



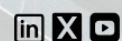
**ENERGY MOVES EASTWARDS:  
SCO BINDS XI AND PUTIN  
IN MASSIVE DEAL**



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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.

Open to companies on a global scale, our awards program spans sectors such as Banking, Insurance, Finance, Technology, Hospitality, and Real Estate, among others. Participation in our Annual Awards Program is open and free, embodying our commitment to fostering a culture of recognition and celebration within the global business community.



## *An ode to our Readers*

### *Greetings from The Global Economics!*

We are delighted to present the 26th issue of our magazine, which turns its focus towards the East. The recent SCO Summit saw the Global South coming together to show support and camaraderie amidst an uncertain dynamic with the US. China stepped in to bring together middle powers like Russia and India, with trade as its primary priority.

We have written about Putin's interests in securing a deal with the UAE, the latest Russia-China energy deal, and Israel and Egypt also coming together, setting aside their political differences to ink an economic partnership. Egypt has also set its sights on Japan with a new investment initiative to seal the economic interests of both countries.

The technology sector has seen much more global integration, with Google Pay readying itself to begin operations in Saudi Arabia, Dell and Keppel announcing a green plan to power data centres, and Saudi Arabia's EdTech projecting massive growth by the end of this decade.

This edition also reports on the financial stimulus package announced by the Indonesian government in the aftermath of the civil unrest. We have also written about how unstable financial and market conditions have resulted in governments collapsing and leaders resigning in Japan and France.

The fashion and lifestyle sectors also made headlines with thrift shopping site eBay stealing the show at the global stage. Luxury brand Saks Global also raised eyebrows when it announced that it would be selling a portion of its stake to Bergdorf Goodman.

This edition throws light on some of the lesser-discussed topics, which undoubtedly have a great effect on the international political and business world. We hope you enjoy reading it as much as we enjoyed curating it for you.

*Cheers!*

*The Global Economics Family*

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# JAPAN-EGYPT INVESTMENT FORUM: A STRATEGIC PARTNERSHIP FOR ECONOMIC GROWTH

The Japan-Egypt Investment Forum has transformed into a crucial platform for strengthening bilateral economic relations and tapping into significant business opportunities in Egypt's emerging economy. The 12th Joint Conference/Japan-Egypt Investment Forum was hosted in Tokyo on August 19, 2025.

This summit highlighted Egypt's clean energy and agribusiness initiatives, putting a significant step forward in fostering the strategic partnership between the two nations.

Both the nations have formalised 12 agreements and MoUs, covering various sectors like education, renewable energy, and industrial development, reflecting the forum's on-ground impact on promoting fundamentally strong business partnerships.

## Egypt's Investment Climate: A Compelling Value Proposition

Egypt's changing landscape has witnessed rapid transformation, creating unimagined opportunities for foreign investors. The country's economic metrics showcase resilience and growth potential, foraying far beyond the reach of conventional sectors.

The government is pursuing economic liberalisation, further enhancing a business-friendly environment with investment incentives and infrastructure development. In 2024, the International Monetary Fund (IMF) approved an \$8 billion, 46-month arrangement under the Extended Fund Facility, expanding Egypt's December 2022 programme. This support instills additional investor confidence in Egypt's economic stability and reform path. Egypt's strategic

A population on the verge of crossing 105 million makes Egypt one of the largest consumer bases in the Arab world, mostly dominated by youth. This demography aligns with the Japanese firms' long-term strategic requirement, especially in sectors demanding skilled labour and an increasing consumer base.

## Green Energy Revolution: Japan's Expertise Meets Egypt's Ambition

The renewable energy sector emerged as a poster boy for the theme at the Forum, reflecting the commitment of both nations towards building sustainable development and energy transition. For clean energy, Egypt has global standard solar and wind zones, with one of the most ambitious green hydrogen projects in the Global South. Future Japanese companies are investing in agendas like green hydrogen, ammonia, and advanced

the future demand arising from advanced technology and other international partnerships.

The green hydrogen sector represents the new frontier for the Japan-Egypt partnership. Egypt's strategic location between Europe and Asia, combined with its renewable energy potential, can become a major global hub for green hydrogen production and export. Japanese firms that invest primarily in hydrogen technologies for domestic energy transition can utilise Egypt as their production base for serving both local and international markets.

Advanced energy storage infrastructure is another major avenue left undiscovered. Egypt's active scaling up of renewable energy development creates challenges like grid stability and energy storage.

Here, Japanese collaboration brings in battery technology, smart grid solutions, and energy management systems, which can help Egypt build a resilient, modern energy infrastructure.

Such partnerships act more than just as technology transfer, generating opportunities for joint research & development, manufacturing partnerships, and long-term service agreements.

quarter of its working population, which now lacks substantial modernisation opportunities.

Japanese expertise in agricultural technology, precision farming, food processing, and supply chain management can help improve the primitive Egyptian farming techniques to modern, efficient operations.

The manufacturing sector's benefits lie in Egypt's competitive labour costs, improving infrastructure, and government incentives for industrial development.

Japanese manufacturers, mainly those in automobiles, electronics, and textiles, can build their production facilities for domestic and export markets.

Information technology and digital transformation present a rapidly growing sector where Japanese experience can help improve significantly.

Egypt's young and tech-savvy workforce, along with government initiatives, can help build a digital economy, creating demand for advanced IT solutions, telecommunications infrastructure, and digital services.

Japan provides technology, capital, management expertise, and links to the global supply chain. The signing of 12 agreements demonstrates that both countries look forward to this partnership as more than mere diplomatic discussions, but rather enhanced business collaboration.

For Japanese companies, Egypt provides strategic advantages beyond the expanse of conventional emerging market opportunities. The country's stability, improving business environment, and government support for overseas investment build a comparatively low-risk entry gateway into Africa and the Middle East.

Egypt's economic transition is supported by international financial institutions and highlighted in the surge of FDI. This builds confidence in the long-term future of the country.

The government's reform agenda, infrastructure investments, and commitment to economic modernisation reflect that present opportunities are just the beginning of a stable growth trajectory.

Furthermore, the Japan-Egypt partnership has the potential to transform into a model of South-South and North-South economic cooperation as both countries navigate global economic challenges,

The summit went beyond the conventional cup of diplomatic courtesy. It highlighted a deliberate transition towards enhanced economic collaboration at a time when Egypt is actively striving to secure foreign direct investment (FDI). Egypt's FDI has stood at a staggering \$46.1 billion for the last year, registering a multi-fold increase from just \$10 billion in 2023.

geographical position adds extra appeal for investors. Spanning North Africa, the Middle East, and Europe, it provides a gateway to regions inhabited by 1.2 billion consumers.

The Suez Canal, one of the world's most critical sea-bound routes, solidifies Egypt's position as a global logistical hub. The icing on the cake, attracting investments, is the country's demography.

energy storage infrastructure. Egypt has a huge untapped potential for renewable energy. The country receives abundant solar radiation year-round, mainly in the vast desert landscape, whereas the coastal areas provide sufficient wind speeds for large-scale wind farms.

The government has set an ambitious target to generate 42% of its electricity from renewable sources by 2030 to meet

## Diversified Investment Opportunities Across Key Sectors

The Japan-Egypt investment forum also focused on other sectors like agriculture, manufacturing, information technology, and infrastructure development for future investment and technological partnership avenues. Egypt's agricultural sector provides livelihoods to almost a

## Strategic Outlook: Building Sustainable Partnerships

The Japan-Egypt investment forum represents more than immediate business opportunities. It aims at building a structure for a long-term strategic partnership between the two nations. Egypt offers market access, natural resources, competitive costs, and a strategic location, while

climate change challenges, and technological transformation. Japanese firms that manage to gain a stronghold in Egypt may reap the benefits of first-mover advantage when opportunities present themselves across Africa and the Middle East.



# AGOA: FUTURE OF DUTY-FREE AFRICAN EXPORTS TO US REMAINS PRECARIOUS

**L**ike the manufacturing sector across the globe, Africa is also grappling with the impact of Trump tariffs. Politicians and businessmen from around the world, alike, are more than willing to give in to Trump's whims and fancies in order to evade additional duties from Washington. The US President appears to have made good on his campaign promises to a certain extent, as more international technology companies, automobile-makers and other manufacturers have pledged to increase investments and open production facilities on American soil. World leaders are also working tirelessly to ink deals, which, although slightly tilted in the White House's favour, have been effective in reducing tariffs on exports.

Manufacturers in Africa are also lobbying the Trump administration, requesting a last-ditch extension of one to two years of duty-free trade, as the program is set to expire at the end of September. African exporters are already worried that with Donald Trump in the Oval Office, it is unlikely that the African Growth and Opportunities Act (AGOA) will be renewed. The AGOA was passed in 2000 under the Presidency of Bill Clinton and grants African countries the ability to ship an array of products duty-free to US markets. This initiative was introduced by the US to improve its relations with Sub-Saharan Africa and to help these nations strengthen their economies by opening up trade opportunities.

The Act has been renewed twice before and allows for duty-free imports of automobiles and parts, textiles and clothing, minerals, agricultural products, chemicals and metals. Approximately 35 countries are eligible for this trade partnership, and countries retain their eligibility criteria based on their economic policies and protection of human rights. In April, Trump announced sweeping tariffs across Africa, with some countries like Lesotho being hit with duties as high as 50%. Madagascar, Mauritius, Botswana and South Africa, which are the biggest

exporters to the US from the continent, were slapped with 47%, 40%, 38% and 31% tariffs, respectively. Countries facing the highest tariffs were already some of the weakest-ranked economies globally, struggling with high debt and poverty. In September, a delegation with representatives from Kenya and four other countries benefiting from AGOA visited Washington to push for an extension. Analysts pointed out that with the pinch of these tariffs, along with the slashing of the USAID program, China could emerge as a dominant investor and aid provider in the region.

There was an attempt made last year to renew the AGOA for another 16 years, and despite bipartisan support, the issue was never brought to a vote in Congress. Since then, with Trump's election, the President's protectionist policies have made it quite clear that the administration lacks the political will to extend this partnership. AGOA has helped numerous African countries to boost their exports, expand industrialisation and generate employment. Likewise, this trade deal was also strategic for the world's largest economy, as it granted the US access to critical minerals and opened up investment opportunities in the continent. Washington's policymakers have viewed this deal as a means of exerting soft power and countering China's growing influence in Africa.

The Act has its fair share of critics, with many pointing out that textiles and automobiles are the most robust sectors, while other sectors have not reached their optimal potential. The opposers of this agreement have also pointed out that AGOA is severely under-utilised, with only half of the beneficiary countries under this initiative using this opportunity to strengthen their economies. Most of the exports to the US come from these handful of countries. According to data published on the AGOA website, US imports from these countries were \$82 billion in 2008 and had dropped to \$29.1 billion in 2024. Analysts have also suggested that

more industries, such as technology and digital services, should be included under this scheme. Earlier this year, African manufacturing representatives expressed their wish for a 10-year extension of the AGOA, but that no longer seemed possible in the wake of Trump's tariff policies. The chances of this Act being scrapped altogether are very high, and therefore, the only way it can continue would be if even the beneficiary countries offer the President trade opportunities he simply cannot refuse.

When the members of the African delegation met US lawmakers, they said that Democrats and Republican Congressmen were both in favour of the Act being renewed. However, with the AGOA set to expire at the end of September, it seemed unlikely that the US Congress could legislate on the matter and obtain the President's signature. If this initiative is discontinued, Africa's exports will be replaced by shipments from Asia. Without duty-free trade, tariffs could go as high

as 43%, devastating many of Africa's weak economies. While Trump's attitude towards tariffs is no secret, it remains to be seen if Washington officials are willing to risk losing soft power influence in Africa and how much the President wishes to compromise on in order to counter China's growing influence in Africa. The question on everybody's minds is whether the economic priorities of the US will be favoured at the cost of national security and national power.

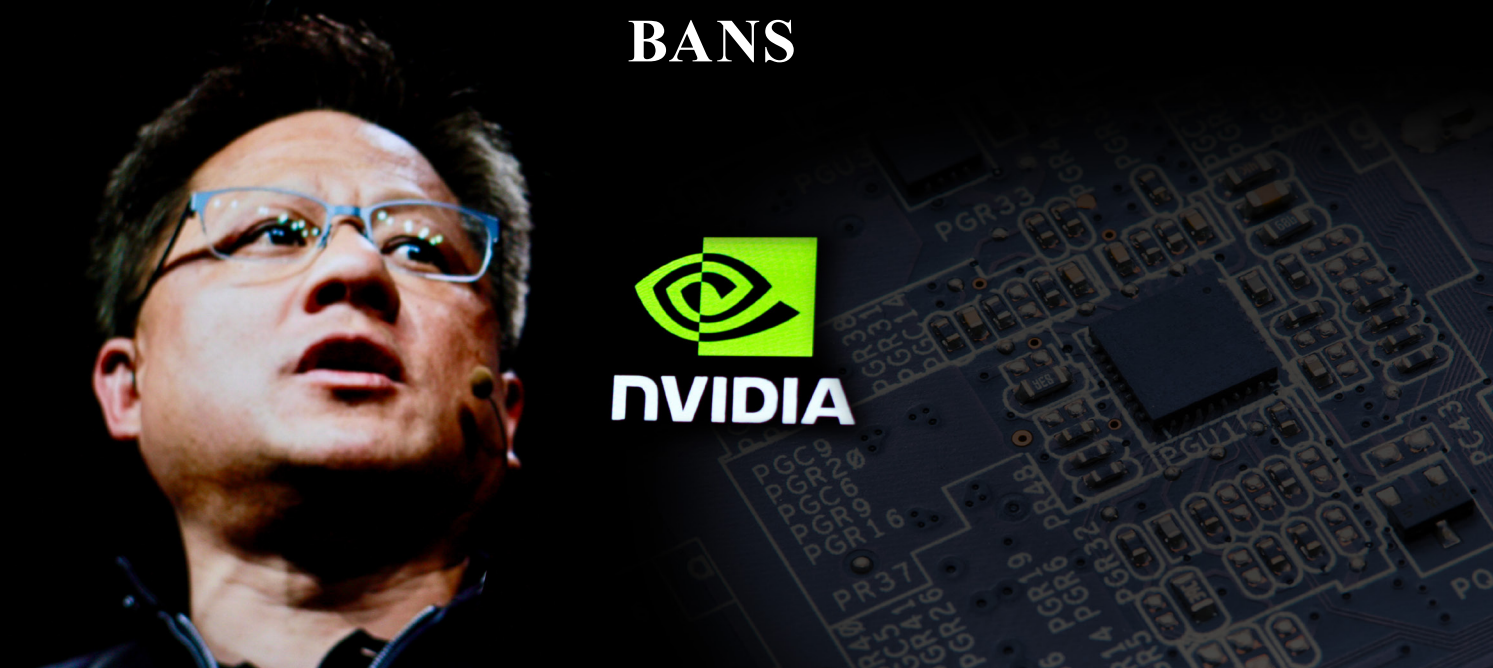


**AGOA HAS ALSO BEEN STRATEGIC FOR THE WORLD'S LARGEST ECONOMY, AS IT GRANTS THE US ACCESS TO CRITICAL MINERALS AND OPENED UP INVESTMENT OPPORTUNITIES IN THE AFRICAN CONTINENT.**

**WASHINGTON'S POLICYMAKERS HAVE VIEWED THIS DEAL AS A MEANS OF EXERTING SOFT POWER AND COUNTERING CHINA'S GROWING INFLUENCE IN AFRICA.**



# US CHIPMAKERS TO PAY WASHINGTON 15% OF CHINA SALES TO PREVENT EXPORT BANS



In a historic move that fuses national security policy with corporate realism, top US chipmakers Nvidia and AMD have committed to forking over 15% of their high-end AI chip sales revenue to the federal government in China to avoid potential export bans. The historic agreement, which was directly negotiated between President Donald Trump and Nvidia CEO Jensen Huang, represents a seismic shift away from blanket prohibitions to a revenue-sharing approach to entering the vital Chinese market.

The agreement was reached after Huang met with Trump at the White House in August. Trump disclosed he initially wanted 20% of revenue before agreeing to 15%, joking that Huang *“haggled him down.”*

The deal allows for sales of speciality AI chips such as Nvidia’s H20 and AMD’s MI308, which were forbidden under Biden-era controls. These chips, downgraded to meet compliance requirements, are still crucial to China’s AI growth, surpassing domestic substitutes.

## Strategic Calculus and Security Tensions

Commerce Secretary Howard Lutnick articulated the policy as managed dependence by keeping Chinese technology developers dependent upon US technology while raising capital to support American semiconductor predominance.

Regardless of Beijing’s quest for autonomy, firms like ByteDance, Alibaba, and Tencent ordered \$16 billion worth of H20 chips before the export ban. Chinese chips by Huawei are still no match for these when it comes to AI. But the compromise provokes heated arguments. US officials signalled that even toned-down chips might guide China towards breakthroughs in autonomous weapons and surveillance. A group of 20 security experts recently called for Lutnick to bar the sales, contending they would inevitably strengthen the Chinese military-civil fusion strategy.

## Legal Quagmire and Global Repercussions

The revenue-sharing model faces immediate constitutional scrutiny. Legal scholars question whether the fee violates the Export Clause, which prohibits taxes on exports. *“This is the monetisation of US trade policy,”* warned former trade negotiator Stephen Olson. *“We’ve entered a new and dangerous world.”* The world over, the arrangement threatens to establish a disquieting precedent. Allies such as the EU or competitors such as China have worried analysts who fear they could similarly insist on slashing revenues in exchange for access to their markets.

Analysts questioned whether it would just end with Chinese AI or if other firms would soon be asked to pay to sell into restricted countries.

## Financial and Corporate Realities

Financially, the deal converts geopolitical bargaining power into measurable income. Estimates are \$15 billion of 2025 H20 sales to China and \$800 million for AMD’s MI308. A 15% fee would reap Washington about \$2.37 billion, effectively converting China’s AI reliance into a subsidy of American innovation. For chip makers, the math is just as brutal. Having lost \$17 billion in Chinese revenue in the previous year, Nvidia considers keeping 85% of sales to be better than being shut out. As one investor put it, *“Eighty-five per cent of revenue beats zero.”*

## Uncertain Path Forward

Critical questions remain unresolved. The mechanism for tracking revenue and preventing price hikes to offset the US cut is unspecified. Trump has already hinted at extending the model to Nvidia’s next-generation Blackwell chips, demanding a 30-50% revenue share for Chinese market access. Opponents say the revenue incentive inherently undermines export control credibility. *“The government is now financially incentivised to sell AI to China,”* warned Carnegie Endowment’s Peter Harrell, pointing to a clash between profit and security. As the US bets that restrained sales will keep Chinese dependence in check while underwriting domestic innovation, dominance over advanced computing is the ultimate bargaining chip. The world now waits to see if this transactional framework turns into a habit or a cautionary tale.

# A NEW GLOBAL TRADE ORDER: TRUMP’S RECIPROCAL TARIFFS TAKE EFFECT

The United States implemented its broad new trade policy, with President Donald Trump’s ‘reciprocal tariffs.’ The new tariffs, aimed at a wide range of goods from countries all over the globe, are intended to correct what the administration has long referred to as unfair trade imbalances. The policy sets a baseline tariff rate that applies to all non-exempted countries, with the higher tariffs and special exemptions applied in a tiered fashion depending on current trade negotiations and other diplomatic issues. But the rollout has created an instantaneous and desperate reaction from domestic and foreign governments and industry, now confronted with a deluge of additional costs and confounding logistical headaches.

While the ultimate aim is to push nations into fresh, better deals, the immediate effect is one of general uncertainty and monetary shock. The specifics of the new tariffs differ greatly from nation to nation, a reflection of the personalised and quite often contentious nature of the Trump administration’s trade negotiations.

## Canada and the European Union: A Rift Between Allies

Canada, Washington’s second-largest trading partner, has seen relations with the US take a dramatic turn for the worse. With no new comprehensive agreement arrived at by the deadline, President Trump has followed through on his threat to slap a 35% tariff on a massive variety of Canadian products not included in the USMCA agreement. This action, following what Canadian officials termed *“chaotic”* and fruitless negotiations, is a serious escalation.

The tariffs would target key sectors such as auto parts, aerospace, and farm produce, which are highly integrated into cross-border supply chains. Canadian Prime Minister Mark Carney has vowed to retaliate, but the pressure in the near term would be on industries that depend on access to the American market. On the other hand, following months of tough negotiating, a compromise was reached with the European Union to prevent the worst tariffs. European products will now be charged a 15% tariff, a significant hike from past rates but a compromise from the threatened 30%. In return, the EU has consented to a dramatic expansion of its purchase of US LNG and has promised new investments in the US economy.

Though this pact prevents an all-out trade war with the bloc, it still imposes new expenses for European exporters and will most likely result in American consumers paying higher prices for all manner of European-produced goods.

The United Kingdom has also negotiated a better deal. A bilateral agreement has been agreed on, with a tariff of 10% as the baseline tariff on most British products. This is much lower than most other significant economies are subject to and reflects the administration’s eagerness for an enhanced post-Brexit trade relationship with the UK. The agreement is reported to have provisions for greater market access to US agricultural exports and new quotas for American ethanol.

**The specifics of the new tariffs differ greatly from nation to nation, a reflection of the personalised and quite often contentious nature of the Trump administration’s trade negotiations.**

## Japan, India, Brazil: Mounting Pressure

Both India and Japan, major economic partners of Asia, ran past the August 1st deadline without having wider new trade treaties. With this, Japanese imports now attract a 15% tariff, something Japanese companies had sought to circumvent. This new duty stems directly from talks being halted regarding market access for American agricultural and industrial products. Likewise, India faced a 25% tariff, which the administration defended by citing India’s already high tariffs and what it considers to be unfair trade practices. The White House also tied the tariff to India’s ongoing purchases of Russian oil, layering on a geopolitical aspect to the economic punishment.

Indian authorities have warned that this move will disproportionately hurt labour-intensive industries such as textiles and gems, which form the backbone of the country’s economy. But they refused to yield and throw open their agricultural and dairy industries, a major American requirement.

Brazil was hit particularly severely with a 50% tariff on almost everything, including significant items such as beef and coffee. Brazil’s commerce with the US, which used to run a slight surplus in America’s direction, is now on much more contentious ground. In this instance, the tariffs are designed more to pressure the Brazilian government to cancel charges against former President Jair Bolsonaro over his coup attempt in 2022, which Trump describes as a ‘witch-hunt’.

## China: A Surprising Detente?

The most surprising news may be the changing policy towards China. Although the administration initially threatened tariffs as high as 145%, the new policy now institutes a more moderate 35% tariff on Chinese imports, plus a further penalty of up to 20% for products connected with illegal fentanyl trade, for a total of 55%. This is but an interim ceasefire in the trade war.

After fresh Chinese concessions on American access to its markets and a restart of rare earth exports, both sides have agreed to keep talking, with the new agreement potentially ready by mid-August. This guarded, almost optimistic tone with China is the diametrical opposite of what has been pursued with other important allies. It betrays the intricate and malleable nature of these international trade negotiations. But there are still storm clouds gathering with Senator Lindsay Graham’s bill to apply 500% tariffs on nations purchasing Russian energy, including China and India.

The full effect of these tariffs will take some time to come, but the early responses are not good. Companies are seeing major cost rises, and supply chains are being reconsidered for potential disruption. Global markets have been volatile over the news.

Detractors of the policy predict that these tariffs will eventually harm American consumers and businesses. At the same time, proponents say it is an overdue move to rebalance global trade and safeguard domestic industries. As the world adapts to this new reality, the question on everyone’s mind is whether this is the beginning of a new, extended period of protectionism or merely a high stakes bargaining move aimed at pushing new deals in the weeks and months ahead.



# INDONESIA ROLLS OUT \$1B STIMULUS AMID SURGING SOCIAL TENSIONS

In mid-September 2025, the Indonesian government unveiled an economic stimulus package worth approximately Rp 16.23 trillion (about US\$989 million), a move widely seen not just as an economic measure but as a political gambit to calm mounting social unrest. The package arrives at a volatile juncture: protests have erupted across cities, grievances over inequality and elite privileges have boiled over, and signs of economic deceleration are mounting. The government hopes that visible, targeted relief will restore public confidence without violating its stated commitment to fiscal prudence.

## The Context: Social Unrest, Public Anger, and Fractured Trust

Indonesia's protests in August and early September were triggered by revelations about housing allowances of 50 million rupiah per month for members of parliament, an amount many considered grotesquely out of step with the economic realities faced by ordinary Indonesians.

Demonstrators decried how high-ranking officials continued to receive outsized perks even as inflation, job insecurity, and cost-of-living pressures took a heavy toll on the nation's economy. These protests were not isolated. Analysts characterise them as part of a broader wave of discontent that has been growing for years, amid persistent inequality, unmet expectations, and a sense that political elites have grown disconnected. As one observer put it, the "social contract" in Indonesia is under strain. Protesters have rallied around a set of 17 short-term and 8 long-term demands, commonly referred to as the 17+8 demands, that aggregate concerns from corruption, inequality, and elite capture to police reform, militarisation of the state, and human rights issues. Some demands have already been accepted or partially addressed by parliament (for example, the removal of the housing allowance). President Prabowo and his advisors have responded by saying that while many demands are "*normative*" and open to negotiation, only some can be implemented immediately.

## Economic undercurrents

The protests coincide with signs of economic stress. Although Indonesia's economy expanded 5.12% year-on-year in Q2 2025, its best in two years, many analysts have flagged weakening momentum in Q3. Meanwhile, the government's

growth target for 2025 is 5.2%, a stretch if consumption and investment falter.

Commodity jolts, rising global rates, inflation pressures, and volatile capital flows all pose risks. The rupiah has weakened recently, and Bank Indonesia has pledged to intervene "*boldly*" to stabilise it. Crowding out, or fiscal slippage, could further strain investor confidence. In short, the government is under pressure on three fronts: economic, social, and political. The newly announced stimulus aims to address all simultaneously, if it can be delivered effectively. This new package is relatively modest compared to earlier stimulus efforts but is notable for its politically calibrated design. It is also the third such package in 2025, following Rp 33 trillion in January and Rp 24.4 trillion in June. Media reports describe this strategy as the "smallest but sharpest" in terms of its focus.

Officials characterise the programme as "8 + 4 + 5":

- 8 acceleration programmes for 2025
- 4 programmes to be extended into 2026
- 5 flagship job-creation initiatives

Below are the major features:

## Food Relief & Basic Needs

In Q4 2025, 18.3 million families will receive 10 kg of rice each. Facing parliamentary pressure, the government recently agreed to consider distributing 2 litres of cooking oil per household as part of the food assistance package. The stimulus complements President Prabowo's existing Free Nutritious Meal programme for children and pregnant women, which aims to serve tens of millions by 2029. However, the free meal program has come under fire after a mass food poisoning outbreak affected over 5,000 children in West Java; some were even hospitalised. NGOs have called for a halt to and an evaluation of the program over food safety concerns.

## Jobs and Cash-for-Work

Around Rp 5.3 trillion is allocated to create temporary infrastructure jobs for 600,000+ workers from September to December. 20,000 fresh graduates will receive paid internships for six months, each at least at the minimum wage lev-

el. In the services sector, employees in tourism, hospitality, and food/beverage will be exempt from personal income tax. Small business tax postponement: A planned hike from 0.5% to 1% turnover tax on small enterprises is delayed until 2029.

Ride-hailing motorcycle taxi drivers, couriers, and small logistics operators will get insurance rebates and a 50% cut in social security contribution payments. Support for low-cost housing is included, supporting around 1,050 housing units under subsidised conditions. The stimulus introduces a long-term replanting programme over 870,000 hectares in 2026, targeting commodities like coconut, cocoa, sugarcane, coffee, cashew, and nutmeg. This scheme is projected to generate 1.6 million jobs over time.

Coordinating Minister Airlangga Hartarto called it a "comprehensive" stimulus, spanning from food security to employment. Finance Minister Purbaya Yudhi Sadewa emphasised that the package is about optimising existing funds, not radically increasing borrowing.

## Fiscal Discipline or Balancing Act?

One of the central criticisms levelled at big stimulus is that it may balloon deficits or compromise fiscal credibility. Indonesian officials, however, emphasise that the package will not breach the legal cap on deficits, which is 3% of GDP. Currently, the deficit is projected to be around 2.78%. Rather than rely on fresh borrowing, the government contends that it can reallocate budget lines, delay or scale back less urgent expenditures, and tap existing reserves. The country's new finance minister, Sadewa, has defended the move as necessary to prevent a sharper slowdown while staying within fiscal guardrails. Still, scepticism lingers. If revenue collection falls short or the stimulus fails to sufficiently revive growth, the government may face pressure to revise projections, borrow more, or cut back on other programs. The timing is delicate: with Parliament in recess and the state budget already stretched, options are limited for further big stimulus for the remainder of the year.

On the financial front, the rupiah has been on the defensive. It recently hit its weakest levels since April, prompting the central bank to pledge strong interventions. Investors have expressed concern over a surprise rate cut earlier this

month, worrying it may signal a tilt toward growth at the expense of stability. To bolster housing and construction, the government has also announced a plan to subsidise 5% of interest costs on loans for small developers and homeowners for up to five years. This is part of efforts to stimulate demand in the property sector, a sensitive area given Indonesia's structural housing shortfall.

## Implementation Challenges & Risks

Designing a stimulus is one thing; executing it effectively is quite another. The Indonesian government has long struggled with bottlenecks in social assistance delivery, leakage, bureaucratic inertia, and local-level coordination inefficiencies. Indonesia's public administration is large and often fragmented across central and provincial levels. Coordinating among multiple ministries, local governments, state banks, and agencies presents serious logistical hurdles. In a charged political environment, there is also a risk of favoritism, clientelism, or local-level politicisation. One of the deepest risks is that the package may be perceived as symbolic tokenism, a palliative intended to dampen protest without addressing root grievances. If citizens see the relief as short-lived or narrowly targeted, protests may reignite or even intensify. In a recent commentary, the Carnegie Endowment argued that mass protests may reflect

a broader reckoning: stability now demands accountability, not just handouts. As one student protester put it during recent rallies, "*We don't just want rice and jobs for three months. We want fairness and accountability.*" The government is, in effect, betting that visible, rapid relief can pacify discontent long enough to buy political breathing room. Whether that works depends on the pace, equity, and authenticity of implementation.

## Early Signals, Market Reactions & Public Sentiment

The announcement of the stimulus seemed to have an immediate dampening effect on planned protests. A protest of gig workers in Jakarta reportedly saw a reduced turnout, possibly in part because of the relief package announcement. In financial markets, the response has been mixed. While the government and regulators have emphasised the resilience of economic fundamentals, investors remain cautious. The Jakarta Composite Index dipped over 3% in early trading after renewed protests, though it rebounded slightly following central bank assurances.

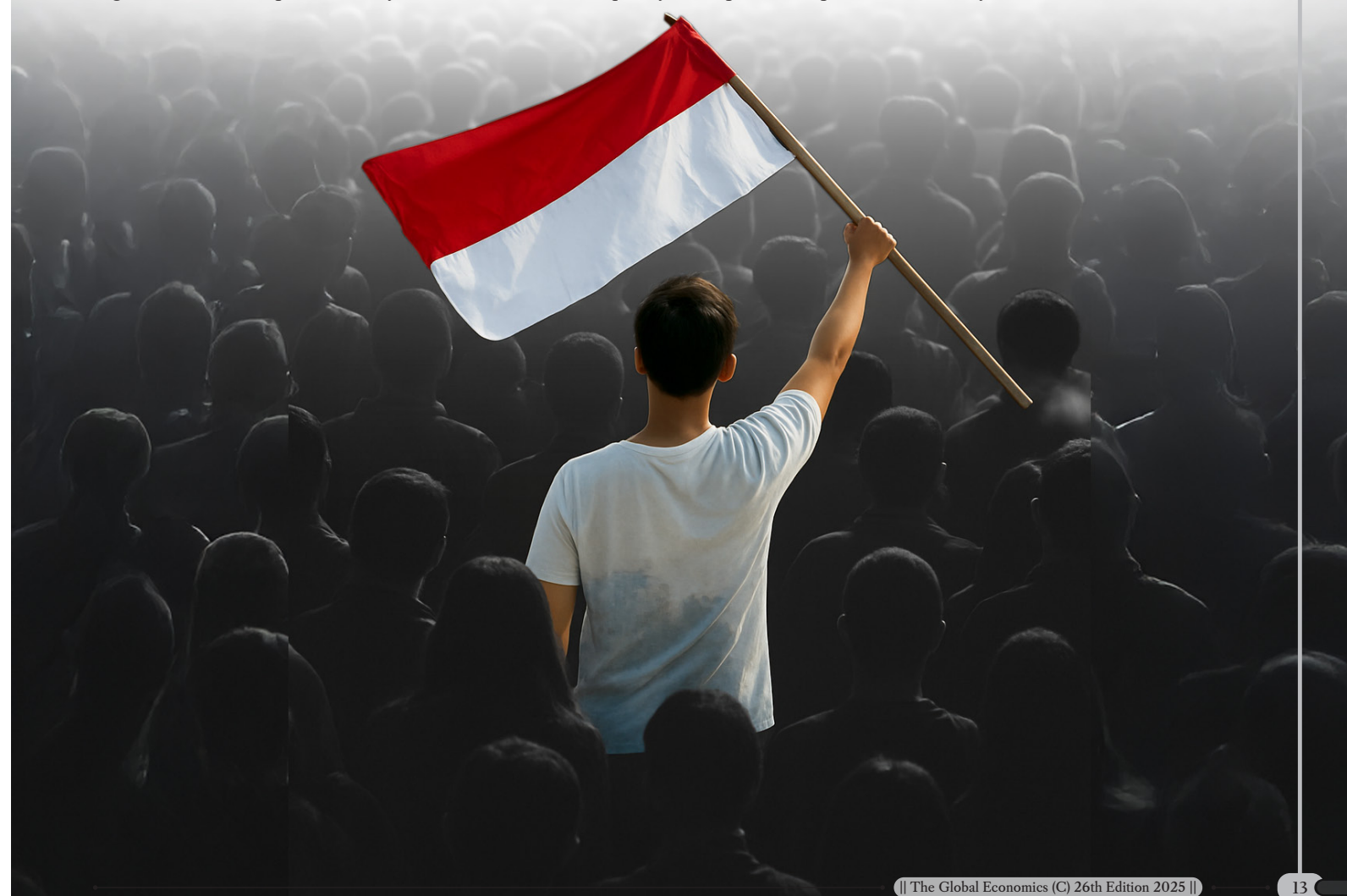
Public sentiment, however, appears to be tentative. Many Indonesians welcomed relief but remain sceptical about whether this package will address deeper issues of inequality, corruption, and polit-

ical exclusion. Growing discontent over the militarisation of state functions, concentration of power, and weakening oversight has fuelled accusations of creeping authoritarianism.

## Political Implications and the Road Ahead

The next few months will be a crucible for the Prabowo administration. Whether the stimulus can meaningfully defuse unrest depends heavily on speed, transparency, and outreach beyond urban centres. If benefits are delayed, localised, or viewed as uneven, the government's political capital could decline further. While the package is framed as a stabilising measure, many activists and analysts argue that lasting calm requires structural reforms like transparency, institutional checks, accountability in policing, and curbing elite capture. Without these, protests may recur in more intense form. Some observers see the unrest as a turning point: "*Politics as usual is over.*"

Prolonged unrest, coupled with policy unpredictability, could lead to increased risk premiums for Indonesia. Already, ratings agencies are watching closely. The fragility of the social contract may deter foreign direct investment or choke capital inflows. For many investors, the key variable is not just growth but governance credibility.







## UAE-RUSSIA TRADE SERVICES AND INVESTMENT PACT: STRATEGIC MULTIPOLAR ALLIANCE

The recent visit of the UAE President Sheikh Mohamed bin Zayed Al Nahyan to Moscow concluded with the signing of the Trade in Services and Investment Agreement (TISIA) between Russia and the United Arab Emirates (UAE). This is more than a bilateral trade pact, as it comes at a time when the global scenario is changing constantly. This indicates a structural transformation in the way middle powers are reconciling their strategic partnerships in an increasingly multipolar world. The timing and extent of this agreement highlight the UAE's calculated diplomatic stance for its economic diversification ambitions and Russia's strategic pivot to Asia and the Mid-

dle East. The TISIA comes at a time when the conventional West-inclined trade relations are at a volatile juncture. In such times, it provides a mutually beneficial economic framework and a testament of sovereignty in decision-making by two nations focused on carving their path in international affairs.

### Strengthening Economic Foundations Through Strategic Cooperation

The recently signed TISIA lays the foundation for a strong economic relationship between the UAE and Russia. The non-oil trade value between the two nations crossed the \$11B mark in 2024, a 4.9% increase from 2023, showcasing

the potential for further organic growth between the economies. The agreement's scope goes beyond conventional trade roadblocks to encircle financial technology, healthcare, transportation, and logistics, sectors that fuel future economic partnership.

The agreement enables Russian companies to gain access to the Emirati services market, covering over 100 sectors, from medicine, education, law, accounting, and more. Such broader coverage reflects the future economic growth of both economies, not just in commodities but also in advanced services. The UAE's standing as a global business hub makes it an enticing partner for Russian

omy in a broken international system. The UAE's decision to boost its relations with Russia, despite Western pressure and sanctions, highlights the onset of a time when middle powers get into partnerships and stay out of the problems of global powers.

This strategic autonomy is mainly prevalent in the UAE's foreign policy. Besides maintaining healthy Western partnerships, the Emirates has simultaneously improved its relations with Russia, India, and China, crafting a delicate case study for international relations studies. They have been successful in weaving a net of international relations that serves their national interests, aloof from external expectations. For Russia, the agreement is a significant step forward in its "pivot to Asia" strategy, rolled out well before the rise of global tensions but pushed forth by Western sanctions. The UAE stands as a gateway for further expansion into the Middle East and South Asian markets, enabling Russia to tap into other economic clusters to reduce its dependence on European partnerships. Since its 2022 military operation in Ukraine, Russian businesses have flocked to the UAE in large numbers. Its citizens dodged sanctions and mandatory conscription, indicating that the economic relationship has tangible advantages in difficult times.

The TISIA represents a part of an increasing network of South-South cooperation agreements that took place to counter Western-dominated institutions. Both nations engage in alternative international forums, like Russia via the Eurasian Economic Union and BRICS, and the UAE through its new BRICS membership.

### Economic Diversification and Future Growth Prospects

The economic hypothesis behind TISIA extends beyond current trade volumes to cover the transformative potential of services cooperation in both economies. The UAE's economy is appropriately diversified, but it regularly seeks new avenues to drive growth to become the world's leading nation under its Vision 2071 goals. Russia, grappling with sanctions, is restructuring and is utilising service offerings as a key to unlock technological advancement and economic sophistication.

The agreement would mainly focus on high-ticket services sectors, reflecting the understanding of global economic waves by both nations. Financial technology, healthcare innovation, and transportation optimisation are some areas where bilateral cooperation can generate multiplicative effects throughout both countries. The UAE's globally advanced

fintech sector can benefit from Russian expertise in cybersecurity and mathematical modelling. On the other hand, Russian healthcare tech and pharmaceutical research findings can look for new markets through partnerships.

Transportation and logistics enable the UAE to bank on its role as a global hub and Russia's gateway for economic expansion. Increasing cooperation in this sector will be transformative for trade routes between Europe, Asia, and the Middle East, potentially creating new corridors that could pose a challenge to conventional maritime routes. Such transit development would decrease the cost for businesses, leading to more employment generation.

Moving forward, the future, laden with exponential growth in bilateral trade, seems possible. The agreement aims to increase trade by over 100% in the next 5 years, an ambitious but doable goal, considering the present baseline and the comprehensive nature of the cooperation framework.

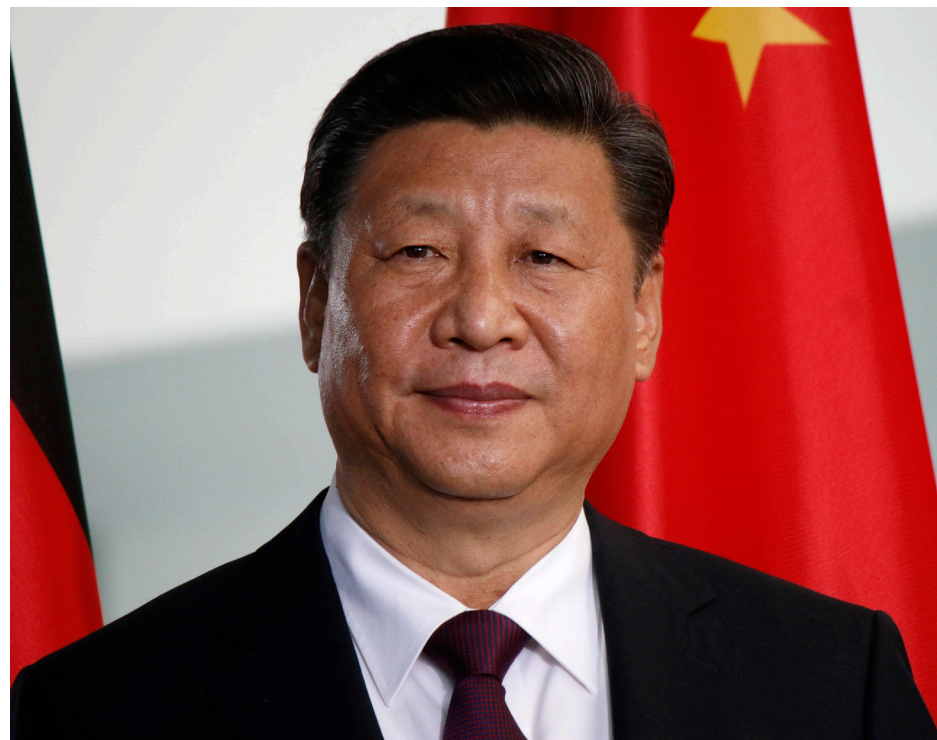
### Challenges and Long-term Implications

The TISIA might look promising, but it comes along with its share of challenges. The most certain challenge is balancing the relationship amidst Western sanctions against Moscow. The UAE must balance its burgeoning partnership with Russia with its relationship with Western allies. The UAE's approach appears confident in its ability to navigate complex relationships. The Emirates has historically demonstrated skilled diplomatic behaviour in maintaining partnerships across different geopolitical camps, and its leaders appear to follow along with the knowledge. The challenge for Russia lies in utilising its partnership to build a larger economic payroll without becoming reliant on any single entity. The UAE partnership, while valuable, presents only one part of the Russian border strategy of economic partnerships. Success will require Russia to come out as a reliable and innovative partner that has to offer much more than just gaining new market access.

The agreement's long-term implications will affect bilateral relations and influence patterns of international economic cooperation. A successful move will cement TISIA's place as a model for other middle powers to diversify their partnerships and command strategic autonomy. This push for a more multipolar international system with conventional hierarchies will have a tough contender in complex networks of cooperation.



# CHINA UNVEILS GLOBAL GOVERNANCE INITIATIVE AT TIANJIN SCO SUMMIT 2025



At the 25th Shanghai Cooperation Organisation (SCO) Summit in Tianjin, China used the meeting not only to enhance regional diplomacy but also to outline a broader alternative to the post-Cold War global order. Chinese President Xi Jinping unveiled what Beijing called a ‘Global Governance Initiative’. This package of ideas and practical measures aims to reshape international economic governance, reflecting the realities of a more multipolar world. The initiative sits alongside a set of concrete plans on energy, finance and technology that together form the summit’s economic thrust.

## What the initiative is and why it matters

The Global Governance Initiative advocates reforms to global institutions and decision-making processes. Beijing pitched the idea around three central claims: first, that international governance should be more representative of the Global South and rising Asian powers. Second, that economic rules should favour “mutual benefit” and non-confrontational cooperation rather than punitive measures. Third, the SCO should operationalise these ideas through new financial and infrastructure vehicles.

Xi’s message was both normative and practical, an appeal to shared interests across developing and middle powers and a call to deliver tangible mechanisms to support those interests. Those proposi-

tions were matched by concrete proposals on the table. The summit advanced plans for an SCO Development Bank intended to finance regional infrastructure, connectivity and green energy projects. Observers see the bank as an instrument to reduce reliance on Western institutions and to speed up funding for projects that align with SCO priorities. The bank’s approval would represent a structural step towards institutionalising the economic dimension of the SCO.

## Power of Siberia 2 and the rewiring of Eurasian gas flows

Energy was the most tangible economic headline from Tianjin. On the sidelines, Gazprom and China National Petroleum Corporation signed a binding memorandum of understanding advancing the Power of Siberia 2 pipeline, a multi-billion-dollar project to route Russian gas to China via Mongolia. The announcement signals a significant reorientation of Russian energy exports from Europe toward Asia, with important implications for global gas markets and geopolitics. Analysts note that pricing, financing and schedules still require detail, but the political impulse to deepen China-Russia energy ties is unmistakable. For SCO members in Central Asia and Mongolia, the pipeline and related energy pledges offer the prospect of transit fees, infrastructure upgrades and greater integration into Asian energy chains, provided local states can navigate debt, environmental and domestic political constraints.

## Finance, technology and digital governance

Beyond energy and a development bank, Tianjin produced agreements and declarations that touch on finance and digital governance. The Tianjin Declaration endorsed calls for reform of the global economic architecture and promoted cooperation on the digital economy, cybersecurity and data governance. These are areas where China is keen to export norms that emphasise state sovereignty and localised governance of data flows. Those dovetail with China’s long-term aim to shape rulemaking in fast-growing technological arenas. Practical measures discussed at the summit included harmonising standards, joint digital projects among SCO members, and exploratory work on payments and financial instruments that would reduce dependence on dollar-centric rails. These initiatives are incremental rather than revolutionary in the short term, but they signal an orientation: the SCO as a platform for institutional alternatives and standards diffusion.

## Consolidation without instant unity

The Tianjin summit was as much about signalling as it was about signing. High-profile photo ops between leaders, notably China, India and Russia, projected unity, yet the summit also highlighted limits.

India’s engagement remained cautious, Russia retained its own priorities, and several Central Asian states sought assurances about debt, sovereignty and balanced benefits. The SCO’s expanded membership and outreach mean consensus is harder, but the organisation’s growth gives weight to any collective initiative it endorses.

Tianjin 2025 was a pivotal moment for Beijing to advance an organisational and normative agenda. It aimed to fuse rhetoric about a fairer global order with concrete institutions and projects that deliver economic benefits. The summit’s outcomes, like development banking, energy agreements and digital governance initiatives, reveal a pragmatic strategy. It is to build alternatives step by step and leverage economic ties to institutionalise influence. Whether that strategy produces durable change depends on financing, commercial details and the political balancing act among diverse SCO members.

# NEW ZEALAND TO BUY US MARITIME HELICOPTERS FOR NZ\$2.7 BILLION AS SECURITY THREATS INCREASE

New Zealand will buy five MH-60R Seahawk helicopters and two Airbus A321XLR aircraft for NZ\$2.7 billion (\$1.6 billion), marking the first major investment since the country decided to replace its ageing defence fleet. According to Defence Minister Judith Collins and Foreign Minister Winston Peters, the purchase of Lockheed Martin’s maritime helicopters will be NZ\$2 billion, while the remaining NZ\$700 million will be used to buy the A321XLRs. Collins explained that the government aims to purchase these helicopters directly through the United States’ Foreign Military Sales programme rather than issue a wider tender. The Cabinet is likely to finalise the details of this arrangement in 2026.

The two new Airbus aircraft will be acquired on a six-year lease-to-buy agreement and will replace the Boeing 757 planes. Over three decades old, the New Zealand Defence Force’s two 757s are no longer working at optimal capacity, prone to several frequent breakdowns. In June 2024, the defence force plane chartering the Prime Minister Christopher Luxon to Japan broke down, forcing him to take a commercial flight. The Boeing 757 broke down during a refuelling stop in Papua New Guinea, leaving the business delegation and journalists stranded in Port Moresby, with only Luxon fly-

ing to Tokyo. Therefore, Wellington authorities are determined to rebuild a more reliable, interoperable and combat-capable fleet.

These investments are part of the government’s Defence Capability Plan highlighted earlier this year. In April, New Zealand announced plans to increase defence spending by NZ\$9 billion (\$5 billion) over the next four years. Amid heightened geopolitical tensions, Luxon has urged increased spending to ensure prosperity. Consequently, the government aims to double its spending to 2% of GDP over the next eight years. Peters said that the government is on high alert as national security threats are increasing and the global political climate is becoming increasingly fractured. An intelligence report released by the New Zealand Security Intelligence Service (SIS) revealed that, in recent times, New Zealand has been threatened by increased attempts of foreign interference and espionage, particularly from China. The report revealed that there was certainly undetected espionage, compromising the country’s interests and that foreign states have been targeting New Zealand’s critical organisations, infrastructure and technology to steal confidential information. China, Russia and Iran have been named in the report and accused of trying to engage in deceptive activities, gain access to technology and information which could ulti-

mately aid them in achieving their goal of influencing certain discussions and decisions taken by the government.

China has been described as an ‘assertive and powerful’ actor and is allegedly willing and capable of undertaking intelligence activity which could make Wellington’s interests vulnerable. The Chinese Embassy in New Zealand is yet to respond to these claims. New Zealand, which is part of the Five Eyes, has consistently raised alarms over China’s growing influence in the region. The report titled New Zealand’s Security Threat Environment is an annual report published to inform citizens about such security risks. Director-General of Security Andrew Hampton has called for this report to be taken more seriously. The report has also underscored the growing threats of violent extremism, explaining that any potential attacks could be carried out by lone actors who are subject to online radicalisation. In April, the Prime Minister had said that while economic growth and development remain his top priority, it would be impossible without security and defence. In 2024-2025, New Zealand’s Defence Force spending was nearly NZ\$5 billion, and therefore, the NZ\$9 billion investment was a significant boost. The country has struggled with defence underspending as it comprised only 1% of GDP for decades. With that amount now doubling to 2%, the defence force plans to invest in improving strike capability, the purchase of an uncrewed aerial system, along with replacing ageing helicopters and aircraft.







# FROM COMMITMENT TO STRATEGY - STRENGTHENING THE PRIVATE SECTOR'S ROLE IN SAUDI CULTURE

Saudi Arabia's cultural transformation is proof of one of the most ambitious social and economic transformations of today's era. As the Kingdom transitions from its traditional crude-reliant economy towards a diversified vision outlined in Vision 2030, culture became the fundamental pillar of this strategic change in the economy. The private sector's role in the transformation goes beyond national identity, economic sustainability, and the current position of the state in the global cultural marketplace. The transition from state-sponsored cultural initiatives to private actor participation highlights a deeper understanding of the sector's economic potential. Projections suggest that cultural development could contribute

an additional 5% to Saudi Arabia's GDP by 2030, underscoring its significance for the Kingdom's economic diversification goals. This shift is not only a policy change but also represents a fundamental reconciliation of how cultural value is created, sustained, and monetised in a rapidly modernising society. The private sector's increasing foothold in Saudi culture poses a challenge to some traditional paradigms regarding cultural preservation and innovation. Instead of considering economic benefits as antithetical to cultural authenticity, the Kingdom's approach suggests that sustainable cultural development requires commercial activity. Such a viewpoint takes into consideration the financial sustainability factor, which, if absent, will make cultural initi-

atives heavily dependent on government support and vulnerable to political and economic fluctuations.

## Institutional Framework and Policy Architecture

The establishment of a strong institutional framework is critical to engage private sector investment in the Kingdom's culture. The Cultural Development Fund was created by royal decree in 2020, with the target of achieving sustainability by facilitating knowledge activities and cultural projects and investing in the cultural sector. This fund helps in various ways; apart from being a financial pool, it enables a strategic approach to cultural development that considers the need for

private sector engagement for future sustainability.

The fund's decree to improve the role of the cultural sector in economic development and enable citizens willing to take part in these activities highlights its deep understanding of the duality of culture acting as a social binder and economic driver. By positioning itself as a facilitator rather than a provider of cultural content, the government has created room for private players to experiment and innovate whilst maintaining strategic oversight of cultural development priorities. The Saudi Cultural Development Fund launches Nama' Accelerators to aid and grow Saudi Arabia's cultural businesses this year, indicating a shift from simple subsidising to extensive business development support for cultural enterprises. This approach considers that successful private sector engagement requires not just starting capital but also persistent support for business development, market access, and operational quality. The policy architecture encircling cultural investment reflects a careful balance between encouraging private sector participation and maintaining cultural authenticity.

## Economic Impact and Market Development

The economic aspect of private sector engagement goes way beyond traditional measures of cultural value to cover employment generation, export potential, and innovation across other sectors. The economic subsidies from the government have made private sector engagement not just an additional stakeholder but a pillar of infrastructural development for the future cultural sector. Private sector involvement has catalysed market development across several cultural subsectors. The celluloid industry, previously non-existent in Saudi Arabia, has witnessed immense growth fuelled by private investment, highlighting the importance of private engagement for cultural expression.

Tourism integration opens another front for economic collaboration, where private sector cultural investment creates

shareholder value. Increasing the number of Umrah visitors from 8 to 30 million annually and establishing the largest Islamic museum in the world requires private sector participation in hospitality, transportation, and cultural facility development. The rise of cultural entrepreneurship also adds another economic sector, aided by private engagement. Young Saudis are increasingly looking for cultural activities, be it content creation, art & craft, or event management, as career paths. This shift in approach has created a labour market dynamic that supports cultural sector growth, alongside employment for citizens.

## Innovation and Creative Industries Development

The private sector's role in the Kingdom's cultural development has been a catalyst for innovation and for developing creative industries that were previously curtailed for limited expression and commercialisation. Private investment created a platform for experimentation, risk-taking, and creative exploration that government-led initiatives, grappled by bureaucratic restraint and risk aversion, made impossible. Technology integration in cultural experiences represents an area that is burgeoning due to the presence of private players. Virtual reality experiences, interactive museum exhibits, and digital content platforms built by private firms have improved accessibility of cultural offerings. Such technological innovations not only improve user experience but also create intellectual property, which later generates revenues from foreign markets.

The gaming sector is rapidly expanding due to successful private sector innovation in cultural avenues. Saudi companies have built games that represent local culture as themes, stories, and aesthetics with global quality standards. This sector shows that creativity can promote and preserve cultural identity while generating commercial success in global markets. Content creation across multiple media has grown under private engagement. Saudi production companies are making films, television series, podcasts, and digital content that present traditional Saudi experiences while catering to larger audiences. Thai content provides a double benefit in the form of cultural expression and commercial viability. Fashion and design are other avenues where private sector innovation has built local mediums of cultural expression. Saudi designers are experimenting with traditional aes-

thetics for contemporary markets, making products that facilitate the spread of cultural heritage while adhering to modern consumer preferences. The startup ecosystem in cultural sectors has seen a recent spike in activities. Accelerator programmes, venture capital funds focused on creative inclusion, and corporate innovation initiatives have created platforms for cultural entrepreneurs to develop and scale their ideas. Private sector and cultural innovators partner to build hybrid models that mix economic benefit with cultural creativity. Such collaboration uses existing businesses' infrastructure and market knowledge to provide creative freedom for expression.

## Strategic Challenges and Future Directions

A plethora of initiatives in engaging private sector investment in Saudi culture cannot omit the inevitable encounter with a fair amount of challenges that require strategic attention for long-term success. The tension between commercial viability and cultural authenticity presents an ongoing challenge that requires careful navigation to prevent cultural commoditisation while preserving economic sustainability. Market maturity also presents a fundamental challenge for cultural progress. Saudi Arabia's cultural market is in a nascent stage, with consumer preferences, spending patterns, and cultural consumption habits being formed to evolve. Private investors face uncertainty regarding market demand, pricing models, and revenue continuity, which, if not dealt with, can hamper long-term commitment to cultural projects. International competition for cultural attention and investment requires Saudi cultural offerings to meet global standards while preserving a distinct identity. Private players must navigate between local cultural relevance and foreign appeal, which further requires investment for production, quality, and distribution.

Private sector cultural investment in Saudi Arabia has grown from an experiment to a strategic commitment, showing broader recognition that cultural development requires commercial sustainability for long-term success. The institutional frameworks, economic subsidies, and market conditions facilitate private sector engagement, while remaining challenges require continued attention and innovative solutions. Success in such endeavours will ascertain the Kingdom's cultural future.





# GERMANY EYES NEW TRADE PARTNERSHIPS BEYOND US-EU DEAL

Germany, Europe's economic powerhouse, is eyeing the prospect of securing trade deals independently, rather than the conventional norm of siding with Western allies. This marks a fundamental shift in how it approaches global trade in the future. Such transformation reflects both necessity and opportunity, as Germany is trying to reduce its over-dependence on developed markets. The United States was the top trading partner of Germany last year, with foreign trade of €252.8 billion. The second position is held by China with €246.3 billion.

The timing of Germany's trade reorientation is significant, given the recent dynamics of the EU-US trade agreement. The current US-EU trade in goods and services has nearly doubled over the past decade, reaching over €1 trillion in 2024. However, German policymakers and business leaders do not want to view this as sufficient. They want to trade beyond the limits of a mature market. The country's trade balance adds to this stance. German exports totalled €786 billion in the first half of 2025, down by only 0.1%

from 2024, while imports grew 4.4% to €682 billion, highlighting a decline in the trade surplus and underscoring the need to venture into growth markets.

The strategic rebalancing highlights Germany's understanding of the future economic prosperity that lies in trading with emerging economies. Their country's industrial base, made up of automobile, machinery, and chemical exports, needs access to markets that can absorb their production. Traditional partnerships would still exist, but they cannot be solely relied on in a multipolar global trade environment.

## The Imperative for Geographic Diversification

Germany's export dependency on saturated markets is both its strength and a vulnerability, creating complexity for foraying into geographical diversification. Recent trading figures reveal their concentration challenge. It exported 16.8% of its goods to Asia and 12.4% to North America last year, in addition to 1.7% and 1.8% to Africa and Latin America, re-

spectively. Such figures demonstrate the future potential of German industrial expertise in growing regions. The economic understanding of diversification is a pure market expansion strategy to minimise risk and optimise growth. Germany's over-reliance to date has exposed it to severe downturns in developed markets. Emerging markets, with varied economic cycles and growth potential, offer natural hedging opportunities that could stabilise German export performance across various global economic conditions.

The Asia-Pacific region beyond China offers geographical expansion for German companies. Business and political leaders met for the Asia-Pacific conference of German business in New Delhi, India, in October last year to discuss mutual economic futures, highlighting official recognition of the region's importance. Countries like India, Vietnam, and Indonesia have massive consumer markets with rapidly expanding industrial bases that require German machinery, technology, and expertise. Africa is another market with potential to be tapped into. The continent's infrastructure development

needs, growing middle class, and industrialisation ambitions align perfectly with German strengths in engineering, manufacturing, and technology transfer. Latin America, despite only receiving 1.8% of German exports, can have substantial potential, mainly in infrastructure, renewable energy, and industrial development. The region's commodity wealth, along with industrial investment requirements, presents opportunities for German engineering and technology companies to build market footholds and diversify revenue bases.

## Strategic Focus on High-Growth Emerging Markets

Germany's bilateral partnership diversification in the Indo-Pacific is a key objective of its policy of exploiting its industrial capabilities to venture into these markets. The Indo-Pacific is a vast region comprising the world's fastest-growing economies, largest population, and most dynamic industrial development. German core strengths will align well with regional development and investment flows.

India is also a strategic partner for German businesses. The country's massive domestic market, increasing industrial base, and government's focus on infrastructure development have created a sustainable demand for German products and expertise. These relationships also cover technology transfer, joint ventures, and collaborative research and development, aiding both economies in various ways.



Southeast Asian markets offer additional diversification opportunities, particularly in manufacturing and industrial development. Countries like Vietnam, Thailand, and Indonesia are expanding their industrial infrastructure, making room for the entry of German machinery, technology, and expertise. These regions can also help in strengthening global supply chains. The Middle East and North Africa (MENA) region is another avenue for German expansion, particularly in renewable energy, infrastructure, and industrial technology. Many MENA countries are pursuing economic diversification strategies, which will require industrial knowledge and technology possessed by German firms.

African markets, however, undermined by German trade flows, can be a long-term play. The continent's huge demography, rapid urbanisation, and industrialisation can provide opportunities in multiple sectors. Early engagement in such markets can build a competitive edge over other competitors.

## Technology and Innovation Partnerships

Germany's trade diversification strategy focuses on technology and innovation partnerships that overslip from the traditional nature of export-import relationships to include collaborative development, knowledge sharing, and joint venture initiatives. Such an approach improves Germany's technological strengths while improving relationships

that navigate through economic downturns and political changes smoothly. The renewable energy sector has lucrative opportunities for collaborative approaches. German companies possess world-leading expertise in solar, wind, and energy storage technologies, while many emerging markets have abundant renewable energy resources with increasing electricity demand. Digital transformation partnerships are another opportunistic playground. German expertise in industrial automation, the industry's current generation technologies, and digital manufacturing solutions could prove invaluable for emerging market countries looking to modernise their industrial bases. Such partnerships create relationships that outgrow sales to cover training, consulting, and continuous technological collaboration. Research and development collaborations offer additional pathways for larger foreign engagement. German universities and research institutes could partner with counterparts in emerging markets to build solutions curated for local challenges while advancing global technological capabilities.

## Future Implications and Strategic Outlook

Germany's objective to increase trade diversification beyond traditional partnerships indicates a fundamental shift that could change the country's economic trajectory and transform global trade patterns. The results for the German industry would be huge. Companies that can successfully establish a presence in high-growth emerging markets can achieve significant growth compared to those serving mature markets. However, this will include risk and require different capabilities and strategic thinking than conventional market approaches. The success numbers for this strategy would encompass more than just simple trade volume increases; sustainable diversification will require building institutional relationships, developing local partnerships, and creating mutual dependencies that remain strong during economic and political volatility.

Furthermore, the trade diversification strategy could be used as a case study for other developed economies looking to optimise their global economic relationships. The results of such strategies may take years or decades to bear fruit, but their strategic importance to any nation would be game-changing.



# TRADE TAKES CENTRE STAGE AT TIANJIN SCO SUMMIT

The 2025 Shanghai Cooperation Organisation (SCO) meeting in Tianjin has marked a new era for the grouping. Previously primarily focused on security, the SCO is now positioning itself increasingly as a regional economic bloc. Trade, investment, and financial cooperation topped the agenda of leaders, highlighting how economic might equals military might in dictating the future of Eurasia.

## From Security Club to Economic Bloc

The SCO was established by China, Russia, and the Central Asian states in 2001 as a security organisation. Since then, it has added India, Pakistan, Iran, and Belarus to its membership, along with a broad arc of observer states and dialogue partners. The broader membership has widened its scope. Security and counterterrorism are still significant, but in Tianjin, economic issues firmly took centre stage. The leaders met at a time of slowing world trade, continued sanctions, and battles over tariffs. For many, the SCO represents an opportunity to bypass barriers imposed by institutions and financial systems dominated by the West.

## Xi's and Putin's Call for a New Economic Order

Chinese President Xi Jinping employed the summit to emphasise Beijing's aspirations. He contended that the SCO should not be merely a security forum but rather become a catalyst for a "new global governance" system. Under his vision, this is not only limited to politics but also to finance, trade, and technology. To lend credence to that vision, Xi committed fresh aid and credit lines amounting to hundreds of millions of dollars to SCO allies. For China, this is not altruism. The financing strengthens bonds with neighbours and keeps Chinese firms and banks at the centre of regional undertakings. It also serves to counterbalance pressure from Western tariffs and curbs that are deflating Chinese exports in industries from electric vehicles to solar gear.

Russian President Vladimir Putin arrived in Tianjin with proposals for financial cooperation. He proposed issuing SCO bonds that might be utilised for raising funds for joint projects. He also suggested establishing joint payment and clearing systems in order to make it simpler for members to trade with one another

in local currencies instead of the US dollar or the euro. The other major proposal was the establishment of an SCO investment bank to finance infrastructure, energy, and transportation corridors in the region. For Russia, all of these are vital initiatives. Sanctions imposed by the West have drastically curtailed Moscow's access to international finance since 2022. Through the SCO, Russia is seeking to create an alternative system.

## India and Central Asia's Balancing Act

All eyes were on Indian Prime Minister Narendra Modi's appearance. Relations between India and China have been tense in recent years, but Modi's decision to attend underlined that New Delhi is pivoting to China amidst a tariff war with the USA.

India embraced the discussion on regional infrastructure, connectivity, and trade facilitation. However, Modi also avoided overcommitting to new SCO financial frameworks. India remains heavily invested in Western markets and values the freedom to formulate its own policies. By expressing support for cooperation while also voicing reservations about financial integration, Modi sought to balance regional relations with external partnerships. For the smaller SCO members, the Tianjin summit was all about getting concrete benefits. Kazakhstan and Uzbekistan sought to enhance transportation connectivity, aiming to increase exports of oil, gas and agricultural products to the large Asian markets.

Iran, which has recently entered as a full member, underscored its requirement for alternative payment mechanisms to circumvent limits on dollar-based commerce. Pakistan, in turn, looked for economic assistance and investment to build infrastructure connected with the China-Pakistan Economic Corridor (CPEC). For these nations, the pull of the SCO is in its potential to deliver faster financing and access to China's and Russia's massive markets without the detailed riders common in Western assistance.

## More Declarations Than Deals

The Tianjin summit yielded the 'Tianjin Declaration.' It pledged members to increase local currency trade, enhance connectivity, and consider the development of new financial instruments. No

immediate treaties or large-scale institutions were initiated, however. Instead, technical experts and finance ministers will now examine how concepts such as joint bonds, a regional settlement centre, or a development bank can be made operational. This reflects the challenges of coordinating the diverse economic systems of members from China to India to Iran.

Even without the dramatic declarations, the summit is important. By placing economics and trade at the forefront of their agenda, SCO leaders are indicating a fundamental change in the long run. If the bloc manages to develop new payment and investment channels, it can lower members' reliance on Western-led institutions like the IMF, World Bank, or SWIFT payment network in the long run.

That, in turn, could facilitate greater trade in regional currencies and thus reduce the cost of transactions and shield members from external shocks. It may also empower smaller nations to engage global markets on a better negotiation footing.

## Challenges Ahead for Multilateralism

The journey will not be easy. It is technically challenging to build cross-border financial systems. Convertibility of currencies, resolution of disputes, and regulation are all issues that require consideration. Political differences also persist. India, China, and Russia each have divergent priorities, and there is limited trust between them.

There is also the question of external pressure. Western countries will retaliate with their own trade policies, tariffs, or sanctions that could further complicate life for SCO members in deepening their financial integration. The Tianjin summit didn't reshape the global economic order overnight. But it did represent a significant step. By choosing to emphasise trade and finance, the SCO demonstrated that it is committed to being more than just a political forum.

The true test will be in the coming months. If the group can translate proposals into working institutions (such as a regional investment bank or bond market), it may emerge as a real alternative order. For now, however, the message is clear: the SCO wants to be more influential in shaping the economic future of Eurasia.

# MARKETS SHUDDER AS NATIONAL POLITICAL CRISES ERUPT IN JAPAN AND FRANCE

A country's domestic stability is one of the strongest indicators of its market performance. Strong political leadership offers investors confidence to pump capital into a country's market. However, with geopolitical tensions rising and a tariff war disrupting the supply chain, businesses are also facing the adverse effects of unstable domestic politics. Less than a year after he was sworn into office, Japan's Prime Minister Shigeru Ishiba resigned in early September, ushering in a period of political instability in the country. Japan's economy has been in a shaky phase, with the central bank deliberating rate cuts to maintain inflation and improve spending for the better part of the year.

Ishiba had spent months embroiled in tense negotiations with US President Donald Trump, trying to secure a more lucrative trade deal with lesser tariffs for Tokyo. However, merely days after Trump relented and signed an executive order lowering duties on Japanese automobile imports and other products, the Prime Minister announced at a press conference that he would take responsibility for the series of election losses and tender his resignation.

During his tenure, his coalition has consistently lost majorities in elections for both houses of parliament. The Japanese people have been increasingly hostile towards Shigeru's government as the country's living costs are on an uncapped rise. He instructed the Liberal Democratic Party to search for a suitable candidate to replace him, saying he would continue to perform his duties until the party elects a new PM. Markets reeled from this announcement. The Yen dipped 0.8% against the greenback, while Japanese stocks gained. This is not a surprising outcome, as Japan's stocks have often advanced when the national currency depreciates.

Long-maturity sovereign bonds are unlikely to be sold when trading is under way, raising concerns over government spending. As expected, Japan's sovereign bonds remained untraded a day after the

resignation news hit the papers, and the futures climbed slightly.

Although Shigeru's exit was anticipated, market enthusiasts are sceptical about how much financial stimulus the successive leadership could provide. These changes are likely to influence the Bank of Japan's next interest rate hike, prompting investors to proceed with more caution.

Businesses remain hopeful that the candidate to replace Shigeru could be the LDP's Sanae Takaichi, who has been critical of the central bank's interest rate hikes and has called for the loosening of fiscal and monetary policies. The week before the PM resigned, speculations of political uncertainty led to increasing yen and Japanese government bond sell-offs, resulting in the 30-year bond's yield reaching a record high. However, the yen, bonds and equities are bound to remain volatile until a new PM is elected, particularly because the Liberal Democratic Party (LDP) lacks a majority.

**As Bayrou himself acknowledged, "lawmakers have the power to bring down the government, but they do not have the power to erase reality."**

Like Japan, France has also suffered a major political crisis with Prime Minister Francois Bayrou and his government being ousted from power after losing a no-confidence vote. The Eurozone's second-largest economy is faced with a debt and budget deficit issue. The government's collapse led to French bonds and stocks responding modestly to this development. While Bayrou has been removed from power, it is unlikely that an

incoming party or leader will be able to unite an already fractured parliament to pass a national budget. France is dealing with rising inflation and growing national debt, which was 3.3 trillion euros in June 2025. This is roughly 114% of its GDP.

The opposition discarded Bayrou's grand 44 billion euro (\$52 billion) budget, establishing that whoever succeeds him will have to present the House with a drastically different budget. However, as Bayrou himself acknowledged, *"lawmakers have the power to bring down the government, but they do not have the power to erase reality."*

This political instability has resulted in households and businesses avoiding or deferring spending and investing. Financial experts have warned that a high-debt country like France cannot afford slowed growth, and waiting for growth to expand to recover the debt is not an option. The country's debt payments are likely to go from 59 billion euros in 2024 to over 100 billion euros by 2029. This could become the single-largest expense of the French budget if either growth slows or deficit reduction contracts.

Investors had dubbed the French bond market as one of the safest alternatives after Germany, but in recent years, the country's market situation has become precarious. Last year's snap election has resulted in France paying a higher risk premium on debt. While Italy and Greece were Europe's financial troublemakers, Paris is now paying a higher longer-term debt than both countries, with its benchmark 10-year borrowing cost almost rising above Rome's in September.

Markets are susceptible to the slightest of provocations. Therefore, it goes without saying the effect major political upheavals can have on a country's financial market.

However, governments and market enthusiasts alike must remember that in a globalised world, such situations can have long-term bearings on market conditions, not just domestically, but also on an international level.





## MIRAGE OR MAINSTAY – DUBAI’S FINANCIAL GROWTH IS UNDER TEST

**T**he financial growth of Dubai has always been a spectacle. A city carved out of desert and fueled by ambition, Dubai has been the Gulf’s financial jewel, powered by tourism, technology, and more. With the Dubai International Financial Centre (DIFC) buzzing with investments and employment inside the zone swelling to nearly 48,000, it’s obvious that Dubai is set for an unstoppable ascent.

But beneath the glittering skyline lies a hard question: will Dubai continue to

become the undisputed financial capital, or will it become another boom-and-bust cycle?

### The Pandemic Gamble Reshaped Dubai’s Finance

Thanks to the bold card play by Emirates, which contributed to Dubai’s growth during the pandemic. While the financial hubs of Singapore, Hong Kong, and London remained restrained during the lockdown, Dubai offered a red carpet to the bankers, lawyers, consultants, and everyone else who decided to work somewhere

“open”. That decision changed its trajectory. What was once mocked as the “*Dubai International Food Court*” has become an ecosystem too large to dismiss.

However, this rapid growth came with unintended consequences. While it brought unprecedented progress, it drove property prices and rents significantly. As a result, many bankers were priced out of once-accessible districts, and the gridlock around DIFC is again an everyday source of turmoil. Such frictions are most likely to tarnish the image of the Gulf’s financial jewel and its very brand.

of Saudi Arabia has been quite upfront about its demand that international companies shift their headquarters to Riyadh to maintain winning state contracts.

From this perspective, Dubai may be more cosmopolitan, full of life and fun, but Riyadh seems to be becoming the Gulf’s biggest domestic market. According to the experts, the rise of Riyadh is surely going to impact the long-term game as per the current market dynamics.

### The Question of Reputation

Dubai’s liberal attitude has always been the driver behind its unprecedented ascent. Not only does it pave the way for easy financial investment, but it also gives companies the ability to build a foundation without months of bureaucratic agony.

However, it is not free from scrutiny. The UAE’s brief placement on the Financial Action Task Force “*grey list*” in 2022 was a warning. Since then, international business regulations have been pretty stringent to scrutinise any oversight, but this has also tarnished Dubai’s brand as a financial hub. Moreover, the Abraaj scandal made it worse. The Middle East’s largest private equity firm collapsed post-fraudulent activities and still hangs like a ghost over DIFC.

### Betting on Crypto and the “New Economy”

While Dubai has tied much of its future to digital finance, the licensing of Binance, fresh from a \$4.3 billion US penalty, is a clear willingness to embrace riskier players in the hope of capturing a fast-growing industry.

However, the concerned stakeholders insist that it is less about speculation and more about fortifying Dubai as a “new economy” hub for blockchain, AI, and tech.

Although it’s visionary as far as Dubai’s economy is concerned, it is also precarious. Because crypto remains volatile always. On top of that, AI regulation is only in its infancy.

Pinning too much on these two drivers for a financial hub’s identity does not look very innovative today, and it is also quite vulnerable tomorrow. Even if a crypto crash comes at some point in time or the global regulators turn more hostile, Dubai is more susceptible to complete collapse.

### Rivals Who Can Afford to Wait

Over time, rivals emerged, causing Dubai to struggle with its brand image. Presently, Dubai is no longer the “*only*” glittering outpost on the Arabian Peninsula. Abu Dhabi, with its \$1.7 trillion sovereign wealth fund, has been positioning itself significantly as its own financial free zone.

Also, ADGM is a light-touch alternative for many asset managers, as they are quite aligned with its regulatory style. It’s quite a clear sign that Dubai is merely a place to wine and dine, while Abu Dhabi is where serious deals get inked.

Riyadh, meanwhile, has a different strategy: brute force. The government

### Substance versus Spectacle: The Never-ending Mirage

While Dubai is more about spectacles, as some experts speculate, the city knows how to create headlines and attract people. Elements like skyscraping towers, tax breaks, and lifestyle perks have always been enticing for investors to some extent. However, sustaining global finance is not about branding; it is about credibility, predictability, and resilience.

At this point, some pressing questions continue to emerge, and for all the right reasons.

Will investors trust Dubai to enforce laws fairly when a scandal erupts? Will regulators resist the temptation to privilege local players over foreign firms? Will infrastructure align with the rapid growth graph in the near future? These are not just the questions of survival but also the ones determining whether a hub survives the next downturn.

### How Long Can Dubai Hold Its Crowning Ambitions?

Dubai undoubtedly deserves credit for whatever it has achieved over these years. From the rubble of the 2009 crisis to today’s gleaming DIFC, Dubai has walked miles and reshaped itself with remarkable agility. Few cities in history have had the courage so far to bounce back with such quintessential speed.

However, looking at the significant growth of Abu Dhabi and Riyadh, it cannot be said that Dubai will be able to maintain its crown. The booming economy sectors in Dubai are volatile, and if not handled properly and the market crashes, Dubai can certainly see its dominance being chipped away. Abu Dhabi and Riyadh, with deeper pockets and their own ambitions, are waiting for just such a strike.

Most importantly, it’s high time that Dubai decides on what kind of hub it wants to be: a playground for fast money and experimental finance? Or a mature, trusted centre that can stand shoulder to shoulder with London, New York, and Singapore? While the former is easier and takes a much shorter timeframe to get developed, it does not guarantee long-term survival. To maintain its crown in the long run, anchoring its growth in credibility becomes the only survival imperative. Otherwise, the centre of gravity may tilt toward Abu Dhabi or Riyadh.



# GCC REBALANCING: LESS DOLLAR, MORE MULTILATERAL FINANCE

The Gulf Cooperation Council (GCC) nations are planning a 180-degree transformation in their financial framework, strategically reducing their dollar dependency while adopting multilateral financial structures. This transition will enable them to fasten the process of portfolio diversification. This would bring in a fundamental reconditioning for a multipolar financial world order that serves the regional long-term strategic interests.

The GCC's financial rebalancing strategy comes from a confluence of geopolitical pragmatism and economic necessity. GCC sovereign wealth funds are managing \$4.9 trillion in capital and are estimated to cross the \$5 trillion mark later this year. The collective efforts of nations to shift away from the dollar-dominant financial system demonstrate an increasing confidence in alternative financial instruments and partnerships, particularly as the GCC has relocated its energy export base to Asia, with a focus on India and China, as part of its plan to expand geopolitical alliances away from the West.

This reconciliation is more than a reactive measure, representing a calculated strategy to optimise returns, reduce currency risk, and adjust financial flows while enhancing trade partnerships. The timing is also important, happening as central banks globally are trying to diversify away from dollar-denominated assets. The GCC, however, is leveraging its massive sovereign wealth funds and oil revenues to manage new financial frameworks that could reshape international monetary architecture.

## The Declining Dollar Dominance and GCC Response

The decline in dollar dominance in global financial markets has accelerated substantially, creating opportunities for alternative forms of financial cooperation. Dollar dominance in global reserve currencies has declined from 66% to 57.4% in 2024, a decrease of approximately 15% over the past nine years, primarily driven by concerns about a mounting US national debt and fiscal instability.

GCC countries have responded in a calculated manner towards this monetary shift. Instead of following global trends,

these nations are actively building a new financial architecture through their sovereign wealth funds (SWFs) and central bank policies. Mubadala, a state-owned investment firm, came out as the largest investor last year, investing over \$29 billion across 52 different deals. From GCC, five funds rose to come amongst the top 10 dealers, investing over \$81 billion collectively in 2024.

These GCC nations are establishing alternative financial systems that aim to reduce their reliance on systematic dependence on dollar-denominated transactions. This includes developing local currency trading arrangements, building financial institutions, and creating new settlement frameworks that circumvent dollar-based systems. This understanding of an alternate approach reflects decades of experience in managing oil revenues and the know-how of global financial flows.

The central point of this strategy is that dollar dependence makes nations vulnerable in an increasingly multipolar world. Diversification efforts mitigate such risks, also bringing in revenue compositions and financial partnerships. GCC countries are trying to build resilience against possible sanctions, currency volatility, and geopolitical pressure. This defensive strategy is countered by aggressive efforts to gain higher returns and strengthen relationships with emerging economic powers.

## Multilateral Financial Architecture: Beyond Traditional Banking

The GCCs openly adopt the emergence of multilateral finance, representing a fundamental shift from bilateral, West-led financial relationships towards a more diverse, flexible arrangement. Such a shift covers multiple dimensions, from central bank cooperation and currency swap agreements to sovereign wealth fund partnerships and alternative payment solutions.

This growing presence of non-dollar currencies highlights both practical reasons and strategic interests. GCC SWFs are actively investing in China; reports suggest that investments worth nearly \$9 billion were made in 2024. This partnership with the Chinese financial markets

initiated broader yuan exposure, leading to a reduction in dollar dependency.

Central bank cooperation has built another crucial component of multilateral finance. GCC central banks are interacting with counterparts in Asia, Africa, and other emerging regions to establish bilateral and multilateral agreements. Such arrangements boost trade finance, enhance liquidity, and also facilitate international transactions. These help reduce the requirement for dollars as a medium of payment while dealing with key partners.

The development of alternative payment systems represents a pivotal aspect of this GCC shift. These systems foster direct settlement in local currencies, reduce transaction costs, and decrease exposure to dollar-based sanctions. Though at a nascent stage, it still has the potential to create a parallel financial infrastructure that competes directly with the Western models.

GCC nations are also experimenting with central bank digital currencies (CBDCs) and blockchain-based payment systems that enable overseas transactions, bypassing conventional banking channels. Such technologies offer room for efficient, secure, and autonomous financial systems.

## Strategic Asset Allocation: Diversification Beyond Currencies

The GCC's financial rebalancing goes beyond currency diversification into various asset allocation strategies that depict global realities. Such a calculated approach covers geographic diversification, sector allocation, and alternative investment strategies.

Gold accumulation has emerged as a prominent enabler of this diversification drive. Central banks have stored over 1,000 tonnes of gold annually for the past three years, double the average amount from over the previous decade. Gold acts as a hedge against currency devaluation, provides geopolitical insurance, and offers liquidation in times of trouble.

Real estate and infrastructure investments represent another significant diversification avenue. GCC SWFs have

expanded their portfolio of global real estate, with a majorly focus on high-quality assets in major cities. This provides inflation insurance, an income stream, and currency diversification.

Private equity and alternative investments have experienced significant growth in assets under management in the GCC. Such investments offer a stake in unlisted companies, emerging market opportunities, and select sectors that are not accessible through public markets.

Emerging market exposure has increased rapidly, alongside developed market allocations. GCC countries are heavily investing in Asian, African, and Latin American markets, enabling both higher growth objectives and strategic relationship building.

## Geopolitical Implications and Future Trajectory

The GCC rebalancing will have critical geopolitical implications extending way beyond just portfolio management to changing regional power dynamics and reshaping global monetary relationships. The strategic nature demonstrates a fundamental reconciliation of long-term geopolitical alignments. Alongside maintaining relations with Western partners, GCC countries are expanding their options and reducing potential vulnerabilities. This hedging underscores the complexity of multipolar world dynamics and the necessity of strategic autonomy in an uncertain environment.

The impact of this global financial architecture could be revolutionary. If GCC countries successfully establish alternative financial systems that deliver competitive returns besides providing greater autonomy, other nations may adopt similar strategies. This would lead to fragmentation of global financial markets into competing blocs, with larger effects on global trade and investment flows.

The success of these strategies will depend on execution capabilities, technological innovation, and geopolitical stability; however, early indicators suggest a fundamental shift in global financial relationships that could alter the international monetary architecture for decades to come. Many regions will use their approach as a blueprint for achieving financial autonomy while maintaining global integration, ultimately leading to a multipolar financial world order.

# SAUDI STOCK EXCHANGE PROPOSES RULES CHANGE IN PARALLEL MARKET TO ATTRACT MORE INVESTMENTS

Saudi Arabia's grand plans for Vision 2030 are resulting in increased investments, economic diversification, and more innovations. With the traditional concept of money markets undergoing drastic changes due to fintech breakthroughs, Riyadh is leaving no stone unturned to ensure that the Kingdom's financial markets are well-equipped to adapt and grow with these developments.

Saudi officials are taking all necessary steps to ensure that these changes are implemented promptly and effectively in the market, further easing business across the country. In August, it was announced that the Saudi Exchange Co., also known as Tadawul, had proposed a set of rule changes that could expand the access available to investors entering the Parallel Market. These changes were suggested in hopes that listings and capital market activity would increase considerably. In a draft amendment published last month, the Exchange solicited public feedback on potential changes to the rules. These reforms will loosen the definition of 'qualified investors,' which will allow more companies to be listed in the Parallel Market known as Nomu, and also update the existing regulations in accordance with the new Companies Law. This is part of the Saudi Exchange's long-term strategy to increase private sector participation in equity markets and multiply investment and funding avenues as part of Saudi Vision 2030. The Tadawul has stated that the proposed amendments are inclusive of changes to market value requirements of publicly held shares, along with the projected aggregate market value requirement as of the listing date of potential shares to be listed on Nomu. The Exchange also added in a statement that the 'Capital Market Authority's Regulations have been amended to implement the new Companies Law.'

Within Nomu's definition of a qualified investor, one of the main suggestions is to create a new category. More individual and institutional investors would be able to join the secondary market, which mostly serves small and medium-sized businesses, thanks to the increased eligibility. Capital market firms, investment funds, Gulf Cooperation Council enterprises, certain foreign financial institutions, and some high-net-worth individuals would all be considered qualified investors in Nomu under the updated regulations. The draft also specified that the net worth threshold for individuals will remain SR5 million. However, the minimum securities market activity could have been reduced to SR30 million in the past year from SR40 million. This will

lower the entry requirement for active investors.

Additionally, changes to the market capitalisation and liquidity requirements for the Parallel Market listings have been recommended by the exchange. According to the document, the minimum expected aggregate market value of all listed shares could be set at SR10 million for initial public offerings (IPOs) and SR100 million for direct listings. The minimum market value of publicly held shares at the time of listing could be lowered to SR30 million or 20% of the share class, whichever is less. As long as a firm demonstrates adequate share liquidity and investor interest, the Capital Market Authority (CMA) may permit fewer limitations under the new regulations.

The changes proposed in the amendments have been suggested to keep the Tadawul's rulebook in tandem with the new Companies Law, where changes related to corporate restructurings and listings post demergers or spin-offs have been introduced. Under the updated law, terms like 'Demerger', 'Spin-Off', and 'Qualified Investor' have been revised. Stakeholders could email their thoughts on the suggested proposals within the 14-day public consultation period that the Saudi Exchange had set up. Additionally, according to the Tadawul's press release, the final regulation modifications would be made public following their assessment and approval by the CMA.

Due to favourable macroeconomic conditions and the government's goal of developing its capital markets, there is a consistent flow of listings on both Nomu and Saudi Arabia's main market at the same time as these modifications were being deliberated upon. Saudi Arabia comprised 31% of West Asia's total IPO proceeds last year, second only to the UAE. In 2024, the Saudi Stock Exchange hosted 14 IPOs on its main market, garnering \$3.8 billion. Namu, on the other hand, raised \$297 million from its 28 IPOs last year.

Riyadh has been actively working towards reducing its reliance on the non-oil sector, and expanding its financial market, is, although no substitute, is certainly a handsome revenue generator. The government's enthusiasm to implement more business-friendly regulations is having a positive effect, boosting investor confidence and bringing in more capital. Should these trends be maintained, Saudi Arabia is bound to emerge as not only a regional financial hub but a global financial leader.



# EUROPE NEEDS A EURO STABLECOIN: THE DIGITAL CURRENCY IMPERATIVE FOR STRATEGIC AUTONOMY

Europe is advancing towards its digital euro initiative, raising a question of whether such efforts will appropriately address its strategic autonomy challenges in an increasingly digitised global financial system. However, evidence suggests that Europe's edge towards monetary digitisation would lie in developing a robust euro-denominated stablecoin ecosystem.

## The Digital Euro's Limited Scope

The European Central Bank (ECB) has built the digital euro as a digital counterpart for physical cash, designed mainly for retail transactions with individual wallet limits of €3,000. The digital euro specifically prohibits corporate transactions and wholesale payments. This retail-focused approach is a grave miscalculation of how monetary sovereignty operates in the digital era. International currency influence flows from institutional adoption, cross-border trade facilitation, and reserve currency status, flows that need robust infrastructure for large-scale transactions, not just consumer convenience features. The ECB's Pontes and Appia programmes aim to close the gap by integrating distributed ledger technology with existing wholesale payment systems. However, such initiatives just improve operational efficiency instead of creating fertile grounds for international players to use euro-denominated transactions over dollar alternatives.

## The Stablecoin Advantage

Stablecoins represent a fundamentally different value proposition. Unlike central bank digital currencies (CBDCs) designed to mimic cash functionality, stablecoins can act as a deposit alternative besides maintaining speed and programmability advantages of digital assets. Such duality enables it to capture both retail and institutional market segments. The global stablecoin market, dominated by US-denominated tokens like USDT and USDC, highlights the potential scale of this opportunity. Such instruments assist in transacting billions of dollars monthly, overshadowing traditional card networks. Stablecoins have now become a key part of international trade settlements, mainly in regions where traditional banking is expensive, complex, or compromised. As for Europe, a proper Europe-based stablecoin could provide European businesses with direct access to

global digital payments networks, reducing dependence on US-controlled infrastructure. This would solve current issues of European businesses that first need to convert to dollars to access international payment mediums, unintentionally aiding the dollar dominance.

## Regulatory Foundation and Competitive Dynamics

The recent Markets in Crypto-Assets (MiCA) regulation establishes comprehensive frameworks for stablecoin issuance, requiring full backing by high-quality liquid assets. Such regulations contrast with the more fragmented US approach, where federal oversight remains incomplete despite state-level initiatives. The Trump administration's recent adoption of the cryptocurrency sector, with special support for sanctions development, highlights that the US policy might soon provide the necessities to make dollar stablecoins equal to a quasi-sovereign status. The day US policymakers grant Federal Reserve liquidity support to stablecoin issuers, dollar-denominated tokens will gain a decisive competitive advantage over unsupported mediums. This could create a potential first-mover disadvantage for the EU. Due to the lack of necessary central bank backing, euro stablecoins would operate with inherent systemic risk that could decrease adoption during times of distress. The 2022 collapse of TerraUSD demonstrates how fast confidence vanishes when stablecoin mechanisms prove inadequate under pressure.

## Infrastructure and Implementation Considerations

A successful euro stabilising deployment needs to solve critical technical and institutional problems. First, the underlying blockchain infrastructure must support the transaction volumes and regulatory requirements of a major international currency. Such frameworks would require either a purpose-built network or careful selection of existing platforms capable of meeting European regulatory standards.

Secondly, the stablecoin ecosystem requires robust online and offline mechanisms connecting traditional banking infrastructure with digital assets. European banks would need subsidies and regulatory approvals to blend stablecoin service, potentially requiring amendments to existing banking regulations. Third,

interconnectivity with existing payment systems will facilitate mass-scale adoption. Euro stablecoins must integrate seamlessly with the European payment infrastructure while maintaining compatibility with international networks. The Appia programme's distributed ledger tech focus provides some base for such requirements, but extensive stablecoin infrastructure will need broader institutional engagement beyond the present ECB initiatives.

## Geopolitical and Economic Implications

A successful euro stablecoin could enable European entities with payment alternatives that reduce dependence on US financial infrastructure. This would prove valuable for trade with regions affected by US sanctions or banking restrictions, potentially expanding European commercial relationships. Furthermore, digital currency leadership could make Europe the standard setter for cross-border digital asset regulation. As per the historic EU record of data protection laws and technology regulation, it could surely influence global standards for stablecoins.

## The Path Forward

Europe's digital currency strategy requires immediate strategic clarity. The present digital euro approach, while valuable for domestic retail payments, cannot address the continent's broader strategic autonomy objectives. Stablecoins offer a more hopeful path towards currency digitalisation, but only with proper institutional support. The ECB must adopt the lender-of-the-last-resort role for euro stablecoin issuers. Such a decision will determine the future acceptability of European digital currency in front of US alternatives. This decision is critically time sensitive. Delaying means giving room to dollar stablecoins to increase market penetration and network effects. European policymakers must recognise that digital currency competition operates on iterative timescales, where first-mover advantage can prove to be the deciding factor for the leader.

The choice now is between accepting the risks and opportunities of stablecoin development or continuing to be dominated by a US-controlled digital payment infrastructure. Now, a European stablecoin must not be seen as a future probability but an urgent need for strategic interests.

# DUOLINGO'S AI FEATURES AND NON-LANGUAGE COURSES HELP RAISE REVENUE EXPECTATIONS

Language learning app Duolingo Inc. recently raised its earnings forecast for the year, following a strong quarter for its subscription services, which resulted in the company's shares surging in post-market trading. Having projected an expected full-year revenue of \$996.5 million, Duolingo has now estimated its revenue to oscillate between \$1.01 billion and \$1.02 billion, up from the previous \$987 million to \$996 million. Duolingo's shares rose 15% on Wednesday after the market closed, having hovered around the 6% range for the past year. The company also announced that it has geared up for its biggest acquisition to date, taking over NextBeat, a London-based music gaming startup.

This buyout broadens its services, going beyond the language learning games it currently offers. Duolingo currently only offers piano courses, but upon acquiring NextBeat's 23-member team, the company can develop more music courses. Both parties have refrained from publicly revealing the actual value of the deal. In a Bloomberg interview, Duolingo Chief Business Officer Bob Meese hinted that the app could offer courses like guitar, voice and rhythm. Meese said that Duolingo is experimenting with various options to offer a distinct music experience for its users.

One of the reasons for this pivot for the language learning partner could be the fall in users. In this year's second quarter, Duolingo reported a 40% increase in daily active users, the platform's weakest expansion since 2022. In April, the Pittsburgh-based company drew severe backlash for aggressively pushing artificial intelligence-enabled (AI) courses. Duolingo defended its decision, explaining that AI was helping the platform rapidly expand its language courses. The company planned to launch 148 new courses developed with generative AI, more than doubling its non-English courses.

The company maintained that this latest expansion is the largest thus far and would attract over a billion learners



worldwide. Duolingo's co-founder and Chief Executive Officer, Luis von Ahn, said, despite criticism over the company's eagerness to replace people with AI to curate the app's content, the firm would soon employ AI in other parts of the business too.

The platform is headed to a point where it could gradually stop hiring contractors to do a job which can be reduced to an AI prompt. In May, news broke that subscriptions for the platform's highest-priced tier, Duolingo Max, have been growing due to the AI-powered video call feature. The total number of paid subscribers reached 10.3 million, narrowly surpassing expectations. Daily active users also grew 49% to 46.6 million since the new features were released.

Although the company is in the nascent stages of AI integration, that subscription tier is more popular among users despite the higher costs. Learners who are already subscribed to the Duolingo Super plan are upgrading their subscriptions to Max merely for the AI feature. The company said that profits were compromised in its attempt to attract new users through

its AI features. Gross margins dropped in the past quarter, reaching 72.4%, compared to the 73.4% it was last year during the same period. Duolingo stated that since AI costs were lower than expected, the fall in profitability was smaller than previously expected.

Along with its foray into AI, the platform is also expanding its content services to offer more non-language courses. Along with languages and music, the 'Super app' also offers mathematics and added chess earlier this year. It hopes that this diversification will result in more significant offerings from its non-language courses.

Duolingo also said in a statement that NextBeat's mobile gaming suite has generated a revenue of roughly \$200 million. Duolingo started as an interactive language learning platform and is now looking to expand into non-language courses to widen its user base. Despite paid subscription plans, the app is managing to garner more consumers with its innovative approach to learning.





# THE ANNUAL GLOBAL ECONOMICS AWARDS - 2024 BANGKOK







# UK INTEREST RATES CUT TO LOWEST LEVEL IN MORE THAN TWO YEARS

The Bank of England's (BoE) Monetary Policy Committee announced another 25 basis point reduction in August 2025. This brings the UK's base interest rate to 4%, the lowest since early 2023. This recent reduction is a signal of continuous backoff of the central bank from

an aggressive monetary tightening stance since December 2021, when rates were as low as 0.1%. The decision to decrease rates from 4.25% to 4% highlights the bank's thinking of what it defines as a gradual and careful approach towards monetary policy after a long period of increased inflationary pressure that pushed

policymakers to raise rates to a 15-year high of 5.25% in August 2023.

## Economic Context Driving the Decision

The rate reduction comes alongside improved inflationary dynamics in the

British economy. Inflation has tanked to its lowest level in more than three years, forcing market expectations towards monetary easing demands. Such a disinflation process has provided the Monetary Policy Committee with the necessary headroom to begin unwinding the constraint stance that was implemented to combat the post-pandemic price surge.

The central bank's approach reflects a delicate balancing act that struggles to manage economic growth and curtail inflation that oscillates near the 2% target.

Between January and August 2025, the Bank of England reduced interest rates by 75 basis points, highlighting a cautious pace of easing that dodges the

risk of fuelling inflation while providing some relief to borrowers.

## Market Response and Future Expectations

Financial markets positively welcomed the bank's cautious approach, despite certain fissures within the Monetary Policy Committee that have called for uncertainty regarding the pace of future reductions. While markets have proceeded with one more reduction for this year itself. However, divisions inside the monetary policy committee have called another reduction an event with a 50% chance.

The vigilant approach shows that the bank has learnt its fair share of lessons from previous monetary policy cycles, where premature easing led to uncontrolled and prolonged inflationary periods. Policymakers are mainly watchful of the need to maintain credibility in their inflation-countering metrics while economic conditions evolve.

Major financial institutions maintain forecasts for the UK bank rate to reach 3.75% by the end of 2025, suggesting expectations for at least one additional quarter-point reduction before year-end. However, this growth remains contingent on continuous progress in reducing inflation and maintaining economic stability.

## Implications for Different Economic Sectors

The rate reduction will have a substantial impact on various sectors of the British economy. For the housing market, lower borrowing costs will provide huge relief to existing homeowners and future buyers by decreasing financing costs.

Over 1.6 million fixed-rate mortgage deals are scheduled to mature this year, meaning a huge chunk of homeowners will enjoy the benefits of the reduced rate environment when refinancing. Such development becomes crucial as these borrowers financed homes when rates were historically low.

The banking sector also faces a more complex adjustment process. While lower rates generally reduce net interest margins, they also decrease credit risk by reducing borrower stress and boosting asset quality. Banks could also struggle with a drop in profits from their lending operations, but could benefit from improved loan performance and reduced provisioning requirements. For businesses, particularly small and medium enterprises that are more sensitive to borrowing costs, the rate reduction provides crucial support for investment decisions and working capital management. Reduced financing

costs can facilitate capital expenditure and business expansion, contributing to larger economic growth.

## Savers and Investment Landscape

The rate reduction is another challenge for savers who were enjoying higher returns for some time during elevated rates. In the last 18 months, some high-interest savings deals have gone extinct. This will likely continue as financial institutions adjust their deposit rates in response to the lower base rate environment.

Whereas the equity market effects seem to be positive, as a lower discount rate increases the present value of future cash flow and makes dividend yields more attractive relative to fixed-income alternatives. However, sector-specific impacts may vary.

## International Context and Competitive Positioning

The BoE's monetary policy decisions take shape as per a larger international context of central bank policy divergence. The ECB has cut rates eight times since January '24, with its deposit rate currently at 2.0%. Such divergence in monetary policy stances affects exchange rate dynamics and capital flows between major economies.

The higher interest rates, despite recent cuts, continue to provide some support for sterling while maintaining the central bank's flexibility to respond to domestic economic conditions. Such positioning permits the BoE to sustain an inflation-resistant credibility while gradually easing monetary policy.

## Challenges and Risks Ahead

Despite the positive development of falling inflation, various challenges remain for monetary policymakers. The continuing services inflation, wage growth imbalances, and external shocks continue to influence the policy decisions. The Bank must carefully navigate future decisions to prevent premature easing that could foil inflation expectations.

Geopolitical upheavals, energy price volatility, and global supply chain disruptions present ongoing risks that could further jeopardise the disinflationary process. Policymakers must remain cautious regarding these factors. The successful navigation of this transition period will be crucial for establishing a sustainable foundation for long-term economic growth while maintaining price stability, the dual mandate that continues to guide Bank of England policy decisions.



# MAJOR GULF BANKS REPORT ROBUST PROFIT GROWTH DESPITE GLOBAL UNCERTAINTY

The banking sector of the Gulf Cooperation Council (GCC) has been surprisingly adaptable to the upheavals in the global economy since mid-2024, which has been continuing. Their major financial institutions have been registering record profits even in such gloomy economic conditions. These results have strengthened the financial might of regional banks, which aid them in navigating a volatile international banking order. In Q2 2025, GCC banks announced a net profit of over \$16 billion. These outstanding performances are the result of strong foundational bases built last year, while the Gulf banks steered through the water of heightened geopolitical tensions and majorly regional tensions, fluctuations in crude spot prices, and drastic changes in global monetary policy, whilst preserving profitability numbers. The banking sector is witnessing a continued momentum of record profit figures. Qatari bank's gross income surged by more than 50% due to higher rates. Its operating income rose by 16% and the profit after tax (PAT) increased above 10%, mainly by capitalising on interest rate disparity. This growth demonstrates strategic positioning and calculated response from Gulf banks to benefit from amendments in monetary policies, all while preserving risk metrics to safe limits.

## Strategic Asset Growth and Operational Excellence

The robust profit growth has been aided by strategic balance sheet enhancement across the region. The total assets of commercial banks surged by 6.3% in Qatar alone, while similar patterns have emerged throughout the GCC. Such asset growth highlights both organic expansion and strategic positioning to bank upon emerging opportunities in the region's diversifying economies. Individual bank performance has been equally rewarding. Gulf Investment Bank is another example, whose advances and loan book ballooned up to \$15.7 billion, an increase of 2% from the figures recorded in late 2024. The bank's funding sources are strong, with customer deposits making up the majority of its funding base, ensuring financial stability while supporting lending growth.

The sector's operational efficiency has also improved. A noteworthy point is the increase in fee income generation,

with some institutions reporting increased fee income to gross income ratios increasing from 14% to 18%, whilst fee income to total expenses ratios increased slightly by 5%. Such diversification of revenues has unburdened their dependence on traditional interest income.

## Central Bank Support and Regional Financial Strength

The strength of individual banks reflects broader regional financial stability. The net foreign assets of the Gulf central banks rose by 6.3% in 2024 in comparison to the previous year, crossing approximately \$761.9 billion, providing significant support for the expansion of the banking sector. Such accumulation of foreign reserves highlights the region's financial might, creating a stable foundation for banking sector growth.

Central bank policies throughout the GCC have been supporting the banking sector performance while maintaining financial stability. The combination of sound monetary policy frameworks, regulatory structure, and strategic reserve accumulation has created an environment that breeds sustainable banking sector growth. The institutional support has been important for ensuring growth by keeping risk measures in check.

## Credit Expansion and Risk Management Balance

The region's banks have successfully balanced credit expansion with astute risk management. Saudi banks lent \$100 billion in 2024 while maintaining controlled risk profiles, according to credit rating agencies. These significant lending figures highlight both economic confidence and business capacity to support regional development initiatives. Credit quality metrics have remained stable despite significant lending book expansion. The banking sector's approach to risk management has changed to include sophisticated analytical tools and diversified portfolio strategies. This has enabled institutions to fuel economic development while maintaining asset quality standards that can satisfy both regulatory requirements and investor expectations.

## Navigating Global Uncertainties

Gulf banks have showcased extreme capacities to navigate complex global

scenarios while maintaining a stable balance sheet. Geopolitical tensions, supply chain disruptions, and changing energy markets have created challenging operating environments for financial institutions worldwide. The sector's resilience becomes evident in how it manages interest rate volatility. While many global banking sectors have been struggling with rapid monetary policy changes, Gulf banks have profited from it with stable funding costs.

Currency stability across the GCC, with most regional currencies pegged to the US dollar, has provided additional insulation from global financial market volatility. This stability has enabled banks to focus on core business development rather than managing foreign exchange risks or operational efficiency.

## Economic Diversification Benefits

The strong banking sector performance highlights larger economic diversification across the GCC. Saudi Arabia's non-oil real GDP grew by 4.2% in 2024, primarily driven by private consumption and non-oil private investment, creating opportunities for banking services apart from traditional energy sector financing.

These economic diversifications have reduced banking sector concentration risks while creating new lending and service opportunities. Tourism, technology, manufacturing, and logistics sectors have emerged as new avenues for banking services, providing additional revenue streams.

## Future Outlook and Strategic Positioning

The strong profit figures put Gulf banks up for continued growth amidst the changing world order. Strong capital adequacy ratios, diversified revenue streams, and strategic market positioning provide foundations for sustained performance leadership. The mix of government support, adequate policies, institutional strength, and strategic positioning suggests the sector's profit to grow amidst global instability. Regional economic development initiatives, infrastructure investments, and ongoing diversification programs also create opportunities for banking growth.

# MEDIOBANCA HASTENS BANCA GENERALI ACQUISITION AMID MPS HOSTILE TAKEOVER



Italian merchant bank Mediobanca has received approval from the European Central Bank (ECB) to acquire private bank Banca Generali. This acquisition would create the country's second-largest wealth manager, and Mediobanca would also beat out the state-backed Monte dei Paschi di Siena (MPS), which in turn has bid to take over the merchant bank.

Direct and indirect shareholdings together amount to over 10% of Mediobanca Banking Group's consolidated own funds, and the ECB has approved the takeover of these shareholdings as well. This approval, coupled with victory at the shareholders' vote to be held on August 21, will allow Mediobanca to launch its offer.

Mediobanca was compelled to push the vote to August from June, as the proposal had not yet received the required support. Meanwhile, MPS is on a bank consolidation spree and has been working overtime to acquire Mediobanca.

Upon reducing its stake from 68% to 12%, the bank has inducted leading MPS shareholders, Italy's billionaire Del Vecchio and Caltagirone families, into the Group. To stave off the MPS acquisition, Mediobanca CEO Alberto Nagel put forth the takeover of Banca Generali in April. Banca Generali is owned by Italy's biggest insurer, Generali, and the bank's primary investors are Mediobanca, the Del Vecchios and the Caltagirones. In accordance with the country's acquisition regulations, the bank is mandated to seek shareholder approval to buy out Banca Generali due to the MPS takeover. This, however, could prove to be more expensive if the merchant bank follows through on buying Banca Generali.

The insurer is welcoming further discussions regarding this deal, as Generali would acquire its shares by tendering its 50.2% Banca Generali stake. Earlier this week, the Italian insurer said that, along with considering Mediobanca's bid, it is also considering a revised distribution agreement with the bank, as it is a vital

part of the proposed deal. Generali reported operating profit of 4 billion euros, up 8.7%, and adjusted net profit of 2.2 billion euros, up 10.4%, for the first half of the year. The company planned to start a 500 million euro share repurchase soon and hopes to finish it by the end of the year.

Mediobanca intends to break a long-standing connection with the insurer and establish a business partnership by using its 13% holding in Generali to pay for Banca Generali. An agreement to market insurance and asset management products with Generali is a requirement of the offer. The Milan-headquartered Mediobanca wishes to hasten the acquisition process to fend off the hostile takeover attempts of MPS. This bid was initiated in January and is part of a dozen takeovers initiated by MPS to reshape the Italian financial landscape.

The bank declared that it was prepared to start a new tranche of its 400 million euro share repurchase program. Last month, the company said that it would return 4.9 billion euros to shareholders over the next three years. It also reported record-high revenue and a 4% rise in full-year profitability, both of which were consistent with forecasts.

The merchant bank reported a 4% increase in its 2025 fiscal year net profits, recording 1.3 billion euros. Mediobanca's revenue was also at a new record high at 3.7 billion euros, reporting a 3% climb. It was reported in January that MPS has proposed to offer 23 of its own shares for every 10 Mediobanca shares tendered. MPS CEO Luigi Lovaglio described the offer as friendly and an attempt to preserve the Mediobanca name in the investment banking sector.

While the government-backed MPS is determined to acquire the merchant bank, Mediobanca is putting up a strong fight against this takeover. With a positive response from Banca Generali and its favourable performance over the past fiscal year, it appears as though MPS's aim of buying out the bank is proving to be more challenging than it had expected.



# UK'S INFLATION SURPRISE & THE BANK OF ENGLAND'S POLICY DILEMMA



The United Kingdom stands at a critical juncture of economic overlap as inflation consistently increases and becomes a headache for policymakers at the Bank of England. Despite quantitative tightening over the last two years, inflation has not moved significantly above the target, leading to a rise in a complex policy dilemma that poses a threat to economic stability and public confidence in the central bank's ability to manage price volatility effectively.

The recent inflation data uncovers more dangers concerning higher prices that jeopardise smooth operations in the markets and lend additional pressure on policymakers. Consumer Price Index (CPI) inflation increased to 3.8% in July 2025, up from 3.6% in June, marking a surge that defied expectations of a price downturn. This figure sits nearly double the central bank's target of 2%, presenting not just a short-term surge but a persistent tenure of high-priced growth that has sus-

tained beyond the previous forecasts. The concerning part of this unexpected hike in inflation is its broad-based impact across various sectors of the economy. Core inflation, which does not include volatile energy and food components, remained at 3.7% in June. This indicates that price pressures are not just related to external factors but have also become a part of the domestic economy.

Services inflation, which forms the majority concern of the policymakers, had risen to 5% in July, up from 4.7% in June, suggesting that wage growth and domestic demand fueled price increases in sectors that were far from the effects of global commodity fluctuations.

## The Complexity of Contemporary Inflation Dynamics

The present inflationary scenario is different from previous events, bringing in new challenges altogether that traditional monetary policies fail to address

appropriately. The historic events of demand-pull inflation have been exacerbated by a series of complex webs of supply chain disruptions, labour market constraints, energy transition costs, and structural shifts in consumption patterns, which have accelerated due to the pandemic.

The sustenance of services inflation at higher levels reflects a structural flaw in the economy of the UK. Labour shortages spanning various sectors, from hospitality to healthcare, have consistently faced higher pressures on wages that translate directly into higher service prices.

The central bank's conventional transition system, which is dependent on cooling demand through higher borrowing costs, proves less effective against these supply-side restraints that need time and structural adjustment to resolve. Furthermore, the global nature of simultaneous inflation complicates domestic policy alteration. Energy prices, which after

the highs of 2022 have been slightly stabilised, are still higher and volatile. This reflects the inability of the Bank of England to face external shocks. Supply chain resilience schemes might be the need of the hour for long-term economic stability. However, this will bring about higher short-term costs that will be absorbed by the end consumer, creating a tension between economic security and price stability objectives.

The housing market is another dimension of complexity, with rental costs and mortgage payments creating additional inflationary pressures. While higher interest rates jeopardise the growth of house prices, they simultaneously increase mortgage costs for existing homeowners, creating a temporary inflationary hike that further creates complexities for the central bank's policy dynamics. Such dynamics refer to the Bank of England's primary policy as a catalyst for short-term inflation before achieving longer-term price stability.

## The Bank of England's Strategic Response and Its Limitations

The Bank of England has decided to take a careful approach to monetary policy amendments. The recent decision to bring down the Bank Rate to 4% in August from 4.25% is considered a step forward towards normalisation. However, what is most concerning is how inflation is being dealt with in British households and businesses.

The Monetary Policy Committee's decision-making process reflects uncertainty about the policy stance. The small voting margins in current meetings suggest significant disagreement among the members regarding the tightening or cautious easing, which would better serve the mandate. This divide highlights analytical challenges in asserting whether the latest inflation represents sustained pressures requiring further monetary restriction or temporary factors that will erode over time.

The Bank's May 2025 forecast projected CPI inflation rising to 3.5% in Q3 before being reduced to around 2% in the medium term. However, with inflation already peaking at 38% in July, such projections seem positive, raising questions about the accuracy of the models underpinning policy decisions. The persistent forecast mistakes suggest that either the transmission system of monetary policy has worn out or that structural changes in the economy demand an altogether new framework.

Communication strategy has become increasingly important as the Bank at-

tempts to maintain credibility, considering its limitations in contexts beyond its control over inflationary scenarios. The challenge lies in explaining to markets and the public why inflation remains elevated despite substantial policy tightening, without reducing confidence

In the central bank's commitment to price stability.

## Future Policy Pathways and Strategic Considerations

Looking forward, the Bank of England will have to counter several challenges, each requiring a different approach with a distinct set of risks. The central scenario will still hover around the current inflationary pressures, which will eventually subside as labour market rebalances, supply chains normalise, and the effects of previous monetary tightening work through the economy.

Whereas, alternative scenarios present more challenging policy choices. If inflation sustains more than expected, potentially due to embedded expectations or structural economic changes, an aggressive monetary tightening may be adopted, while sidestepping the growth concerns. Such a scenario would be a test for the Bank's commitment to serving its mandate. It could also necessitate the adoption of a major economic slowdown to reestablish long-term stability.

On the other end, if external factors like energy prices cool off or supply chain improvements drive rapid disinflation,

the Bank might need to alter policy more quickly to avoid unnecessary economic constraints. The challenge lies in distinguishing between temporary factors and underlying trends in real time, while policy decisions are made with incomplete information.

The emergence of labour market dynamics will prove critical for policy success. Inflationary pressure might be reduced if wage growth is moderated in response to increased unemployment and reduced job vacancies. Whereas, if labour shortages persist or workers demand fair compensation for even the past inflation, then wage-price spirals could be fixed, with the help of a more long-term monetary restriction.

The success of any policy relies on factors beyond the Bank of England's direct control, including global economic developments, domestic political stability, and the adaptive responses of businesses and households. The institution's credibility in maintaining bearable inflation will now go through immense scrutiny.

The Bank of England's current dilemma reflects broader questions about the acceptability of present economic frameworks in addressing the 21st-century challenges. The resolution of these inflationary times will reconcile the entire policy practice and institutional frameworks, with implications extending far beyond UK borders as central banks worldwide deal with similar post-pandemic economic challenges.





# BUDGET SAUDI ARABIA DRIVES NATIONAL PROGRESS, ALIGNING RECORD GROWTH WITH VISION 2030 GOALS

**Fawaz Danish,**  
President & Group CEO of  
Budget Saudi

of market conditions but a testament to Budget Saudi Arabia's deliberate alignment with the nation's forward-looking agenda.

## Alignment With The 'Life After Oil' Goal

One of the central tenets of Vision 2030 is to make the economy of the Kingdom less dependent on oil. The drop in global crude prices from 2015 onwards had had a pronounced impact on the economy of Saudi Arabia.

The country needs to be immune from these price shocks. And the only way to achieve this immunity is reducing dependence on oil. Budget Saudi Arabia is a critical enabler of this goal. With a nationwide presence that ensures customers are never far from a rental station, the company provides the essential link that allows tourists and business travellers to explore the Kingdom's rich heritage and burgeoning cities.

Whether it's a compact car like the Toyota Yaris for navigating Riyadh's bustling cities or a spacious Hyundai Sonata for a family trip to the Red Sea coast, Budget's wide range of quality vehicles supports the influx of international visitors and encourages domestic tourism, a key objective for economic diversification.

## The Harbinger of Opportunities

Ranked #28 in the Great Place To Work (KSA) list, Budget Saudi is a critical driver of job creation. With more than 1300 employees working for the business, it contributes significantly to the financial empowerment of the Kingdom's youth.

The company's sustained growth trajectory naturally translates into expanded career opportunities for Saudi talent across its extensive network of branches (20+ workshops, 20+ rental offices) and corporate offices.

Budget Saudi is a leader in its industry in terms of adopting advanced digital solutions for maximum efficiency. No third-party vehicle booking service needed – the company has robust iOS, Android and web-based channels from where visitors can rent a vehicle anytime, anywhere. But the digital presence is not just limited to booking.

The company offers 24/7 emergency road assistance services through its app and website. Budget's digital inventory approach enables it to analyse which vehicles customers choose more than others. This data-driven approach ensures maximum efficiency and minimal wastage of time.

## Driving Vision 2030 Forward, One Convenient Ride at a Time

Sustainability is one of the key focal points of Vision 2030. By eliminating third-party red tape and offering transparent online prepayments, Budget Saudi is making tourism – one of the kingdom's fastest-growing non-oil sectors – smoother than ever. (And with Saudi aiming for 100 million tourists by 2030? That's no small feat.)

But Budget Saudi's impact runs deeper. Under CEO Fawaz Danish, the company has pioneered sustainability in the rental space, rolling out energy-efficient hybrid cars to reduce carbon emissions – aligning perfectly with Vision 2030's net-zero ambitions.

The company is serious about sustainability goals. It recently signed a memorandum of cooperation with the Jوف Strategic Development Office for Al Jوف Region that would enable the company to provide fully electric cars for rent – thereby reducing emissions from vehicles. Even in the traditional segment, the company strategically uses top-rated low-emission cars and carbon-neutral lubricants. The result? A reduction of 258,000 litres of petrol being used.

## A Vehicle Business That's HUMAN at Heart

Vision 2030 remains incomplete without the inclusion of humans and their upliftment. And this is where Budget Saudi and its parent company, UNITRANS, prove that CSR isn't just some compli-

ance to meet. Budget Saudi has a strong association with the Jeddah Orphan Care Association. From providing retail purchase cards to accompanying the orphan children to the Boost entertainment centre – it shows how the hearts of the leaders at Budget Saudi beat for the underprivileged.

The company is also at the forefront of providing quality and affordable healthcare to the less fortunate people across the nation. Its partnership with the Life and Nation campaign and Heart Patient Care Association and Friends Society Heart charity is a testament to this.

## About Budget Saudi

Budget Saudi, Saudi Arabia's top car rental brand, is a Vision 2030 trailblazer. With a 4.8/5-rated app and 90+ branches (airports, doorstep pickups), it simplifies travel for tourists (key to Saudi's 100M tourist goal) and residents.

As the first publicly listed rental firm in Saudi Arabia, it fuels private sector growth and leads in sustainability with hybrid fleets, aligning with net-zero targets. More than a service, Budget Saudi builds Saudi's future: seamless, innovative, and connected.

Vision 2030 is being realised through giga-projects like NEOM, the Red Sea Global, and Qiddiya, as well as rapid urbanisation. These projects require immense mobility and logistics support for the influx of international workers, consultants, tourists, and new residents. Budget Saudi's services are critical infrastructure for these initiatives.

The company's strategic acquisition of AutoWorld and investment in the Overseas Logistics Development Company specifically enhance its logistics capabilities, allowing it to serve these large-scale developments efficiently and align with the vision's goal of building world-class infrastructure.

Budget Saudi is a critical contributor to Vision 2030, advancing goals related to economic diversification, Saudisation, tourism, green mobility, and digital transformation. By deepening investments in sustainability, expanding its services, and integrating advanced technologies, Budget Saudi has become a catalyst to this ambition.

Saudi Arabia's Vision 2030 is barely just 5 years away. As the nation accelerates towards this ambitious goal, the Kingdom's premier car mobility solutions provider and car rental company, Budget Saudi Arabia, is actively taking part in this journey. The company's recent announcement of its exceptional semi-annual financial results

isn't just a corporate show-off; it is a powerful indicator of how corporate success and national progress are becoming intrinsically linked.

The company reported an impressive 19% increase in net profits and a 29% surge in revenue. This explosive growth comes with the responsibility of being a reliable mobility partner in KSA. And the Budget Saudi has

gracefully lived up to this challenge so far.

Budget's financial performance for the first half of 2025 saw net profits exceed SAR 168 million and total revenues surpass SAR 1.088 billion. This performance is underpinned by strategic initiatives that directly support the core pillars of Vision 2030. This growth is not merely a reflection





# RUSSIA AND CHINA SEAL MASSIVE PIPELINE DEAL AT SCO SUMMIT

Russia and China used this year's Shanghai Cooperation Organisation summit in Tianjin to announce a breakthrough on the long-discussed Power of Siberia-2 pipeline, a project set to reshape Asia's gas trade and cement Moscow's pivot east. Gazprom confirmed it had signed a legally binding framework with China's CNPC to advance the 2,600-km line, which would transport up to 50 bcm (billion cubic metres) of West Siberian gas annually to northern China via Mongolia.

The announcement comes as Russia seeks new markets after Europe cut pipeline imports by more than 80% since 2022.

## A strategic pivot for Moscow

For Moscow, PoS-2 is the centrepiece of an eastward redirection of gas once bound for Europe. The line would draw from the Yamal and Nadym-Pur-Taz fields, anchoring a new export corridor to China. Gazprom estimates capital costs at around 2 trillion roubles (\$25 billion).

But the market reaction was muted. Gazprom shares slipped over 3% in Moscow after the summit, reflecting investor caution.

Pricing, financing, and a firm construction schedule remain unresolved, leaving questions over commercial viability despite the political fanfare.

## China's leverage

For Beijing, the deal promises long-term supply security at favourable terms. The new line would complement the existing Power of Siberia pipeline from East Siberia, which moves 44 bcm a year. Together, the two routes could deliver volumes close to what Gazprom once sold to a single large European market.

China gains in three ways: diversifying supply beyond Central Asia and LNG; strengthening winter energy security; and supporting coal-to-gas switching in the north. Yet officials gave no details on pricing, and the foreign ministry deferred questions to "*competent authorities*".

final tariffs and permitting details were not released during the summit.

PoS-2's potential 50 bcm annually could significantly alter LNG dynamics in the 2030s. If Chinese buyers take full pipeline volumes, it may reduce demand for seaborne cargoes, especially in northern provinces where pipeline gas is most competitive. This could pressure global LNG utilisation rates and dent margins for suppliers such as the US and Qatar in oversupplied years.

Still, LNG retains advantages. Unlike pipelines, LNG offers destination flexibility and seasonal swing capacity. China is expected to keep both options open: pipelines to anchor baseload demand and LNG to balance weather and industrial cycles.

For Europe, the implications are mixed. With Russia diverting more gas eastward, EU buyers are unlikely to reconsider long-term Russian contracts. Yet lower Chinese LNG demand could free up spot cargoes, easing European prices during tight winters.

## Shifting trade flows amid unresolved issues

Despite the summit headlines, the biggest sticking point remains unresolved: price. Gazprom confirmed no agreement has been reached on the sales formula. China is reported to be pushing for rates well below what European customers once

paid. Until a final gas sales agreement is signed, including take-or-pay clauses and indexation terms, the project remains aspirational.

Financing is equally unclear. With Western capital off-limits, Russia may rely on domestic funds and supplier credit. Chinese banks could step in if commercial terms are attractive, but no loan packages were announced.

If realised, PoS-2 would cement Russia's dependence on China as its main gas buyer, swapping one concentrated market (Europe) for another. Beijing's leverage would likely grow over time, shaping future contract renewals. For China, the line locks in cleaner-burning gas to support its energy transition while retaining flexibility through LNG and renewables.

Strategically, the pipeline would shift Eurasia's gas trade from a westward Atlantic orientation to an eastward Pacific one, completing a re-wiring of flows set in motion by the Ukraine war and ensuing sanctions. The Power of Siberia-2 announcement marks the most serious step yet toward binding Russia and China together in energy trade. For Moscow, it offers a replacement market after losing Europe. For Beijing, it secures supply at advantageous terms and enhances energy security.

Yet with price, finance, and timing unresolved, PoS-2 is more a declaration of intent than a done deal. Its eventual completion would reshape Asia's gas landscape and tilt global flows eastward. For now, it is a geopolitical statement with economic details still to be hammered out.



Analysts say Beijing's wide choice of suppliers, including a deep LNG market, allows it to drive a hard bargain.

## Global gas market impact

The pipeline would run across Mongolia, generating transit fees, jobs, and new infrastructure for the landlocked nation. Ulaanbaatar has long promoted the project as a source of steady revenue, but



# BEYOND TURMOIL: HOW THE ISRAEL-EGYPT GAS DEAL SIGNALS A NEW ERA OF STRATEGIC ECONOMIC REALIGNMENT

The recent \$35 billion pact between Israel's NewMed Energy and Egypt stands out as a model of sound economic strategy. This treaty is a lot more than a routine commercial deal. Rather, this pact reflects a deeper strategic economic realignment that is playing a key role in this shifting geopolitical scenario. For quite some time, the region has been afflicted with tense diplomatic rivalries and political disputes.

However, this agreement is an economic imperative that is reshaping alliances, transcending diplomatic divisions.

## A Blueprint for Strategic Convergence

While the backdrop of persistent hostilities in Gaza has made the diplomatic panorama turbulent, Egypt and Israel's

energy pact is quite a conscious shift towards economic benefits over political tensions. The agreement is reportedly thirteen times the size of Israel's previous largest export deal. It promises to significantly stabilise Egypt's domestic energy stability while positioning Israel as a key player in the global gas export market.

The authorities said that this agreement has been the outcome of Cairo and Tel Aviv's longstanding economic rapport, which is always pragmatic, albeit with political tensions.

At this moment, this partnership highlights a mutual intent to institutionalise economic interdependence and potentially make this economic interdependence a foundation for regional stability rather than a transient tactical move.

## Economic Imperatives Over Diplomatic Rigidity

For years, Egypt's motivation has always been rooted in the region's volatile economic necessities. Post-Gaza tension in recent years, domestic gas output has significantly fallen beyond 40%. As a result, the government has to rely heavily on liquified natural gas (LNG) imports. Being an expensive alternative, this has also strained the fiscal resources, costing Egypt about \$13.50 per million British thermal units (MMBtu), compared to the estimated \$7.75/MMBtu price tag for pipeline-delivered Israeli gas. Thus making the economic architecture bleak.

From Israel's perspective, the agreement guarantees multi-billion-dollar revenues and secures a long-term outlet for gas from the Leviathan field, a hotspot

of its export capacity. For both countries, the numbers reinforce a shared truth: in energy, security of supply and stability of demand outweigh ideological boundaries.

## The Two-Stage Plan: A Prudent Risk Management Strategy

According to the energy agreement, it is completely aligned with the budgetary, infrastructure, and, most importantly, the political limitations. The initial phase will start with a moderate ramp-up in 2026. However, by the end of 2029, full-scale supply is most likely to start. This two-phased strategy is expected to help Egypt enhance its domestic distribution and processing infrastructure while alleviating its fiscal strain significantly.

For Israel, the two-fold strategy is minimising the risk of overproduction and, at the same time, providing it enough flexibility to put up with market volatility as well as the political unrest. However, significant projects like the Nitzana pipeline remain vulnerable to execution challenges, which are somewhat triggered by the cost overruns and politically induced delays. At this stage, the success rate of the agreement depends on the bipartisan alliance of the countries.

## Reframing Regional Dynamics

Historically, Israel-Egypt relations have always been under strategic caution, which is to some extent strained by public sentiment and political narratives. For some Egyptian constituencies, the energy pact might be a sign of financial dependency, considering Israel is a politically sensitive supplier. However, the counter-argument strongly states that the political stability of these two countries relies on the economic stronghold.

If managed well, this energy partnership could help redefine the Eastern Mediterranean as a cooperative energy corridor. Simultaneously, this energy deal is a medium for the producers and transit states with energy-hungry European markets. It could be a stepping stone to diffuse geopolitical frictions, leveraging financial realignment.

## Implications for the Global Energy Market

The timing of the deal amplifies its importance even more. Global LNG markets, being significantly volatile, are now more afflicted by the ongoing geopolitical tensions, post-pandemic recovery patterns, and, most importantly, Europe's accelerated diversification from Russian energy producers.

Simultaneously, Egypt's lesser dependence on LNG imports may seem negligible in absolute terms, but such a shift at this moment is surely going to influence broader market sentiment, ease price pressures, and subtly shift benchmark contract dynamics. This is quite a business imperative at this moment when the European buyers are realigning their procurement strategies to avoid overexposure to any single supply route.

## Economic Pragmatism as a Policy Signal

The energy deal between Egypt and Israel highlights the normalisation of economic policy as a leading policy tool to survive the diplomatic unrest. Today, nations across the world are prioritising economic outcomes over ideological geopolitical alignment. For Israel and Egypt, energy interdependence is the key stabilising factor when political unrest has been a historical complication.

Similar patterns of economic pragmatism are being noticed in Asia, Africa, and Latin America, where governments and corporations are deliberately recognising the predictable trade and investment flows to build resilience in the face of political tensions.

## A Strategic Take for Investors and Policymakers

The Israel-Egypt energy deal also carries a message for the global investors that treaties like this are no longer subject to formal treaties; rather, it is more of a commercial contract, which helps in building the countries' financial foothold. At the same time, such long-term supply agreements are reshaping the geopolitical landscapes as much as traditional diplomacy.

For policymakers, this energy treaty is a powerful reminder that such an economic deal could be a framework to withstand political shocks, but at the same time, it is quite a challenge for them to frame such policies. The Eastern Mediterranean has remained a hotbed of regional rivalries for years. As a result, even the most commercially sound agreements require careful management.

## Strategic Significance of the Israel-Egypt Gas Deal

The \$35 billion agreement is more than just the largest deal of its kind. It symbolises how mutual economic benefit can bridge divides in a region often marked by barriers. If sustained, this partnership could usher in greater economic integration and stability in the region, where rational interests outweigh political hostility.





# DHL'S \$570 MILLION MIDDLE EAST GAMBLE IS ABOUT MORE THAN PARCELS



Headlines barely caught the scale of the move when DHL announced its intention to invest half a billion dollars in Saudi Arabia and the UAE by 2030. However, this was not just a logistics investment but a wager on the shape of global trade in the future, the durability of the Gulf States' ambitions, and the sustainability of one of the carbon-intensive industries on earth.

While this corporate expansion is quite a tempting idea, DHL's move strongly deserves closer scrutiny. The point in this context is not only whether DHL strengthens its position over competitors like FedEx and Aramex but also Gulf's readiness to shift from an oil hub to a logistics hub. Simultaneously, it's also a question whether the world's supply chains, dealing with crises, can find stability in this unpredictable region.

## The Gulf as the New Crossroads

More than a destination, the Arabian Peninsula has been a business corridor for centuries. However, oil resources reversed that equation. As a result, experts believe that now logistics may also do the same as oil did previously. It means this would help Saudi Arabia's Vision 2030 emerge as a global logistics powerhouse, and the UAE has long styled itself as a trade entrepôt. Both have built world-class airports, container ports, and free-trade zones to lure foreign investment.

DHL's decision to commit €500 million is a vote of confidence that these plans are not just sandcastles in the desert. The company sees the Gulf not as a

sideshow but as a genuine rival to Europe and East Asia as a hub for global flows in an era where global e-commerce is expanding.

## More Than Parcels: DHL's Four-Pronged Play

DHL is all set to operate on a comprehensive edge instead of simply nibbling like its competitors. It's committing across four of its major wings, which include Global Forwarding, Express, Supply Chain, and eCommerce. It makes DHL's intent pretty much evident that it wishes to position itself as the logistics leader of the Gulf area while trying to redo its entire commercial fabric. From air cargo to last-mile delivery, from warehouse automation to rail partnerships – DHL is likely to cover it all.

The biggest move of DHL in this regard is its venture with Etihad Rail in the UAE. This is a multimodal Gulf where goods are not only moved by rail, truck, air, and ship. The second noteworthy move is the acquisition of AJEX in Saudi Arabia. It helps DHL plug directly into the Kingdom's fast-growing e-commerce delivery network. Clearly, these are the foundations for a regional ecosystem, not marginal dealings.

## Betting on Sustainability in an Oil Economy

However, the most paradoxical element of DHL's investment is certainly its green ambition. It helps the company promise electric fleets, biofuels, and sustainable aviation fuels in an area where wealth still flows from hydrocarbons.

While this is technically a perfect alignment on paper, the Gulf government has adopted a glossy "net-zero" strategy, and certainly logistics offers a visible way to demonstrate progress.

But sustainability in logistics is notoriously expensive. Electric trucks have patchy charging, and biofuels remain highly expensive and limited in terms of resources, with charging infrastructure that is uneven at best. Biofuels remain costly and limited. Worse, the power grids are still dominated by fossil fuels. This has surely blunted the impact of electrification.

## Competition and the New Logistics Arms Race

DHL is hardly alone in eyeing the Gulf. FedEx is upgrading its Dubai hub, UPS is circling, and Aramex is entrenched. What sets DHL apart is the scale and timing: while rivals tread carefully, it is going all in. This is less an arms race of weapons than of warehouses, aircraft, and digital platforms. Whoever plants the deepest roots will control a vital artery of global trade—making DHL's €500 million bet look cheap if it secures dominance for the next decade.

## The Geopolitical Shadow

Logistics is shaped as much by borders and politics as by trucks and planes. The Red Sea crisis has already rerouted shipping, while Gulf rivalries and Saudi Arabia's fragile reforms add risk. DHL may wager that geopolitics is cyclical, but infrastructure is permanent. Yet permanence cuts both ways: airports and warehouses anchor firms for decades, but if politics shift, those sunk costs turn into liabilities.

## DHL's Investment: A Bold, Necessary Gamble

DHL's Middle East surge is both reckless and visionary—tying its fate to volatile regimes, yet betting on a region uniquely placed to reshape trade. Boldness is welcome, but success will demand realism on green logistics, contingency against politics, and humility amid e-commerce swings. Still, in a world of corporate caution, DHL's decisiveness stands out. If the gamble holds, it won't just move parcels but redraw the map of global trade."

# SPACEX-BAHAMAS DEAL FALLS THROUGH, BUT MUSK NEGOTIATES BOOSTER LANDING APPROVALS

Last year, SpaceX was engaged in negotiations with the Bahamas, with the company seeking permission to land its Falcon 9 rocket boosters within the country's territory. According to internal sources, Elon Musk's company had promised to build complimentary Starlink internet terminals for the island's defence vessels.

However, in April of this year, the Bahamas paused this agreement after a SpaceX rocket, the Starship, exploded a month earlier due to a mid-flight failure, resulting in huge amounts of debris washing ashore onto the island nation.

The space wing of Musk's empire is rapidly expanding into the space business. However, in this endeavour, SpaceX has had to take a few licks as it tries to navigate geopolitical complexities sensitively. This is particularly challenging, as it involves seeking permission for advanced satellites and rockets to fly over or near territories of various sovereign nations.

After the Starship explosion in March, the Bahamian government publicly called for an investigation. News organisations reported that Chequita Johnson, Acting Director General, Civil Aviation Authority, Bahamas, said that there were no toxic materials or significant environmental damage from the explosion. However, the incident triggered the government to reevaluate its agreement with Musk's SpaceX.

This deal was said to have been signed in February 2024 by the Bahamas' Deputy Prime Minister Chester Cooper, who allegedly greenlit the agreement without consulting with other important government ministers. The Prime Minister's Office, however, has disputed this claim by affirming in a statement that the approval to facilitate SpaceX rocket landing was a collective decision by the cabinet and was not taken by any individual or independent ministry.

The Office also clarified that while Starlink is used by the island nation's defence forces for communication, it was paid for in full by the government and that no donations were ever offered or accepted by SpaceX for this cause.

Starlink is an integral aspect of Musk's array of businesses, as the satellite internet constellation is a major driver of revenue to fund the tech billionaire's dream of sending humans to Mars on his SpaceX rockets. Unfortunately for SpaceX, its challenge lies in gaining the trust of sovereign, foreign nations, who are themselves privatising their space sector. Even within the US, Musk has rivals in Jeff Bezos' Amazon, which is quickly expanding its abilities in satellite networks.

Troubles have only doubled for SpaceX after the Mexican President, Claudia Sheinbaum, threatened legal action against the company for 'contamination' from Starship launches from the company's rocket site, Starbase, which is located in Texas, two miles north of the Mexican border. Sheinbaum's comments come after a Starship rocket exploded earlier this month into a fireball on a

test stand at Starbase. SpaceX representatives, however, took to another one of Musk's businesses, the social media site X, to clarify that the space company's teams were being impeded from collecting any Starship debris which may have fallen into Mexican territory. For Starship to leave Earth's orbit, it must pass over the Caribbean airspaces. However, this leaves the region vulnerable to any debris in case of a rocket failure, which is not entirely out of the realm of possibility, considering that this has been the outcome of all three test flights this year.

According to SpaceX, the Falcon 9 rocket could carry heavier payloads and more satellites if its booster is allowed to land in the Bahamas. The deal also included a \$1 million donation to the University of Bahamas, with the company pledging to routinely conduct workshops and seminars on space and engineering, said the government.

SpaceX is also required to pay a landing fee of \$100,000 for each landing, in accordance with the island country's space regulations, which were specifically enacted because of the deal with Musk's company. However, all is not lost, as two Bahamian officials did say that these landings could resume later this summer.

A conclusion will be reached once the government examines the SpaceX report on the environmental consequences of the booster landings, and officials agree to amend the country's space re-entry rules to improve the approval process and tweak the environmental review mandates.





# EUROPEAN UNION CONSIDERS 10-YEAR PAUSE ON TAX ON AVIATION AND SHIPPING FUELS



Headlines barely caught the scale of the move when DHL announced its intention to invest half a billion dollars in Saudi Arabia and the UAE by 2030. However, this was not just a logistics investment but a wager on the shape of global trade in the future, the durability of the Gulf States' ambitions, and the sustainability of one of the carbon-intensive industries on earth. While this corporate expansion is quite a tempting idea, DHL's move strongly deserves closer scrutiny. The point in this context is not only whether DHL strengthens its position over competitors like FedEx and Aramex but also Gulf's readiness to shift from an oil hub to a logistics hub. Simultaneously, it's also a question whether the world's supply chains, dealing with crises, can find stability in this unpredictable region.

## The Gulf as the New Crossroads

More than a destination, the Arabian Peninsula has been a business corridor for centuries. However, oil resources reversed that equation. As a result, experts believe that now logistics may also do the same as oil did previously. It means this would help Saudi Arabia's Vision 2030 emerge as a global logistics powerhouse, and the UAE has long styled itself as a trade entrepôt. Both have built world-class airports, container ports, and free-trade zones to lure foreign investment. DHL's decision to commit €500 million is a vote of confidence that these plans are not just sandcastles in the desert. The company sees the Gulf not as a sideshow

but as a genuine rival to Europe and East Asia as a hub for global flows in an era where global e-commerce is expanding.

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# WARREN BUFFETT SHINES A SPOTLIGHT ON JAPAN'S GIANTS, MITSUBISHI AND MITSUI

Warren Buffett, the legendary investor, is turning his attention to Japan. Warren Buffett's company, Berkshire Hathaway Inc., has increased its investment in Mitsui & Co., becoming one of its major shareholders, as Buffett bets on Japan's trading houses. According to a statement released on Monday by Mitsui, Berkshire Hathaway has increased its holdings in the company to over 10% in terms of voting rights and is open to further expanding its shares. Mitsui's shares increased as much as 2.2%. The other Japanese trading companies, such as Mitsubishi Corporation, Itochu Corporation, Marubeni Corporation, and Sumitomo Corporation, also saw a similar outcome, with an increase in shares in Tokyo. Buffett first disclosed positions in all five of these Japanese trading companies, known as sogo shosha, back in 2020. These companies are involved in a diverse range of industries, including liquefied natural gas and salmon farming. Since Buffett is involved in the companies, they have consistently outperformed Japan's Topix index. Initially, Berkshire planned to keep its shares in the companies below 10%, but as Buffett explained in his annual letter to investors, the Japanese companies agreed to increase “moderately”. Berkshire has already increased its stake in Mitsubishi Corp. to above the 10% threshold. Ryunosuke Shibata, an

analyst at SBI Securities, noted that as Buffett, often called the “god of investing,” continues to buy, it has provided a boost for Japan trading house stocks.

Since the businesses are diversified across multiple industries, they have been better able to handle global volatility in commodity prices compared to their international competitors. At the same time, they are focusing on increasing shareholders' returns. Berkshire's move to increase the stakes in the companies shows its confidence in them. The company raised its stake in Mitsubishi to 10.23% as of Thursday, up from 9.74% in March. Separately, Mitsui stated that Berkshire Hathaway increased its holdings in the trading house.

The legendary US investor, known as the Oracle of Omaha, first invested in these trading houses in 2020. Since then, the companies have benefited from his interest, and in recent years, they have also been more focused on increasing the returns for their shareholders and adjusting their portfolios to reduce risks in volatile industries. A Mitsui spokesperson commented that Berkshire's investment is a sign that the company trusts Mitsui and aims to strengthen its portfolio. As of March, Berkshire's stake in Mitsui was at 9.82%. Mitsubishi's stock closed 1.9% in Tokyo after the announcement. Mitsui,

Itochu, and Marubeni shares increased 1.2%, while Sumitomo closed 1.1% higher. Norikazu Shimizu, an analyst at Iwai Cosmo Securities, stated that Berkshire's continued interest has brought a spotlight on these companies. He added that the trading houses have become more aggressive about increasing shareholder returns, such as through share buybacks.

Regulatory filings indicate that Berkshire Hathaway has applied to the US Federal Energy Regulatory Commission for approval to increase its holdings in these Japanese companies, and FERC approved the application earlier this month. A spokesperson for Itochu stated that the company has not confirmed the additional shares it plans to buy, but expects the shareholding ratios to likely level out around 10% over time. Sumitomo's spokesperson said it's unclear if Berkshire's stake has surpassed 10%, while Marubeni declined to comment.

Berkshire Hathaway's bets continue to pay off. The ripple effects are already being felt in Tokyo's stock market, where the presence of the “Oracle of Omaha” has risen both share prices and expectations. As Buffett is expanding its footprint in Japan's trading houses, it may ultimately become a turning point for how global investors view these multifaceted businesses.



# CANVA STARTS SHARE SALE AT \$42 BILLION VALUATION AS IT BETS ON ITS AI PRODUCTS FOR GROWTH



Canva launched an employee stock sale at a \$42 billion valuation. This milestone shows that there is a rapid growth for the Australian design software company, which is betting on artificial intelligence for its growth. Canva has also introduced AI features into its platform to automate design tasks, improve user creativity, and streamline workflows, aiming to differentiate itself in a crowded market.

Startups often issue shares to their employees as a way to reward and retain employees, as well as attract external investors. Through the share sale, the company can tap into investors' interest

to give employees access to funds while continuing to operate as a private company. Employees can sell their shares to new and current investors, including Fidelity Management & Research Co. and JPMorgan Chase & Co.'s asset management division, according to a statement from Canva. This offer increases Canva's valuation by over 30% from \$32 billion in 2024. Canva has welcomed Kelly Steckelberg, the former Chief Financial Officer of Zoom Video Communications Inc., as the company's new Chief Financial Officer (CFO). Steckelberg will start her new role on November 26, as stated by Canva. Zoom announced in August that Steckelberg would step down as CFO af-

ter seven years. She was in the company until last month to help with the transition of her successor. Zoom appointed Michelle Chang as CFO.

The company, which competes with Adobe, revealed that it was recently valued at \$32 billion, from \$26 billion in the fundraising round earlier this year. Investors have long viewed Canva as a potential candidate for an initial public offering (IPO), although the 11-year-old company has not made any specific plans regarding its public listing. Cliff Obrecht, Canva's co-founder and chief operations officer, announced that Kelly has an impressive record as a strong leader and strategic thinker, along with experience in scaling companies, thereby making her an ideal fit for their team.

Canva is adding AI features in its design tools to juice out revenue and prepare for a potential public offering. In April, it introduced new products, such as a conversation-based AI photo editor, aiming to attract corporate clients away from its competitor, Adobe. It can also respond to voice and text instructions to edit photos, create slide decks, and resize designs. At a recent company event in Los Angeles, Canva announced new tools that can whip up code for app or website design from just a few simple prompts. Canva is locked in a competitive struggle against Adobe, the leader in creative software, which already has its AI model, Firefly, integrated into its photo and video editing apps. In February, Adobe announced that it would charge 50 cents for each AI-generated video and informed users about price increases for some of its apps. Its stock has decreased by 25% after investor confidence regarding competition in the creative AI space declined. Its other competitor, Figma, is another major player in the field, valued at \$34 billion after its public offering in July.

Cliff Obrecht, Chief Operating Officer and co-founder of Canva, remarked that the fundraising has seen extraordinary oversubscription. There was immense demand from new and existing investors, which shows a huge vote of confidence in their progress and potential ahead. Canva, founded in 2013, quickly gained a loyal user base due to its user-friendly interface, where users can create everything from birthday invitations to social media posts. Canva recorded more than \$3.3 billion in annualized sales and now boasts over 240 million monthly active users.

# SAUDI ARABIA EDTECH MARKET SET TO SURGE TO \$6847 MILLION BY 2033

Saudi Arabia is undertaking an ambitious transformation of its education sector, primarily in the technical aspects. Its indigenous EdTech market is estimated to witness huge growth. The sector had reached a valuation of \$2,322.1 million the previous year and is poised to surpass \$6,847.8 million by 2033. If successful, it would record a compounded annual growth rate (CAGR) of 12.77%.

## Vision 2030: The Catalyst for Digital Education

Saudi Arabia's Vision 2030 initiative is the key driver of this growth. The extensive transformation program acts as a catalyst in delivering affordable, accessible, and user-oriented services through technological adoption, consistency, and interoperability within government services. Such a strategic focus on digital transformation has laid the groundwork for EdTech companies to flourish and expand their operations throughout the Kingdom.

The government's goal of becoming one of the top five digital governments globally has attracted significant investments in educational infrastructure and technology adoption. Such initiatives are pivotal for restructuring the educational sector by fostering innovative learning methods and generating new opportunities and employment for students and educators, respectively.

## Market Dynamics and Growth Drivers

Several factors are driving the Saudi EdTech market to unprecedented growth. This increased utilisation of smartphones and internet connectivity has emerged as a significant catalyst. According to Data-Reportal, Saudi Arabia had 36.84 million internet users at the beginning of 2024, providing a solid foundation for the EdTech sector's early expansion plans. This surge in demand for personalised education solutions has been widely accepted. Educational institutions and students are actively seeking customised learning experiences that cater to personalised needs and learning styles.

This trend has generated significant opportunities for EdTech companies to build adaptive learning platforms and AI-driven educational tools. Cloud computing technology has become a significant enabler of digital transformation in Saudi Arabia's education sector. Cloud

services offer educational organisations scalable and cost-effective solutions, enabling them to enhance their infrastructure while maintaining operational expenses effectively.

## Investment Landscape and Innovation

The Saudi EdTech ecosystem is witnessing a surge in huge investments and substantial innovation. For instance, recent funding secured by Taawoni, a Saudi-based EdTech company, led to it raising \$1.6 million in June 2025 to expand its platform for matchmaking between companies and universities for collaborative raising programmes.

The platform simplifies the internship process and offers AI-driven mentorship tools, highlighting the advanced solutions available in the edtech space. The hardware segment of the EdTech market is also witnessing significant growth. Last year, the market was valued at \$420.7 million. As estimated, the CAGR for the upcoming period from this year to 2033 would be over 13%.

## Sector-Specific Growth Opportunities

The higher education technology market has gained substantial share in the promising segment under the larger EdTech industry. This specialised market is estimated to reach \$572.8 million by 2030, with an anticipated CAGR of 4.6% from 2024 to 2030. This growth will be driven by universities that are actively adopting digital learning platforms, virtual laboratories, and advanced research tools.

Corporate training is another avenue clocking huge growth, as organisations across various sectors invest in digital learning solutions to improve employee skills and capabilities. The focus on consistent learning and professional development aligns with Saudi Arabia's broader economic diversification targets under Vision 2030.

## Challenges and Cybersecurity Considerations

While the growth opportunities appear impressive, the burgeoning digital education space is facing increasingly complex cybersecurity challenges. According to IDC estimates, cybersecurity spending in Saudi Arabia is expected to surpass \$1 billion in 2024 and reach \$1.6 billion by 2027. As of now, the education sector is

one of the most heavily targeted by cyber threats, alongside the government, finance, energy, and healthcare sectors. Common ransomware attacks and other advanced threats can compromise educational data and disrupt learning processes.

EdTech companies and educational institutions must focus on securing themselves from cyberattacks to safeguard confidential student information and maintain trust in digital learning platforms.

## Market Outlook and Strategic Implications

The projected growth of Saudi Arabia's EdTech market to \$6,847.8 million by 2033 highlights something far greater than just numerical representation. It is a signal of a fundamental shift from conventional schooling models to innovative knowledge-based economic development. Such a transition is in tandem with Vision 2030's objectives of creating an interconnected society where new-age technologies are available and adaptable by businesses and citizens.

Educational technology companies that are seeking entry or planning for expansion in the Saudi market shall focus on building solutions that cater to local problems and combine them with technologies like artificial intelligence, machine learning, and cloud computing. Such a focus would help them build customised learning experiences and complete integration with the current educational structure, ensuring their long-term success in this new market.

The government's commitment to digital transformation, alongside the availability of a young, tech-oriented population and substantial investment in educational infrastructure, builds a perfect environment for the sustained growth of the EdTech industry. As the Kingdom flourishes ahead in transitioning itself into a digital knowledge economy, the education technology sector will play a key role in transforming the future of learning and skills development.

The astounding CAGR of 12.77% growth till 2033 puts Saudi Arabia at the podium of one of the world's fastest-growing EdTech markets. It will also unlock opportunities for innovation, investment, employment, research, and educational advancements in the years to come.



## SAUDI ARABIA INTRODUCES GOOGLE PAY AS IT AIMS TO LEAD FINTECH AS PART OF ITS VISION 2030 GOALS



**S**audi Arabia is making a lot of development and infrastructure changes to achieve its Vision 2030 goals. One of their goals is to build a world-class digital economy and promote cashless payments, as this is the future of commerce.

As part of that plan, they will introduce Google Pay in Saudi Arabia. The central bank announced this at the Money20/20 Middle East event. Central banks aim to empower consumers by shifting to cashless payments, thereby enhancing Saudi Arabia's position as a global fintech leader. SAMA, the central bank, also inked an agreement with Ant International to allow consumers to make payments through Alipay+ by 2026.

According to a statement, both companies will make use of the Kingdom's National Payment System to make payments. These advancements will help Saudi Arabia to race towards its Vision 2030 as it builds a digital economy, broadens financial inclusion, and raises the percentage of cashless transactions to 70% by 2025. SAMA has been undertaking initiatives to improve the digital payments industry in Saudi Arabia, supporting the Financial Sector Development Program. As part of the program, they aim to integrate financial inclusion, and this deal with Google Pay will help achieve that goal.

Google Pay is a very secure and convenient option, as it removes friction from checkout, allowing for quick payments with just a tap or a few clicks, both online and in-store. They have a sophisticated platform that allows users to easily integrate their bank or credit card details with the Google Wallet application, as stated in the report. Introducing Google Pay as part of the payment process will enhance the market infrastructure to meet Saudi Arabia's needs and simplify the digital payment process. This way, the Kingdom aims to become the leader in fintech solutions worldwide, the statement added. Since Saudi Arabia is attracting tourists from all over the world, travelers visiting the Kingdom can usually integrate their international digital wallets, such as those linked to Alipay+. So now they can make seamless and secure transactions at retail venues that support the service.

During a keynote address at the conference in Riyadh, SAMA Governor Ayman Al-Sayari discussed how much the Saudi fintech sector has expanded. It has grown from 82 companies at the close of 2022 to 281 firms by the end of August. This exceptional growth in the sector aligns with national goals and the commitment to achieve global excellence. He also remarked that this growth has drawn significant investments valued at around SR9 billion (\$2.39 billion), affirming its appeal to investors.

The governor highlighted that Saudi Arabia's payments ecosystem now ranks among the most digitally proficient in the world. For example, in 2024, 79% of all retail payments were made through electronic payments. Online transactions have increased to 12.6 billion this year, up from 10.8 billion in 2023, according to Al-Sayari.

He pointed out that this growth shows not only the sector's ambition but also the Kingdom's ability to come up with creative solutions for the challenges facing the industry. The governor also stressed that these accomplishments in Saudi Arabia's financial sector are built on the Kingdom's unique strengths and advantages. Finance Minister Mohammed Al-Jadaan, speaking at the event, pointed out that Saudi Arabia's financial market is now one of the fastest growing in the world, with its value surpassing SR2.4 trillion. He added that Saudi Arabia is now especially focused on bringing artificial intelligence into its financial market, aiming to stay ahead in innovation. Saudi Arabia is focusing all its efforts on becoming a fintech leader. By making everyday payments easier, safer, and more accessible for everyone, the Kingdom is opening new doors for companies, families, and tourists alike. As the world moves towards digital payments, Google Pay and Alipay+ will help Saudi Arabia reach its goals more quickly.



## KEPPEL AND DELL COLLABORATE TO BUILD NEXT-GEN AI AND GREEN DATA CENTERS IN ASIA

**A**s the world shifts towards digitalisation and sustainability, it has created a unique inflection point for companies that want both: advanced technology and environmental sustainability. One of the companies on the list was Dell Technologies, which partnered with Keppel. Keppel and Dell Technologies wanted to develop green data centres and AI platforms in Asia to capitalise on the region's growing demand for energy-efficient data infrastructure and industry-specific AI solutions. Through this partnership, they are combining Keppel's expertise in sustainable infrastructure and Dell's technological powers. This not only addresses the immediate market need but also aligns with their long-term sustainability goals.

Asset manager Keppel announced on Wednesday that it has signed a strategic agreement with Dell Technologies to build data centers and invest in next-generation artificial intelligence (AI) platforms in Asia. Under this partnership, data centres in Asia will integrate Keppel's green technologies and renewable energy capabilities. This will be backed by Dell's knowledge, customer base, and infrastructure, according to Keppel.

The green data center market in Asia is expected to experience rapid growth, with expectations of a compound annual growth rate (CAGR) of 15.99% from 2025 to 2030. This growth trend is driven by rapid urbanization, rising energy costs,

and regulatory pressures to reduce carbon footprints. Keppel and Dell are putting their efforts to focus on Singapore, Malaysia, and Vietnam. These markets seem appealing to them due to their existing digital infrastructure and progressive climate policies. Through this partnership, they plan on creating advanced, industry-specific AI platforms for healthcare, financial services, and manufacturing. They aim to deliver highly competitive and differentiated AI solutions that accelerate digital transformation. The venture will also include AsiaPac Technology, a provider of information and communication technology and cloud solutions. It will start operating in high-growth markets, such as Singapore, Malaysia, and Vietnam. In those markets, AsiaPac plans on offering cloud integration, infrastructure management services, enterprise solutions, and digital transformation consulting. Keppel has maintained a longstanding partnership with Dell through AsiaPac. This collaboration encompasses the resale of Dell infrastructure, delivery of professional services for Dell offerings, and support for AI applications customized for enterprise clients across Singapore, Malaysia, and Vietnam.

The asset manager is also collaborating with other technology leaders, such as Amazon Web Services, with whom Keppel has established a global strategic framework agreement to join forces on data centers, subsea cables, and renewable energy projects.

The partnership's emphasis on sector-specific AI platforms further strengthens its long-term sustainability. They aim to develop customized AI for industries such as retail and telecommunications. Here, they are targeting niche markets where their AI can make a considerable impact. For instance, AI-driven demand forecasting in retail or predictive maintenance in manufacturing could help the companies create recurring revenue streams while lowering operational costs.

Keppel has a well-established presence in Asia, and this collaboration can help the company, including its Bifrost Cable System, which offers high-speed connectivity. This, coupled with Dell's customer base, gives a flywheel effect. That means the clients use their solution, their network of data centers and AI platforms will expand, and it will thereby increase the demand for their solutions. The alliance between Keppel and Dell symbolizes more than a commercial partnership. It serves as a model for how companies can marry technological innovation with environmental sustainability. By focusing on high-growth Asian markets and developing industry-specific AI applications, this duo will position well in the \$180 billion green data center market. For investors, it shows that the companies that integrate AI with sustainability will not only meet regulatory and consumer expectations but also achieve long-term value growth.



# EBAY'S ENDLESS RUNWAY AND THE RISE OF SECOND-HAND FASHION ON THE GLOBAL STAGE



The fashion industry is going through a radical shift. What once existed on the fringes of consumer choice – thrift culture and vintage resale – has now become quite mainstream. Most of them have walked the most prestigious runways across the world. And the brand that is leading this shift is eBay, the platform that has been a well-known name for online auctions and collectibles. With a massive shift in fashion sense among customers, eBay is certainly redefining its position in the global fashion market. The return of its 'Endless Runway' circular fashion initiative across the New York, London, Milan, and Paris Spring or summer 2026 Fashion Weeks has made eBay not just a sponsor of any idea; rather, it is taking a step ahead to rewrite the story of sustainable fashion.

## eBay's Circular Fashion Statement is Talking about Trends

Today, sustainability is no longer a niche conversation. It is rather central to the recent evolution of fashion. eBay is leading this shift with its collaboration with designers like Erdem, Altuzarra, Kallmeyer, Luar, and Ahluwalia while working with CFDA, BFC, and FMC. The prime attraction of these designers' diaries is pre-loved garments, including reinterpreted pieces that were once loved from their own archives.

The effort not only underlines the creative potential of circular fashion but also redefines the future of fashion. Erdem Moralioğlu emphasised that revisiting archival work allows him to "continue a story" while highlighting sustainability as a staple. eBay's new fashion statement depicts a perspective that reflects Endless Runway's philosophy of narrative-driven reinvention.

## The Second-Hand Boom

eBay's new initiative is a part of the larger transformation in the fashion landscape. The second-hand market is already booming, valued at \$190 billion in 2024. Experts predict that it will surpass \$500 billion by 2034. Some other projections suggest that resale alone is likely to hit \$350 billion by 2028, outpacing growth in the broader apparel industry.

The drivers of this boom are primarily Gen Z and Millennials. Stats reveal that almost 60% of them are now considering second-hand buys instead of spending a fortune on the new items. For these new-age consumers, resale is not only about affordability; it is also about sustainability, individuality, and a desire to align consumption with values.

With celebrities' access to the world promoting sustainable fashion, wearing vintage has now become a statement of conscience rather than just a fashion statement. At the same time, financial factors are one of the key drivers. With global inflationary pressures impacting the price of new apparel, consumers are depending on second-hand apparel as a more affordable and creative option. In European and US markets, policymakers are rethinking tax rebates for purchasing resale items and also for developing circular business models, which further legitimise the industry.

## From Thrift Store to Fashion Week

The staple of the Endless Runway initiative is its cultural impact. For decades, thrift shopping was more about necessity than fashion statement. However, the emergence of resale platforms such as ThredUp, Vestiaire Collective, The RealReal, Depop, and Vinted has transformed the perception of fashion at its core. Today, resale is not just a "second-best" alternative but a coveted and desired fashion statement.

By bringing second-hand to Paris, Milan, London, and New York runways, eBay is breaking the pattern of prestige. eBay is all set to make high fashion more about image, influence, and aspiration.

## Looking Ahead: Circular Fashion as the New Norm

The recent boom in the resale market is thriving on tech. From AI and block-

chain to digital passports, authenticity is guaranteed. eBay's investments in authentication and AI-driven discovery make finding pre-loved luxury as easy and trustworthy as buying new.

The fashion statement is moving from waste to circularity. Resale, at this phase, is not a cure-all, but by spotlighting pre-loved fashion, eBay's Endless Runway sets lasting narratives in the fashion panorama instead of disposable trends.

With Endless Runway, eBay is all set to prove that second-hand fashion is a new creative perception for the new-age fashion. From thrift stores and resale platforms, it has earned its place on the global catwalk. As Alexis Hoopes, eBay's Vice President of Global Fashion, rightly put it, *"With vintage gems, pre-owned essentials, and new designer style, eBay is showing that pre-owned fashion is leading the conversation on circularity worldwide."*





# A YEAR AFTER NEIMAN MARCUS MERGER, SAKS GLOBAL SELLS STAKE TO BERGDORF GOODMAN



technological expertise, and so, this combined company came to be known as Saks Global. At the time of the merger, market analysts had pointed out that the combined enterprise could have much more negotiating power with smaller luxury brands, but it could not match the influence wielded by other global luxury conglomerates. It was also suggested that this deal could prove to be an even bigger headache for Saks. One of the reasons this merger has run into problems is because of a foundational flaw. Other high-end fashion brands like Moët Hennessy Louis Vuitton (LVMH) have their own robust network of stores. However, Saks Global is relying on other companies for technical assistance, among others.

Saks Global, the parent of Saks Fifth Avenue, is positioning itself for a pivotal shift in luxury retail by planning to sell a 49% stake in Bergdorf Goodman for about \$1 billion. The sale, likely to be finalised next year, comes as Bergdorf entertains offers from Middle Eastern sovereign wealth funds and strategic investors, signalling a strategic response to industry challenges. Saks Global was created last year when its then-parent company, Hudson Bay Company (HBC), acquired Neiman Marcus in a \$2.65 billion deal, merging Saks Fifth Avenue, Neiman Marcus, and other luxury retail and real estate assets. This deal could help Saks Global pay off debt from the Neiman acquisition. The enterprise, which owns properties worth \$9 billion, plans to sell about \$600 million worth of real estate.

While there was a sudden luxury retail boom immediately after the pandemic, the industry has since battled rising inflation and slowing demand. Neiman Marcus, a retailer of designer shoes, handbags, and other luxury products, filed for bankruptcy in 2020 after the outbreak of COVID-19 resulted in the closure of Neiman and other stores across the US.

Neiman Marcus Holding Co., completing its Chapter 11 bankruptcy protection process in 2020, was dubbed as one of the 'highest-profile retail collapses' of the pandemic, with over \$4 billion of debt being eliminated and \$200 million of annual interest expense, as part of its restructuring plan. In 2024, however, news broke that Saks Fifth Avenue would acquire its rival Neiman, and that through this deal, the struggling luxury retailers would gain more power to negotiate with vendors. Amazon and Salesforce were also named as minority stakeholders, offering their

Salesforce was providing the newly formed company with artificial intelligence assistance, and Amazon was offering technological and logistics support. This merger was also Amazon's entry into the luxury market, as a minority stakeholder and with a pre-established customer base. The luxury market has consistently received strong demand from a higher-income group, and Amazon had been trying for a long time to feature more luxury products and brands on its website.

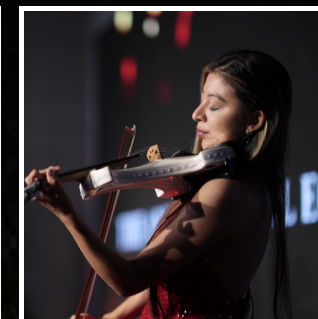
Therefore, partnering with companies that have a more physical retail presence is part of the multinational corporation's strategic expansion goals. At the time of the merger, Saks had no plans to shut down any stores. In 2024, there were 39 Saks Fifth Avenue stores and 95 Saks Off 5th discount stores. This was excluding the HBC-owned Saks.com, which has always been a separate business entity. On the other hand, Neiman was the owner of 26 department stores, two Bergdorf Goodman stores, and five Last Call discount stores.

The luxury retail landscape appears to be niche, but the industry has attracted quite a few familiar names and brands as investors or partners. There have been quite a few mergers and acquisitions in the fashion industry of late, with Versace's takeover of Prada being the most recent. Now, with Saks Global's decision to sell a partial stake to Bergdorf Goodman, it is bound to create new dynamics within the industry, given Saks' history with takeovers. It remains to be seen whether this sale will simply help Saks Global recover from financial strain or redefine the landscape of luxury fashion retail through new industry dynamics sparked by this major stake sale.





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