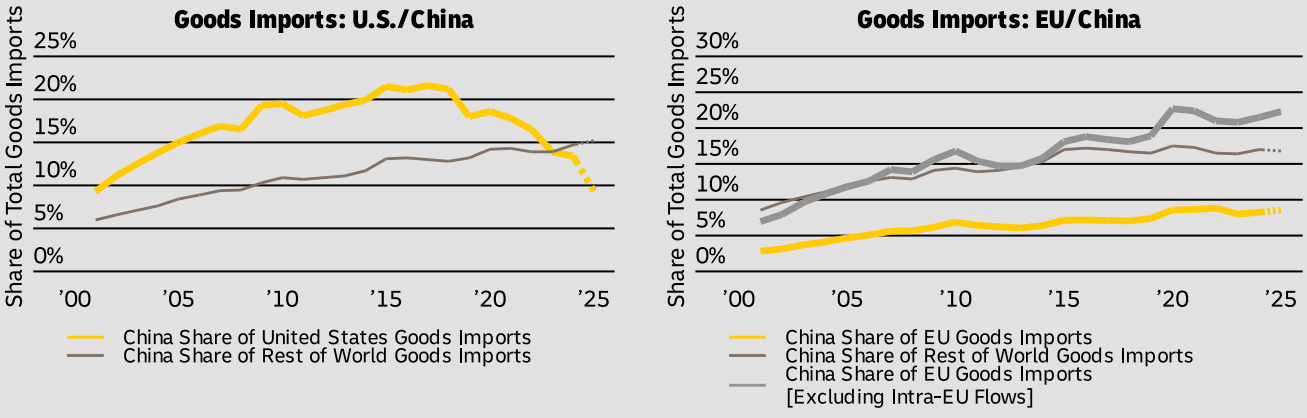
In short, the broader pattern globally continues to indicate limited geopolitically-driven realignments of international flows, even as spikes in tensions between specific countries do substantially affect their business ties.

Is the U.S. Less Reliant on Made-in-China Goods?

As seen in **Figure 10**, the share of U.S-reported imports coming from China has fallen sharply since the start of the U.S.–China trade war in 2018, with a dramatic plunge in early 2025 when tariffs temporarily surged above 100%. In 2017, China accounted for 22% of U.S. imports, falling to 13% in 2024 and further to 9% over the first nine months of 2025. Meanwhile, China's share of imports to the rest of the world has continued to increase, a contrast that makes the declines in the share of U.S. imports coming from China even more striking. There is even a modest rising trend in the share of EU imports coming from China.

Despite the sharp declines in the U.S.-reported share of imports from China, we caution against concluding that U.S. reliance on made-in-China goods has significantly diminished. U.S. imports from other countries increasingly contain made-in-China components. While some "transshipment" of Chinese goods via third countries does occur, the main driver of this phenomenon appears to be the use of more Chinese inputs in manufacturing in other countries, especially in Southeast Asia. Available data through 2024 show no meaningful decline in the made-in-China share of overall U.S. consumption.[10]

FIGURE 10: FLOW SHARE SHIFTS



Data Source: IMF International Trade in Goods

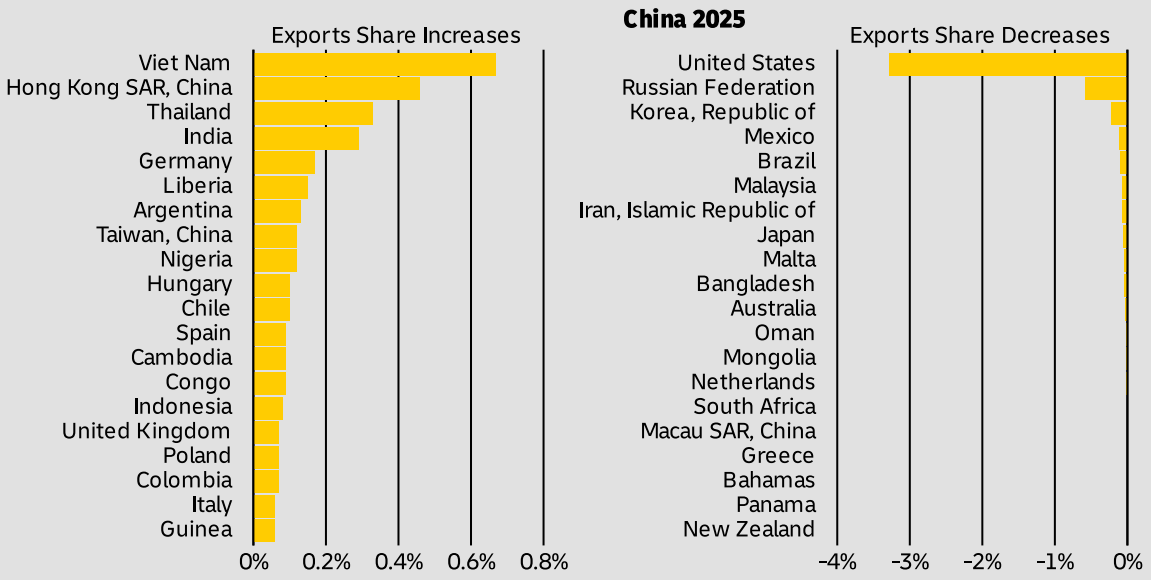
[10] For additional discussion and results through 2024, refer to p. 52 of the DHL Global Connectedness Report 2026.

China Exports Shift

China's goods exports continued growing in 2025, despite a 20% drop in the value of China's exports to the U.S. Strikingly, the drop in the value of China's exports to the U.S. (USD 105 billion) was largely offset by a 13% ($79 billion) increase in China's exports to the ASEAN (Association of Southeast Asian Nations) region. Coupled with gains in India, Japan, and Taiwan, China more than offset its reduced exports to the U.S. with larger exports to Asian markets. China also expanded exports to Africa by 46 billion U.S. dollars (+26%) and to the EU by 43 billion U.S. dollars (+8%).[11]

For a more granular view of the changing destinations of China's exports, **Figure 11** highlights the countries with the largest increases and decreases in shares of China's exports comparing 2025 (Jan–Sep) versus 2024. The countries with the largest increases as export destinations for goods from China were Viet Nam, Hong Kong SAR, China, Thailand, India, and Germany, while the countries with the largest decreases were the United States, Russian Federation, Republic of Korea, Mexico, and Brazil.

FIGURE 11: PARTNER SHARE COMPARISONS



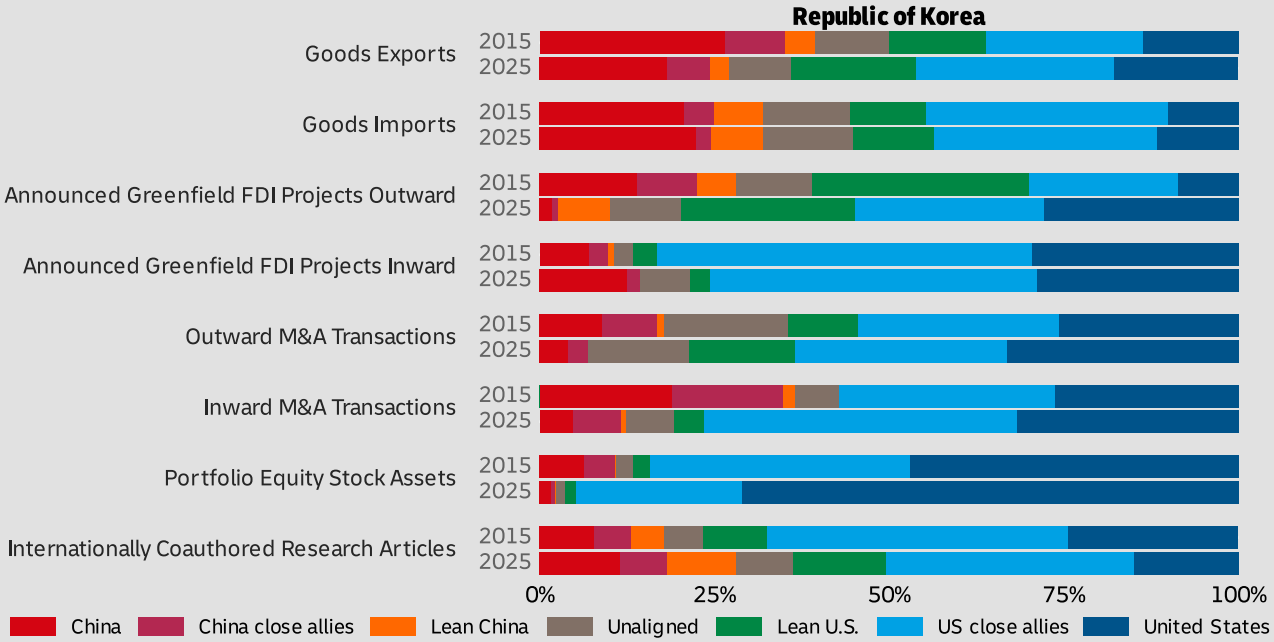
Data Source: UN Comtrade, General Administration of Customs People's Republic of China

[11] This paragraph is based on data reported by China Customs (Monthly Bulletin released January 8, 2026).

Summary Profiles of Flows by Geopolitical Alignment

As the geopolitical landscape continues to shift, summary profiles of the composition of countries' international activity across blocs are especially useful to provide orientation for decision-makers and analysts. **Figure 12** presents a template for profiling countries' international flows across geopolitical categories (along with regions and country income levels). A sample profile for Korea highlights a notable shift in its activity toward U.S.-aligned countries in many areas since 2015, while also highlighting how Korea interacts far more with U.S. allies than with the U.S. itself. [Similar charts for other countries are available in the online version of this Tracker.]

FIGURE 12: SUMMARY PROFILE OF INTERNATIONAL FLOWS BY GEOPOLITICAL ALIGNMENT



Data Sources: IMF International Trade in Goods, Financial Times fDi Markets database, SDC Platinum, IMF Portfolio Investment Positions by Counterpart Economy, Clarivate Web of Science, China Customs, CPT Single Window

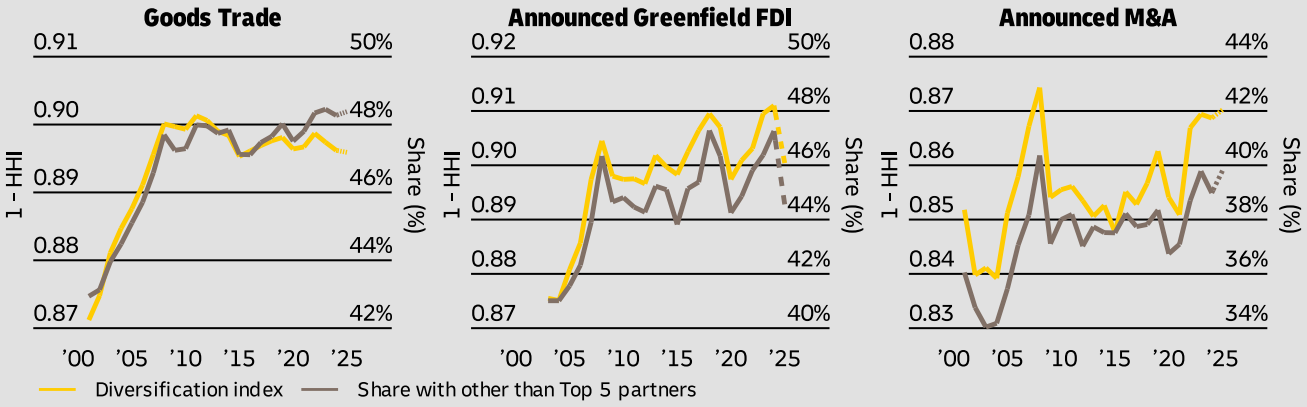
Note: Goods trade data for 2025 reflect first nine months. Announced greenfield FDI data for 2025 reflect first 11 months. Data shown for Portfolio Equity Stock Assets are from 2024 (latest available). Bloc classifications based on Williams, M., Evans-Pritchard, J. & Walsh, R. (2025). The Shape of the fractured world in 2025. Capital Economics.

Diversification Across Partner Countries

The growing emphasis on de-risking international activity has drawn attention to the diversification of international flows across origin/destination countries. Policymakers and business leaders alike aim to avoid excessive reliance on any single partner—particularly those vulnerable to geopolitical instability. To track the diversification of international flows, we use two metrics: a diversification index (one minus the widely-used Herfindahl Hirschman Index of concentration) and the share of flows with countries outside a nation's top five partners (origin/destination countries for a given flow) (See **Figure 13**).

The diversification of goods trade began increasing in 2016, with both measures on rising trends up to 2022. However, the diversification index began declining in 2023 and the share-based measure has not changed appreciably since then—suggesting no strong evidence of a sustained diversification trend for goods trade. The diversification measures show a recent decline for announced greenfield FDI and a small increase for announced M&A transactions.

FIGURE 13: AVERAGE DIVERSIFICATION ACROSS PARTNER COUNTRIES



Data Source: CPT Single Window, General Administration of Customs People's Republic of China, IMF International Trade in Goods, UN Comtrade, Financial Times fDi Markets, SDC Platinum

Notes: Dotted line indicates partial year data.

Question 3: Are International Flows Becoming More Regional?

In recent years, resilience imperatives, geopolitical tensions, regional trade agreements, automation, and environmental concerns have spurred interest in producing goods nearer to end customers—potentially signaling a shift from globalization to regionalization.[12] Yet so far, there is no clear trend of more international activity happening within rather than between geographic regions.

Tracking Regionalization

We measure regionalization using two complementary indicators: (1) the share of flows occurring within major world regions and (2) the average distance over which international flows travel (see **Figure 14**). The share of flows happening inside regions can vary considerably depending on how regions are defined,[13] while average distance avoids such subjectivity. Since

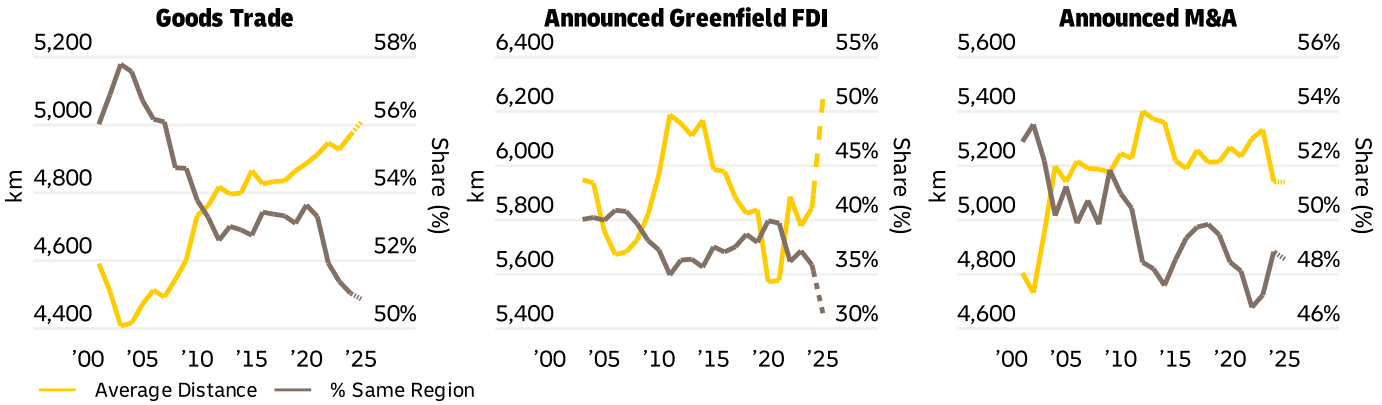
[12] For evidence on why friendshoring could lead to nearshoring/regionalization, see DHL Global Connectedness Report 2026, p. 69.

[13] See DHL Global Connectedness Report 2026 p. 301 for a list of countries classified in each region.

regional flows typically span shorter distances, we expect increases in regionalization to correspond with declining average flow distance.

In fact, most flows are taking place over stable or longer distances. Although the average distance for goods trade dipped slightly in 2023, it rebounded to a record high in 2024 and rose further to 5,010 km during the first three quarters of 2025. Over the same period, the share of trade within major world regions fell to a record low of 51%. Similarly, greenfield FDI projects took place over the longest distances on record in 2025, with a record low share happening inside regions. Cross-border M&A activity, meanwhile, showed no substantial changes in regionalization. In short, current data does not support a general pattern of rising regionalization.

FIGURE 14: AVERAGE DISTANCE AND REGIONALIZATION



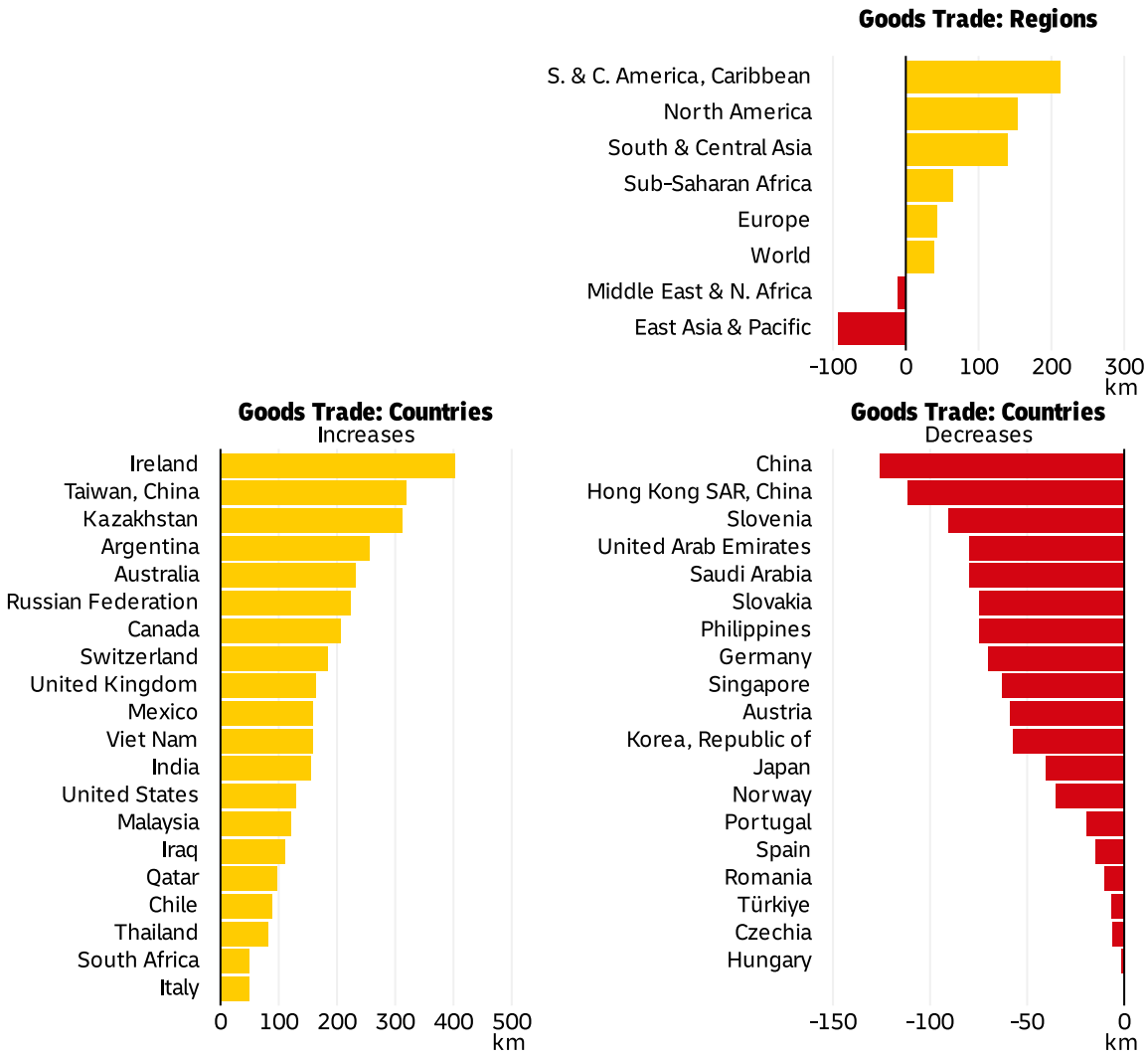
Data Sources: CEPII Gravity database; CPT Single Window; Financial Times fDi Markets; General Administration of Customs People's Republic of China; IMF International Trade in Goods; SDC Platinum; UN Comtrade

Note: Dotted line indicates partial year data.

A closer look at the trade data (see **Figure 15**) reveals that trade traversed longer distances in 2025 across all regions except Middle East and North Africa and East Asia and Pacific. The largest increase in average distance was in South and Central America and the Caribbean (212 km), where the intra-regional share declined slightly from 20% to 19%. In contrast, the largest decrease in average distance was in East Asia and Pacific, where the average goods trade distance declined by 93 km, and the share within that region rose from 55% to 56%.

Among the 50 largest trading nations, the biggest increases in average goods trade distance from 2024 to 2025 (first nine months) were seen in Ireland (+402 km), Taiwan, China (+319 km), Kazakhstan (+312 km), Argentina (+256 km), and Australia (+231 km). In contrast, the sharpest shifts toward shorter distance trade over this period occurred in China (–126 km), Hong Kong SAR, China (–111 km), Slovenia (–91 km), United Arab Emirates (–80 km), and Saudi Arabia (–80 km).

FIGURE 15: AVERAGE DISTANCE BY REGION/COUNTRY, 2025 (YEAR TO DATE) VS. 2024



Data Sources: CEPII Gravity database; CPT Single Window, General Administration of Customs People's Republic of China, IMF International Trade in Goods, UN Comtrade

Regionalization is Already the Norm

Although there is no clear global trend of rising regionalization, it is important to recognize that international activity is already highly regionalized. On average, about half of global trade, capital, information, and people flows occur within roughly continent-sized regions–about three times more than expected if flows were unconstrained by geographic distance and other types of cross-country differences. Most countries engage far more intensively with neighbors than with distant partners.

Conclusion

In today's volatile business environment, with much talk of deglobalization and a fracturing of the global economy, the underlying data tells a different story. Global flows of trade, capital, information, and people are not retreating—they are holding firm. There is no mass pivot to

domestic activity. Realignments are happening, but mostly among countries caught in the crosshairs of geopolitical conflict. And what about regionalization? Are countries turning inward, trading more with neighbors and less with the world? Again, the data says no. In fact, most international flows are stretching farther than ever. The share of activity within geographic regions is shrinking, not growing. Amid the turbulence of war, pandemic, and political fragmentation, the global economy has proven remarkably resilient. Deglobalization remains a possibility—but it is not today's reality.

Public Policy

For public policy, the resilience of global flows has several important implications. First, it strengthens the case for international cooperation to preserve and expand the benefits countries derive from globalization. Second, it underscores the need for leaders to intensify efforts to address public concerns about globalization, since the resilience of global flows coexists with persistent anti-globalization sentiment in many countries. Third, it suggests that de-risking policies—where necessary—should adopt a holistic view of global value chains. Otherwise, shifts from direct to indirect trade through third countries may heighten risks by reducing transparency. When more countries are involved, it becomes more difficult to monitor each country's role and its sensitivity.

Business Strategy

For businesses, it is crucial to assess the competitive impact of potential reshoring, nearshoring, or friendshoring moves. While the risk of deglobalization calls for stress-testing exposure to disruptions in global flows, the resilience of international flows suggests that withdrawing unilaterally from international opportunities could disadvantage a company relative to competitors that continue to benefit from participation in global markets and supply chains.

As decision-makers consider the implications of the second Trump presidency, they should remember that international flows have remained resilient through Brexit, the U.S.–China trade war, the Covid pandemic, and wars in Ukraine and Gaza. While the future remains uncertain, recent history cautions against assuming that new shocks will necessarily reverse globalization.

Globalization Data vs. Globalization Headlines

The resilience of international flows contrasts with the widespread narrative that globalization is going into reverse. This gap is largely due to the fact that much of the deglobalization discourse is driven not by actual cross-border flows but by shifts in politics and public opinion, policy changes, plans by companies to adjust markets or supply chains, and predictions about the future. These signals help understand the likelihood of deglobalization, but they do not tell us whether the world is, in fact, becoming less connected.

The DHL Global Connectedness Report 2026 identifies several common errors and biases that inflate perceptions of deglobalization while underemphasizing the resilience of international flows. It also outlines reasons why global flows may continue to show resilience moving forward.

The bottom line: we continue to live in a partially globalized world, presenting both opportunities and challenges for countries and companies. As DHL Global Connectedness Index co-creator Pankaj Ghemawat emphasized in his Laws of Globalization, international flows remain too big to ignore—even as they continue to be constrained by the distances and differences between countries. While the contours of this complex landscape remain in flux, the fundamental drivers and benefits of international engagement endure.

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