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About The Global Economics Ltd.

The Global Economics Limited stands as a distinguished and esteemed digital and print business magazine, with its headquarters situated in the heart of London. Renowned for its insightful analysis, our publication delves into the intricate currents of global business, offering comprehensive coverage of diverse sectors that define the contemporary economic landscape.

At the core of our mission is the commitment to provide our discerning readership, composed of C-level executives, Directors, and key decision-makers from medium and large-scale enterprises, with thought-provoking and in-depth insights. Subscribers to our magazine gain access to a wealth of knowledge, ranging from nuanced discussions on banking, wealth management, cryptocurrencies, and fintech to broader explorations of technology, real estate, hospitality, energy, and other pivotal industries. Our editorial content ensures that our readers are consistently informed with cutting-edge analyses, positioning them at the forefront of informed decision-making.

The Global Economics Limited also hosts a distinguished Annual Awards Program. This program is meticulously designed to acknowledge and honour key market players across diverse business sectors worldwide. Our prestigious awards not only confer distinction upon the recipients but also amplify their global visibility and recognition.

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Readers

Greetings from The Global Economics!

Welcome to the 31st edition of The Global Economics. As the dust settles from the frenzy of the FIFA World Cup, this issue investigates the vast potential driving modern travel, spanning the booming sectors of luxury, religious, and sports tourism. Yet, the industry remains sensitive to the turbulent political times.

Geopolitical fault lines have deeply altered the defence industry, spotlighted by critical alliances in the Indo-Pacific and shifting tides across Southeast Asia. Simultaneously, the fallout from the Iran crisis has triggered severe energy shortages and oil price volatility. While Europe and Southeast Asia pivot urgently toward renewables, and Asian nations must contend with their precarious energy reality, as they remain highly underprepared for such continued shocks. The ripples from the Middle East fallout are felt internationally, often paradoxically, as sliding e-commerce in China and resilient factory activity in Asia are both a result of the crisis.

Amidst this volatility, the global supply chain is undergoing rapid diversification, with developing countries like Vietnam and Mexico emerging as vital new hubs. Although traditional investor confidence remains subdued and Gulf Wealth Funds face tightening budgets, some milestones like the EU’s landmark capital markets deal signal persistent structural adaptation.

Furthermore, this edition discusses some relatively unexplored topics such as Japan’s pioneering advancements in foodtech and the rising influence of AI over the insurance sector. We have also written about how central banks from the GCC to Japan are steadily navigating post-conflict financial recovery.

Ultimately, this edition attempts to understand how overlapping crises and disruptions are not merely challenges but also stepping stones for tomorrow’s economic reality. We invite our readers to explore these comprehensive analyses with us as we seek to understand the strategies shaping a transforming global economy.

Cheers!

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HOW SOUTH ASIA'S FOOD EXPORTS AND BANGLADESH'S TRADE RISE ARE RESHAPING GCC MARKETS

For decades, trade relations between South Asia and the Gulf Cooperation Council (GCC) were largely defined by energy imports flowing eastward and migrant labour moving westward. However, a significant transformation is now underway. South Asian economies are increasingly becoming strategic suppliers of food products, consumer goods, pharmaceuticals and manufactured exports to Gulf markets. At the centre of this evolving commercial relationship stands a remarkable yet often overlooked story: the growing influence of Bangladesh alongside the region's established export giant, India.

The GCC, comprising Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Bahrain and Oman, remains one of the world's most import-dependent regions for food and consumer products. Limited arable land, water scarcity and rapidly growing populations continue to drive demand for imported agricultural and processed food products. At the same time, the Gulf's economic diversification programmes and rising consumer spending are creating new opportunities for international suppliers. Analysts expect GCC economies to maintain solid growth momentum through 2026, supported by expanding non-oil sectors, infrastructure investment and rising domestic demand.

South Asia is increasingly positioned to benefit from this demand. India has long been a dominant supplier of rice, spices, seafood, fruits, vegetables and processed foods to Gulf markets. The country's growing share of GCC imports reflects stronger trade integration, competitive pricing and a well-developed export ecosystem. Food products remain an important pillar of this relationship, supported by established logistics networks and a large South Asian diaspora across the Gulf.

The food trade story is becoming even more significant as GCC governments place greater emphasis on food security. Despite efforts to strengthen local agricultural production, the region continues to rely heavily on imports to meet consumer demand. Agricultural and fishing imports across the GCC remain substantial, even as domestic production grows. This creates long-term opportunities



for reliable suppliers capable of delivering quality food products at scale.

Yet while India often dominates trade headlines, Bangladesh is quietly building a compelling export success story of its own. Traditionally recognised as one of the world's leading apparel exporters, Bangladesh is now expanding its presence across multiple sectors, including processed foods, pharmaceuticals and agricultural products.

The Gulf region has emerged as one of Bangladesh's most promising export destinations. Bangladeshi food manufacturers have steadily increased shipments of snacks,

spices, biscuits, beverages, noodles, edible oils and other processed food products to Gulf consumers. Strong demand from expatriate communities has provided an initial growth platform, but increasingly these products are finding acceptance among wider consumer segments across the region.

Recent export performance highlights this momentum. Bangladesh's fruit exports reached record levels during fiscal year 2025-26, driven largely by rising demand from expatriate consumers in Middle Eastern markets. Products such as mangoes, guavas and jackfruits have experienced strong growth, demonstrating how niche agricultural exports can evolve into meaningful trade opportunities when supported by improved quality standards and export infrastructure.

The pharmaceutical sector presents another major opportunity. Bangladesh's pharmaceutical industry has matured significantly over the past decade, developing manufacturing capabilities that meet international standards while maintaining cost competitiveness. As Gulf nations continue to expand healthcare infrastructure and diversify supply chains, Bangladeshi pharmaceutical manufacturers are increasingly well-positioned to capture market share in the region.

Apparel remains Bangladesh's flagship export sector and continues to play an important role in strengthening commercial links with Gulf economies. While Europe and North America remain primary destinations for Bangladeshi garments, demand from GCC retailers is growing as regional populations expand and consumer markets mature. The Gulf's position as a re-export hub further enhances opportunities for Bangladeshi manufacturers seeking broader access to Middle Eastern and African markets.

What makes Bangladesh particularly interesting from a business perspective is its ability to compete across multiple sectors simultaneously. The country combines competitive labour costs, improving manufacturing capabilities, a young workforce and expanding export expertise. This diversification

reduces dependence on a single export category and creates resilience against global market fluctuations.

Nevertheless, challenges remain. Logistics disruptions, geopolitical tensions and rising shipping costs can quickly affect trade flows between South Asia and the Gulf. Recent increases in freight costs and supply chain disruptions linked to regional conflicts have highlighted the vulnerability of exporters operating across these corridors. Businesses must therefore continue investing in supply chain resilience, logistics partnerships and market diversification strategies.

Despite these challenges, the long-term outlook remains highly positive. The Gulf's growing population, rising incomes and continued dependence on imported food and consumer products provide a solid foundation for future trade expansion. Simultaneously, South Asian economies are becoming more sophisticated exporters, capable of supplying higher-value products beyond traditional commodity categories.

For investors, exporters and policymakers, the evolving relationship between South Asia and the GCC offers a compelling growth narrative. India will undoubtedly remain a dominant force, particularly in food, agricultural products and industrial exports. However, Bangladesh is rapidly establishing itself as a serious contender across apparel, pharmaceuticals and processed foods.

The untapped trade story is no longer simply about Bangladesh's potential; it is increasingly about Bangladesh's performance. As Gulf markets seek dependable suppliers and South Asian exporters pursue new growth avenues, the partnership between Bangladesh and the GCC is moving from the margins towards the mainstream of regional commerce.

In the years ahead, the winners will be those businesses that recognise this shift early. South Asia's export landscape is expanding, GCC demand remains robust, and a new chapter in Gulf-Asia trade is being written. Bangladesh, once viewed primarily as a garment manufacturing hub, is steadily emerging as one of the most important protagonists in that story.



THE QUIET INFLATION SHOCK WORKING ITS WAY THROUGH FOOD SUPPLY

There is a slow-moving inflation shock underway that is not yet visible on most consumers' radar, but it is already being priced into the fields where next season's food is grown. Global fertiliser prices have surged 44% since the outbreak of the US-Israeli conflict with Iran, reaching their highest level since 2022. This mechanism is deceptively straightforward. A war disrupted a maritime chokepoint; that chokepoint carried fertiliser, and fertiliser feeds the world. The complexity lies in the delay and in how dangerously easy that delay can make it to underreact.

A Chokepoint That Does Far More Than Move Oil

The Strait of Hormuz is a 33-kilometre-wide corridor connecting the Persian Gulf to the Arabian Sea, long

understood as an oil transit flashpoint. What is highly underestimated is its role as the world's most critical fertiliser artery. According to market commentary firm The Kobeissi Letter, roughly one-third of all globally traded fertiliser passes through the Strait, which remains effectively closed to normal commercial traffic. That figure alone represents the conflict's economic footprint.

The Strait's disruption affects 23% of global ammonia trade, 34% of urea supply, and approximately 20% of phosphate supply. These three core inputs form the base of the modern farming industry. The Food and Agriculture Organisation of the UN (FAO) has explicitly flagged the Strait as a simultaneous chokepoint for both energy and agricultural inputs, warning that the nature of this disruption is categorically different from prior supply shocks. Oil price spikes register at the pump within days. Fertiliser shocks register in supermarkets months later,

and that delay is part of what makes the current situation so easy to underestimate.

The Numbers Behind the Surge

Urea, the world's most widely traded nitrogen fertiliser, has climbed to approximately \$900 per metric tonne, the highest price since 2022. World Bank commodity price data cited by investment firm DoubleLine Capital LP shows fertiliser prices up 44% since the start of the conflict. The Bloomberg Agriculture Subindex, which tracks futures for wheat, corn, soybeans, sugar, coffee, and cotton, has risen roughly 9% over the same period. These are not outlier data points; instead, they are a coherent signal pointing in one direction.

The World Bank has warned that fertiliser prices could climb a further 31% in 2026 if disruptions continue. Yara International, one of the world's largest fertiliser producers, has quantified the production gap at approximately 500,000 tonnes of nitrogen fertiliser not being manufactured globally as a direct consequence of the Strait closure. Yara's CEO, Svein Tore Holsether, has warned that sustained conditions could eliminate as many as 10 billion meals per week globally. With that amount of nitrogen reduced, yields for certain crops could be compressed by up to 50% within a single growing season.

Brent crude has surpassed \$106 per barrel, and WTI trades above \$99 amidst extreme volatility. Such energy costs compound fertiliser synthesis expenses directly, as natural gas is both feedstock and fuel for the Haber-Bosch process that produces nitrogen fertiliser. Every kilogram of grain carries embedded energy costs, and right now, those costs are rising across the entire agricultural input stack simultaneously.

Farmers Are Already Adjusting

DoubleLine Capital's recent "Between the Lines" commentary noted that fertiliser, fuel, freight, and seed costs are rising in tandem while crop prices have not increased enough to offset higher production expenses. The rational response for a farmer facing squeezed margins is to reduce fertiliser application rates or shift toward less input-intensive crops. That is precisely what DoubleLine and the FAO warn is happening now, and the yield consequences will not surface until harvest.

The planting window problem compounds this. Fertiliser application windows are agronomically narrow. Early-season nitrogen supports root development and canopy establishment in ways that later applications cannot replicate. The current disruption coincides with the Northern Hemisphere's prime planting season. A missed application window cannot be retroactively corrected. The FAO has emphasised this point bluntly, as agriculture operates on a crop calendar that cannot be postponed. Several weeks of shipping disruption can produce harvest consequences that only become visible months later.

Who Bears the Most Risk

Sub-Saharan Africa is the region facing the sharpest near-term exposure. Approximately 80% of fertiliser consumed across the continent is imported, and smallholder farmers, who collectively produce around 70% of the region's food supply, operate with the thinnest financial margins in the world. Higher freight premiums mean African importers absorb price shocks faster and more severely than European or Northeast Asian buyers. The International Food Policy Research Institute (IFPRI) has identified sub-Saharan Africa, alongside South Asia,





as the two regions facing the most acute near-term food price increases.

Latin America faces a different but equally pressing dimension of the problem. Brazil and Argentina together account for roughly 39% of global maize exports, 66% of global soybean exports, and approximately 10% of global wheat exports. Both countries are heavily dependent on fertiliser imports, with significant volumes historically sourced from Persian Gulf producers. According to IFPRI, both countries are engaged in a race to secure alternative supply chains before their second-half planting windows close. Failure to do so would compress output for the 2026/2027 season, feeding directly into global commodity prices.

The World Food Programme's deputy executive director, Carl Skau, has outlined two scenarios. One in which yields fall and crop failures materialise across the next growing season and a comparatively optimistic one in which higher input costs are absorbed into consumer food prices over the following year. Neither outcome is benign. Both represent a deterioration from baseline food security conditions for hundreds of millions of people. Yara's Holsether has separately warned of a potential global bidding war for available food supply in which high-income nations use foreign exchange capacity to outcompete lower-income importers, worsening access inequality even when aggregate production remains relatively stable.

The Transmission Lag Is the Risk

Economists and market observers are already sounding alarms. Economist Justin Wolfers wrote on a social media post that the big story right now is oil, and its successor would be food. The FAO's Food Price Index rose for a third consecutive month in April, driven by gains across vegetable oil, cereal, and meat prices, before the full fertiliser shock has even reached farm-level decision-making. The FAO explicitly cited high fertiliser costs and the Strait of Hormuz disruption as risks to future wheat production.

The FAO projects that disrupted fertiliser deliveries will reduce yields and tighten food supplies through the second half of 2026 and into 2027. If the disruption persists beyond current expectations, compounding effects across multiple growing seasons could extend food price stress well beyond that horizon. The full transmission from input cost to grocery shelf typically runs six to eighteen months. That means the worst of what has already been set in motion has not yet arrived.

For business leaders, the implications extend beyond the food sector itself. Agricultural input costs feed into broader inflation dynamics, raw material procurement strategies, and consumer spending power, particularly in emerging markets. Companies with supply chains, customer bases, or operations in import-dependent regions should be monitoring this situation with the same attention they gave to energy markets in 2022. The quiet shock is already in motion. The noise will come later.



BRITAIN RAISES ANTITRUST CONCERNS IN \$110 BILLION PARAMOUNT-WARNER BROS DEAL

The UK is likely to intervene in Paramount Skydance Corp's proposed acquisition of Warner Bros Discovery, which could delay the deal already greenlit by the US and China. The \$110 billion deal could be referred to the UK's antitrust regulator, which, in 2023, blocked Microsoft's \$69 billion takeover of Activision Blizzard, enraging the two American companies. Activision Blizzard is the company which makes the popular video game 'Call of Duty.'

The deal has also been cleared by other global giants like Saudi Arabia, Australia, Germany and France. Lisa Nandy, Britain's Culture Minister, said that the deal could impact news, children's television and streaming services in Britain. She said that she understands the need to reach a final decision at the earliest and has given the companies until July 6 to respond to her concerns.

EU antitrust regulators are also assessing this deal with suspicion, and Paramount has assured



them that the concerns surrounding competition will be addressed. If these remedies are satisfactory, earning EU approval will be easy for the company. The UK's Competition and Markets Authority is currently reviewing the deal and is set to decide by August 7 whether a full-length probe is warranted. A lengthy hold-up is bound to have wide ramifications for Britain.

In a bid to signal confidence in earning swift regulatory support, Paramount has offered 25 cents a 25-cent-per-share ticking fee to Warner Bros Discovery shareholders. This will be applicable for every quarter the deal does not close beyond September 30. This total sums up to approximately \$650 million in cash each quarter.

Paramount claims that the deal had no negative effects on media plurality and that the company was confident in its timeline. Given that Warner and Paramount were the second and third leading providers of children's linear television in Britain, respectively, after the BBC, children's TV could be severely impacted by this deal.

Despite Paramount's assurance that it had no plans to do so, Warner's TV channels and streaming services in Britain would not be dramatically modified. Any consolidation, though, might result in a significant loss of market share in the already tiny children's linear television sector.



INDO-PACIFIC ALLIANCES BEING RESHAPED BY JAPAN-AUSTRALIA FRIGATE PACT WORTH \$14.4B

On April 18, 2026, Australia's Deputy Prime Minister Richard Marles and Japan's Defence Minister Shinjiro Koizumi stood aboard the JS Kumano, docked in Melbourne. They were to formalise what has been called the "Mogami Memorandum". This is much more significant than a standard arms contract. The deal is worth approximately A\$20 billion (\$14.4 billion), committing Tokyo to providing the Royal Australian Navy with 11 next-generation Mogami-class frigates.

It is one of the most significant defence-industrial agreements the Indo-Pacific region has seen in years and Japan's biggest single defence export to date.

This agreement is less about warships and more about the architecture being built around them for a region increasingly characterised by conflicting shipbuilding aspirations, overlapping security frameworks, and an assertive China.

Buyer to Builder

Intent is communicated by the contract structure itself. With a December 2029 delivery date, Mitsubishi Heavy Industries will build the first three ships entirely at its Nagasaki shipyard. The remaining eight will be built at Henderson, Western Australia, using a hybrid production model that turns the partnership from a straightforward procurement process into true co-production. Canberra is importing workforce expertise, shipbuilding capability, and a foothold in sovereign maintenance and modification capacity. Such capacities were long sought after but infrequently attained with foreign platforms in addition to purchasing ships.

Japan successfully outbid Germany's MEKO A-200, as well as South Korea and Spain, to secure the contract. This made Australia select the Mogami-class from the most competitive bidder. Canberra's choice ultimately depended on the design's maturity, delivery dependability, and exceptional automation. However, the Australian version, dubbed the Upgraded Mogami or New FFM, requires about half as many crew members as traditional frigates of comparable size, which is roughly 92.

That efficiency does not compromise firepower. The Australian ships will be equipped with 32 Mk 41 Vertical Launch System cells, which can accommodate up to 128 Evolved Sea Sparrow missiles. These cells will be integrated with US-made weapons systems, such as the Naval Strike Missile, and may eventually be compatible with Tomahawk cruise missiles. The Canberra version is far more



deadly than the Mogami variants Japan has suggested for Indonesia. It only has 16 VLS cells; however, they serve a different purpose altogether: patrol and surveillance rather than high-intensity combat. Australian units are estimated to cost approximately A\$1.8 billion each, owing major costs to the induction of the cutting-edge OYQ-1 combat management system and comprehensive technology transfer.

Japan’s Transition From Pacifism

Reading the history of the past six decades will help us understand why Tokyo is willing to transfer this degree of capability. The Three Principles on Arms Exports effectively cut off Japan from the international defence trade in 1967, with export regulations further tightened in 1976. Further, in 2014, Prime Minister Shinzo Abe’s administration led an alteration. It replaced the previous framework with the Three Principles on Transfer of Defence Equipment and Technology. This created a limited but genuine avenue for Japan to export weapons, subject to strict anti-retransfer regulations, international peace, and security cooperation.

The most significant outcome of that reform to date is the Mogami agreement. Tokyo has further loosened these transfer rules under current Prime Minister Sanae Takaichi. It further allows the export of deadly systems to strategic allies. This action has already had repercussions outside of Australia, such as radar transfers to Mongolia and preliminary negotiations to supply the Philippines with used frigates.

However, this change should not be interpreted as Japan severing ties with Washington. Instead, it appears to be diversification within the framework of the US alliance. Tokyo maintains its fundamental security reliance on the US while establishing parallel strategic ties with partners in Australia and Southeast Asia.

Why Canberra Agreed

The Royal Australian Navy is experiencing a growing capability gap. The reason is the withering of its Anzac-class frigates and also the ongoing delay of its domestic Hunter-class programme. The Mogami frigates offer to bridge this gap. They are fast to acquire, adaptable in deployment, and interoperable with existing US and allied systems. The purchase is one of Australia’s fastest peacetime naval acquisitions.

Speed is not the only motivator. The production of eight of the eleven vessels domestically reflects a deeper Australian dedication to its sovereign capability, which is the ability to maintain, modify, and eventually export naval platforms rather than simply operate what others build. There are estimates of employment generation for thousands of high-skilled defence jobs over the next two decades, reinforcing Canberra’s broader commitment to expanding its naval-industrial base.

The Shared Strategic Logic

All of this is based on a common vulnerability, i.e., communication via sea lines. About two-thirds of Japan’s industrial minerals and one-third of its LNG are supplied by Australia.

Tokyo relies on two sea routes, the Strait of Malacca and the South China Sea, and any issue in these two would push it towards its alternative. The other route is Australia’s eastern seaboard, passing through the Strait of Vitiaz, which also happens to be a crucial lifeline for Japan’s economy. Therefore, Tokyo has a direct national interest in Australia’s ability to secure its northern maritime approaches.

Since then, the two nations have been developing this thought, as announced in a Special Strategic Partnership in 2014. The 2023 Reciprocal Access Agreement, which

expedites the deployment of each nation’s forces on the other’s territory. This is notably Japan’s first such agreement with any nation other than the United States since 1960. In late 2025, both nations launched ‘The Framework for Strategic Defence Coordination,’ adding another institutional layer. This is intended to formalise intelligence-sharing and long-term policy alignment between the two militaries.

Entering a Congested Alliance Map

The frigate deal does not stand in isolation; instead, it causes extreme congestion. It stands alongside Australia’s recently opened pathway for Japanese participation in AUKUS Pillar II. It will cover cutting-edge technologies like autonomous underwater systems, artificial intelligence, and quantum computing. It also stands alongside the Quad, AUKUS, and the Trilateral Strategic Dialogue with the United States.

The relationship between these frameworks is more complementary than competitive. With nuclear-powered submarines, state-of-the-art technology, and decades-long timelines, AUKUS operates at the peak of naval capability. The Mogami deal fills a different vacuum altogether of scalability, deployability, and availability. Where AUKUS anchors Australia to the US and UK industrial base, the Japan deal builds a parallel axis of cooperation centred on Northeast Asia, rendering diversification of both capability and industrial dependency possible.

In contrast, the Quad lacks integrated planning and formal commitments akin to those of AUKUS, and it serves more as a political framework than a defence agreement. One of the most obvious operationalisations of Quad-aligned thinking to date is the frigate agreement, which converts shared threat perceptions into tangible, deliverable capability.

Regional Signal & Customised Export Strategy

Japan’s approach to defence exports elsewhere in Asia looks different. Tokyo has relied on its official security assistance mechanism in Southeast Asia. It supplies to nations like the Philippines, whose own Reciprocal Access Agreement with Japan (signed in 2024) is still focused on baseline capacity-

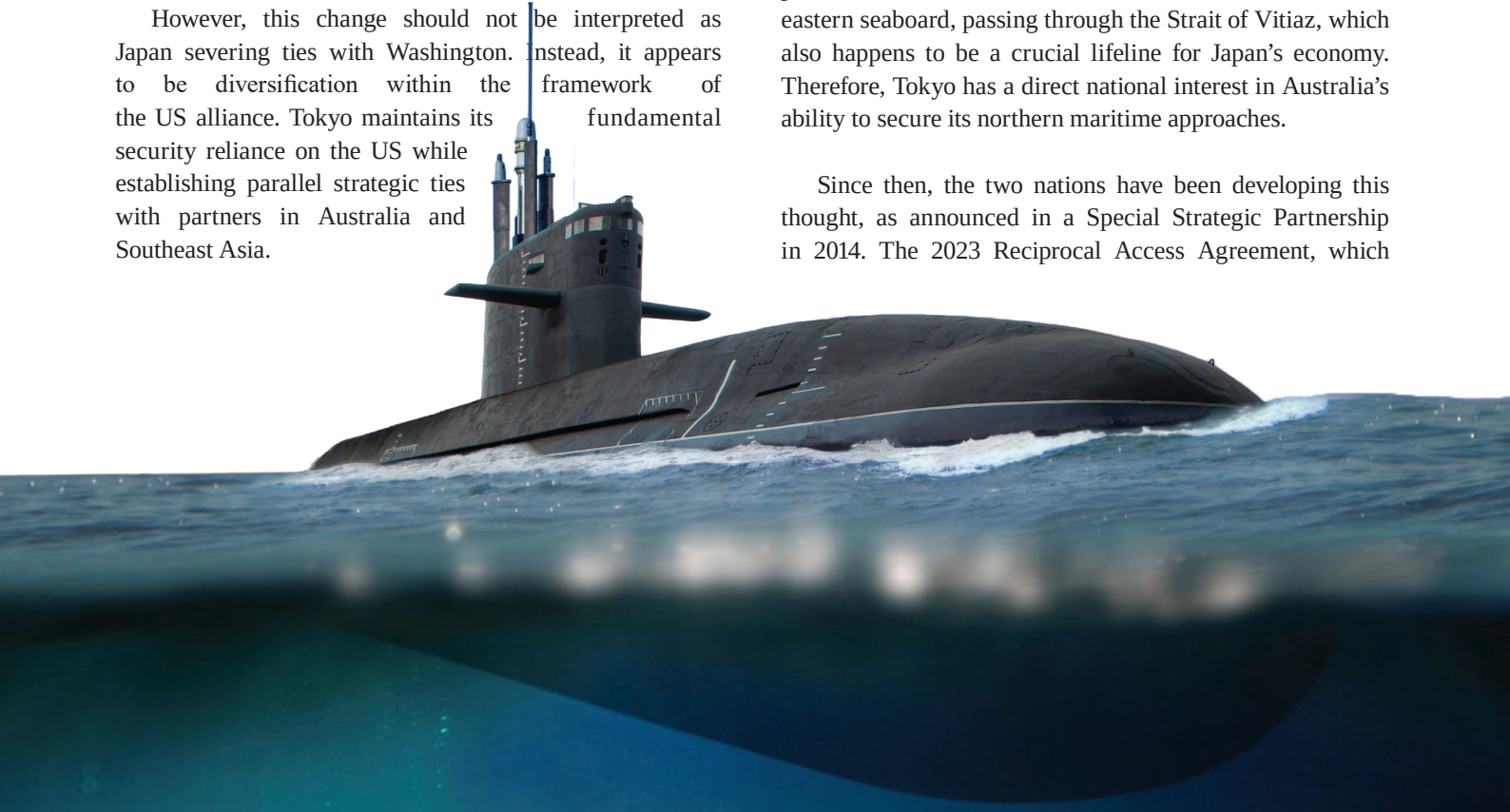
building rather than deep industrial integration. Indonesia’s proposed Mogami cooperation, covering eight vessels, centres on a standard 30FFM variant emphasising archipelagic patrol rather than high-intensity combat.

Australia sits at the top of this hierarchy, treated as a partner capable of full interoperability with US and NATO standards and trusted with Japan’s most sensitive defence technology. This distinction carries a signal for the rest of the region, including Vietnam, Indonesia, and others watching Australia’s access to top-tier Japanese systems. It highlights that Tokyo is a credible middle path offering high-end performance without the political strings often attached to Western platforms.

The Larger Picture

Beijing has already denounced the agreement, claiming it will lead to an “Asian NATO” fueling a regional arms race. From Tokyo’s and Canberra’s points of view, the agreement serves as insurance, a safeguard against any future faltering US commitment to the area. It is also based on real-world industrial cooperation rather than grandiose rhetoric. Instead of a single new alliance, the Indo-Pacific is seeing the emergence of a denser lattice of overlapping bilateral, trilateral, and minilateral agreements that are interoperable despite having different memberships and mandates.

One important strand of that lattice is strengthened by the Japan-Australia frigate deal, which directly connects industrial capacity to operational capability. For any actor considering coercive actions in the area, the combination of Australian shipbuilding, American missile systems, and Japanese sensors will represent a concrete new reality in the coming years. This is evidence that Indo-Pacific security cooperation is increasingly based on contracts, shipyards, and steel rather than lofty declarations.



ETIHAD REWRITES THE GLOBAL MAP: A BOLD EUROPE–ASIA–AFRICA EXPANSION THROUGH ABU DHABI

Etihad Airways announced an extensive expansion in various countries, as a result of which the map of international travel will be revamped, giving connections between Europe and Asia and Africa through Abu Dhabi. New services to Brussels, Dhaka, Kraków, Palma de Mallorca, and Zanzibar will be introduced, and existing services will be further intensified.

Thereafter, more routes will also be made available in Africa to Accra, Lagos, Kinshasa, Harare/Lubumbashi, and Asmara from the end of 2026.

A New Abu Dhabi Hub for Three Continents

This cannot be seen as merely an adjustment; it represents a repositioning of Etihad Airways in Abu Dhabi to become a high-frequency, single-stop hub connecting Africa, Asia, and Europe. The introduction of these new routes will have the effect of re-establishing and expanding both air travel to smaller cities in Europe (e.g., Brussels and Kraków) and to growing markets in Asia (like Dhaka), in addition to leisure markets (e.g., Palma and Zanzibar), while also filling major loopholes in the long-haul air network in Africa.

These initiatives work alongside the Journey 2030 initiative, which aims to increase the number of destinations Etihad operates to 125 and to increase passenger numbers from 17 million to 33 million by 2030.

Investment Scale and Financial Backing

The expansion is backed by strong financial performance and a clear capital commitment. Etihad reported a record AED 26 billion (about \$698 million) profit in 2025, its

fourth consecutive year of profitability, reflecting rapid network and fleet expansion. In 2024, the airline had already posted a record \$476 million profit and was seeking a 20% external investment stake to fuel further growth, indicating that the multi-continent push is funded by both internal cash flows and planned equity inflows. Earlier, Etihad had announced a \$700 million cabin overhaul and the addition of 31 new destinations across Europe and Asia as part of a broader expansion wave, indicating that the current 2026 roll-out is the continuation of a multi-year, billion-dollar transformation.

Global Impact: Who Benefits and Who Loses?

For passengers in Bangladesh, Poland, Tanzania, and parts of West and Central Africa, the impact is immediate: more options, shorter total travel times, and better connectivity to Asia and Europe via Abu Dhabi, rather than flying through multiple hubs. For European secondary cities like Brussels and Kraków, the expansion deepens ties to India, the Middle East and Africa, potentially boosting tourism, trade and business travel. For African economies, new direct links to Abu Dhabi can facilitate cargo flows, labour mobility and investment, especially where options were previously limited to European or Gulf hubs.

Competitors, however, face tighter pressure. Gulf carriers in Dubai and Doha may see some diversion of traffic, especially for Africa–Asia and Africa–Europe journeys that can now be handled efficiently through Abu

Dhabi. European airlines operating thin routes to Africa or Bangladesh may need to reconsider frequencies or partnerships, while African carriers that rely on reciprocal traffic may find themselves competing with a stronger, well-funded hub airline.



From Geopolitics to Execution

The expansion is not without risks. Regional geopolitical tensions, fuel price volatility and potential airspace restrictions can disrupt schedules and increase costs, as the wider UAE aviation sector has already acknowledged in 2026. Etihad must also manage operational complexity: launching routes to smaller markets like Asmara and Kinshasa demands careful demand forecasting, crew training and ground-handling agreements.

Sustainability pressures are another challenge; the airline's Journey 2030 emphasises sustainable growth, but adding long-haul capacity will increase emissions unless matched by

efficiency measures, newer aircraft and carbon offset initiatives.

Trade, Tourism and Strategic Alliances

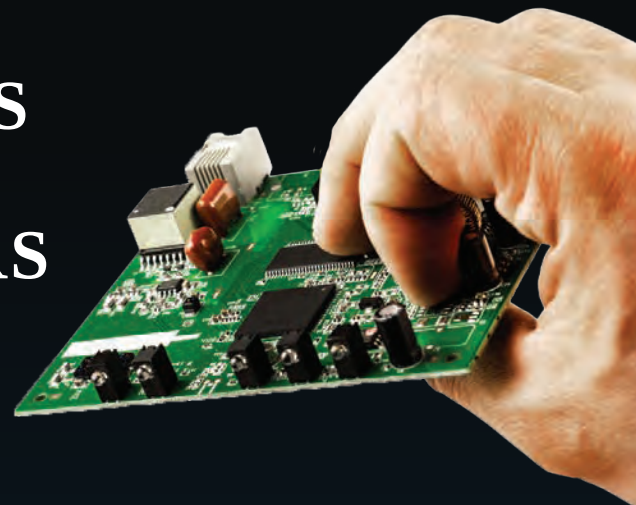
The opportunities are equally significant. New Africa routes are explicitly designed to boost cargo and trade links via Abu Dhabi, opening doors for pharmaceuticals, agro-products and manufactured goods. The benefits of tourism are clear: Palma and Zanzibar gain a direct link to Asia and the Middle East, while destinations like Lagos and Accra become more accessible to European and Asian travellers. Strategic partnerships, such as Etihad's deepened alliance with China Eastern and expanded China frequencies, mean that African and European passengers can reach Chinese cities via Abu Dhabi with fewer stops, creating a powerful alternative to traditional Europe–China corridors.

A Rebalanced Global Map

The future ahead for Etihad is one of calculated scaling. By 2030, the airline aims to double its fleet to over 160 aircraft and attract 10 million point-to-point travellers to Abu Dhabi, turning the UAE capital into a premier global hub alongside Dubai. If execution matches ambition, the 2026 multi-continent expansion will mark a pivotal moment: the international travel map is no longer centred solely on Europe or the Gulf's biggest hubs but increasingly on a network in which Abu Dhabi serves as the critical bridge between three continents. For passengers, businesses and governments across Europe, Asia and Africa, that shift promises more choices, faster connections and a more competitive global aviation market.



CHINA'S UNIIC PUSHES FOR IPO LISTING AS MEMORY CHIPMAKERS GAIN IN AI-DRIVEN SUPERCYCLE



Tsinghua UniGroup-backed dynamic random-access memory (DRAM) manufacturer Xi'an UniIC is accelerating its push to go public in Beijing, like industry rival and China's top DRAM-maker ChangXin Memory Technologies (CXMT), to capitalise on the memory supercycle.

The China Securities Regulatory Commission confirmed on its website that UniIC has completed its IPO tutoring phase five months after initiating the process to go public. The tutoring step is mandatory for all companies aiming for a public listing in mainland China. UniIC's progress follows CXMT, whose listing on the Shanghai Stock Exchange was recently approved for \$4.35 billion on the Nasdaq-style

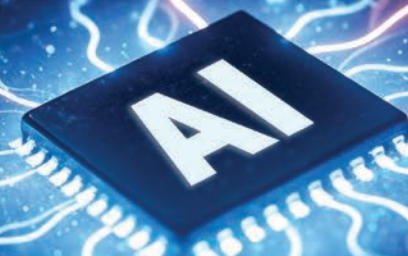
Star Market. CXMT's performance could make it the mainland China's largest IPO in 2026.

Chinese chipmakers hastening their public listing process reflects their goal to capitalise on the AI-driven global supercycle, which is driving demand for their chips. This demand is overtaking supply, driving up revenue and catapulting valuations for memory firms. With increasing profit margins, China's memory manufacturers are giving tough competition to established global giants like Samsung Electronics, SK Hynix, and Micron Technology.

The positive performance of chip companies in Beijing's stock markets and overseas is prompting more companies to go public rapidly to avoid missing out on the AI-

driven wave. In January, GigaDevice Semiconductor, a Shanghai-listed memory company, debuted in Hong Kong and reported a 300% surge in share prices. The following month, yet another company, Montage Technology, followed suit and reported that its share prices rose 220%.

The company's financial results also reflect the potential in the current supercycle. UniIC's revenue surged to 1.83 billion yuan in 2025, with a 54.8% year-on-year increase. It also recorded a net profit of 112 million yuan in the same year. UniIC is not the only Tsinghua Unigroup offshoot with IPO plans. Fellow memory chipmaker Yangtze Memory Technologies Corp (YMTC) has also begun its IPO tutoring since May.



GLOBAL TRADE GROWTH HEADING TO 1.9%, ALMOST A NEAR-STANDSTILL IN 2026

After a deceptively strong 2025, global commerce is losing steam, and the numbers from the World Trade Organisation (WTO) make that hard to ignore. The WTO's latest Global Trade Outlook and Statistics, forecasts that merchandise trade volume growth will plummet to just 1.9% this year, down from a robust 4.6% in 2025. Combined growth for goods and services trade is expected to ease to around 2.7%, compared with 4.7% the year before. A rebound to 2.6% in merchandise trade is projected for 2027, but that recovery is contingent on a degree of geopolitical stabilisation that remains far from guaranteed. The WTO's long-run average merchandise trade growth rate has historically hovered above 4%, making 1.9% a meaningful deceleration for the world's interconnected supply chains.

Why 2026 Won't Outperform Like 2025

To understand 2026's slowdown, it helps to understand why 2025 outperformed. The WTO's October 2025 forecast had projected merchandise trade growth of just 2.4% for the year. The final figure of 4.6% beat that by more than two percentage points. Three forces drove the upside surprise.

First, businesses across North America rushed to front-load imports ahead of anticipated US tariff increases, generating a temporary surge in trade volumes that inflated the headline figures. Second, a boom in demand for AI-enabling goods like semiconductors, advanced networking hardware, and data-processing equipment drove an outsized share of total trade growth. Third, the actual tariff damage was less severe than models had predicted. New US tariffs were suspended until August; trading-partner retaliation was limited; and a broad array of exemptions, most notably for AI-related goods, blunted the drag significantly.



All three of those tailwinds are now fading. The frontloading impulse cannot be replicated once tariffs have taken effect. AI investment, while still positive, is expected to moderate from its 2025 peak. And the window of tariff forbearance has narrowed. Global GDP growth is itself projected to slip modestly, from 2.9% in 2025 to 2.8% in both 2026 and 2027, reflecting the cumulative weight of these pressures.

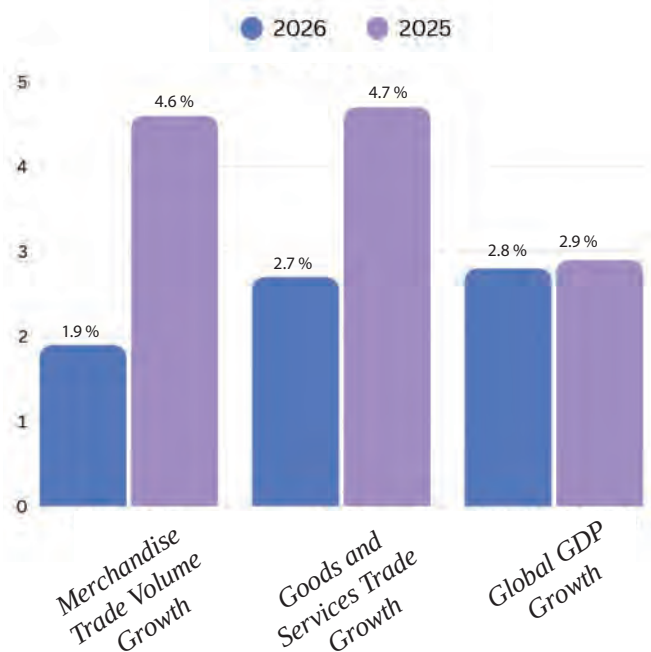
The Middle Eastern Variable

If the headline figures paint a picture of a gradual deceleration, the risk scenarios paint something far more concerning. The ongoing conflict in the Middle East has introduced a variable that WTO economists describe as a material threat to the entire baseline outlook. The Strait of Hormuz, a chokepoint through which roughly 20% of the world's oil and a significant share of global liquefied natural gas ordinarily flow, has seen commercial vessel traffic collapse following the conflict's escalation. The disruption has caused cancelled international flights, sharply elevated marine insurance premiums, and rerouting costs that are spreading across global logistics networks.

Beyond energy, the blockade carries serious implications for global food security. The Strait serves as a critical transit corridor for fertiliser exports, particularly urea, on which major agricultural



WTO Global Trade Outlook and Statistics forecasts:



producers across Asia and Africa rely heavily for crop production. Any prolonged fertiliser supply shortfall would ripple forward into food prices with a lag of months, an indirect cost that does not appear immediately in trade statistics but will eventually weigh on purchasing power in import-dependent economies.

WTO economists have quantified the risk in explicit terms. If crude oil and LNG prices remain elevated throughout 2026, then global GDP growth would be reduced by 0.3 percentage points as per the WTO models. That GDP drag would in turn knock 0.5 percentage points off the trade forecast, reducing merchandise trade growth from 1.9% to just 1.4% for the year. Services trade, which was projected at 4.8% growth under the baseline, could drop to 4.1% under those conditions, as travel and transport sectors bear a disproportionate share of the disruption.

A Fragmented Regional Picture

The slowdown will not settle evenly across the global map. Under the WTO's baseline forecast, Asia is projected to register the fastest merchandise import growth in 2026 at 3.3%, driven by continued industrial demand and relatively insulated supply chains. Africa follows at 3.2%, South America at 2.5%, and Europe at a modest 1.3%. The Middle East itself is forecast at 1.0% import growth,



while North America's merchandise import volumes are projected to remain nearly flat.

Least-developed countries (LDCs) present a more nuanced picture. Their merchandise imports are projected to grow at 4.5% and exports at 2.9% in 2026, figures that outpace the global average but mask significant internal divergence. Under a high-energy-price scenario, net fuel-importing LDCs would face the steepest reductions in import purchasing power, while LDCs that are net fuel exporters and able to continue selling into global markets would generally see income hold up and, with it, the capacity to sustain imports.

Services, Digital Trade, and the MFN Framework

One of the more durable bright spots in the WTO's outlook is services trade. Having grown at 5.3% in 2025, services trade is projected to advance at 4.8% in 2026 and 5.1% in 2027 under the baseline. This subcategory, which encompasses cross-border software, professional services, financial services, and cloud infrastructure, has maintained strong growth even as goods trade has slowed. The structural shift toward digital service delivery means this segment is less exposed to physical logistics disruptions than merchandise trade, making it one of the more structurally defensive components of the global trade picture.

The WTO's report also characterises the recent tariff adjustments as modifications within the existing trade framework rather than fundamental breaks from it. The most-favoured-nation structure, which governs the bulk of international trade flows, remains the dominant architecture for commercial exchange. This matters because it puts a floor under the disruption scenario; wholesale tariff retaliation would

require member states to formally breach those commitments, a step that has thus far been avoided.

The Upside Path and What Businesses Should Watch

The picture, though constrained, is not without upside optionality. The WTO notes that if the Middle East conflict resolves in the near term and AI-related investment maintains its momentum, merchandise trade growth could be lifted by as much as 0.5 percentage points from the baseline, potentially reaching closer to 2.4% for 2026. The report also notes the possibility of both the energy price shock and sustained AI trade strength occurring simultaneously, with the two forces partially offsetting each other and pushing outcomes back toward the baseline.

For businesses with significant cross-border exposure, the 1.9% baseline figure is a signal to stress-test key assumptions. With demand growth this constrained, pricing power is harder to sustain, logistics costs remain elevated relative to pre-disruption norms, and the margin for error on inventory decisions narrows considerably. Supply chain diversification, apart from single-chokepoint routing, is no longer a strategic luxury but a practical necessity. The WTO has been explicit that predictable trade policy and resilient supply chains are the two levers most likely to cushion the global economy from further shocks.

The story of 2026 is one of a global trading system demonstrating it can absorb multiple concurrent pressures, like geopolitical disruption, policy uncertainty, and demand normalisation, without tipping into contraction. The resilience is real, but the margin of safety has become uncomfortably thin.

When the US Congress passed the GENIUS Act in July 2025, the first comprehensive federal framework for payment stablecoins, it was presented as long-overdue regulatory clarity. Stablecoin issuers would back their tokens one-to-one with safe assets like US Treasuries or central bank reserves. Direct yield payments to holders would be banned to prevent capital flight out of the banking system. It was an order which was assumed to have been established.

Almost a year later, the framework has produced something closer to organised conflict. Banks and crypto firms are fighting over what the law actually means, regulators are wading through hundreds of pages of competing comment letters, and behind the procedural noise sits a question with genuinely large stakes of whether stablecoins will hollow out the deposit base that has underpinned bank lending for a century.

What the GENIUS Act Does and Does Not Settle

The law's architects designed the yield prohibition as a firewall. Logically, if stablecoin issuers cannot pay interest on their holdings, there is no financial incentive for consumers or businesses to move money out of bank deposits and into digital tokens.

The Office of the Comptroller of the Currency is currently in the process of writing the rules that will give the GENIUS Act practical force. It proposed a framework that bars platforms from paying yield on stablecoins held in custody, but includes a "rebuttable" standard enabling issuers to challenge that prohibition if they can demonstrate that their third-party arrangements do not functionally violate it. This carve-out has become the epicentre of the dispute.

Crypto firms, publicly led by Coinbase, argue that the law only prohibits the issuer itself from paying yield directly to consumers. Rewards offered by third parties like affiliates, distribution partners, or related entities that are technically distinct from the issuer should remain permissible. Coinbase pressed the OCC to take a minimalist interpretation, arguing that broadening the prohibition to cover indirect arrangements would exceed the statute's intent and constrain competition in payments.

Banks see it differently, and in stark terms. A joint letter from the Bank Policy Institute, the Consumer Bankers Association, and the Financial Services Forum demanded that the OCC explicitly prohibit any economic

THE GENIUS ACT CLOCK IS TICKING: BANKS FEAR STABLECOINS COULD DRAIN THEIR DEPOSITS

benefit tied to holding stablecoins, whether paid directly or routed through intermediaries. They argue that if the economic outcome is functionally equivalent to yield, the legal structure of the delivery is irrelevant. The GENIUS Act's goal was to prevent stablecoins from behaving like interest-bearing deposits in practice, and creative third-party arrangements accomplish exactly that.

The Numbers Behind the Fear

Community banks have put figures to the threat, and they are significant enough to explain the lobbying intensity. The Independent Community Bankers of America submitted estimates to the OCC suggesting that even with the yield prohibition strictly enforced, a mature stablecoin market of roughly \$1.2 trillion could reduce lending at community banks by approximately \$141 billion, or around 4% of their total loan book. If stablecoin issuers are permitted to circumvent the prohibition through third-party rewards and the market grows accordingly, that lending impact could reach \$850 billion, roughly one in five dollars currently lent by community banks to farms, small businesses, and local borrowers.

The White House's Council of Economic Advisers offered a counterpoint in April 2026, estimating that a full yield prohibition would increase aggregate bank lending by just \$2.1 billion, a 0.02% change. While imposing a net welfare cost of \$800 million annually on consumers, denying the benefit of competitive returns.

Both sets of figures contain embedded assumptions about how large the stablecoin market ultimately becomes. The

market is already substantial, and the global fiat-backed stablecoin supply exceeded \$273 billion in March 2026. Stablecoin transaction volumes grew 91% in 2025 to \$10.9 trillion, rivalling Visa's annual processing volume, with payments volume doubling to \$400 billion, roughly 60% of which was B2B.

TD Cowen policy analyst Jaret Seiberg cut through the legislative optimism with a blunt assessment that he doesn't see a middle ground that would satisfy the banks and the major crypto platforms, as they believe some crypto platforms want the ability to keep paying yield to encourage retail investors to keep their liquidity in their crypto wallets. His fallback prognosis, if the broader CLARITY Act stalls in Congress, means that the OCC's implementing rule becomes the de facto resolution, and the outcome of that rule will depend heavily on whether the agency holds the broad reading banks are demanding or accommodates the narrower interpretation crypto firms favour.

The Legislative Deadlock

The problem is that even the legislative path forward is uncertain. Senate negotiators Thom Tillis and Angela Alsobrooks released compromise language in early May that would prohibit stablecoin rewards that are "economically or functionally equivalent" to bank deposits. Banking groups rejected it, arguing the functional-equivalence standard still leaves too much room for yield-like arrangements to be structured around it. The two senators responded by saying they would have to "agree to disagree", a phrase that, in regulatory drafting terms, means the banks' objections may

not be enough to prevent a markup but may be enough to ensure years of litigation over whatever eventually passes.

With the legislative route uncertain, major banking trade groups, including the American Bankers Association, Consumer Bankers Association, Bank Policy Institute, and Independent Community Bankers of America, have filed a separate letter asking the OCC for an additional 60-day extension to comment on the nearly 400-page proposed rule. The request itself signals that the industry views what happens at the OCC as consequential enough to demand more time to contest it.

The Fintech End-Run

While banks and regulators are locked in definitional combat over yield, the fintech industry is pursuing a parallel strategy that renders some of that combat academic. Agora Financial announced on April 24, 2026, that it has applied to the OCC for a national trust bank charter. If granted, the company would be authorised to offer digital asset custody, stablecoin issuance, and investment services inside a regulated banking structure, effectively competing with traditional deposit-taking institutions on their own regulatory terrain rather than from outside it.

The charter strategy is significant because a licensed bank subsidiary can offer deposit-like products with yields that fall under bank regulation rather than stablecoin regulation. The GENIUS Act governs payment stablecoins issued outside the banking system. It does not necessarily govern what a chartered bank subsidiary can offer. Banks that lobbied hard for a strict yield ban may find that the most capable competitors have simply incorporated themselves into the structure those rules were designed to protect.

The Structural Question

The deeper issue beneath all of these regulatory manoeuvres is the net interest margin. Large U.S. banks currently operate with NIMs between 2.5% and 3.5%, and community banks run 3.5% to 4.5%. Those margins represent the spread between what banks earn on loans and what they pay on deposits, and they depend on deposits being cheap. If stablecoins offer consumers a higher effective return, even through indirect mechanisms, and if the market scales to the level suggested by current growth trajectories, those margins would compress.

The GENIUS Act was supposed to prevent that outcome. Whether it does depends on a 400-page proposed rule, a stalled compromise in the Senate, and a regulator navigating the line between what the law says and what the law was meant to do.



GULF SOVEREIGN WEALTH FUNDS ARE RUNNING LOW, AND WALL STREET IS WATCHING

For the better part of a decade, Gulf sovereign wealth has functioned as a kind of invisible engine behind American finance, technology, and private markets. Now, with the Iran crisis disrupting energy exports, widening fiscal deficits, and forcing Gulf governments to confront urgent domestic capital needs, the reliability of that engine is in question. The anxiety was palpable at the Milken Institute Global Conference in early May 2026, where private market executives spent the week pressing Middle Eastern sovereign wealth representatives for a single answer: how much will keep coming? It is a fairly reasonable question, and the numbers behind it are significant enough to make Wall Street genuinely nervous.

The Scale of What Is at Stake

The Gulf Cooperation Council (GCC), comprising Saudi Arabia, the UAE, Qatar, Kuwait, Bahrain, and Oman, has built one of the world's most consequential pools of investable capital over the past decade. The region's roughly dozen sovereign wealth funds collectively manage somewhere between \$4 and \$6 trillion in assets, according to estimates from SWF trackers and the IMF. As recently as 2025, seven of the largest Gulf funds invested an estimated \$119 billion, with the US as the primary destination.

That capital has flowed into US markets in ways that go well beyond Treasury bonds. Saudi Arabia's Public Investment Fund (PIF), valued at \$925 billion, invested \$20 billion in a Blackstone infrastructure fund last year and served as an anchor investor for both Brookfield and Goldman Sachs. The PIF's nearly \$29 billion acquisition of Electronic Arts was among the most prominent direct technology deals of 2025. Abu Dhabi's MGX anchored capital raises for both OpenAI and Elon Musk's xAI. The Stargate joint venture, a \$500 billion AI infrastructure vehicle assembled with OpenAI, Oracle, and SoftBank, counted MGX as a strategic partner. By 2026, Saudi Arabia and the UAE had risen into the top ten global destinations for foreign direct investment, a position neither country held a decade earlier.

This transformation made the Gulf the de facto replacement for Chinese sovereign capital after US-China tensions began cooling that relationship: Chinese FDI into Washington fell from over \$55 billion in 2016 to approximately \$3.8 billion in 2025. Gulf money stepped into that vacuum.

Strain, Deficits, and the Domestic Turn

The Iran war has now upended the assumptions underpinning that capital relationship. The effective closure of the Strait

of Hormuz by Iran has throttled the energy exports that fund the GCC's fiscal surpluses. Tourism and international business activity have largely halted. Infrastructure has been damaged and will require costly repairs. Rystad Energy estimated in mid-April that rebuilding regional energy infrastructure alone will cost more than \$25 billion, with non-energy construction adding to that total. Defence spending requirements have grown sharply.

The macroeconomic impact is severe. The World Bank now projects Gulf economic growth to slow to just 1.3% in 2026, down from 4.4% in 2025. Kuwait and Qatar face expected contractions of more than 5%. Gulf tourism losses are estimated at up to \$32 billion. Saudi Arabia is projected to run a budget deficit of roughly \$44 billion in 2026. Moody's downgraded Bahrain's credit outlook to negative in late April, citing the conflict's impact on already-strained public finances.

The fiscal pressure is producing visible changes in fund strategy. The PIF, in its newly approved 2026-2030 plan, announced that international investments would be scaled back from 30% of total deployment to 20%, with domestic allocation rising to 80%. The fund also ordered spending cuts of at least 20% across its portfolio of roughly 100 companies, with some budgets reduced by as much as 60%. Construction contract commitments have fallen from \$71 billion in 2024 to below \$30 billion in 2025. Symbolic retreats are appearing in the cultural sphere as well, like Saudi Arabia withdrawing its pledged \$200 million donation to New York's Metropolitan Opera in April and confirming it would pull financial support from the LIV golf league after this season.

The AI Funding Exposure

The particular vulnerability for Wall Street is the intersection of Gulf capital withdrawal and American AI infrastructure ambition. US hyperscalers have been on an extraordinary capital expenditure cycle, and sovereign wealth funds from the Gulf have been central participants in financing it, both directly through technology investments and indirectly through large commitments to the private equity and infrastructure funds that channel money into data centres and AI compute.

If Gulf capital flows thin materially, those companies face a constrained set of alternatives. Public equity markets remain an option, but investor scrutiny of technology sector balance sheets has grown. When Meta announced a \$30 billion debt issuance in October 2025, its stock fell more than 20% in a week as concerns about leverage mounted. Private credit markets exist but command a higher cost of

capital. Domestic retail investors are being courted by major asset managers, but the scale of Gulf SWF commitments is difficult to replicate from that channel on a comparable timeline.

Japan, Norway, and Singapore represent the next-largest pools of sovereign capital, but none approaches the GCC's aggregate size, and their investment mandates differ meaningfully. There is no obvious like-for-like substitute.

The Resilience Argument and Its Limits

It would be wrong to characterise Gulf sovereign funds as in retreat. In the first quarter of 2026, nearly a third of which took place during active conflict, the PIF, Mubadala, and the Qatar Investment Authority combined for approximately \$25 billion in new investments, a pace that would historically signal a strong year. Mubadala closed its third Brazil fund at \$900 million in April, overshooting its \$750 million target. The Abu Dhabi Investment Authority has been actively expanding European and Asian private credit exposure. The UAE ambassador to Washington publicly reaffirmed a \$1.4 trillion investment commitment to the US.

These are not the actions of funds in panic mode. Gulf SWFs are long-horizon investors with deep enough balance sheets to absorb shocks without forced selling. But the direction of travel on future flows is clearly shifting. Global SWFs' managing director, Diego López, noted that overseas deployment is likely to slow down, with capital gravitating toward domestic government support, strategic sectors, and supply chain resilience, hence crowding out some of the global allocations that made Gulf funds such attractive limited partners for Western private market managers.

The problem for Wall Street is not that Gulf money disappears. It almost certainly will not. The problem is that even a meaningful reduction in the rate of new commitments from \$119 billion a year toward something materially lower arrives at a moment when US capital markets are priced for continued abundance, and AI infrastructure spending shows no sign of moderating its appetite.

The gap between what Gulf funds were providing and what they will provide in 2026 does not need to be large to matter. In a market where technology valuations remain elevated, and debt costs have risen, even a marginal tightening of the capital supply chain carries consequences that run well beyond the firms directly reliant on Riyadh or Abu Dhabi for their next fund close. The executives circling Mubadala's Camilla Languille at Milken were not being unnecessarily concerned. They were doing the arithmetic.

EUROPE'S E6 STRIKE A DEAL ON CAPITAL MARKETS, UNION AFTER YEARS OF STALLING

On May 28, 2026, the finance ministers of Europe's six largest economies gathered at Lake Wannsee in Berlin and reached a common position on the EU's Market Integration and Supervision Package. It is the most substantive step forward on capital markets integration the bloc has managed in years. Germany, France, Italy, Spain, the Netherlands and Poland, operating as the E6 format co-launched by German Finance Minister Lars Klingbeil and his French counterpart Roland Lescure at the start of the year, agreed on how supervisory authority over significant market infrastructure should be gradually transferred to the European Securities and Markets Authority in Paris. The agreement is not a law yet. But the political signal it carries is harder to ignore than any previous statement of intent on this topic.

Why This Deal Matters More Than It Looks

The Capital Markets Union concept has been on the EU agenda since 2015. In the decade since its formal launch, it has accumulated an extensive archive of commission communications, action plans and consultations. Although delivering considerably less in terms of structural change. The core problem has always been political rather than technical. Here, national supervisors guard their oversight roles jealously, and larger member states have been reluctant to cede authority to a Paris-based body that they do not fully control. Germany, in particular, has historically been cautious about centralising financial supervision at the EU level.

What shifted at the Berlin meeting was that Germany changed its posture explicitly and publicly. Klingbeil had signalled the shift three days before the meeting, telling reporters he was willing to compromise and move forward on supervision, a departure from his predecessors' positions. At the meeting itself, he called the capital markets union a "game changer" and framed the willingness to put aside national self-interest as an important signal for the entire European Union. Whether that framing survives

contact with ECOFIN negotiations is an open question. But it represents a meaningful departure from a decade of protective instinct.

What the E6 Actually Agreed to

The E6's common position covers three main areas. First and most significantly, it endorses the gradual transfer of supervision over significant cross-border market infrastructure to ESMA, a question that has been the most contentious in Council discussions. Second, the ministers agreed to strengthen ESMA's powers over crypto-asset trading, extending the supervisory expansion into the digital asset domain. Third, the package includes commitments to reduce barriers to cross-border fund distribution and company financing, measures aimed at making it easier for EU savers to invest across borders and for companies to raise capital outside their home markets.

The legislative vehicle is the Market Integration and Supervision Package (MISP), a set of three Commission proposals published in December 2025. Those proposals amend a raft of existing regulations, including MiFID II, EMIR, CSDR and MiCA. These are currently moving through Council and Parliament via trilogue. The E6 common position is designed to inject momentum into those negotiations, not replace them. The ministers are providing political cover and direction for negotiators who have been moving slowly through highly technical dossiers.

The Problem They Are Trying to Solve

The underlying diagnosis is not in dispute. EU capital markets remain fragmented to a degree that imposes real and measurable costs on the European economy. The European Central Bank's research has documented that US IPOs consistently outperform EU equivalents across all segments, with median valuations in knowledge-intensive and high-tech sectors often reaching ten times those of their European counterparts. EU rules are largely set through

directives rather than directly applicable regulations, which leaves national supervisory authorities wide latitude in their interpretation and application. This also creates divergent enforcement environments that operators must navigate market by market. The AMF, France's financial markets regulator, has described supervisory fragmentation as a major obstacle to market deepening, resulting in differences in application, supervisory weaknesses, additional costs for economic actors and unequal investor protection across the single market.

ESMA itself, in its March 2026 contribution to the Eurofi Nicosia magazine, was unambiguous, stating that Europe's capital markets cannot reach their full potential without deeper integration and that fragmentation continues to limit scale, efficiency and competitiveness even as markets operate increasingly across borders. ESMA Chair Verena Ross has framed the supervisory reform as aligning oversight arrangements with the way Europe's markets already function in practice. The case for reform is not contested. The obstacle has always been political will, which is precisely why the E6's Berlin communiqué is significant.

E6, Bypass Mechanism or Coalition Builder?

The E6 was launched in January 2026 around four priorities: a capital markets union, the international role of the euro, including a digital euro and European payment systems, EU defence spending coordination, and raw materials security. From the outset, its organisers were careful to describe it not as an exclusive club but as a mechanism for generating ideas and laying the groundwork for council decisions. The framing matters. A core group that visibly dominates EU deliberations risks antagonising smaller member states and hardening resistance. A working group that produces politically workable positions and then advocates for them in the full council serves a different function.

The letter accompanying the E6's Berlin agreement used language calculated to broaden rather than narrow the coalition of the ministers and wrote that deeper and more integrated capital markets are key to unlocking Europe's growth potential and ensuring its ability to act in an increasingly challenging global environment. That framing emphasises collective economic sovereignty rather than the interests of the six largest economies, which is designed to make the position easier for smaller member states to adopt as their own. Whether it works will become clear as ECOFIN negotiations intensify through the second half of 2026.

What Needs to Happen Next

The Berlin agreement is an input into Council negotiations, not a conclusion. The MISP's three legislative proposals

“ THE EUROPEAN CENTRAL BANK'S RESEARCH HAS DOCUMENTED THAT US IPOs CONSISTENTLY OUTPERFORM EU EQUIVALENTS ACROSS ALL SEGMENTS, WITH MEDIAN VALUATIONS IN KNOWLEDGE-INTENSIVE AND HIGH-TECH SECTORS OFTEN REACHING TEN TIMES THOSE OF THEIR EUROPEAN COUNTERPARTS. ”

must still complete their passage through the European Parliament and Council before they carry the force of law. The dossiers are technically dense, with the master regulation alone amending more than a dozen existing EU instruments, spanning settlement finality, financial collateral, fund management, market infrastructure and crypto-assets. Parliamentary scrutiny will add its own pressures, with consumer protection and investor-access concerns likely to generate amendments that the Council must reconcile.

Implementation will carry its own challenges even once legislation is agreed. ESMA's expanded mandate requires expanded resources and staffing. However, the institutional transition from national to European supervision for significant market infrastructure cannot happen overnight. The Council's own policy tracker describes the objective as enabling more efficient and competitive capital markets and, ultimately, greater sovereignty. Those outcomes are measured over years, not quarters.

For businesses, the significance of the Berlin meeting is principally in what it changes about political momentum. The EU's capital markets reform agenda has stalled repeatedly because large member states have been unwilling to accept the trade-off between national supervisory control and European market integration. Germany's willingness to accept a gradual transfer to ESMA is, however, carefully managed in the transition, thus removing the most significant single obstacle to that agenda moving forward. The world, as Klingbeil put it, will not wait for Europe to resolve its internal institutional debates. The question is whether the political signal from Lake Wannsee survives the process ahead.

PAYPAL RECEIVES \$53 BILLION TAKEOVER BID FROM STRIPE AND ADVENT

Digital payments company PayPal Holdings Inc has received a joint acquisition offer from private equity firm Advent International and rival payment platform Stripe, which would value PayPal at over \$53 billion. This offer means each share will be valued at \$60.50, representing a 28% premium to PayPal's closing share price on Tuesday.

The offer was made in June, and inside sources confirm that banks have pledged nearly \$50 billion in committed financing. While all three companies are declining to comment on the deal publicly, sources suggest that the initial proposal came in April.

Stripe and Advent are yet to receive a response from PayPal, and further discussions will be held in the forthcoming weeks. However, there is no certainty that this takeover bid will be accepted. If the deal is finalised, the two companies will become equal shareholders, jointly owning PayPal without breaking up the company.

The payment platform reached its highest market capitalisation in 2021, at \$360 billion, but has since fallen to an all-time low of \$36 billion this year. Over the past 12

months, the company has lost more than 40% of its market value. Since taking over as PayPal's CEO, Enrique Lores has introduced several turnaround initiatives to simplify operations and improve growth. In April, operations were divided into three focus areas- checkout, consumer financial services like Venmo, and payments and crypto.

Despite its market capitalisation being on a downtrend, PayPal's Q1 revenue beat analysts' expectations of \$8.05 billion by reporting a 7% increase, reaching \$8.35 billion. Total payment volumes also jumped 8% in 2025, reaching \$464 billion.

In May, Lores has sought the use of AI tools to streamline operations and to eliminate duplication in workforce layers. These initiatives are projected to save PayPal about \$1.5 billion over the next few years, and this amount will be reinvested to help expand growth.

M&A activity in the global digital payments platform is on the rise, and if finalised, PayPal could be the next one. Payments companies are also enthusiastic about such merger prospects, as they can help them scale rapidly and also make it easier to implement faster-growing services such as cross-border and B2B payments as traditional payment processing is on a slow decline.

APOLLO'S SALE OF LARGEST GOLF CLUB INDICATES APPETITE FOR PRIVATE CLUB M&A DEALS

Apollo Global Management sold North America's largest private country-club operator last week, signalling a surge in golf club memberships in the US in the post-pandemic era. Private club operators are closing big deals as membership numbers climb.

Invited Clubs, which Apollo bought a decade ago, announced its sale to KSL Capital Partners in a \$3 billion debt-inclusive deal. Invited Clubs runs golf clubs in Ohio, Texas and other prominent places across the country. Market researchers have noted that the private club business has been booming since the pandemic as people now prefer to spend money on experiences rather than things.

M&A volume, measuring the size of the deals, is at its highest in the decade for golf and private membership clubs. With roughly 140,000 memberships, Invited's average net worth is around \$3 million.

This business, which caters to the uber-rich and affluent, hinges on the principle that membership in such clubs guarantees exclusivity and privacy. Private-

club memberships cost tens of thousands of dollars annually, and some clubs even have an initiation fee of over \$100,000.

Soho House went private a few months ago in a \$2.7 billion deal led by a group including Apollo and the New York-based MCR Hotels. Soho House was struggling to increase profit margins after going becoming a public company, losing its exclusivity status, gaining increasing membership numbers and producing quarterly results.

Last year, Bain Capital bought Concert Golf in a \$1.3 billion deal, including debt. Concert operates 39 clubs across the US. KKR is also likely to sell its Bay Club Company, a chain of West Coast membership clubs offering spa and golf services, among other amenities.

Golf, which was a dying sport before the pandemic due to its ageing demographic, has turned a new corner as more younger sports enthusiasts are taking to it. Last year, players spent over 37% on golf courses, compared to the pre-COVID numbers. Leonard Green & Partners bought a majority stake in entertainment chain Topgolf, pushing its valuation to \$1.1 billion. Topgolf is one of many such companies which are introduce younger players to the sport.



FROM WORLD CUP WINNERS TO OLYMPIC AMBITIONS: NORTH AMERICA'S TRILLION-DOLLAR TOURISM OPPORTUNITY

The curtain has fallen on the FIFA World Cup 2026, yet its commercial legacy is only beginning to unfold across North America. Hosted jointly by the United States, Canada and Mexico, the tournament became the largest FIFA World Cup in history, attracting millions of supporters, unprecedented sponsorship revenues and extensive international media coverage. While football dominated the headlines for over a month, economists, tourism boards and investors are now assessing a far more important question: which cities emerged as the biggest economic winners?

At the same time, attention is rapidly shifting towards Los Angeles, which is preparing to host the 2028 Summer Olympics. Rather than simply staging another sporting spectacle, city leaders and business executives see the Games as a once-in-a-generation opportunity to transform tourism, infrastructure and global investment. Together, these two mega-events could redefine North America's position as the world's leading sports tourism destination for years to come.

The FIFA World Cup delivered varying economic outcomes across the 16 host cities, but several metropolitan

areas clearly outperformed expectations. New York New Jersey, which hosted the final, became the tournament's global showcase. Hotels reached exceptionally high occupancy levels, restaurants experienced sustained demand, transport operators benefited from increased passenger volumes and retail spending surged as international supporters extended their stays. Although economists caution that mega-events rarely generate the enormous long-term financial returns often promised, the international exposure gained by the region represents a valuable asset for future tourism promotion.

Los Angeles also emerged as one of the strongest performers. Beyond hosting high-profile matches, the city capitalised on its established tourism ecosystem, combining football with entertainment, hospitality and cultural attractions. Local authorities had long argued that World Cup visitors would discover the city before returning for future holidays or business trips. Earlier economic studies projected that international exposure from the tournament would strengthen Los Angeles' long-term tourism appeal rather than deliver only short-lived spending gains.

Dallas, Miami, Atlanta and Seattle likewise benefited from increased



visitor expenditure, particularly across accommodation, dining and transport services. Financial analysts observed that consumer spending in host cities increased noticeably during the competition, driven largely by international and domestic visitors. Card transaction data suggested that non-local spending significantly outpaced normal seasonal patterns, providing a welcome boost for local businesses ranging from independent restaurants to multinational hotel chains.

Not every host country experienced identical economic success. Mexico, despite successfully staging several matches in Mexico City, Guadalajara and Monterrey, saw a more limited national economic impact than initially forecast. Analysts pointed to broader economic uncertainty, softer consumer confidence and external trade concerns as factors that diluted the tournament's contribution. While entertainment venues and selected hospitality businesses enjoyed higher revenues, the World Cup alone proved

insufficient to alter wider economic trends.

Canada's host cities, Toronto and Vancouver, gained valuable international visibility while strengthening their reputation for organising large-scale international events. Although their financial returns were naturally smaller than those of several American cities due to fewer matches, the experience reinforced Canada's growing attractiveness for global conferences, sporting competitions and leisure tourism.

Perhaps the most important lesson from FIFA 2026 is that the greatest economic rewards rarely come from ticket sales alone. Instead, the lasting value lies in destination branding, repeat tourism, foreign investment and improved infrastructure. Cities capable of converting first-time visitors into future tourists stand to benefit long after the final whistle.

This evolving understanding of sports tourism explains why Los Angeles 2028 is attracting enormous attention from investors, hotel operators and travel companies. Unlike many previous Olympic hosts, Los Angeles enters the Games with an unusually strong commercial advantage. The city already possesses world-class sporting venues, an internationally recognised entertainment industry, extensive transport links and one of the world's largest tourism economies.

The organisers have deliberately designed the Games around existing facilities, avoiding the expensive construction programmes that burdened several previous Olympic hosts. By relying largely on established venues, Los Angeles aims to reduce financial risk while maximising commercial returns. This approach allows public resources to focus more heavily on visitor experience, transport improvements

and operational efficiency rather than costly stadium development.

For the hospitality industry, the Olympic opportunity extends well beyond the two-week sporting event itself. Global travel agencies are already preparing premium packages combining Olympic competitions with Hollywood experiences, Californian coastal tourism, luxury shopping and visits to nearby destinations such as San Diego and Napa Valley. Airlines, cruise operators and hotel groups expect sustained demand before, during and after the Games as international visitors extend their itineraries across the United States.

Technology companies also anticipate significant commercial opportunities. Digital ticketing, artificial intelligence-powered visitor services, multilingual travel applications, smart mobility platforms and cashless payment systems are expected to play an even greater role than during FIFA 2026. As cities increasingly embrace smart tourism strategies, the Olympics could accelerate investment into urban technology while creating new partnerships between public authorities and private enterprises.

The broader tourism economy may prove to be one of the biggest beneficiaries. International sporting events often introduce destinations to travellers who might never have considered visiting previously. Once these visitors experience local culture, entertainment and hospitality, many return independently in subsequent years. This phenomenon has been observed following several previous Olympic Games and World Cups, where destination awareness translated into long-term tourism growth rather than temporary spikes alone.

Los Angeles also enjoys a unique marketing advantage unavailable to many former Olympic hosts. The city is already one of the world's most recognised brands through its

association with film, television, music and digital media. The Olympics therefore become less about creating awareness and more about reinforcing global appeal while encouraging higher visitor spending across premium tourism experiences.

Nevertheless, significant challenges remain. Security planning, transport capacity, accommodation affordability and community engagement will all determine whether the Games are remembered as an economic triumph or an expensive logistical exercise. Critics of mega-events continue to argue that headline economic projections frequently overestimate long-term benefits while underestimating operational costs. Recent analysis of FIFA 2026 similarly suggested that although businesses enjoyed strong short-term revenues, the largest financial gains often accrued to governing bodies and commercial rights holders rather than host cities themselves.

Even so, North America's broader strategy appears increasingly clear. Rather than viewing individual tournaments as isolated events, governments and businesses are positioning FIFA 2026 and Los Angeles 2028 as complementary milestones within a longer-term tourism and investment strategy. Together, they strengthen international confidence in the continent's ability to deliver large-scale events while encouraging future conventions, sporting championships, concerts and business travel.

The commercial significance extends well beyond football pitches and Olympic stadiums. Property developers, infrastructure companies, airlines, digital service providers, hospitality operators, retailers and tourism agencies all stand to benefit from sustained international attention. The combined legacy of these events may ultimately be measured less by medals or trophies and more by visitor numbers, business investment and economic resilience.

AUSTRALIA ENTERS A NEW GOLDEN ERA OF TOURISM AS INTERNATIONAL ARRIVALS SOAR IN 2026

Australia's tourism industry is entering a remarkable new phase of global expansion in 2026, driven by an unprecedented surge in international arrivals from key markets including New Zealand, China, the United Kingdom, Japan, India, Singapore and Indonesia. What began as a post-pandemic recovery has rapidly evolved into one of the strongest travel growth stories in the Asia-Pacific region, positioning Australia as one of the world's most desirable long-haul destinations for leisure, education, luxury experiences and business travel.

The scale of momentum gathering behind Australia's tourism sector is reshaping expectations across airlines, hospitality groups, airport operators and retail businesses. Industry analysts now believe the country could exceed several pre-2020 international visitor benchmarks far earlier than anticipated, as global confidence in Australia's tourism infrastructure continues to strengthen.

At the centre of this expansion is New Zealand, traditionally Australia's largest and most resilient tourism partner. Trans-Tasman travel has accelerated sharply in 2026, supported by strong airline capacity, simplified travel arrangements and rising demand for short-haul holidays. New Zealand travellers are increasingly seeking premium experiences across Sydney, Melbourne, Queensland and Western Australia, while Australian tourism operators are tailoring luxury, adventure and eco-tourism packages specifically for Kiwi visitors.

The relationship between Australia and New Zealand has always extended beyond tourism into business, education and culture, yet the latest travel boom reflects something larger. Consumers are now prioritising flexible regional travel, shorter flight times and safe destinations with world-class infrastructure. Australia fits all three conditions exceptionally well, making it an attractive option amid broader global uncertainty affecting long-haul travel routes.

China is simultaneously re-emerging as one of Australia's most commercially significant tourism markets. Chinese travellers are returning in larger numbers to major cities and luxury destinations, boosting retail spending, hotel occupancy and aviation demand. Premium shopping districts, casinos, fine dining venues and educational institutions are again benefiting from growing Chinese visitor confidence. Airlines have responded by restoring routes and increasing flight frequencies between Chinese cities and Australian gateways.

India's influence on Australia's tourism growth story is becoming equally significant. Rising disposable incomes, expanding middle-class travel demand and stronger aviation connectivity are transforming India into one of Australia's fastest-growing inbound visitor markets. Indian travellers are no longer visiting solely for family and education purposes. Leisure tourism, weddings, corporate events and luxury travel are now driving a new era of high-value tourism expenditure.

The surge in Indian arrivals is especially important because it aligns with Australia's long-term strategy to

diversify visitor sources beyond traditional Western markets. Tourism boards across multiple Australian states have intensified marketing campaigns targeting Indian consumers through digital platforms, cinema partnerships, sporting collaborations and influencer-led campaigns. Cricket tourism alone has become a substantial economic contributor, with major sporting events drawing thousands of visitors annually.

Meanwhile, the United Kingdom continues to reinforce Australia's appeal among European travellers. British tourists remain strongly connected to Australia through family ties, working holiday schemes and cultural familiarity. However, the current wave of travel demand is increasingly centred around lifestyle migration, remote working and extended tourism stays. Younger British travellers are spending more time in Australia while combining work opportunities with tourism experiences, benefiting accommodation providers and regional economies.

Japan and Singapore are also playing pivotal roles in the 2026 tourism acceleration. Japanese visitors are showing renewed interest in Australia's luxury wellness, nature and coastal tourism sectors, while Singapore continues to function as a strategic aviation and transit hub connecting Southeast Asian travellers to Australian destinations. Singaporean tourists, known for high per-capita spending, are contributing strongly to luxury retail, fine dining and premium accommodation sectors.

Indonesia's growing contribution reflects broader demographic and economic changes across Southeast Asia. Rising incomes, increased air connectivity and expanding middle-class travel culture are creating stronger outbound tourism flows from Indonesia into Australia. Bali-Australia travel corridors remain highly active, but destinations including Perth, Cairns and Adelaide are also witnessing stronger Indonesian visitor growth.

Beyond these major source markets, Australia is benefitting from a wider global shift in traveller preferences. International tourists are increasingly seeking destinations that combine safety, sustainability, outdoor experiences and high-quality infrastructure. Australia's reputation for clean cities, natural landscapes and premium hospitality is allowing the country to capitalise on this trend more effectively than many competitors.

The business implications are substantial. Airlines are aggressively increasing capacity across Asia-Pacific routes, while hotel operators are accelerating expansion plans in anticipation of sustained visitor growth. Luxury resorts, serviced apartments and boutique hospitality brands are reporting rising booking volumes well into late 2026 and early 2027. Airport investments are also intensifying, particularly in Sydney, Brisbane and Melbourne, where operators are preparing for long-term passenger growth.

Regional tourism is emerging as another major winner. State governments and tourism authorities are actively encouraging international travellers to explore beyond traditional urban gateways. Areas including Tasmania, the Northern Territory and regional Queensland are gaining visibility among overseas tourists seeking immersive wildlife, indigenous culture and adventure-based experiences.

Australia's education sector is also closely linked to the tourism boom. International students often act as long-term tourism contributors through family visits, domestic travel and repeat visitation patterns. Strong student demand from India, China and Southeast Asia is therefore creating broader economic benefits extending far beyond universities themselves.

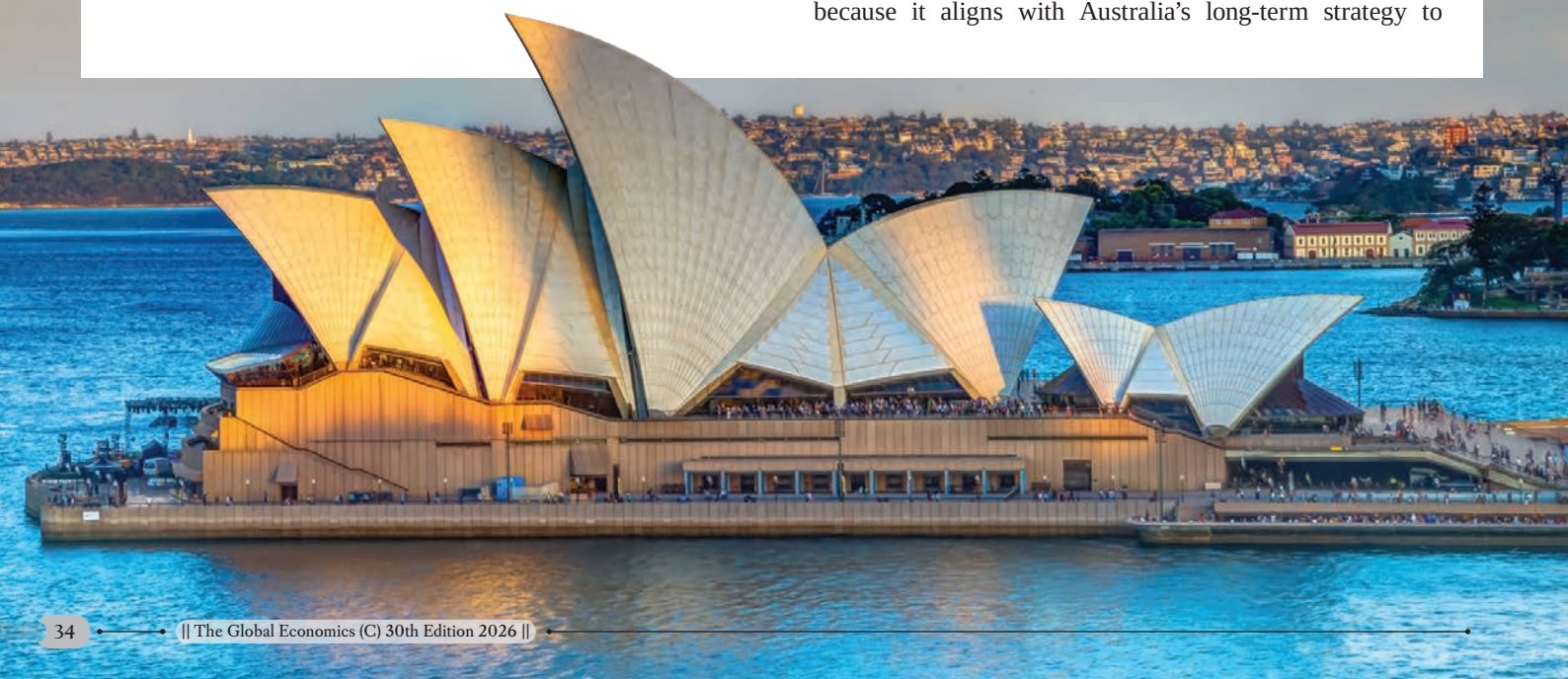
The country's tourism expansion is additionally being supported by favourable currency dynamics, improved visa processing and stronger diplomatic engagement with Asian economies. These factors are helping reduce barriers for international travellers while enhancing Australia's competitiveness against rival destinations in Europe and North America.

Nevertheless, the tourism surge also presents challenges. Infrastructure pressure, labour shortages and accommodation affordability remain significant concerns for industry leaders. Some tourism operators are warning that without sustained investment in transport, workforce development and regional infrastructure, Australia could struggle to fully maximise the opportunities emerging from the current demand cycle.

Environmental sustainability is becoming another critical issue. As visitor numbers rise, authorities face growing pressure to balance economic growth with conservation priorities. Australia's beaches, reefs and natural reserves remain among its greatest tourism assets, making long-term environmental protection essential to maintaining global competitiveness.

Even so, industry sentiment remains overwhelmingly optimistic. Tourism executives increasingly view 2026 not simply as a recovery year, but as the beginning of a structural transformation in Australia's global tourism position. International demand is becoming broader, more diversified and more resilient, reducing dependence on any single market while creating stronger long-term stability.

With New Zealand joining China, the UK, Japan, India, Singapore, Indonesia and numerous other nations in driving extraordinary visitor growth, Australia is rapidly cementing itself as one of the defining tourism success stories of the decade. The convergence of aviation expansion, consumer confidence, regional partnerships and evolving travel trends is creating a powerful momentum that many analysts now describe as virtually unstoppable.



LUXURY YACHT TOURISM POWERS THE GCC'S BLUE ECONOMY

For decades, the Gulf Cooperation Council (GCC) has been recognised as a global powerhouse built on energy exports, world-class aviation and luxury hospitality. Today, however, a new chapter is unfolding across the Arabian Gulf and the Red Sea. Luxury yacht tourism is rapidly emerging as one of the region's most promising blue economy opportunities, offering governments, investors and tourism operators a high-value industry capable of generating sustainable economic growth beyond hydrocarbons.

The shift is no coincidence. Across the United Arab Emirates, Saudi Arabia, Qatar, Oman and Bahrain, billions of dollars are being invested in marinas, waterfront destinations, cruise infrastructure and marine leisure experiences. These developments are aligned with long-term national diversification strategies that seek to transform coastal assets into engines of tourism, real estate, employment and foreign investment. As international demand for premium travel continues to evolve, the GCC is positioning itself as the world's next major luxury yachting destination.

The blue economy, once primarily associated with fisheries, shipping and offshore energy, has expanded to include marine tourism as one of its fastest-growing sectors. Luxury yacht tourism occupies the highest end of this market, attracting ultra-high-net-worth individuals, charter operators and international visitors whose spending extends well beyond marina fees. Every yacht arrival generates demand for luxury hotels, fine dining, maintenance services, retail, entertainment, cultural experiences and professional marine services. This multiplier effect

makes the sector particularly attractive for economies seeking diversified and resilient revenue streams.

Saudi Arabia has arguably become the most ambitious player in this transformation. Under Vision 2030, the Kingdom is investing heavily in the Red Sea coastline, creating an entirely new tourism ecosystem centred around pristine islands, luxury resorts and world-class marinas. Developments linked to NEOM and the Red Sea Project are designed to attract superyachts while maintaining strict environmental standards. The Saudi Red Sea Authority has also introduced new regulatory frameworks and yacht charter licensing to encourage international operators and investors to enter the market.

The United Arab Emirates remains the regional benchmark for luxury marine tourism. Dubai has spent years building an international reputation through iconic waterfront developments, sophisticated marina infrastructure and high-profile events that attract yacht owners from around the world. Abu Dhabi is strengthening its position as well, with Yas Marina recently receiving internationally recognised superyacht accreditation, reinforcing its appeal among global yacht owners and charter companies.

Oman is also quietly building momentum. Rather than competing through scale alone, the Sultanate is focusing on natural beauty, sustainable coastal development and integrated waterfront projects. The recently opened Barka Marina combines fisheries, retail, leisure and marine tourism into a single destination, reflecting a broader strategy to diversify coastal economies while preserving environmental assets. Similar investments across Muscat and Salalah are expected to strengthen Oman's position within the regional yachting network.



Qatar continues to leverage its premium infrastructure and international connectivity to expand luxury tourism offerings. Following its designation as the GCC Tourism Capital for 2026, Doha is expected to benefit from increased visitor numbers, international events and greater regional tourism collaboration. High-quality marinas, luxury waterfront developments and seamless transport links provide strong foundations for future yacht tourism growth.

Industry experts increasingly view the Gulf as an attractive seasonal alternative to traditional Mediterranean and Caribbean cruising routes. Warm winter weather, modern infrastructure and growing numbers of luxury destinations are encouraging yacht owners to extend their cruising calendars into the Arabian Gulf and the Red Sea. International brokerage firms and yacht management companies have already expanded their presence across the region, anticipating sustained demand over the coming decade.

The economic implications extend far beyond tourism. Luxury yacht ecosystems support a wide range of specialist industries, including yacht construction, maintenance, engineering, logistics, insurance, crew training, hospitality, event management and digital marine services. Each marina becomes a commercial hub capable of creating skilled employment while attracting international expertise and private capital. Governments across the GCC increasingly recognise that every investment in marine infrastructure strengthens broader economic diversification objectives.

Environmental sustainability has become another defining characteristic of the region's strategy. Unlike previous waves of large-scale coastal development, many of today's flagship projects integrate marine conservation into their planning. Protected coral reefs, low-impact construction methods, renewable energy systems and stricter environmental regulations are becoming standard components of premium waterfront developments. Sustainable tourism is no longer simply a marketing message but a commercial necessity, particularly for international travellers who increasingly value responsible luxury experiences.

Private investment is following government ambition. Luxury hotel brands, international marina operators, yacht brokers, real estate developers and marine technology companies are expanding their regional presence in anticipation of long-term demand. This growing ecosystem creates opportunities not only for multinational corporations but also for local entrepreneurs offering specialised marine services, hospitality experiences and luxury tourism products.

The sector nevertheless faces important challenges. Building globally competitive yacht destinations requires skilled maritime professionals, streamlined customs procedures, internationally recognised regulations and seamless cross-border cruising arrangements between GCC countries. Competition from established yachting destinations in Europe, Southeast Asia and the Caribbean also remains significant. Continued collaboration between governments, regulators and private investors will therefore be essential to ensure that infrastructure development is matched by operational excellence.



Despite these challenges, the long-term outlook remains highly encouraging. The GCC's strategic geographic location between Europe, Asia and Africa, combined with sustained investment in tourism, transport and waterfront development, provides a strong foundation for future growth. As regional governments continue implementing ambitious economic diversification strategies, luxury yacht tourism is evolving from a niche leisure activity into a strategic economic sector capable of attracting investment, supporting employment and generating valuable non-oil revenues.

The emergence of luxury yacht tourism represents more than an expansion of the travel industry. It symbolises the GCC's broader transformation towards innovation, sustainability and high-value economic activity. By unlocking the commercial potential of its coastlines and marine assets, the region is creating a blue economy that complements its global ambitions while strengthening resilience against future economic change.

In the years ahead, the world's most discerning travellers may no longer view the Gulf solely as a destination of iconic skylines and luxury resorts. Increasingly, they are likely to see it as one of the world's premier superyacht playgrounds, where exceptional marine experiences, cutting-edge infrastructure and visionary investment converge to redefine luxury tourism for a new generation.



HOW UN TOURISM AND THE BENCH ARE RESHAPING THE FUTURE OF TOURISM INVESTMENT



The world of tourism has finally got its investment engine after all these years. The recent partnership between UN Tourism and The Bench, based on an MoU to develop a platform for global tourism investments, is expected to change the way investment in the sector moves from opportunistic deals to a structured flow of finance aligned with the tourism development policy. Concentrated primarily on Europe and the Middle East in the short run, this initiative is already gaining momentum at a pace equal to the current level of investment.

During 2018-2023, there were 254 greenfield tourism projects in the Middle East with a total value of approximately \$15.2 billion, while the region invested almost \$14 billion in tourism development over the past five years, including \$341 million in tourism technology.

In Europe, investments in “living” assets, branded residences, and serviced living amounted to €46.9 billion in 2025, and another €50 billion is going to be invested in the

next three years. This is just the basis for the shift, which might reshape the future of destinations.

From Deals to Strategy: Why This Moment Matters

The beauty of the UN Tourism–The Bench deal is not that it invents something entirely new but that it stitches together what already exists into a coherent system. The Bench, through its Future Hospitality Summit (FHS) series, already convenes over 3,000 C-level decision-makers and 621 investors managing more than \$11 trillion in assets under management. UN Tourism brings decades of policy expertise, data, and access to member states. When you combine them, you get a platform that can finally speak in one language to governments, investors, and operators.

This is critical because tourism has historically been a sector of fragmented deals. A hotel chain builds in one city, an airline launches in another, a resort project appears somewhere else, and there is little coordination between them. The new Investment Facilitation Mechanism and Global

Tourism Investment Pipeline aim to stop this. By mapping investable projects, curating investor engagement within FHS events, and holding dedicated UN Tourism Investment and Policy sessions at FHS, the partnership is pushing tourism investment from a series of one-off transactions to a strategic, pipeline-driven approach. Not only is this smarter, but also necessary.

A Global Ripple Effect, Not Just Regional Hype

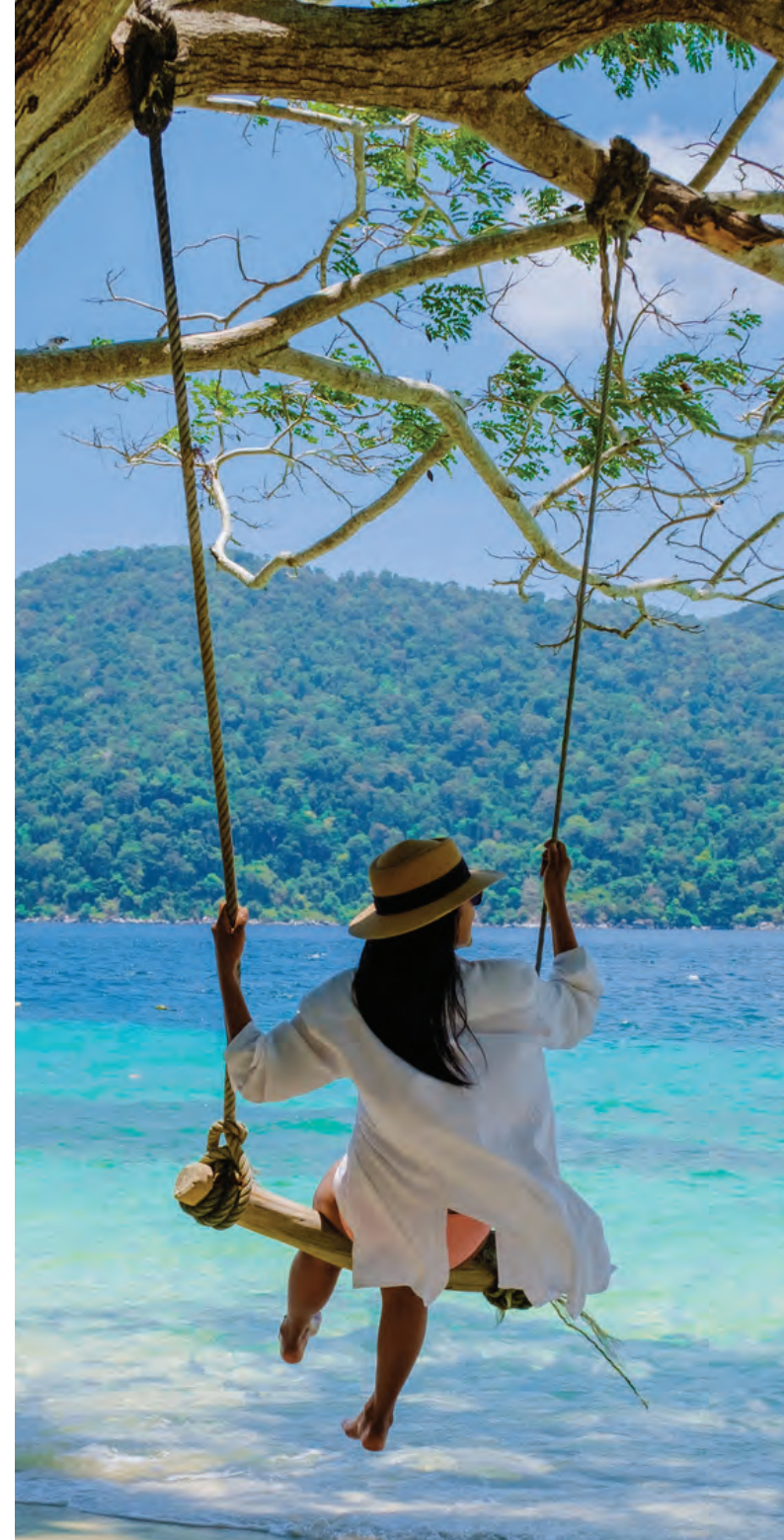
The decision to focus early on Europe and the Middle East is pragmatic, but the implications are global. The Middle East has already demonstrated that large-scale tourism investment can translate into real jobs and economic diversification: the announced greenfield projects between 2018 and 2023 were expected to create more than 33,600 jobs. If similar mechanisms are replicated in Asia, Africa, and the Americas, the employment and GDP impact could be transformative, especially in economies where tourism is a major export sector.

More importantly, this model can help smaller or emerging destinations break out of the “invisible to capital” trap. By including their projects in the Global Tourism Investment Pipeline, countries that currently struggle to attract international investor attention can gain visibility within the same networks that dominate FHS events. This could be the closest thing to a “levelling” mechanism the sector has had. If the platform succeeds, tourism investment will no longer be concentrated only in familiar hubs; it will spread to secondary cities, coastal towns, and rural areas that have been waiting for their moment.

Challenges, Opportunities, and What Comes Next

Yet optimism alone will not make this work. Tourism projects still face long approval cycles, regulatory fragmentation, and recurring concerns about sustainability and overdevelopment. The success of this partnership will depend on how well it can align public policy with private capital incentives, ensure transparent deal-making, and embed sustainability standards into investment criteria. There is also the risk that capital continues to concentrate in “safe” markets, leaving less-developed destinations starved of funding.

The opportunities, however, are equally real. With nearly \$14 billion already invested in the Middle East’s tourism sector and a fresh wave of €50 billion planned for European living assets, the foundation for a scaled-up global investment engine is already visible. If the Investment Facilitation Mechanism and Global Tourism Investment Pipeline deliver, the next decade could see tourism investment become more strategic, more sustainable, and far more inclusive across regions.



The UN Tourism–The Bench partnership is more than a routine industry announcement; it reflects a growing recognition that tourism should be viewed as a core driver of economic growth rather than a peripheral luxury sector. While the investment figures are certainly encouraging, the true measure of success will be the platform’s ability to translate capital into long-term development, quality employment, and more sustainable destinations. If these goals are achieved, the benefits are likely to extend well beyond Europe and the Middle East, shaping tourism economies worldwide.

GCC TOURISM DEFIES REGIONAL UNCERTAINTY AS SAUDI ARABIA'S RELIGIOUS TRAVEL ECONOMY POWERS A NEW ERA OF GROWTH

Despite persistent geopolitical tensions across the Middle East, the Gulf Cooperation Council (GCC) tourism industry continues to demonstrate remarkable resilience. While global investors and travel operators closely monitor regional security developments, countries such as Saudi Arabia, the United Arab Emirates, Qatar and Oman are steadily expanding their tourism economies, attracting millions of international visitors and reinforcing the sector's role as a key pillar of economic diversification.

At the centre of this transformation stands Saudi Arabia, where religious tourism linked to Hajj and Umrah is evolving into one of the world's most sophisticated travel ecosystems. Supported by large-scale infrastructure investment, digital innovation, healthcare modernisation and smart logistics, the Kingdom is turning pilgrimage travel into a powerful economic engine while improving the experience for millions of visitors each year.

The GCC's tourism momentum is particularly noteworthy given the wider regional backdrop. Political uncertainty, conflicts in neighbouring areas and fluctuations in global travel sentiment might ordinarily discourage visitor arrivals.

Instead, Gulf governments have accelerated efforts to position their countries as safe, technologically advanced and globally connected destinations.

The UAE remains a leading international tourism hub through Dubai and Abu Dhabi, benefiting from world-class aviation connectivity, luxury hospitality and a thriving events industry. Qatar has continued to build on the international profile it gained through the FIFA World Cup, while Oman is attracting visitors seeking cultural heritage, eco-tourism and nature-based experiences. Across the region, governments are investing heavily in airports, hotels, entertainment districts and digital tourism services to ensure that visitor growth remains strong despite external challenges.

Saudi Arabia has emerged as the most ambitious player in this transformation. Once known primarily as a destination for religious pilgrims, the Kingdom is now pursuing a broader tourism strategy under Vision 2030. Tourism has become one of the central pillars of the country's economic diversification agenda, with authorities targeting 150 million annual visitors by the end of the decade. Religious tourism, however, remains the foundation upon which much of this expansion is being built.

Hajj and Umrah occupy a unique position in the global travel industry. Unlike traditional tourism segments that are highly sensitive to economic cycles, religious pilgrimage benefits from consistent demand rooted in faith. This gives Saudi Arabia a relatively stable and predictable tourism base that few destinations can match.

Recent figures indicate that Saudi Arabia has already exceeded several interim religious tourism targets. The Kingdom recorded approximately 16.9 million Umrah pilgrims in 2024, significantly surpassing earlier expectations and placing the country ahead of schedule in its objective of welcoming 30 million annual Umrah pilgrims by 2030. The sector generates substantial revenues across hospitality, transportation, retail, telecommunications, food services and healthcare, creating powerful multiplier effects throughout the economy.

The scale of investment supporting this growth is unprecedented. Major expansions at the holy sites in Makkah and Madinah have increased capacity and improved operational efficiency. The Grand Mosque has undergone extensive development to accommodate larger crowds, while transport networks connecting airports, rail services and pilgrimage sites continue to be enhanced. These projects are designed not only to accommodate rising visitor numbers but also to improve safety, comfort and sustainability.

Technology is becoming an increasingly important component of Saudi Arabia's pilgrimage strategy. The Kingdom has embraced digital transformation to manage one of the largest recurring human gatherings on Earth. Central to these efforts is the Nusuk platform, which integrates visa processing, travel arrangements, accommodation bookings, transportation services, permits and real-time guidance into a single digital ecosystem.



The platform has experienced rapid growth, reportedly serving tens of millions of users from more than 190 countries. By streamlining administrative processes and reducing friction throughout the pilgrimage journey, Saudi Arabia is demonstrating how digital infrastructure can significantly enhance both operational efficiency and visitor satisfaction.

Smart logistics have become equally critical. Managing the movement of millions of pilgrims within a limited geographical area requires sophisticated planning and real-time coordination. Advanced crowd-management systems, digital permits, biometric verification technologies and data-driven monitoring tools are increasingly being deployed to improve safety and reduce congestion.

The importance of these innovations has become even more evident in recent years as authorities work to address climate-related challenges. Following severe heat conditions that affected pilgrims during previous Hajj seasons, Saudi Arabia expanded cooling systems, shaded walkways and environmental management initiatives throughout key pilgrimage zones. Massive cooling infrastructure and expanded shaded areas are now helping to reduce health risks associated with extreme temperatures.





Healthcare technology is another area receiving significant attention. The Kingdom has invested heavily in medical infrastructure designed specifically to support large-scale religious gatherings. Enhanced emergency response systems, digital health monitoring, specialised medical facilities and expanded health insurance coverage for international pilgrims are all contributing to a more resilient pilgrimage ecosystem.

A recently introduced health insurance framework for overseas pilgrims reflects Saudi Arabia's broader commitment to visitor welfare. The initiative strengthens healthcare access while providing greater confidence to international travellers and pilgrimage operators alike.



The integration of healthcare and technology also aligns with wider GCC ambitions to become global leaders in smart-city development and digital public services. Across the Gulf, governments are increasingly leveraging artificial intelligence, data analytics and automation to improve tourism experiences, strengthen infrastructure management and support economic diversification strategies.

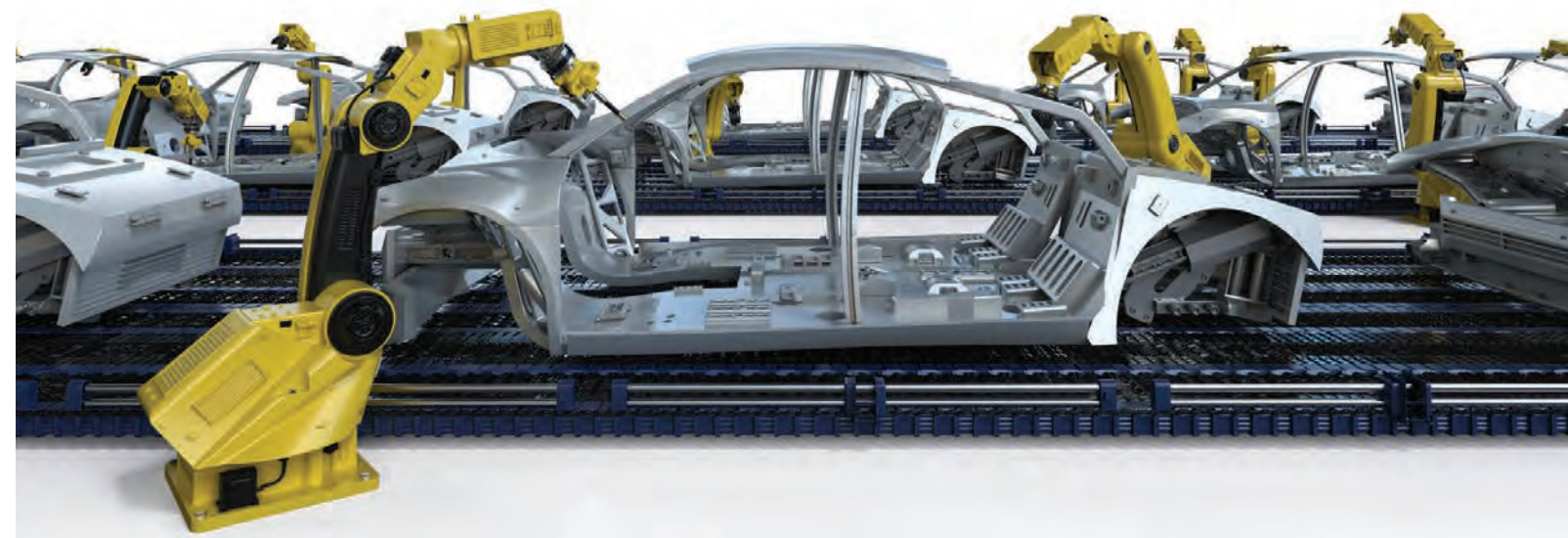
Importantly, the continued growth of religious tourism is creating opportunities that extend far beyond pilgrimage activities themselves. Hotels, airlines, retail operators, technology providers, healthcare companies and infrastructure developers are all benefiting from rising visitor numbers. The result is a more diversified economic ecosystem capable of generating employment, attracting foreign investment and reducing reliance on hydrocarbons.

The GCC's tourism success therefore represents more than a recovery story. It reflects a structural shift in how Gulf economies are positioning themselves within the global marketplace. While geopolitical uncertainty remains a reality, the region's leading tourism destinations are proving that long-term investment, strategic planning and technological innovation can outweigh short-term disruptions.

For Saudi Arabia in particular, the expansion of the religious tourism economy illustrates how traditional strengths can be modernised to support future growth. By combining centuries-old pilgrimage traditions with cutting-edge logistics, digital platforms and advanced healthcare systems, the Kingdom is creating a model that could redefine large-scale religious tourism worldwide.

As regional competition intensifies and global travel patterns continue to evolve, the GCC's ability to sustain tourism growth amid uncertainty may become one of the region's most significant economic achievements. The continued expansion of Saudi Arabia's Hajj and Umrah ecosystem suggests that faith-driven travel, supported by modern infrastructure and technology, will remain a powerful force shaping the Gulf's economic future for years to come.

SUPPLY CHAINS ARE REWIRING: VIETNAM, THAILAND, AND MEXICO ARE THE NEW ANCHORS



For three decades, global supply chains ran on one simple idea: move manufacturing to China, cut costs to the bone, and accept the risk of depending on a single country. That bet has now turned costly, at least, visibly, and that too at scale.

Companies restructuring their production networks are not reacting to one crisis. They are responding to years of US-China tariff battles, pandemic-driven bottlenecks, and a geopolitical climate where heavy reliance on a single country is no longer insurable. Three countries are absorbing the bulk of that redirected investment, namely, Vietnam, Thailand, and Mexico.

Vietnam: From Assembly Hub to Indispensable Node

Vietnam's economy grew 8.02% in 2025. Manufacturing and processing led that charge, expanding by 9.97%, the sector's best performance since 2019. Foreign direct investment into Vietnam hit roughly \$38.42 billion during the year, securing its place as a regional production powerhouse. Disbursed FDI climbed to \$27.62 billion, up 9% YoY and a five-year high. Over 4,000 new projects were registered, bringing freshly committed capital of \$17.32 billion.

The appeal is no longer just cheap labour, though that still matters. The average Vietnamese factory worker

earns around \$2.99 per hour, less than half of China's \$6.50. For textiles, electronics assembly, and automotive parts, that gap translates into real savings. But Vietnam's stronger, longer-lasting edge lies elsewhere. It has 16 active free trade agreements granting preferential access to over 60 countries, covering roughly 60% of global GDP. That trade architecture gives Vietnam-based exporters tariff advantages that regional rivals simply cannot match overnight.

The electronics segment is the clearest evidence of structural integration rather than cyclical opportunity. Samsung now manufactures approximately half of its global smartphone volume across two facilities near Hanoi. Vietnam's manufacturing PMI climbed to 54.2 in March 2026, its highest reading in eighteen months, with new orders, output, and employment all contributing positively. The March reading came alongside government data showing a record month for manufactured goods exports, driven by electronics predominantly destined for North American and European markets.

The candid assessment for procurement strategists, however, is that Vietnam's supply chain depth remains uneven. Vietnam is the right place to assemble products, but not yet the right place to source precision-machined components. If the future inflow of FDI remains concentrated in assembly, the country remains vulnerable to

the same component disruptions as before, with the Chinese supply chain wearing a different country-of-origin label. The critical test is whether FDI shifts toward component manufacturing: PCBs, castings, precision-machined structural parts. The direction is right; the depth is still being built.

Thailand: The Sophisticated Middle Power

Thailand's pitch to global manufacturers differs from Vietnam's and is increasingly more compelling at the higher end of the value chain. Thailand officially reclaimed a position within the top 20 of the 2026 Kearney Foreign Direct Investment Confidence Index. The impact of the China-plus-one strategy is evidenced by a 29% increase in manufacturing FDI since the pandemic. Chinese investment alone has grown by 35% as firms relocate production of electric vehicles and electronics to Thailand's industrial estates.

The Eastern Economic Corridor is the centrepiece of the industrial transformation. The EEC has attracted cumulative investments totalling more than 1.35 trillion baht (\$37 billion). Laem Chabang Port handled over 9.46 million TEUs in 2024, and a 115-billion-baht national transport stimulus is expanding rail and road networks, further integrating the corridor with China, Vietnam, and Malaysia.

Thailand's automotive legacy of producing more than two million vehicles per year makes it a supplier ecosystem that no Southeast Asian competitor can match for the transition to electric mobility. Investors no longer see Thailand as a low-cost manufacturing alternative but as a sophisticated middle power offering a unique combination of geopolitical neutrality, competitive infrastructure in the Eastern Economic Corridor, and a talented workforce. In the 2026 Kearney survey, 34% of senior executives cited Thailand's workforce as a primary driver for their investment commitment.



The emerging semiconductor ambition adds another dimension. Thailand is moving decisively in 2025 to elevate its role in the global semiconductor value chain, shifting from a primarily downstream electronics focus to higher-value advanced packaging, power electronics, and selective front-end capacity, with the BOI offering long tax holidays, tariff exemptions, and fast-track facilitation for targeted industries.

Mexico: The Nearshoring Arithmetic That Works

Mexico operates on a different logic from its Asian counterparts, and that logic is becoming harder to ignore. Average US tariffs on Chinese imports stood at 57.6% in mid-2025, while USMCA-compliant Mexican goods entered the US at effectively zero tariffs. Mexico's fully fringed assembly labour cost of \$6.51 per hour compares favourably to China's \$7.87 per hour, and two-day land transit versus 36 days by sea makes the logistics case self-evident.

Mexico is now the largest source of US imports, supplying \$466.6 billion in 2024 and capturing 15.8% of all US imports, while China's share declined from 21.6% to 13.2% over the same period. Between 2018 and 2025, cumulative FDI in Mexico increased by an estimated 69%.

USMCA utilisation surged from 45% to 89% between January and November 2025, insulating compliant exporters from tariffs. The July 2026 USMCA joint review is the year's most consequential trade policy event, with outcomes that could tighten Chinese-content rules and reshape industrial supply chains across northern Mexico.

The risks are real and acknowledged. Tariff policy under the current US administration has been volatile, with 25% IEEPA tariffs being imposed and then partially retraced. Also, the USMCA review creates uncertainty about the durability of the current rules-of-origin regime. Morgan Stanley argues that Mexico's long-term investment outlook hinges increasingly on domestic economic reforms and private investment growth, not merely on the nearshoring thesis.

What the Rewiring Actually Means

These three countries are not interchangeable. Vietnam serves as an Asian-market-oriented electronics and apparel supply chain. Thailand serves the automotive, hard-disc drive and, increasingly, EV components sectors, drawing on its deep regional supplier base. Mexico serves North American end-markets in automotive, aerospace, medical devices, and consumer electronics, with logistics advantages no Asian competitor can overcome through cost alone.

What they share is the quality of being structurally embedded enough in global production networks that the rewiring now underway is not reversible on a short time horizon. Samsung cannot move its Hanoi smartphone operations back to China in a quarter. The automotive tier-one suppliers in Monterrey and Saltillo have multi-decade

“THESE THREE COUNTRIES ARE NOT INTERCHANGEABLE. VIETNAM SERVES AS AN ASIAN-MARKET-ORIENTED ELECTRONICS AND APPAREL SUPPLY CHAIN. THAILAND SERVES THE AUTOMOTIVE, HARD-DISC DRIVE AND, INCREASINGLY, EV COMPONENTS SECTORS, DRAWING ON ITS DEEP REGIONAL SUPPLIER BASE. MEXICO SERVES NORTH AMERICAN END-MARKETS IN AUTOMOTIVE, AEROSPACE, MEDICAL DEVICES, AND CONSUMER ELECTRONICS, WITH LOGISTICS ADVANTAGES NO ASIAN COMPETITOR CAN OVERCOME THROUGH COST ALONE.”

infrastructure commitments. Thailand's EEC has attracted \$37 billion in cumulative investment, which yields returns only at scale and over time.

The era of the single-country production thesis is over. In its place, companies are building portfolios of manufacturing geography, hedged by region, end market, and geopolitical alignment. Vietnam, Thailand, and Mexico are where the largest bets are landing.



CAMBODIA AT THE HEART OF ASIA-PACIFIC'S INFRASTRUCTURE REVOLUTION: HOW INVESTMENT AND LOGISTICS ARE RESHAPING A RISING ECONOMIC POWER

Across the Asia-Pacific region, a new era of infrastructure-led growth is unfolding. Governments, development banks and private investors are committing unprecedented levels of capital to transport networks, logistics systems, industrial corridors and digital connectivity projects designed to strengthen economic resilience and accelerate trade. At the centre of this transformation sits Cambodia, a country that has evolved from a frontier market into one of Southeast Asia's most closely watched investment destinations.

As regional infrastructure commitments approach tens of billions of dollars and major connectivity programmes gain momentum, Cambodia is emerging as a strategic beneficiary of the Asia-Pacific's infrastructure revolution. Record investment inflows, expanding trade corridors and ambitious logistics projects are positioning the country as a critical gateway between some of Asia's fastest-growing economies.

The broader Asia-Pacific infrastructure transformation is being driven by a combination of economic necessity and geopolitical opportunity. Rapid urbanisation, growing middle-class consumption, supply-chain diversification and the need for climate-resilient infrastructure have encouraged governments and investors to prioritise long-term capital expenditure. Regional institutions increasingly view modern transport and logistics networks as essential foundations for sustaining economic growth and attracting foreign direct investment.

Within this regional landscape, Cambodia has established itself as one of the most dynamic growth stories. The country's economic expansion has been supported by a deliberate strategy centred on infrastructure modernisation, industrial diversification and stronger integration into regional supply chains. Recent years have seen growing investor confidence across manufacturing, logistics, construction, technology and export-oriented industries, helping Cambodia maintain

strong growth prospects while many economies continue to navigate global uncertainty.

A key driver behind this momentum has been the surge in investment inflows entering the Cambodian economy. The country has attracted significant commitments from regional and international investors seeking access to Southeast Asia's expanding consumer markets and manufacturing ecosystems. Improved investment regulations, public-private partnership frameworks and targeted industrial policies have strengthened Cambodia's appeal as a destination for long-term capital. Reports indicate that approved investment projects reached record levels in recent years, reflecting growing confidence in the country's economic trajectory and infrastructure ambitions.

Infrastructure development has become the backbone of this investment narrative. Cambodia's government has recognised that modern transport systems and efficient logistics networks are essential for moving beyond labour-intensive industries and building a more diversified economy. Major investments in roads, ports, airports and industrial zones are helping reduce transportation costs, improve market access and strengthen cross-border trade connectivity.

Perhaps the most significant aspect of Cambodia's transformation is the expansion of its logistics and trade corridors. The nation occupies a strategically valuable position between Thailand and Vietnam, two of Southeast Asia's largest manufacturing and export economies. This geographical advantage allows Cambodia to function as a vital link within the Greater Mekong Subregion and broader ASEAN supply chains. Policymakers have increasingly focused on leveraging this position through investments that connect domestic production centres with regional and global markets.

One of the most visible examples is the continued development of expressway networks and cross-border transport corridors. Enhanced road infrastructure is reducing

travel times, improving freight efficiency and creating stronger connections between industrial hubs, ports and neighbouring countries. The ongoing expansion of transport corridors linking Cambodia with Vietnam and Thailand is expected to stimulate trade flows, support export growth and encourage new industrial investment along these routes.

The logistics sector itself is becoming an increasingly important contributor to economic growth. Demand for warehousing, distribution centres, cold-chain facilities and integrated supply-chain services has risen alongside manufacturing expansion and growing e-commerce activity. Investors are identifying opportunities not only in physical infrastructure but also in digital logistics technologies that can enhance efficiency and reduce costs across the movement of goods.

Cambodia's port and maritime infrastructure also play a crucial role in this transformation. As regional trade volumes continue to rise, improving access to international shipping routes has become a strategic priority. Investments aimed at increasing port capacity and enhancing multimodal transport connectivity are expected to strengthen Cambodia's competitiveness as an export platform and logistics hub. These developments are particularly significant for manufacturers seeking alternatives within diversified Asian supply chains.

Another important pillar of Cambodia's growth strategy is the development of special economic zones. These industrial clusters have become magnets for foreign investment by offering improved infrastructure, streamlined administrative processes and access to regional trade networks. The expansion of such zones is helping Cambodia attract higher-value manufacturing activities while creating employment opportunities and boosting export capacity.

International development institutions have also intensified their support for Cambodia's connectivity ambitions. Recent programmes focused on transport transformation, trade facilitation and corridor development aim to improve logistics efficiency, strengthen regional integration and stimulate private-sector participation. Such initiatives reinforce the view that infrastructure investment can generate broad economic benefits, including job creation, increased productivity and enhanced competitiveness.

Looking ahead, Cambodia's challenge will be to ensure that rapid infrastructure expansion translates into sustainable and inclusive growth. Efficient governance, transparent project delivery, environmental resilience and continued regulatory reform will remain essential for maintaining investor confidence. At the same time, strengthening human capital and technological capabilities will be critical if the country is to maximise the economic value generated by its expanding logistics and trade networks.

Yet the direction of travel appears clear. The convergence of Asia-Pacific infrastructure investment, record capital inflows and ambitious logistics corridor development is creating a powerful growth platform for Cambodia. As regional trade patterns evolve and supply chains become increasingly interconnected, the country is positioning itself not merely as a participant in Asia's economic transformation but as one of its emerging strategic centres.

In an era where connectivity increasingly defines competitiveness, Cambodia's infrastructure and logistics revolution may prove to be one of Southeast Asia's most consequential economic stories. The foundations being laid today have the potential to reshape the nation's economic future for decades to come, while reinforcing its role within the wider Asia-Pacific growth narrative.



FACTORY ACTIVITY RISES ACROSS ASIA DESPITE MIDDLE EAST TENSIONS

The global demand for AI has powered Asia's manufacturing sector in June, despite the economic slowdown caused by the Iran crisis. This is some much-needed relief for the region's export-dependent economies. However, despite the expansion of manufacturing activity, prices remain high, owing to supply shortages and shipping delays.

Energy shocks stemming from the Middle East conflict will have intense ramifications across Asia in the next couple of months. But, at present, all research has been favourable towards Asian economies, suggesting that the global AI investment wave will bring many gains for the region. Increasing international demand for semiconductor chips, data centre equipment and technologies is a growth engine for these Asian countries and also protects them against geopolitical upheavals and supply chain disruptions.

Three of the continent's biggest economies- China, Japan and South Korea- all reported climbing factory activity in June due to surging demand for chips, computers and other AI-related products. This was coupled with companies stockpiling to protect themselves against shortages and price rises from the US-Israel and Iran conflict.

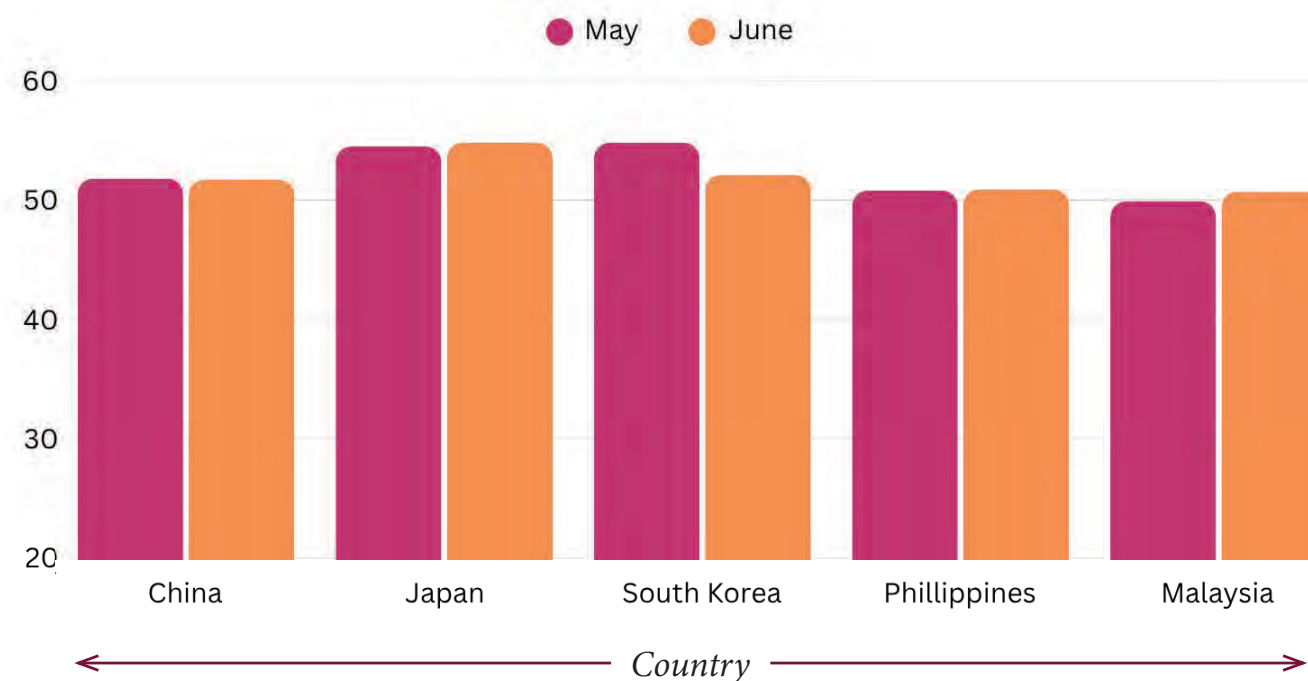
Purchasing Manager's Index (PMI) hit 51.7 in China for June, a seventh consecutive month of expansion. The PMI contracted from 51.8 in May but exceeded analysts' expectations of 51.6. Exports from the \$20 trillion economy are likely to meet international AI products and chip demand. The government must also front-load to evade the US Section 301 tariffs, which will come into effect by the end of July.

Japan also reported an expansion of manufacturing activity, recording its best quarterly performance since early 2014, as new orders grew at its fastest pace in two years. According to S&P Global, Japan's PMI rose to 54.8 in June from 54.5 in May, expanding for a sixth consecutive month. Along with output, intermediate and investment goods producers also witnessed increased activity, but consumer goods output fell for the first time in three months.

usual growth in output and new orders, while new export orders fell for the second straight month, as a consequence of the Iran conflict.

Producers have identified rising raw material prices and disruptions in the global supply chain, resulting in difficulties in sourcing and receiving inputs due to delays and shortages, as factors contributing to slowing factory activity. Analysts are raising concerns about weakening business optimism,

Purchasing Manager's Index (PMI) for Asian Economies:



However, price pressures remained high across the country. Input cost inflation remained the same as its May figure and price inflation constricted only minutely from May's multi-year high. Japanese manufacturers remain optimistic that output will increase over the next year, helped by AI demand and semiconductors and higher capital investment. However, they are exercising caution given the ongoing geopolitical tensions, rising costs, labour shortages and the weak yen.

Although South Korea reported a seventh consecutive month of manufacturing activity expansion, its PMI was 52.1 in June, a significant reduction from May's 54.8 - the highest in over five years. There was a slower-than-

which has fallen to its lowest level since November 2025. This points to two crucial problems- the health of the domestic economy and the potential for raw material prices to remain higher for a considerable time period.

Factory activity in other Asian economies also followed a similar expansionist trend. In the Philippines, there was a slight increase to 50.9 in June from 50.8 in May, and in Malaysia, the figure went to 50.7 from 49.9 in the same time period. Taiwan and Vietnam also reported increased manufacturing activity. While India also experienced increased factory activity, the expansion was at its second-slowest pace in four years in June, as falling demand in Europe caused export orders to shrink.

BACK-TO-SCHOOL SPENDING FALLS 6% IN AMERICA AMID MOUNTING ECONOMIC WORRIES

Back-to-school expenditure is forecast to drop 6% this year among US households, adjusted for inflation. A recent Deloitte survey concluded that this decline was a result of lowered consumer spending as economic uncertainty grows. The financial consulting firm projected total spending at \$30.4 billion, or \$557 per K-12 student on average, a fall from 2025's \$570 per student last year.

The survey also found that 57% of consumers believe that the economy will worsen over the next six months, the highest share since the 2020 pandemic era. Deloitte suggests that families must prioritise necessities like clothing over technology items. Nearly 50% of the households studied said that they would be cutting back on dining out and other entertainment activities to afford budgets for school-related purchases.

Consumers are also capitalising on back-to-school deals earlier than ever this year, availing any discounts on backpacks, electronics and other school essentials. This trend stands out especially since higher food and gas prices are already draining the monthly budgets of

American families. However, anticipation that prices will rise closer to the beginning of the school year has consumers doing all their back-to-school shopping early in the summer. Retail giants like Amazon, Target, and Walmart have already rolled out their back-to-school promotions, turning the previously late-summer shopping cycle into a summer-long sales season.

The survey classified one-third of K-12 parents as hyper value-seekers but expects the group to spend 14% more than other shoppers. This proves that value-seeking does not always lead to lower spending. Market researchers explained that parents view back-to-school shopping with a particular intent; they are more cautious with their spending, and such value-seeking opportunities help them maximise their purchases and budgets.

While the Deloitte survey said spending will drop 6%, PwC has forecast that US households will spend an average of \$922 on back-to-school shopping this year, a 47% increase from 2025. According to the National Retail Federation, the back-to-school shopping period makes up for 2.3% of total annual US retail sales, totalling \$128.2 billion last year.



CHINA'S E-COMMERCE SLOWS AS IRAN CONFLICT INCREASES COSTS AND DECREASES DEMAND

Like most other sectors, China's e-commerce push has also slowed down as a result of the Iran crisis. As jet fuel prices surge and demand from lower-income consumers in the West shrinks, Chinese giants like Shein, Temu and AliExpress have complained that profits are inevitably threatened.

Trump tariffs and the removal of the US tariff exemption for package shipments valued under \$800 had already dented profit margins in the Chinese business model, which involves exporting clothes for as little as \$5 worldwide. Known as the de minimus exemption, this tax exemption allowed tax-free import of goods priced below \$800 into the US and has been instrumental in fostering small business growth on e-commerce marketplaces.

Delivery services like DHL Express have also hiked up service charges to make up for soaring logistics costs. While prices are increasing, the company's Chief Executive Mike Parra recently confirmed in an interview that DHL Express Europe's aviation fuel supplies are secure for the summer despite geopolitical turmoil and global scarcity concerns. Parra's reassurance was a result of easing market pressures and diversified sourcing.

China's low-cost e-commerce exports, which have been expanding for the past six years, fell 10.9% in April to \$9.81 billion. Data analysts have pointed out that this is the fifth consecutive monthly decline compared to a year ago. Exporters are conveniently pushing the cost burden onto consumers in order to protect their profit margin, as shipping costs have increased. While there is a slow decline in demand, China's producers agree that there is no need to change shipping arrangements right now.

Declining export values, along with cost compression, suggest that the big low-cost shopping platforms' period of hyper-growth may be coming to an end. Instead of exporting straight from China, producers are more likely to ship more

goods in bulk into warehouses for local distribution. Considering the price of air freight in relation to the commodity's value, this is the most suitable course of action. In most cases, air freight is nearly 60% of the cost of the clothes.

Shein has been increasing the capacity of its warehouses around Europe, and last month it opened its third location in Cannock, Britain, close to Birmingham. Despite the unpredictability of international transportation prices, Alibaba is committed to preserving value-for-money pricing for customers and offering a stable environment for sellers and buyers.

However, all hope is not lost, as the numbers are still favourable. Chinese e-commerce exports are still higher than they were two years ago, and it must be noted that Beijing began 2025 with high tariffs being levied on its outbound shipments to Washington. But analysts are warning that given the recent political and economic developments, returning to the growth recorded in the past couple of years will be challenging.

This is because both Shein and Temu have gained significant market share, and their target consumers, mainly based in the US and Europe, are pinching their pockets as petrol prices spike. To further their woes, starting July 1, these online retailers will also be hit with a 3-euro customs duty fee on low-value parcels arriving into the European Union (EU) as part of the bloc's efforts to crack down on cheap Chinese e-commerce. The duty will remain in place until a permanent solution is found to eliminate the de minimis duties exemption for online purchases below 150 euros.

According to market experts, jet fuel prices will stay inflated even after the Iran crisis is resolved. There is also speculation that if air freight becomes too expensive, these e-commerce companies may resort to alternative modes of transport or hold back some of their shipments.



HOW THE HORMUZ CLOSURE EXPOSED THE ASIAN REGION'S UNPREPAREDNESS FOR ENERGY SHOCKS

The closure of the Strait of Hormuz on March 4, 2026, was not a surprise to energy analysts. It had been modelled, war-gamed, and written about as the archetypal tail risk in global energy markets for decades. What governments, corporate supply chain managers, and financial markets were not adequately prepared for was how thoroughly the risk had accumulated across Asia. Also, how little resilience the region had built in the years when building it was still affordable.

The numbers make the exposure plain. In 2025, nearly 15 million barrels per day of crude oil, roughly 34% of global crude trade, passed through the Strait of Hormuz, most of it bound for export to Asian countries. China and India combined received 44% of those exports. Japan and South Korea were particularly reliant on flows through the strait. Around 80% of crude oil and oil products

shipped through the Strait of Hormuz are destined for Asia, as is nearly 90% of LNG. When the strait effectively closed, Asia did not lose access to a share of its energy supply. It lost access to the artery through which most of its energy travels.

The Vulnerability Gradient

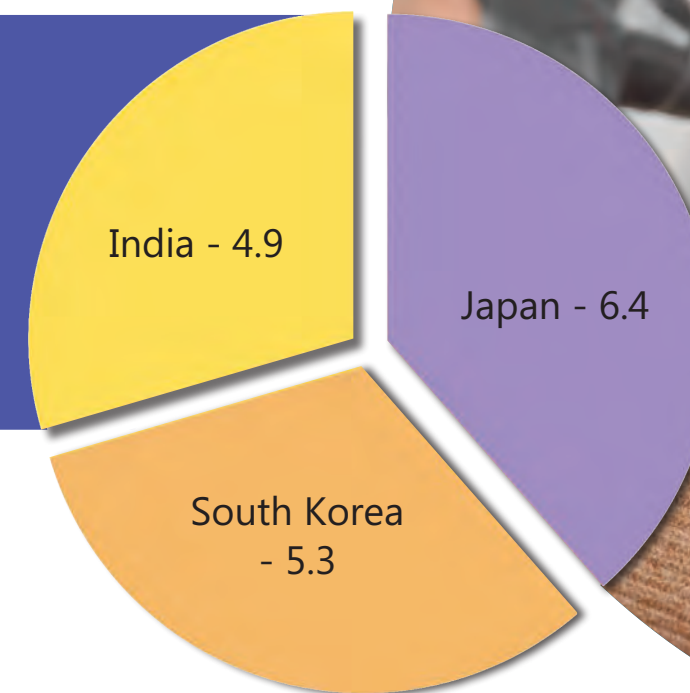
Not all Asian countries suffered equally, and the gradient of pain reveals exactly which policy choices over the past decade made the difference between managed disruption and economic emergency.

Japan depends on imported fossil fuels for 87% of its total energy use, and 95% of its crude oil imports originate from the Middle East. Japan alone imports 1.6 million barrels per day through the strait. A sustained closure would sharply expand its trade deficit, weaken the yen, and tip the economy toward over-stagflation. Korea holds about 3.5 million tonnes

of LNG and Japan around 4.4 million tonnes in reserves, enough for roughly two to four weeks of stable demand. Two weeks is the buffer standing between two of the world's largest advanced economies and energy rationing, measured before the crisis began.

In 2023, renewable energy contributed only 9% of South Korea's electricity generation, significantly below the OECD average of 33%. Japan remains the most fossil-fuel-dependent nation among the G7. Of the major Asian economies assessed, Japan has the highest risk of supply disruption from conflict in the Strait, with a risk score of 6.4. South Korea and India face similar levels of vulnerability, with scores of 5.3 and 4.9, respectively.

China occupies a structurally different position despite its scale of exposure. Despite relying on the Middle East for about half of its crude oil imports and one-third of its LNG imports in 2025, China appears relatively confident in its ability to weather the current energy crisis. China's LNG inventories as of the end of February stood at 7.6 million tons, providing short-term cover. Beijing had stockpiled aggressively in the preceding months and had been simultaneously building domestic renewable capacity and alternative pipeline routes from Russia and Central Asia.



Risk of Supply Disruption from conflict in the Strait

South Asia: LNG Surplus & Emergency Rationing

In January 2026, Pakistan had an LNG surplus. Bangladesh took delivery of its first cargo under a new 15-year supply agreement with QatarEnergy. Sri Lanka, still rebuilding from its 2022 sovereign debt crisis, was managing its energy import costs with cautious optimism. Seven weeks later, the Strait of Hormuz was effectively closed; QatarEnergy had declared force majeure at Ras Laffan, the world's largest LNG liquefaction facility; and all three countries were in emergency management mode.

Bangladesh has experienced load-shedding exceeding 1,700 MW, with up to 10 hours of daily outages in some areas during a scorching April heatwave. It had to acquire LNG cargoes at prices of \$23 to \$28 per mmbtu, compared with \$10 per mmbtu before the crisis. Bangladesh has stopped power generation from some gas-fired plants. In Bangladesh

and Pakistan, textile mills, the primary source of foreign currency earnings for both economies, face rolling blackouts and gas rationing.

The Strategic Reserve Divide

Countries in East Asia have relatively large government and commercial petroleum reserves and are more resilient to supply disruptions from the Gulf. This reserve buffer is absent across most of Southeast Asia, where the conflict has already triggered emergency demand management, including fuel rationing; mandatory remote work; even-odd vehicle days; and raised air-conditioning temperatures in government buildings.

The opportunity for fuel-switching is another dimension that differentiates resilience across Asia. India and Indonesia can partially mitigate LNG shortfalls through cheap indigenous coal for power generation. By contrast, gas dominates the domestic energy

mix in Bangladesh, Pakistan, and Singapore, where Qatar accounts for the bulk of supply, leaving those economies with no short-term substitution option.

Thailand's exposure illustrates the current-account dimension of vulnerability. Thailand has the largest net oil imports in Asia, at 4.7% of GDP, and each 10% increase in oil prices worsens the current account by around 0.5 percentage points of GDP.

The Infrastructure Trap

The policy failure behind this crisis is structural, and it long predates February 2026. South Asia's long-term LNG contracts were rational responses to the energy security problem, as it was understood at the time of signing, one defined by spot market volatility. They did not account for the scenario now unfolding: the physical closure of the corridor through which all those contracted cargoes must travel.



The renewable energy alternative is not merely an environmental argument in this context. Here, it becomes a security one. Every gigawatt of domestic solar capacity is a gigawatt that does not rely on energy sources making it through Hormuz. Solar panels and wind turbines do not expose treasuries to the pricing decisions of foreign state-owned energy companies. They do not require ships to transit a strait that can be closed.

China's Opportunity

The 2026 Middle East conflict may accelerate China's emergence as a



global provider of energy security. Especially in Asia, the region is most vulnerable to the near cessation of energy flows through the strait. China has weathered the shock through stockpiles, diversified supply chains, and rapid electrification, while positioning its clean energy technologies as solutions to regional energy security.

Before the war, China had already been investing in hydropower dams, solar farms, and factories producing electric vehicles, solar panels, and batteries in mainland Southeast Asian countries. China is also a key investor and supplier of technology for the ASEAN Power Grid project. ASEAN has committed to a target of 45% renewable energy by 2030. The crisis has concentrated political will in ways that years of climate diplomacy could not. Governments that were hedging on renewable transition timelines are now being handed a strategic rationale that cuts through domestic political resistance.

What Comes After

Even in the most optimistic scenario, two-thirds of current Gulf crude exports remain physically dependent on the strait. Iraq, Kuwait, and Qatar have no comparable bypass alternatives. The bypass infrastructure that Saudi Arabia and the UAE possess is a combined capacity of roughly 2.6 million barrels per day, which covers less than 15% of normal Hormuz throughput.

What is replaceable, over a decade-long horizon, is Asia's structural dependence on it. The crisis of 2026 has provided the region with its most expensive lesson in energy security since the 1970s oil shocks. Whether governments convert that lesson into durable policy, like diversified suppliers, larger strategic reserves, accelerated renewables deployment, and reduced lock-in to single-corridor fossil fuel supply chains, will determine how exposed their economies remain the next time a military commander in Tehran decides to test what the world can withstand.



MIDDLE EAST SHIPPING RISKS PUSH CRUDE TO A SIX-WEEK HIGH

Global oil markets have returned to the centre of investor attention as crude prices climbed to their highest level in six weeks, reflecting mounting fears that escalating security threats across key Middle Eastern shipping routes could disrupt one of the world's most vital energy supply chains. While physical oil supplies have not yet suffered widespread interruptions, the growing geopolitical uncertainty has prompted traders, refiners and shipping companies to price in a significant risk premium, underlining how vulnerable global energy markets remain to regional instability.

Brent crude, the international benchmark, has advanced sharply over recent trading sessions, while US West Texas Intermediate (WTI) has also recorded notable gains. The latest rally follows renewed attacks on commercial vessels in strategic maritime corridors, including the Red Sea and the Bab el-Mandeb Strait, alongside heightened tensions involving Iran and the United States. These developments have reignited concerns that shipping disruptions could spread beyond isolated incidents and threaten broader energy exports from the Gulf region.

The importance of these waterways cannot be overstated. The Strait of Hormuz remains the world's most critical oil transit route, carrying a substantial share of globally traded crude, while the Bab el-Mandeb Strait serves as a vital gateway linking the Red Sea with the Gulf of Aden and the Suez Canal. Any sustained disruption across these routes would increase shipping times, elevate insurance premiums and raise freight costs, all of which ultimately feed into higher energy prices for businesses and consumers alike.

Financial markets are responding less to actual supply shortages than to the growing probability that the situation could deteriorate rapidly. Energy analysts note that commodity traders typically price geopolitical risks well before physical shortages emerge. As a result, crude futures have risen despite no major collapse in production across the Middle East. The market's behaviour reflects caution rather than panic, with investors attempting to anticipate potential disruptions before they materialise.

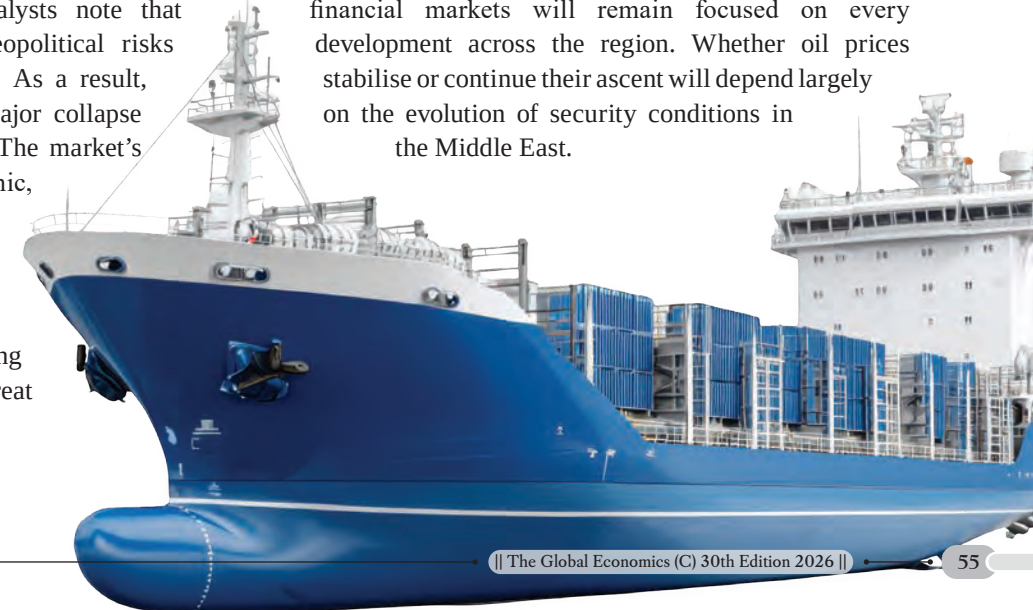
Shipping companies are also facing increasing operational challenges. The threat

of attacks on oil tankers has encouraged several operators to reassess sailing routes, while insurers continue to adjust war-risk premiums for vessels transiting the region. Higher insurance costs inevitably increase transportation expenses, adding another layer of inflationary pressure across global supply chains. Import-dependent economies in Europe and Asia are particularly exposed, given their continued reliance on Middle Eastern crude and liquefied natural gas.

Beyond the immediate impact on oil markets, the latest developments carry wider macroeconomic implications. Rising crude prices could complicate the inflation outlook for central banks that have recently made progress in stabilising consumer prices. Energy remains a key driver of inflation, influencing transportation, manufacturing and household utility costs. Should crude prices remain elevated for an extended period, policymakers may find themselves balancing inflation control against weakening economic growth, potentially delaying interest-rate adjustments in several major economies.

For global businesses, the latest surge in oil prices serves as another reminder that geopolitical stability remains fundamental to economic resilience. Energy markets have repeatedly demonstrated their sensitivity to disruptions in strategically important regions, and the Middle East continues to occupy a central position in global commodity flows. While current price movements are driven primarily by precaution rather than confirmed shortages, the situation highlights the importance of supply-chain diversification, energy security investments and risk management in an increasingly unpredictable global environment.

As governments, shipping operators and energy companies navigate this period of heightened uncertainty, financial markets will remain focused on every development across the region. Whether oil prices stabilise or continue their ascent will depend largely on the evolution of security conditions in the Middle East.



THE RECHARGE SUMMIT DEBUT MAKES SINGAPORE APAC'S NEW WIND ENERGY CAPITAL

The Suntec Singapore Convention and Exhibition Centre hosted a two-day conference on May 19, 2026. The event would have garnered more eyes if it had been held in Hamburg or Oslo. It was Singapore's debut. Powered by WindEnergy Hamburg, the RECHARGE Wind Power Summit Asia-Pacific 2026 was the nation's first wind energy summit. It was also the first time that WindEnergy Hamburg, the world's premier wind industry event with 1,600 exhibitors and 43,000 attendees from 100 countries, had gone outside of Europe.

A formal MoU signed back in November 2025 between Hamburg Messe und Congress, RECHARGE by DN Media Group, Enterprise Singapore, and the Singapore Tourism Board led to the decision to hold the summit in Singapore. Dr Peter Tschentscher, the first mayor of Hamburg, and Mr Lee Chong Hock, Singapore's ambassador to Germany, were present at the signing. The agreement called for Singapore to host wind energy exhibitions and conferences through 2029, culminating in the three-day WindEnergy Asia-Pacific event in 2027 and 2029. With support from the government and business community, the city-state is being formally positioned as Asia-Pacific's long-term institutional home for wind energy.

Why Singapore and Why Now?

The selection of Singapore needs to be justified. According to its own government, Singapore is a disadvantaged nation when it comes to alternative energy. It is 728 square kilometres in size, lacking significant wind resources and is unable to construct the offshore wind farms that South Korea, Vietnam, Australia, the Philippines and Japan are actively developing at scale. It has established headquarters for many of the most important energy companies in the region; a world-class marine and offshore energy industry developed over decades in oil and gas; a regulatory environment designed for financial and professional services; and a government that has consciously chosen to position the city-state as the services, finance and technology hub for the APAC energy transition, which is extracting significant economic value from proximity to large and rapidly expanding markets without being directly involved in the primary activity those markets are organised around.

In his opening remarks, Singapore's Minister of Energy, Science and Technology, Dr Tan See Leng, made this reasoning clear. He said that the wind industry's realisation that Asia-Pacific will write the next chapter of the energy transition was reflected in the summit. Instead of constructing wind farms, Singapore would contribute in three areas: capabilities, innovation and collaboration. This framework served as the foundation for all three of the government's significant summit announcements.

The Summit: Chasing the Market

There is strong evidence to support the business case for a permanent APAC wind industry event in Singapore. The total installed wind capacity worldwide reached nearly 1300 GW in 2025, the highest level ever recorded, with a 40% annual growth in new wind energy capacity. By European standards, this is sufficient to power more than one billion households. In just forty years, the industry has grown from a specialised experimental technology in the 1970s to a significant global energy source, and its rate of expansion is quickening. Over the next five years, at least 60% of new onshore wind installations will be located in Asia. Furthermore, the global capacity is expected to increase at a 5.2% CAGR. In particular, the GWEC projects 193 GW of new APAC offshore capacity for offshore wind over the course of the decade to 2035, with 41% anticipated between 2026 and 2030 and the remaining portion between 2031 and 2035.

Diversification outside of China is the structural change that distinguishes this market moment. Over 80% of APAC's offshore wind capacity currently comes from China, but as GW-scale projects in South Korea, Japan and Vietnam come online, China's share is expected to drop to 72% by 2035. South Korea and Japan have already conducted auctions, and the first projects are anticipated to start producing electricity in 2026. Australia has granted its first licences for offshore wind feasibility. The Philippines' first auction procedure has been made public. With a 16% compound annual growth rate (CAGR), the APAC ex-China offshore market is expected to grow from its current installed capacity of about 6 GW to 21 GW by 2030 and 220 GW by 2050. The need for a regional gathering place is urgent and practical for developers, manufacturers, installation vessel operators, financiers and professional services firms involved in this buildout.



What Singapore Declared During the Summit

During the summit's opening, Singapore announced two specific initiatives. The first was the updated Marine and Offshore Energy Industry Digital Plan, which was created by Enterprise Singapore and the Infocomm Media Development Authority to assist businesses in implementing digital and artificial intelligence solutions for operations, asset monitoring and product design. The ecosystem this plan supports is already commercially active at scale: Marco Polo Marine has developed a specialised vessel that is currently deployed in Asia to support the construction of offshore wind farms, and Seatrium is on track to contribute over 16 GW of offshore substation capacity throughout Europe, the US and Asia-Pacific. The strategy is intended to improve this ecosystem's competitive position as the local market expands.

The second project was CATALYST, a collaboration between the NUS AI Institute and the Technology Centre for Offshore and Marine Singapore, with funding from Enterprise Singapore. CATALYST will create AI models for the marine and offshore energy sector, with an emphasis on speeding up vessel and floating structure design cycles, aided by virtual testing environments and fostering predictive maintenance through digital twin platforms fed by operational data. In an industry where upfront costs have historically favoured large incumbents, the virtual testing sandbox significantly lowers the capital and engineering risk of design decisions before physical commitment for SMEs.

The Japan Partnership and Floating Wind

The MOU between TCOMS and Japan's Floating Offshore Wind Technology Research Association, or FLOWRA, a developer-led group of significant Japanese energy companies dedicated to commercialising floating offshore wind, was the most strategically significant announcement. Because the shallow-water seabed conditions that make

fixed-foundation turbines feasible in most of Europe's coastal waters do not exist in a significant portion of Asia, floating technology is particularly important in the region.

Japan is surrounded by shallow waters along much of its coastline. This makes floating wind a practical necessity rather than a luxury. However, Japan contributes years of experience with floating wind research and pilot projects, while TCOMS contributes expertise in marine engineering and systems integration. For moving ahead with the commercialisation of pathways, both partners need to prioritise minimising costs and improving credibility. This would also aid in building the supply chain infrastructure required for project-scale deployment throughout the region. The TCOMS-FLOWRA MOU comes after TCOMS and the UK's Offshore Renewable Energy Catapult partnered in November 2025, transforming TCOMS into a legitimate node in the global floating wind research network.

Standards, Supply Chain and Summit's Institutionalisation

Additionally, Singapore is contributing to international technical standards that will support large-scale offshore wind. A joint working group of experts from Enterprise Singapore has joined IEC Technical Committee 88. It is a global organisation in charge of standards for wind energy generation systems. This includes turbine design, site evaluation, power quality and simulation technologies. Participating in standards gives Singapore's engineering community early insight into the direction of the regulatory landscape. This will further translate into advantages in supply chains that are calibrated to those standards.

Supply chain scaling is the key obstacle to achieving the region's potential for offshore growth, according to the GWEC's most recent APAC assessment. The capacity of crew transfer vessels must increase from about 43 in 2025 to more than 60 by 2030. However, APAC ex-China lacks enough wind turbine installation vessels that can handle the biggest turbine classes. Shipyards and offshore engineering companies in Singapore are well-positioned to fill some of that gap.

Singapore's hub position systematically translates into economic participation in a regional market that it cannot generate on its own, and the RECHARGE Summit establishes a permanent annual forum where developer demand signals manufacturer capabilities, and available capital can meet in a structured commercial environment. This provides the institutional infrastructure within which conversations develop into transactions.

NINE COUNTRIES SIGN ONE AGREEMENT FOR THE LARGEST GREEN POWER PLANT IN THE EU

The North Sea has been home to a fossil fuel basin for over a century. Norway, the UK and the Netherlands have extracted enormous wealth from there. The major credit for becoming wealthy energy exporters should be given to their still-functioning rigs, pipelines and platforms. However, nine countries sat together in Hamburg on January 26, 2026. They agreed to build a different future for the same waterway, transforming the North Sea into a unified renewable hub. They plan to build hybrid parks and improve electricity connectivity to gain strategic resilience.

A key goal of the Hamburg Declaration, signed by Belgium, Denmark, France, Germany, Iceland, Ireland, Luxembourg, the Netherlands, Norway, and the UK, besides the European Commission and NATO, is to connect up to 100 GW of offshore wind capacity across borders to deliver at least 300 GW of total North Sea offshore wind by 2050.

During the first North Sea Summit, the German Chancellor Friedrich Merz made a transparent correlation between the offshore expansion and European geopolitical independence, both from Russian gas and from the changing transatlantic relationship. This makes the North Sea more than just a clean energy source and more of a solution to strategic vulnerability.

Declarations & Machinery

The multilateral framework supporting the summit process, the North Seas Energy Cooperation, was built by a political proclamation back in 2016. Its goal was to foster grid interconnection throughout the region and enable economic viability for the deployment of offshore renewable energy projects. The first summit was held at Esbjerg in May 2022, when Belgium, Denmark, Germany and the Netherlands agreed on a partnership on offshore wind targets. A second summit was held at Ostend in April 2023, which added five more countries to

the target, raising the objective to 120GW by the end of this decade and 300GW by the middle of this century. The third was held at Hamburg, leading to the version of the Hamburg Declaration.

In November 2025, the NSEC made a joint statement at Ostend to commemorate its 15th anniversary, also aimed at laying the groundwork for Hamburg. Hamburg was created to construct operational architecture around the objective numbers set by the Ostend Declaration, including financing tools, interconnection governance, security measures and hydrogen infrastructure.

A fundamental change in the way offshore wind is organised can be seen in the Hamburg Declaration's commitment to cross-border interconnection of up to 100 GW. They have national power-generating assets which are radially connected to domestic grids. These form a base for a shared transnational resource that transports power across

the North Sea based on current demand and price conditions, and are radially connected to domestic grids. Additionally, the declaration promotes offshore hydrogen production as a backup output for wind power that grids are unable to handle during peak hours, transforming excess electricity into a fuel that can be transported and stored. Additionally, it calls for multilateral support to safeguard offshore cables and platforms against physical, cyber, and hybrid attacks, framing energy infrastructure as a collective defence issue.

Commitments made in the Investment Pact

The North Sea Offshore Wind Investment Pact was signed in conjunction with the Hamburg Declaration by governments, transmission system operators, and the offshore wind sector. It estimates 91,000 jobs to be created with the investment of €9.5 billion in the European supply chain by 2030. The agreement commits signatories to a stable offshore

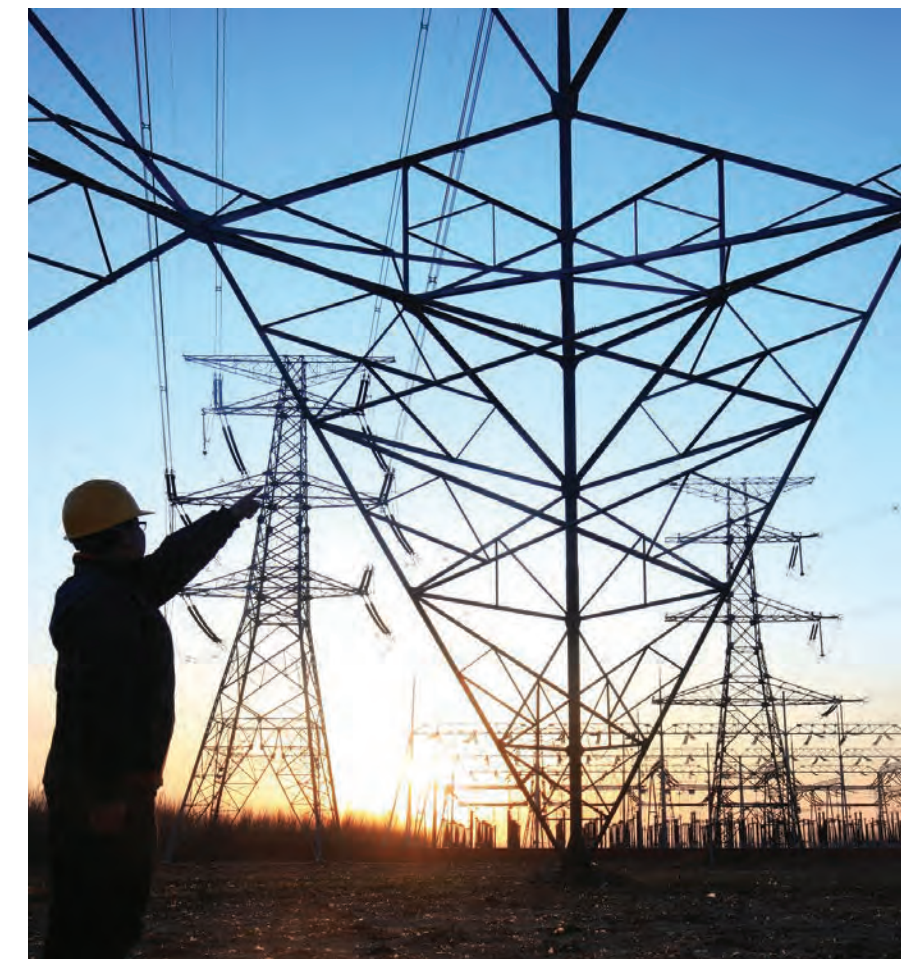
wind tender pipeline beyond 2030. This is done to achieve the objective of an annual installation rate of 15GW between 2031 and 2040. This target figure is derived from its ability to help reach 300GW by 2050. The goal is to construct the biggest energy hub in the world, according to German Energy Minister Katherina Reiche.

Germany and Denmark have decided to partner for the development of Bornholm Energy Island, a hybrid electricity hub on the Danish island of Bornholm. This will transport offshore wind power to both countries. The European Commission had already supported the project with €645 million through the Connecting Europe Facility, the largest single grant in that energy infrastructure funding round.

The GriffinLink interconnector between the UK and Germany was announced by National Grid and TenneT Germany. The UK, Germany, Belgium, Denmark and the Netherlands have signed a statement of intent on an interconnected offshore renewable energy grid that covers future cross-border transmission network architecture as well as cooperation projects.

The Disparity Between Current Rate and Commitment

Europe had about 37GW of installed offshore wind capacity as of early 2026. The intermediate 2030 target is 120GW. According to a Boston Consulting Group analysis, North Sea countries would need to increase their expansion rates



sevenfold from their current pace to reach it. Rising investment costs, supply chain limitations in turbine manufacturing foundations and installation vessels, as well as auction architecture, create too much price uncertainty for developers to commit capital to long-horizon projects. These form the major reasons behind the shortfall, as per industry executives.

The UK's offshore wind auction in January 2026 secured 8.4GW of new capacity. This became the largest single auction in European history. It is estimated to unlock £22 billion in private investment and generate 7000 direct jobs. This represents that when policy signals are credible, markets react accordingly. The Contracts for Difference (CfD) scheme was reconstructed for that auction, and strike prices were adjusted to reflect current cost realities. CfDs and power purchase agreements are the tools that NSEC nations will use to construct investment frameworks according to the Hamburg Declaration. The main operational issue that the agreement does not yet completely address is coordinating that across nine national regulatory systems, each of which has its own grid operator, maritime spatial planning regime, and permitting timeline.

Security Hydrogen and the Unbuilt

For the first time in the summit series, NATO's attendance in Hamburg is practically significant. European governments have determined that subsea energy infrastructure demands to be taken up on a priority basis due to its security concerns, especially after the 2022 Nord Stream sabotage and other incidents involving Baltic Sea cables. This conclusion is



operationalised by the declaration's emphasis on multilateral infrastructure monitoring. It has also included standardisation of HVDC infrastructure components for quick repair and easy maintenance. According to Dan Marks of the Royal United Services Institute, offshore interconnection is comparable to collective defence as it increases overall resilience but generates mutual dependencies that need to be actively managed. Offshore cables and turbines are designed, financed and protected differently after their framing under the security architecture.

A specialised support group on offshore renewable hydrogen was formed by the NSECs under their 2025–2027 work programme, which started its operation in 2025. By pledging to build infrastructure for offshore production, transportation and storage in addition to the electrical network, Hamburg has ensured the strengthening of the entire network. It was done to accommodate the additional 300GW of generation capacity, as power cables alone cannot handle such a load.

In order to absorb excess production, decarbonise difficult-to-electrify industrial processes

and replace imported fossil fuel molecules, green hydrogen is required. Electricity, hydrogen and financing frameworks will all be integrated into a cohesive regional plan through an interconnection roadmap that must be finished before the next summit.

Formally, the North Seas Energy Cooperation is still not mandated as legally compliant. The investment agreement, therefore, has no means of enforcement. In all nine jurisdictions, maritime spatial planning that finalises the locations for turbine construction and cable routing remains a national competency. The Hamburg Summit accomplishes what the Esbjerg-to-Ostend sequence established as a pattern. The goals of each round are now translated into increasingly more tangible architecture. Over the course of the next 25 years, the 300GW target will either be met or not at the project level in nine countries' finance committees, fabrication yards and permitting offices. Up till January 2026, the political framework has been more complete than it has ever been in the ten-year history of the cooperation.

TECHNOLOGY

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WHY JAPAN'S FOOD-TECH REVOLUTION IS BECOMING THE RESTAURANT INDUSTRY'S BIGGEST INVESTMENT

Japan has long been recognised as a global pioneer in combining technology with everyday life. From the invention of conveyor-belt sushi to vending machines serving hot meals, the country's food service industry has consistently embraced innovation. However, a new chapter is unfolding in 2026. Faced with one of the world's most severe labour shortages, rising operating costs and an ageing population, Japan's restaurant sector is making one of its biggest strategic investments yet—advanced robotics and artificial intelligence.



for physically demanding kitchen and service roles. At the same time, wage inflation and changing consumer expectations have increased operational costs, forcing businesses to seek more sustainable solutions. Recent government projections indicate that demographic pressures will continue reducing the available workforce over the coming decades, making productivity-enhancing technologies increasingly essential.

Unlike previous waves of automation that focused

What was once viewed as a futuristic novelty has become a commercial necessity. Robots are no longer confined to greeting customers or delivering dishes across dining rooms. They are preparing meals, monitoring food quality, assisting chefs, managing inventory and even learning new tasks through AI-powered systems. For investors, technology providers and restaurant operators alike, Japan's food-tech revolution is rapidly transforming into one of the country's most compelling business opportunities.

The shift is being driven by economic realities rather than technological enthusiasm alone. Japan's shrinking workforce continues to place immense pressure on the hospitality industry. Restaurants across the country have struggled to recruit enough employees, particularly

mainly on manufacturing, today's restaurant robotics are designed to work alongside human employees. AI-powered serving robots navigate crowded dining spaces, automated cooking systems prepare meals with remarkable consistency, and intelligent kitchen assistants reduce food waste through real-time monitoring. Rather than replacing staff entirely, these technologies are allowing restaurants to redeploy workers towards customer service, menu innovation and hospitality, areas where human interaction remains irreplaceable.

Major restaurant groups have already demonstrated that automation can improve both efficiency and profitability. Chain restaurants are increasingly deploying robotic waiters capable of carrying multiple dishes simultaneously while reducing staff fatigue during



peak dining hours. Automated fryers, noodle preparation systems and beverage stations are also becoming more common, enabling restaurants to deliver consistent quality regardless of staffing levels. Japan now stands among the world's leading adopters of restaurant automation, with robotic sushi outlets, ramen kitchens and automated izakayas becoming increasingly familiar across major cities such as Tokyo and Osaka.

The investment opportunity extends well beyond restaurants themselves. Technology developers, AI software companies, robotics manufacturers, semiconductor suppliers and cloud computing providers all stand to benefit from the growing demand for intelligent food-service systems. This broader ecosystem is attracting significant public and private investment as Japan positions itself at the forefront of physical AI development.

A major milestone arrived in July 2026 when Nvidia announced partnerships with Japanese robotics leaders including Fanuc, Yaskawa Electric, Kawasaki Heavy Industries and Fujitsu to accelerate the development of AI-powered robots capable of working safely alongside humans. The initiative reflects Japan's ambition to combine its world-class robotics expertise with next-generation artificial intelligence, creating systems that can adapt to changing environments instead of simply following pre-programmed instructions. The collaboration also aligns with the country's broader strategy to strengthen AI-

driven economic growth while addressing chronic labour shortages.

For restaurant operators, the financial case for robotics has become increasingly persuasive. Although initial installation costs remain significant, businesses are beginning to realise meaningful long-term savings through lower labour expenses, improved operational efficiency and reduced food waste. Robots can operate continuously without fatigue, deliver highly consistent food preparation and minimise costly human errors. They also generate valuable operational data that enables managers to optimise staffing schedules, ingredient purchasing and menu planning.

Food safety represents another powerful advantage. Automated food preparation reduces unnecessary human contact with ingredients while AI monitoring systems can identify irregularities during cooking processes in real time. These capabilities help restaurants maintain higher hygiene standards, an increasingly important consideration following the global pandemic and rising consumer awareness surrounding food safety.

Consumers have also become more accepting of robotic assistance than many industry analysts initially predicted. Rather than viewing automation as impersonal, many diners see it as part of Japan's distinctive technological culture. In fact, robotic service has evolved into a unique attraction, particularly for international visitors seeking

memorable dining experiences. Restaurants featuring intelligent service robots frequently generate social media attention, effectively transforming automation into a marketing asset that attracts new customers.

Investment momentum is unlikely to slow. Market analysts expect global restaurant robotics to expand steadily throughout the coming decade, driven by increasing demand for automation, AI integration and labour-saving technologies. Japan remains one of the strongest contributors to this growth, supported by its mature robotics industry, highly advanced engineering capabilities and favourable government policies encouraging digital transformation.

Government support is becoming an increasingly important catalyst. Japan recently outlined ambitious plans to accelerate the adoption of physical AI across multiple industries, including food manufacturing and hospitality. National investment initiatives aim to strengthen domestic AI infrastructure, robotics research and advanced semiconductor production while encouraging closer collaboration between technology companies and industrial partners. These policies recognise that intelligent automation is no longer simply an industrial upgrade but a strategic economic priority.

Nevertheless, the transition is not without challenges. Smaller independent restaurants often struggle with the substantial upfront costs associated with robotic systems. Many operators also require technical support to integrate AI platforms into existing kitchen workflows. Cybersecurity, software maintenance and employee training have emerged as additional considerations as restaurants become increasingly reliant on connected technologies. Furthermore, maintaining the personal warmth and hospitality that define Japanese dining culture remains essential, ensuring that technology enhances rather than diminishes the customer experience.

Industry experts increasingly believe that the future belongs to hybrid restaurants where humans and intelligent machines complement one another instead of competing. Chefs will continue to focus on creativity, customer engagement and culinary innovation, while robots undertake repetitive, physically demanding or highly standardised tasks. This balanced model enables businesses to preserve authentic hospitality while improving operational resilience and profitability.

The broader implications extend far beyond Japan. Countries across Europe, North

America and Asia-Pacific are monitoring Japan's progress closely as they confront similar demographic pressures and labour shortages. Successful deployment of AI-powered restaurant technologies in Japan could establish a blueprint for the global hospitality industry, encouraging widespread investment in robotics, automation software and intelligent kitchen infrastructure.

Ultimately, Japan's food-tech revolution is about far more than robots serving meals. It represents a strategic response to structural economic challenges through innovation, productivity and long-term investment. By integrating artificial intelligence with world-leading robotics expertise, Japan is reshaping the future of food service while creating substantial commercial opportunities across technology, manufacturing and hospitality.

As restaurants evolve from labour-intensive businesses into technology-enabled operations, robotics are no longer viewed as experimental equipment. They have become critical business assets capable of improving efficiency, supporting profitability and safeguarding long-term growth. In doing so, Japan is once again demonstrating that the future of hospitality may not simply be about serving better food—it may be about serving it smarter.



THE NEXT BATTLEGROUND FOR INSURANCE COVERAGE WILL BE AI

Over 82% of US commercial liability coverage is based on the standardised policy forms published by the data analytics firm Verisk. The company has introduced an optional endorsement plan to allow carriers to completely remove claims for property damage, advertising injury, and bodily injury arising due to generative AI from commercial general liability policies. Neither did any lawmakers cast a ballot, nor did any regulatory body publish a guideline. However, the actual impact on business AI risk might be greater than any legislation enacted globally this year.

The action brought to light a conflict that has been developing in the sector for the past two years. It is that AI has become too ubiquitous to ignore and too erratic for many underwriters to cover. AI is transforming the insurance sector, and there is no question about it. The question still remains whether insurers will mitigate the risks associated with AI or choose to ignore them.

The Retreat for Legacy Carriers

The Verisk recommendations were based on solid reasoning. The biggest names in the industry saw AI as essentially uninsurable under traditional frameworks.

This was evident by the fact that AIG, WR Berkley, and Great American had all applied for regulatory approval in the months before to remove AI-related liabilities from their corporate policies. The broad language put forth by WR Berkley would prohibit coverage for “any actual or alleged use, deployment, or development of Artificial Intelligence,” which would include any goods or services offered by businesses that merely use the technology. In its regulatory filings, AIG went further and warned that generative AI is a “wide-ranging technology” where claims will “likely increase over time” and acknowledged that many actuaries feel the potential exposure is limitless.

These companies do not have abstract concerns. US lawsuit filings about AI, according to a joint report by Gallagher Re and MIT, increased by 978% between 2021 and 2025, with a 137% increase in 2024-2025 alone. The claims cover a broad range of topics, covering personal injury, employment discrimination, copyright violations, patent infringement, and privacy violations. When an Arup employee was tricked into sending millions to a fraudster who had used a deepfake video of the company’s colleagues, or when Air Canada was ordered to honour a discount its chatbot had mistakenly promised to a passenger, the question arises of which policy responds to cyber, errors and omissions, or general liability.

Novelty and opacity present a structural challenge. Insurance pools predictable risks, while actuarial tables need loss data from the past. AI systems lack both transparency and historical records. The term “agentic behaviour” has been coined by the industry to describe their ability to learn, adapt, and occasionally act in ways that their designers did not anticipate. The loss scenario can escalate from manageable to catastrophic in ways that have never been seen in underwriting history when errors spread at machine speed among thousands of users at once.

Insurers Caught in a Governance Blind Spot

Researchers at Stanford University conducted a study in January 2026 that was published in Health Affairs. The study looked at the increasing use of algorithms in health insurance utilisation review. It is a process by which insurers approve or reject coverage for medical

procedures. The conclusions were clear: many insurers do not have strong governance procedures in place to keep an eye on the precision and possible biases of the AI tools they are using. Professor Michelle Mello of Stanford Law School wrote that algorithms trained on insurers’ past coverage decisions will lock in flawed aspects of those decisions.

According to a National Association of Insurance Commissioners survey, nearly 33% of health insurers do not routinely test their models for bias or discrimination, despite 92% of them using or planning to use AI. In response, the NAIC is testing a new AI bias audit tool, with formal adoption anticipated at its national meeting in the fall of 2026. In the meantime, steps have been taken to mandate that insurers prove that their AI systems do not produce disproportionately negative effects or act as a proxy for protected classes.

A \$4.7 Billion Market in Making

Specialists see a market where legacy carriers perceive danger. By 2032, stand-alone AI liability insurance premiums are expected to reach \$4.7 billion. Industry veterans are aware of the similarities to cyber insurance, which was hardly a thing twenty years ago but is now a well-established, multibillion-dollar market. The market was defined by early adopters who created frameworks at a time when cyber risk was thought to be uninsurable.

With support from syndicates like Chaucer Group, Toronto-based Armilla AI introduced what it claims is the first stand-alone AI liability policy written at Lloyd’s of London in April 2025. AI underperformance, including hallucinations, model drift, algorithmic failures, and deviations from expected behaviour, is covered by the policy along with monetary damages





and legal defence expenses. By January 2026, Armilla required an independent AI system certification based on more than 500 AI evaluations from regulated industries. It increased its coverage limits to \$25 million or more per organisation. In February 2026, Armilla and Chaucer introduced “Vanguard AI,” combining Armilla’s independent policy with Chaucer’s cyber and technology errors-and-omissions coverage under a single coordinated framework.

The largest institutional commitment made by a major reinsurer to address generative AI risks is Munich Re’s aiSure program. Policies covering losses from AI agents up to \$50 million have been introduced by the Artificial Intelligence Underwriting Company. In December 2025, Coalition, a digital risks insurer, announced deepfake-specific endorsements that included forensic analysis, reputational damage, and legal assistance for content removal in the US, UK, and six other nations. Earlier in 2025, Google partnered with Beazley, Chubb, and Munich Re to provide its Cloud customers with customised cyber coverage with affirmative AI protections. Just three standalone AI liability products were actively binding coverage in the standard market as of early 2026, this scarcity highlights how early this market is.

The Cost of Coverage is Governance

The role underwriters are starting to play as de facto regulators is what sets the new AI insurance market apart from conventional lines. Specialised insurers are creating their own safety standards for AI systems since there are no widely recognised ones, such as building codes or crash test ratings for cars. Munich Re’s aiSure protocols, Armilla’s independent certification requirement, and Coalition’s human-in-the-loop requirements for AI-assisted communications all essentially impose governance frameworks that have not yet been codified in legislation.

IFA Academy member Panos Leledakis characterises the current situation as “directional rather than formalised”. Insurers

are discreetly assessing whether businesses uphold AI usage guidelines, how they manage data access controls when AI is implemented, and whether staff members receive social engineering prevention training. The market has not yet adopted any of these factors as a standard underwriting criterion, but the trend is obvious. According to Grant Thornton’s 2026 AI Impact Survey, only 24% of insurance executives believe they could pass an independent AI governance review in less than 90 days, while 44% believe governance or compliance issues have led to AI projects failing or performing poorly.

Who Sets the Standard?

The main unanswered question is not whether AI insurance will be available, but rather who will create the regulations that specify when an AI malfunction qualifies as a covered event. Though governments are moving somewhat. Although speciality insurers are expanding more quickly, their policy forms are still developing, and their capacity is still limited. The Verisk endorsements in January 2026 showed that the governance landscape for AI can be drastically changed overnight by a single market-infrastructure decision made without democratic deliberation.

The immediate practical implication for business executives is that the era of “silent AI” coverage, the unofficial belief that incidents involving AI were covered by current policies because nothing specifically excluded them, is now over. Building the internal governance frameworks that insurers are starting to demand and comprehending what your policies cover and do not cover are no longer legal compliance tasks. It is necessary to maintain any kind of insurance.



CHINA’S DEEPSEEK TO RAISE 50B YUAN IN FIRST FUNDRAISING ROUND WITH TENCENT, CATL SUPPORT

China’s AI company DeepSeek is set to raise 50 billion yuan (\$7.4 billion) in its first round of funding, with backing from big tech companies like Tencent Holdings and CATL. The company’s market valuation after the fundraising is projected to fall between 350 billion yuan and 400 billion yuan.

DeepSeek, which was launched last year, has been praised for its V3 and R1 models. China’s national AI company’s performance has also removed all doubt about the country’s capabilities to develop similar AI models and compete with the US on an international level.

For the fundraising, DeepSeek founder Liang Wenfeng himself has pledged 20 billion yuan of his own money. Tencent could invest up to 10 billion yuan, and battery giant CATL is likely to offer 5 billion yuan, making them the largest external investors in this round.

The AI startup has also approached China’s national AI fund, whose main backer is China Integrated Circuit Industry Investment Fund, gaming developer NetEase and e-commerce giant JD.com. While DeepSeek has not approached more than 10 investors for the

funding, this choice of targeted companies demonstrates China’s vision to make its AI industry self-sufficient.

CATL, a major supplier in the EV battery industry, has recently turned its attention to AI data centres. The company aims to supply power equipment and provide energy storage solutions as demand for large-scale reliable power increases with AI workload.

Tencent, on the other hand, is seeking a close partnership with DeepSeek as its own AI model, Hunyuan, trails in the Chinese market. Market rivals like ByteDance’s Doubao and DeepSeek are faring far better. Its collaboration with DeepSeek could be seen as Tencent’s attempt to compete with Alibaba’s Qwen AI model.

While financial details are subject to change, sources suggest that Hong Kong’s IDG Capital and Monolith Capital are also potential investors. However, neither the tech nor financial companies have offered an official confirmation of their involvement with DeepSeek. The Chinese AI startup is expected to complete the first fundraising round in the next couple of weeks, while its plans for an IPO remain unknown.

QUALCOMM IN TALKS WITH BYTEDANCE TO PROVIDE CUSTOM CHIP-DESIGN SERVICES

Chip manufacturer Qualcomm is in talks with China's ByteDance to provide chip design services, as Qualcomm seeks to expand its customer base beyond the smartphone market, its biggest source of revenue. If these negotiations are successful, ByteDance will become an early customer of Qualcomm's chip-design services operation.

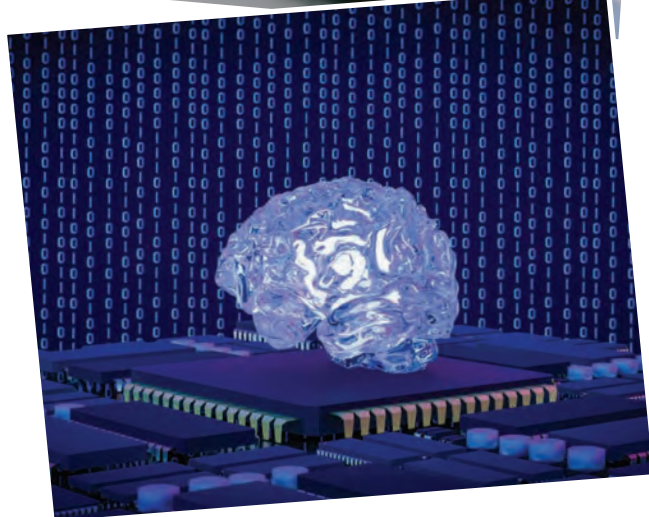
The US-based Qualcomm is the world's largest smartphone modem chip supplier, which are used to manage cellular communications. ByteDance, on the other hand, is the parent of video platform TikTok. These talks indicate that despite trade tensions between Washington and Beijing, US tech companies are still keen on partnering with China-based firms. The friction between the two largest economies in the world, particularly over AI chips, has already adversely affected other companies such as Nvidia, AMD, and Applied Materials.

Internal sources have revealed that Qualcomm has proposed to design custom chips for ByteDance. The technology for these new chips will be owned by AlphaWave Semi, a semiconductor tech designer which Qualcomm acquired last year. Although discussions are ongoing, it is unclear whether these talks will lead to an exclusive chip design and manufacturing contract and whether ByteDance is likely to keep its options open.

The two parties are also researching the design of video processing units (VPUs) and hope to begin mass production by the end of this year. An AI processor with dedicated CPUs for inference tasks is currently being developed by ByteDance.

Qualcomm, which has been under pressure from smartphone manufacturers this year due to an increase in memory chip pricing, would greatly benefit from a partnership with ByteDance. This year is probably going to see the biggest decline in smartphone shipments worldwide.

In an effort to access the fast-expanding data centre semiconductor business, Qualcomm is working with clients on three different chip types: CPUs, inference accelerators, and custom chips known as ASICs. This market is rapidly expanding for competitors like Broadcom and Marvell.



ROMANIA AT THE STRATEGIC FRONTIER: ECONOMIC OPPORTUNITY, FISCAL REALITY AND THE BUSINESS OF SECURITY

Romania finds itself at a defining moment in its modern economic journey. Positioned on the European Union's eastern frontier and NATO's most strategically sensitive flank, the country is simultaneously managing fiscal pressures, pursuing ambitious economic development and emerging as a critical hub for European security investment. For international investors, Romania presents a compelling yet complex picture: a market offering substantial growth opportunities in infrastructure, technology and defence, while navigating the challenges of fiscal consolidation and macroeconomic adjustment.

The Romanian economy has entered 2026 facing slower growth than many policymakers anticipated. Inflationary pressures, fiscal tightening and weaker domestic consumption have created short-term headwinds. Recent assessments from international institutions suggest that economic expansion will remain modest before recovering in the coming years, with investment expected to become the primary engine of growth. The country's fiscal position remains under scrutiny, as authorities continue efforts to reduce a budget deficit that has exceeded European Union targets for several years. Nevertheless, the broader investment story remains remarkably resilient, largely because Romania continues to benefit from substantial European funding and an extensive pipeline of infrastructure projects.

Infrastructure is arguably the strongest pillar supporting Romania's long-term economic prospects. The government has committed record levels of public investment for 2026, with significant funding directed towards transport corridors, rail modernisation, energy networks and digital infrastructure. Much of this spending is backed by European Union programmes and recovery funds, reducing the financing burden on the national budget while accelerating the country's integration into broader European supply chains. Improved connectivity across the Black Sea region and Central Europe is expected to enhance Romania's role as a logistics gateway linking Western Europe with Eastern markets.

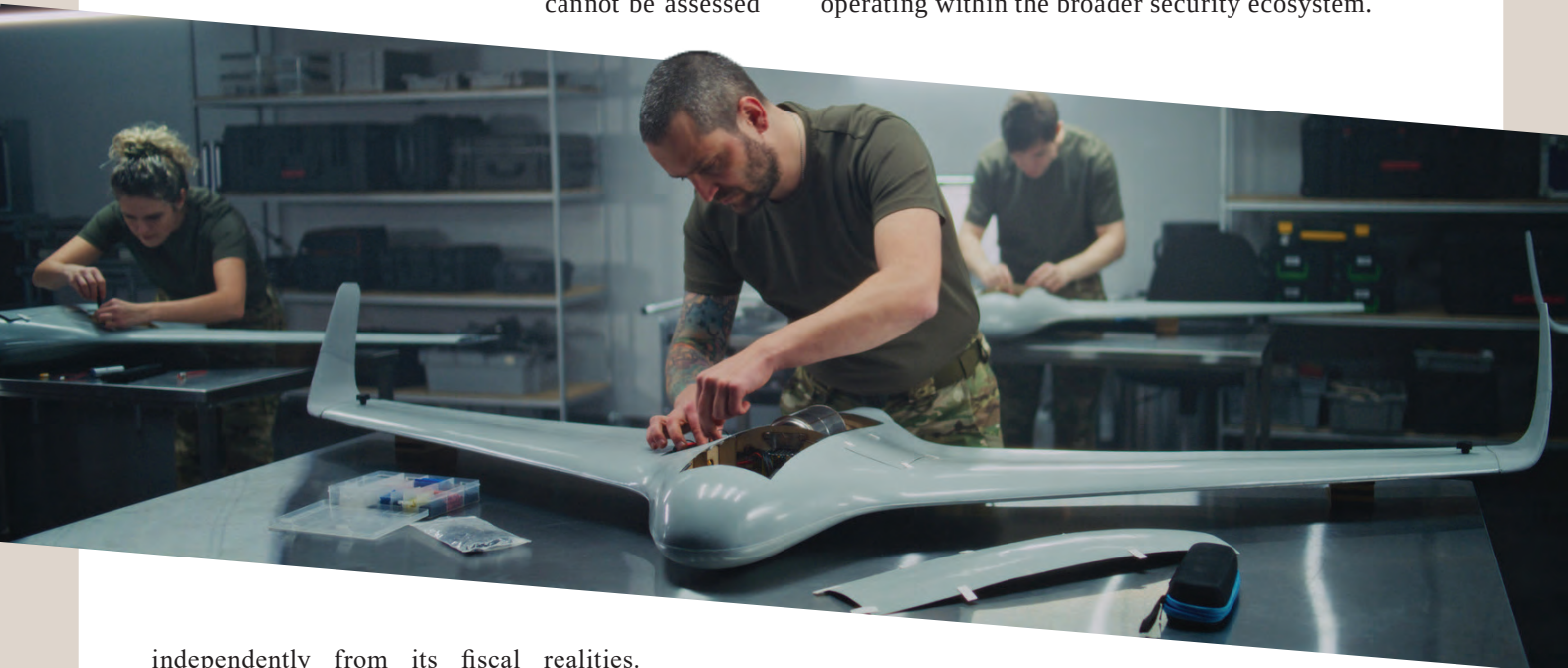
The technology sector continues to provide another bright spot for investors. Romania has steadily developed a reputation as one of Eastern Europe's



most dynamic digital economies. Strong engineering talent, competitive labour costs and growing venture capital activity have attracted multinational technology firms and outsourcing providers. Cities such as Bucharest, Cluj-Napoca and Timișoara have evolved into important centres for software development, cybersecurity services and digital innovation.

However, Romania's economic opportunity cannot be assessed

Recent security incidents near Romania's border have accelerated discussions around strengthening NATO's defensive capabilities across the eastern flank. Allied governments are increasing investments in surveillance systems, radar networks, anti-drone technologies and air defence infrastructure. These developments are generating significant commercial opportunities for defence contractors, technology companies and specialised manufacturing firms operating within the broader security ecosystem.



independently from its fiscal realities.

Persistent budget deficits and rising public debt have prompted calls for continued fiscal consolidation. Investors are closely monitoring government efforts to strengthen tax collection, improve public spending efficiency and maintain access to European funding programmes. While fiscal reforms may create short-term constraints on consumption and public expenditure, successful implementation would enhance long-term economic stability and strengthen investor confidence. The challenge for policymakers is achieving consolidation without undermining the investment momentum that is currently driving growth.

Yet the most transformative opportunity emerging in Romania may lie beyond traditional economic sectors. As geopolitical tensions continue to reshape Europe's security architecture, Romania has become a focal point for NATO's eastern defence strategy. Its location along the Black Sea, proximity to Ukraine and growing role within NATO have elevated the country from a regional economy to a strategic security platform.

Defence procurement has become one of the fastest-growing segments of Romania's investment landscape. The country has committed substantial resources to military modernisation, while European institutions have approved major financing programmes supporting new defence acquisitions. These initiatives encompass advanced air defence systems, armoured vehicles, naval assets and integrated command-and-control technologies. Such programmes are creating opportunities not only for global defence giants but also for local suppliers capable of integrating into increasingly sophisticated European defence supply chains.

Cybersecurity represents another rapidly expanding market. Modern defence increasingly depends on digital resilience, and governments across NATO are directing significant resources towards cyber protection, threat detection and secure communications. Romania's established information technology sector places the country in a favourable position to capture a growing share of this investment.

Domestic technology firms are increasingly finding opportunities to collaborate with international defence contractors and government agencies seeking advanced cyber capabilities.

The drone economy is also emerging as a particularly promising area. Lessons learned from the conflict in Ukraine have transformed military thinking about unmanned systems, creating demand for surveillance drones, counter-drone technologies and autonomous defence solutions. Romania's industrial base, engineering expertise and strategic location make it an attractive destination for drone manufacturing and research activities. International defence companies are increasingly exploring local production partnerships, technology transfer arrangements and manufacturing investments designed to strengthen Europe's indigenous defence capabilities.

Surveillance technologies are similarly experiencing heightened demand. Border monitoring systems, artificial intelligence-driven detection platforms, advanced sensors and integrated security networks have become essential components of NATO's evolving defence posture. For technology companies operating in fields such as artificial intelligence, machine vision and data analytics, Romania offers access to a rapidly expanding market shaped by both national security priorities and wider European defence initiatives.

What distinguishes Romania from many other emerging European markets is the convergence

of economic development and strategic security. Infrastructure projects increasingly serve both commercial and military purposes. Digital investments support economic competitiveness while enhancing cyber resilience. Manufacturing expansion strengthens industrial capacity while contributing to defence readiness. This overlap creates a unique environment where economic growth and security investment reinforce one another.

For international investors, the Romanian opportunity is therefore broader than conventional market analysis might suggest. While fiscal pressures and economic adjustments present legitimate risks, the country's strategic importance within Europe continues to attract capital, policy support and long-term investment commitments. The combination of infrastructure expansion, technology sector maturity and defence modernisation provides multiple pathways for growth.

Romania's future will ultimately depend on its ability to balance fiscal discipline with continued investment, maintain access to European funding and convert geopolitical relevance into sustainable economic advantage. If successful, the country may emerge not merely as an important Eastern European economy but as one of the most strategically valuable investment destinations in Europe. At the intersection of economic transformation and continental security, Romania stands at a crossroads where the business of growth and the business of defence are becoming increasingly inseparable.



SOUTHEAST ASIA STEPS UP DEFENCE PLANNING AMID REGIONAL UNCERTAINTY

For many years, Southeast Asia was the quiet side of Asia's security narrative. They were happy to let the US maintain regional stability while defence spending grew slowly. This stance is now quickly fading. Governments in Manila, Jakarta, and Bangkok are entering into agreements, setting up shipyards, and courting an expanding network of arms suppliers in 2026 at an unprecedented pace. These acquisitions' scope, speed, and variety indicate that the region's defence strategy has undergone a structural change rather than a cyclical upswing.

A region awakening to danger

Southeast Asia's prolonged delay in military modernisation is being rapidly reversed now. The three major reasons cited are diminishing faith in US security guarantees, increasing territorial tensions with China and perhaps improvement in the fiscal capacity of such economies to now act upon the delayed modernisation programmes. Analysts point out that the region's dependence on Washington's security commitments, low financial resources, and muted political urgency were the main causes of its comparatively lagging approach to military upgrades for decades. Now, all three of those circumstances are deteriorating simultaneously.

The most obvious bellwether is the Philippines. Manila has taken decisive action as it finds itself at the sharp end of confrontations with Beijing over Scarborough Shoal and the wider nine-dash line as claimed by Beijing in the South China Sea. Though it is under a 1951 Mutual Defence Treaty with the US, which historically might have reduced the urgency for upgrading the military, it failed to intervene in the 2012 standoff with Beijing.

The nation's naval build-out with South Korea's Hyundai Heavy Industries has become a model that other nations are closely observing, and the government has approved a multi-year modernisation program, named the Re-Horizon 3 programme, worth about \$35 billion. Two Jose Rizal-class frigates were delivered to Manila in 2020-2021. Further, an order for two more frigates has already been placed. For the Philippine Navy, Hyundai is also building six offshore patrol boats, the first of which is scheduled for delivery in 2026.

The Philippine story is still a cautionary one. Only 40 billion of the 90 billion pesos allotted for modernisation in 2026 have been confirmed, with the remaining 50 billion being dependent on the government finding new sources of funding. Defence Secretary Gilberto Teodoro has pushed

for a more coherent approach going forward, advocating an integrated airpower package of roughly 40 fighter jets complete with aerial refuelling tankers and airborne early warning aircraft, rather than the piecemeal purchases that have historically left Filipino forces with mismatched, poorly supported equipment.

Indonesians' shopping lists are getting longer.

Indonesia represents scale driven by geography, while the Philippines represents urgency driven by direct confrontation. Jakarta has enormous modernisation needs because it must defend more than 17,000 islands and the largest archipelagic waters in the world. President Prabowo Subianto's administration has made military upgrades a top priority, with defence spending growth targeted at about 8% annually in some years.

The outcomes are displayed across all services. In a major strengthening of defence ties with Paris, Indonesia has launched one Merah Putih frigate, which is an Arrowhead 140-derived ship built domestically by state shipbuilder PT PAL under licence from the UK's Babcock. In addition, Jakarta has paid more than \$1 billion for two warships from Italy's Fincantieri, with its first unit already delivered. It is still working with South Korea to co-develop the KF-21 fighter jet. On top of this, Indonesia's Ministry of Defence has signalled openness to sourcing fighters, drones, and combat systems from China and Turkey, a hedging strategy that lets Jakarta play suppliers against one another for better terms.

There's a price for that diversification. Indonesia's procurement spending share of its overall defence budget increased from 22% in 2024 to 30% in 2025, according to IISS analysis. This increase was fuelled by payments on major platform deliveries, such as A400M transport aircraft, and the start of its Scorpène submarine contract. Due to this increase, Indonesia's total defence budget is expected to drop by about 27% in real terms in 2026 and return to pre-surge



levels. This serves as a reminder that even well-funded modernisation initiatives encounter financial difficulties.

Thailand, Malaysia, and Vietnam Fill Out the Picture

Thailand, which recently had some skirmishes with its neighbour, Cambodia. This escalated to an armed confrontation, but the situation soon de-escalated. This acted as a catalyst for Thailand to keep up its modernisation. The Royal Thai Navy has generated a bill of THB35 billion for two new frigates by launching a tender. The Royal Air Force has generated a bill of THB60 billion after receiving approval for 12 Gripen-E/F fighter jets from Sweden’s Saab.

Bangkok has also taken a loan of \$12.2 billion to manage its expenses arising out of the broader global repercussions from the US/Israel-Iran conflict. This demonstrates how global energy shocks are affecting

defence budgets even for nations that are not directly involved in that conflict.

Malaysia has now started to make progress on its Littoral Combat Ship programme. This comes after much damage occurred due to years of delay and the eventual delisting of a state-owned shipbuilder. The country also ordered 18 FA-50 fighter jets from Korea Aerospace Industries for just under \$1 billion, with first deliveries arriving this year.

Vietnam has opted for a permanent asymmetric deterrence strategy. It never tried to build parallels with Chinese naval power. Instead, they went ahead with building a defence strategy by upgrading coastal surveillance systems and anti-ship missiles, and also reducing reliance on Russian equipment. This would enable them to make any Chinese aggression costly.

Who’s Winning and Who’s Selling?

The scramble for contracts has turned Southeast Asia into a genuinely competitive arms bazaar. From Malaysia’s FA-50s to the Philippines’ frigates, South Korea has perhaps benefited the most from the region’s tendency toward diversification. Seoul has established a reputation for dependable delivery and technology transfer that appeals to buyers who are cautious

about becoming overly dependent on any one power. European manufacturers, particularly in France, Italy, and Sweden, are also seeing swelling order books. Newer entrants like Turkey, India, and China are also competing aggressively for footholds, offering price points and political flexibility that Western and Northeast Asian suppliers sometimes can’t match.

This proliferation of suppliers is itself a strategic choice, not an accident. Instead of committing to a single patron, nations with fewer treaty entanglements, Indonesia being the most prominent among them, are openly using great-power competition to obtain better financing, technology transfer, and localisation terms by pitting South Korea, France, China, and Turkey against one another.

The Numbers that Underlie the Story

The qualitative narrative is strengthened by the dollar amounts. According to IISS, Asia’s total defence spending is expected to reach almost \$630 billion in 2026, increasing by 3.4% in real terms despite China’s budget, which makes up more than 40% of the region’s total, expanding by 6.4%. That Chinese growth, still outpacing Beijing’s roughly 4.5% GDP growth forecast, continues to unsettle neighbours and feed the broader regional buildup, including Australia’s newly announced AU\$425 billion (\$276 billion) defence injection through 2036.

At the more granular end, market researchers tracking Southeast Asia’s small arms and ammunition sector, a useful proxy for sustained, recurring military demand beneath the headline-grabbing frigate and fighter deals, estimate the regional market to expand at a compound annual growth rate near 7.25% through 2033. The unglamorous necessities of modernisation, such as localised ammunition assembly, increased licensed weapons manufacturing, and the consistent

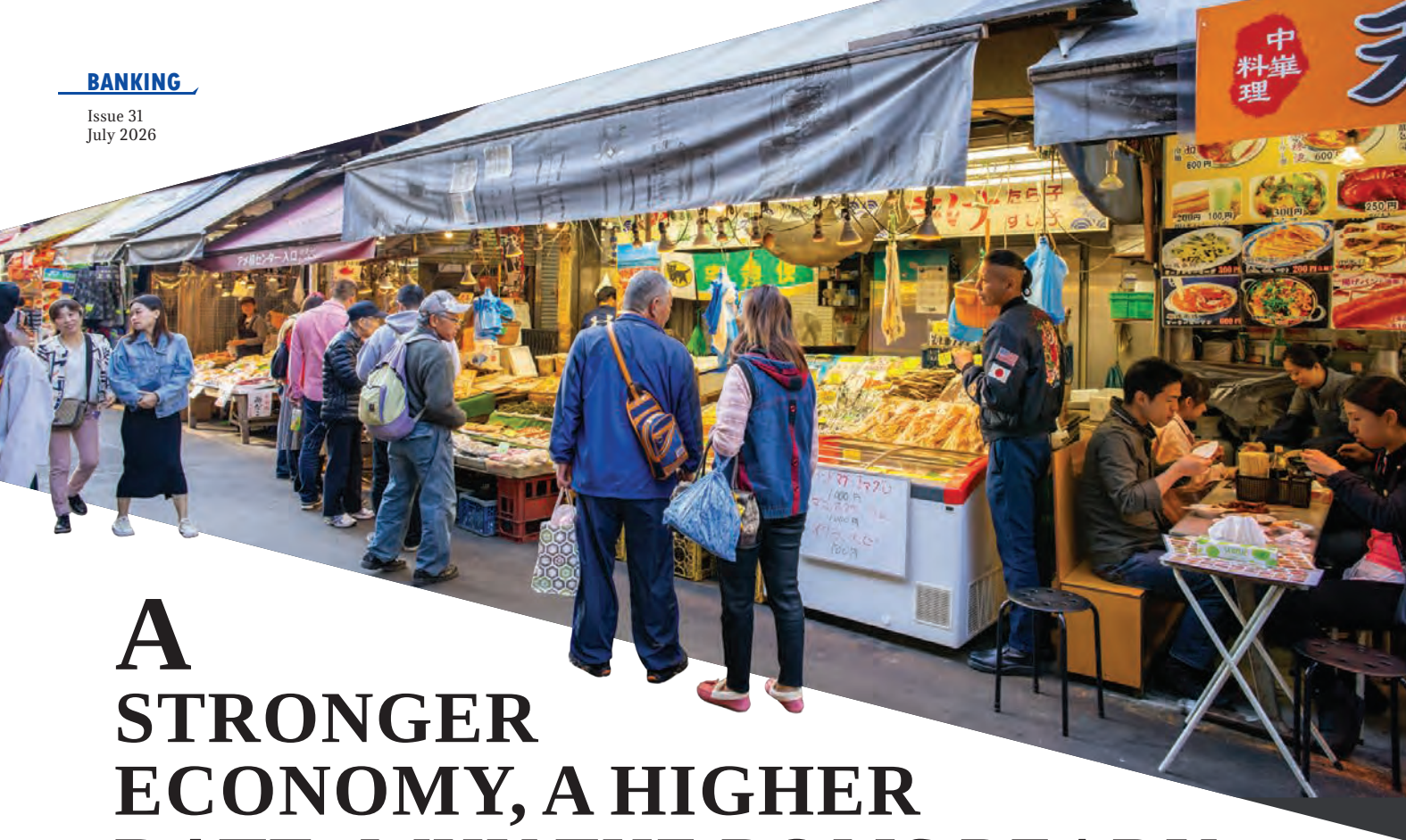
replacement of ageing infantry stocks, are what support this growth rather than large, one-time purchases. This shows that the buildup goes beyond showcase warship deals.

Arms Race, or Something More Complicated?

Scholars remain split on whether “arms race” is even the right term. Some contend that rather than aiming for true military parity, Malaysia, the Philippines, and Vietnam are pursuing what has been called “minimal deterrence”, just enough capability to increase the cost of aggression. Any simple arms race narrative is complicated by the fact that while total defence spending has undoubtedly increased dramatically, it has remained relatively stable as a percentage of GDP in several nations.

The direction of travel is unquestionable too. The region’s political shifts, the attraction of technological advancements like drones and AI-enabled systems, and ongoing doubts about Washington’s long-term commitment are driving governments toward procurement that is quicker, more diverse, and more assertive than it has ever been. The Philippines’ unfunded modernisation gap, Thailand’s war-related borrowing, Indonesia’s impending decline, and other budgetary realities will cause friction but are unlikely to stop the trend. For defence contractors, shipbuilders, and the diplomats managing an increasingly crowded field of suppliers, Southeast Asia has become one of the most consequential and competitive arms markets in the world.





A STRONGER ECONOMY, A HIGHER RATE: WHY THE BOJ IS READY TO MOVE

The first quarter of 2026 saw a surprising upswing in Japan's economy, occurring at an opportune time. The preliminary GDP report, released in May, showed quarter-over-quarter growth of 0.5% on a seasonally adjusted basis. It exceeds both ING's own forecast of 0.3% and the market consensus of 0.4%. That amounts to a headline rate of 2.1% on an annualised basis, which is the highest in six quarters and significantly higher than the roughly 1.7% market estimate. The economy still outperformed the revised consensus of 1.3%, and the overall picture was unchanged when the Cabinet Office released its updated Q1 figure on June 8. However, the number was reduced to 1.8% annually, primarily due to a downward revision in business investment. Japan experienced strong growth in Q1, and the data directly led to one of the most important monetary policy decisions made by the Bank of Japan in the post-deflation era.

What Caused the Outperformance?

The GDP relied on various sectors rather than being dependent on a single sector. Due to stable wage growth and a reduction in household expenditure, private consumption increased by 0.3% during the quarter, recording its largest annualised quarterly gain in a year. Although slightly

less than the 5.52% settlement in 2025, the 2026 Shunto spring wage negotiations resulted in an increase of roughly 5.45%, which is the third year in a row that wage gains have exceeded 5%. Real wages have moved into positive territory thanks to this wage momentum and government subsidies for gas and electricity bills. The BoJ has been closely monitoring the cost increment as a prerequisite for sustained domestic demand.

With exports rising 1.8%, quarter over quarter and adding 0.3% to the headline figure, net exports contributed significantly to growth. Due to increased spending on infrastructure and reconstruction, public investment also increased for the first time in three quarters. Although at a slower rate than in the previous quarter, government spending rose for a fourth straight quarter. The only area of weakness was business investment, which decreased by 0.7% in the updated reading. This represents a significant reversal from the initial positive reading of 0.3% and indicates that corporate capital expenditure decisions are already being impacted by higher borrowing costs and uncertainty surrounding the Middle East conflict. Despite this, ING's full-year GDP forecast for 2026 remained unchanged at 0.7% year over year due to the quarter's overall performance, with the improved Q1 result offsetting lower expectations in Q2 and Q3.

The Road to June and the April Decision of the BoJ

The GDP announcement was not made in a vacuum. In a 6-3 split vote, the Bank of Japan maintained its policy rate at 0.75% during its April 27–28 Monetary Policy Meeting. Because the Middle East conflict had skewed inflation risks to the upside, and postponing tightening ran the risk of allowing those risks to solidify, the three dissenting members argued for a rate hike to 1%. Simultaneously, the BoJ increased its core inflation forecast for the fiscal year 2026 from 1.9% to 2.8%. This substantial increase was mostly due to higher energy prices due to the Strait of Hormuz disruption. The June Monetary Policy Meeting was positioned as the ideal time for the next step due to the combination of a hold in April, a drastically revised inflation outlook and three dissenters who were already voting for a hike.

Since then, several BoJ board members have reiterated that framing in public statements. According to board member Junko Koeda, the bank should raise the policy rate at a suitable rate in order to address high inflation while considering economic trade-offs. While purposefully avoiding any particular timing signal, Deputy Governor Ryozi Himino acknowledged that real interest rates in Japan are still incredibly low and reiterated that the BoJ would continue to raise the policy rate in accordance with price, financial and economic developments. The BoJ's recent communications have consistently conveyed the same message of future normalisation.

Three JGB-related pressures complicate the situation.

Without the concurrent volatility in Japan's government bond market, the rate hike would have been cleaner. The yield on long-term Japanese government bonds has significantly increased in 2026. Earlier in the year, the 10-year JGB yield reached its highest level since 1999 at over 2.2%, while ultra-long yields on 40-year bonds surpassed 4%. Beyond the backdrop of the global bond market, ING identifies three country-specific factors contributing to the JGB weakness, namely, increased expectations for inflation due to rising energy costs; worries about fiscal sustainability, considering that Japan's gross debt is roughly 200% of GDP and that interest servicing is expected to increase from about 9% to between 20% and 25% of total expenditure if bonds are refinanced at current yield levels over the next ten years; and the belief that the BoJ is lagging on normalisation.

From ¥5.7 trillion in August 2024 to ¥2.9 trillion in Q1 2026, the BoJ has been gradually cutting back on its monthly purchases of JGBs, removing the suppressive

force that kept yields artificially low for years. Masahiko Loo of State Street has succinctly explained the repricing dynamic, as markets absorb a more expansionary fiscal stance and ongoing inflation, ultra-long JGB yields are being driven higher not only by a structural supply-demand imbalance but also by a new repricing of term and risk premium. However, ING believes that the BoJ should not let the JGB sell-off influence its rate decisions. The worry that the BoJ is moving too slowly, which a June hike would directly address, is partially reflected in the bond market's weakness. Paradoxically, the markets' concern over the BoJ's commitment to normalisation may increase if bond market volatility is allowed to postpone a rate increase.

The June Hike and What Comes Next

At the June meeting, economists and market players agreed that the policy rate should be raised by 25 basis points from 0.75% to 1.0%. With a June move and a second hike in Q4, ING continues to project 50 basis points of total hikes in 2026. The BoJ's ability to convince the government that further tightening is necessary despite mounting fiscal pressures will determine the timing of the fourth-quarter hike, as will how the Middle East situation develops its effects on energy prices, import costs, and corporate sentiment, particularly.

The projections for Q2 and Q3 are more cautious. ING anticipates a spike in oil and gas stockpiling to negatively impact import numbers and slow Q3 growth even if the conflict ends or energy supplies improve by the end of Q2. The most important variable to keep an eye on is capital expenditure. Business investment is a leading indicator of corporate confidence, and the revised Q1 data swing from a positive preliminary reading to a confirmed contraction suggests Japanese companies are already being extremely cautious in the face of rising borrowing costs and geopolitical uncertainty. Even if June goes according to plan, the BoJ will have less leeway in Q4 if that caution continues into Q2.

The BoJ's rate trajectory will have ramifications for foreign investors that go far beyond Japan's internal monetary circumstances. The carry trade, in which investors borrow cheaply in yen to fund positions in higher-yielding assets, has long been a structural feature of global risk markets. Japan is one of the world's biggest external creditors with a net international investment position of about 110% of GDP. The cost of yen funding increases with a prolonged cycle of BoJ tightening, and any indication that rates will remain lower for longer creates a tailwind for risk assets worldwide. As a result, the June ruling will be interpreted as a data point in the global repricing of the post-zero-rate era as well as a statement about Japan's inflation trajectory.

GCC CENTRAL BANKS QUIETLY EASE CAPITAL RULES AS WAR STRAINS LIQUIDITY

Since the outbreak of the US-Israel conflict with Iran in late February 2026, three Gulf central banks have moved with unusual speed to shield their financial systems. The UAE, Kuwait and Qatar have each rolled out packages of liquidity support, capital buffer releases and loan forbearance that, taken together, represent the most comprehensive regulatory easing the region has deployed outside of the COVID-19 pandemic. The moves have been quietly calibrated to reassure rather than alarm, but the scope of what has been put in place tells a more complicated story about the pressures building beneath the surface of a \$4 trillion regional banking system.

What Was Actually Announced

The UAE Central Bank moved first, announcing a five-pillar resilience package on March 17. The measures released capital buffer requirements, relaxed Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) thresholds. This allowed banks to access up to 30% of their cash reserve requirements. In addition, banks were granted temporary access to liquidity facilities denominated in both dirhams and US dollars, and were permitted to defer classification of individual and corporate loans affected by what the central bank termed “extraordinary circumstances.” Sheikh Mansour bin Zayed Al Nahyan, the central bank’s chairman, said that its precautionary policies and proactive frameworks

had consistently demonstrated their effectiveness for designing to reassure depositors as to describe policy.

Qatar Central Bank followed with its own package, allowing banks to defer principal and interest payments for borrowers affected by the conflict for up to three months. Qatar also introduced unlimited Qatari riyal repurchase facilities against eligible securities, alongside term repo facilities with maturities of up to three months. Kuwait similarly lowered liquidity ratios and expanded repo access. Neuberger Berman’s fixed income team, assessing the policy response in April, described these interventions as early, decisive and well-funded, taken, critically, from a position of strength rather than distress.

The Stress Test Behind the Policy

The policy backdrop can be read directly from the stress scenarios ratings agencies have been circulating. S&P Global Ratings estimated that domestic deposit outflows across the six GCC banking systems could reach \$307 billion under a scenario in which the most intense phase of the conflict extends two to four weeks. Against that, GCC banks hold approximately \$312 billion in cash or central bank deposits, enough, on paper, to absorb the projected outflow, but with little margin for error. The additional buffer, should banks liquidate investment portfolios at a 20% haircut, brings



total deployable liquidity to roughly \$630 billion.

S&P also modelled a credit deterioration scenario: assuming either a 50% increase in non-performing loans or a total NPL ratio of 7% of gross loans, whichever is greater. The cumulative losses across the region’s top 45 banks could reach \$37 billion. On current capital levels, most institutions would remain solvent. The region’s top 45 banks carried an average Tier 1 capital ratio of 17.1% at end-2025, with NPL ratios of 2.5% and provisioning coverage of nearly 159%. Those buffers are the reason the capital easing measures can be deployed without triggering concern. However, there is enough cushion to absorb what is being released. Fitch Ratings, in a separate assessment from early March, judged that current metrics were likely to contain any risks to credit profiles if the conflict lasts under a month.

Why This Pattern Is Not New

The current policy response is not unprecedented in form, only in context. GCC sovereigns intervened during the Global Financial Crisis of 2008, the 2014-16 oil price collapse, the Qatar blockade of 2017-2021, and again during COVID-19. Not one GCC bank failed across any of those episodes. The institutional memory of that track record is directly shaping how markets are interpreting the current round of easing for less as distress signalling, more as the predictable activation of a well-rehearsed playbook.

The sovereign backstop underneath this pattern is formidable. Government liquid assets are estimated at around 211% of GDP in the UAE, 181% in Qatar, and as high as 517% in Kuwait. Across the six GCC nations, total sovereign wealth assets and foreign exchange reserves are estimated at \$6 to \$7 trillion, of which \$2 to \$3 trillion is in liquid form. In March 2026, the UAE issued bonds that were heavily oversubscribed and priced at just 16 basis points above comparable US Treasuries levels associated with the world’s safest borrowers. S&P affirmed its double-A rating for Abu Dhabi, noting that substantial fiscal, economic, external and policy flexibility acts as an effective buffer against regional conflict.

Where the Pressure Points Remain

The aggregate numbers are reassuring; the distribution is less so. Bahrain is the region’s most exposed banking system; its retail banks carry higher external debt loads and thinner liquidity buffers than their UAE or Saudi counterparts. S&P singled out Bahraini institutions as more vulnerable given recent increases in external debt. Sharjah Islamic Bank is the only rated bank in the region where S&P has maintained a negative outlook, reflecting capital pressures that predated the conflict.

The funding structure of the UAE and Qatar also warrants monitoring. A significant share of deposits held in UAE banks headquartered in Abu Dhabi and Dubai is non-resident in origin. This is also a reflection of the UAE’s role as a regional financial hub, but also a source of potential cross-border liquidity sensitivity during geopolitical stress. Qatar undertook regulatory measures after 2022 to reduce banks’ reliance on short-term foreign liabilities. So far, S&P has confirmed that major outflows of foreign or local funding have not occurred. The central bank easing measures are partly designed to ensure this remains the case if conditions deteriorate further.

On asset quality, S&P has flagged the forbearance measures of loan deferrals and delayed NPL classification,



which will improve transparency only if banks disclose the extent of loans benefiting from relief. That disclosure has not yet been systematically provided. Investors and counterparties are therefore operating with incomplete information about the true credit stress being absorbed within GCC balance sheets. The relief measures buy time. They do not eliminate the underlying exposures.

What Comes Next

S&P’s baseline scenario assumes the most intense phase of the conflict lasts two to four weeks, though it has acknowledged that spillovers and intermittent security incidents could extend well beyond that. The agency now expects a smaller Federal Reserve rate cut in 2026 than previously forecast. Counterintuitively, this could support GCC bank net interest margins by preserving the rate premium GCC lenders currently enjoy. The growth impact is more straightforwardly negative with slower lending expansion, and a higher cost of risk are both expected, particularly in sectors like tourism, shipping and small business.

For businesses operating in or across the Gulf, the immediate message from the regulatory response is containment. The authorities have the tools and the firepower to prevent a liquidity crisis from becoming a solvency one. The deeper message, embedded in the stress test arithmetic, is that the margin between those two outcomes is narrower than the headline capital ratios suggest. The easing measures have bought extra time. How that time is used, in terms of conflict duration, asset quality evolution and deposit stability, will determine whether the current calm is durable or deferred.



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