Flash Economics

N° 69
July 21st, 2026

Subscribe here.

Why the risk of war breaking out has risen significantly

Europe has been at peace since 1945, and the United States since the end of the Vietnam War in 1975. The risk of an armed conflict breaking out has nonetheless risen significantly, as illustrated by the war in Ukraine, the conflict in the Middle East and the tensions surrounding Taiwan. The principal factors behind this increase in risk are the following:

- some countries (China, Russia, Turkey) harbour a nostalgia for their imperial past and aspire to restore their former territory, hence the threats bearing on Ukraine, the Baltic states, Poland, Taiwan, the Greek islands and Cyprus; others, such as the United States, are displaying territorial ambitions;
- the ideological divide, between democratic countries and the others, and the religious divide, between countries marked by religious militancy and the others, are widening as a perception of fragility of democratic and secular states takes hold
- the energy transition and the rise of the digital industries have generated an increased need for metals – copper, nickel, cobalt, graphite, lithium – and rare earths, prompting a drive to secure control of these critical resources;
- the United States, under the Trump administration, is pursuing the objective of dominating the fossil fuel market, which, on the one hand, sets it against the countries seeking to accelerate the energy transition and, on the other, hardens its stance towards oil-producing countries such as Venezuela or Russia;
- countries that have shifted to a war economy, such as Russia and now the United States, are reluctant to reverse course and scale back their arms sector;
- the institutions contributing to the maintenance of peace and the resolution of disputes (UN, WTO) have seen their influence erode sharply;
- the dynamics of the Thucydides trap could prompt the United States to go to war against China, out of fear of its growing power.

Patrick Artus
Senior Economic Advisor
patrick.artus-ext@ossiam.com
@PatrickArtus
Patrick Artus

Isabelle Gravet
Research Assistant
isabelle.gravet-ext@ossiam.com

Marketing communication: this document is a marketing presentation. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and it is not subject to any prohibition on dealing ahead of the dissemination of investment research.

First reason to fear a return of war: imperial nostalgia

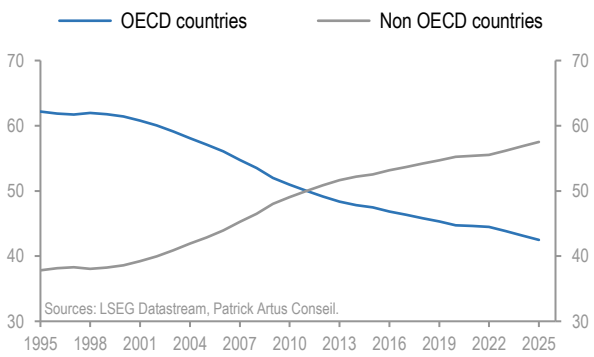
Some countries harbour **a nostalgia for their past imperial status**: this is the case for Russia, with the memory of the USSR; for China, in reference to the period when it was the world's leading power, under the Ming dynasty; and for Turkey, with the Ottoman Empire of the fifteenth and sixteenth centuries. This nostalgia is today giving rise to **territorial claims**. Russia lays claim to Ukraine, Moldova and Georgia, and could ultimately target the Baltic states. China lays claim to Taiwan; Turkey, to Cyprus and the Greek islands. These claims have already triggered an armed conflict in the case of Ukraine and are liable to provoke others.

The United States' desire to extend its territorial reach to Greenland and Canada is likewise a source of tension with Canada, Denmark and the European Union.

Second reason to fear a return of war: the ideological and religious divides

A **growing hostility** has emerged **between the Western democracies** (United States, Canada, Europe, Japan, South Korea) and **countries with authoritarian regimes** (China, Russia, Iran) or certain progressive countries, such as Brazil. This hostility is reinforced by the perception, on the part of the authoritarian regimes, **of a fragility of the democracies**, stemming from political alternation and from the decline in their economic weight (**Chart 1**).

Chart 1
GDP (as % of world GDP, at constant PPP USD)



The divide is not only ideological; it is also religious. The democracies are the target of terrorist attacks carried out by Islamist groups that reject the model of a secular society.

Third reason to fear a return of war: securing access to critical mineral resources

The energy transition and the development of the digital industries are generating strong demand for **strategic raw materials** (nickel, graphite, cobalt, copper, lithium) as well as **rare earths**. This **gives rise to a risk of conflict over access to these critical materials**, whose production is concentrated in a limited number of countries (**Tables 1 to 6**).

Table 1: Rare earths mine production (metric tons)

Country	2024	2025
China	270 000	270 000
United States	45 500	51 000
Australia	29 000	29 000
Burma	27 000	22 000
Thailand	2 100	4 800
India	2 900	2 900
Madagascar	1 400	2 700
Russia	2 600	2 600
Brazil	560	2 000
Nigeria	1 500	1 500
Other	1 000	550
Vietnam	300	150
Malaysia	140	110
World total (rounded)	380 000	390 000

Source : U.S. Geological Survey

Table 2 : Nickel mine production (metric tons)

Country	2024	2025
Indonesia	2 310 000	2 600 000
Other countries	308 000	290 000
Philippines	354 000	270 000
Russia	205 000	200 000
Canada	125 000	140 000
New Caledonia	116 000	140 000
China	115 000	120 000
Brazil	67 500	70 000
Australia	98 000	45 000
United States	7 490	10 000
World total (rounded)	3 710 000	3 900 000

Source: U.S. Geological Survey

Table 3 : Lithium mine production (metric tons)

Country	2024	2025
Australia	82 700	92 000
China	41 400	62 000
Chile	48 900	56 000
Zimbabwe	20 000	28 000
Argentina	13 800	23 000
Brazil	10 200	12 000
Mali	770	9 400
Canada	4 820	5 600
Portugal	380	380
World total (rounded)	8 222 000	8 290 000

Source: U.S. Geological Survey

Table 4: Copper mine production (thousand metric tons)

Country	Mine production 2024	Mine production 2025	Refinery Production 2024	Refinery Production 2025
Chile	5 510	5 300	1 940	1 700
Congo (Kinshasa)	2 990	3 200	2 560	2 800
Other countries	2 850	3 000	2 310	2 100
Peru	2 740	2 700	385	340
China	1 840	1 800	12 400	14 000
Russia	1 020	1 300	896	950
United States	1 050	1 000	921	850
Zambia	823	940	189	270
Australia	765	730	434	460
Indonesia	1 010	710	349	400
Kazakhstan	724	710	498	500
Mexico	717	690	489	480
Canada	515	500	324	320
Poland	400	410	589	560
India	27	23	545	620
Japan	—	—	1 570	1 400
Germany	—	—	597	610
Korea, Republic of	—	—	604	610
World total (rounded)	23 000	23 000	27 600	29 000

Source: U.S. Geological Survey

Table 5 : Cobalt mine production (metric tons)

Country	2024	2025
Congo (Kinshasa)	226 000	230 000
Indonesia	35 000	44 000
Other countries	7 780	9 100
Russia	8 000	7 700
Madagascar	3 100	3 900
Australia	4 780	3 700
Philippines	3 100	3 700
Canada	3 350	3 500
Papua New Guinea	2 630	2 800
China	2 000	2 000
Cuba	3 450	2 000
Turkey	2 200	1 900
United States	200	300
World total (rounded)	302 000	310 000

Source: U.S. Geological Survey

Table 6 : Graphite mine production (metric tons)

Country	2024	2025
China	1 270 000	1 400 000
Madagascar	85 000	80 000
Tanzania	27 000	75 000
Brazil	58 000	65 000
Mozambique	39 000	60 000
Russia	20 000	25 000
India	17 600	17 000
Canada	11 700	8 000
Korea, North	8 100	8 000
Norway	5 340	6 600
Sri Lanka	3 000	3 200
Turkey	2 600	2 200
Ukraine	900	800
Mexico	706	740
Korea, Republic of	1 000	500
Vietnam	500	500
Austria	100	200
Germany	140	140
World total (rounded)	1 550 000	1 800 000

Source: U.S. Geological Survey

The major powers (United States, China, Russia) are indeed seeking to control the production of these materials, which may account for the aggressiveness of US policy towards Canada and Greenland, as well as that of China and Russia towards the African countries.

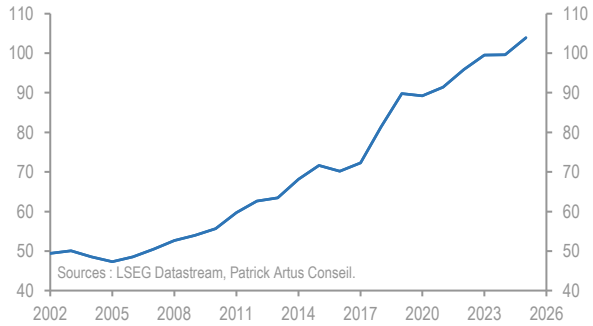
Fourth reason to fear a return of war: the United States' desire to dominate the fossil fuel market

The United States, under the Trump administration, is clearly pursuing the objective of **dominating the fossil fuel market** (oil, natural gas), as attested by the rapid increase in its production of oil and natural gas (**Charts 2A/B**).

Chart 2A
United States: Oil production (millions of barrels per day)



Chart 2B
United States: Natural gas production (Billions of cubic feet per day)



This strategy is liable to trigger **two types of conflict**:

- a conflict between the United States and the countries seeking to accelerate the energy transition, in particular the European Union;
- a risk of war aimed at taking control of other producer countries, such as Venezuela.

Fifth reason to fear a return of war: the irreversibility of the shift to a war economy

Russia has massively increased **its military spending** (**Charts 3A/B**) and has turned its economy into **a war economy**, with a productive base centred on the arms industry**. Exiting this configuration would prove very difficult**: it would entail leaving unused the investment made in the arms industry, and the impossibility of redirecting this investment towards other dynamic sectors would trigger a recession.

Chart 3A
Military expenditures (as % of GDP)

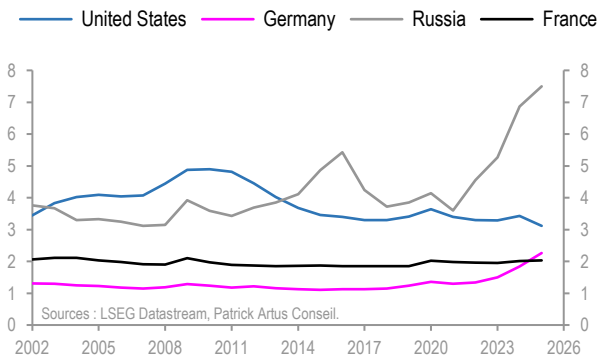
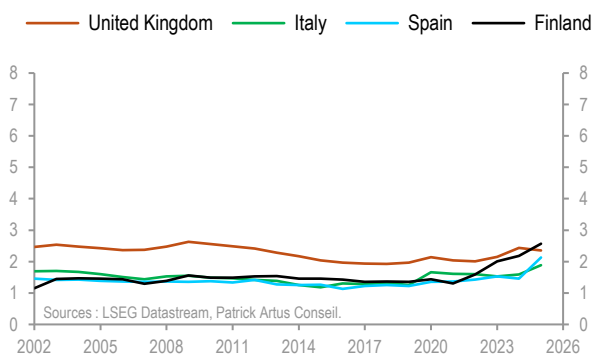
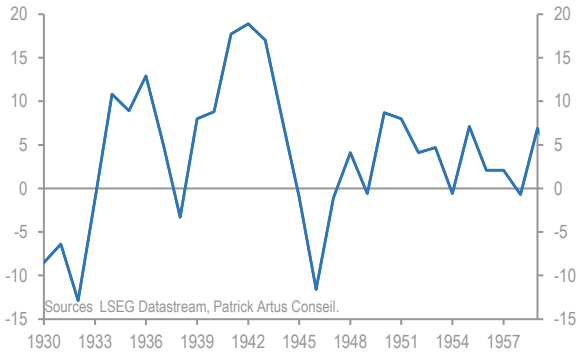


Chart 3B
Military expenditures (as % of GDP)



At the start of 2025, the United States announced a 50% increase in its military spending, bringing it above 5% of GDP in 2027. It will therefore, in turn, face the difficulty of a subsequent reduction in this spending. At the end of the Second World War, the United States experienced a deep recession, marked by a contraction of 11.6% in GDP in 1946 and it was not until 1950 that growth turned positive again (**Chart 4**).

Chart 4
United States: Real GDP growth (annuel % change)



Sixth reason to fear a return of war: the loss of influence of the institutions maintaining peace

Since the end of the Second World War, several institutions have contributed to reducing the risk of conflict: the UN, for armed conflicts, and the World Trade Organization, for trade disputes. **The loss of influence of these institutions is major**; as a result, they are today no longer able to prevent conflicts.

Seventh reason to fear a return of war: the Thucydides trap

In History of the Peloponnesian War, Thucydides, at the end of the fifth century BC, describes how the war between Sparta and Athens broke out, driven by the Spartans' fear over the rise of Athens. An analogous scenario cannot be ruled out: **the United States could respond by war to the military, economic and technological rise of China**. The starting point would be a trade war (tariffs, restrictions on exports or imports), liable to escalate into an armed conflict, with the United States unwilling to lose its status as the sole dominant power.

Conclusion: acknowledging the increase in the risk of war

The factors that account for the marked increase in the risk of war may be summarised as follows:

- the return of imperialisms ;
- the ideological and religious divides;
- the drive to control strategic resources;
- the United States' desire to dominate the fossil fuel market;
- the irreversibility of the war economy;
- the loss of influence of the institutions safeguarding the maintenance of peace;
- the United States' refusal to accept the rise of China.

Disclaimer

Ossiam, a subsidiary of Natixis Investment Managers, is a French asset manager authorized by the Autorité des Marchés Financiers (Agreement No. GP-10000016). Although information contained herein is from sources believed to be reliable, Ossiam makes no representation or warranty regarding the accuracy of any information of which it is not the source. The information presented in this document is based on market data at a given moment and may change from time to time. This material has been prepared solely for informational purposes only and it is not intended to be and should not be considered as an offer, or a solicitation of an offer, or an invitation or a personal recommendation to buy or sell participating shares in any Ossiam Fund, or any security or financial instrument, or to participate in any investment strategy, directly or indirectly. It is intended for use only by those recipients to whom it is made directly available by Ossiam. Ossiam will not treat recipients of this material as its clients by virtue of their receiving this material. All performance information set forth herein is based on historical data and, in some cases, hypothetical data, and may reflect certain assumptions with respect to fees, expenses, taxes, capital charges, allocations and other factors that affect the computation of the returns. Past performance does not predict future returns. Any opinions expressed herein are statements of our judgment on this date and are subject to change without notice. Ossiam assume no fiduciary responsibility or liability for any consequences, financial or otherwise, arising from, an investment in any security or financial instrument described herein or in any other security, or from the implementation of any investment strategy. This information contained herein is not intended for distribution to, or use by, any person or entity in any country or jurisdiction where to do so would be contrary to law or regulation or which would subject Ossiam to any registration requirements in these jurisdictions. This material may not be distributed, published, or reproduced, in whole or in part.