

In partnership with NYU STERN

DHL Globalization Tracker

October 2026

Steven A. Altman
Caroline R. Bastian

NYU Stern School of Business • Center for the Future of Management • DHL Initiative on Globalization

Contents

Key takeaways 2
Question 1: Is global goods trade slowing amid policy shocks and conflict-related disruptions? 3
Trade Growth by Region, Country, and Trade Lane 5
Question 2: Is globalization reversing via shifts from international to domestic activity? 8
Question 3: How is geopolitical rivalry reshaping international business patterns? 10
Diversification Across Partner Countries 16
Question 4: Are international flows becoming more regional? 16
Conclusion 19
Summary Profiles of Flows by Geopolitical Alignment 20
Country Flow Share Shifts 21

The DHL Globalization Tracker (formerly “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 September 2026 and cover developments up to mid-2026 for goods trade, greenfield foreign direct investment (FDI), and mergers & acquisitions (M&A) activity, as well as 2025 full-year results for most other types of international flows.

This edition of the Tracker focuses on four key questions: (1) Is global goods trade slowing amid policy shocks and conflict-related disruptions? (2) Is globalization reversing via shifts from international to domestic activity? (3) How is geopolitical rivalry reshaping international business patterns? (4) Are international flows becoming more regional? The latest results show globalization reaching a new high and trade growth accelerating, while major shifts in business patterns remain concentrated rather than global.

Key takeaways

1. **Globalization reaches a new high.** International trade, capital, information, and people flows grew faster than domestic activity in 2025, lifting the DHL Global Connectedness Index to a record high.
2. **Goods trade growth accelerates despite major shocks.** Global goods trade grew faster in H1 2026 than in any half-year since 2011, excluding the exceptional Covid rebound.
3. **Trade forecasts are stronger than before recent shocks.** Current forecasts call for faster trade growth through 2029 than forecasts made before the recent U.S. tariff increases or the Iran war—and faster than actual growth over the past decade.
4. **AI investment is boosting international flows**, helping offset the effects of U.S. tariff increases and conflict-related trade disruptions.
5. **Major geopolitical shifts remain concentrated.** Global business patterns have changed modestly, while countries at the center of geopolitical competition and policy shocks have experienced much larger shifts.
6. **U.S.–China decoupling is dramatic, but affects a small share of global flows.** These two economies have nearly halved the shares of their flows with each other over the past decade, but less than 2% of global goods trade and 1% of greenfield FDI and cross-border M&A are between these geopolitical rivals.
7. **U.S. allies are not decoupling from China.** Their ties with China have changed little since 2016, challenging the notion that the world is splitting into separate U.S.- and China-aligned economic blocs.
8. **Trade regionalization ticks up, driven by Asia.** Intra-regional trade increased in early 2026, driven by trade within East Asia, but investment flows do not show a comparable shift toward regionalization.

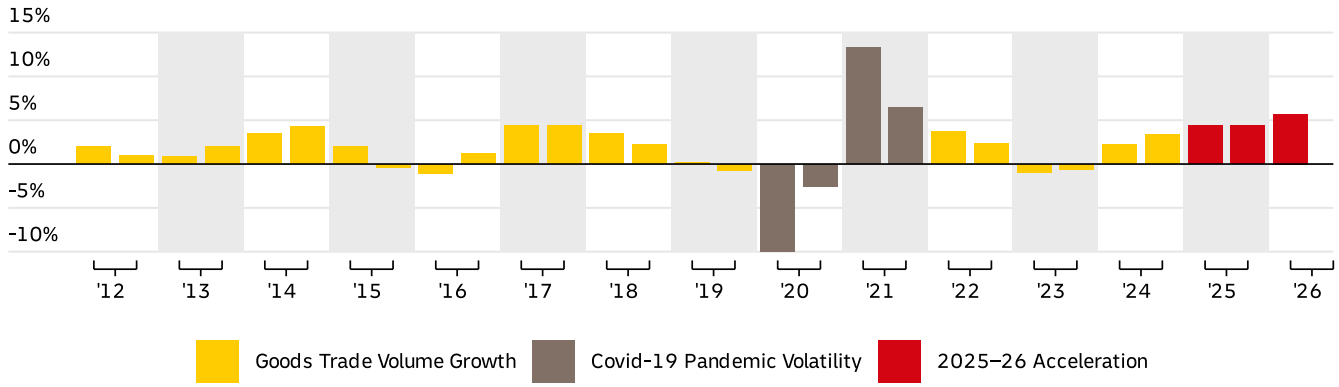
Question 1: Is global goods trade slowing amid policy shocks and conflict-related disruptions?

In a word: no. Global trade growth accelerated through mid-2026 despite rising geopolitical tensions and active conflicts. The AI boom has provided a major boost, with surging trade in semiconductors and other AI-related goods helping offset these headwinds. Current forecasts call for strong trade growth to continue through 2029—at a faster pace than forecast before the 2025–26 U.S. tariff increases and the Iran war. Growth is also forecast to outpace the actual rate recorded over the past decade.

Trade Growth Accelerates

Global goods trade grew faster during the first half of 2026 than during any half-year since 2011, apart from the exceptional rebound after trade declined during the Covid-19 pandemic (see **Figure 1**). This acceleration came despite disruptions from the closure of the Strait of Hormuz and shifts in U.S. tariff policies. It is all the more striking because trade was already growing rapidly: in 2025, it expanded at its fastest pace since 2017, again excluding the pandemic rebound.

Figure 1: Year-on-Year Goods Trade Volume Growth



Data Source: CPB World Trade Monitor

Note: Based on half-year averages of seasonally adjusted monthly trade volumes

AI Boosts Trade Growth

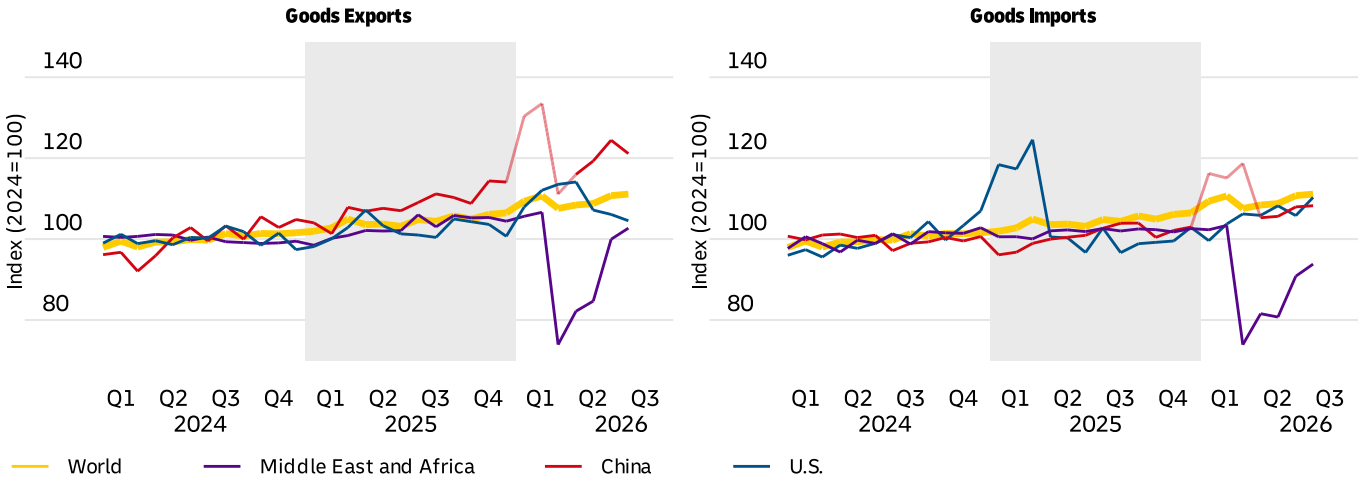
The race to build artificial intelligence (AI) infrastructure has become a major driver of trade growth. AI-enabling goods accounted for 42% of all goods trade growth in 2025, and this share rose to about 76% during the first quarter of 2026, according to WTO and OECD research. The value of global trade in these goods—including semiconductors and data transmission equipment—grew 22% in 2025 and accelerated to 42% year-on-year in the first quarter of 2026. Trade in critical minerals, batteries, and electric vehicles also expanded rapidly during the first quarter of 2026.

Trade Volumes Rise Despite Disruptions

Trade volume trends by region/country (**Figure 2**) highlight how global growth has persisted in the face of substantial turbulence. The Middle East and Africa region's trade volumes fell sharply after the Iran war began in late February 2026. U.S. imports fell below prior-year levels in late 2025 after surging earlier in the year when buyers raced to get ahead of tariff increases. Yet

these disruptions did not derail global trade growth. And China—the world's largest exporter—grew its exports even faster than the global average, despite a sharp decline in its exports to the U.S. China's export growth supported global trade growth but fueled concern about heightened competition in China's other export markets.

Figure 2: Monthly Goods Trade Volume (vs. 2024 level)



Data Source: CPB World Trade Monitor

Note: China values in early 2026 are shown in hashed lines, because a shift in the timing of the Lunar New Year holiday may have affected the seasonality adjustment for these values, so they should be used with caution.

Trade Growth Tug-of-War

Global trade is being pulled in opposing directions—and so far, the positive factors for trade growth have outweighed the negatives. The AI boom is firmly on the positive side: production of AI-related goods relies heavily on global value chains, boosting trade in raw materials and components, as well as final goods. Conflict-related disruptions pull in the other direction. Their trade effects have been severe, but concentrated, particularly in economies dependent on the Strait of Hormuz and in products such as oil/gas and fertilizers.

Trade policy is another negative force. Restrictions have increased rapidly and U.S. tariffs have reached their highest levels in decades. But here, too, the global impact is more limited than the dramatic nature of the policy changes might suggest. The U.S. share of world imports was only 13% in 2025, and roughly half of U.S. imports were exempted from tariff increases as of August 2026. Globally, 72% of goods trade is still conducted on most-favored-nation (MFN) terms (down from 80% in 2022).[1]

This interplay of opposing forces is also highlighted by new OECD research showing that the share of foreign content in the exports of major economies increased from 2019 to 2024, despite shifts toward more domestic sourcing of inputs. The reasons for this surprising result are shifts in the mix of exported goods and services and changes in the production technologies employed. This underscores how economic and technological shifts can increase trade even as companies aim to boost sourcing from domestic suppliers.

[1] Most recent (72%) reflects tariff actions through February 2026 and trade patterns as of 2024, based on WTO analysis. Intra-EU trade is excluded. This analysis also indicates 16% of goods trade is conducted under preferential trade agreements, and 11% has been affected by recent tariff actions.

Trade Growth by Region, Country, and Trade Lane

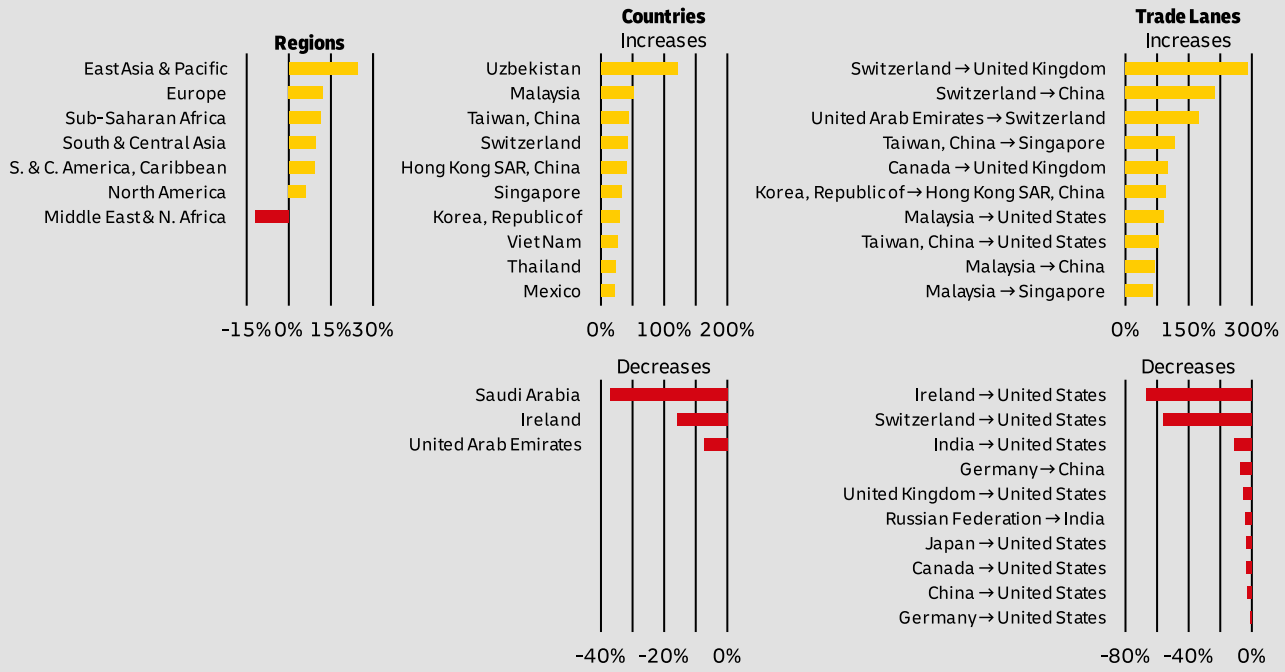
Trade growth varied widely in the first five months of 2026, depending on where—and at what level—you look. **Figure 3** breaks down the latest trade growth data by region, country, and individual trade lane (country pair).[2]

At the regional level, East Asia & Pacific recorded the strongest trade growth, with trade value (in current U.S. dollars) up 24% from the same period in 2025. Europe and Sub-Saharan Africa followed, with growth of 12% and 11%, respectively.

At the country level, a look at the 50 largest trading nations—which together account for 92% of global trade—shows that Uzbekistan saw the fastest trade value growth, up 122%. Uzbekistan's goods trade boom reflects industrial growth supported by economic reforms, as well as wider regional developments. The next largest increases were in Malaysia (51%) and Taiwan, China (44%), both benefiting from electronics demand boosted by AI investment. The only countries with declining trade values (among the 50 largest) were Saudi Arabia (–37%), Ireland (–16%), and United Arab Emirates (–7%). Saudi Arabia and the UAE were both affected by the closure of the Strait of Hormuz, while Ireland's trade declined back to a more normal level after spiking in early 2025 due to frontloading of pharmaceutical exports to the U.S.

At the trade-lane level, a look at the world's 100 largest trade lanes—which together account for more than 40% of global trade—shows that the fastest growth was in exports from Switzerland to the United Kingdom (+292%). Exports from Switzerland to China (+212%) followed, then exports from the United Arab Emirates to Switzerland (+175%). The steepest declines were in exports from Ireland to the United States (–67%), from Switzerland to the United States (–56%), and from India to the United States (–11%). These trade lane developments were all influenced by U.S. tariffs and related uncertainty, with gold trade swings playing an especially prominent role for Switzerland.

Figure 3: Goods Trade Value Top Increases and Decreases (2026 vs. 2025) Year to Date



Data Sources: IMF International Trade in Goods (IMTS); CPT Single Window, United States Census Bureau

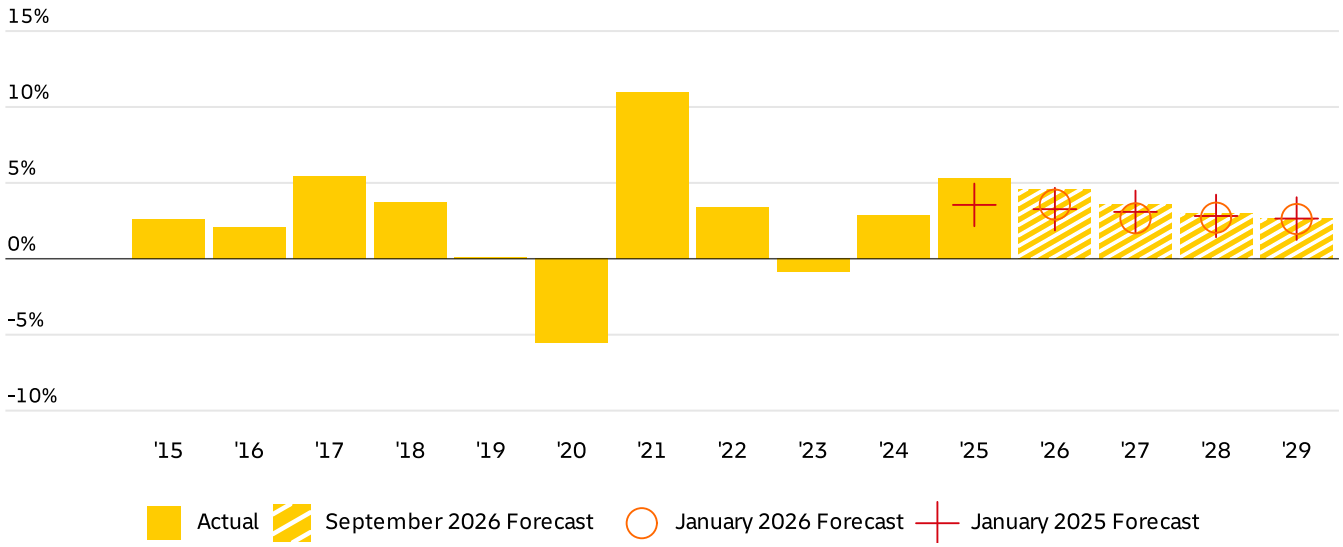
Note: Based on comparison of January to May 2026 versus the same period in 2025

[2] Figure 3 uses changes in trade value (measured in current U.S. dollars) rather than trade volume because more complete recent country-level data are available for trade value.

Trade Outlook Stronger Than Before Recent Shocks

Despite the recent shocks to the international trade environment, the outlook for trade has actually improved. Strikingly, all four of the forecast sources we use to generate composite trade forecasts now call for faster trade growth through 2029 than they did before either the recent U.S. tariff increases or the 2026 Iran war.[3] **Figure 4** compares the current outlook with forecasts compiled in January 2025, before the U.S. tariff increases, and January 2026, before the Iran war.

Figure 4: Annual Goods Trade Growth



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

The present outlook reflects a series of forecast upgrades since mid-2025. After the U.S. announced 'Liberation Day' tariffs in April 2025, trade forecasts were cut dramatically, with some sources predicting that global trade volumes would begin shrinking. The downgrades largely reflected fears that other countries would retaliate against U.S. tariffs, triggering a global trade war. Instead, most countries refrained from retaliation and many accelerated efforts to secure access to alternative markets through new trade agreements. Combined with the AI boom, this helped drive the subsequent trade forecast upgrades.

Trade Growth to Outpace Past Decade

Global trade volumes are forecast to grow at an annualized rate of 3.4% from 2026 to 2029, substantially faster than the 2.7% rate recorded over the prior decade (2016–25). However, trade growth is expected to slow from an unusually rapid 5.3% in 2025 to 4.6% in 2026 and 3.6% in 2027.

Middle East Leads Trade Forecasts, North America Leads Upgrades

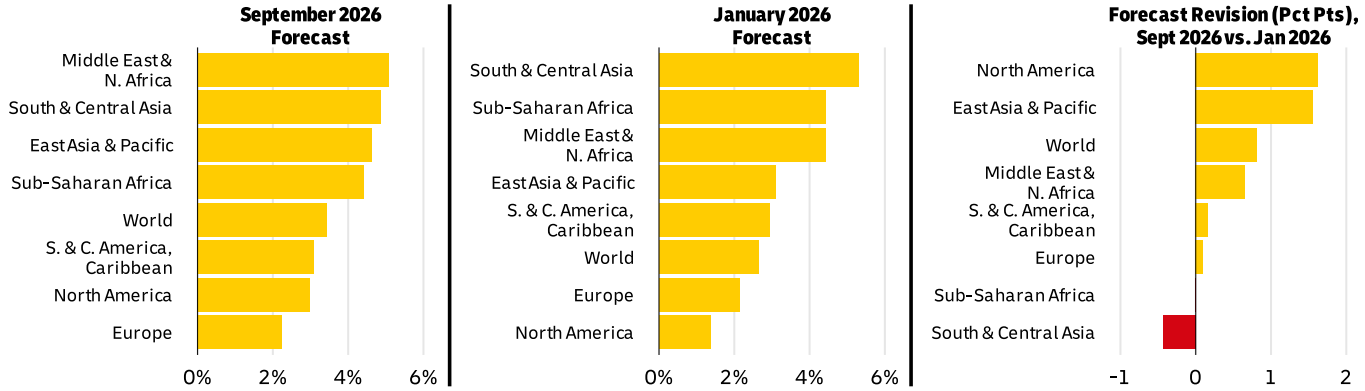
The fastest trade growth over the 2026–29 period is forecast in the Middle East & North Africa region, followed by South & Central Asia and East Asia & Pacific (see **Figure 5**). The Middle East &

[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.

North Africa forecast is especially uncertain, due to the ongoing conflict in this region. The optimistic outlook for this region reflects expectations for a strong recovery after the eventual cessation of hostilities. The current forecast predicts a -4% decline in this region's trade volume in 2026 followed by a 12% increase in 2027.

The largest upgrade to the trade growth forecasts since January 2026 was in North America, reversing much of the sharp downgrade that followed U.S. tariff increases in 2025. The large-scale AI buildout in the U.S. has fueled U.S. import growth, while imports of other goods have declined. One study estimates that without the AI investment boom, U.S. imports would have declined 10% in 2025 rather than increasing modestly. The second-largest upgrade was in East Asia & Pacific, supported by that region's leading role in producing AI-enabling hardware.

Figure 5: Goods Trade Growth Forecast 2026–29 CAGR, September 2026 vs. January 2026 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

Digital Services Outpacing Overall Trade Growth

Trade in services is growing even faster than trade in physical goods, and AI is expected to continue providing an especially powerful boost to services trade. The fastest growth is in digitally delivered services (via online platforms, apps, etc.), which grew 10% in 2025 and now accounts for 55% of total services trade. WTO research predicts that AI could boost trade in digitally delivered services by 42% by 2040, exceeding the overall 34–37% boost predicted across goods and services trade.

Trade Outlook Still Faces Risks

The AI boom has been a major driver of recent trade growth, but that strength also creates a vulnerability. The concentration of trade growth in AI-related goods means that any slowdown or reversal in this sector could substantially reduce trade growth. Further escalation of military conflicts could also weaken the outlook, particularly if key trade routes or major trading economies are affected. Trade policy also remains unusually volatile. New trade barriers are a particular risk, as the U.S. continues to adjust its tariffs and other countries respond to increased imports from China.

Question 2: Is globalization reversing via shifts from international to domestic activity?

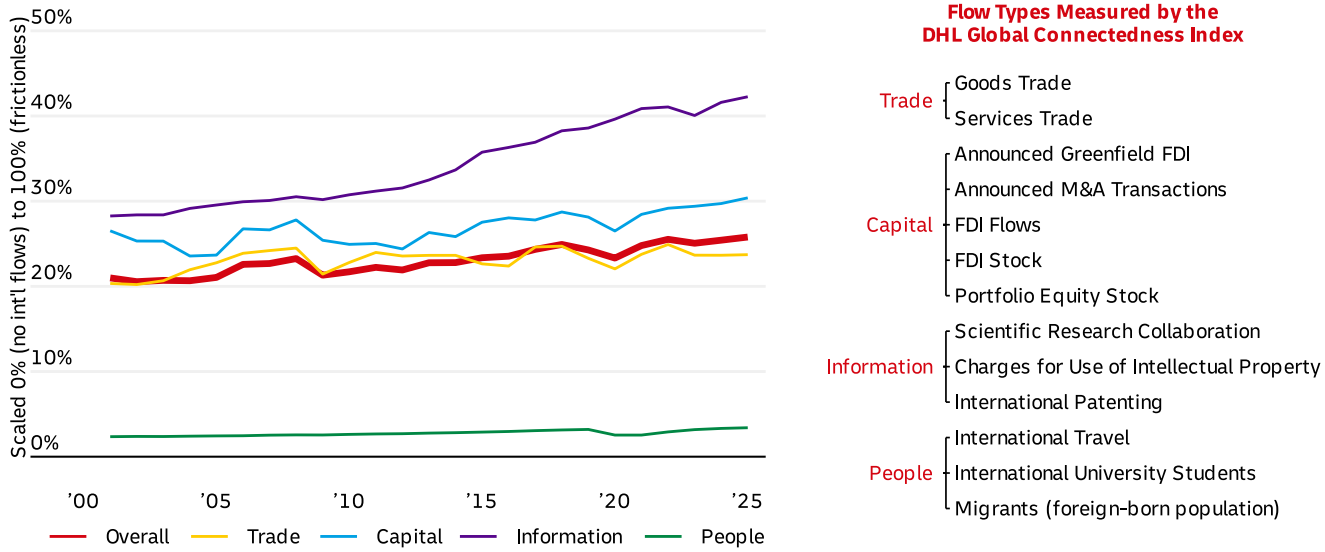
Global trade is growing rapidly in absolute terms. But to assess whether globalization itself is advancing or receding, we also need to look at international activity in relative terms. The latest data show that the international share is growing.

Globalization Depth Reaches New Record

The depth dimension of the DHL Global Connectedness Index measures international relative to domestic activity globally across 13 types of trade, capital, information, and people flows (see **Figure 6**). It reached a new record high of 25.8% in 2025,[4] with the growth of international flows outpacing the growth of domestic activity across all four categories.

Capital and information flows recorded the largest increases in international relative to domestic activity in 2025. Trade recorded the smallest increase in depth—even though, as the previous section showed, trade itself showed robust absolute growth.

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)

One Quarter Globalized

The new record of 25.8% strongly challenges the notion that globalization has gone into reverse. But it also highlights how limited globalization remains. We measure the depth of global connectedness on a scale from 0%—where no flows cross national borders—to 100%, where

[4] The DHL Global Connectedness Report 2026 projected stable rather than rising overall depth in 2025 based on data and forecasts available as of January 2026. Subsequent data releases showed, in particular, stronger FDI results (across both FDI flows and announced greenfield FDI), leading to higher-than-projected depth (overall and especially for the capital pillar) in 2025.

borders and distance cease to matter and no longer affect flows.[5] At roughly 25%, the world remains far closer to a collection of separate national economies than to full global integration—even after decades of globalization.

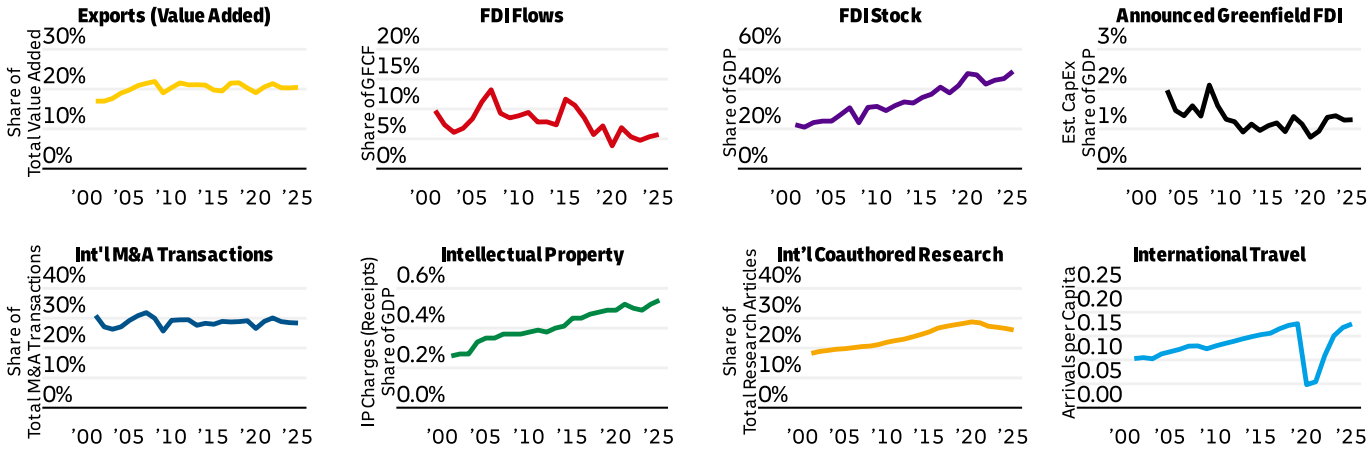
Globalization also varies widely across flow categories: information flows are the most globalized, followed by capital and trade, while people flows remain the least globalized.

Companies Show No Retreat from Foreign Markets

Figure 7 reinforces this broader picture of resilience, showing international versus domestic activity across a variety of specific flows. About 20% of the value of all goods and services produced worldwide in 2025 was traded internationally, up slightly from 2024 and just below the record high of 22% set in 2008 (nearly matched again in 2022).[6] Economic integration via trade thus remains close to record levels, even though roughly 80% of economic activity is still domestic.

International investment also remained resilient. Foreign direct investment (FDI) flows increased as a share of global fixed investment in 2025, while the value of announced greenfield FDI projects also rose slightly relative to world GDP. Large projects drove this resilience even as the number of greenfield FDI projects declined. AI investment played a major role: 40% of the value of greenfield FDI projects in 2025 was in the ICT/electronics sector. The share of M&A transactions crossing national borders has fallen modestly since spiking in 2022, but remains in line with historical norms.

Figure 7: Individual Flow Depth Trends



Data Sources: Asian Development Bank Multiregional Input-Output Database; Clarivate Web of Science; Financial Times fDi Markets; Oxford Economics Global Travel Service; SDC Platinum; UNCTAD FDI/MNE database; World Bank World Development Indicators

Notes: Exports (Value Added) measures the 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). Aggregated from reported flows.

[5] 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.

[6] 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.

Payments for the use of foreign intellectual property also continued to rise as a share of world GDP. Taken together, these trends show no retreat from any of the three main ways companies serve foreign markets: exporting (trade), investing in local operations (FDI), and licensing intellectual property to local partners.

Other measures published in the DHL Global Connectedness Report 2026 reinforce this picture. The report shows 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. Measures of international production via global value chains also remain resilient.

Travel Recovers as Scientific Collaboration Declines

Trends beyond business flows are more mixed. As seen in Figure 7, international scientific collaboration has declined since 2020 (measured based on the share of publications co-authored by researchers in multiple countries). But this does not reflect a broad retreat from cross-border research. The decline has instead been driven by growth in domestic scientific publications in China. Excluding China, the share of internationally coauthored scientific publications continues to rise.

International travel, meanwhile, continued its gradual recovery from the Covid-19 pandemic. The number of international trips per capita finally returned to its pre-Covid (2019) level in 2025. During the first quarter of 2026, international arrivals grew 2% globally (year-on-year), even as arrivals in the Middle East fell 14%.

Questions 1 and 2 tell a clear story: globalization is not in broad retreat. Global trade is growing strongly in absolute terms, while international activity has also gained relative to domestic activity. But resilience does not mean stasis. Global flows can remain strong even as their underlying patterns change. Question 3 examines shifts in who connects with whom from a geopolitical perspective. Question 4 then applies a geographic lens to assess whether international flows are becoming more regional.

Question 3: How is geopolitical rivalry reshaping international business patterns?

Geopolitical rivalry is shifting international business patterns—but these changes are very uneven and smaller than many presume. Dramatic shifts are taking place between countries at the center of geopolitical tensions and policy shocks, especially the U.S. and China. At the global level, however, the evidence points to much more limited realignment.

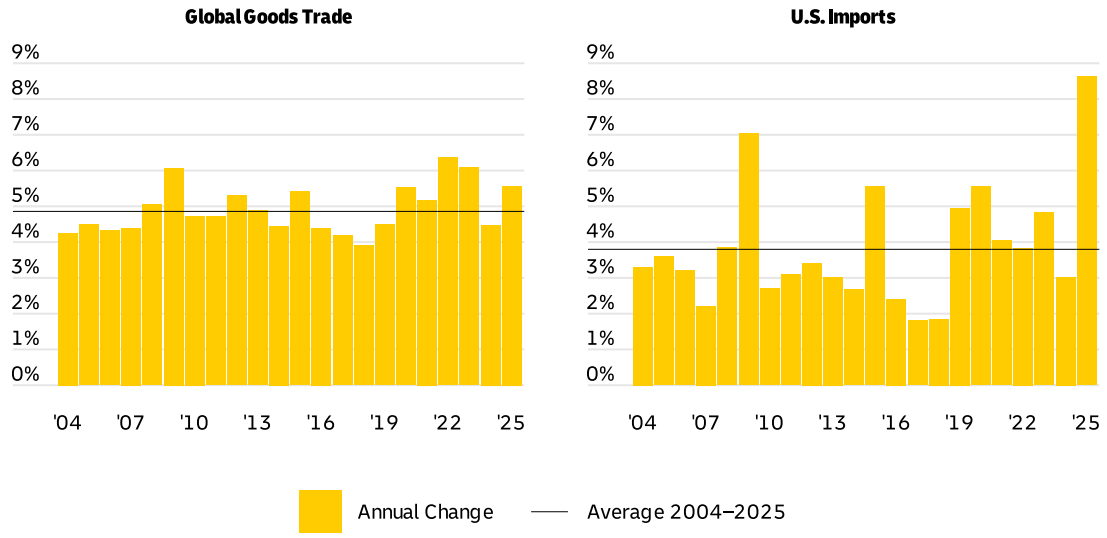
Global Trade Patterns Shift Only Modestly

Dramatic policy changes have drawn attention to resulting shifts in trade patterns. While it is important to pay careful attention to what is changing, it is also essential to recognize how much remains unchanged. **Figure 8** puts recent trade pattern shifts into perspective by measuring how much countries' trade shares with individual trade partners change from year to year. Globally, trade patterns changed only slightly more in 2025 than in an average year—and less than during the early stages of the Ukraine war in 2022 and 2023. The pace of change is above average, but remains within historical norms. Meanwhile, greenfield FDI and M&A patterns showed no unusually large changes in 2025.

U.S. Import Patterns Shift Dramatically

The U.S. tells a very different story. Figure 8 shows that U.S. imports shifted across source countries in 2025 more than twice as much as in an average year—and more than in any other year analyzed. The sharp contrast between the global and U.S. results points to a pattern that runs throughout this section: global flow patterns have changed relatively modestly, while countries at the center of geopolitical competition and policy shocks have experienced much larger shifts.

Figure 8: Annual Change In International Business Patterns



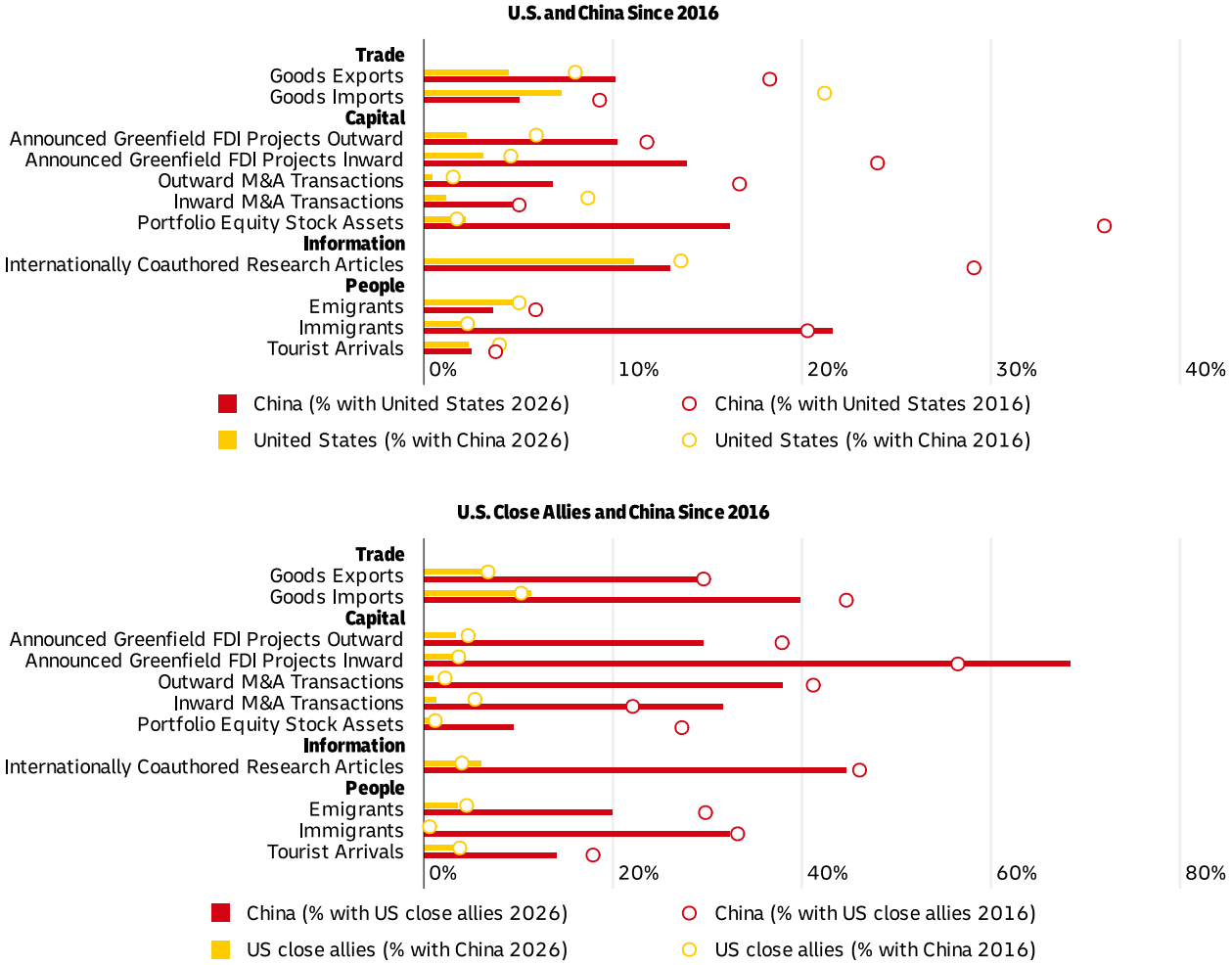
Data Sources: CPT Single Window; IMF International Trade in Goods; United States Census Bureau

Note: Measured using Finger-Kreinin index comparing flow shares in current year to flow shares in previous year.

U.S.–China Ties Nearly Halve

The most consequential shift in global flow patterns is the weakening of ties between the world's two largest economies. **Figure 9** compares the shares of U.S. and China flows involving each other in 2016 and 2026. On average, China's share of U.S. trade, capital, information, and people flows has fallen by 48% since 2016, while the U.S. share of China's flows has fallen by 44%. In other words, these economic giants have nearly halved the shares of their flows with each other over the past decade, with declines across almost all types of flows measured.

Figure 9: Flow Share Shifts Summary



Data Sources: 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; United States Census Bureau

Notes: Goods trade data for 2026 reflect first five months. Announced greenfield FDI data for 2026 reflect first seven months. M&A data for 2026 reflect first eight months. Most recent portfolio equity data are from 2025. Emigration and Immigration data substitute 2015 for 2016. Bloc classifications based on Williams, M., Evans-Pritchard, J., & Walsh, R., 2025. The Shape of the Fractured World in 2025. Capital Economics.

U.S. Close Allies Maintain Ties with China

Diminishing ties between the U.S. and China have not—at least yet—led to a wider bifurcation of the world economy into separate blocs of allied countries. U.S. close allies have largely maintained their ties with China. On average, the share of U.S. close allies' flows involving China is down only 4%, while the share of China's flows involving U.S. close allies is down 7%. There have even been notable increases in some areas: U.S. close allies have increased scientific collaboration with China and imports from China. (This analysis uses geopolitical classifications from Capital Economics. The U.S.–aligned bloc includes the U.S. and its "close allies," including major European economies, Japan, Australia, and Canada.)

U.S. Reliance on China: Reduction or Redirection?

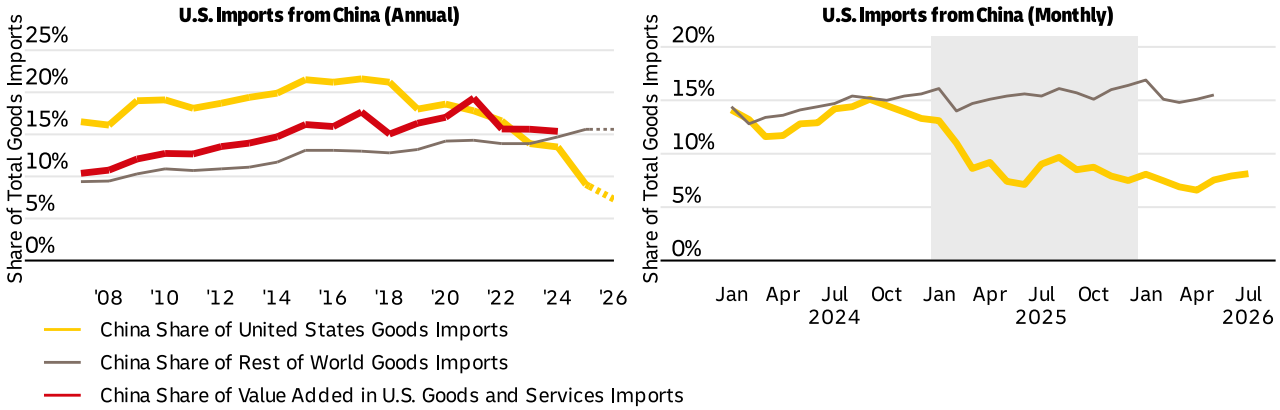
Figure 10 zooms in on the flow most in the crosshairs of U.S. policy interventions: U.S. imports from China. Viewed through direct trade alone, U.S. reliance on Chinese goods appears to have fallen dramatically. China's share of U.S. imports peaked at 22% in 2017, before the U.S.–China trade war began, and had fallen to 14% by 2024. It plunged to just 9% in 2025 and continued declining to just 7% during the first five months of 2026. 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.

But direct imports tell only part of the story. U.S. imports from other countries contain rising amounts of materials and components made in China. As Figure 10 also shows, the share of "value added" from China in U.S. imports—including Chinese content embedded in goods imported from other countries—has fallen only slightly through 2024 (the most recent year with available data).[7] This implies that a substantial share of U.S.–China interdependence via trade has been redirected through third countries rather than truly reduced.

Latest Data Show Stronger U.S. Imports from China

The latest monthly data add another qualification to the direct decoupling story. Most of the recent decline in China's share of U.S. imports occurred between October 2024, immediately before President Trump's re-election, and May 2025. This period included a brief escalation in which tariffs on U.S.–China trade rose above 100%, followed by a trade truce in May 2025. Since April 2026, China's share of U.S. imports has *increased* modestly. This may reflect the narrowing gap between U.S. tariffs on Chinese goods and those on alternative suppliers after the U.S. Supreme Court ruled tariffs imposed under the International Emergency Economic Powers Act (IEEPA) unconstitutional.

Figure 10: Flow Share Shifts

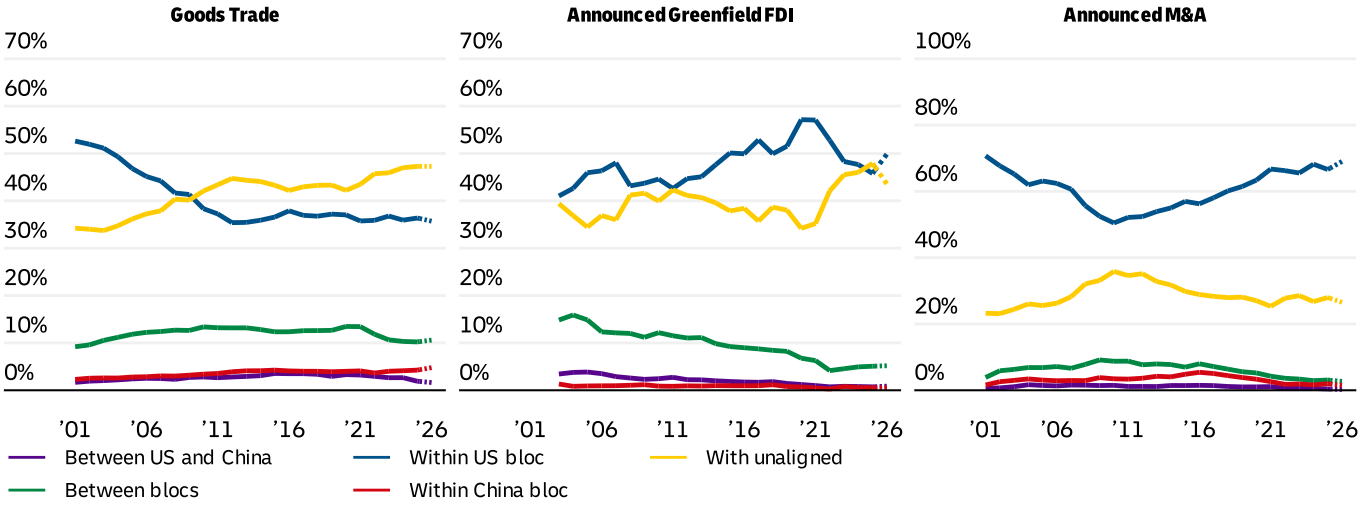


Data Sources: IMF International Trade in Goods; United States Census Bureau; Mary E. Lovely and Christine Y. Wan; "Made with China: Global Supply Chains and the Limits of US Decoupling," PIIE Policy Brief, August 2026.

Notes: Dotted lines indicate partial year data.

[7] The DHL Trade Atlas 2025 introduced this type of analysis, employing ADB MRIO data to analyze the China-origin share of foreign value absorbed in the U.S. economy, and the same analysis was updated in the DHL Global Connectedness Report 2026. In Figure 10, we use a similar analysis by Mary E. Lovely and Christine Y. Wan that corroborates our earlier findings on this topic, because this version of the analysis provides a clearer comparison of value-added relative to gross import shares.

Figure 11: Share of Total International Flows Between and Within Blocs



Data Sources: IMF International Trade in Goods; United States Census Bureau; CPT Single Window; 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.

U.S.–China Decoupling ≠ Global Fragmentation

Figure 11 puts the recent decline in U.S.–China ties in global perspective by showing how international flows are distributed within and between geopolitical blocs. It distinguishes direct U.S.–China flows, flows between rival blocs, flows within each bloc, and flows involving countries aligned with neither superpower.[8]

The share of global goods trade occurring directly between the U.S. and China has dropped from a peak of 3.5% in 2015 to 1.6% in 2026 (Jan–May)—a dramatic decline in U.S.–China trade, but a modest shift in global terms.[9] Similarly, U.S.–China M&A deals accounted for just 0.2% of announced cross-border M&A in 2026 (Jan–Aug), down from 1.5% in 2016. The U.S.–China share of greenfield FDI projects has declined from a much earlier peak of 3.9% in 2005 to just 0.9% in 2026 (Jan–Jul). These small shares of total global business activity caution against equating U.S.–China decoupling with a broader 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, goods trade among close allies was three times larger than trade between rival blocs. The gap was even wider for investment: there were eight times more announced greenfield FDI projects and 19 times more M&A deals among close allies than between rival blocs. Because international business is already highly concentrated among friendly countries, de-risking exposure to

[8] Geopolitical classifications are from Capital Economics. 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. For additional detail, refer to DHL Global Connectedness Report 2026, page 57.

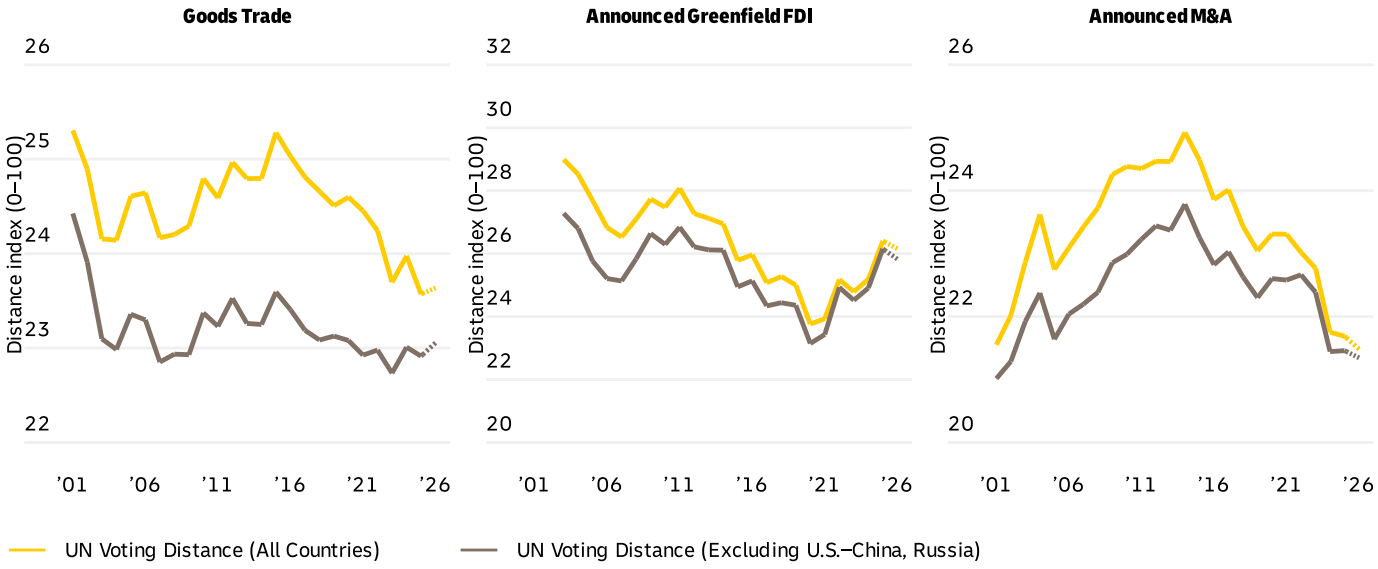
[9] Larger economies tend to trade less intensively than smaller economies, since more of their activity naturally takes place within their large domestic markets. As the world's two largest economies, it is therefore unsurprising that the share of trade taking place between the U.S. and China is much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

geopolitical rivals may require smaller shifts in global flows than commonly assumed—even when individual bilateral relationships change dramatically.

Geopolitical Realignment Remains Limited

Figure 12 provides another perspective on geopolitical shifts by taking into account differences between individual countries, even within groups of allies. It tracks the average "geopolitical distance" traversed by flows between all countries, based on the similarity of countries' voting patterns in the UN General Assembly. A decline suggests that more activity is taking place between geopolitically aligned countries and less between rivals.

Figure 12: Average Geopolitical Distance



Data Sources: CPT Single Window; Financial Times fDi Markets; IMF International Trade in Goods; SDC Platinum; United States Census Bureau

Notes: Dotted lines indicate partial year data. Excluding U.S.–China, Russia: Values exclude direct flows between the U.S. and China and all flows involving Russia. Geopolitical distance calculated based on 2021–25 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.

Looking first at all countries (yellow lines in Figure 12), goods trade has gradually shifted toward more geopolitically aligned partners since 2016, and this shift accelerated in 2023, following Russia's full-scale invasion of Ukraine. This fragmentation, however, has advanced only modestly since 2023. Greenfield investment shows a different pattern: after a "friendshoring" trend from roughly 2011 to 2020, investment has since increasingly connected countries with different geopolitical alignments. M&A data, meanwhile, show a long-term trend toward deals between friendly countries, although this trend slowed in 2025.

Most of the recent fragmentation in global flows has been due to weaker U.S.–China ties and sanctions on Russia. When direct U.S.–China flows and all flows involving Russia are excluded (gray lines), the rest of the world's goods trade has not shifted toward geopolitically closer partners since 2021 and the shift for M&A deals is 32% smaller.

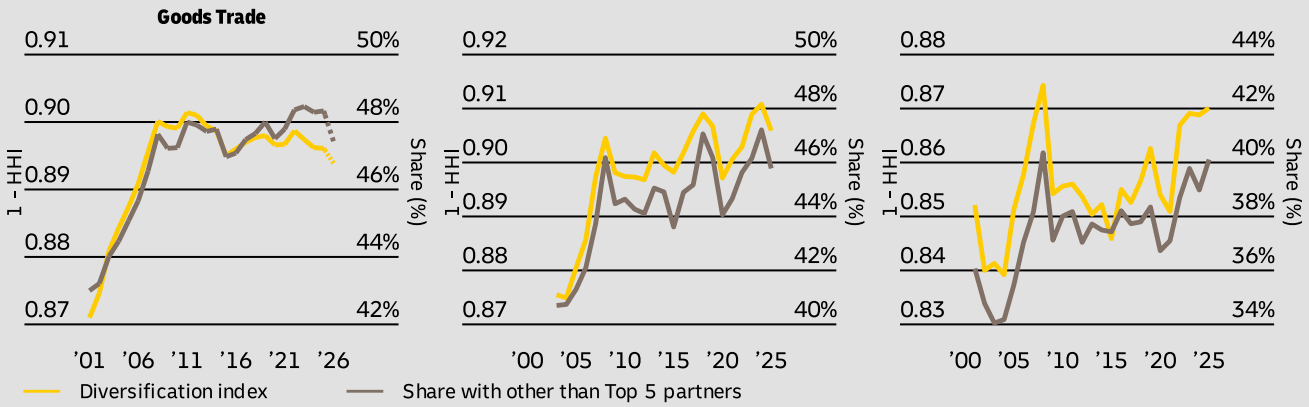
In short, geopolitical rivalry is substantially reshaping some international relationships without yet producing a broad realignment of global flows.

Diversification Across Partner Countries

As de-risking moves up the agenda, policymakers and business leaders are paying more attention to diversification across partner countries, aiming to avoid excessive reliance on any single partner—particularly those vulnerable to geopolitical instability. But are international flows actually becoming more diversified?

Figure 13 tracks diversification using two metrics: a diversification index (one minus the widely used Herfindahl-Hirschman Index of concentration) and the share of flows involving countries outside a nation's top five partners. Goods trade became more diversified from 2016 to 2022, but that trend has since reversed, with the decline appearing to accelerate in early 2026 (based on January–May data). The diversification measures also show declines in the most recent year available (2025) for announced greenfield FDI. This may be a result of the growing share of transactions involving AI and other strategic sectors, where activity tends to be more concentrated in a small number of countries. For announced M&A, the most recent diversification data show no clear rising or falling trend.

Figure 13: Average Diversification Across Partner Countries



Data Source: CPT Single Window; IMF International Trade in Goods; United States Census Bureau; Financial Times fDi Markets; SDC Platinum

Note: Dotted lines indicate partial year data.

Question 4: 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.[10] Yet despite all the attention, there is still limited evidence of a broad shift toward more regionalized international flows—although the latest trade data may be starting to change that picture.

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 first captures regionalization most directly, but its results depend

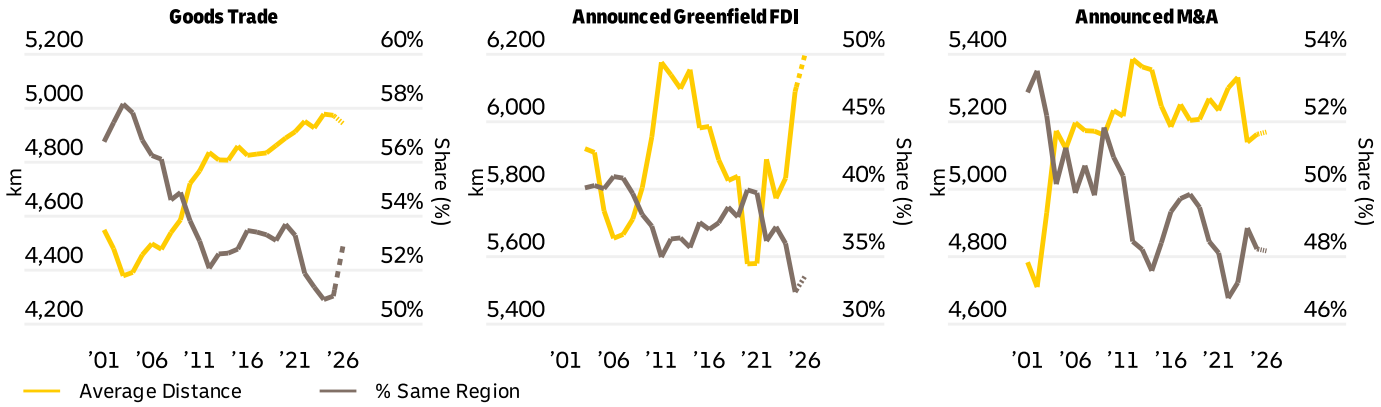
[10] For evidence on why friendshoring could lead to nearshoring/regionalization, see DHL Global Connectedness Report 2026, p. 69.

partly on how countries are grouped into regions.[11] Average distance provides a more objective view, since it does not require judgments about where to draw region boundaries. Since regional flows typically span shorter distances, we expect increases in regionalization to correspond with declining average flow distance.

Trade Shows Modest New Signs of Regionalization

For goods trade, the data through 2024 contradicted the notion of rising regionalization: trade flows consistently crossed longer distances, while the share happening within regions declined.[12] The latest data, however, show a slight increase in regionalization in 2025, followed by a larger increase during the first five months of 2026. If this trend continues, predictions of an increase in trade regionalization will finally gain empirical support.

Figure 14: Average Distance and Regionalization



Data Sources: CEPII Gravity database; CPT Single Window; Financial Times fDi Markets; IMF International Trade in Goods; SDC Platinum; United States Census Bureau

Note: Dotted lines indicate partial year data.

East Asia Drives the Regionalization Shift in Trade

Figure 15 shows that East Asia & Pacific was the main driver of increased trade regionalization during the first five months of 2026, perhaps reflecting intra-Asia supply chains boosted by the AI boom. The average distance for goods trade in the region declined by 201 km, while the intra-regional share rose from 57% to 60%.

North America moved in the opposite direction. Its average trade distance increased by 140 km during the first five months of 2026, while the intra-regional share remained stable. Trade between the U.S. and Canada declined, while U.S. trade increased with very distant partners such as Taiwan (China), Viet Nam, and Korea.

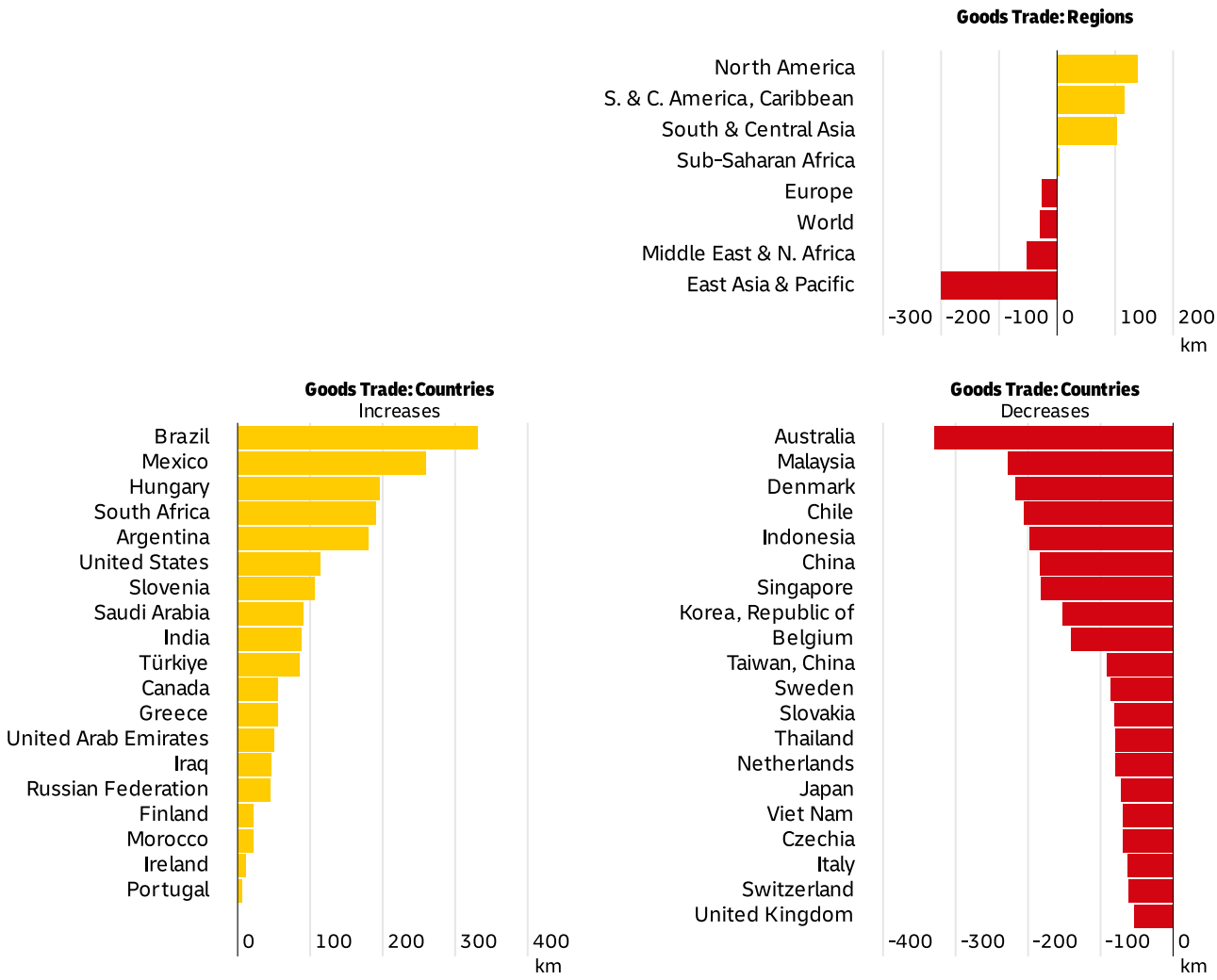
Patterns also varied widely at the country level. Among the 50 largest trading nations, changes in average trade distance ranged from an increase of 330 km in Brazil to a decrease of 330 km in

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

[12] The DHL Global Connectedness Report 2026 showed a small increase in average trade distance in 2025 based on data from the first nine months of the year. With full-year data available, that small increase shifted to a small decline.

Australia. China was also among the countries shifting most strongly toward shorter-distance trade (–184 km), while the U.S. moved substantially in the opposite direction (+114 km).

Figure 15: Average Distance by Region/Country, 2026 (year to date) vs. 2025



Data Sources: CEPII Gravity database; CPT Single Window; IMF International Trade in Goods; United States Census Bureau

Investment Does Not Follow the Trade Shift

Greenfield FDI projects, by contrast, continue to defy expectations of rising regionalization. The average distance between the home countries of investing companies and their investment destinations continued to increase in 2026 (Jan–Jul), although there was a small increase in the intra-regional share of greenfield FDI. Cross-border M&A activity, meanwhile, showed no substantial change in regionalization.

Regionalization Is Already the Norm

While international flows are not consistently becoming more regional, they are 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 would be expected if

geographic distance and other cross-country differences did not influence flows. 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 tell a different story. Global trade is growing rapidly, and international activity has gained relative to domestic activity. Geopolitical realignments are happening—sometimes dramatically—but remain concentrated rather than global. Nor is there yet a broad shift toward regionalization, although recent trade data show emerging signs. Amid the turbulence of war 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 strengthens the case for international cooperation to preserve and expand the benefits countries derive from globalization. At the same time, persistent anti-globalization sentiment means leaders need to continue to address public concerns about international integration. And where de-risking is necessary, policymakers should look beyond direct bilateral flows and take a more holistic view of global value chains. Merely shifting from direct bilateral trade to indirect trade through third countries might in fact heighten risk by reducing transparency. When more countries are involved, it becomes more difficult to monitor each country's role and identify underlying dependencies.

Business Strategy

For businesses, it is crucial to assess the competitive impact of potential reshoring, nearshoring, or friendshoring moves. While the risk of future disruptions to global flows calls for stress-testing exposure to such disruptions, the resilience of international flows today suggests that the importance of global markets and supply chains has not diminished substantially in most industries. A company that withdraws from international engagement when its rivals do not could put itself at a competitive disadvantage.

Globalization Data vs. Globalization Headlines

The resilience of international flows contrasts with the widespread narrative that globalization is going into reverse. Much of this gap reflects the fact that deglobalization discourse focuses not on actual cross-border flows, but on shifts in politics and public opinion, policy changes, corporate plans to adjust markets or supply chains, and predictions about the future. These are important signals about the likelihood of future deglobalization, but they do not tell us whether the world is, in fact, becoming less connected.

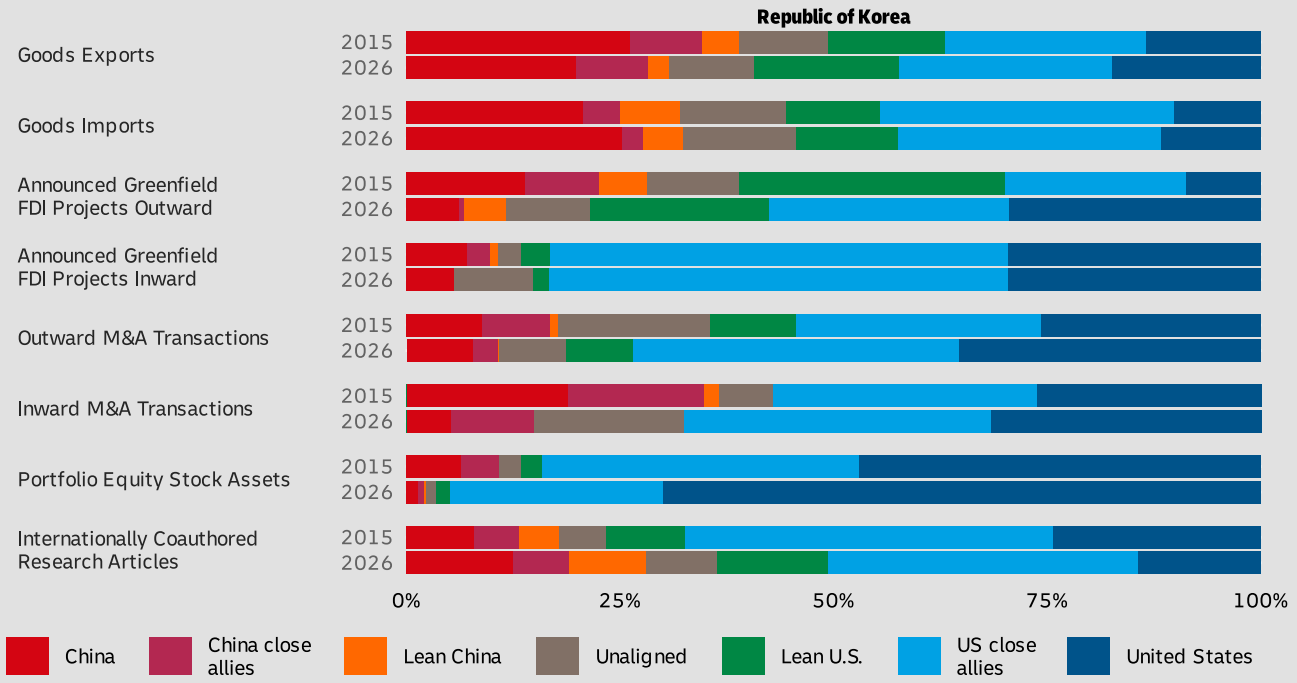
The DHL Global Connectedness Report 2026 identifies several common errors and biases that inflate perceptions of deglobalization while underemphasizing the resilience of international flows. It also outlines reasons why global flows may remain resilient in the years ahead.

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. The evidence points to a globalization that is being selectively reshaped, not reversed.

Summary Profiles of Flows by Geopolitical Alignment

As the geopolitical landscape continues to shift, summary profiles showing the composition of countries' international activity across blocs can provide useful orientation for decision-makers and analysts. **Figure 16** 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 showing that 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 16: Summary Profile of International Flows by Geopolitical Alignment



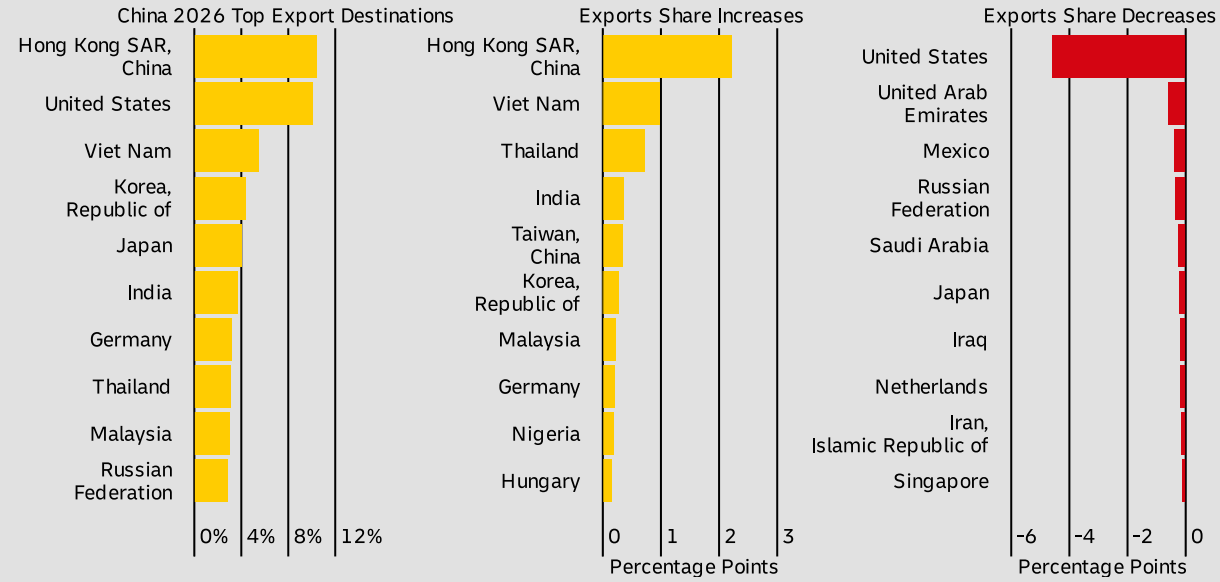
Data Sources: IMF International Trade in Goods; Financial Times fDi Markets database; SDC Platinum; IMF Portfolio Investment Positions by Counterpart Economy; Clarivate Web of Science; United States Census Bureau; CPT Single Window

Note: Goods trade data for 2026 reflect the first five months. Announced greenfield FDI data for 2026 reflect the first seven months. M&A data for 2026 reflect the first eight months. Data shown for Portfolio Equity Stock Assets are from 2025 (latest available). Bloc classifications based on Williams, M., Evans-Pritchard, J. & Walsh, R. (2025). The Shape of the Fractured World in 2025. Capital Economics.

Country Flow Share Shifts

For a more granular view of countries' shifting international ties, it is also useful to rank their partner countries and track changes over time. **Figure 17** provides a template for tracking these flow share shifts. A sample profile of China's goods exports compares 2026 (Jan–May) shares with 2024, highlighting increased shares going to Asian "connector economies" such as Hong Kong SAR (China) and Viet Nam, alongside declining shares going to the U.S., Russia, and Middle Eastern countries affected by the Iran war.

Figure 17: Partner Share Comparisons



Data Source: IMF International Trade in Goods

Selected Bibliography

Aiyar, S., Ilyina, A., Chen, J., Kangur, A., Trevino, J., Ebeke, C., Gudmundsson, T., Soderberg, G., Schulze, T., Kunaratskul, T., Ruta, M., Garcia-Saltos, R., & Rodriguez, S. (2023). Geo-Economic Fragmentation and the Future of Multilateralism. *Staff Discussion Notes*, *2023*(001), 1. https://doi.org/10.5089/9798400229046.006

Alfaro, L., & Chor, D. (2025). *An anatomy of the great reallocation in US supply chain trade* (Working Paper 34490; Working Paper Series). National Bureau of Economic Research. https://doi.org/10.3386/w34490

Altman, S. A., & Bastian, C. R. (2025). *DHL Trade Atlas 2025: Mapping the shifting landscape of global trade*. DHL Group. https://doi.org/10.58153/7xbtw-6s725

Altman, S. A., & Bastian, C. R. (2026). *DHL Global Connectedness Report 2026: An in-depth analysis of the state of globalization*. DHL Group. https://doi.org/10.58153/rm518-hve77

Altman, S. A., Bastian, C. R., & Fattedad, D. (2024). Challenging the deglobalization narrative: Global flows have remained resilient through successive shocks. *Journal of International Business Policy*, *7*(4), 416–439. https://doi.org/10.1057/s42214-024-00197-0

Antràs, P., Kulesza, A., & Presbitero, A. (2026). *The remains of the trade: The U.S.–China trade war and its aftermath*. National Bureau of Economic Research. https://doi.org/10.3386/w35785

Asian Development Bank. (2025). *ADB multiregional input-output tables*. Database. https://kidb.adb.org/globalization/current

Blanga-Gubbay, M., & Rubínová, S. (2023). *Is the global economy fragmenting?* (WTO Staff Working Paper ERSD-2023-10). World Trade Organization (WTO). https://hdl.handle.net/10419/280428

Conte, M., Cotterlaz, P., & Mayer, T. (2022). *The CEPII gravity database* (Working Papers 2022-05). CEPII. https://www.cepii.fr/CEPII/en/publications/wp/abstract.asp?NoDoc=13432

Freund, C., Mattoo, A., Mulabdic, A., & Ruta, M. (2024). Is US trade policy reshaping global supply chains? *Journal of International Economics*, *152*, 104011. https://doi.org/10.1016/j.jinteco.2024.104011

Gopinath, G., Gourinchas, P.-O., Presbitero, A. F., & Topalova, P. (2025). Changing global linkages: A new cold war? *Journal of International Economics*, *153*, 104042. https://doi.org/10.1016/j.jinteco.2024.104042

OECD. (2026). *Trends in global value chains*. OECD Publishing. https://doi.org/10.1787/8217c2ff-en

Wang, X., Hyndman, R. J., Li, F., & Kang, Y. (2023). Forecast combinations: An over 50-year review. *International Journal of Forecasting*, *39*(4), 1518–1547. https://doi.org/10.1016/j.ijforecast.2022.11.005

World Trade Organization. (2025). *World trade report 2025: Making trade and AI work together to the benefit of all*. World Trade Organization. https://www.wto.org/english/res_e/publications_e/wtr25_e.htm

Disclaimer (S&P Global Market Intelligence)

For the purpose hereof, S&P means S&P Global Market Intelligence and its affiliates, as applicable.

Nothing in this publication shall be construed as S&P's opinions, or statements of fact or recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. Neither this publication, nor any data provided by S&P to its author on which the publication is based should be considered investment advice or any form of recommendation to buy, sell or subscribe for any securities or make any other investment decisions or regarding corporate or legal structure, assets, liabilities or activities.

S&P DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY, NONINFRINGEMENT, ACCURACY, COMPLETENESS, TIMELINESS OR FITNESS FOR A PARTICULAR PURPOSE OR USE, OR FREEDOM FROM ERRORS.

In no event shall the S&P be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use and/or access to this publication, even if advised of the possibility of such damages. S&P has developed its data based on information obtained from sources it believes to be reliable and provided it "as is" to author of this publication without any representations or warranties, express or implied, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives. Opinions, statements, estimates, and projections in this publication (including other media) are solely those of the individual author(s) at the time of writing.

Copyright © 2024, S&P Global Market Intelligence (and its affiliates, as applicable). All Rights Reserved.

About the Authors

Steven A. Altman is a Senior Research Scholar and Research Assistant Professor at the New York University Stern School of Business. He is also Director of the DHL Initiative on Globalization at NYU Stern's Center for the Future of Management, affiliated with NYU Stern's Department of Management and Organizations. His research focuses on globalization and its implications for business strategy and public policy. He holds a PhD from the University of Reading, an MBA from the Harvard Business School, an MPA from Harvard's John F. Kennedy School of Government, and a BS in Economics from the Wharton School of Business at the University of Pennsylvania.

Caroline R. Bastian is a Senior Research Scholar at the New York University Stern School of Business. Ms. Bastian is based in the school's DHL Initiative on Globalization at its Center for the Future of Management. She coordinates the initiative's work on data science, statistics, quantitative methods, and data visualization. Ms. Bastian holds an MS in Applied Statistics for Social Science Research from New York University, a Master of International Affairs from Columbia University, and a BA from Pacific University.

Imprint

Publisher:
DHL Group, Headquarters

Responsible:
Nicola Leske, Head of Group Communications & Sustainability
53250 Bonn, Germany

Project Leadership DHL Group:
Sabine Hartmann, Mathias Schneider

Research Assistance NYU Stern:
Sage Ahmed-Torres, Yixian Liu, Yogarajalakshmi Sathyanarayanan

Editorial Support:
Björn Schuman

The views expressed in this study are the views of the authors and do not necessarily reflect the views or policies of DHL Group.

dhl.com/globalization

doi.org/10.58153/hz16h-s6861

© DHL AG, Bonn, Germany