

Old trade routes for new trade wars?

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Allianz Research

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Executive Summary



Ana Boata
Head of Economic Research
ana.boata@allianz-trade.com



Jordi Basco-Carrera
Head of Private Markets, Investment Strategy
jordi.basco_carrera@allianz.com



Lluís Dalmau Taules
Economist for Africa & Middle East
lluis.dalmau@allianz-trade.com



Jasmin Gröschl
Senior Economist for Europe
jasmin.groeschl@allianz.com



Françoise Huang
Senior Economist for Asia Pacific
francoise.huang@allianz-trade.com



Ano Kuhanathan
Head of Corporate Research
ano.kuhanathan@allianz-trade.com



Maria Latorre
Sector Advisor, B2B
maria.latorre@allianz-trade.com



Yao Lu
Investment Strategist
Yao.lu@allianz.com



Luca Moneta
Senior Economist for Emerging Markets
luca.moneta@allianz-trade.com

Augustin Bonah
Research Assistant

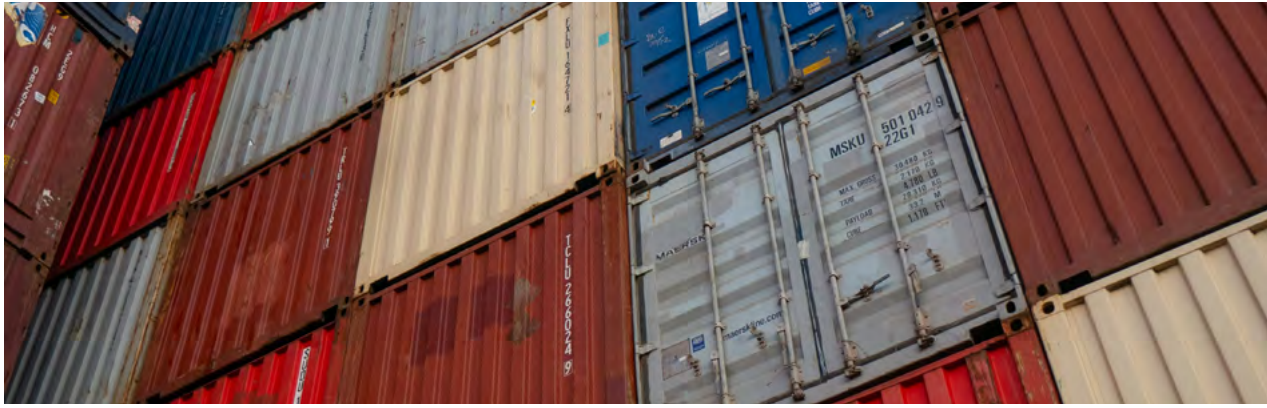
- In a world divided by geopolitics, protectionism and the effects of climate change, global trade is forging new paths.** Commerce is increasingly taking place between geopolitically aligned economies, with the US moving imports away from China, the EU sharply cutting trade with Russia and China's trade now dominated by developing economies in Asia, Latin America and Africa. A +10% rise in geopolitical distance reduces bilateral trade by -2%, underscoring the importance of political alignment and adaptive supply chains. This geopolitical fragmentation has coincided with a resurgence of protectionism. In the past year alone, trade restrictions have tripled to affect an estimated USD2.7trn of merchandise – nearly 20% of global imports – fueling friendshoring and regionalization. More than half of the global trade growth we forecast for 2025¹ is based precisely on rerouting of US imports from China, frontloading of shipments ahead of higher US tariffs and trade diversification, which together account for 1.3pp of overall growth of +2%. Looking ahead to 2026 and 2027, we expect global trade of goods and services to slow down to +0.6% and +1.8%, respectively, highlighting the delayed impact of the trade war and the challenges that current trade infrastructure will have to manage.
- Established routes still carry more than half of global trade. However, global logistics have become more vulnerable to shocks since the pandemic and a significant supply disruption can result in a temporary doubling of container freight rates.** This “core” category includes the Suez Canal (12% of global trade), Malacca (40%) and the Strait of Hormuz (roughly one-fifth of world oil and 20% of LNG), as well as inland and coastal trade arteries (eg. Europe's Rhine and Danube, China's Yangtze), megaports (Shanghai, Ningbo, Shenzhen, Guangzhou in China; Los Angeles, Long Beach, Oakland in the US; Rotterdam, Antwerp-Bruges and Hamburg in Europe) and airports (eg. Hong Kong, London Heathrow, Dubai and Frankfurt). However, our proprietary chokepoint scorecard shows that Asia and Europe's hubs are increasingly at risk of political or climate shocks. The Suez and Panama canals top the list of high-risk chokepoints, constrained by congestion and limited redundancy. Asian hubs lead on capacity and reliability but face mounting political risk; Europe's ports boast strong infrastructure and redundancy but rising climate exposure, particularly in the south. Midway hubs, from the Middle East to Southern Africa, act as efficiency anchors yet remain vulnerable to political and environmental stress. In the Americas, reliability is high but capacity tightens along Atlantic and Gulf coasts. Before the Covid-19 pandemic, oil prices were the main driver of container freight rates. However, since Q4 2020 and the post-pandemic supply-demand tensions, container volumes have become a key factor behind freight rate dynamics. We find that a supply gap of 20% of container volumes (equivalent to almost twice the volume passing through the Suez Canal) would lead to a doubling of freight rates year-over-year. Furthermore, this new paradigm also means that corporates have to deal with much more volatile transportation costs: volatility of global container rates has tripled since the pandemic.

¹ See [Global Economic Outlook](#)

- Meanwhile, new routes are emerging to increase supply chain resilience, avoid cost pressure and amid increasing South-South connections.** Since Russia's 2022 invasion of Ukraine, major shifts have taken place along trade routes connecting China and Europe, and India and Europe. Middle Corridor freight has jumped, with the volume of transported cargo rising by +86% y/y in 2023, and Kazakh rail volumes by +63% in 2024. Detour routes around the Cape of Good Hope have also resurfaced as reliable though costly substitutes for Red Sea transits, while North American nearshoring corridors and South-North corridors aiming to connect South Asia to the European market (including the India-Middle East-Europe Corridor) are also scaling up. In Latin America, one of the main emerging routes in the Pacific-Latin American axis, symbolized by Peru's new Chinese-financed Chancay Port, which will channel critical minerals and agribusiness exports toward Chinese and ASEAN markets. This exemplifies the Belt and Road's second phase – "BRI 2.0" – focused on targeted, commercially oriented assets in regions aligned with China's commodity interests. However, governance and major-power strategic interests may limit usage of these emerging routes, creating redundant, underutilized terminals – a risk operators and investors should bear in mind.
- For now, conditional routes such as the Arctic Northern Sea Route or Latin American interoceanic lines remain strategic bets, but bankability is distant without substantial de-risking.** Moscow is modernizing Arctic ports and building nuclear icebreakers and digital traffic controls, envisioning a year-round Asia-Europe gateway (projecting Arctic LNG to 200mn tons by 2030). The Arctic offers long-term potential (especially for energy), but is currently an uncertain China-Russia sideline rather than a mainstream corridor as Western participation remains minimal due to sanctions, cost and seasonality. Africa, Middle East and Latin America's routes are also conditional.
- Amid these shifts, new trade and manufacturing hubs are redrawing the global map.** Our updated ranking of Next Generation Trade Hubs for 2025 shows economies repositioning across three tiers – multimodal, logistical and intermediate – as tariffs, sanctions and supply-chain shifts reshape global flows. The UAE (#1) and Malaysia (#3) lead as consolidated multimodal powerhouses, anchored by world-class ports Jebel Ali and Port Klang linking Asia, the Middle East and Europe. Vietnam leaps to #2, buoyed by surging exports and a new tariff deal with the US that cements its role at the heart of Asia's manufacturing re-route. Saudi Arabia (#4) records the sharpest rise, up 11 places, as lower tariffs (~4%) and growing non-oil exports expand its trade potential. Kazakhstan (#16) joins the top ranks as a core logistical node, with Khorgos and Nur Zholy hubs funneling more Eurasian freight. Further down the list, Thailand (#8), India (#12) and South Africa (#23) lag on connectivity despite world-class terminals such as Laem Chabang and Tanger-Med, while Indonesia (#11) and Bangladesh (#15) face investment gaps exceeding USD1trn. Together, these hubs chart a trading system that is broader, more regional and unmistakably multipolar.
- With a trade infrastructure gap of over USD10trn by 2035, and USD7.1trn concentrated in emerging markets, financing must adapt accordingly in order to keep freight rates in check.** Financing models are bifurcating: stable, low-

yield assets in incumbent routes versus high-risk, high-return projects in scaling or conditional corridors. Multilateral and national development banks remain the backbone, catalyzing a 23% rise in private co-investment in emerging markets in 2023, while Gulf sovereign funds and regional platforms such as Africa50 are emerging as active strategic investors. Nearly 90% of new infrastructure funds launched since 2024 carry a climate or ESG mandate, signaling a structural shift toward green and blended finance. Advanced economies continue to dominate through deep capital markets and mature PPPs, while programs like the EU's Global Gateway (EUR300bn) and the G7's PGII (USD600bn) aim to crowd in private capital in the Global South. China's BRI 2.0, with an additional USD100bn pledged in 2023, remains a central force, now focusing on smaller, greener projects. Yet financing remains uneven: low- and middle-income countries attract only 20% of total private infrastructure investment.

- **Looking ahead to 2030, corridor finance will evolve into programmatic, blended, climate-aligned platforms, integrating ports, energy, digital and transport assets.** Guarantees, ESG-linked instruments and standardized PPP frameworks will underpin new trade routes such as Lobito, ASEAN and the India-Middle East-Europe link. The next decade's winners, governments, firms and investors alike, will be those who harden incumbents, de-risk at scale and avoid stranded assets, turning resilient connectivity into a core source of global competitiveness.

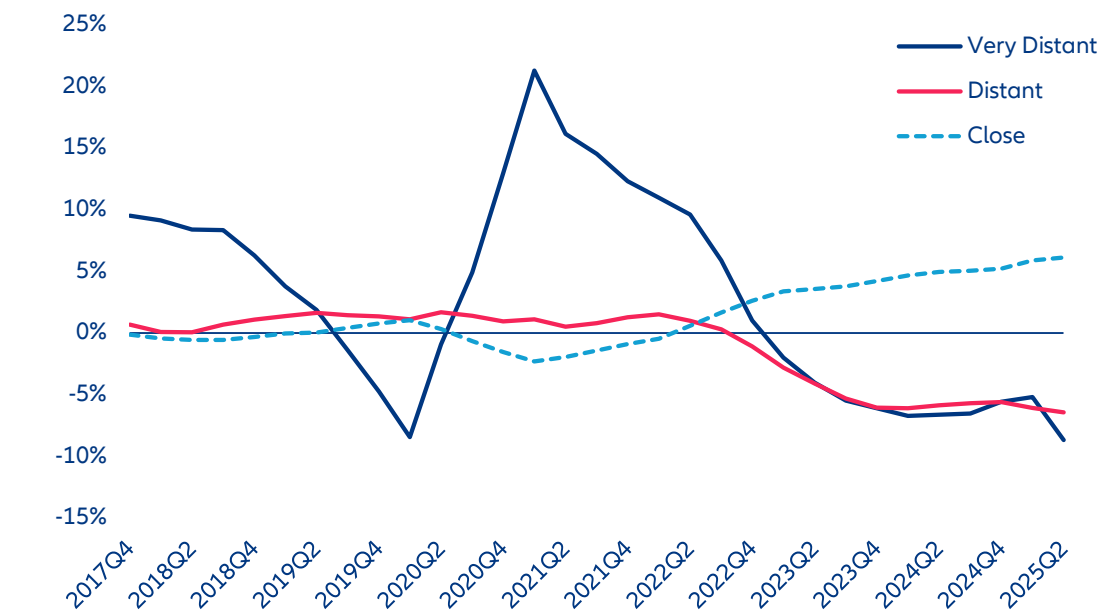


Old trade routes risk falling short

The global trade system is undergoing a profound transformation, driven by geopolitical fragmentation, strategic realignments and structural supply-chain challenges. The US is moving imports away from China, the EU has sharply cut trade with Russia in favor of other partners and China's trade is now dominated by developing economies in Asia, Latin America and Africa that are increasingly substituting for US goods – starting from agriculture. Meanwhile, overland routes such as the Middle Corridor (through Central Asia and the Caucasus) have gained momentum, particularly following Western sanctions on Russia. Infrastructure projects under China's Belt and Road Initiative have accelerated this shift as countries seek faster and more stable connections between East and West. The broader imperative is clear: the creation of cost-effective, diversified and geopolitically secure logistics networks.

Global trade has become regionally concentrated. Since 2017, and especially since 2022, it increasingly occurs among geopolitically aligned economies. This is reflected in declining flows between distant and very distant partners (Figure 1). Mitigating geopolitical risk is vital. A +10% rise in geopolitical distance reduces bilateral trade by -2%, underscoring the importance of political alignment. Friendshoring has a larger, more measurable impact on trade flows than nearshoring, driving investment into new logistics corridors and infrastructure investment projects. Structural shifts in global consumption and industrial production are being matched by geographic shifts in trade.

Figure 1: Geopolitical distance index and change in trade flows

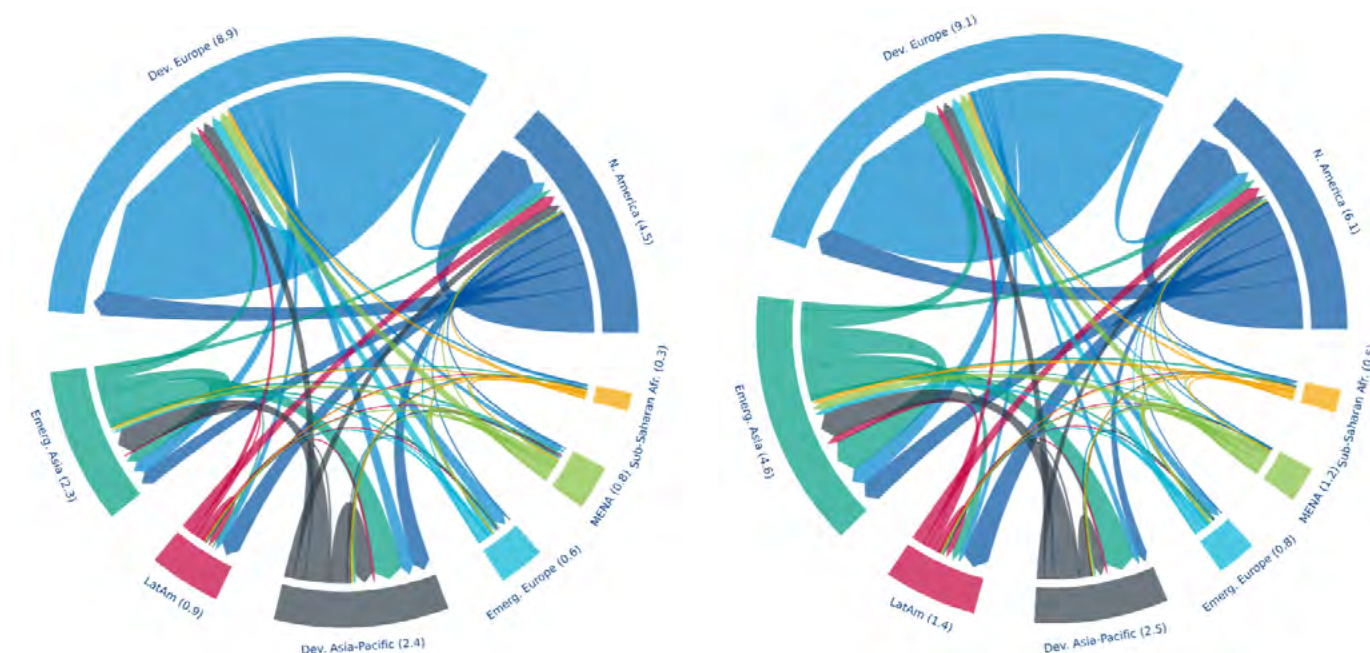


Sources: UN vote correlation, UNComtrade, Allianz Research

Regionalization is visible in the data. Over the last two decades, Developing Asia (including China) and North America posted the strongest gains in export shares relative to global GDP (+2.3pps and +1.6pps), followed by Latin America (+0.5pp) (Figure 2). Regional trade integration as a share of global GDP has tripled within Developing Asia (+302%), North America (+38%), Sub-Saharan Africa (+88%) and Latin America (+16%). Intra-Asian exports as a share of global GDP increased by +337%, while exports of Developing Asia (mainly China) to Latin America and Sub-Saharan Africa surged by +412% and +161%, respectively. Integration with Europe and North America also strengthened, with exports up by +100% and +72%. Europe is slower to reorient but shifting: exports to developing Asia (mainly China) grew by +70%, followed by Sub-Saharan Africa (+31%) and North America (+17%). Internal EU trade only increased by +2%, indicating that the Single Market, Customs Union, Schengen Agreement and the common currency have already lifted a strong share of internal trade potential. Although the Middle East and North Africa (MENA) region still accounts

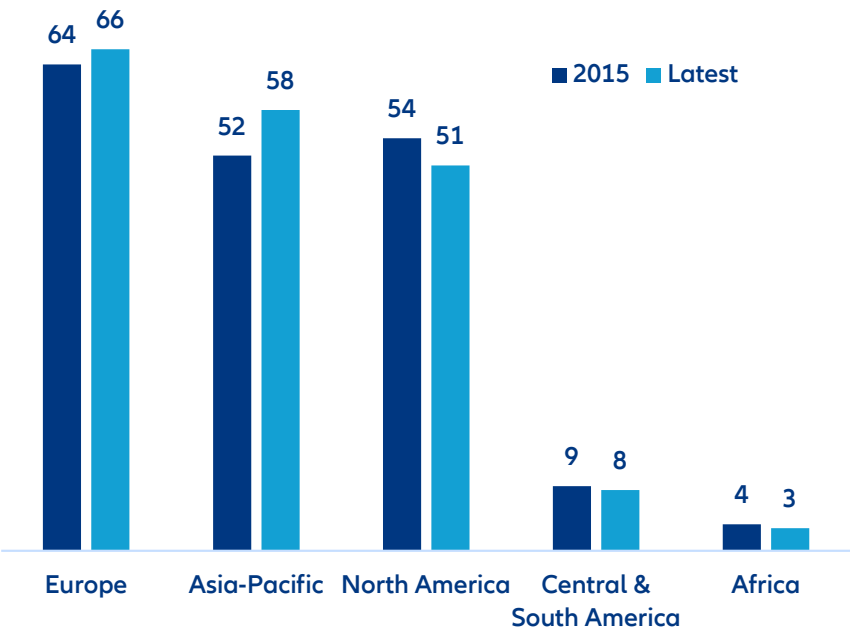
for a smaller share of global GDP, it is emerging as a key intermediary, with strong export growth to Developing Asia (+160%), Sub-Saharan Africa (+159%) and Latin America (+109%).

Figure 2: Shift in export compositions 2004 (left) to 2024 (right), exports in % of global GDP



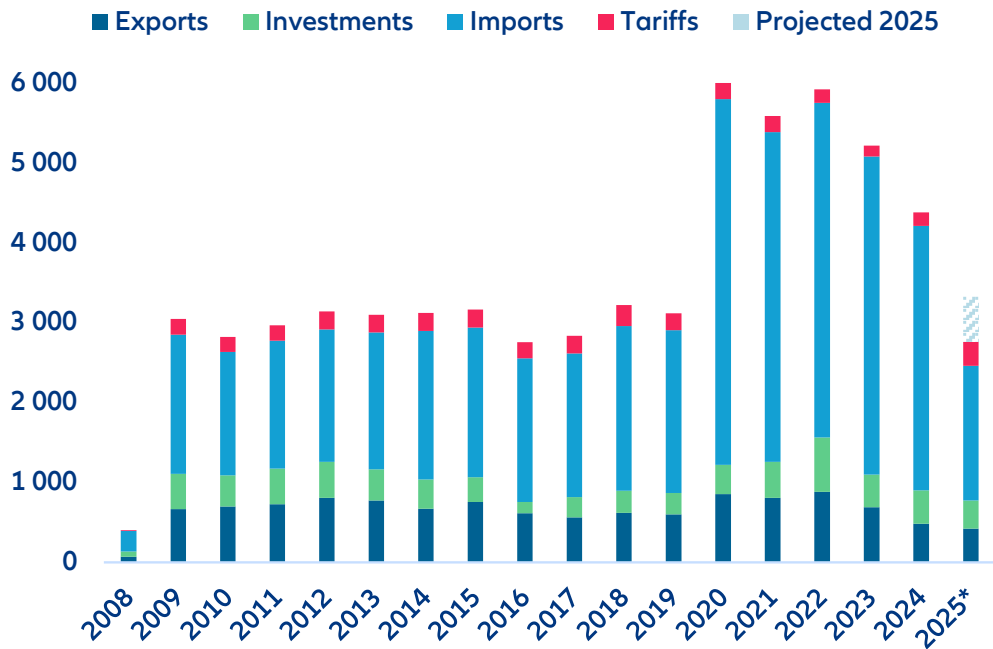
Sources: UNComtrade, Allianz Research

Figure 3: Intra-regional trade shares, goods only



Sources: Eurostat, IMF, UNCTAD, WTO, Allianz Research

Figure 4: Protectionist measures on exports, imports and investments



Sources: Global Trade Alerts, Allianz Research.

Note: Data for 2025* up until mid-October 2025 plus projections until year end.

Geopolitical fragmentation has coincided with a resurgence of protectionism. In the past year alone, newly imposed trade-restrictive measures affected an estimated USD2.7trn of global merchandise trade – triple the amount affected in the previous year – and now impact nearly 20% of global imports, up from 12.5% at the end of 2024. Tariffs are also rising, up +80% compared to the last decade (Figure 4). Export restrictions, particularly on critical goods such as semiconductors and rare earths, have increased due to the weaponization of the trade war, remaining near the peak levels reached in 2024. Investment barriers have also intensified, especially in strategic sectors: Since 2020, over 70% of G20 countries have introduced or tightened foreign direct investment screening mechanisms, and between 2024 and 2025, these controls increased by +18% compared to the previous decade, primarily targeting investments in semiconductors, AI and green tech from China and the US. Consequently, cross-border investment flows in strategic sectors have declined by -12% y/y, accelerating the fragmentation of global value chains.

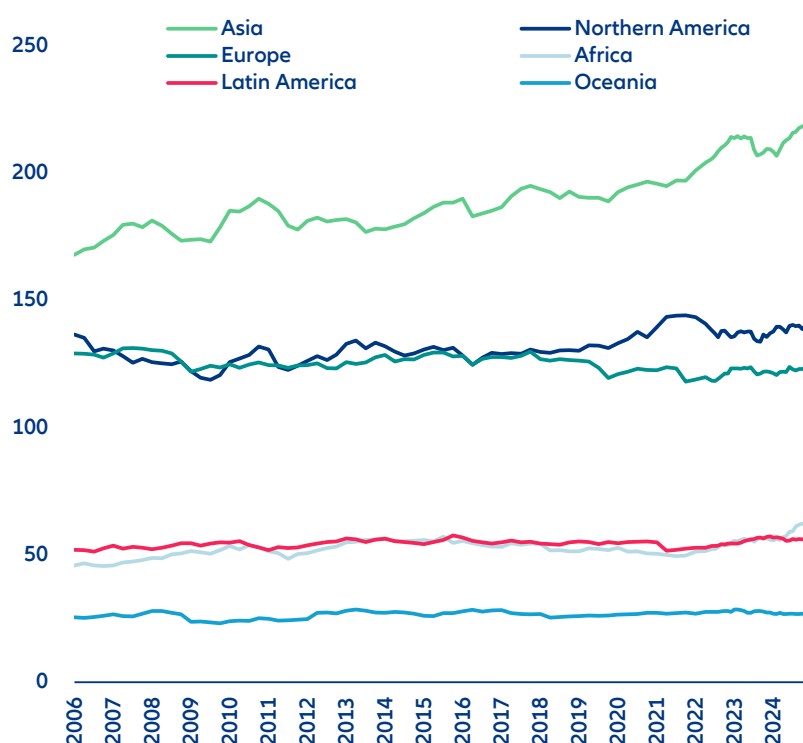
The reconfiguration of trade routes and partnerships indicates the development of a more multipolar global trade system. Emerging markets and developing economies already account for two-thirds of China's imports and exports, with around USD2trn of goods estimated for 2025. Continued fragmentation due to tariffs and sanctions could shave off trade growth, but corridors among emerging economies will continue to grow strongly,

while corridors linking developed economies with China or Russia may weaken. India, Mexico, Vietnam and parts of Africa and Latin America are capturing a larger share of lower-value manufacturing and assembly positions in supply chains. These shifts signal quick wins and long-term potential as global firms seek to diversify production away from concentrated, geopolitically fragile supply hubs.

Shorter recourse to regional trade routes could be maximized as firms seek resilient supply chains, but this may come at a cost. Longer transportation routes raise fuel consumption and therefore operational costs and CO2 emissions, and also triggers delays: for example, transit around South Africa adds +31% to Asia-US East Coast distances. Traders can expect more variable, more regionalized but less scalable pathways (for example intra-Asia, intra-Africa or Asia-Latin America routes) and must adapt to avoid chokepoints and undercapacity under diverse geopolitical frameworks.

At the same time, maritime connectivity within individual macro-regions has not improved significantly, with noticeable exceptions (Figure 5). The benefits of increased investment in Asia are clear, driven by demand and in response to the challenges introduced by the pandemic, a greater distance between North America and Europe and substantial stagnation in Latin America compared to Africa.

Figure 5: Average Liner Shipping Connectivity Index by region, 2006-2025



Sources: UN Trade and Development (UNCTAD), based on data provided by MDS Transmodal, Allianz Research



Old corridors: Core incumbents under strain but indispensable

50-60% of the world's merchandise trade remains anchored in a few critical arteries; while essential, they are increasingly fragile and becoming more expensive to navigate. A significant supply disruption can result in a temporary doubling of container freight rates. For policymakers and traders, the imperative is resilience: redundancy through regionalization rather than replacement. Chief risks are chokepoints: Suez, Hormuz, Panama and Malacca. Suez Canal handles ~12% of world trade, but conflict-related disruptions that started in late 2023 cut transit volumes by -70% amid Houthi attacks and insurance spikes. Rerouting around the Cape of Good Hope added up to +31% to distances from Asia to Europe (+1 to 2 weeks to transit), raising CO2 emissions and fueling costs by as much as USD1.5mn extra per voyage, in a period where bunker fuel prices were +33% above the 2018-2019 average. Bab el-Mandeb has also become a strategic flashpoint, forcing energy majors and grain traders to diversify. The Strait of Malacca, vital to Indo-Pacific energy and Asian manufacturing, carries around 30-40% of global trade by volume, yet faces congestion and vulnerability to geopolitical friction, piracy and potential South China Sea conflict. Hormuz is equally vital: roughly one-fifth of world oil and 20% of LNG transit the chokepoint. The Panama Canal — which handles about 5 % of global trade volume — has become a point of geopolitical tension and is increasingly vulnerable to periodic droughts. During the most recent one, water shortages reduced its capacity by nearly 40%, causing vessel delays of up to two weeks, costing traders above USD1,000 per container, with shipping prices rising by +37% to the Asia to New York route. Before the Covid-19 pandemic, oil prices were the main driver of container freight rates. However, since Q4 2020 and the post-pandemic supply-demand tensions, container volumes have become a key factor behind freight rate dynamics. We find that a supply gap of 20% of container volumes (equivalent to almost twice the volume passing through

the Suez Canal) would lead to a doubling of freight rates year-over-year. This new paradigm also means that corporates have to deal with much more volatile transportation costs: volatility of global container rates has tripled since the pandemic.

Inland and coastal trade arteries within major economies also form part of this “core incumbent” cluster. Europe's Rhine and Danube remain indispensable for EU industrial flows – especially chemicals, agribusiness and machinery – with the Rhine corridor carrying nearly 300mn tons annually, though climate change is making stretches shallower and risking periodic unnavigability. China's Yangtze underwrites nearly 40% of GDP, a maritime-inland continuum from Shanghai into interior hubs; together with coastal mega ports – Shanghai, Ningbo, Shenzhen and Guangzhou – these systems remain irreplaceable. In the US, Los Angeles, Long Beach and Oakland face throughput volatility from trade frictions and labor disputes, yet their scale is unmatched in the Americas, and Gulf and East Coast expansions have not eroded their trans-Pacific primacy. European gateways like Rotterdam, Antwerp-Bruges and Hamburg mirror this dynamic: despite congestion, labor and emissions pressures, they remain central nodes for continental logistics and energy imports.

Main airports are also indispensable engines of global trade. Although air cargo accounts for less than 1% of world trade by weight, it carries roughly 35% by value because it moves high-value, time-sensitive and perishable goods. As strategically positioned nodes at the crossroads of major corridors linking Asia, North America and Europe, leading hubs such as Hong Kong International (HKG), Memphis (MEM), Shanghai Pudong (PVG), Incheon (ICN), London Heathrow (LHR), Dubai International (DXB) and Frankfurt (FRA) have evolved from regional gateways into critical facilitators of international commerce. In our selection, these airports handle 42 tons of cargo annually

and serve an average of 123 destinations, a performance enabled by advanced infrastructure, integrated multimodal links and the global networks of logistics giants. Their defining strength is flexibility of goods and of destinations. Air hubs can accommodate a diverse portfolio of commodities (from jewelry and luxury items to electronics, pharmaceuticals, flowers and vegetables) and swiftly reallocate capacity across routes. Airlines can adapt in near real time to disruptions – volcanic eruptions, severe weather or conflict zones – by altering flight paths and schedules without incurring disproportionately high costs. This agility, coupled with dense destination networks, makes airports the connective tissue that keeps production centers and consumer markets continuously linked, reinforcing supply chain speed and resilience relative to land and maritime transport. Yet these

strengths coexist with vulnerabilities. Several major hubs are located in coastal zones exposed to sea-level rise and flooding. HKG, the largest by cargo capacity, sits just 6 meters above sea level; inundation could disrupt logistics chains, damage warehousing and ground equipment and delay shipments. More broadly, airports remain sensitive to extreme weather closures, airspace restrictions, runway and slot constraints and ground-handling bottlenecks – operational pressures that can cascade through time-critical supply chains. Safeguarding their pivotal role therefore requires sustained investment in climate adaptation, capacity and process upgrades and network diversification to preserve the flexibility that is their greatest strength.

Box : Trade chokepoints

The resilience of trade chokepoints has become a decisive factor shaping transport costs, delivery reliability and ultimately the competitiveness of regions and industries. Global trade depends on a limited number of strategic corridors and chokepoints – narrow passages or logistical hubs that concentrate flows of energy, food and manufactured goods. These include maritime routes such as the Suez and Panama Canals, key air freight hubs (such as the Hong Kong International Airport) and inland connectors linking ports, railways and road networks. But over the past decade, and particularly since 2022, trade has increasingly had to bypass these traditional routes, relying instead on alternative corridors chosen for their resilience or political alignment rather than efficiency alone. In 2023, for example, transit through the Suez Canal plunged -70% due to geopolitical tensions, while in 2024 ship crossings through the Panama Canal fell by -36% as a drought reduced water levels, forcing ships to take much longer voyages around South Africa or rely on alternative infrastructure.

To evaluate these vulnerabilities, we designed a scorecard of maritime chokepoints and ports² to provide a comparative risk assessment across sea, air and inland trade routes. Each trade-enabling type of infrastructure is scored across two primary risk dimensions:

1. **Supply & demand risk** – capturing the structural capacity and efficiency of the place relative to global trade demand.
 - o **Capacity risk** reflects physical limitations such as throughput, congestion levels and scalability.
 - o **Reliability risk** assesses operational efficiency and maintenance standards, including port handling times, regulatory performance and infrastructure quality.
 - o **Redundancy risk** measures the availability of alternative routes or substitute facilities that could absorb ntraffic in case of partial closure or overload.
2. **Disruption Risk** – gauging the likelihood of unexpected interruptions that can materially affect trade continuity.
 - o **Political risk** accounts for geopolitical tensions, regulatory instability, security incidents, governance or conflict exposure that could hinder operations.
 - o **Climate-related risk** includes exposure to extreme weather, sea-level rise, droughts (affecting canal water levels) and other environmental stresses.

² Methodology of the scorecard: overall ranking has been estimated via a weighted average of the different subcomponents. The capacity subcomponent has the larger weight, followed by political and climate risk, and then reliability and redundancy.

Each chokepoint and marine port is evaluated using a **three-gradient risk matrix, from low risk (green) to high risk (red)**, identifying where vulnerabilities are concentrated across global logistics systems. This dual approach – measuring both structural exposure (supply and demand balance) and shock exposure (disruption potential) – helps identify trade-enabler places that are not only under physical strain but also geopolitically or environmentally fragile. It supports prioritization for investment, risk mitigation and contingency planning by governments, traders, logistics providers and infrastructure investors alike.

Our global trade risk scorecard reveals widening divergences across corridors. Global chokepoints, notably the Suez and Panama canals, show higher exposure to limited capacity and redundancy risks, reflecting congestion and limited alternatives. Political and climate risks also flash red, underscoring the dual impact of conflict and extreme weather on these critical passages. Across Eurasian routes, Asian trade hubs score best overall, with relatively strong capacity and reliability but rising political risk in key transshipment nodes. European trade hubs display solid infrastructure and redundancy but moderate capacity constraints and growing climate exposure, especially in southern ports. Midway hubs (Middle East and East Africa) emerge as efficiency linchpins yet remain vulnerable to political instability and climate stress, balancing high throughput with fragile continuity. In the Western Hemisphere, American import–export hubs perform well on reliability and redundancy but face bottlenecks in capacity and increasing climate risks, particularly along Atlantic and Gulf coasts.

Table 1. Scorecard of maritime chokepoints and ports

	Overall Risk	Capacity Risk	Reliability Risk	Redundancy Risk	Political Risk	Climate Risk
Global chokepoints						
Suez Canal	Red	Red	Yellow	Red	Red	Yellow
Panama Canal	Red	Red	Red	Red	Red	Red
Cape of Good Hope	Yellow	Yellow	Yellow	Yellow	Red	Yellow
Strait of Malacca	Green	Green	Yellow	Yellow	Red	Yellow
Bab-el-Mandeb	Yellow	Yellow	Yellow	Red	Yellow	Yellow
Strait of Hormuz	Green	Green	Green	Red	Red	Yellow
Strait of Gibraltar	Green	Green	Yellow	Yellow	Green	Yellow
Strait of Taiwan	Yellow	Green	Yellow	Yellow	Red	Yellow
Eurasian routes						
Asian trade hubs						
Busan (South Korea)	Green	Green	Green	Yellow	Green	Yellow
Ningbo-Zhoushan (China)	Green	Green	Red	Yellow	Green	Yellow
Port Klang (Malaysia)	Green	Green	Yellow	Yellow	Green	Yellow
Shanghai (China)	Green	Green	Red	Green	Green	Yellow
Shenzhen (China)	Green	Green	Yellow	Yellow	Yellow	Yellow
Singapore	Green	Green	Red	Yellow	Green	Yellow
Laem Chabang (Thailand)	Yellow	Yellow	Green	Yellow	Red	Yellow
Haiphong (Vietnam)	Red	Red	Green	Green	Red	Yellow
European trade hubs						
Algeciras (Spain)	Green	Yellow	Green	Green	Green	Red
Antwerp (Belgium)	Green	Green	Red	Yellow	Green	Red
Felixstone (UK)	Yellow	Red	Green	Yellow	Green	Red
Hamburg (Germany)	Green	Green	Red	Green	Green	Red
Rotterdam (Netherlands)	Green	Green	Red	Green	Green	Red
Piraeus (Greece)	Green	Yellow	Green	Green	Green	Red
Midway trade hubs						
Jebel Ali (Dubai)	Green	Green	Yellow	Yellow	Green	Red
Port of Salalah (Oman)	Red	Yellow	Green	Yellow	Red	Red
Durban (South Africa)	Red	Yellow	Red	Green	Red	Red
Tanger Med (Morocco)	Yellow	Green	Green	Yellow	Yellow	Red
Western Hemisphere routes						
America import/export hubs						
Los Angeles / Long Beach (US)	Green	Green	Red	Green	Green	Red
New York / New Jersey (US)	Yellow	Yellow	Green	Yellow	Green	Yellow
Manzanillo (Mexico)	Red	Red	Green	Yellow	Yellow	Yellow
Santos (Brazil)	Yellow	Green	Red	Green	Red	Red

Sources: Global Innovation Index Database WIPO, Allianz Research

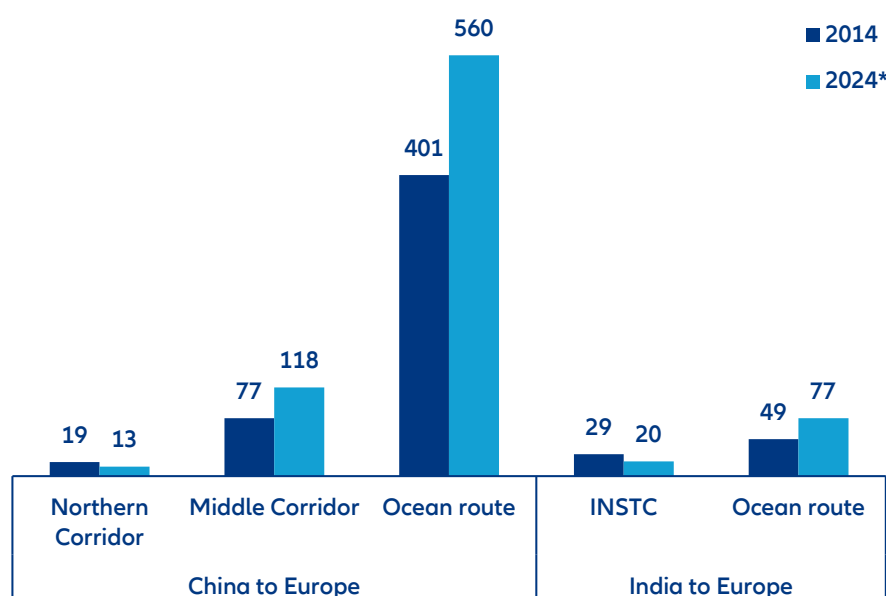


Emerging corridors: Viable alternatives scaling up

The multiple crises that well-established routes have experienced, plus the underlying trends of global trade and geopolitics, has prompted the emergence of new routes. Major shifts have taken place over the past decade along trade routes connecting China and Europe, and India and Europe. Over the past decade, exports along the ocean route between China and Europe increased by +39.8%, rising from USD400bn to USD560bn, with sea shipping being the cheapest mode for bulk and long-distance trade. By contrast, the Northern Corridor through Russia saw a decline of -31.7%, falling from USD18.8bn in 2014 to USD12.9bn in 2024. Over the same period, trade across the Middle Corridor surged by +52.9%, adding USD40.8bn in value (Figure 6). A similar pattern can be observed along the India–Europe trade routes. The ocean route grew by +56.6%, increasing from USD49.2bn to USD77.1bn, whereas the International North–South

Transport Corridor (INSTC), which includes a direct south–north route as well as western and eastern branches, saw an overall decline of -33.1%, from USD29.2bn to USD19.5bn in traded goods. Closer examination reveals that the South–North corridor experienced the steepest drop: -93.5% between 2014 and 2024. This is likely due to sanctions against Russia and Iran, as well as logistical and political disruptions, including interruptions to Caspian Sea crossings. Meanwhile, the Eastern leg along the Caspian Sea contracted by -6.2%, while the Western leg registered a robust +63.1% increase in exports along the way. These developments highlight major ongoing shifts in the dynamics of overland trade between the north and south, as well as the east and west.

Figure 6: Export and re-export along trade corridors connecting China and India with the EU27, in USDbn



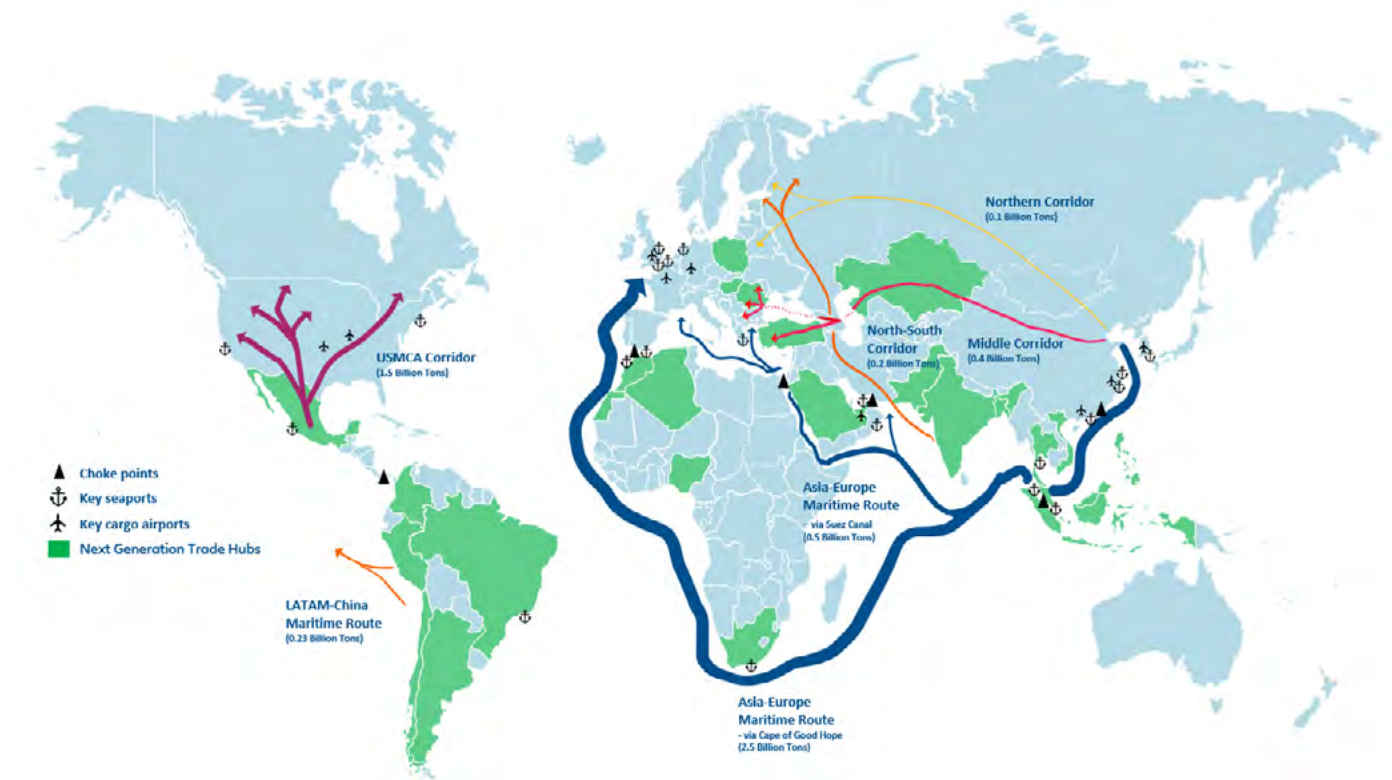
Sources: UNComtrade, OECD TiVA, Allianz Research. Note: *For some bilateral trade pairs, no trade data was available for 2024 due to reporting lags, so data from previous years was used instead. We calculate trade going along the routes as the exports of each bilateral pair minus the share consumed domestically, approximated by the percentage of foreign value added to domestic final demand in imports between each pair with the rest being re-exported to the next country along the route. For countries for which no data is available in OECD TiVA, we use the percentage of foreign value added in domestic final demand between non-OECD countries and the world as an approximation.

Russia's trans-Siberian "Northern Corridor" remains the main land bridge, but geopolitical tensions have spurred the Trans-Caspian "Middle Corridor" (Figure 7). Since Russia's 2022 invasion of Ukraine, Middle Corridor freight has jumped, with transported cargo volume rising by +86% y/y in 2023, and Kazakh rail volumes by +63% in 2024. The Middle Corridor is currently supported by 25 transport and logistics companies from 11 member countries, operating across vessels, ports, railways, and terminals. Its growing success reflects coordinated investments by Türkiye, Georgia, Azerbaijan, and Kazakhstan in railway networks, port infrastructure, and Caspian feeder shipping. These developments have strengthened intra-regional trade and attracted renewed EU interest amid sanctions-related disruptions along Russia's Northern Corridor. Kazakhstan is expanding the Aktau port and financing development at Alat, while the EU has pledged EUR12bn under its Global Gateway initiative to enhance connectivity with Central Asia and cut EU–Central Asia transit times to around 15 days. China is also advancing its role by financing Georgia's deepwater Anaklia port—expected to handle up to 20% of Asia–Europe trade—and investing in the modernization of Azerbaijani ports and Central Asian rail links. Despite these efforts, the Middle Corridor still

represents only a small share of overall Asia–Europe trade. Moreover, should Russia secure a favorable peace settlement with Ukraine, overland routes could once again shift through Russian territory, undermining the Middle Corridor's strategic momentum.

Detour routes around the Cape of Good Hope have also resurfaced as reliable though costly substitutes for Red Sea transits. Major carriers re-routed hundreds of ships via South Africa in 2024, reviving calls to upgrade South African ports (Durban, Ngqura) and fuel-bunkering capacity, as South African's seaports have among the lowest capacity and utilization scores. Transnet, South Africa port and rail operator assesses an investment gap of USD11bn to the country's logistic sector and has announced USD7bn investment through 2030. For shipping companies, the Cape route is now part of operational contingency planning rather than a one-off exception – a semi-permanent "insurance corridor." However, given the lower capacity and low efficiency of Durban's seaport, other ports in the Southern African region have emerged as alternatives, notably the ports in Richard Bay, but also Port Beira in Mozambique or Walvis Bay in Namibia.

Figure 7: Old and emerging trade corridors, chokepoints, seaports and cargo airports



Sources: UNCTAD, US Bureau of Transportation Statistics, Middle Corridor, Allianz Research. Note: thickness of arrows corresponds to tonnage volume in billion tons of 2023.

At the same time, Chinese firms participate in over one-third of Africa's 231 commercial ports, building and operating hubs and pairing them with rail/roads into the interior. Beijing's 15th Five-Year Plan envisions more stable and resilient global supply chains by fostering new trade routes and cooperation. Lines like Dar es Salaam–Zambian copper belt and the Trans-Congo rail tie minerals to Chinese networks. The BRICS' New Development Bank is expected to finance African infrastructure, while South Africa's port upgrades, India's oil pipeline to East Africa and multiple road/rail projects (Abuja-Lagos, Ethiopia-Djibouti) reflect intensified South-South planning. Western powers are also funding alternatives via the US/EU-led PGI: the Lobito Corridor will link Angola's Lobito to DRC and Zambia's copper fields; the US, EU and multilateral development banks have pledged billions, with a first test shipment in January 2024 and Italy's Mattei Plan committing USD320mn to an 800km section. EU's Global Gateway is also launching Africa initiatives (e.g. high-speed data cables for an EU-Africa-India corridor).

In the Americas, North American nearshoring corridors are also scaling. Under USMCA, road and rail connectors between Mexican maquiladora clusters and US logistics hubs are absorbing manufacturing once routed through trans-Pacific supply chains. New "dry ports" in northern Mexico and expanded rail links from Monterrey to Texas are re-orienting intra-continental trade volumes upward by double digits. For energy and agribusiness exporters, this nearshoring wave means tighter regional supply chains and reduced dependency on global shipping volatility. In South America, one of the main emerging routes is the Pacific-Latin American axis, symbolized by Peru's new Chinese-financed Chancay Port, which is projected to become the 3rd largest port in the region by 2032, up to 3.5mn TEU, only behind Santos in Brazil and Manzanillos in Mexico. Such initiatives will channel critical minerals and agribusiness exports toward Chinese and ASEAN markets. It exemplifies the Belt and Road's second phase – "BRI 2.0" – focused on targeted, commercially oriented assets in regions aligned with China's commodity interests. For Latin American exporters and global traders, such projects redefine competitiveness: Chile, Brazil and Peru could collectively increase eastbound maritime tonnage to Asia by 25-30% by 2030.

The Gulf-Mediterranean and IMEC axis, part of the so-called South-North corridors, are another example of scaling alternatives aiming to connect South Asia to the European market, including the India-Middle East-Europe Corridor (IMEC), unveiled at the 2023 G20 which aims to connect Indian ports with the Arabian Gulf and Europe through new rail links and transshipment hubs in Saudi Arabia, the UAE and Israel. It is estimated that

the corridor would require between USD3bn to USD 8bn to become operational. The project integrates physical trade, digital cables and hydrogen pipelines – emblematic of a new multimodal corridor architecture. Although still conceptual, its first-phase logistics agreements could shift a portion of Asia-Europe flows away from the Red Sea within the decade. Complementary projects, such as Saudi Arabia's Dhiba and NEOM ports, already expanding to 9mn TEU capacity by 2030, reinforce the trend toward Gulf transshipment as an alternative to the Suez chokepoint, as observed in the emerging importance of Saudi Arabia as a connectivity hub in the 2025 ranking of the Next Generation Trade Hubs (see below). Otherwise, the International North-South Transport Corridor (INSTC), already in operation even if still lacks large investments, assessed above USD15bn, to increase its capacity, connects the Indian ports with Russia via Iran and the Caucasus. The INSTC gained momentum since Russia's invasion of Ukraine as Russia shifted towards India for its commodity exports including coal, metals and oil. Russia and India are the core of the South-North corridors, however, the South Asian country tops the list of the largest infrastructure investment gaps, including domestic as the intra-Indian corridor, as well as the main ports connecting India to its global markets.

Together, these viable alternatives represent the new growth frontiers... They have not yet displaced Suez, Malacca or the Rhine, but they now capture growing shares of trade flows in commodities and intermediate goods. Their common feature is political backing and scaling infrastructure: EU's Global Gateway in Central Asia and Africa, the US-EU Partnership for Global Infrastructure (PGI) financing Lobito and IMEC and China's BRI investments in Latin and sub-Saharan ports. The cumulative investment pipeline exceeds USD700bn through 2035, a testament to the shift toward redundancy through regionalization.

...But could increase the risks of next-generation stranded assets. Intraregional links will grow: ASEAN is deepening land/sea networks (Mekong road/rail, port hubs in Singapore/Malaysia) to capitalize on the Regional Comprehensive Economic Partnership (RCEP) and the China-ASEAN free-trade agreement; the EU is reinforcing its Trans-European Transport Network (TEN-T) to tie the Middle East and Africa together via Mediterranean ports; the long-stalled EU-Mercosur pact could reshape Atlantic trade, though ratification is uncertain. Projects like the Central Asia-Turkey-Pakistan rail and Iran's Chabahar port (with India) diversify Middle East routes. However, governance and major-power strategic interests may limit usage, creating redundant, underutilized terminals – a risk operators and investors should bear in mind.



Conditional routes: strategic pilots with higher uncertainty

A third cluster includes emerging or speculative corridors whose development depends on political viability, technological progress and sustained capital investment – routes with high strategic potential but uncertain viability. Foremost is the Arctic's Northern Sea Route (NSR). Moscow is modernizing Arctic ports and building nuclear icebreakers and digital traffic controls, envisioning a year-round Asia-Europe gateway (projecting Arctic LNG to 200mn tons by 2030). China signed a 2022 Arctic cooperation MoU and launched a "Polar Silk Road"; Chinese NSR shipping nearly doubled in 2024, though ~95% of cargo is Russian exports. Western shipping companies remain cautious amid sanctions and legal disputes: Russia asserts extensive control under UNCLOS Article 234 (permission required), a claim challenged by the US and EU. NSR volumes (38mn tons in 2024) remain far below targets, and Russian military deployments raise geopolitical risks.

The Arctic offers long-term potential (especially for energy), but is currently an uncertain China-Russia sideline rather than a mainstream corridor. Cargoes may reach 130mn tons by 2035 from 38mt in 2024 – largely LNG and minerals (95% Russian exports). Western participation remains minimal due to sanctions, cost and seasonality. China frames the NSR within its "Polar Silk Road" and has nearly doubled Arctic shipping since 2023, viewing it as a selective Suez alternative. Yet high insurance, limited navigation windows and geopolitical tension mean the NSR will likely remain niche – conditional

on climate and geopolitics. Similarly uncertain is the Russia-China axis: a record USD240bn in 2024, but maritime flows could fall if secondary sanctions tighten; continuity depends on Ukraine and Western export controls. Africa, Middle East's and Latin America's routes are also conditional.

Alternative routes could also materialize in Africa, Middle East and Latin America. In Africa, the Africa Continental Free Trade Agreement could unleash intra-Africa trade opportunities above USD100bn by 2030. In the Middle East, Türkiye is positioning itself at the core of emerging new trade routes in Iraq, connecting the Persian Gulf to Anatolia, as a potential alternative to avoid the Strait of Hormuz; as well as in Syria, given the initial pledges to reconstruct the nation and create railways connecting Amman to Türkiye via Damascus. But far more is needed, and financing, political risk and headwinds persist for these corridor as well as the Bi-oceanic Corridor and Mexico's Trans-Isthmus rail.

Strategically, these corridors are "options" on future trade – potentially transformative but not yet dependable. Traders should re-map around corridor clusters, while shipping should diversify fleets (feeder/regional, LNG and ice-class, modernized megaships). As trade is becoming multi-polar and risk-segmented, investors face a bifurcated set: stable incumbents vs higher-risk alternatives.

The Arctic Express

The Arctic has become a coveted region, moving from a largely seasonal and experimental route to a growing component of global maritime trade. The Arctic not only has vast untapped natural resources (13% of the world's undiscovered oil and 30% of its natural gas), but it could shorten shipping routes between major markets in Asia, Europe and North America as melting sea ice, coupled with advances in vessel technology and increasing geopolitical interests, opens up previously inaccessible waters. As a result, Nordic nations have been formulating diverse geopolitical and economic strategies in anticipation of the region's future, including the setting of new delimited marine trade routes, believing that they could evolve into a viable year-round trade corridor by mid-century, assuming current, albeit undesirable, climate trends persist.

Figure 8: Existing Arctic shipping routes



Source: Dept of Maritime Business Administration - Texas A&M University

As of today, the Northern Sea Route (NSR) along Russia's coast is the most frequently used Arctic shipping corridor, primarily driven by Russia's energy exports to China. The route is currently heavily dominated by the commodities sector, with crude oil making up 63% of all cargo transported in 2024, followed by iron ore concentrate at 15% and coal at 10%. Cargo volumes on the NSR have surged from approximately 4mn tons in 2014 to nearly 38mn tons in 2024, supported by 92 transit voyages over the year (still very low compared to the 40,000 annual ship crossings that are recorded on average in the seven most important choke points). According to the Russian government, freight volumes are projected to reach 130mn tons by 2035. The route's growing appeal lies in its significantly shorter transit times between Asia and Europe, reducing travel distances by up to 30% (depending on the ports of call) compared to traditional routes like the Suez Canal, resulting in lower fuel consumption and costs.

The North-West Passage (NWP) via Canada's Arctic archipelagos ranks second. In summer 2024, 18 ships completed full NWP transits (eight were cruises, nine cargo ships and one tanker). While this number is minimal compared to the 13,404 ships that passed through the Panama Canal in its last fiscal year, the NWP holds significant long-term potential. Despite the reduced ice coverage, over the coming decades, this emerging route could serve as an alternative to the Panama Canal, especially as the Canal (on top of charging a toll) faces increasingly frequent and severe droughts that limit the passage of large vessels at certain times of the year, thereby threatening the flow of goods across the US coast-to-coast. Notably, the US accounts for nearly 75% of the cargo transiting the Panama Canal, positioning it as a major beneficiary of a future year-round opening of the NWP, even though the time savings between the Panama Canal and the Canadian Arctic route may be small or even negative (depending on the final destination seaport in the US).

The Transpolar Sea Route (TSR) – cutting straight across the central Arctic Ocean over the North Pole – remains the least used and least developed of all Arctic shipping routes, even though it primarily crosses international waters with fewer permits and fees (compared to the NSR). The TSR faces even more obstacles, including extreme and unpredictable ice conditions all year round, the lack of any nearby infrastructure (including deepwater ports) or search

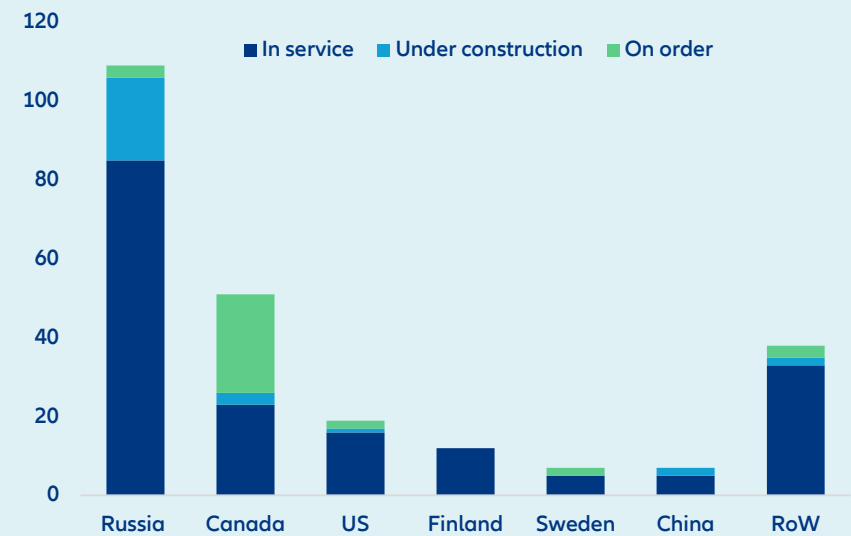
and rescue capabilities and harsh environmental risks. These factors, combined with the absence of reliable satellite navigation and communication in this remote area, make the TSR commercially unfeasible at present.

Looking ahead, the Arctic’s long-term development will depend on overcoming substantial environmental, logistical, financial and political challenges. While the Arctic holds immense promise as a future trade corridor, the path to fully utilizing these marine passages is fraught with significant challenges. From harsh and unpredictable weather conditions to fragile ecosystems, limited infrastructure and complex geopolitical dynamics, the obstacles and risks still outweigh the benefits. Therefore, these routes are not only conditioned by a climatic factor but also by the will of both governments and transport companies to seek to make this area a sustainable trade artery in the future.

From an operational point of view, shipping companies face the following obstacles:

- 1. Fleet adaptation:** Before heading to the Arctic, shipping companies must adapt their fleets to suit icy waters, with specific considerations such as a stronger hull, extra propulsion power, heating systems and specific equipment and materials. This is why ice-class and polar-class vessels are significantly more expensive (+60-80%) than conventional ones. Most of the (few) existing ice-class or polar-class vessels are owned by energy, mining or research organizations rather than traditional shipping companies. Thus, in addition to the necessary ramp-up in production for this type of ship, CapEx considerations are also essential.
- 2. Russia’s dominance of the ownership of icebreaking ships:** Although retreating sea ice is gradually creating wider seasonal navigation windows – typically between July and October – large areas of the region remain covered by ice for much of the year. In extreme or multi-year ice zones, where conditions can change rapidly, even polar-class ships often require escorting by icebreakers, which are primarily (45% of global fleet) owned by Russia (see Figure 9). With Canada possessing only half as many icebreakers as Russia, the Kremlin holds a near-monopoly of control over access to Arctic routes, giving it the power to set escort fees and decide which vessels to provide escort services to.
- 3. Russia’s dominance on Arctic coasts:** Russia holds sovereignty over the majority of the Arctic coastline and has developed extensive maritime infrastructure, including ports. This dominance provides Moscow with significant geopolitical leverage, allowing it to regulate navigation within its Exclusive Economic Zone and determine how foreign vessels access Arctic routes. By controlling both physical infrastructure and operational access, Russia can influence commercial shipping, resource development and strategic military movements, consolidating its position as the preeminent power in the region.

Figure 9: World icebreaking fleet, 2024



Sources: Aker Arctic, Allianz Research



New hubs connecting trade

Next-generation trade hubs are emerging fast

Amid the structural shifts of the global trading system, new trade hubs are emerging, becoming links in new trading routes, as well as emerging new manufacturing hubs. The second edition of our [Next Generation Trade Hubs](#) ranking assesses which new trade hubs will become systemic and play a central role in the trade system of tomorrow. But this year we also incorporate innovation into the efficiency component. Amid the ongoing trade war, this year's results clearly show how the hubs are starting to fit together in the new global trading structure depending on their function: logistical, manufacturing or multi-modal. First, we observe a consolidation of key multi-modal hubs in Southeast Asia, Eastern Europe and the Middle East. Second, we find the emergence of key logistical hubs linking trade routes across the globe. Third, we find hubs that remain behind due to lack of investment either in infrastructure or their manufacturing capacity.

Consolidated multi-modal hubs: The UAE (#1) and Malaysia (#3) again top the overall ranking, thanks to a balance of strong connectivity, efficiency and innovation. However, Malaysia slipped from #2 to #3 due to high US tariffs that have slowed export growth and impacted its trade potential score. Both the UAE and Malaysia boast

world-class infrastructure: Jebel Ali in Dubai and Port Klang near Kuala Lumpur rank among the top 10 global ports by tonnage, behind only China, South Korea and Singapore. These ports serve as regional hubs – Port Klang for ASEAN and Jebel Ali for the Middle East – while also connecting with each other and other major ports in South Asia, China and ASEAN countries, illustrating the rise of new trade routes outside Europe and North America. Despite their strengths, both Malaysia and the UAE score lower on trade potential, reflecting their status as consolidated rather than fast-growing markets. Similarly, Poland (#7) excels in efficiency, innovation and connectivity – demonstrated by high logistics performance and patent registrations – highlighting its strong ties with Western and Central/Eastern Europe. However, Poland's trade potential is limited by modest GDP growth and fixed investment forecasts through 2027.

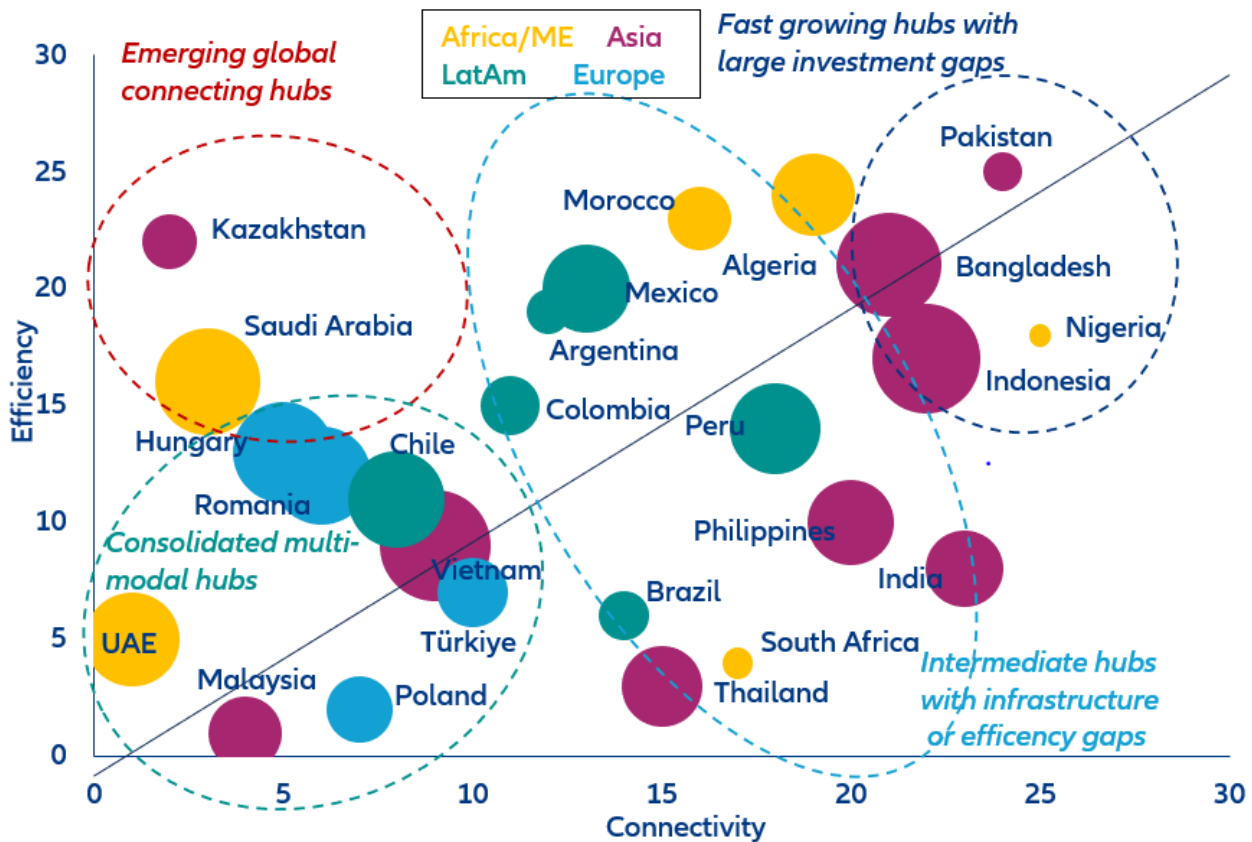
Table 2: 2025 Next Generation Trade Hubs

	Overall	Connectivity	Efficiency & Innovation	Trade Potential
United Arab Emirates	1  0	1	5	8
Vietnam	2  1	9	9	1
Malaysia	3  -1	4	1	15
Saudi Arabia	4  11	3	16	3
Hungary	5  2	5	13	5
Romania	6  0	6	12	6
Poland	7  3	7	2	17
Thailand	8  8	15	3	13
Chile	9  -1	8	11	7
Turkiye	10  -6	10	7	16
Indonesia	11  -6	22	17	2
India	12  2	23	8	14
Philippines	13  -2	20	10	11
Peru	14  -5	18	14	9
Bangladesh	15  -3	21	21	4
Mexico	16  1	13	20	10
Kazakhstan	17  2	2	22	20
Colombia	18  -5	11	15	19
Brazil	19  -1	14	6	21
Algeria	20  1	19	24	12
Morocco	21  -1	16	23	18
Argentina	22  0	12	19	22
South Africa	23  0	17	4	24
Pakistan	24  0	24	25	23
Nigeria	25  -1	25	18	25

Sources: World Bank, Heritage Foundation, Chinn ITO, International Labor Organization, International Monetary Fund, Allianz Research

Vietnam rises to #2 in the Next Generation Trade Hub ranking, propelled by significant trade potential and the country's position at the core of the evolving global trading system. Vietnam's manufacturing and export capacity are expanding rapidly, driven by its increasing competitiveness compared to neighboring countries. This advantage arises from lower labor costs, a greater number of FTAs, and a more diversified export basket. In parallel, Vietnam is benefiting from broader global trends in the region, such as the regionalization of trade and the offshoring of international manufacturing from China. In mid-2025, Vietnam became the first nation in Southeast

Asian nation to sign a tariff agreement with the current US administration, providing greater certainty for future trade. Vietnam's five major mid-size ports connect ASEAN and East Asia with the Americas, exporting large volumes to LA-Long Beach and importing commodities from Brazil's Santos and Argentina's Bahia Blanca. However, average scores in connectivity, efficiency and innovation highlight the need for substantial investment across multiple sectors to fully realize Vietnam's potential.

Figure 10: Next Generation Trade Hubs by connectivity and efficiency

Sources: Allianz Research. Note: Bubble size refers to rank of third Next Generation Trade Hubs pillar (trade potential)

Beyond these top performers, a group of leading contenders, mainly Hungary (#5), Romania (#6), Chile (#7), and Türkiye (#10) top the ranking thanks to the openness of their markets serving the European Union, and LatAm in the case of Chile, growing fixed investment, topped with already well-established infrastructure. Hungary, Romania and Chile scored highly in their trade potential score: the EU members face a 13% average tariff rate following the US-EU deal, while Chile faces one of the lowest US tariff rates at 6%. However, Türkiye faces lower GDP and trade growth through 2027 as a trade deal is still pending (US tariff rate at 19% without a deal).

Emerging global logistical hubs: Kazakhstan (#16) and Saudi Arabia (#4) stand out for their strong connectivity, underpinned by reliable infrastructure developed through years of investment to support commodity exports. Kazakhstan's extensive railroad infrastructure, a legacy of its Soviet past and Saudi Arabia's modern port capacity, have positioned both countries as key logistics players at the heart of Eurasia. Both nations fit the puzzle of the evolving global trading system by plugging import and export countries, enabling vessels and trains to go

through to reach their final destinations connecting Asia and Europe. Saudi Arabia saw the largest jump in the ranking this year, 11 places up, thanks to improvements in the country's trade potential, moved by increasing exports of both oil and non-oil exports as Saudi is among the countries with a lower US tariff rate (around 4%). Other markets that are also emerging as top logistical global hubs but did not make it to the top 25 include, due to the relative small size of their economies, Oman, Azerbaijan, Uruguay and Panama.

Intermediate manufacturing hubs lacking infrastructure investment:

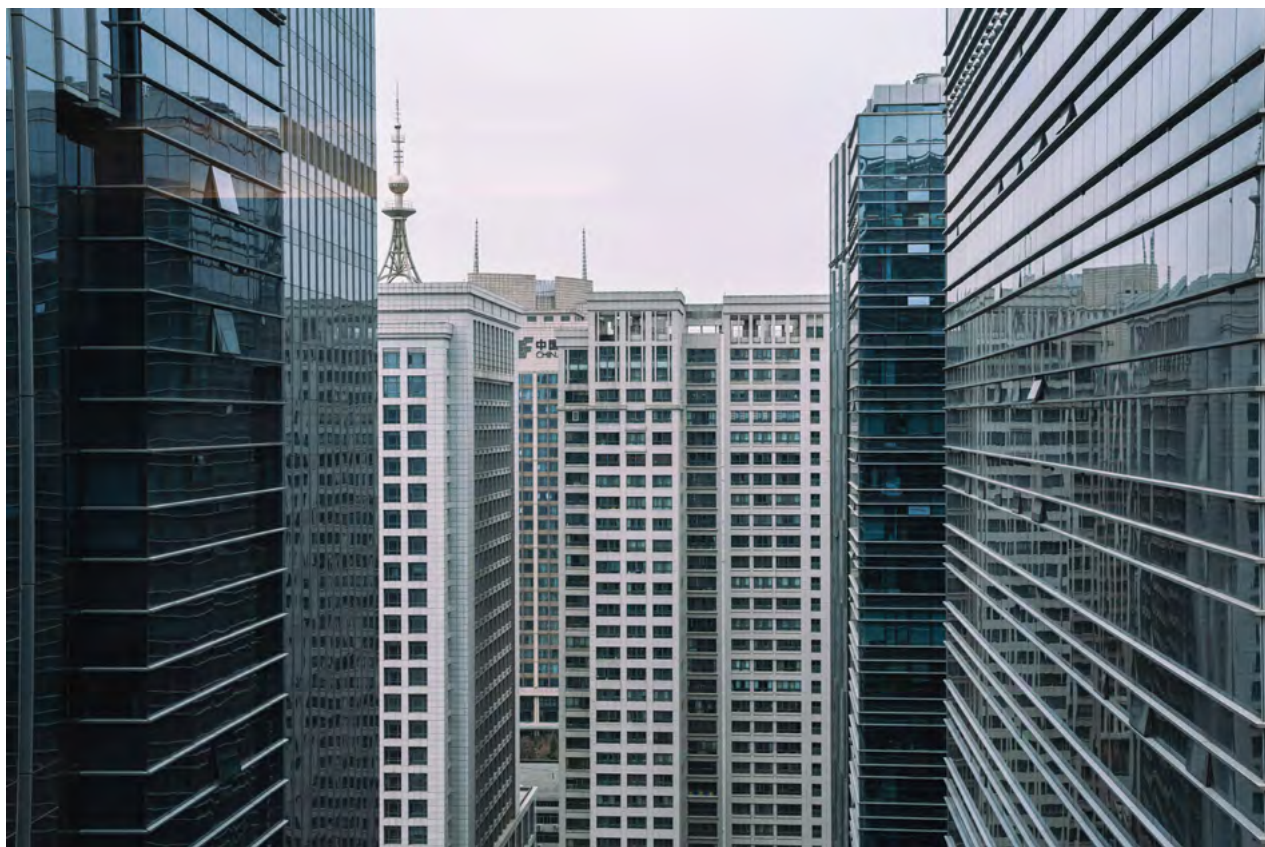
This category includes diversified economies such as Thailand (#8), India (#12), Philippines (#13), Brazil (#19) and South Africa (#23), with substantial exports of manufacturing goods and commodities, as well as successful services sectors. Significant efficiency and connectivity gaps prevent them from becoming multi-modal hubs. While some boast world-class infrastructure, like Tanger-Med in Morocco, Laem Chabang in Thailand and Mundra or Jawaharlal Nehru ports in India, they still lack the capacity to rival leading ports in Dubai or Malaysia. Persistent infrastructure deficits, reflected in low connectivity scores, remain the main barrier to their global competitiveness as multi-modal hubs. For instance, India's non-energy investment gap is above USD1trn through 2035³. These countries will benefit from growing South-South trade relations, as well as improved access to global markets. However, with higher barriers to enter the US – many face steep tariff rates – they could benefit by strengthening ties with other partners, such as the EU, which is negotiating or has concluded FTAs with all of them. In parallel, while enjoying better connectivity scores, Mexico (#16), Colombia (#18) and Argentina (#22) lack good efficiency and innovation results due to low

productivity, or lower R&D investment. Nevertheless, Latin America remains more shielded from higher US tariffs, which could benefit these nations' trade potential in future rankings.

Fast-growing hubs with large investment gaps:

Indonesia (#11), Bangladesh (#15), Pakistan (#24) and Nigeria (#25) all share large populations, between 170mn and 280mn, and are expected to experience significant economic and demographic growth in the upcoming decades. However, they all have large gaps of infrastructure and manufacturing investment, with all four ranking at the bottom in connectivity, efficiency and innovation, except for Indonesia which scores better in the last. Indonesia and Bangladesh already have a substantial manufacturing industry, with above 20% of their economy dedicated to the sector. However, both nations face the middle-income trap challenge as their industries provide relatively lower value-added products to global supply chains; massive investments are needed to transform into a inter-modal hub. In terms of infrastructure, Indonesia remains the only one of the four countries with world-class infrastructure, with the Tanjung Perak port in Java. Meanwhile, the rest access global supply chains by connecting via leading seaports in their regions, such as Indian and Middle Eastern ports for Pakistan – exporting mineral and vegetable commodities; Asian ports for Bangladesh – exporting commodities and textiles – and Nigeria, exporting mainly oil to other ports in West and North Africa and Southern Europe.

³ Allianz Research, 3.5% to 2035: [Bridging the global infrastructure gap](#).



Financing landscape

In a multi-polar trade landscape, with new corridors emerging, closing the financing gap is critical. The trade infrastructure gap has been estimated at around USD10.1trn by 2035, of which USD7.1trn is in emerging markets⁴. The indispensable incumbents will continue to bear most of the volume of global trade, but with higher volatility and cost. The scaling alternatives provide redundancy and growth opportunities, particularly for energy and agribusiness supply chains seeking diversification. The conditional routes offer optionality for long-term investors and states betting on technological

or geopolitical change. For infrastructure investors, this highlights a bifurcated opportunity set: stable cash-flow assets in incumbent corridors (port expansions, digitalization, green retrofits) and higher-risk, higher-return projects in scaling or conditional corridors. Geopolitical tensions, tighter financial conditions and climate goals are changing who funds infrastructure, how and under what risks.

⁴ Allianz Research, 3.5% to 2035: [Bridging the global infrastructure gap..](#)

Capital providers and instruments

The global corridor finance landscape is expanding rapidly, supported by a broader and more diverse mix of investors. Large cross-border projects now draw on multilateral and national development banks (MDBs and DFIs), export credit agencies (ECAs), sovereign wealth funds, private infrastructure funds and corporations. MDBs and DFIs continue to be the fundamental element of this system, providing long-term financing, equity investments and guarantees that contributed to a 23% increase in private co-investment in emerging markets in 2023. ECAs from Japan, China and Europe continue to underwrite major contracts, while Gulf sovereign funds have transitioned from a passive investor role to that of an active strategic partner. These funds are now targeting ports, pipelines and logistics hubs as stable, long-term assets. Africa's Africa50 exemplifies this catalytic model, using USD1.1bn of its own capital to mobilize USD4.4bn in co-financing for 25 projects across 28 countries. This formula is now being adopted by regional DFIs in Asia and Latin America. Commercial banks and corporations maintain a pivotal role in these transactions, often in collaboration with public lenders or guarantees that facilitate risk distribution.

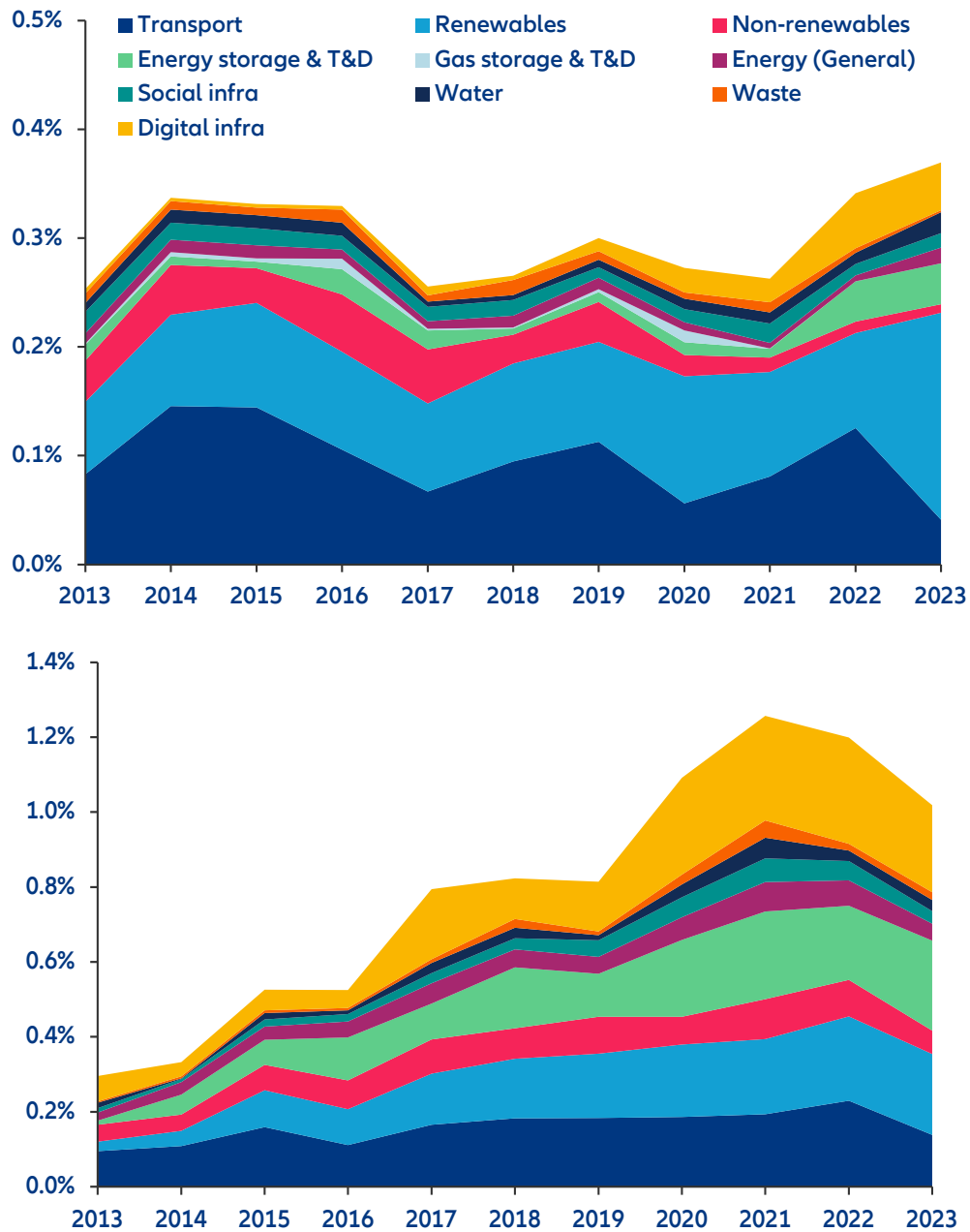
Public-Private Partnerships (PPPs) and hybrid structures continue to be the foundation of corridor finance, blending public support with private capital to optimize risk and efficiency management. Revenue-based PPPs, such as toll roads or ports, transfer demand risk to private operators. Conversely, availability-based models guarantee fixed payments from governments or utilities, a structure that has gained popularity in response to rate volatility. Mega-projects, such as Saudi Arabia's NEOM, employ a combination of both models through layered capital stacks that integrate concessional loans, subordinated debt and grants to enhance bankability. Guarantees and political risk insurance remain significant enablers, as evidenced by the fact that programs from MIGA and the EU's EFSD+ consistently achieve private-debt participation rates of up to 80%, which is significantly higher than the 42% recorded in projects without such guarantees. However, the overall guarantee supply remains below pre-pandemic levels, indicating significant

untapped potential to mobilize institutional investors in frontier markets.

A major shift since 2023 has been the mainstreaming of green, sustainability-linked and blended finance.

Nearly 90% of new infrastructure funds launched by 2024 carry a climate or ESG mandate, while the IFC's USD904mn sustainability-linked loan for Colombia's Buenaventura corridor pioneered performance-based pricing tied to emission and inclusion targets. Blended finance, combining concessional or philanthropic capital with private investment, remains crucial but modest, with leverage ratios of only 1-2:1. Platforms such as the Global Blended Finance Alliance and ongoing MDB capital-adequacy reforms aim to scale this approach, allowing greater risk-taking and private mobilization. By 2025, corridor funding has become increasingly multi-layered, comprising syndicated long-term loans, green or project bonds, equity from funds and sovereigns, export credits and risk-sharing guarantees. The latest additions, sustainability-linked instruments and thematic corridor funds focused on green hydrogen or digital connectivity, embed a stronger policy dimension, leveraging private capital to support sustainable development goals. The unifying thread is clear: targeted public support, sound regulation and innovative instruments are essential to stretch limited public budgets and close the trillion-dollar infrastructure gap (Figure 11).

Figure 11: Global private investment in infrastructure projects in primary (up) and secondary markets (down) by sector (% of GDP)



Sources: World Bank, Allianz Research

Advanced Economies vs. Global South:

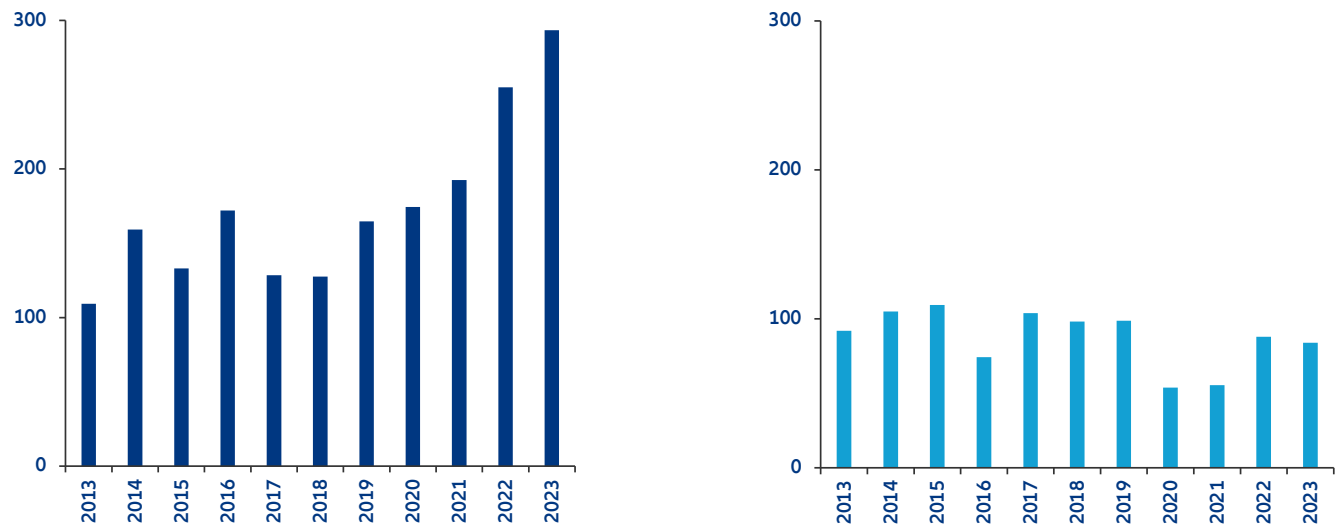
Contrasting financing models

Advanced economies are leveraging their financial depth and policy frameworks to fund both domestic and international connectivity. The EU, US and Japan continue to rely on deep capital markets, institutional investors and mature PPP structures to finance large-scale corridors. A stable regulatory environment is indicative of a lower cost of capital and higher private risk tolerance. In Europe, the Connecting Europe Facility and EIB loans blend grants with private finance for trans-European networks, while Japan combines government budgets, JBIC loans and private consortiums to fund high-speed rail and port connectivity. In the US, programs under the Infrastructure Investment and Jobs Act continue to allocate significant funding to digital and clean energy infrastructure. However, the pace and scope of new commitments have slowed amid shifting federal priorities. Many of these investments are still linked to climate resilience and modernization goals, even though implementation is increasingly dependent on state-level initiatives and private-sector partnerships. Meanwhile, both the EU and the US remain leading issuers of green and sustainability-linked bonds, albeit with the EU now clearly in the lead. This supports the broader alignment of infrastructure financing with net-zero pathways and ESG transparency.

This renewed momentum has expanded abroad through initiatives such as the EU's Global Gateway and the G7's Partnership for Global Infrastructure and Investment (PGII). The Global Gateway initiative aims to mobilize up to EUR300bn by 2027. It integrates EU budget guarantees, member-state contributions and loans from the EIB and EBRD to enhance the risk profile of projects in the Global South. A recent EUR291mn EU-IFC guarantee facility is expected to mobilize over EUR1bn in private investment across Africa, Asia and Eastern Europe. Similarly, the PGII's USD600bn framework aims to offer a transparent alternative to China's BRI. The Lobito Corridor, a USD6bn project co-financed by the US, EU and African partners, exemplifies this "high-standard" model built on sustainability and transparency. Collectively, these programs indicate a resurgence of values-driven infrastructure finance, involving the export of sophisticated combinations of public guarantees, DFI loans and institutional capital to developing regions.

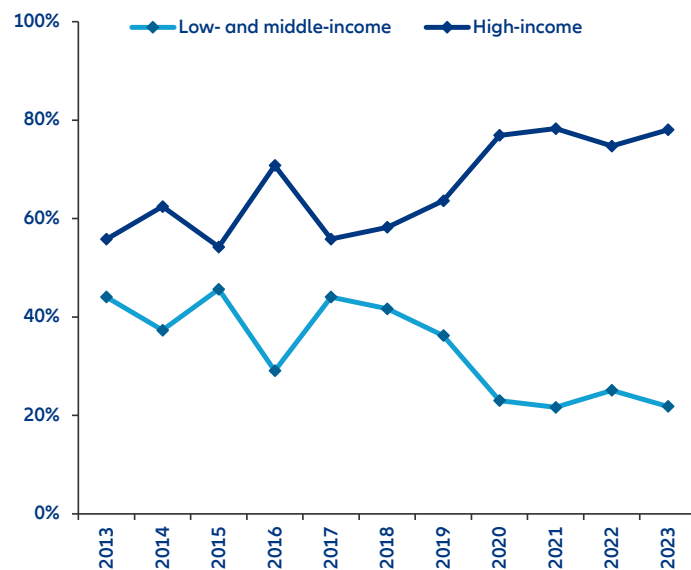
Concurrently, China's Belt and Road Initiative maintains its dominance in a significant portion of the Global South's corridor financing. Following recalibrations between 2018 and 2021, Beijing's "BRI 2.0" has refocused on smaller, greener and higher-quality projects. At its tenth anniversary in 2023, President Xi announced an additional USD100bn in funding for the next phase of the initiative. While emphasizing sustainability and industrial value-added, China's state banks continue to fund megaprojects, including Peru's Chancay Port, Latin America's first Pacific deep-water hub. In 2024 alone, Chinese overseas construction contracts exceeded USD70bn, reflecting the ongoing dominance in emerging markets. Across various regions, hybrid models are emerging. The AfDB-Africa50 syndicates are integrating African, Western and Chinese capital, while the Middle East, led by Saudi Arabia and the UAE, is allocating to energy and logistics corridors. Concurrently, Japan, South Korea, CAF, IDB and IFC are expanding blended PPP models in Asia and Latin America. However, private capital remains unevenly distributed: inflows to high-income countries have continued to grow, while those to low- and middle-income (LMICs) economies have stagnated over the past decade (Figure 12). As a result, the gap has widened, with LMICs drawing only around one-fifth of total private infrastructure investment in 2023 (Figure 13). As debt constraints tighten, MDBs remain an essential source of funding. The World Bank and regional lenders are implementing ongoing capital adequacy reforms, and new climate and digital co-financing facilities aim to channel funds more strategically. The challenge for 2025-2030 will be to expand the use of risk-sharing tools, increase guarantees and attract private finance to new markets, rather than relying on the same few middle-income markets.

Figure 12: Private infrastructure investment in primary markets in high-income countries (left, USD bn) and low- and middle-income countries (right, USD bn)



Sources: World Bank, Allianz Research

Figure 13: Private infrastructure investment in primary markets by income group (% of total investment)



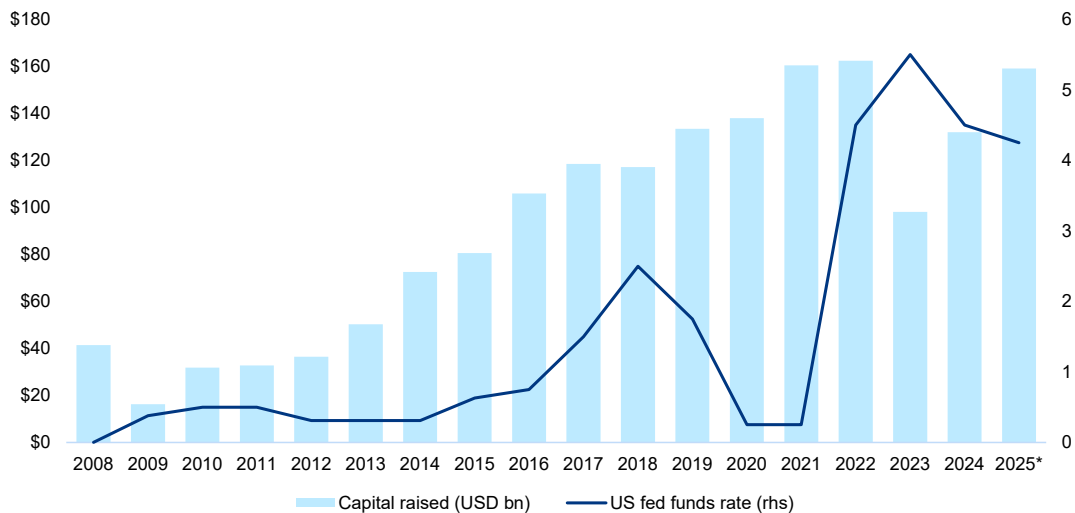
Sources: World Bank, Allianz Research

Infrastructure has become an instrument of strategic competition. The rate-hiking cycle of the past few years has exerted pressure on infrastructure investment. From 2022 to 2024, policy rates increased by 400-500bps, leading to a -17% decline in refinancing and M&A activity and a -19% decrease in infrastructure fundraising (Figure 14). In response to the debt burden faced by countries such as Zambia, Ghana and Sri Lanka, a new collaborative approach has emerged. This approach, involving China, Paris Club creditors and MDBs, aims to manage exposure and ensure the viability of ongoing projects.

Amid this turbulence, the composition of capital providers is shifting. Traditional Western commercial banks have reduced their long-term lending to emerging markets due to regulatory constraints and a risk-averse environment. Institutional investors are shifting their focus to stable assets within the OECD, while Gulf sovereign funds, particularly those of Saudi are allocating oil revenues to African and Asian ports, pipelines and energy

corridors. These funds are offering patient, equity-based capital. Concurrently, MDBs are restructuring to assume greater risk and mobilize private finance. The result is a financial ecosystem that is being reshaped by the growing influence of alliances and geopolitical considerations, rather than being driven solely by economic fundamentals.

Figure 14: Global interest-rate rise and its effect on infrastructure fundraising activity



Sources: Preqin, LSEG Datastream, Allianz Research. Note: Data as of 23 October 2025.



Unlocking capital for infrastructure: Drivers and barriers

Cross-border infrastructure continues to face significant challenges, primarily due to a fragmented regulatory landscape and cumbersome permitting processes. A single corridor can require dozens of environmental, customs and land-use approvals across jurisdictions, which can lead to cost and timeline inflation. Divergent laws, tariff regimes and technical standards can increase risk and reduce the bankability of a project. Regional integration efforts, such as ASEAN's harmonized road and rail standards or Africa's One-Stop Border Posts under AfCFTA, are helping, but progress is gradual. Donor-funded preparation platforms such as the Global Infrastructure Facility (GIF) and Africa50's Project Development arm have proven vital by funding feasibility studies and transaction structuring that make projects bankable. The GIF-backed Brazil street-lighting PPP program, which mobilized USD180mn in private capital, illustrates how standardized preparation can reduce friction and accelerate investment.

Financial and policy risks persist as the second major constraint. Many projects borrow in hard currency but earn in local currency, creating foreign-exchange exposure that might erode returns. At the same time, governments face limits on new debt and guarantees. To address this challenge, local-currency financing and risk-transfer instruments are being expanded. For instance, Cameroon's Douala Port raised EUR152mn in CFA francs from domestic banks after improving its credit rating with PPIAF support. Guarantees and political risk insurance from MIGA and the EU's EUR39.8bn EFSD+ facility are also proving catalytic, lifting private participation while operations remain below pre-pandemic levels. At the policy level, countries that adopt modern PPP laws, transparent tariffs and independent regulators consistently attract more capital.

Private investment in infrastructure is gradually recovering, though the rebound remains uneven and highly concentrated. Most capital continues to flow toward advanced economies and a handful of large emerging markets, leaving lower-income regions with persistent financing gaps. The main obstacle is not only capital scarcity but also risk perception – where regulatory uncertainty, currency volatility and limited project preparation capacity deter private participation. To address these constraints, MDB and DFI reforms are focusing less on new blended-finance pilots and more on scaling standardized de-risking tools, such as guarantee windows, local-currency facilities and regional project-preparation platforms. In parallel, ESG and governance standards are becoming decisive drivers of investor allocation. Projects aligned with recognized frameworks like the Equator Principles or IFC Performance Standards now attract better pricing and wider access to sustainability-linked capital. Countries integrating such standards into their infrastructure pipelines, supported by transparent PPP laws and predictable tariff regimes, are already benefiting from narrower financing spreads and heightened competition among investors. The 2023-2025 period thus marks a turning point: a shift from pilot experiments in green and blended finance toward systematic institutionalization, rewarding governments that make projects bankable, rules predictable and sustainability measurable.

By 2030, corridor finance is expected to evolve from isolated projects to programmatic, corridor-level platforms. Dedicated investment vehicles will pool capital across ports, rail, roads, energy interconnectors and digital systems, diversifying risk and enabling strategic upgrades

along full trade routes. Initiatives such as Africa50's proposed corridor funds, the EU's Global Gateway packages (including EUR12bn for Central Asia corridors) and the Western Balkans Guarantee Facility exemplify this shift. The Lobito Corridor is emerging as a prototype for a multi-country special purpose vehicle (SPV) model that is supported by blended finance and joint governance. These programmatic approaches aim to replace fragmented, one-off financing with scalable platforms that align public priorities and private capital at the route level.

Decarbonization and sustainability-linked finance will define the next generation of corridor funding.

Green bonds, sustainability-linked loans and climate-aligned facilities are becoming standard tools, embedding measurable environmental and inclusion targets into financial covenants. The record issuance of green and sustainable bonds in 2024 underscores this trajectory, with most new transport and port projects expected to include climate KPIs and emissions covenants by 2030. Meanwhile, sovereign-MDB compacts are formalizing reform-for-finance partnerships. Governments commit to policy reforms and co-funding, while MDBs assemble guarantees, blended tranches and private debt. This "country-platform" model, evident in Global Gateway corridor packages, signifies the institutionalization of blended finance and the mounting convening power of MDBs.

Concurrently, the financial ecosystem is expanding.

AIIB, NDB and regional DFIs are increasing their lending through corridors, while India, Gulf funds and African pension pools are increasingly financing regional links under partial risk-mitigation schemes. In the next decade, corridors will continue to evolve, integrating digital and security layers. These layers will include fiber-optic backbones, smart customs systems and cyber-resilience components. These components are often funded by tech firms or defense-adjacent programs. For private capital, brownfield and asset-recycling strategies will continue to be the dominant approach as governments monetize mature assets to fund new corridors and refinance construction through local-currency project bonds. The use of MDB-wrapped tranches and standardized documentation is expected to further develop these markets, particularly in India and Latin America. The 2030 horizon indicates a shift towards a platformed, climate-aligned and risk-shared model of corridor finance, where guarantees, blended instruments and ESG-linked structures will underpin flagship routes such as Lobito, ASEAN corridors and the India-Middle East-Europe link. This approach is expected to deliver stable investor returns and broader development spillovers.

Resilience over reach: The new rules of trade routes

Global trade is settling into contested connectivity: the cheapest path is no longer the safest, and resilience has become a core source of competitiveness.

The financing ecosystem is catching up – guarantees, PPPs, blended tranches and sustainability-linked instruments are moving from pilots to platforms – yet capital remains unevenly distributed and policy/regulatory frictions still slow execution.

What matters now is disciplined execution – by governments, firms and investors – anchored in strengthening incumbents, scaling de-risking and avoiding stranded assets.

Policymakers should prioritize three shifts. First, strengthening incumbents: invest in capacity, digitalization, low-carbon retrofits and security layers to reduce outage risk. Second, de-risking at scale: expand guarantee windows and local-currency solutions, standardize PPP frameworks and tariffs and

empower corridor authorities to coordinate cross-border permitting, standards and data. Third, avoid stranded assets: calibrate build-out to credible demand pipelines and enforce transparent governance, ESG safeguards and cyber-resilience from design to operation. For firms, the operating model must assume route volatility – design multi-route networks, diversify carriers and insurance and hold strategic inventory where bottlenecks bite. For investors, disciplined corridor selection and partnership with public de-risking are decisive: stable cash-flow upgrades on core routes paired with targeted exposure to well-governed, politically backed alternatives. Those who combine geographic diversification with programmatic, climate-aligned finance and rigorous corridor governance will be best positioned to navigate – and shape – the next decades of global trade.

A photograph showing a group of diverse hands of various skin tones stacked on top of each other, resting on a thick, textured tree branch. The background is a lush green forest with sunlight filtering through the leaves. The text "Our team" is overlaid on the image, with "Our" in white and "team" in yellow.

Our team

Chief Investment Officer
& Chief Economist
Allianz Investment Management SE



Ludovic Subran
ludovic.subran@allianz.com

Head of Economic Research
Allianz Trade



Ana Boata
ana.boata@allianz-trade.com

Head of Macroeconomic and Capital
Markets research
Allianz Investment Management SE



Bjoern Griesbach
bjoern.griesbach@allianz.com

Head of Outreach
Allianz Investment Management SE



Arne Holzhausen
arne.holzhausen@allianz.com

Head of Corporate Research
Allianz Trade



Ano Kuhanathan
ano.kuhanathan@allianz-trade.com

Head of Thematic and Policy
Research
Allianz Investment Management SE



Katharina Utermoehl
katharina.utermaehl@allianz.com

Macroeconomic Research



Lluís Dalmau Taules
Economist for Africa & Middle East
lluís.dalmau@allianz-trade.com



Maxime Darmet Cucchiari
Senior Economist for UK, US & France
maxime.darmet@allianz-trade.com



Jasmin Gröschl
Senior Economist for Europe
jasmin.groeschl@allianz.com



Françoise Huang
Senior Economist for Asia Pacific
francoise.huang@allianz-trade.com



Maddalena Martini
Senior Economist for Southern
Europe & Benelux
maddalena.martini@allianz.com



Luca Moneta
Senior Economist for Emerging
Markets
luca.moneta@allianz-trade.com



Giovanni Scarpato
Economist for Central & Eastern
Europe
giovanni.scarpato@allianz.com

Corporate Research



Guillaume Dejean
Senior Sector Advisor
guillaume.dejean@allianz-trade.com



Maria Latorre
Sector Advisor, B2B
maria.latorre@allianz-trade.com



Maxime Lemerle
Lead Advisor, Insolvency Research
maxime.lemerle@allianz-trade.com



Sivagaminathan Sivasubramanian
ESG and Data Analyst
sivagaminathan.sivasubramanian@allianz-trade.com



Pierre Lebard
Public Affair Officer
pierre.lebard@allianz-trade.com

Thematic and Policy Research



Michaela Grimm
Senior Economist,
Demography & Social Protection
michaela.grimm@allianz.com



Patrick Hoffmann
Economist, ESG & AI
patrick.hoffmann@allianz.com



Hazem Krichene
Senior Economist, Climate
hazem.krichene@allianz.com



Kathrin Stoffel
Economist, Insurance & Wealth
kathrin.stoffel@allianz.com



Markus Zimmer
Senior Economist, ESG
markus.zimmer@allianz.com

Outreach



Heike Baehr
Content Manager
heike.baehr@allianz.com



Maria Thomas
Content Manager and Editor
maria.thomas@allianz-trade.com



Lorenz Weimann
Head of Media Relations and
Operations
lorenz.weimann@allianz.com

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Director of Publications

Ludovic Subran, Chief Economist
Allianz Research
Phone +49 89 3800 7859

Allianz Group Economic Research

https://www.allianz.com/en/economic_research

<http://www.allianz-trade.com/economic-research>

Königinstraße 28 | 80802 Munich | Germany

allianz.research@allianz.com

 @allianz

 allianz

Allianz Trade Economic Research

<http://www.allianz-trade.com/economic-research>

1 Place des Saisons | 92048 Paris-La-Défense Cedex | France

research@allianz-trade.com

 @allianz-trade

 allianz-trade

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