

Kinzletter : Weekly Global Economical and Geopolitical insights

Global developments: Key Highlights

- **Kazakhstan set to join the Abraham Accord** : Kazakhstan is set to join the Abraham Accords in a symbolic move to reinforce the U.S.-brokered normalization initiative. It solidifies cooperation between Israel and Arab and Muslim countries.
- **EU Tightens Visa Rules for Russians Amid Security Concerns** : The European Union will restrict multiple-entry visas for Russian nationals as security concerns mount nearly four years into the Ukraine war.
- **U.S. Weighs Saudi Request for F-35 Jets** : The Trump administration is reviewing Saudi Arabia's request to purchase up to 48 F-35 fighter jets—a potential multibillion-dollar deal that could reshape the Middle East's military balance and test Washington's commitment to preserving Israel's strategic edge.
- **U.S. Says Iran Plotted to Kill Israeli Ambassador in Mexico**: The U.S. says Iran's Revolutionary Guard Corps tried to assassinate Einat Kranz Neiger , but the plot was foiled. Mexico denies having information on the alleged attack.



Global Economic development

The **global economy** is entering a period of **correction** and **recalibration** as markets cool, consumer demand weakens, and **geopolitical tensions** persist. **Advanced economies** are grappling with **fiscal strain**, **elevated living costs**, and **financial volatility**, while emerging markets such as **India** and the **Gulf** continue to show **resilience**. In the **United States**, economic momentum is **slowing** amid a **prolonged government shutdown**, **rising costs**, and **layoffs**. The **"K-shaped" recovery** highlighted by **Fed Chair Jerome Powell** underscores **widening inequality** with affluent spending holding up as **middle- and lower-income households** face growing **pressure**. **China**, meanwhile, is working to rebuild **investor confidence** amid **weak exports** and **trade frictions**. **Premier Li Qiang** projected **GDP** to surpass **170 trillion yuan** by **2030** and reiterated **China's commitment** to **open markets** and **global trade reform**. However, despite a brief truce with **United States**, structural disputes and tariff concerns remain **unresolved**. In contrast, the **Gulf region** remains a relative **bright spot**. Supported by **synchronised rate cuts**, steady oil revenues, and diversification efforts, **Gulf markets** continue to attract **investors**, with Fitch projecting **regional GDP growth** of around **4.4% in 2025**. **India** also stands out as a key **growth engine**, with **GDP** expected to exceed **6.8% in FY26**. **Strong investment inflows**, a **vibrant digital infrastructure**, and **policy reforms** are reinforcing its **long-term economic trajectory**. Together, these **trends** reflect a **world economy** increasingly split between **resilient emerging markets** and **slowing advanced ones**. As investors pivot from speculative gains to fundamentals, the coming months will test whether **global growth** can **stabilize** without reigniting **inflation** or deepening **inequality**.

U.S. military to set up base at Damascus airfield.

- **Iran condemns Trump's move**: Iranian Foreign Minister Abbas Araghchi denounced Donald Trump's call to resume U.S. nuclear weapons testing as "regressive" and a violation of international law, accusing Washington of hypocrisy over Iran's peaceful nuclear program.
- **Global reactions and context**: Experts say Trump's move likely responds to recent Russian and Chinese weapons tests, not Iran, as neither has conducted a nuclear test in decades.
- **Treaty and proliferation concerns**: Nuclear testing remains banned under the 1996 Comprehensive Nuclear Test-Ban Treaty, which the U.S., China, and Iran have signed but not ratified, raising fresh fears of an arms race amid rising global tensions.

Japan and U.S. pursue deep-sea rare earth mining.

- **Japan-U.S. deepen strategic resource cooperation**: Tokyo and Washington agreed to jointly develop deep-sea rare earth deposits near Minamitorishima to reduce reliance on China, secure supply chains, and strengthen their high-tech and defense industries.
- **Tokyo eyes Minamitorishima as a rare earth hub**: Prime Minister Takaichi aims to build a domestic rare earth industry using seabed resources near the island.
- **Challenges remain despite strategic promise**: Experts warn deep-sea mining faces technical and environmental challenges despite Japan's push for resource security.

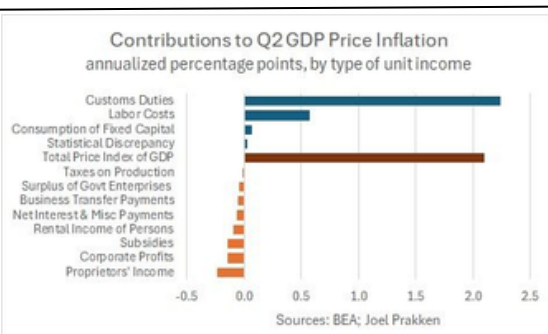


CHART OF THE WEEK

Although **GDP** excludes **imports**, tariffs count as **domestic value added** and are included in **GDP**. In **Q2**, customs duties surged from **\$97 billion** to **\$267.7 billion**, an annualised jump of **5700%** yet **inflation** stayed modest at **2.1%**. A decomposition of **gross domestic income** shows **tariffs** contributed about **2.2 percentage points** to inflation, offset by **weaker labor costs** and declines in **profits** and **rents**, suggesting tariff costs were absorbed by **businesses** and **incomes** rather than passed to **consumers**. **Source : Haver Analytics.**



UN removes sanctions on Syria's president ahead of his scheduled White House visit.

- **UN lifts sanctions on Syria's new leadership:** The UN Security Council approved a U.S.-backed resolution lifting sanctions on President Ahmed al-Sharaa and Interior Minister Anas Khattab ahead of Sharaa's upcoming White House visit.
- **Sharaa's rise marks post-Assad transition:** Formerly the leader of Hayat Tahrir al-Sham, Sharaa became Syria's transitional president after ousting Bashar al-Assad in December 2024, ending 13 years of civil war and signaling a political reset.
- **Washington-Damascus rapprochement gains momentum:** The sanctions removal and Sharaa's second U.S. visit this year highlight improving ties, with President Trump praising Sharaa's "progress" toward peace and Syria seeking reintegration into the global community.



Mediators propose an agreement to withdraw Hamas fighters from areas of Gaza under Israeli control.

- **Proposed Disarmament Deal:** Mediators, led by Egypt and supported by the U.S., have proposed that around 200 Hamas fighters trapped in the Israeli-held Rafah area surrender their weapons to Egypt in exchange for safe passage to other parts of Gaza.
- **Ceasefire Stability at Stake:** The arrangement is seen as crucial to preserving the U.S.-brokered Gaza ceasefire that began on October 10, after recent attacks in Rafah threatened to unravel the truce.
- **Broader Peace Plan Context:** The Rafah proposal is seen as a test of Trump's broader plan to demilitarize Hamas and place Gaza under a technocratic, internationally supervised administration.

Other Geopolitical developments

Russia breaches Pokrovsk using new tactics that challenge Ukraine's drone defenses.

- **Russia advances through Pokrovsk using new infiltration tactics:** Russian forces advance across Pokrovsk using anti-jamming drones to target Ukrainian operators and supply routes.
- **Ukraine struggles to defend amid manpower and weather challenges:** Ukrainian drone units are struggling as Russia exploits unit gaps and bad weather, prompting Kyiv to dispatch intelligence chief Kyrilo Budanov to stabilize logistics and avert encirclement.
- **Escalation extends beyond the front lines:** Russia and Ukraine traded strikes on each other's energy infrastructure, escalating the fight over critical assets.

Trump says Iran has inquired about the possibility of lifting U.S. sanctions.

- **Trump signals openness to easing sanctions:** U.S. President Donald Trump said Iran has asked about lifting U.S. sanctions and indicated he is open to considering the request, though no decision has been made.
- **Tehran remains wary of engagement:** Iran's Supreme Leader Ayatollah Ali Khamenei ruled out cooperation with Washington as long as it supports Israel and maintains a military presence in the Middle East.
- **Talks stalled amid heightened tensions:** Despite five rounds of nuclear negotiations before the June Iran-Israel war, discussions remain deadlocked over uranium enrichment limits and ongoing U.S. "maximum pressure" measures, including strikes on Iranian nuclear sites.



Oil prices fall over 1% to a two-week low amid growing oversupply concerns.

- **Oil prices slide on supply concerns:** Brent and WTI fell over 1%, settling at two-week lows, as rising U.S. crude inventories and fears of a potential global glut weighed on markets.
- **U.S. stock build offsets demand strength:** Crude inventories rose by 5.2 million barrels well above forecasts while strong gasoline demand, reflected in a 4.7 million-barrel draw, helped limit further losses.
- **Global policy and production shifts add pressure:** Canada's potential rollback of its oil and gas emissions cap and OPEC+'s planned December output increase have heightened market concerns about oversupply, despite disruptions to Russian fuel exports.



OPEC+ halts planned oil production increases after December over concerns of a potential supply glut.

- **OPEC+ moderates output growth:** The group agreed to raise oil production by 137,000 barrels per day in December 2025 but will pause increases from January to March 2026 amid oversupply fears and seasonal demand weakness.
- **Sanctions complicate supply strategy:** New Western sanctions on Russia's Rosneft and Lukoil are constraining Moscow's output capacity, adding uncertainty to OPEC+'s production management.
- **Calculated pause to stabilize markets:** Analysts say the pause is a strategic move to protect prices, project unity, and assess the impact of sanctions, signaling proactive market management by OPEC+.

Recommended readings

Middle-Power Multilateralism Begins at Home. (Source: ORF)

- **Pluralism enables flexibility but not uniformity:** Brazil, Indonesia, South Africa, and Mexico share checks on radical shifts, but their degree of pluralism determines how ideology shapes foreign policy.
- **Domestic and external constraints determine agency:** Stability and regional confidence enhance multilateral agency; volatility, dominance, or dependence limit it.
- **Pragmatic nationalism sustains multilateralism:** Middle powers that balance nationalism with practical, results-driven diplomacy better advance multi-alignment across South-South and North-South platforms.

NATO Needs To Target Its Spending. (Source: German Marshall Fund)

- **Accelerate defense tech innovation across all domains:** Integrate cutting-edge technologies—AI, quantum, robotics, and networked systems—into NATO's defense capability plans, with faster procurement and enhanced collaboration through NIF and DIANA to ensure rapid operational readiness.
- **Prioritise cybersecurity and infrastructure resilience:** Allocate the 1.5% defense-adjacent spending toward protecting critical civilian and military assets—energy, telecom, finance, and undersea infrastructure—through stronger public-private coordination and early-warning mechanisms against sabotage.
- **Strengthen NATO's hybrid defense posture:** Expand investment in digital and physical defense to counter growing cyberattacks, drone incursions, and infrastructure disruptions, ensuring allies can deter and respond effectively even in peacetime.