

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **G20 Finance Chiefs Emphasise Central Bank Independence:** G20 finance leaders pledged support for central bank independence and stronger cooperation in a joint statement from Durban. Investors responded positively, though global debt reform saw little progress.
- **France to Recognise Palestinian State at UN in September:** President Macron said France will formally recognise a Palestinian state at the UN General Assembly in September, drawing praise from Palestinians and criticism from Israel and the US.
- **UN Staff Union Issues Vote of No Confidence in Secretary-General :** UN staff unions passed a no-confidence vote against Secretary-General António Guterres and Under-Secretary-General Guy Ryder over the rushed, unclear UN80 reforms. They criticised the 2026 budget plan to cut 20% of posts without evidence it will resolve the crisis.
- **U.S. Approves \$4.67 Billion Missile Defense Deal with Egypt :** The U.S. has approved a potential \$4.67 billion sale of NASAMS air defense systems to Egypt, including Sentinel radars, missiles, and guidance units.



Global Economic development

Global markets ended the week on a cautious note as investors navigated a mix of **profit-taking**, rising **trade tensions**, and looming **central bank decisions**. Despite solid U.S. economic data, **investor sentiment** remained **muted** due to **inflation concerns** and the approaching deadline for **potential new U.S. tariffs** on **global goods**. Key markets around the world reflected this **uncertainty**, with equities retreating and **yields** steady as traders awaited clarity from **policymakers**. Meanwhile, **MSCI's global equity** index slipped **0.2%**, while **Europe's STOXX 600** dropped **0.5%** and **Japan's Topix** fell **0.9%**. In the **U.S.**, **market participants** focused on earnings from **major tech companies**, upcoming **Federal Reserve** and **Bank of Japan meetings**, and the **August 1 tariff deadline** set by President Trump. The **ECB** left interest rates unchanged, and analysts now expect **no further cuts** in **2025**, amid concerns that **rising trade tensions** could continue to pressure **EU growth**. In the **Gulf region**, **Saudi markets** declined due to **weak oil prices**, while **UAE** and **Qatari indices** posted gains on **strong corporate earnings**. **India** emerged as a **bright spot**, with projections showing it on track to become the **world's third-largest economy** by **2028**, fuelled by state-led investment, infrastructure growth, and policy competitiveness. **GDP** is expected to reach **\$10.6 trillion** by **2035**. Overall, while **regional performance** varied, **markets globally** remain on **edge**, awaiting clearer signals from **central banks** and **trade policymakers**. The coming weeks will be crucial in determining whether **supportive fundamentals** can outweigh the growing risks from inflation, tariffs, and **geopolitical uncertainty**.

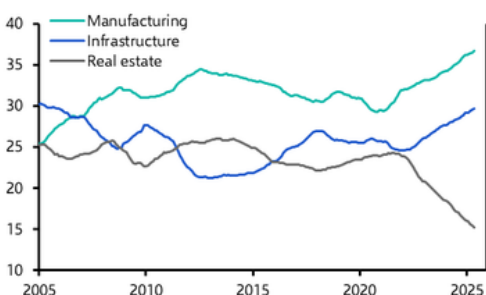
Saudi Arabia unveils \$6.4 billion investment package for Syria.

- **\$6.4 Billion Saudi Investment in Syria:** Saudi Arabia announced major investments in Syria, including nearly \$3 billion for infrastructure and \$1 billion for telecom and tech, signaling strong support for interim President Ahmed al-Sharaa's government.
- **Saudi-Syrian Business Ties Deepen:** At a Damascus forum, Saudi Investment Minister Al-Falih unveiled 47 deals and launched a Saudi-Syrian Business Council, with participation from over 100 companies across sectors like cybersecurity, education tech, and digital security.
- **Regional Reconstruction Momentum Grows:** The move follows recent multi-billion-dollar deals Syria signed with Qatar and the UAE, as Gulf states and U.S. firms position to rebuild the war-torn country's infrastructure and energy sectors.

US, China to discuss tariff deadline extension and sanctioned oil purchases in Sweden.

- **High-Stakes U.S.-China Trade Talks in Stockholm:** Chinese Vice Premier He Lifeng and U.S. Treasury Secretary Scott Bessent will meet in Sweden from July 27-30 to negotiate an extension of their trade truce before the August 12 tariff deadline, amid efforts to stabilize the economic relationship.
- **Progress on Concessions and Trade Balance:** China has lifted its export ban on rare earths, while the U.S. resumed shipments of semiconductor and aviation components. Talks will also address structural concerns like China's export-heavy economy, market access, and tariff levels.
- **Geopolitical Tensions and Sanctions Pressure:** The U.S. plans to warn China over sanctioned Russian and Iranian oil purchases, with bipartisan Senate backing for 100% tariffs on violators like China and India.

CHART OF THE WEEK



The **graph** provides insight into growing concerns about overcapacity at the **sectoral level** in **China**. The country is facing a wave of **falling prices**, not from **productivity gains** but from **intense price wars** driven by **overcapacity**. **President Xi** has called for an end to this **"disorderly competition,"** with regulators stepping in to stop the **damage**. But the root problem is **structural**: China's economy remains heavily **investment-driven**, with **investment** making up **40% of GDP**. With the **property sector** in decline, more of that capital is now flooding into **manufacturing**, worsening **overcapacity**. **Source: Capital Economics**



U.S. and Israel abandon ceasefire talks as Trump envoy blames Hamas.

- **U.S. and Israel Exit Ceasefire Talks:** The U.S. and Israel withdrew their negotiators from Qatar-mediated Gaza ceasefire talks, citing frustration with Hamas's alleged lack of seriousness.
- **Hamas Denies Accusations, Reaffirms Commitment:** Hamas expressed surprise at the U.S. remarks, rejected claims of obstruction, and reaffirmed its willingness to reach a permanent ceasefire through continued dialogue.
- **Mediators Continue Efforts Amid Crisis:** Despite the setback, Egypt and Qatar stated that real progress had been made and pledged to persist with mediation efforts. The talks collapse comes amid worsening humanitarian conditions in Gaza, including rising hunger and over 1,000 deaths among civilians seeking aid.



Russia and Ukraine agree on prisoner swap, but make little headway in broader Istanbul talks.

- **Russia and Ukraine Swap Prisoners:** During their third round of Istanbul talks, the two sides agreed to exchange 250 prisoners each and plan for 1,200 more per side, but made little headway on a ceasefire or a summit between presidents Zelensky and Putin.
- **Trump Issues Ultimatum:** Trump gave Russia 50 days to agree to peace or face tariffs, while boosting arms support to Ukraine.
- **Talks Stalled by Clashing Demands:** Despite Russia surpassing 1 million casualties, Moscow shows no signs of retreating from its war goals. Kyiv seeks a full ceasefire, while Russia proposes brief pauses for humanitarian reasons—keeping negotiating positions far apart.

Other Geopolitical developments

Turkey to Assist Syrian Interim Government Amid Rising Sectarian Violence and Israeli Strikes.

- **Syria Requests Turkish Defense Support:** Syria's interim government has formally asked Turkey for help to boost its defense capabilities and combat terrorist groups, including ISIS, following recent sectarian violence.
- **Turkey Pledges Military and Technical Assistance:** Turkish officials confirmed plans to provide Syria with training, advisory services, and technical support, affirming Turkey's commitment to regional stability and its own national security.
- **Violence Triggers Israeli Strikes:** Clashes between Druze militias and Bedouin tribes in Sweida escalated tensions, prompting Israeli airstrikes on Syrian military convoys and the Ministry of Defense in Damascus, citing protection of Druze communities.

Iran and European powers hold nuclear talks amid uncertainty over future UN sanctions.

- **Iran Resumes Talks with Europe:** Iran and European powers held their first face-to-face nuclear talks since last month's U.S.-Israel strikes, with the EU and E3 pressing Iran for steps toward renewed diplomacy before the UN resolution expires on October 18.
- **Sanctions Deadline Looms:** Without a triggered "snapback" mechanism, all UN sanctions on Iran will expire in October. European diplomats have set an end-of-August deadline for Iran to show progress, including cooperation with the IAEA and accountability for missing enriched uranium.
- **Stalemate with U.S. Continues:** Iran dismissed calls to extend the 2015 UN resolution and ruled out talks with the U.S. for now, despite past rounds of quiet diplomacy and mixed assessments of the impact of recent U.S. strikes on Iranian nuclear sites.



Oil holds steady as investors balance trade optimism with concerns over increased Venezuelan supply.

- **Oil Prices Stable Amid Trade Optimism and Supply Concerns:** Brent rose 0.55% to \$69.56, and WTI climbed 0.51% to \$66.37 on Friday. Optimism over potential U.S. trade deals with Japan and the EU supported the demand outlook, helping offset pressure from rising supply concerns.
- **Potential Boost in Venezuelan Oil Exports:** The U.S. may ease sanctions to allow Chevron and other companies to resume limited operations with Venezuela's PDVSA, potentially increasing Venezuelan oil exports by over 200,000 barrels per day—providing relief to U.S. refiners needing heavier crude.
- **Mixed Supply Signals Keep Oil in Holding Pattern:** Trade deal momentum offsets concerns about increased crude supply, while disruptions in Black Sea and Azeri exports are overshadowed by the Venezuela developments.



Iraq is evaluating Turkey's proposal to renew the 1973 oil pipeline agreement and broaden energy cooperation.

- **Iraq Reviews Turkey's Proposal:** Iraq is assessing a new Turkish proposal to renew the 1973 Kirkuk-Ceyhan oil pipeline deal—set to expire in July 2026—with expanded terms including gas and petrochemical cooperation. This follows Turkey's official announcement to terminate the current agreement.
- **Dispute Over \$1.5B Ruling:** Analysts believe Turkey's move is aimed at pressuring Iraq to drop or renegotiate a \$1.5 billion compensation ordered by the ICC for unauthorized Kurdish oil exports. Ankara hopes to incorporate this claim into a broader energy agreement.
- **Oil Flows May Resume Temporarily:** If Baghdad and the KRG finalize a short-term deal, Ceyhan oil exports could resume for up to 12 months, but long-term routes remain uncertain.

Recommended readings

The Impact of Trump's Energy Policy Reset on the UAE's Transition Agenda. (Source: ORF)

- **UAE's Clean Energy Drive:** Despite the US rollback, the UAE stays on course with 100 GW clean energy by 2035 and net-zero by 2050, driven by its own diversification goals.
- **US-UAE Cooperation Endures:** Major projects like the US\$100B PACE, MASDAR's 3.8 GW in US renewables, and Dubai's 6 GWh ENERCAP battery plant highlight continued synergy in clean tech.
- **Global South Leadership:** UAE-led initiatives like Etihad 7 (100M Africans by 2035) and green finance in Africa show its growing role in equitable, gradual energy transitions.

How Washington Could Leverage Its Gulf AI Deals. (Source: RAND)

- **AI Chip Deals as Strategic Leverage:** Trump's rollback of export controls enabled major AI chip deals with the UAE and Saudi Arabia, including 500,000 Nvidia chips annually. These create risks of tech transfer to China but offer the U.S. a chance to demand curbs on Gulf investments in Chinese AI.
- **Gulf Capital to Strengthen U.S. AI:** The deals, including G42's 5 GW AI campus and Microsoft's \$1.5B investment, offer an opportunity to channel Gulf funding into U.S. AI infrastructure and secure reciprocal benefits for American firms operating in the region.
- **U.S.-Led Tech Push in the Global South:** U.S.-Gulf collaboration can counter China by funding AI infrastructure in emerging markets, aligning Gulf ambitions with American tech leadership.