Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **China Denounces U.S. Over Rare Earth Export Claims:** China accused the U.S. of exaggerating its rare earth export controls, calling Treasury Secretary Scott Bessent's comments "grossly distorted," and rejected White House calls to roll back the curbs, saying compliant civilian-use applications will be approved.
- **IMF Chief Warns Against Escalating Trade Wars:** IMF Chief Kristalina Georgieva urged countries to keep trade open despite new U.S. tariffs, warning a wider trade war could hurt global growth. Only the U.S., China, and Canada have raised tariffs so far, while 188 of 191 members have avoided retaliation. Global GDP is forecast at 3.2% for 2025, with public debt potentially surpassing 100% of GDP by 2029.
- **Trump Envoy to Oversee Gaza Ceasefire Implementation:** U.S. envoy Steve Witkoff will visit Egypt, Israel, and possibly Gaza strip on Sunday to review the ceasefire's first phase, including exchanges, Israeli withdrawal, and a halt in fighting, before the next stage of the deal.

Global Economic development

The recent **International Monetary Fund (IMF) reports** raised its global growth forecast to **3.2%** for 2025, slightly above 2026's **3.1%**, reflecting **resilience** amid rising U.S.-China trade tensions and **geopolitical risks. IMF Managing Director Kristalina Georgieva** emphasized that **global trade** remains a **vital growth engine**, urging countries to avoid measures that could escalate **tensions**. The **U.S. economy** is projected to grow **2%** in **2025** and **2.1%** in **2026**, supported by **AI-driven investment** and **fiscal incentives**. **Treasury Secretary Scott Bessent** noted that the **ongoing government shutdown** costing up to **$15 billion weekly.** It has not derailed long-term investment. The **fiscal deficit** is expected to decline toward **3% of GDP,** though trade tensions with **China** remain a concern. **China's growth i**s slowing, with GDP forecast at **4.8%** in 2025 and **4.3%** in 2026, constrained by a **property slump, trade tensions**, and **export reliance**. **Asia-Pacific overall** is expected to grow **4.5%** in **2025**, though trade risks remain. The **Middle East and Central Asia** are projected to grow **3.5%**, led by **GCC oil production** and **Egypt's non-oil sectors**. **India** is set to expand **6.6%** in **2025**, driven by **strong Q1 performance** and reforms in **infrastructure**, **digitalization**, and **taxation**. The **Eurozone** is expected to grow **1.2%**, reflecting modest recovery despite **inflation** and **supply chain challenges.**Overall, resilient investment, structural reforms, and regional growth are sustaining global momentum, while **policymakers** are urged to maintain **trade openness** and **diversify growth drivers** to mitigate **external shocks.**

Iraq probes Baghdad bombing that killed election candidate.

- **Targeted Attack:** Iraq's election candidate Safaa Al-Mashhadani was killed in a bombing when a "sticky bomb" was placed under his car in the Tarmiya district north of Baghdad, injuring four others. Al-Mashhadani, a member of the Baghdad Provincial Council, was running in next month's parliamentary elections as part of the Siyada Coalition led by Sunni politician Khamis Al-Khanjar.
- **Investigation Launched:** Prime Minister Mohammed Shia Al-Sudani ordered a joint forensic task force and high-level committee to identify those responsible for the attack.
- **Security Concerns Ahead of Elections:** The assassination, condemned as an attempt to destabilize Iraq, highlights risks of political violence and mirrors tactics previously used by militant groups.

Iran says nuclear program have ended as deal expires.

- **Iran ends nuclear restrictions:** Tehran announced it is no longer bound by limits under the 2015 nuclear deal (JCPOA) as the 10-year pact expired, declaring all related provisions "terminated."
- **Diplomacy continues amid tensions:** Despite ending compliance, Iran reiterated its "commitment to diplomacy," even as Western powers and Israel accuse it of pursuing nuclear weapons — a claim Iran denies.
- **Deal collapse and renewed hostilities:** The JCPOA has been effectively defunct since the U.S. withdrew in 2018; recent "snapback" sanctions by the UK, France, and Germany, along with U.S.–Israel strikes in June, have deepened the standoff and halted nuclear talks.

CHART OF THE WEEK

China's latest trade data beat expectations, but the regional dynamics tell a nuanced story. **Exports** to ASEAN and the EU have surged into **double-digit growth** this year, driven by the **tech** and **semiconductor cycle** and demand for electronics, batteries, and machinery. Meanwhile, **shipments** to the **U.S.** remain sharply down compared to last year due to **tariffs**, **export controls,** and some **rerouting** through **third markets**. In short, the strong headline masks a **geographic divide:** Asia and parts of Europe are driving growth, while **U.S.-bound trade** continues to lag, highlighting how the tech cycle benefits regional partners even amid **trans-Pacific policy frictions. Source : Haver Analytics.**

Geopolitical developments

Civilian Deaths Undermine Gaza Ceasefire as Trump Touts Wider Peace Vision.

- **Civilian Casualties in Gaza:** Eleven family members were killed in Gaza City's Zeitoun after their vehicle allegedly crossed the Israeli-controlled "yellow line," raising the death toll to 28 since the ceasefire began.
- **Hamas Appeals for International Pressure:** Hamas urged the U.S. and mediators to hold Israel accountable for ceasefire violations after returning an Israeli captive's body via the Red Cross, signalling openness to diplomacy despite ongoing attacks.
- **Trump Pushes Regional Normalization:** President Trump said his Gaza ceasefire plan could spur broader Arab-Israeli normalization, potentially including Saudi Arabia and even Iran, while warning that Israeli operations could resume if Hamas violates the truce.

After meeting with Zelenskyy, Trump urges Ukraine and Russia to halt hostilities and bring the war to an end.

- **Trump Urges Immediate Ceasefire:** Following his White House meeting with President Zelenskyy, President Trump called on both Ukraine and Russia to "stop where they are" and end the war, suggesting that both sides should "claim victory" and halt further fighting along current battle lines.
- **Shift in Trump's Position:** After a phone call with President Putin, Trump appeared to pivot from earlier openness to supporting Ukraine's counteroffensive to advocating a freeze of territorial lines, implying that Russia could retain occupied regions.
- **Tomahawk Missiles and Diplomacy:** Trump hesitated on supplying Ukraine with Tomahawk missiles but plans to meet Putin in Hungary to pursue a peace deal.

Other Geopolitical developments

Syria's Sharaa holds first meeting with Putin in Moscow since Assad's downfall.

- **Moscow Meeting Marks New Chapter:** Syria's interim President Ahmed al-Sharaa met Vladimir Putin in Moscow for the first time since ousting Bashar al-Assad, signaling a pragmatic reset in bilateral ties.
- **Strategic Cooperation Continues:** Sharaa indicated he would maintain Russian access to the Tartous and Hmeimim bases, while seeking Moscow's support in rebuilding Syria's economy and stabilizing its borders.
- **Lingering Tensions Over Assad:** Despite warmer rhetoric, friction remains as Sharaa reportedly requested Assad's extradition for war crimes — a move Russia is unlikely to accept.

Saudi Arabia holding defence pact negotiations with the United States.

- **Riyadh–Washington Defence Talks:** Saudi Arabia is negotiating a defence pact with the United States, aiming to finalise the deal during Crown Prince Mohammed bin Salman's upcoming visit to the White House next month.
- **Qatar-Style Security Framework:** The proposed agreement could mirror the recent U.S.-Qatar pact, under which any attack on Qatar would be treated as a threat to U.S. security — part of broader regional security cooperation efforts.
- **Strategic Context:** The talks come as Saudi Arabia deepens its defence ties, recently signing a mutual defence pact with Pakistan, while U.S. officials frame cooperation with Riyadh as a core pillar of their Middle East strategy.

Energy and Oil Monitor

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Oil slips 1% to a five-month low ahead of the Trump-Putin summit.

- **Oil Prices Fall:** Brent crude and WTI fell over 1% to five-month lows ($61.06 and $57.46 per barrel, respectively) as Trump announced a planned summit with Putin on Ukraine, adding uncertainty to global energy markets.
- **U.S. Supply Factors:** U.S. crude inventories rose 3.5 million barrels last week, higher than expected, while production hit a record 13.636 million barrels per day, contributing to bearish pressure on prices.
- **Global Market Dynamics:** Potential reductions in India's Russian oil imports and new UK sanctions on Russian energy firms could reshape supply flows, creating mixed signals for future crude demand and pricing.

Qatar's energy minister warns EU rules could curb its LNG exports to Europe.

- **EU Regulations Threaten LNG Supply:** Qatar's Energy Minister Saad al-Kaabi warned that the EU's corporate sustainability due diligence directive (CSDDD) could prevent Qatar from supplying LNG and other products to Europe.
- **Risk of Heavy Fines:** The law could impose penalties up to 5% of global revenue for companies without Paris Agreement-aligned climate plans, posing a major risk for state-owned QatarEnergy.
- **Investment and Competitiveness Concerns:** Kaabi emphasized that without further adjustments to CSDDD, QatarEnergy may withdraw from the EU market, potentially undermining European energy security and investment attractiveness.

Recommended readings

What to Expect from the Trump-Albanese White House Meeting. (Source: CSIS)	***Making the 20-Point Plan Work in Gaza. (Source: Rand)***
• **Alliance and Strategic Cooperation:** Albanese aims to affirm the importance of the U.S.-Australia alliance, secure support for AUKUS, and discuss defense collaboration, while Trump will focus on regional security, China's influence, and ensuring allied contributions to defense. • **Trade and Economic Issues:** Key topics include U.S. tariffs on Australian exports, potential relief or exemptions, investment opportunities, and strengthened cooperation on critical minerals to reduce reliance on China. • **Defense Spending and Regional Role:** Expect discussions on Australia's defense outlays, contributions to regional security, and the operational and financial commitments under AUKUS, with Albania emphasizing the strategic value of Australia's existing and planned defense investments.	• **Establishment of Transitional Authority and Security Force:** A Gaza transitional authority, chaired by President Trump, would assume civilian governance, supported by an international security force largely from Arab nations, tasked with disarming Hamas, maintaining security, and enabling the safe return of hostages. • **Humanitarian and Reconstruction Priorities:** Immediate efforts must focus on restoring housing, education, healthcare, utilities, and transportation, with coordinated work by NGOs and humanitarian agencies. Short-term measures should be designed to support long-term stability and governance. • **Pathway to Durable Peace:** Success requires a technocratic Palestinian administration, strengthened dialogue between Israelis and Palestinians, economic revitalization, and visionary leadership on both sides to transform decades of conflict into lasting peaceful coexistence.