Chart of the Week

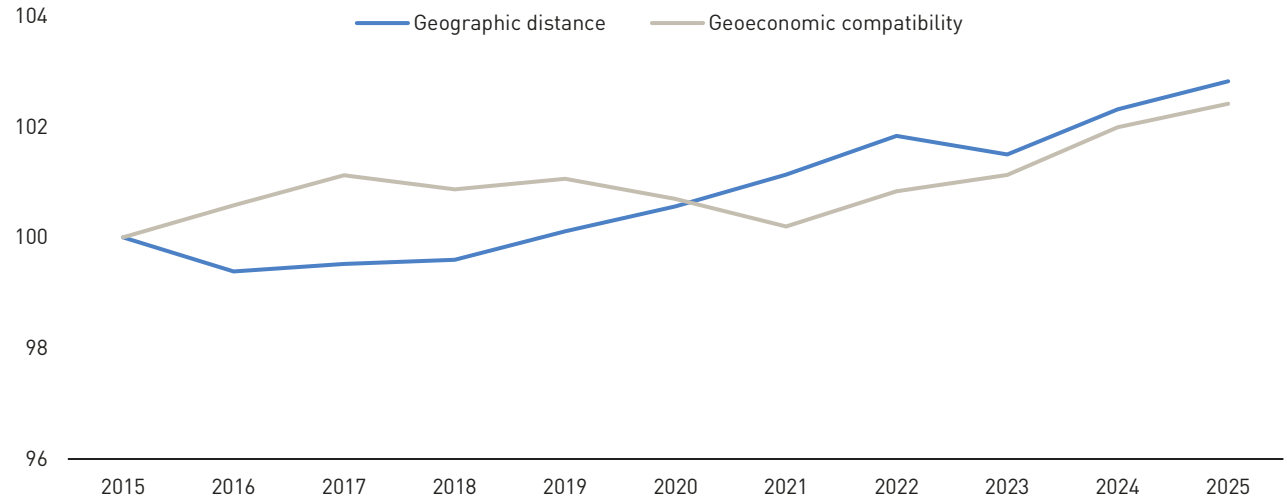
Geoeconomic interests are reshaping global trade flows

International trade is increasingly shifting away from pure cost-efficiency towards a more geopolitically driven approach. Factors such as national security, supply chain resilience and political alliances are becoming increasingly important in the selection of trading partners. New calculations by the United Nations (UN) show that, while international trade in goods is spanning ever greater geographic distances, trade has increasingly shifted towards more geoeconomically compatible partners, particularly since 2021. This suggests that, although companies continue to work with geographically distant suppliers to capitalise on cost, scale and specialisation advantages, geoeconomic risks are becoming increasingly important when selecting sourcing countries. For instance, the geographical distance between trading partners increased by 2.8% between 2015 and 2025, while trade among geoeconomically compatible partners rose by 2.4% over the same period.

Geoeconomic compatibility is becoming increasingly important in minimising trade risks

Global goods trade, 2015 - 2025

Index (2015 = 100)



Source: UNCTAD | Note: Geographic distance is measured as the bilateral trade-weighted average geodesic (great circle) distance, in kilometres, between countries' capitals. Geoeconomic compatibility is proxied by similarity in United Nations General Assembly voting patterns (Bailey et al., 2017).

Against this backdrop, the EU is also stepping up its efforts to deepen partnerships with 'like-minded' states and to strategically diversify its economic relations in response to the growing influence of geopolitical factors. Alongside progress in trade negotiations with partners such as Mercosur and India, this trend is also reflected in the proposal put forward by European Commission President Ursula von der Leyen in her State of the Union speech in September 2026 to grant Canada associate membership of the EU. The proposed partnership could involve closer cooperation in strategic areas such as critical raw materials, technology, energy and defence.

Take: The geopolitical and geoeconomic realignment of international economic relations requires Austria and the EU to adapt their strategies to the changing global environment. This includes diversifying export and sourcing markets, expanding strategic partnerships to reduce critical dependencies and further deepening the European single market. A key challenge is to counter growing external economic pressure with credible trade policy instruments while maintaining open trade relations and economic cooperation with like-minded partners.

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