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DHL Global Connectedness Tracker

October 2025: Special Update on Shifts in Global Flows amid Policy Shocks

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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. In 2025, we expanded the Tracker to capture early impacts of policy shifts following U.S. President Donald Trump's return to office—adding monthly trade analysis and quarterly updates on international business investment. 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 on September 30, 2025, and encompass developments up to June–August 2025 for trade, greenfield foreign direct investment (FDI), and mergers & acquisitions (M&A) activity, as well as results through 2024 for other types of international flows.

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. Tariff increases prompted trade forecast downgrades for 2025 and 2026, but global trade is still expected to grow at a similar pace over the 2025–29 period as it did over the past decade. The steepest forecast downgrade was for North America, and all regions saw downgrades except South & Central America and Middle East & North Africa.
2. Global trade in goods grew faster during the first half of 2025 than in any half-year since 2010 except during the pandemic. U.S. buyers rushed to import ahead of tariff increases and China offset lower exports to the U.S. with higher exports to other markets.
3. International investment shows mixed signals. The latest data indicates no pattern of companies redirecting investment from foreign to domestic markets, but uncertainty does appear to have deterred some cross-border investment, especially smaller transactions and new investment announcements during the second quarter of 2025.
4. U.S.–China decoupling continues with tariffs accelerating a decline in direct trade ties between the U.S. and China. The share of U.S.-reported imports coming directly from China plummeted to only 9% over the first seven months of 2025, down from 13% a year earlier and 22% in 2017.
5. Geopolitical shifts in global flows remain limited. Most of the world has not substantially reoriented its international activity along geopolitical lines. However, a modest trend toward more trade among geopolitical allies resumed in the first half of 2025, after a pause in 2024.
6. Most business is already between friendly countries, suggesting that de-risking might lead to smaller shifts in global flows than many presume. In 2024, twenty times more M&A deals, nine times more greenfield investments, and three times more goods trade happened among close allies than between geopolitical rivals.
7. Business has not become more regional. During the first half of 2025, goods trade traversed the longest average distance on record (4,990 km) and the share taking place inside major world regions declined to a new low of 50.7%. Greenfield investment has also become less regional, while M&A shows a stable level of regionalization.
8. The DHL Global Connectedness Index shows no retreat from international to domestic activity through 2024 based on 14 types of trade, capital, information, and people flows. The index reached a record high level in 2022 and has not changed appreciably since then.

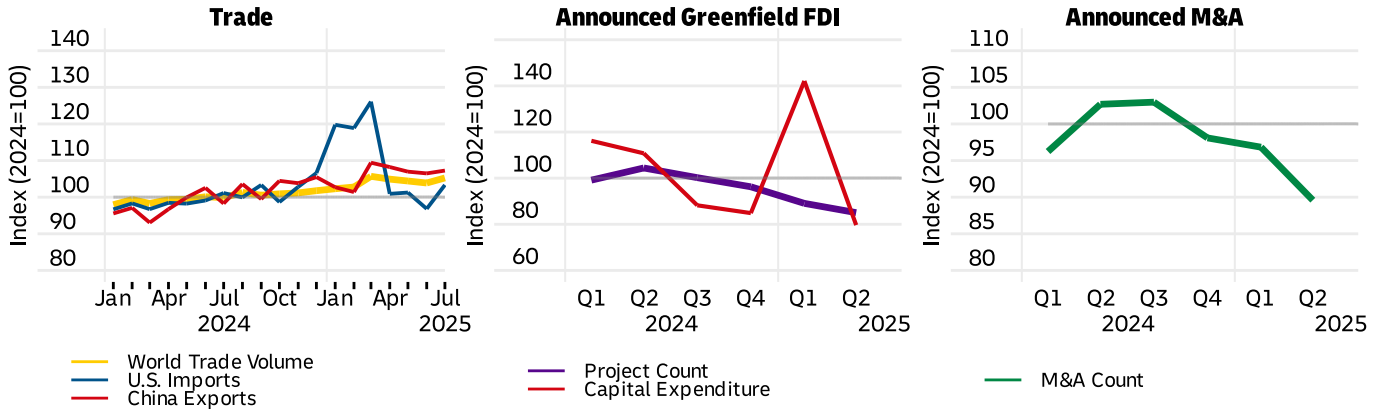
Question 1: How are Policy Shocks Affecting the Growth of International Flows?

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 has remained surprisingly resilient in 2025, despite heightened trade policy uncertainty and U.S. tariffs rising to levels last seen in the 1930s. In the first half of 2025, global trade volumes showed the fastest half-year growth since 2010 (excluding the volatile 2020–21 pandemic period).[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. Even after the frontloading wave subsided in April and U.S. imports dipped below prior year levels in June, global trade volumes remained above prior year levels (see **Figure 1**).

FIGURE 1: TRADE AND INTERNATIONAL BUSINESS INVESTMENT (VS. 2024 LEVELS)



Data Sources: CPB World Trade Monitor; Financial Times fDi Markets; SDC Platinum

Note: Gray line: 2024 Average.

[1] Seasonally-adjusted monthly trade volumes were up over the first six months of 2025, on average, by 3% versus the second half of 2024 and 4% versus the full year 2024, according to data from CPB World Trade Monitor (July 2025 edition, released September 25, 2025).

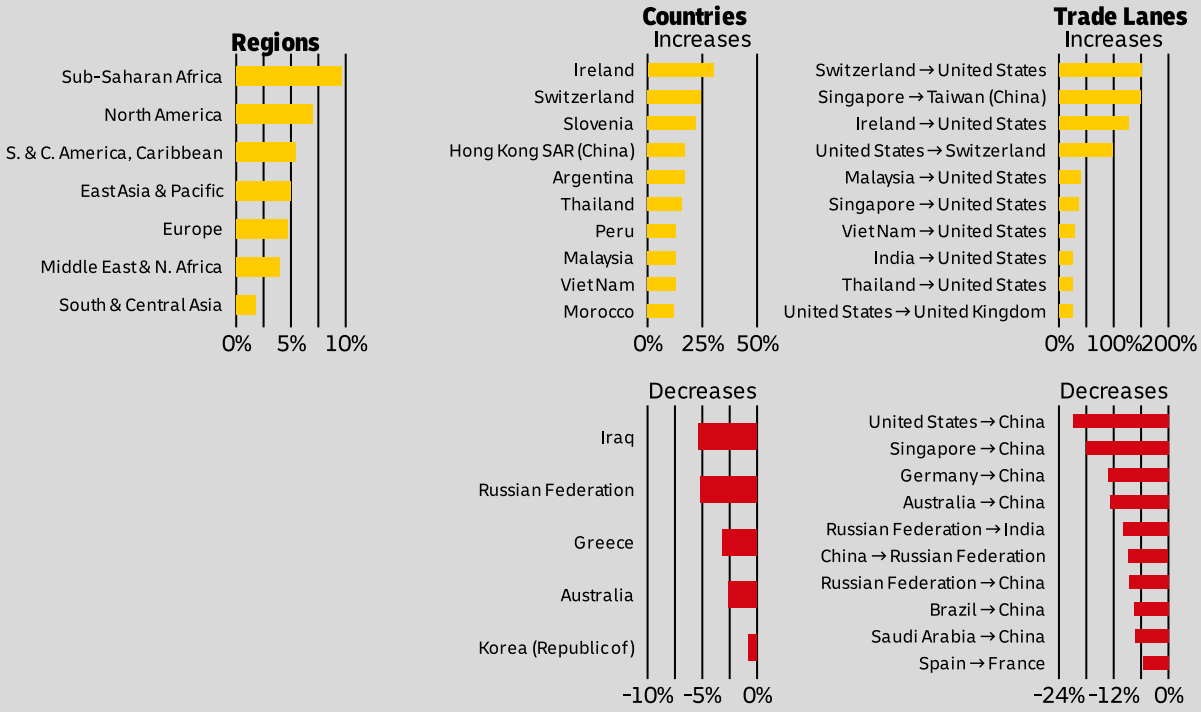
Trade Growth by Region, Country, and Trade Lane

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 9.6% increase in trade value (in current U.S. dollars) in the first six months of 2025 versus the same period in 2024. North America and South & Central America, Caribbean followed with 7.0% and 5.4% growth, respectively.

Among the 50 largest trading nations—together accounting for 92% of global trade—Ireland saw the fastest trade value growth in the first six months of 2025, up 30.1% year-over-year. Switzerland followed with a 24.3% increase, and Slovenia with 22.1%. Exports from Ireland and Switzerland surged due to U.S. frontloading of pharmaceutical imports. In contrast, the steepest trade value declines during the same period were in Iraq (-5.4%), the Russian Federation (-5.1%), and Greece, (-3.1%).

Among the world's 100 largest trade lanes—nearly half of global trade—seven of the ten fastest-growing were exports to the U.S., driven by the frontloading surge. The fastest growth was in exports from Switzerland to the United States (+151.4%), followed by exports from Singapore to Taiwan (China) (+149.4%), and from Ireland to the United States (+126.3%). The four steepest declines all involved exports to China: from the U.S. (-20.8%), Singapore (-18.1%), Germany (-13.2%), and Australia (-12.8%). This reflects the general weakness in China's imports in early 2025, driven by sluggish domestic demand and more limited use of foreign inputs in China's exports due to the development of domestic supply networks.

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



Data Source: IMF International Trade in Goods (IMTS)

[2] This box 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.

Large Transactions Sustain International Business Investment as Deal Counts Drop

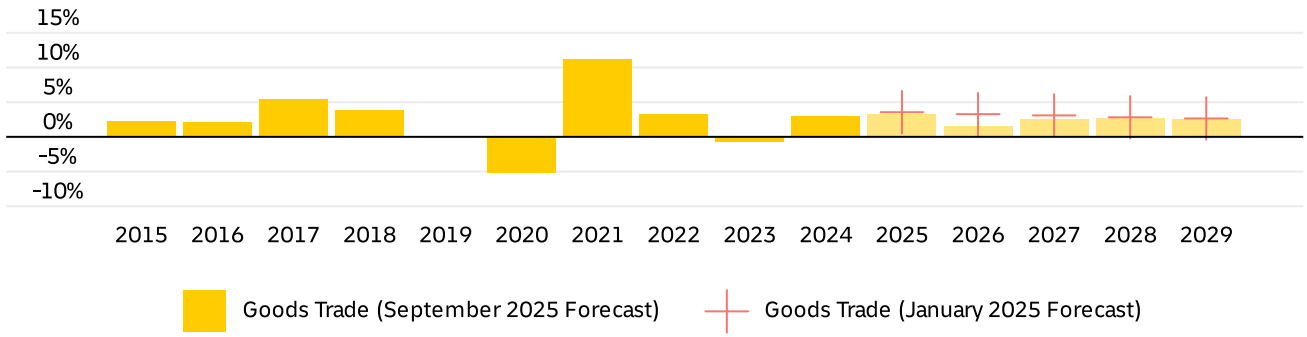
International business investment trends in the first half of 2025 were mixed: large transactions sustained the value of announced investment plans despite fewer deals overall. Even as companies continue to invest abroad, falling deal counts and declining investment levels from Q1 to Q2 2025 fit with expectations of uncertainty reducing business investment, especially by smaller companies.[3]

The estimated capital expenditure on announced greenfield FDI rose sharply during the first quarter of 2025 before falling in the second quarter, resulting in the third highest half-year value on record. However, the number of greenfield FDI announcements declined in both quarters, indicating that large deals played a disproportionate role in sustaining announced greenfield FDI so far in 2025. M&A data also show declines in transaction counts during the first two quarters of 2025. However, PwC reported an increase in the value of cross-border M&A activity during the first half of 2025.[4] Foreign direct investment flows (including realized greenfield investment, M&A transactions, and reinvestment of foreign earnings) declined from Q4 2024 to Q1 2025 but remained well above the 2024 annual average.[5]

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 (see **Figure 3**). Nonetheless, our composite forecast—drawn from four sources—still projects a 2.5% annualized growth rate in global trade volumes from 2025 to 2029, matching the 2.5% pace seen from 2015 to 2024 (though below the 3.1% rate anticipated before the latest round of U.S. tariff increases).[6]

FIGURE 3: ANNUAL GOODS TRADE GROWTH



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

Current forecasts show trade volume rising 3.2% in 2025, slowing to 1.6% in 2026, then returning to 2.5–2.6% growth through 2029. 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

[3] U.S. "Liberation Day" tariffs were announced on April 2nd, prompting large but temporary declines in financial markets at the beginning of Q2.

[4] The Institute for Mergers, Acquisitions, and Alliances forecasts an increase in both the number and the value of cross-border M&A transactions during the full year of 2025 (as of August 2025).

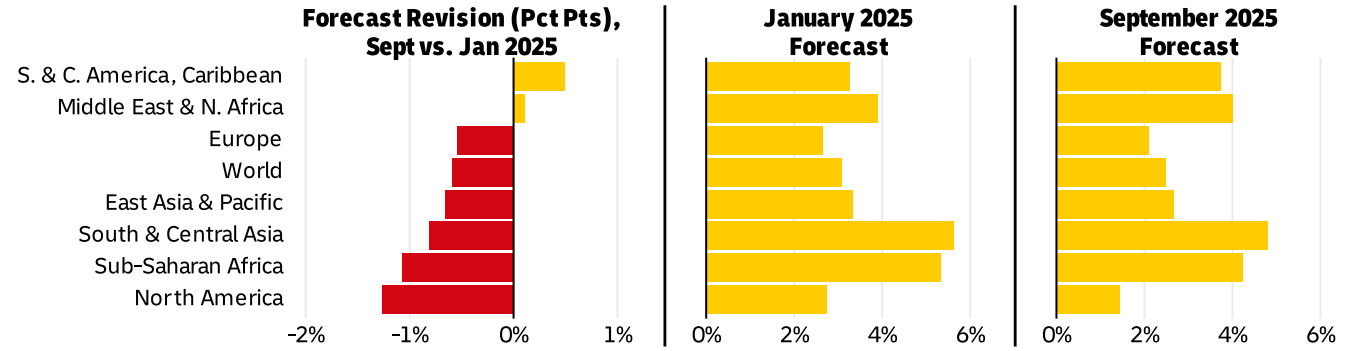
[5] OECD, FDI in Figures data file, accessed August 23, 2025.

[6] 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.

global goods imports and 9% of exports in 2024—and the fact that other countries have not followed the U.S. on its current path of across-the-board tariff increases.

The steepest trade forecast downgrades following U.S. tariff hikes were for North America, where projected trade volume growth for 2025–29 was cut by 47%—from 2.7% CAGR in January 2025 to just 1.5% by August (see **Figure 4**). Most other regions saw more modest downward revisions. In contrast, forecasts were upgraded modestly for two regions: South & Central America and the Caribbean and the Middle East & North Africa. Most countries in both regions face comparatively small U.S. tariff increases, and the Middle East also benefits from planned increases in oil production and exports.

FIGURE 4: GOODS TRADE GROWTH FORECAST 2025–29 CAGR, SEPT 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.

In 2024, an estimated 21% of the value of all goods and services produced around the world was traded internationally—just below the record high of 22% set in 2008 and roughly matched in 2022.[7] Current forecasts suggest modest declines in 2025 and 2026, indicating that global economic integration via trade will remain close to record high levels. This indicator also shows that the vast majority of economic activity (about 80%) is still domestic, suggesting substantial potential for further trade growth.

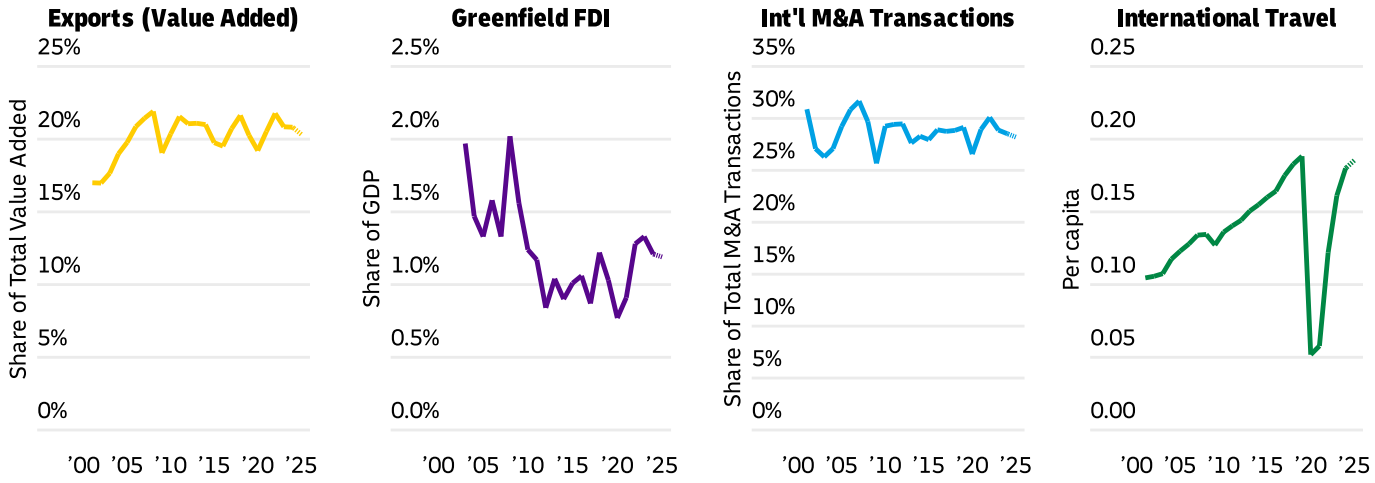
The investment data are even more striking. Although the number of announced M&A transactions declined in the first half of 2025, the share of those transactions crossing national borders has not changed substantially, remaining close to 30% for more than a decade. Goldman Sachs reports that the international 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.

[7] 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 2023 were calculated based on data from the Asian Development Bank's Multiregional Input-Output Tables at current prices (62-country version), and the 2024 and 2025 projections are based on gross trade and GDP growth forecasts from the April 2025 IMF World Economic Outlook.

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 a modest pullback in 2024, remained above the average over the past decade through the first half of 2025. Additionally, global data show announced greenfield FDI growing faster than total capital expenditure, and U.S. data indicate a stable ratio of interstate relative to international greenfield projects.[8] These results, along with the M&A data, indicate that business leaders have not embraced a general shift toward domestic rather than international investment.

Looking beyond trade and investment, the continued rebound in international travel following the Covid-19 pandemic has reached a milestone. In October 2024, the number of travelers to foreign countries finally surpassed its 2019 (pre-Covid) level and continued to exceed pre-pandemic levels in early 2025.[9] However, international trips per capita remained slightly below 2019 levels. The travel recovery was strongest in the Middle East, with international arrivals up 44% in Q1 2025 compared to Q1 2019). All regions had more arrivals than in 2019 except Asia-Pacific (down 8%).

FIGURE 5: INDIVIDUAL FLOW DEPTH TRENDS



Data Sources: Asian Development Bank Multiregional Input-Output; Financial Times fDi Markets database; IMF World Economic Outlook April 2025; Our World in Data; SDC Platinum; UN Tourism; 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).

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 25.5% in 2022 and has not changed substantially since then. The 2024 level was 25.1%.

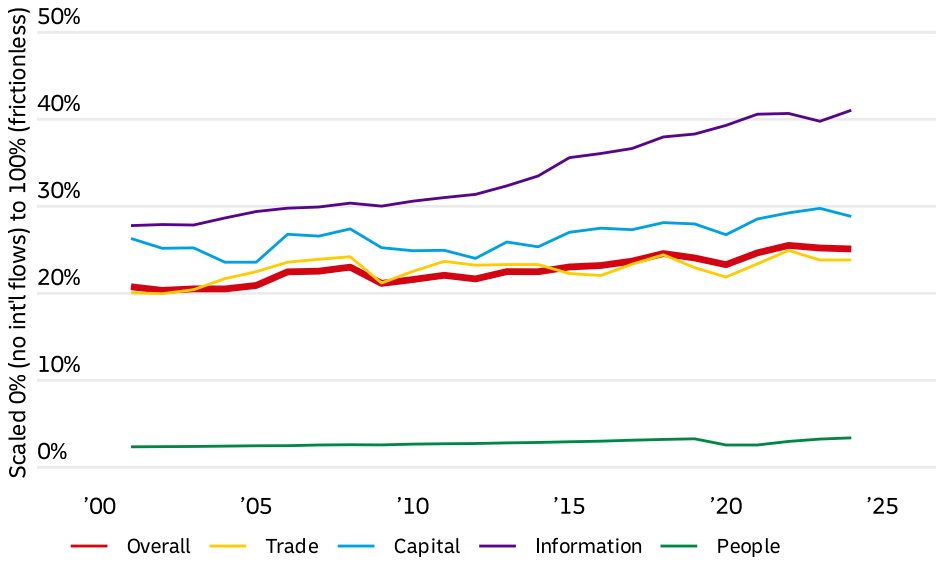
The index shows that information flows are the most globalized, and—thanks to digitization—have seen the largest globalization gains over the past two decades. However, the globalization of information flows has largely stalled since 2021, due in part to reduced scientific collaboration

[8] Based on data from the FT Locations fDiMarkets database. There is, however, a recent rising trend in estimated capital expenditure on interstate relative to international greenfield projects.

[9] UN Tourism Data Dashboard

between the U.S. and China. Capital and trade flows are less globalized, with their highest levels relative to domestic activity recorded in 2023 and 2022, respectively. People flows remain the least globalized, though the post-Covid rebound in international travel pushed them to a new record high in 2024.

FIGURE 6: DHL GLOBAL CONNECTEDNESS INDEX DEPTH TRENDS



Data Source: DHL Global Connectedness Index

Note: 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.[10] 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" as trade and investment become more influenced by geopolitical considerations.

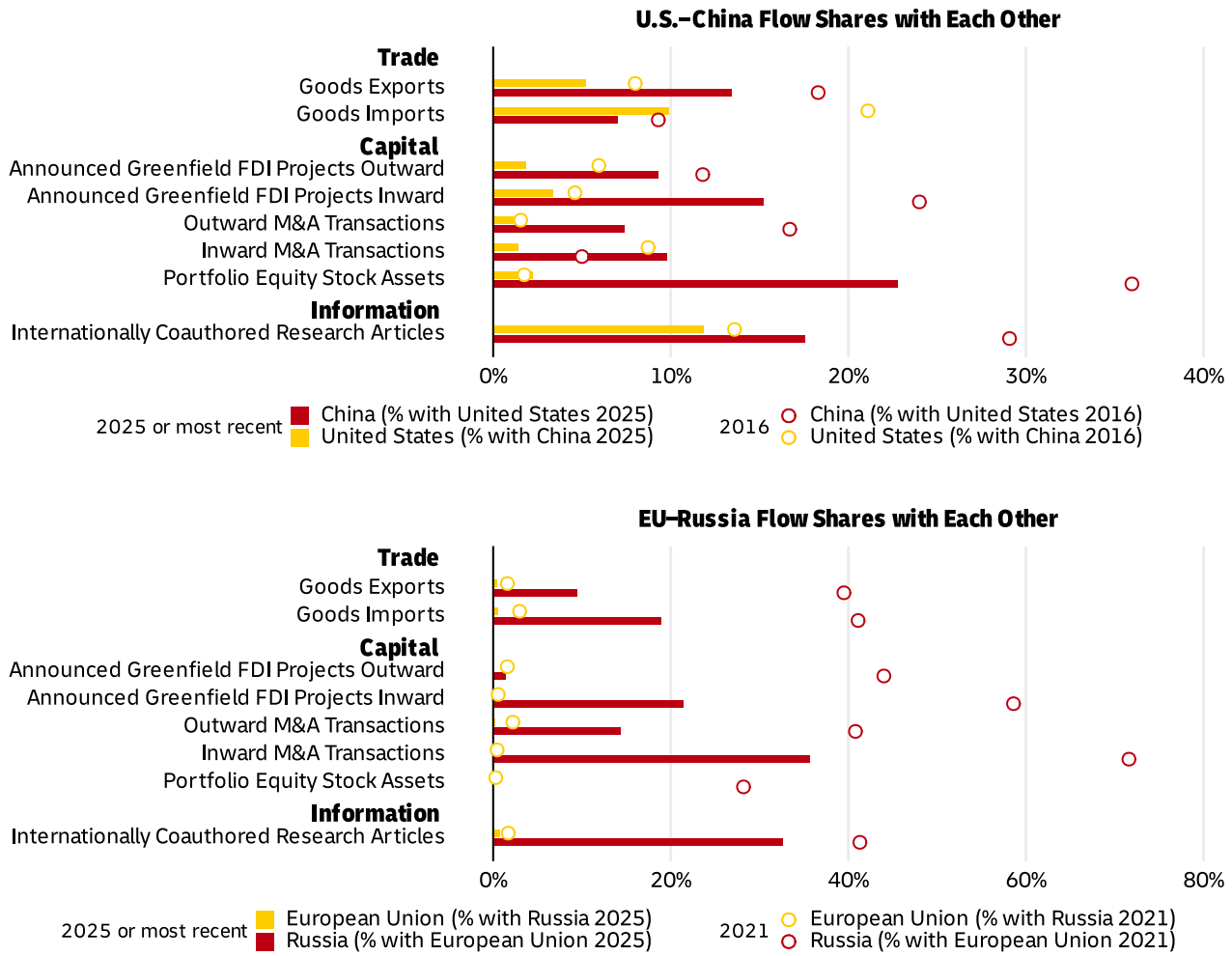
[10] For a brief explanation of this scaling method and selected references, see Endnote 1 on p. 93 of the DHL Global Connectedness Report 2024. Additional details are provided in Section 7 of the same report.

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.

The Impact of Current Conflicts

Geopolitical tensions are indeed reshaping the international flows of some countries, with the U.S.–China relationship at center stage. As seen in **Figure 7**, the share of various types of U.S. trade, capital, and information flows involving China has fallen by about 35%, on average, since 2016. Over the same period, the share of China's flows involving the U.S. has fallen by roughly 18%.

FIGURE 7: FLOW SHARE SHIFTS SUMMARY



Data Sources: Clarivate Web of Science; Financial Times fDi Markets database; IMF CPIS database; IMF DOT Database; SDC Platinum

Notes: Data for 2025 reflect the first half of the year. Data shown for Portfolio Equity Stock Assets and Internationally Coauthored Research Articles are from 2024 (latest available). Russia 2024 portfolio equity data unavailable.

Figure 7 also shows an even sharper rupture between the European Union (EU) and Russia since Russia's full-scale invasion of Ukraine in 2022. In less than four years, EU flows to and from

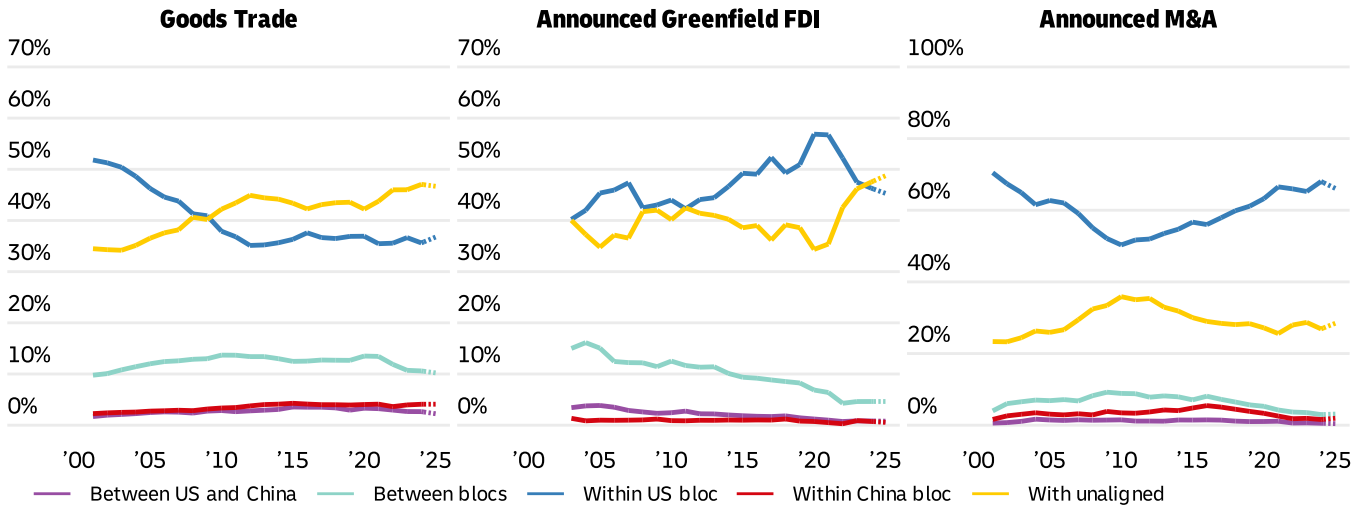
Russia fell by 85%, while the share of Russia's flows to or from the EU fell by 61%. Unlike the gradual decoupling between the U.S. and China, military conflict and sweeping sanctions have triggered a far more abrupt and profound break between Russia and Western-aligned nations.

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,[11] 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, Canada, and New Zealand. The China-aligned bloc includes China and "close allies" such as Russia, Iran, Pakistan, Venezuela, and a variety of smaller economies, mainly in Africa and Asia.

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



Data Sources: Financial Times fDi Markets; IMF International Trade in Goods, UN Comtrade database; SDC Platinum

Notes: Bloc classifications based on Evans-Pritchard, J. , & Williams, M. (2023). The shape of the fractured world economy in 2024. Capital Economics.

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 2.2% in 2025 (Jan–Jun)—a large drop in U.S.–China trade, but modest in global terms.[12] Similarly, their share of announced global M&A deals fell from 1.5% in 2016 to 0.4% in the first half of 2025. The U.S.–China share of greenfield FDI peaked much earlier at 3.9%

[11] Refer to DHL Global Connectedness Report 2024, page 63, to see how each country was classified.

[12] 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.

in 2005 and has gradually declined since then to just 0.8% during the first half of 2025. 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.

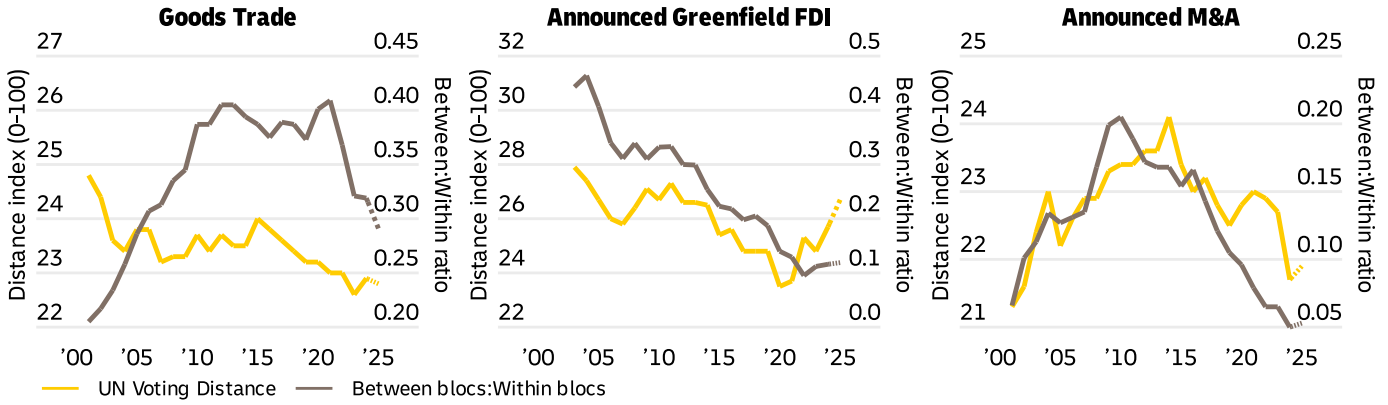
Most Business Already Between Friendly Countries

The vast majority of international business already occurs within groups of close allies. In 2024, there was three times more goods trade among close allies than there was between countries in rival geopolitical blocs, along with nine times more announced greenfield FDI projects and 20 times more M&A deals. Since most international 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 a more focused view of geopolitical shifts in global flows, **Figure 9** zooms in on two indicators of potential geopolitical realignment: the average "geopolitical distance" of international flows (measured based on the similarity of how countries vote in the UN General Assembly) and the ratio of flows between versus within blocs of close allies. Both measures would decline if flows increasingly aligned with geopolitical loyalties (more ties among allies, fewer with rivals).

FIGURE 9: AVERAGE GEOPOLITICAL DISTANCE BASED ON UN VOTING PATTERNS, RATIOS OF FLOWS BETWEEN VS. WITHIN GEOPOLITICAL BLOCS



Data Sources: Financial Times fDi Markets; IMF International Trade in Goods; SDC Platinum

Notes: Dotted line indicates partial year data. Geopolitical distance calculated according to 2018–22 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. Bloc classifications based on Evans-Pritchard, J. , & Williams, M. (2023). The shape of the fractured world economy in 2024. Capital Economics.

Goods trade began showing a fragmentation trend in 2022 and 2023, marked by declines in both measures after Russia's full-scale invasion of Ukraine. This fragmentation did not continue in 2024, but it appears to have resumed over the first half of 2025, with both measures again showing modest declines. Greenfield investment, which showed a "friendshoring" pattern from roughly 2011 to 2021, 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 there was a small reversal of that pattern during the first half of 2025.

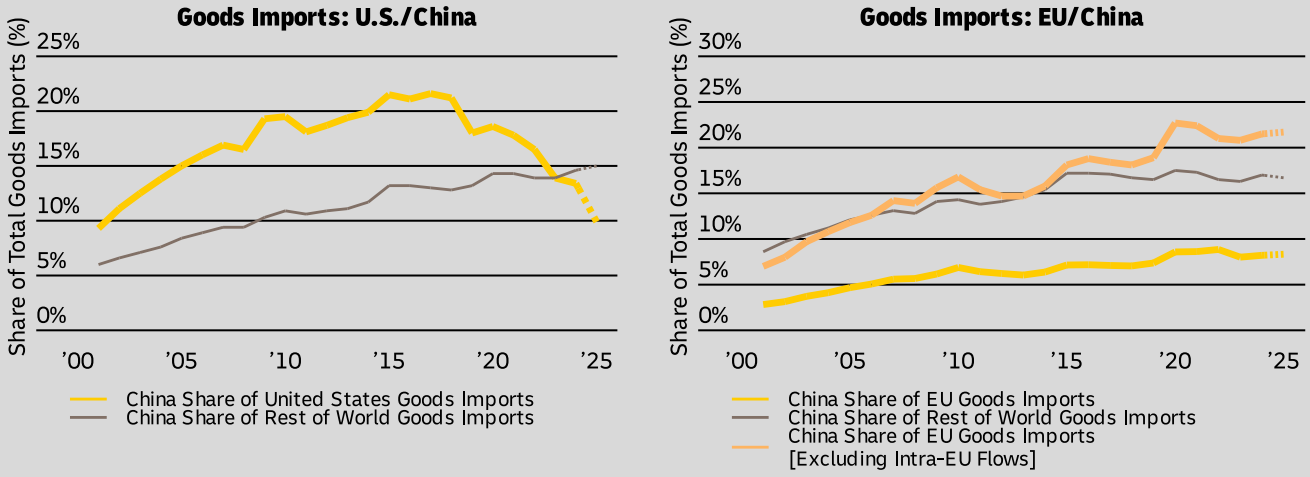
In summary, the broader pattern globally continues to indicate limited geopolitically-driven realignments of international flows, even as spikes in tensions between specific countries do substantially affect their business ties.

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 seven months of 2025.[13] 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—for two key reasons.[14] First, direct U.S. imports from China are likely under-reported. Export data from other countries suggest the share of U.S. imports coming directly from China fell from 20% in 2017 to 14% in early 2025—only half the drop indicated by U.S. data.[15] Second, 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 is the use of Chinese inputs in manufacturing in other countries, especially in Southeast Asia. Available data through 2023 show no meaningful decline in the made-in-China share of overall U.S. consumption.

FIGURE 10: FLOW SHARE SHIFTS



Data Source: IMF International Trade in Goods

Note: Dotted lines indicate partial year data.

[13] Data as reported by U.S. Census Bureau. These data only cover imports coming directly from China. They overstate the extent to which the U.S. has reduced its reliance on goods from China, because U.S. imports from other countries contain rising amounts of content originating in China.

[14] We address this topic at greater length on pp. 56-57 of the DHL Trade Atlas 2025 report.

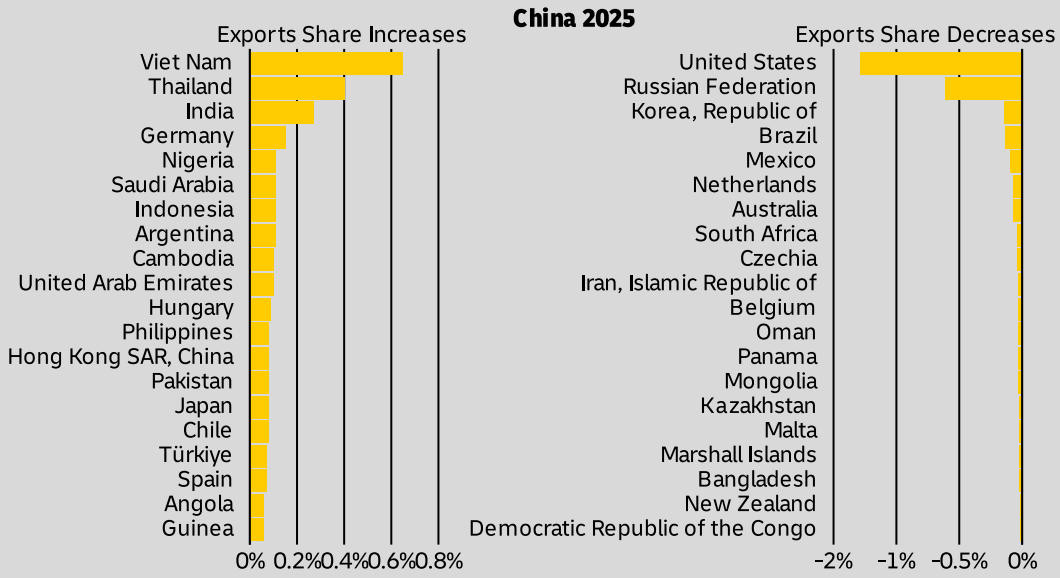
[15] Calculated based on data from IMF International Trade in Goods (IMTS).

China Exports Shift

China's goods exports continued growing over the first eight months of 2025, despite a 15% drop in the value of China's exports to the U.S. Strikingly, the full drop in the value of China's exports to the U.S. ($51 billion USD) was offset entirely by a 15% ($56 billion) increase in China's exports to the ASEAN (Association of Southeast Asian Nations) region. Meanwhile, China further boosted its exports growth with a 25% ($28 billion) rise in exports to Africa and an 8% ($26 billion) increase in exports to the EU, along with smaller but still substantial boosts to exports to other major markets, such as India and Latin America.[16]

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 (January to June) versus 2024. The countries with the largest increases as export destinations for goods from China were Viet Nam, Thailand, India, Germany, and Nigeria, while the countries with the largest decreases were the United States, Russia, Korea, Brazil, and Mexico.

FIGURE 11: PARTNER SHARE COMPARISONS



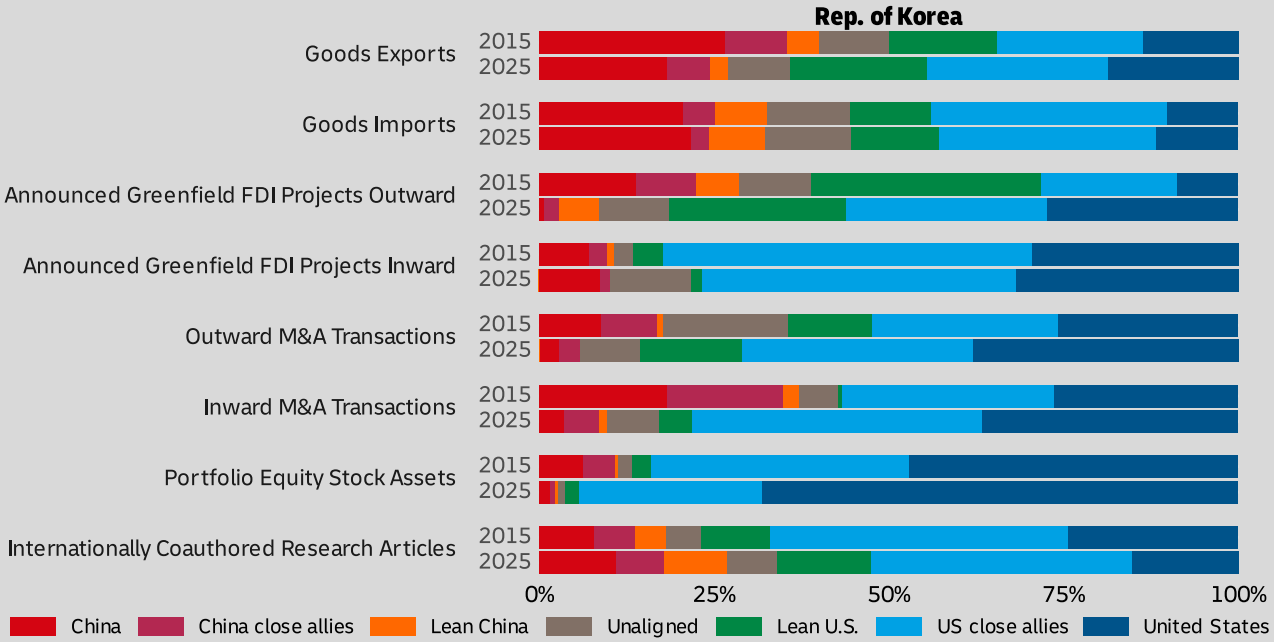
Data Source: IMF International Trade in Goods

[16] This paragraph is based on data reported by China Customs (Monthly Bulletin released September 19, 2025).

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 Source: IMF DOT Database, Financial Times fDi Markets database, SDC Platinum, IMF CPIS database, Clarivate Web of Science

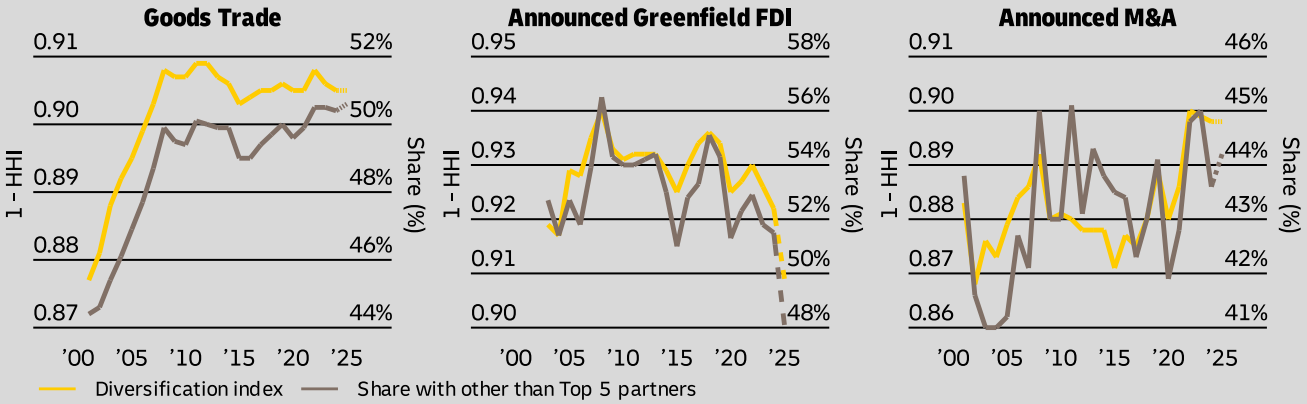
Note: 2025 data reflect the first half of the year. Data shown for Portfolio Equity Stock Assets and Internationally Coauthored Research Articles are from 2024 (latest available). Bloc classifications based on Evans-Pritchard, J., & Williams, M. (2023). The shape of the fractured world economy in 2024. 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 no substantial recent shifts for announced M&A transactions.

FIGURE 13: AVERAGE DIVERSIFICATION ACROSS PARTNER COUNTRIES



Data Source: IMF International Trade in Goods

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.[17] 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,[18] while average distance avoids such subjectivity. Since

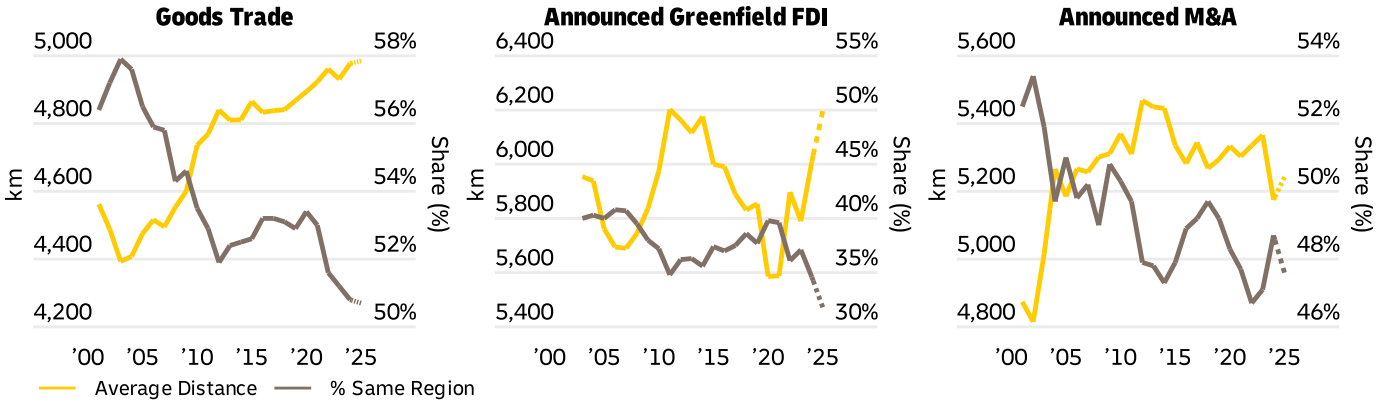
[17] For evidence on why friendshoring could lead to nearshoring/regionalization, see DHL Global Connectedness Report 2024, p. 73.

[18] See DHL Global Connectedness Report 2024 p. 294 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 4,990 km during the first half of 2025. Over the same period, the share of trade within major world regions fell to a record low of 50.7%. Similarly, greenfield FDI projects in 2024 and early 2025 showed increasing average distances between home and host countries, alongside declining shares happening inside regions. Cross-border M&A activity, however, 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

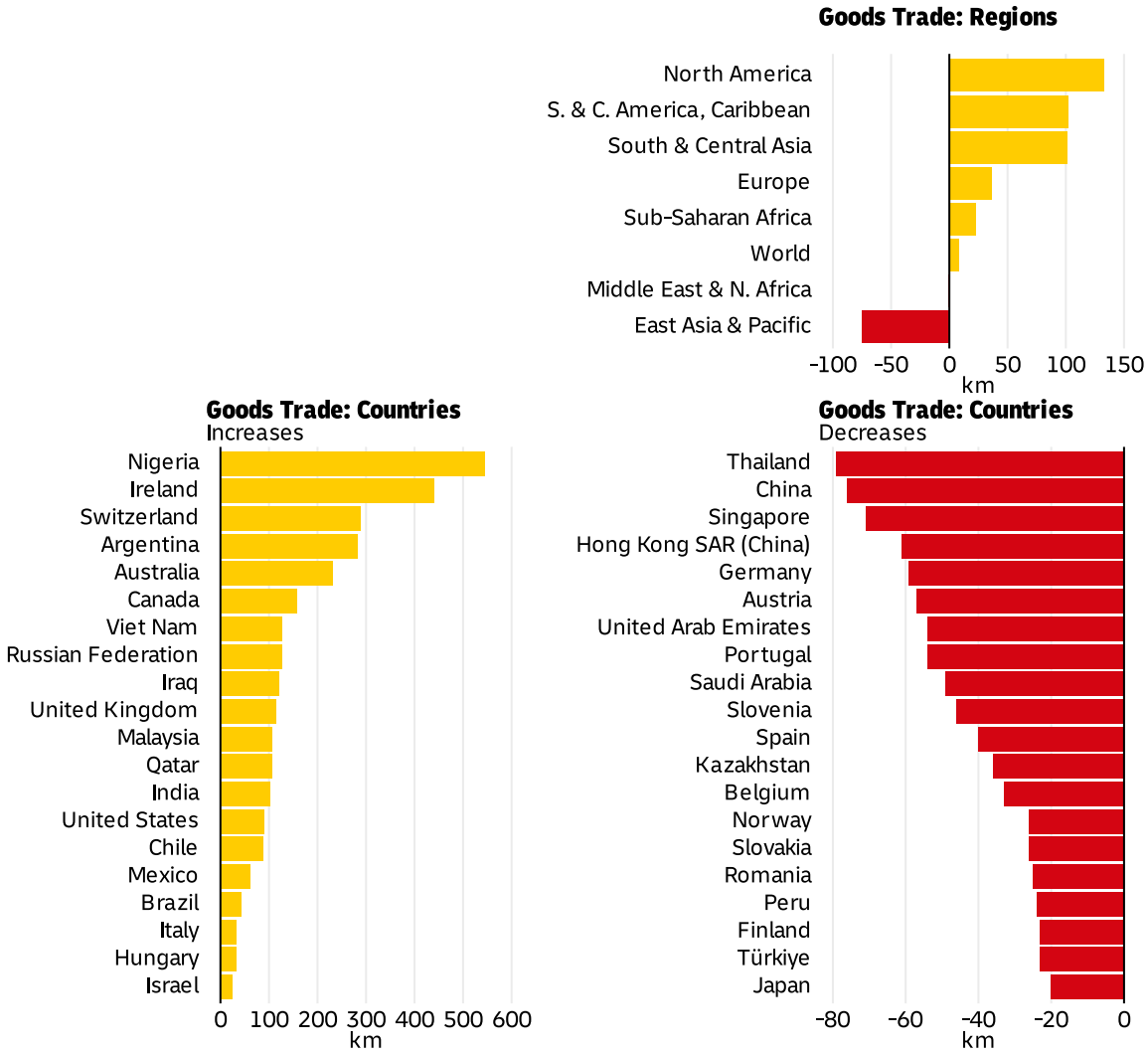


Data Sources: CEPII Gravity database; Financial Times fDi Markets; IMF International Trade in Goods; SDC Platinum

Note: Dotted line indicates partial year data.

A closer look at the trade data (see **Figure 15**) reveals that the modest increases in long distance trade observed so far in 2025 mainly reflected less regionalized trade in North America, partially offset by increased regionalization in East Asia & Pacific. In North America, the average trade distance increased by 133 km from 2024 to the first six months of 2025, while the intra-regional share fell from 41% to 39%. In contrast, East Asia & Pacific's average goods trade distance declined by 75 km, and the share within that region rose from 55% to 56%.

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



Data Sources: CEPII Gravity database; IMF International Trade in Goods; UN Comtrade database

Among the 50 largest trading nations, the biggest increases in average goods trade distance from 2024 to 2025 (first six months) were seen in Nigeria (+544 km), Ireland (+440 km), Switzerland (+288 km), Argentina (+283 km), and Australia (+231 km). In contrast, the sharpest shifts toward shorter distance trade over this period occurred in Thailand (-79 km), China (-76 km), Singapore (-71 km), Hong Kong SAR (China) (-61 km), and Germany (-59 km).

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.

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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