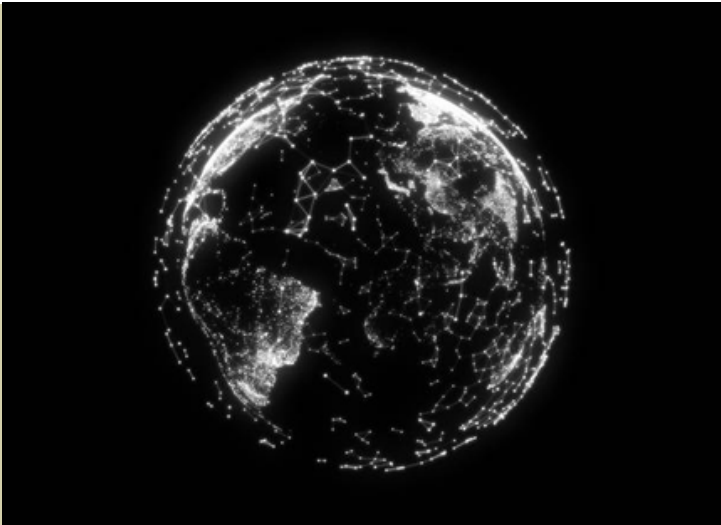


Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- Austria Carries Out First EU Deportation to Syria Since Assad's Fall:** Austria deported a convicted criminal to Syria, the EU's first since Assad's fall, calling it part of a "hard but fair" asylum policy. Rights groups fear it sets a troubling precedent.
- Iran Halts Nuclear Cooperation, Derailing US Talks:** IAEA inspectors have departed Iran after Tehran suspended cooperation following its 12-day conflict with Israel and the US, derailing the potential US-Iran talks in Oslo. The agency confirmed their return to Vienna in a statement on Friday.
- Lapid Meets UAE Leaders to Discuss Regional Issues and Hostage Release:** Israeli opposition leader Yair Lapid met UAE President Mohammed bin Zayed and Foreign Minister Abdullah bin Zayed in Abu Dhabi to discuss regional developments and emphasize the urgency of releasing the hostages.



Global Economic development

Despite **global economic uncertainty** driven by **protectionist trade policies** and **tariff wars**, key economies continue to exhibit **resilience** through varied **growth drivers** and **labor market dynamics**. The **U.S.** added **147,000 jobs** in June, beating expectations and lowering **unemployment to 4.1%**. Healthcare and state jobs rose, while **federal jobs** declined due to **administrative cuts**. **Stock markets** rallied, but **private sector job losses** and **hiring hesitancy** highlight **underlying concerns**. Tariff-related uncertainty has stalled **Fed rate cuts**, while the **White House** rushes to finalize **trade deals** before a tariff pause **expires**. China's economy rebounded, with **June's Caixin PMI** rising to **50.4**. **Growth** is expected to remain stable at **5%** in 2025, supported by **policy stimulus**, **consumer spending**, and **industrial upgrades**. A major **free trade announcement** grants **zero-tariff access** to **53 African nations**, enhancing **China-Africa economic ties**. **Gulf stock markets** turned cautious ahead of a key **U.S. Senate vote** on a **\$3.3 trillion tax and spending bill**, with most indices declining despite **early gains**. **Saudi Arabia's index** fell by **0.4%**, led by losses in the **mining sector** and executive turnover at **Savola**. Dubai's market snapped a **six-day rally**, while **Qatar's economy** grew **3.7%** in **Q1**, offering some positive signs. **Global growth** remains uneven, but **domestic demand**, **targeted reforms**, and **shifting trade alliances** offer **pockets of strength**.

Kagame Says Rwanda Will Honor US-Backed Congo Peace Deal.

- Rwanda Commits to Peace Deal:** President Kagame pledged Rwanda's full implementation of the US-Qatar backed peace agreement with the Democratic Republic of Congo, but warned of consequences if the deal is undermined by the other side.
- FDLR Remains Key Concern:** Kagame emphasized that eliminating the FDLR is critical for lasting peace and reiterated Rwanda's right to defend itself against threats, especially regarding long-standing Tutsi refugee issues.
- US Role and Economic Angle:** While downplaying mineral-related motives in the conflict, Kagame welcomed continued US involvement and accountability, with plans for regional integration and potential US investment in eastern Congo.

Trump to propose simple tariffs, with letters going out .

- Shift to Flat Tariffs:** President Trump announced the U.S. will begin notifying countries—10 at a time—of set reciprocal tariff rates ranging from 10% to 50%, moving away from complex, individual trade negotiations.
- Simplified Strategy:** Due to the difficulty of negotiating with over 170 countries, Trump said most nations will receive fixed tariff notifications, while only a few, like Vietnam and the UK, have secured detailed agreements.
- Tariff Timeline & Impact:** Treasury Secretary Bessent said around 100 countries will likely receive a 10% rate, with potential new deals expected before a July 9 deadline, after which tariffs could rise sharply.

Military Expenditure, Top 10 Countries

USD, billions, constant 2023 prices, 2024

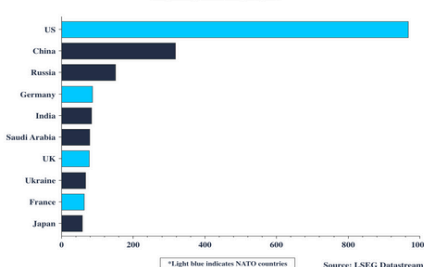


CHART OF THE WEEK

In an era of **fiscal dominance**, growing deficits are increasingly driven by **defence spending**. In 2024, the **US** led **global military expenditure** with nearly **\$1 trillion**, followed by **Russia**, **Ukraine**, and the **UK**. According to **2024 data**, the **United States** remains by far the **largest military spender**, allocating nearly **\$1 trillion** to its defence budget last year. Other major spenders include Russia and Ukraine, while the United Kingdom's defence budget stands just below **\$100 billion annually**. Most top spenders are **NATO members**, and with recent agreement to raise defence budgets from **2% to 5% of GDP** amid **Middle East tensions**, **NATO's annual military spending** is set to rise by hundreds of billions of dollars. **Source: Bentley Reid**



Gaza Ceasefire Talks Advance in positive direction.

- **Hamas Shows Flexibility:** Hamas may agree to halt arms smuggling, shut down weapons production, and exile select leaders, signalling readiness to meet Israeli demands for a permanent ceasefire.
- **Ceasefire Talks Advance:** Hamas has responded positively to a U.S.-brokered proposal involving a 60-day truce and phased hostage release, though challenges remain over aid access and Israeli troop withdrawal timelines.
- **Regional Diplomacy Gains Traction:** Trump and Saudi leaders are pushing for a wider peace plan linking the Gaza ceasefire to Israeli-Saudi normalisation and renewed U.S.-Iran nuclear talks, with Riyadh insisting on a clear path to Palestinian statehood.



Syria willing to revive 1974 deal with Israel via U.S. cooperation.

- **Syria Signals Openness to 1974 Deal:** Syria expressed willingness to cooperate with the U.S. to revive the 1974 disengagement agreement with Israel, which established a UN-monitored buffer zone between their forces.
- **US-Brokered Talks Underway:** Washington is facilitating meaningful dialogue between Syria and Israel, with efforts focused on ending their longstanding border conflict and exploring normalization.
- **Peace Hurdles Remain:** While Israel shows interest in normalizing ties, it insists the Golan Heights will remain Israeli territory, and Syria has called peace agreement talks "premature."

Other Geopolitical developments

Trump Lifts Syria Sanctions, Paving Way for Reconstruction and Diplomacy.

- **Sanctions Lifted Post-Assad:** Trump signed an executive order easing US sanctions on Syria after the overthrow of Bashar al-Assad, aiming to attract foreign investment and aid reconstruction under new President Ahmad al-Sharaa.
- **Global Support Grows:** The US move aligns with similar steps by the EU and Norway, who lifted most sanctions while maintaining restrictions on former regime figures to support Syria's economic recovery.
- **UN Discussions Underway:** The US is drafting a UN resolution to lift sanctions on President al-Sharaa, HTS, and others, though debates persist due to their past Al Qaeda ties and China's concerns over easing restrictions on certain groups.

Ukraine Conflict Update: Defense Talks, Chemical Weapon Claims, and Polish Strategic Shift.

- **Zelenskyy-Trump Discuss Defense Boost:** Ukrainian President Zelenskyy and U.S. President Trump discussed boosting Ukraine's air defense capabilities and joint arms production. Trump later voiced disappointment over his call with Putin, saying there was no sign of willingness to end the war.
- **Russia Accused of Chemical Weapons Use:** Dutch and German intelligence agencies reported Russia's widespread use of banned agents like chloropicrin against Ukrainian troops, calling it a grave breach of international law. Thousands have reported symptoms, and calls for tougher sanctions are growing.
- **Polish President Plans Zelenskyy Meeting:** Poland's new President Karol Nawrocki will meet Zelenskyy, stressing cooperation while expressing caution over Ukraine's NATO and EU membership during wartime.



Oil Falls for Second Straight Day as Markets Anticipate Another OPEC+ Supply Increase.

- **Oil Declines Ahead of Expected OPEC+ Hike:** Brent crude fell below \$68 for a second day as traders anticipate a fourth production increase of 411,000 barrels/day to be decided at an OPEC+ meeting now rescheduled for Saturday.
- **Tariff Threats and Trade Uncertainty Weigh on Markets:** President Trump's plan to impose unilateral tariffs by August dampened global risk sentiment, pushing equities lower and adding to oil market volatility.
- **Geopolitical and Supply Risks Persist:** While Middle East tensions have eased slightly, concerns remain over Iran talks, fresh U.S. sanctions, and disruptions from Canadian wildfires and falling output in Mexico and Venezuela.



China Shuns US Oil for Longest Stretch Since 2018.

- **China Halts U.S. Crude Imports:** China, the world's largest oil importer, has skipped U.S. crude purchases for three consecutive months — the longest pause since 2018 — amid ongoing trade tensions.
- **Blow to U.S. Shale Producers:** The absence of Chinese demand is pressuring U.S. shale drillers, who rely on exports to prevent domestic oversupply, especially as WTI prices dip below \$70 a barrel.
- **U.S. Oil Exports Plunge:** With no Chinese buying in May, U.S. crude exports have fallen to their lowest level in more than two years, highlighting the broader impact of unresolved trade disputes.

Recommended readings

Worrying signs for the US dollar. (Source : Brookings)

- **Unusual Market Signal:** The dollar's recent decline, even as U.S. interest rates rise, suggests markets may be pricing in a fiscal risk premium—a troubling shift that mirrors early signs of the U.K.'s 2022 debt crisis.
- **From Cyclical to Structural Pressures:** Earlier dollar weakness was largely driven by external factors like Germany's fiscal stimulus, but recent declines point to deeper structural concerns around U.S. fiscal discipline and tariff uncertainty.
- **Eroding Global Confidence:** The dollar's counterintuitive moves highlight growing market unease about U.S. economic management, potentially undermining the long-standing trust in the dollar's reserve currency status.

The Small Window for an EU-U.S. Diplomatic Push on Iran. (Source : Carnegie endowment for International Peace)

- **Inconclusive U.S. Strikes Undermine Deterrence:** The June 22 U.S. strikes damaged Iran's nuclear infrastructure but failed to eliminate its program or deter Tehran's military enrichment ambitions, weakening the long-held belief in the U.S. deterrent threat.
- **European Leverage Can Bolster Diplomacy:** The E3 (France, Germany, UK), though traditionally sidelined, now hold diplomatic leverage through the JCPOA and their hawkish stance—positioning them as key players in restoring inspections, influencing Tehran, and constraining Israel's military calculus.
- **Urgent Need for Multilateral Pressure on Iran:** With time running out, a coordinated U.S.-Europe-Arab-China-Russia effort is needed to steer Iran away from nuclear armament, especially given rising ideological rigidity in Tehran and Jerusalem, and growing doubts about future U.S. military resolve.