

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Trump Threatens Major Tariffs in Response to China's Rare-Earth Export Curbs:** President Trump accused China of imposing rare-earth export controls and warned of 100% tariffs on Chinese imports starting in November 2025. Retaliatory port fees have also come to light, hinting that he may cancel his APEC meeting with Xi Jinping amid rising tensions.
- **Regional Powers Oppose U.S. Takeover of Bagram Airbase, While Taliban-Pakistan Tensions Heighten:** India, Russia, China, and Pakistan rejected Trump's plan for Afghanistan's Bagram airbase, calling foreign deployments "unacceptable," while the Taliban accused Pakistan of airstrikes in Paktika.
- **Venezuelan Opposition Leader María Corina Machado Wins Nobel Peace Prize :** María Corina Machado won the Nobel Peace Prize for her "tireless work promoting democratic rights" and efforts toward a peaceful transition from dictatorship. Despite threats from Maduro's government, she remains in Venezuela and dedicated the award to Venezuelans, thanking Trump for his support.



Global Economic development

Global markets in 2025 show optimism around **tech stocks** reaching record **highs**. **Analysts** warn of potential corrections, though some argue **growth** is supported by fundamentals. **Consumer caution** is evident in **reduced credit use** and postponed **spending**, while **hiring** and **investment** remain muted amid **trade uncertainties**. **GCC economies** grew **3%** in Q1 2025, led by **non-oil sectors**, with **Saudi Arabia** projecting **4.6% growth** in 2026 and the **UAE 4.8%** in 2025. **IMF forecasts** show **Gulf growth** rising from **3.2%** in 2025 to **4.5%** in 2026. **MENA growth** is expected at **2.8%** in 2025, supported by **oil output** and **private consumption**, though **Gaza** faces severe **contraction**. Female labor participation remains **uneven**, with **Saudi Arabia** at **34%** while others **stagnate**. **China's GDP** is projected at **4.8%** in 2025, aided by **stimulus** and **exports**, but **retail** and **real estate** remain weak, and **youth unemployment** is high. **Sub-Saharan Africa** is expected to grow **3.8%** this year, supported by stabilising **currencies** and **inflation**. **India** remains the **fastest-growing major economy**, with **FY26 GDP forecast** at **6.5%**, supported by **consumption** and **GST reforms**, though **FY27** is slightly downgraded to **6.3%** due to **U.S. tariffs**. **Morgan Stanley** warns **India** must grow **12.2% annually** to absorb **84 million new workers** over the **next decade**, requiring stronger industrial, export, and infrastructure growth alongside reforms to boost **employment** and **consumption**. **Europe** saw mixed reactions to political and trade developments, with **EU steel tariffs** benefiting producers but pressuring **automakers**. **Global growth** is **resilient** but **uneven**; sustaining recovery will require curbing **inflation**, advancing reforms, creating **jobs**, and managing **geopolitical risks**.

Russia's Evolving Nuclear Strategy and Middle East Mediation.

- **Arms Control and Strategic Weapons:** Putin confirmed Russia is developing new-generation nuclear weapons and said an arms race is already underway. He noted that while extending the New START treaty would be desirable, Moscow is prepared to move forward even if Washington declines renewal.
- **Potential Nuclear Tests:** Putin warned that unnamed countries may resume nuclear testing and said Russia would respond in kind if others proceed, arguing such tests could heighten global security risks and accelerate the arms race.
- **Middle East Mediation Efforts:** During his Tajikistan visit, Putin said Israel asked him to convey to Iran its desire to avoid confrontation. Russian Foreign Minister Lavrov welcomed improving Iran-Saudi ties and accused external actors of trying to sow mistrust among Gulf states.

Saudi Arabia pursues \$10 billion in uncommon loan arrangement.

- **Saudi Arabia Explores Rare \$10 Billion Loan:** The kingdom is in discussions with major banks, including Wall Street lenders, to secure up to \$10 billion in a rare sovereign loan, part of Crown Prince Mohammed bin Salman's economic diversification efforts.
- **Financing Strategy and Market Activity:** Saudi Arabia has primarily raised funds through bond sales, issuing nearly \$20 billion this year alone. While sovereign loans are uncommon, the kingdom has executed at least two \$10 billion-plus loan deals since 2016.
- **Budget Pressures and Alternative Funding:** With a \$65 billion 2025 budget and rising borrowing needs, Saudi Arabia is seeking alternative financing, including the PIF's \$36 billion stake in the Electronic Arts buyout.

Emerging markets have been more resilient to risk-off shocks after the global financial crisis

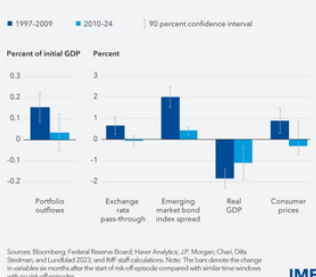


CHART OF THE WEEK

Emerging markets have performed strongly in recent years, benefiting from both **favourable external conditions** and improved policy frameworks that helped limit output losses and keep **inflation** in check. However, significant risks remain: **external conditions** could deteriorate rapidly, recent **global shocks** have reduced **fiscal space**, the **post-pandemic surge** in inflation has raised **expectations**, and **political pressures** may threaten the credibility of carefully **implemented policies**. **Source: IMF.**



Israel and Hamas reach initial agreement on Trump's Gaza ceasefire plan.

- **First phase of Trump's Gaza plan implemented:** Israel and Hamas agreed on a ceasefire and hostage exchange under the initial stage of Trump's 20-point peace framework, marking a potential step toward ending the two-year conflict.
- **Hostage and prisoner arrangements:** Under the deal, Israel began withdrawing troops from parts of Gaza, starting a 72-hour countdown for Hamas to release 48 hostages, while Israel will free dozens of Palestinian prisoners and allow full humanitarian aid to the famine-hit enclave.
- **Diplomatic and logistical follow-up:** Trump may visit Israel to oversee progress, with Arab countries pushing for a path to Palestinian statehood, while the final governance of Gaza and long-term ceasefire details remain unresolved.



Russia says Ukraine peace prospects dim as fighting continues.

- **Russia sees peace prospects fading:** Following the Alaska summit with Trump, Russia says momentum for a Ukraine peace deal has largely collapsed, blaming European countries for prolonging the war.
- **Continued hostilities and attacks:** Russia and Ukraine continue near-daily strikes, with Russian attacks hitting Belgorod and Ukrainian energy infrastructure, while Ukraine targets Russian border regions and infrastructure.
- **Rising tensions and hybrid threats in Europe:** US-Russia ties are strained over potential US Tomahawk missile support for Ukraine, and the EU warns of Russia's "hybrid warfare" targeting European nations through cyberattacks and infrastructure disruptions.

Other Geopolitical developments

US Senate unanimously backs repeal of 2002 Iraq war authorisation.

- **Congress moves to formally end Iraq war:** The Senate unanimously approved repealing the 2002 Iraq War resolution, following the House, restoring war powers to Congress and closing a chapter on a conflict that killed thousands.
- **Bipartisan significance and precedent:** Senators Tim Kaine and Todd Young emphasised that the repeal asserts Congress's authority to both authorise and end military conflicts, establishing a precedent for preventing future overreach and reinforcing Iraq as a strategic partner.
- **Legislative context and limits:** The repeal, likely in the final defense bill with the 1991 Gulf War repeal, keeps the 2001 War on Terror authorisation, still used to justify actions against al-Qaida and ISIS.

Syria admits 'shortcomings' in women's representation in election results.

- **Low Representation of Women and Minorities:** Syria's first post-Assad elections saw just 13% of seats go to women and minorities, with Christians winning only two; the election committee admitted major representation gaps.
- **Partial and Controlled Elections:** Two-thirds of the 210 seats were chosen by electoral colleges, the rest appointed by Interim President Ahmed al-Sharaa; voting in three provinces was postponed, and candidates tied to the former regime or secession were barred.
- **Ongoing Regional Tensions:** Elections excluded Kurdish and Druze areas, with observers and local leaders calling them unrepresentative of regions beyond government control.



Oil drops 1.6% following Gaza ceasefire.

- **Oil Prices Fall After Gaza Ceasefire:** Brent fell \$1.03 (1.6%) to \$65.22, and WTI dropped \$1.04 (1.7%) to \$61.51 as the Israel– Hamas ceasefire eased near-term Middle East risks.
- **Ceasefire Terms and Market Implications:** The deal ends fighting, includes a partial Israeli withdrawal, and a hostage-for-prisoner exchange. It may ease Red Sea tensions, safeguard shipping, and impact regional energy dynamics, including Iran nuclear negotiations.
- **Other Factors Affecting Oil Markets:** OPEC+ approved a smaller-than-expected November output hike, easing oversupply concerns, while U.S. funding uncertainty and geopolitical moves—like sanctions on Iran-linked entities and China’s rare earth export controls—add complexity to the energy market.



Traders are pushing Indian state buyers to pay for Russian oil in yuan.

- **Yuan Payments for Russian Oil:** Traders supplying Russian oil are now asking Indian state refiners, including Indian Oil Corp (IOC), to pay in Chinese yuan, leveraging improving India–China relations to simplify transactions.
- **Sanctions and Currency Shift:** Western sanctions on Russia have accelerated the use of alternative currencies like yuan and UAE dirham for oil trades, bypassing the dollar and facilitating direct conversion to roubles.
- **Strategic and Trade Implications:** Yuan payments boost Indian state refiners’ access to discounted Russian oil, aided by recent India–China diplomatic engagements and resumed direct flights.

Recommended readings

What Comes Next for Israel–Hamas Ceasefire? (Source: CSIS)

- **Timing and Pressures:** After two years of war, global and domestic pressure forced both sides toward a ceasefire— Netanyahu isolated and facing unrest, and Hamas pressed by Arab states fearing regional instability.
- **Trump’s Diplomatic Breakthrough:** The Trump administration brokered the deal by exploiting Israeli overreach in Doha, pressuring Netanyahu into concessions, rallying Arab states behind its 20-point plan, and dispatching envoys Steve Witkoff and Jared Kushner to secure the October 8 agreement.
- **Fragile Path Ahead:** Despite the breakthrough, uncertainties over Hamas’s disarmament, Israeli withdrawal, Gaza’s governance, and regional buy-in persist, risking the plan’s collapse amid unresolved political and security tensions.

Iraq Heads to the Polls: The Stakes for its Economy. (Source: ORF)

- **Economic Crossroads:** Iraq’s 2025 elections serve as a referendum on its oil-dependent rentier economy, where 90% of state revenue comes from hydrocarbons. Persistent unemployment, service failures, and youth disenchantment underscore the need for diversification and structural reform.
- **Three competing visions:** The election pits the Coordination Framework’s centralised, patronage-driven model against the Reformist Independents’ push for transparency, private-sector growth, and fiscal reform, and the Nationalist Bloc’s populist, anti-corruption agenda that could unsettle institutions.
- **Kingmaker Politics:** Kurdish and Sunni blocs will play a decisive, transactional role, trading support for regional gains and forcing compromises that dilute reform.