

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **U.S.-China Economic Talks Ahead of Trump-Xi Visits to South Korea** : U.S. and Chinese economic officials will meet in Kuala Lumpur for their fifth round of talks since May, focusing on tariffs and rare earth exports. Meanwhile, South Korean President Lee Jae-myung will hold separate summits with Trump and Xi next week during their APEC visits to Seoul.
- **Israel's Smotrich Rejects Saudi Normalisation deal** : Israeli Finance Minister Smotrich rejected a Saudi normalisation deal requiring a Palestinian state, as parliament advances a West Bank annexation bill. Netanyahu seeks deals with Saudi Arabia and Indonesia before the 2026 elections.
- **EU Mulls Trade Measures Against China Over Rare Earth Export Curbs** : The EU warns of possible retaliation as China plans rare earth export curbs, with Commissioner Dombrovskis saying countermeasures are under review. China urges the EU to drop its sanctions list, while Macron pushes for using the bloc's strongest trade tools if talks fail.
- **Thailand Mourns Queen Mother Sirikit's Death at 93** : Queen Mother Sirikit dies at 93 in Bangkok; PM Anutin cancels Malaysia trip, may miss Cambodia ceasefire signing with Trump.



Global Economic development

The **global economy** faces a complex mix of **challenges** and **opportunities**, including **geopolitical tensions**, **trade uncertainties**, **fiscal disruptions**, and **domestic policy shifts**. In the **U.S.**, the **government shutdown** has shaved **0.1–0.2 percentage points** off **weekly GDP growth**, affecting **consumer spending** and **federal worker productivity**. **Inflation** eased to **3%** in September, below **forecasts**, supporting expectations of **Federal Reserve rate cuts**. **Financial markets** responded **positively**, with the **S&P 500** exceeding **6,800** and the **Dow** above **47,000**. **China** plans to focus on **domestic market development**, **technological innovation**, and **high-quality industrial growth**. **Growth** is expected to moderate slightly to **4.8%** in 2025, with **policies** targeting consumption, digital transformation, and high-tech self-reliance. In the **MENA region**, **GDP** is projected at **3.3%** in 2025 and **3.7%** in 2026, driven by **higher oil output** and **reforms**. **Inflation** in **Gulf economies** remains **low**: **Saudi Arabia** (**2.1%**) and **UAE** (**1.6%**), while **Iran** and **Sudan** face high inflation of **42.4%** and **87.2%**, respectively. **Europe** saw eurozone activity rise to a **PMI of 52.2** in October, led by **Germany**, though **France's political uncertainty** dampens **recovery**. In Asia-Pacific, **India's GDP** is expected to grow **6.6%** in 2025, easing to **6.2%** in 2026, supported by **strong Q2 growth** and **GST reforms**. **China** remains a key **global growth driver**, contributing to around **60% of global expansion** in 2025. Despite **fiscal disruptions**, **trade tensions**, and **inflationary pressures**, global economies show **resilience**, with **reforms**, **consumption growth**, and **technological innovation** supporting **sustainable expansion** through 2026.

Iran Ratifies CFT Amid JCPOA Termination and UN Sanctions Expiry.

- **Iran Ratifies CFT**: Iran ratifies the UN Convention for the Suppression of the Financing of Terrorism, aiming to ease sanctions, regain global banking access, and strengthen trade with Russia and China, despite domestic debate over sensitive data exposure.
- **Iran-Russia-China Nuclear Stance**: Iran, Russia, and China declare the JCPOA nuclear deal terminated, reject the E3's "snapback" sanctions attempt as legally flawed, and call for diplomatic solutions while opposing unilateral measures.
- **Resolution 2231 Expiry**: The UN Security Council's Resolution 2231 provisions officially end on Oct. 18, 2025, terminating all related restrictions on Iran's nuclear program and reaffirming multilateral diplomacy.

United States imposes sanctions on Colombian President Gustavo Petro.

- **U.S. Sanctions Escalate Trump-Petro Feud**: The U.S. Treasury sanctioned Colombian President Petro, his family, and Interior Minister Benedetti, citing links to drug cartels, escalating tensions with Trump.
- **Deepening Diplomatic Rift**: The sanctions come after months of clashes over Trump's deportation drive, anti-trafficker strikes, and a \$743 million U.S. aid cut, prompting Bogotá to recall its ambassador.
- **War on Drugs and Political Retaliation Claims**: Petro called the sanctions political retaliation, vowing legal action, while Washington cast them as part of Trump's anti-drug and anti-leftist push in Latin America.

US federal finances FY25
ICAEW chart of the week

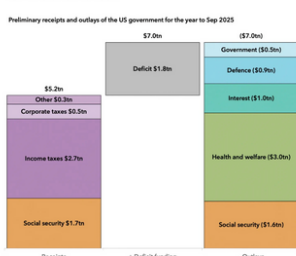


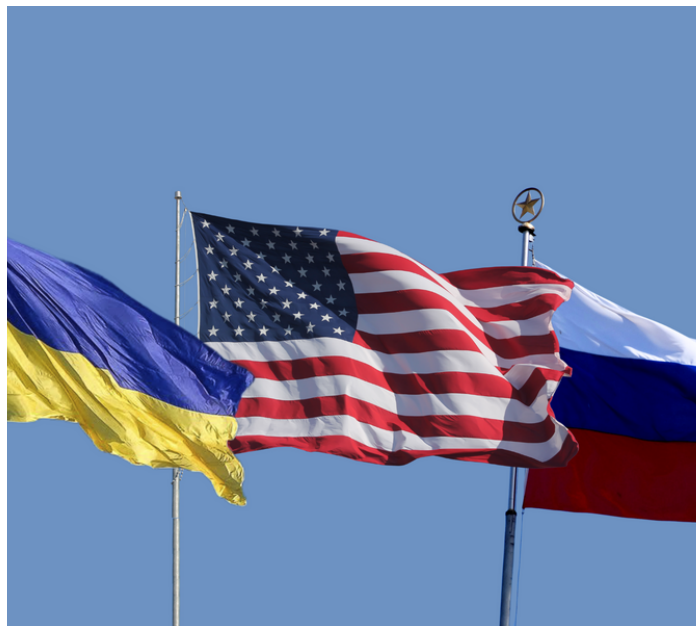
CHART OF THE WEEK

In FY2025, the **US federal government** collected **\$5.2tn** in taxes, including **income taxes** and **Social Security contributions**, and spent **\$7.0tn**, leaving a **\$1.8tn deficit** that was covered by borrowing. Major expenditures included healthcare programs, Social Security, debt interest, and defense, while the remaining **federal operations** cost just **\$0.5tn**, or under **2% of GDP**. The deficit is expected to widen in **FY2026** as **planned tax cuts** outweigh proposed **spending reductions**, and policymakers remain concerned about rising debt interest and its impact on **fiscal sustainability**. **Source : ICAEW.**



Trump Blocks West Bank Annexation Amid Gaza Ceasefire Implementation .

- **Trump Opposes West Bank Annexation:** US President Donald Trump, backed by VP JD Vance and Secretary of State Marco Rubio, dismissed Israeli lawmakers' preliminary approval of a bill applying Israeli law to the West Bank, reaffirming that annexation will not occur and emphasizing it could undermine his Gaza ceasefire plan.
- **Gaza Ceasefire and Hamas Dialogue:** Hamas has committed to implementing the first phase of the US-mediated Gaza ceasefire, including hostage exchanges and aid delivery, while entering national dialogue with other Palestinian factions to advance the second phase and ensure a lasting end to the war.
- **Regional Response:** Arab and Muslim-majority countries condemned the annexation move; the US pushes for Gaza stability and broader Middle East normalisation.



Dmitriev Signals Progress Toward Deal Despite New Sanctions .

- **Trump Pushes for Ceasefire and Negotiations:** After meetings with Zelenskyy and a call with Putin, President Trump urged both sides to "stop where they are," signalling support for freezing current battle lines and claiming mutual victory as a path to peace.
- **Diplomatic Contacts and Sanctions Pressure:** Russian envoy Kirill Dmitriev said that the U.S., Ukraine, and Russia are "close" to a deal, even as Trump sanctioned Rosneft and LUKoil to pressure Moscow.
- **Mediation Efforts Amid Contradictions:** Dmitriev said a Trump-Putin summit remains possible, stressing Russia wants a lasting deal, not a ceasefire, while dismissing sanctions and civilian strike claims.

Other Geopolitical developments

Erdogan wraps up Gulf tour, signing 24 new agreements in Kuwait, Qatar, and Oman.

- **Comprehensive Gulf Engagement:** Turkish President Erdogan concluded a three-day tour of Kuwait, Qatar, and Oman, signing 24 agreements, memoranda, and joint statements to strengthen bilateral ties and regional cooperation.
- **Focus Areas:** The agreements span defense, energy, trade, investment, education, media, and innovation, with discussions emphasising Gaza, Syria, and regional stability, alongside Turkey's support for a two-state solution in Palestine.
- **Symbolic Diplomacy:** Erdogan gifted Togg EVs, attended official events, and advanced joint initiatives including visa exemptions and Turkish-Gulf company cooperation.

France Targets Assad Amid Syria's Ongoing War Crimes Investigations .

- **New French Arrest Warrant for Assad:** France issues third arrest warrant for ex-Syrian president Assad over 2013 chemical attacks, citing war crimes and crimes against humanity.
- **Assad in Russia & Extradition Talks:** Assad and his family remain in Russia, which says it protects him on "humanitarian grounds." Syrian President Ahmed Al-Sharaa met Putin but did not secure any public commitment on extradition.
- **Sednaya Prison Arrests:** Syrian authorities arrested Major General Akram Salloum al-Abdullah, former commander of Sednaya military prison, implicated in mass executions and torture. Sednaya, notorious under Assad, saw tens of thousands detained, with thousands executed or disappeared.



Oil set for weekly gain amid supply concerns from US sanctions on Russian firms.

- **Oil Prices Rise on Sanctions:** Brent crude rose 13 cents to \$66.12/bbl, and WTI advanced 6 cents to \$61.85/bbl, extending Thursday's more than 5% jump, with both benchmarks set for their biggest weekly gain since mid-June due to US sanctions on Russia's Rosneft and Lukoil.
- **Market Supply Concerns:** Sanctions led Chinese and Indian refiners to cut Russian oil, shifting markets from oversupply to potential shortage, with Brent and WTI in backwardation.
- **Global Response and Outlook:** OPEC is ready to boost output, while attention turns to Trump-Xi talks to ease trade tensions and support oil flows.



Sellers pull out of agreements with Chinese refiner Yulong after UK imposes sanctions.

- **Contract Cancellations:** Several major suppliers, including TotalEnergies, BP, Saudi Aramco, Kuwait Petroleum, Trafigura, and PetroChina International, have canceled oil sales to China's Yulong Petrochemical following UK sanctions, mainly affecting spot cargoes scheduled after November 13.
- **Shift to Russian Oil:** Facing restricted non-sanctioned supplies, Yulong is set to boost Russian oil purchases, already half its intake, echoing Nayara Energy's EU sanctions response.
- **Company Profile and Supply:** Yulong, China's newest 400,000 bpd refiner, is a joint venture of Nanshan and Shandong Energy, sourcing most Russian crude from ESPO Blend and Urals.

Recommended readings

Diffusing Tolerance: The UAE's Soft Power Through Migration. (Source : ORF)

- **Institutional and Global Promotion of Tolerance:** The UAE has institutionalised tolerance through national bodies, education, and global initiatives, positioning itself as a regional model of coexistence.
- **Migration as a Channel of Cultural Diffusion:** With migrants forming over 70% of its population, the UAE's inclusive environment attracts global talent and spreads tolerant values through cultural remittances.
- **Regional and Normative Impact:** The UAE's tolerance agenda may influence Middle Eastern social norms, but its long-term impact depends on integration, transparency, and genuine pluralism.

Will the US achieve a 'big, beautiful' Iran deal or stall in homeostasis? (Source : Atlantic Council)

- **Pathways for Iran Engagement:** A comprehensive deal with Iran could offer sanctions relief, economic integration, and security assurances, but would require Iran to limit nuclear enrichment, ballistic missiles, and regional proxy activity—a complex, high-stakes negotiation with potential long-term benefits for all parties.
- **Risks of Fragile Status Quo:** Without a full deal, the region faces a "toxic homeostasis" where intermittent conflicts, miscalculations, and retaliatory attacks between Israel, Iran, and US-backed forces persist, straining military resources, economies, and regional stability.
- **Opportunity Through Creative Diplomacy:** The Gaza cease-fire shows that US-focused diplomacy can unlock breakthroughs and may enable a wider regional deal despite deep mistrust.