

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Federal Reserve Governor Lisa Cook Challenges Trump's Attempted Ouster from Federal Reserve** : Federal Reserve Governor Lisa Cook has filed a lawsuit to block Trump's attempt to remove her, describing the move as unprecedented and illegal. A court hearing concluded with no immediate ruling, keeping her in office while she prepares additional legal arguments.
- **US Revokes Visas for Palestinian Officials Ahead of UN Assembly** : The U.S. is revoking visas for Palestinian Authority and PLO members ahead of the UN General Assembly, though the PA's UN Mission gets waivers. This could spark controversy under the UN Headquarters Agreement.
- **NATO Allies Set to Meet 2% GDP Defence Spending Target** : NATO European allies and Canada are projected to meet the alliance's 2% of GDP defence spending target, collectively reaching 2.27%, with the U.S. raising the combined rate to 2.76%. Allies are also planning to boost investments further toward a new 5% target for core defence spending.



Global Economic development

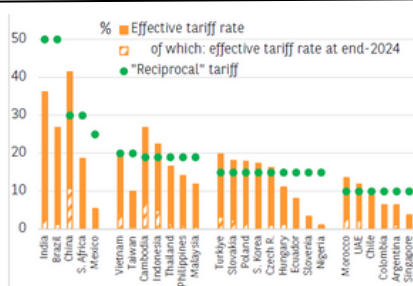
Global economic growth showed mixed trends in **Q2**, with major economies navigating **trade tensions**, **policy shifts**, and **structural challenges**. In the **U.S.**, **GDP rose 3.3% annualised**, driven by **consumer spending** and **private sales**, while **inflation** remained **steady**, with **core personal consumption expenditures** up **2.5%**, in line with **Federal Reserve targets**. **China's stock market** reached decade highs on **institutional inflows** and **state-backed support**, even as **consumption** and **property markets** remained **weak**; **Belt and Road investments** also shifted toward **mineral** and **metal projects** in **Central Asia**, reflecting **Beijing's strategic priorities** amid **U.S. trade tensions**. **Europe** benefited from **migrant labor** sustaining **growth** and **employment**, with **Frankfurt** and **Zurich** seeing increased **IPO activity**, though **fundraising** issues still **persists**. In Africa, **Eswatini** leveraged **low IMF debt** for policy flexibility, **Senegal** pursued a **domestic-financed recovery plan** following **debt misreporting**, and **South Africa** posted **modest growth** despite **U.S. tariffs**, supported by **trade with China** and **rising gold prices**. **India's economy** grew **7.8%**, led by **manufacturing**, **services**, and **construction**, though **softer nominal GDP** and **upcoming U.S. tariffs** may **moderate growth**, prompting the **central bank** to consider further **rate cuts**. Overall, while **several economies** showed **resilience**, policymakers face the ongoing challenge of **sustaining growth** while managing **inflation**, **market volatility**, and **external shocks**.

French Government Faces Crisis Ahead of Budget Confidence Vote .

- **Government at Risk**: French PM François Bayrou's minority government risks ouster in a September 8 confidence vote after the National Rally, Greens, and Socialists said they won't back his €44 billion budget cuts to reduce France's 5.8% deficit.
- **Economic and Market Impact**: Uncertainty over the vote spooked investors, pushing the French-German bond risk premium to its highest since mid-June. The CAC-40 index fell 1.6%, reflecting market concerns over political instability.
- **Potential Protests and Political Fallout**: The confidence vote comes two days before September 10 protests, echoing the 2018 Yellow Vest movement. If the government falls, Macron could appoint a new PM, keep Bayrou as caretaker, or call a snap election.

Egypt and Qatar boost economic ties with \$7.5 bn investment.

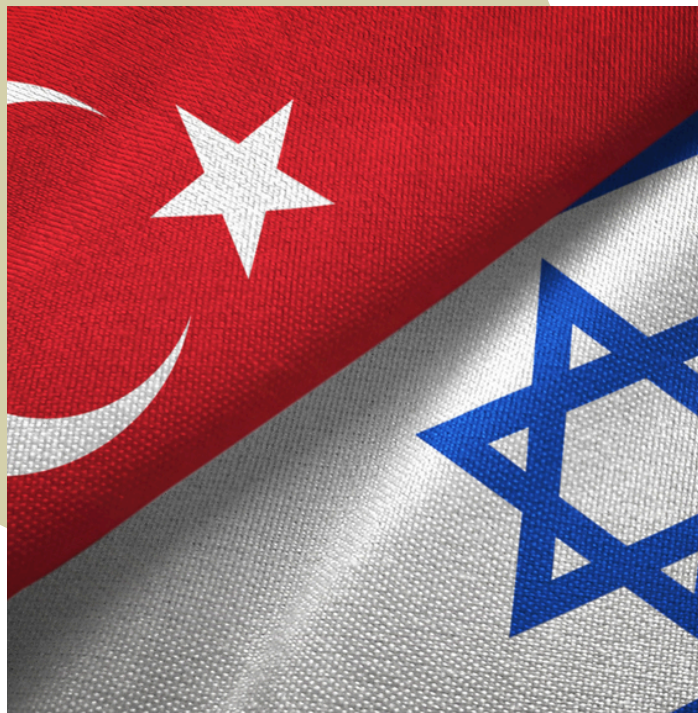
- **\$7.5 Billion Qatari Investment**: Egypt and Qatar are moving to implement a \$7.5 billion investment package in sectors like agriculture, food security, real estate, tourism, and hospitality, signalling stronger economic ties and Qatar's confidence in Egypt's reforms and business environment.
- **Deepening Bilateral Cooperation**: Egypt and Qatar strengthened political and economic ties, building on President El Sisi's April visit, signing agreements on social insurance and agriculture under their Joint Higher Committee.
- **Regional Focus on Gaza**: Leaders addressed Gaza, opposing displacement, coordinating a ceasefire, and enhancing aid, highlighting their role in regional diplomacy.



SOURCE: FITCH, BNP PARIBAS

CHART OF THE WEEK

For countries with a trade deficit with the **U.S.**, the **10% floor tariff** from **April 2** remains in place, covering most of **Latin America**, **Africa**, the **Middle East**, and **Singapore**, with Brazil as a **50% exception**. For trade surplus countries, **reciprocal tariffs** range from **15%** to **50%**, depending on agreements and negotiations. The EU, South Korea, Turkey, Ecuador, and some African exporters face **15%**, while **Asian countries** like Taiwan, Vietnam, Indonesia, and the Philippines face **19–20%**, except Myanmar and Laos at **40%**. Special cases include India (25% plus 25% surcharge over Russian oil), South Africa (30%), and China (30%) and Mexico (25%) under a **90-day truce**. **Tariffs** remain uncertain due to **ongoing negotiations**, potential **U.S. legal challenges**, **transshipment rules**, and evolving **sector-specific taxes**. Sources : **BNP Paribas** and **Fitch** .



Turkey blocks Israeli ships from ports and limits airspace access .

- **Port and airspace restrictions:** Turkey has escalated pressure on Israel by cutting maritime and air access. Foreign Minister Hakan Fidan said Israeli ships are barred from Turkish ports, Turkish vessels from Israeli ports, and Israel-linked planes face airspace restrictions—sharply disrupting logistics and intensifying Ankara’s pressure.
- **Trade suspension and enforcement:** Alongside its trade halt with Israel, Turkey is enforcing stricter port checks. Shipping agents must certify vessels are not Israeli-owned or carrying weapons bound for Israel. The measures reinforce Ankara’s genocide accusation over Gaza—denied by Israel—and aim to shut backdoor supply channels.
- **Humanitarian positioning:** Alongside punitive measures, Turkey is stressing its humanitarian role in Gaza. Fidan said Erdoğan approved aid airdrops, with planes ready pending Jordan’s clearance. By pairing sanctions with relief, Ankara seeks to show solidarity with Palestinians and leadership in the regional response.



Zelensky rules out buffer zone deal to stop the war .

- **Zelensky rejects buffer zone plan:** The Ukrainian president dismissed proposals for a 40km demilitarised buffer zone with Russia, arguing modern drone warfare already creates a “dead zone” near the front line and warning such a deal could mean Ukraine ceding territory.
- **Peace talks falter:** Despite recent U.S.-led diplomatic efforts, prospects for direct talks between Zelensky and Putin are fading, with European leaders saying Moscow shows little interest in diplomacy and instead escalating aerial assaults on Kyiv.
- **Security guarantees in focus:** As Western leaders increase pressure on Russia, discussions continue on providing Ukraine with “NATO-like” security commitments, though Moscow insists any peace framework must also address Russia’s own security interests.

Other Geopolitical developments

UK, France and Germany push to reinstate UN sanctions on Iran .

- **E3 triggers snapback sanctions:** The UK, France, and Germany have formally invoked the UN’s “snapback” mechanism, giving the Security Council 30 days to decide whether to restore sanctions on Iran over its nuclear program.
- **Iran pushes back:** Tehran condemned the move as illegal, insisting its program is civilian, while warning of “appropriate responses” and calling instead for renewed, “fair and balanced” negotiations if the West shows goodwill.
- **Diplomatic window remains narrow:** European leaders and the UN describe the 30-day period as both a warning and an opportunity to strike a deal, but failure could see sanctions automatically reinstated and tensions escalate further.

Israeli strikes near Damascus kill six Syrian soldiers, according to state media.

- **Israeli drone strike kills six:** Six Syrian army officers were killed in Israeli drone attacks near al-Kiswah, south of Damascus, marking the latest in a series of strikes targeting Syrian military positions.
- **Expansion into Golan and border areas:** Israel has increased its presence in the Syrian Golan Heights, seizing demilitarized zones and deploying troops near Mount Hermon, actions condemned by Syria as violations of the 1974 disengagement agreement.
- **Regional tensions escalate:** The strikes follow sectarian clashes in Suwayda and Israel’s broader “Greater Israel” rhetoric, drawing condemnation from Syria, the Arab League, and 31 Arab and Islamic countries as threats to stability and international law.



Oil price declines as demand weakens and peace prospects emerge.

- **Oil prices dip:** Brent and WTI futures fell on Friday as traders weighed weaker U.S. demand after the summer driving season and reports of behind-the-scenes talks toward a Ukraine ceasefire.
- **Supply outlook pressures market:** Rising OPEC+ output is adding to global supply expectations, though analysts note these barrels are not yet reaching the U.S. market, keeping domestic conditions relatively tight.
- **Geopolitical watchpoints:** Prices, earlier boosted by Ukrainian strikes on Russian oil terminals, eased amid ceasefire speculation; meanwhile, India continues to defy U.S. pressure by importing discounted Russian crude despite tariff tensions.



Iraq says progress made in resolving border oilfield dispute with Kuwait

- **Progress in talks:** Iraq's oil minister Hayan Abdul Ghani reported advances in negotiations with Kuwait over the joint development of border oilfields, stressing that investment in these fields is the right of both countries.
- **Historical tensions:** Disputes over shared reserves date back decades, with Iraq accusing Kuwait of siphoning crude through directional drilling—an allegation Kuwait denies—echoing claims once made by Saddam Hussein before the 1990 invasion.
- **Shared stakes:** Iraq and Kuwait, both OPEC founders with some of the world's largest oil reserves, share five major border oilfields; a 2019 technical study by UK-based ERC Equipose was commissioned to find optimal ways of exploiting these deposits.

Recommended readings

The Risks of U.S. Deep-Sea Mining. (Source: CSIS)

- **UNCLOS at risk:** U.S. unilateral deep-sea mining under domestic law would undermine the International Seabed Authority and UNCLOS, inviting copycat actions, territorial disputes, and a collapse of the high-seas mining regime.
- **Strategic costs:** By violating UNCLOS, Washington would weaken its own credibility in defending maritime law—particularly in the South China Sea—handing China leverage to reshape maritime rules to its advantage.
- **Safer alternatives:** The U.S. can pursue critical minerals within its continental shelf or through EEZ partnerships (e.g., Cook Islands), but mining ISA-licensed areas risks triggering a crisis that destabilizes both resource security and the rules-based maritime order.

Placing Syria in Iran's Strategic-Security Calculus. (Source: ORF)

- **Preservation-first mindset:** Tehran's priority remains regime survival at home, with heightened securitisation and risk aversion following Mossad's penetrations, Kurdish activism, and renewed domestic unrest.
- **Limited but opportunistic Syria play:** In Syria, Iran is unlikely to re-establish large-scale influence, instead relying on small, deniable networks, micro-patronage, and narrative positioning as a defender of minorities while watching for openings created by sectarian fissures and governance breakdowns.
- **Israeli footprint as strategic inversion:** Israel's expanded military operations and entrenchment in southern Syria have erased Iran's former strategic depth, forcing Tehran into a dilemma between escalation and retreat, while simultaneously providing both risks and narrow entry points for influence.