



ODI Global



Centre for
Global Finance
SOAS University of London



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Conference Summary and Key Takeaways

*Global Finance Amid Geopolitical Fragmentation:
Implications for Emerging Markets and Developing Economies*

6-7 November 2025

ODI Global

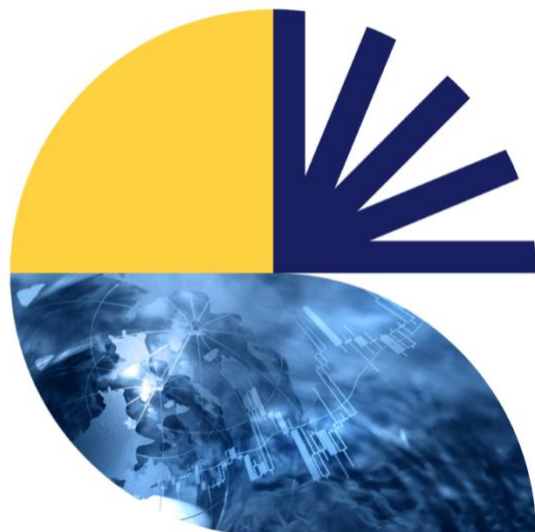
Centre for Global Finance (CGF), SOAS University of London
African Economic Research Consortium (AERC)

ODI GLOBAL-CGF-AERC CONFERENCE

**Global finance amid
geopolitical fragmentation:
implications for emerging
markets and developing
economies**

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ODI GLOBAL, 4 MILLBANK, LONDON

IN-PERSON AND ONLINE





Conference Overview

ODI Global, the SOAS Centre for Global Finance (CGF), and the African Economic Research Consortium (AERC) jointly hosted a two-day conference on “*Global Finance Amid Geopolitical Fragmentation: Implications for Emerging Markets and Developing Economies*” on 6-7 November 2025. The programme featured keynote speeches, policy panels, research presentations, and a book launch. Over the two days, the conference brought together 134 in-person attendees and 196 online participants from a wide range of institutions, including universities, think tanks, private firms, government departments, and embassies.

Across the two days, policymakers, researchers, practitioners, and institutional leaders examined how geopolitical tensions are reshaping financial flows, investment strategies, and development trajectories across emerging markets and developing economies (EMDEs). Collectively, the conference provided a multi-layered view on how global shocks, geopolitical alliances, and the reconfiguration of financial architectures are redefining development pathways for EMDEs.

Key Takeaways

1. The impact of geopolitical fragmentation on global finance

- Geopolitical fragmentation is already evident and has become a structural feature of the global financial system; it is reversing globalisation and compelling countries to align strategically when making otherwise market-driven economic decisions.
- The consequences of geopolitical fragmentation are reflected in almost all cross-border economic and finance activities, including the diversification of trade destinations, emergence of connector countries for trade and manufacturing investment, reallocation of FDIs, withdrawal of capital flows from less-aligned countries, export control of critical resources for AI and green technology, and the formation of blocks of international payment system in currencies beyond US dollars.
- The escalating strategic rivalry (primarily between the United States and China) is transforming trade, capital flows, and investment relationships, as well as the norms, rules, and institutions governing global finance.

2. Rethinking development finance institutions (DFIs) and impact investing



- DFIs face new challenges arising from geopolitical fragmentation. They need to overcome higher interest rates, rising debt distress of host countries, and increasingly politicised investment environments. DFIs must innovate by strengthening local capital markets, designing flexible financing structures, and helping countries navigate geopolitical cross-pressures.
- Geopolitical fragmentation suggests a decline of capital flow and FDIs in EMDEs where impact investing is much needed. How to mobilise private capital to the projects that generate positive social and environmental outcomes has become an urgent issue for the impact investing community.
- To sustain growth in EMDEs, strengthening domestic capital markets is fundamental for attracting private capital inflows, mobilising domestic financial resources, and facilitating private capital flows.
- There are successful cases of innovative impact investing in the new context. Yet, a significant challenge for impact investing remains the lack of patient capital.

3. Challenges and opportunities for EMDEs

- Emerging markets have shown surprising resilience (contrary to expectations), thanks to more credible macroeconomic policies, improved public financial management, and the deepening of local capital markets.
- Many EMDEs are already in debt stress. Geopolitical fragmentation suggests an even tighter fiscal space than before, due to higher tariffs, higher interest rates, higher inflation, the expected withdrawal of existing FDIs, and the future decline of private investment and capital inflows.
- EMDEs need to develop domestic financial markets to maintain liquidity to support real economic activity. EMDEs also face divergent regulatory environments due to geopolitical fragmentation.
- Potential opportunities for EMDEs:
 - To build a stronger regional trade and investment network.
 - To forge new external strategic partnerships.
 - To restructure trade, investment, and financing to enhance diversification and resilience.
 - To innovate financial architectures.

4. Trends in Chinese OFDI

- China is the most frequently mentioned country in discussions of geopolitical fragmentation. Amid escalating conflicts between China and the



US, some trends in Chinese OFDI have emerged. The research panel provided some of the most recent evidence on how China responded to geopolitical fragmentation.

- The US–China trade war has affected Chinese exporting and importing firms in distinct ways. Exporters scaled back investment and subsequently experienced a reduction in manufacturing overcapacity, whereas importers faced rising import costs and responded by increasing fixed investment.
- Chinese firms hedge against high tariffs by increasing manufacturing investment overseas in response to the US-China trade war.
- Due to heightened scrutiny in Western economies, Chinese firms are increasingly investing in ASEAN, the Gulf region, and African countries. There has also been a noticeable move toward greenfield projects, greater use of private Chinese firms, and increased localisation. Fragmentation has created new winners such as Vietnam, Mexico, and parts of Eastern Europe; these countries and regions have benefited from the diversion of Chinese investment.
- Prior to COVID-19, China’s overseas infrastructure investment was proven to be indifferent to host-country risks over the past decade. In the post-COVID-19 period, this trend has shifted: higher sovereign risk in the host country is now shown to reduce Chinese investment.
- Risk management has become a significant concern for Chinese infrastructure investors since COVID-19; however, China’s overseas infrastructure investment is still driven by a combination of economic and non-economic considerations.

5. Importance of regionalisation

- Since geopolitical tensions are usually lower at the regional level, fragmentation encourages countries to rely more heavily on regional partnerships. Therefore, developing an integrated regional economic and financial system becomes an essential strategy for EMDEs to navigate around geopolitical fragmentation.
- The conference covered several regions, including Southeast Asia, Europe and Central Asia, Latin America, and Africa. The discussion on regional strategy in response to geopolitical fragmentation explored the following aspects:
 - How to mobilise regional financial resources by deepening regional capital market integration.



- How to strategically work together within the region to respond to infrastructure investors from different geopolitical camps.
- How to utilise existing regional institutions to overcome the adverse consequences of fragmentation. For example, in Latin America, BRICS institutions, especially the New Development Bank and the Contingent Reserve Arrangement, are presented as emerging alternatives capable of providing long-term finance, supporting green transitions, and strengthening liquidity backstops.
- Considerable progress has been made in operationalising the African Continental Free Trade Area (AfCFTA), establishing cross-border payment systems that reduce reliance on external currencies, and in the fast-growing digital and fintech ecosystem across the continent.
- There is strong potential to leverage public digital infrastructure to transform service delivery, transparency, and economic integration.
- Geopolitical fragmentation introduces uncertainty, but it also opens space for innovation, regionalisation, and more autonomous development strategies.

Acknowledgement

We extend our sincere thanks to the hosting organisations, all speakers, participants, and organising committee for their contributions to the success of this conference, and we appreciate the AXA Research Fund for its continuous support through the AXA Chair Programme.

The recordings of all sessions are available to view on the dedicated event page: <https://odi.org/en/events/global-finance-amid-geopolitical-fragmentation-implications-for-emerging-markets-and-developing-economies/>