# Kinzletter : Weekly Global Economical and Geopolitical insights

## Global developments: Key Highlights

- **Saudi-Qatar Pledge $89m Aid to Syria:** Saudi Arabia and Qatar announced $89m in joint funding to pay Syrian public sector salaries for three months, aiming to sustain essential services and support the state budget.
- **Trump Approves TikTok Transfer to US Ownership :** Donald Trump signed an order finalising a deal with Xi Jinping to separate TikTok from ByteDance, allowing the app to keep operating in the US under American ownership.
- **Iran, Russia Ink $25 Billion Deal for Four Nuclear Power Plants:** Iran and Russia's Rosatom signed a $25 billion deal to build four Generation III nuclear power plants in Sirik, Hormozgan, with a combined capacity of 5,000 MW.
- **Trump's Bid to Oust Fed Governor Sparks Independence, Inflation Fears :** Trump told the Supreme Court he can remove Fed Governor Lisa Cook, but former Fed chairs warned it would undermine independence and risk higher inflation.
- **Curfew in Ladakh After Deadly Clashes:** Indian forces imposed a curfew in Leh after violent statehood protests left four dead, dozens injured, and a BJP office burned. Activist Sonam Wangchuk was detained under the NSA.

## Global Economic development

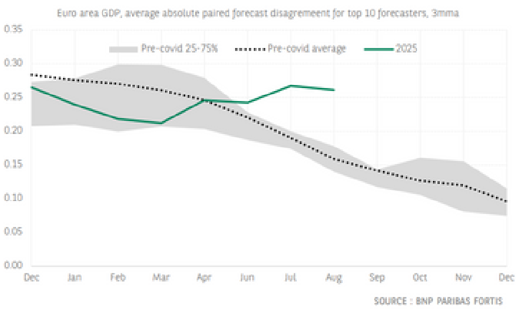
**Global markets** saw mixed movements amid **key inflation data**, **trade tensions,** and **policy developments.** In the **U.S.,** the Dow rose **0.8%** after **core PCE inflation** matched expectations at **2.9%,** while **Q2 GDP** was revised up to **3.8%**, supported by **strong consumer spending**. Tech investment, particularly in **AI**, is temporarily propping up **growth**, though other sectors **lag**. **Market expectations** for **Fed rate cuts** have eased slightly amid **resilient economic indicators.** In **Asia**, China's stock markets surged on **renewed government support**, while **retail investors** re-entered **trading**. Despite **property and debt concerns, domestic consumption** and **AI-driven sectors** underpin **growth**. India remains a standout, with **S&P** projecting **6.5% GDP growth** for **FY25-26,** supported by **robust domestic demand, infrastructure spending**, and easing **inflation**, even as U.S. tariffs and Chinese competition challenge **exports**. **Europe and Africa** face distinct challenges. **Eurozone** growth forecasts remain **divergent** due to **U.S. tariffs** and **German fiscal** and **defense plans,** complicating policymaking. **Poland's growth** slows amid **weak exports** and **Ukraine-related uncertainties**. In **Africa**, sustainable finance initiatives aim to ease **high public debt** and fund **development priorities. Global economies** show **resilience** but face **uneven growth**, **trade pressures,** and **geopolitical risks**. Investors and policymakers must navigate **sector-specific drivers, regional disparities,** and policy uncertainties to sustain **growth** and **stability**.

### *France Braces for Twin Protests: Unions Challenge Austerity, Farmers Resist EU-Mercosur Pact.*

- **Unions escalate pressure:** French unions plan a new nationwide strike and protest on October 2, criticising Prime Minister Sébastien Lecornu for failing to address demands to scrap his predecessor's austerity measures.
- **Political and fiscal challenges:** Recently appointed as Macron's fifth prime minister in under two years, Lecornu faces a divided parliament, a looming 2026 budget battle, and mounting pressure over France's high deficit.
- **Farmer mobilisation:** The Confédération Paysanne has called for a tractor protest in Paris on October 14 against the EU–Mercosur free trade deal, warning it threatens French agriculture and floods the market with Latin American imports.

### *Israel-Syria negotiations stall over humanitarian corridor, sources report.*

- **Talks Stall Over Corridor Demand:** U.S.-brokered negotiations between Syria and Israel on a security pact collapsed after Israel reintroduced its demand to open a "humanitarian corridor" to Sweida, which Syria rejected as a violation of sovereignty.
- **Shift from Security Pact to De-escalation:** U.S. envoy Tom Barrack said the two sides were close to a limited "de-escalation deal" under which Israel would halt strikes and Syria would restrict military activity near the border, reflecting scaled-back ambitions.
- **Deep Mutual Distrust:** Syrian President Ahmed al-Sharaa accused Israel of stalling, while Netanyahu insisted any agreement must secure Israeli interests, including demilitarization of southern Syria and protection of the Druze minority.




## *CHART OF THE WEEK*

Despite the **July US-EU trade deal**, the **Eurozone's short-term growth outlook** remains **uncertain**. Normally, **forecasters** converge by year-end as **GDP data** narrows uncertainty, but 2025 is different. Analysis of over **130 forecasts** shows unusually **high disagreement**, about twice the **historical average**. **US tariffs**, **German fiscal spending,** and **EU rearmament** have fuelled diverging views on **growth**. This persistent uncertainty hampers policymaking and investment decisions, with **forecasters** already showing **wide dispersion** for **2026**—suggesting elevated unpredictability will continue. **Source : BNP Paribas.**

# Geopolitical developments

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### *The 80th UNGA solidifies commitment towards Palestinian statehood and South-South co-operation.*

- **Recognition Momentum:** On September 21, 2025, Canada, the U.K., and Australia recognized a Palestinian state, joining over 140 countries and pressuring Israel amid the Gaza conflict.
- **Palestinian Peace Efforts:** PA President Mahmoud Abbas stressed peaceful state-building, Hamas disarmament, rule of law, humanitarian access, and Jerusalem as Palestine's capital, urging broader recognition.
- **Geopolitical and Financial Shifts:** Netanyahu's UNGA address sparked mass walkouts, defending Israel's actions, while Trump signalled unilateralist policies increasing market uncertainty. Global leaders emphasized debt sustainability, structural reforms, and private investment to close the $4 trillion SDG financing gap amid evolving Middle East tensions.

### *Rising Tensions: Russia, NATO, and Global Diplomatic Strains.*

- **Russia Accuses NATO and EU of War:** Russian Foreign Minister Sergey Lavrov stated at the G20 that NATO and the EU are "basically declaring war" on Russia through direct and indirect support to Ukraine, echoing Kremlin spokesperson Dmitry Peskov's earlier remarks.
- **Airspace Violations Heighten Tensions:** NATO members Poland and Estonia reported Russian drones and MiG-31 fighter jets breaching their airspace, prompting Estonia to invoke Article 4 for urgent consultations among alliance members.
- **India Rejects NATO Claims:** India refuted NATO Secretary-General Mark Rutte's claim that PM Modi spoke with President Putin regarding Ukraine, calling it "factually incorrect and entirely baseless," and emphasized safeguarding national energy security amid global geopolitical pressures.

# Other Geopolitical developments

### *Iran and Europe Struggle to Agree on the Return of UN Sanctions.*

- **Deadline Pressure and Ongoing Talks:** Iran and European powers (E3) remain at an impasse ahead of the September 27 deadline for reimposing U.N. sanctions, but both sides have left room for further negotiations to avoid immediate reinstatement.
- **Conditions for Sanctions Relief:** Europe may delay sanctions up to six months if Iran allows inspections, resolves uranium issues, and reports on nuclear sites.
- **Divergent Positions and Obstacles:** Iran insists its nuclear program is peaceful and refuses direct negotiations with the U.S., while the U.S. and some European diplomats stress the need for concrete action; uncertainty remains over whether the U.S. would support an extension at the U.N. Security Council.

### *Ukraine and Syria Restore Diplomatic Ties Following Leaders' Meeting at UN.*

- **Restoration of Diplomatic Ties:** Ukraine and Syria formally restored diplomatic relations on Sept. 25 after a meeting between Presidents Zelensky and al-Sharaa at the UN, signing a Joint Communique to build relations based on mutual respect and trust.
- **Background and Context:** Kyiv had severed ties in June 2022 after Assad recognized Russian-occupied Donetsk and Luhansk. Relations were renewed following Assad's overthrow in Dec. 2024, with Ukraine engaging Syria's new leadership.
- **Historic UN Presence:** Al-Sharaa's attendance at the UN General Assembly marked the first time in six decades a Syrian leader participated, highlighting Syria's political transition and signalling opportunities for cooperation and regional stability.

# Energy and Oil Monitor

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## *Oil Poised for Largest Weekly Rise in Three Months on Russian Fuel Export Cuts.*

- **Weekly Surge in Oil Prices:** Brent and WTI held steady on Friday but remained on track for a 4% weekly gain, the biggest since mid-June, driven by Russia's curbs on fuel exports after Ukrainian strikes on its energy infrastructure.
- **Supply and Geopolitical Pressures:** Moscow extended its gasoline export ban and imposed a partial diesel export ban through year-end, creating shortages in some regions; NATO warnings and potential new sanctions added to market tensions.
- **Demand and Economic Outlook:** U.S. GDP growth was revised upward to 3.8%, raising the possibility that the Federal Reserve could slow future interest rate cuts, influencing global demand expectations.

## *India Urges United States to permit Iranian and Venezuelan Oil to manage Russian oil shortfall.*

- **India's Proposal to the US:** Indian officials urged Washington to ease sanctions on Iranian and Venezuelan oil if it expects New Delhi to scale back Russian crude purchases, warning that restricting all three sources could destabilize markets and drive up global prices.
- **Tariffs and Energy Security:** The US recently imposed steep tariffs on India for continuing Russian oil imports, yet Indian refiners remain reliant on discounted Russian barrels to meet nearly 90% of the country's crude demand; Commerce Minister Piyush Goyal emphasized India's willingness to expand energy ties with the US.
- **Pricing Pressures and Alternatives:** Discounted Russian crude eases India's import bill, and Iranian or Venezuelan oil could offer similar relief if permitted.

# Recommended readings

| ***Rethinking multilateralism for a new era. ( Source : Brookings)*** | ***The Saudi-Pakistan Defence Pact and India's Strategic Calculus. ( Source : ORF)*** |
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| • **Outdated Institutions vs. New Realities:** The Bretton Woods-era system (IMF, World Bank, GATT/WTO) is increasingly mismatched with today's global economy, geopolitical rivalries, and technological transformation, creating a widening global governance deficit.<br>• **Priorities for 21st-Century Multilateralism:** Future frameworks must focus sharply on global public goods—climate protection, public health, financial stability, trade rules, and AI safety—while making governance more representative, legitimate, and flexible for a multipolar world.<br>• **From Crisis to Renewal:** The UN's 80th anniversary is a chance to revitalize multilateralism amid shifting geopolitics and the rise of alternative alliances. | • **Transformation into a formal alliance:** The SMDA elevates Saudi–Pakistan ties from a transactional, religiously underpinned partnership into a NATO-like bilateral defence pact, with both states pledging that aggression against one will be treated as aggression against both.<br>• **Geopolitical drivers and stakes:** For Riyadh, the pact is driven by Israel's attack on Qatar and Gulf security concerns, with the added prospect of a nuclear deterrent against regional rivals. For Islamabad, it strengthens its defence and economic standing, positions it as a nuclear guarantor in the Muslim world, and indirectly checks India's growing power.<br>• **Strategic implications for India:** The SMDA complicates New Delhi's balancing act in West Asia, where it has cultivated ties with Saudi Arabia, Iran, and Israel. India will need to manage the religious dimension of Saudi–Pakistan cooperation and navigate trade-offs in order to safeguard its interests. |