

The Megatrends Series

Part 1

Marketing Communication

FEBRUARY 2025

Geopolitical fragmentation

Investing in a multipolar world



Ken Van Weyenberg

Head of Client
Portfolio Management



Johan Van Der Biest

Global Head
of Thematic Equities

After decades of liberal globalisation, the world is entering in a new structural phase. The era of US-led globalisation is giving way to a world defined by heightened power competition, economic nationalism, and rising geopolitical tensions. Trade wars, shifting energy alliances, and national industrial policies are no longer episodic events but have become structural features of the global economy. For investors, this marks a **critical shift**: geopolitics are increasingly shaping long-term economic growth and driving market realignments. This shift is playing out differently across regions. In Europe, geopolitical fragmentation has reinforced the drive for strategic autonomy — not as isolationism, but as a pragmatic effort to secure energy, technology, and industrial resilience.

Within Candriam's Thematic 2.0 framework, **geopolitical fragmentation emerges as a structural force**. It is creating durable, long-term demand for resilience across key sectors, including infrastructure, energy, defence, and critical materials. Events such as Russia's invasion of Ukraine and the US-China technology decoupling show how shocks can quickly become **long-term structural shifts**, redefining risk and opportunity in global markets.

In this paper, we explore the challenges and dynamics we are facing, why geopolitics now matters for investors, the **social relevance and economic materiality** of this new megatrend, and the **opportunities** arising from this new geopolitical reality.

Rethinking globalisation

Today, growing tensions between major (economic and political) powers, technological competition, and environmental challenges are reshaping the global economy. Extreme weather, water shortages, and resource competition could displace more than a billion people by 2030, creating additional migration and conflict risks. As a result, governments and investors are focusing more on resilience than ever before, leading the world into a new era.

Global supply chains pressured

Some years ago, the Covid 19 and demand shift already affected global supply chains with major damage in manufacturing, transport and logistic sectors. Today, trade conflicts, especially between the U.S. and China, along with advances in technology, are forcing countries to rethink their supply chains. Nations want to control critical areas like semiconductors, artificial intelligence, and industrial technologies. Strategic independence is no longer optional; it is necessary for both economic competitiveness and national security. According to McKinsey¹, **over 30% of global trade could shift from one trade corridor to another** by 2035 as firms reconfigure supply chains for resilience. This is not a cyclical adjustment, but a structural transformation.

Semiconductors are a prime example: the U.S. CHIPS and Science Act earmarks \$52 billion² to boost domestic

chip manufacturing, while the EU Chips Act mobilises €43 billion³ in public and private investments. Together, these initiatives illustrate among others Europe's attempt to translate strategic autonomy into industrial capability — diversifying supply chains and reinforcing sovereignty in essential technologies.

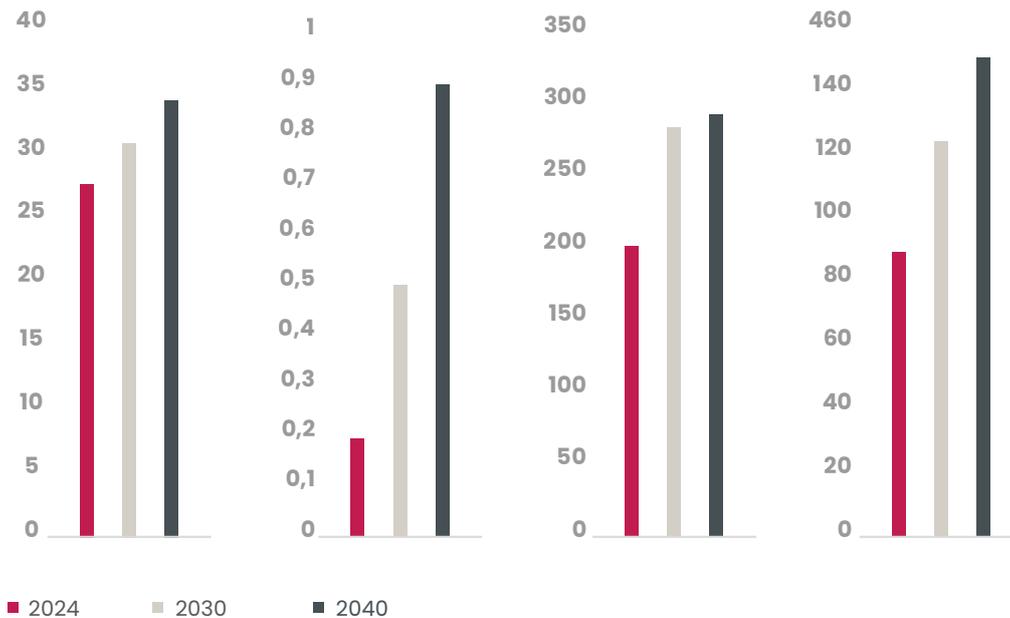
Critical minerals such as lithium, cobalt, and rare earth elements are now highly sought after, as they are essential for electric vehicles, batteries, and renewable energy. The International Energy Agency (IEA) projects that **demand for critical raw materials — such as lithium, cobalt, and nickel — could grow many times over by 2040**, driven primarily by the adoption of electric vehicles and the expansion of renewable energy.

1 - Source: [How shifts in trade corridors could affect business | McKinsey](#)

2 - Source: The U.S. Department of Commerce (NIST)

3 - Source: The European Commission

Figure 1: Est. demand for critical minerals



Source: Candriam, International Energy Agency

In response, the U.S. Inflation Reduction Act directs \$369 billion⁴ toward clean energy, energy efficiency, and domestic supply chain resilience for these critical materials.

Meanwhile, the EU's Critical Raw Materials Act aims to secure a sustainable supply by 2030, targeting 10% domestic extraction, 40% domestic processing, and 25% recycling of strategic raw materials, while limiting

dependence on any single external source. Today, Europe is still highly dependent from other countries such as China and Chile for supplying lithium and other critical rare earth metals. Countries are investing in local production and processing to gain both economic advantage and more sustainable supply chains.

4 - Source: [U.S. Department of the Treasury](#)

A new era of great power politics

The traditional geopolitical system established after the second world war is weakening. The WTO's dispute settlement system has been effectively paralysed since 2019, the WHO faced credibility challenges during the Covid-19 pandemic, and the UN Security Council is increasingly deadlocked over conflicts such as Ukraine and Gaza. These developments underscore the **declining influence of multilateral organisations** and the rise of a multipolar world.

In recent years this U.S.-led order has begun to weaken and global imbalances have grown. Rising political tensions, economic fragmentation, and populist movements show that the old system is fading.

Transitions in the global economic order, often called "regime shifts," tend to be disruptive. Just as the end of the Cold War brought turmoil, new conflicts, and uncertainty for markets, today's shift towards **great power politics** is creating a period of instability and change that investors need to navigate carefully.

From globalisation to fragmentation - Shifting principles of the world order

The evolution of the global order illustrates a broader shift from global integration toward resilience and autonomy. Strategic independence across key domains — including energy, materials, technology, and defence — has become a defining feature of this transition, reshaping the principles that underpinned globalisation over the past decades.

Principle	2005 (Globalisation)	2025 (Fragmentation)
Globalisation	Integration and open supply chains (i.e. China WTO's accession in 2001)	Regionalisation and strategic autonomy
Free trade	Trade liberalisation (NAFTA, WTO memberships)	Industrial policy and resource nationalism
Multilateral institutions	IMF/WTO-led governance reinforcing US-centered global system	Bilateral alliances and regional blocs
Market liberalisation	Deregulation and privatisation	Strategic state intervention (US CHIPS Act, Green Deal, ...)
Energy interdependence	Global energy markets prioritised over self-sufficiency	Renewable energy and regional self-sufficiency

Source: Candriam

The effects of geopolitical fragmentation

Geopolitical fragmentation has wide-ranging effects on the economy, society, and environment.

Economically, for instance, reshoring is boosting manufacturing spending in the U.S. (U.S. manufacturing construction spending doubled in the last two years alone, reaching over \$200 billion annually in 2024)⁵, and companies around the world are also relocating production closer to home.

Figure 2: Boom in spending in US manufacturing construction (in \$bn)



Source: Candriam, Bloomberg

The Reshoring Initiative estimates that **25% of global trade could relocate within the next three years**, highlighting a substantial shift toward reshoring. Reshoring can be an important economic driver, as it stimulates domestic job creation and industrial growth. Investments in modernised energy grids, transport networks, and digital infrastructure strengthen economic resilience and enable countries to absorb external shocks.

From a societal perspective, making investments in local industries and infrastructure are critical for societal resilience. In response, local industries and infrastructure investments help communities become more resilient to global disruptions and reduce dependence on politically sensitive regions. Supporting critical sectors also reinforces democratic institutions by limiting dependence on geopolitically sensitive regions.

Finally, environmental impacts are more complex. Rising demand for critical minerals can threaten ecosystems if extraction is unregulated, but ESG-compliant sourcing and manufacturing can encourage responsible use of natural resources. Investors increasingly recognise that these impacts can be seen across the economy, society, and the environment, each with **unique challenges and opportunities** for governments and investors.

4 - Source: U.S. Census Bureau's Monthly Construction Spending report, December 2024

What this means for investors

Geopolitical fragmentation is reshaping the global investment landscape, creating both challenges and opportunities.

Defence and national stability are now top priorities, with **global spending on aerospace, cybersecurity, and surveillance technologies projected to exceed \$2 trillion** over the next decade. Governments are investing heavily to protect borders, infrastructure, and digital systems, creating new growth avenues for companies in these sectors.

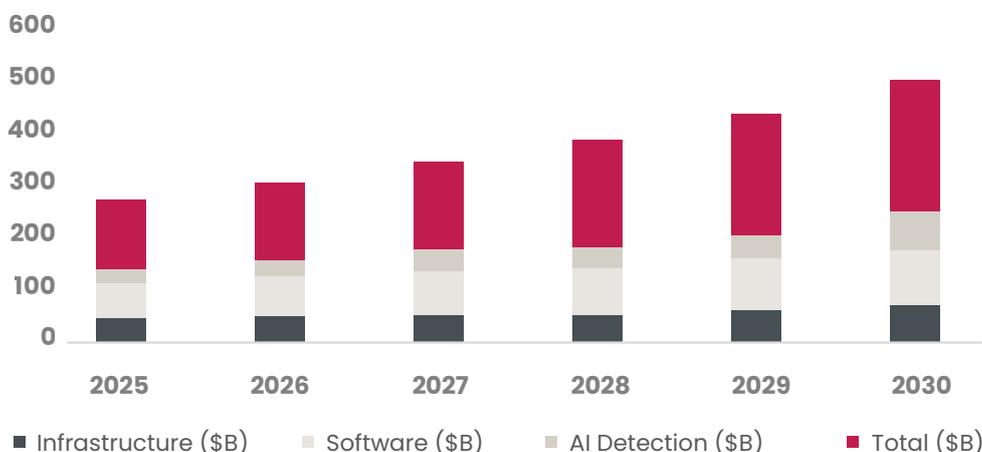
At the same time, **reshoring of strategic industries is accelerating**. Semiconductors, pharmaceuticals, and renewable energy components are moving closer to home as countries aim to reduce supply chain vulnerabilities. The relocation of global trade within the next years signals a substantial boom in local manufacturing. For investors, this opens opportunities in industrial equipment, automation, and regional logistics networks.

Energy and resource independence is another driving force. Countries are diversifying energy imports, investing in renewables, and securing critical

minerals such as lithium, cobalt, and rare earth elements, essential for batteries, electric vehicles, and green technologies. The International Energy Agency projects demand for these materials to grow by 4x to 6x by 2040. The global race for these materials is creating a multi-billion-dollar market in mining, processing, and more durable and resilient supply chains. Companies that combine efficiency with sustainable sourcing are particularly well-positioned to benefit.

Also, **cybersecurity** has emerged as a core element of national resilience. With cyberattacks on critical infrastructure growing exponentially, the market for secure IT systems, encrypted communications, and AI-driven threat detection is booming. According to Grand View Research the global cybersecurity market is projected to exceed \$500 billion by 2030. Governments and companies are prioritising cybersecurity as a strategic investment, driving long-term demand for innovative solutions.

Figure 3: Cyber security market to reach \$500bn by 2030



Source: Candriam, Grand View Research

Europe's transition opens a once-in-a-generation opportunity

Europe is also taking concrete steps to **build strategic autonomy**, seeking to reduce external dependencies while fostering innovation and industrial leadership. Europe's Industrial Renaissance plan made by former ECB President Mario Draghi has reinforced initiatives such as the EU Chips Act, RePowerEU, and Horizon Europe. Those initiatives channel substantial resources into strengthening key sectors like energy, technology, and healthcare. When including broader European programmes — such as REarm Europe, InvestEU, and elements of NextGenerationEU — total funding linked to strategic autonomy exceeds €1.5 trillion. These policies, alongside similar efforts in the U.S. and Asia, mark a global shift toward state-supported resilience. For investors, this creates a clearer framework to identify long-term opportunities in infrastructure, strategic industries, defence, and critical materials. In practice, this translates into tangible investment

themes. Modernised energy grids and transport networks offer both economic resilience and growth potential. Defence and cybersecurity companies benefit from rising government budgets and strategic importance. Mining and processing of critical minerals, when aligned with sustainability standards, offer a unique combination of financial return and sustainability impact. By focusing on these sectors, investors can capture growth in a world increasingly shaped by geopolitical fragmentation, while supporting stability, resilience, and a sustainable future.

Candriam focuses on companies that combine resilience, innovation, and sustainability, offering exposure to impactful long-term trends that are increasingly shaped by geopolitical fragmentation.



Conclusion and key messages

Geopolitical fragmentation is a megatrend that reshapes risks and opportunities across sectors. For investors, it offers a roadmap: focus on resilience, capture the growth of strategic industries, and invest in companies that align innovation and sustainability with the new geopolitical reality.

Strategic autonomy is a global trend. Europe, the U.S., Japan, and India are rolling out large-scale industrial policies. For investors, this provides a transparent and lasting policy framework that supports key industries and strengthens long-term competitiveness.

- **Reshoring creates an industrial renaissance**

Massive public funding in the U.S., EU, and Asia is driving the relocation of critical industries such as semiconductors, pharmaceuticals, and green technologies. This reshoring trend creates opportunities across among others automation, industrial equipment, and regional logistics.

- **Resilience is the new growth driver**

Countries are prioritising resilience in infrastructure, energy, technology and security. Modernised energy grids, digital infrastructure, and robust logistics networks will underpin both economic stability and new investment opportunities.

- **Structural shift towards strategic security**

Securing access to energy, critical materials, and technology and increasing national security and stability has become central to economic policy, reinforcing the link between resilience and competitiveness in a multipolar world. Europe is taking that lesson to heart, witness the massive investment programmes guiding the region to more strategic resilience and autonomy. What began as crisis management has evolved into a structural transformation.

Candriam's thematic approach seeks to identify and invest in those companies that combine resilience, innovation, and sustainable leadership—turning global disruption into a long-term opportunity for both investors and society.



This document is provided for information and educational purposes only and may contain Candriam's opinion and proprietary information, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed. Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

The present document does not constitute investment research as defined by Article 36, paragraph 1 of the Commission delegated regulation (EU) 2017/565. Candriam stresses that this information has not been prepared in compliance with the legal provisions promoting independent investment research, and that it is not subject to any restriction prohibiting the execution of transactions prior to the dissemination of investment research.

This document is not intended to promote and/or offer and/or sell any product or service. The document is also not intended to solicit any request for providing services.