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Media Power Shift

UK Rates on the Slide

Pfizer's Weight Loss Bet

Elphinstone Research Group

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Britain

Why the UK Walked Away from Audit Reform

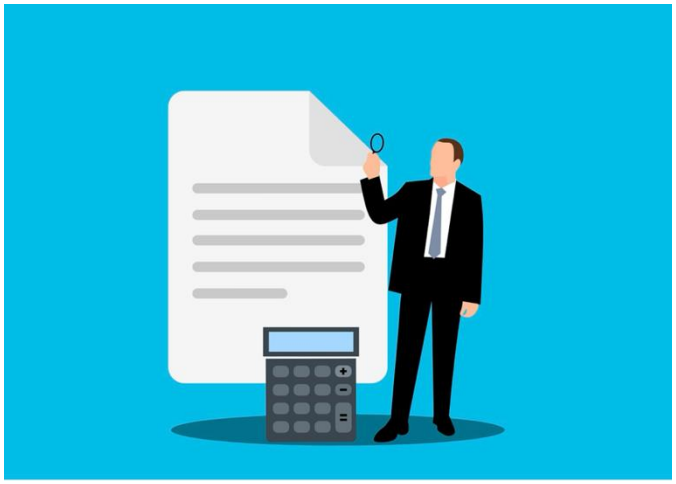
Eight years after Carillion, the government has shelved plans to overhaul audit oversight and investors are uneasy

by Jessica McGregor

The Department for Business and Trade has opted not to proceed with long-promised reforms to the UK audit market , despite ongoing concerns over weaknesses in audit quality and corporate oversight. In the years leading up to the decision, four major companies collapsed without warning, with auditing falling short of expected standards. The government promised a new Bill for over eight years, yet no substantive legislation was ever implemented. Concerns from investors, regulatory bodies, and pension funds continue to rise, despite assurances from the Financial Reporting Council that it will pursue further improvements to audit oversight.

In 2018, the UK government announced plans to reform the UK audit bill following the collapse of Carillion, the second-largest UK construction company. This resulted in 43,000 job losses, 30,000 subcontractors remaining unpaid, a debt value of £1 billion, and a £0.5 billion pension liability. This was a major and unexpected problem since, in the year prior, Carillion's finances appeared steady on paper , with annual sales of £5.2 billion and a share value of £1 billion. Three more companies faced similar issues, including Thomas Cook, Patisserie Valerie, and Wilko. Policymakers began to question how these failures emerged with little warning, given that the companies' accounts had been subject to audit. Four separate reviews were carried out, and a decision to reform audit policy was put in place.

Auditing exists to give users reasonable assurance that a company's financial statements give a true and fair view of its financial position and performance. Over 60% of UK businesses believe that uniform audits support risk management and financial accuracy. Eight years after the collapse of Carillion, and alongside fines issued by regulators for audit failures and breaches, the



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UK government has decided to scrap the bill and halt plans for new legislation.

Had the bill been implemented, large private firms would have been reclassified as public interest entities, directors would have faced greater accountability for corporate reporting, and regulators would have been granted enhanced enforcement powers. It also aimed to tackle "Big Four" dominance through joint audits and impose tougher audit scrutiny. This would have focused the audit framework on a preventative and competitive approach rather than reactive enforcement.

The government shifted its priority, deciding to cut the regulatory burden. The Department for Business and Trade stated it would "not to proceed with the Audit Reform Bill following improvements in recent years, and to prevent significant new costs for large businesses". The DBT added that it was instead "pressing ahead with modernising corporate reporting to reduce unnecessary burdens" , with ministers believing that the time taken to craft new legislation should be spent elsewhere. However, this doesn't mean improvements to tackle flaws within auditing will be completely scrapped. The FRC has stated that it is still taking action to

grow confidence amongst investors and within the UK economy.

However, investors, governance bodies, and pension funds remain unsatisfied with the decision, claiming that gaps in the audit framework are left untreated. There are also weakened incentives relating to audit market competition and confidence within UK financial reporting. Concerns persist around internal controls and risk management, with fears that errors may only be detected once the damage is already irreversible.

Scrapping the Audit Reform Bill shows the government's decision to prioritise reducing regulation for businesses over introducing new oversight rules. While audit standards may have improved since 2018 and regulators continue to fine firms for poor practices, critics argue that these actions do not fix deeper problems in the system. Without stronger checks, clearer responsibility for company directors, and more competition among audit firms, serious risks may remain. Investors, pension funds, and governance groups have voiced concern that problems will still be spotted too late, when damage has already been done. The decision leaves open whether meaningful reform will only return after another major corporate collapse.

North America

AI Chips, Trade Conflicts, and the Evolution of North American Industrial Policy

U.S. restrictions on semiconductor exports are changing how countries compete for leadership in artificial intelligence around the world.

by Shaeden Fernandes

Semiconductors are now at the heart of North America's efforts to lead in artificial intelligence. Since 2022, the U.S. has enforced strict export controls. It has also offered major subsidies through the CHIPS and Science Act. These actions are meant to keep a technological edge and limit China's access to advanced AI chips. High-performance GPUs and special chips called accelerators handle the large data needs of AI. The most advanced AI models rely on powerful GPUs and accelerators built with 3nm–5nm technology, which only a few companies and factories worldwide can produce. This gives their owners significant power. Having the most advanced chips affects how fast countries can progress in AI for defence, surveillance, economic growth, and independence. Because of this, chip geopolitics have changed. The U.S. is working to reshape global supply chains in its favour.

Modern AI systems, such as large language models and real-time recommendation engines, call for substantial computing power. This requirement arises from specialized chips called GPUs (graphics processing units). To train just one advanced model, hundreds of thousands of high-end GPUs may need to work together, drawing as much electricity as a medium-sized city. Advanced processors use the latest technology, boasting features as small as 3 nano meters (nm, a billionth of a meter). They are made with extreme ultraviolet lithography (a method that uses very short-wavelength light to create tiny circuits). Only a few factories, found mostly in Taiwan, South Korea, and the Netherlands, can manufacture these chips. As a result, a major bottleneck exists in the supply of AI hardware.

Before 2022, access to semiconductors was mostly managed through business contracts

and export rules. These rules were strict but workable. This changed with the Biden administration's export controls in October 2022. These new rules sharply limited China's access to advanced AI chips. They also restrict chip-design software, such as electronic design automation tools, and top-tier manufacturing equipment for the latest chips. U.S. allies, including Japan and the Netherlands, put similar rules in place. Together, they form a group that can block China from getting key technologies. China can still buy less advanced chips that don't meet certain performance levels. However, the most advanced AI hardware and important manufacturing tools are now out of reach. This change has made the global supply chain more divided by politics.

The updated U.S. export rules are designed to tightly control the flow of advanced chips. Initially set in 2022 and expanded in 2024 to cover high-bandwidth memory for AI accelerators, these rules further restricted the use of manufacturing tools. By early 2026, the U.S. had added a 25% tariff on some advanced semiconductor products and updated licensing rules. Some exports to China are still allowed, though only through monitored channels with strict end-use checks and performance limits. As a result, a two-tier global market has emerged: the U.S. and its close allies enjoy wide access to advanced chips and tools, while China and some other countries are restricted to less powerful hardware and equipment.

The CHIPS and Science Act works alongside these export rules. It offers $39 billion in manufacturing subsidies and a 25% tax credit for factory and equipment purchases. Around $13 billion goes to research, workforce training, and other uses. With help from state incentives such as grants and tax breaks these programs cover about a third of the cost to build a new semiconductor (microchip) factory. Companies like TSMC, Samsung, and Intel are investing billions in projects in Arizona, Texas, and Ohio. Canada and Mexico are also growing their roles in supplying raw materials, chip assembly, product testing, and logistics. The U.S. is not bringing all production back home. Instead, it is building a supply chain with trusted partners.

These policies together create clear winners. U.S. chip designers maintain access to top-tier manufacturing and can set their products apart in performance. Meanwhile, equipment makers benefit from increased factory demand, and regions with new plants gain jobs and infrastructure investment. However, these upsides come with downsides. Tariffs and rules make chips more expensive, potentially raising costs for electronics and AI services worldwide. Furthermore, new factories may not reach full capacity until 2027 or 2028, and worker shortages could delay production. On a global scale, access to advanced chips is becoming increasingly political. While Europe and India are planning their own chip strategies, other countries are being pushed to choose between U.S.- or China-led tech systems.

North America's new semiconductor policies are changing the way countries compete in AI and global trade. By tightening export rules and investing in local manufacturing, the U.S. aims to gain an edge in advanced chips. It also hopes to slow China's progress. In the short term, U.S. designers, equipment makers, and regions with new factories benefit. But costs are going up, and political risks are increasing. The main questions now are whether China can get around these limits. Can supply chains with trusted partners handle disruptions? Will higher chip prices affect who can take part in the AI revolution?

Can you build it? Questionable

The Trump-class BBG(X) Programme

by Craig Stockwell

On 22 December 2025, US President Trump announced that the US Navy would purchase two 'battleships', with later buys of up to twenty-five as part of a 'Golden Fleet. This news has been received sceptically by the defence economics community. However, the concept comes at a time of rising US naval muscle-flexing, such as the capture of Venezuelan President Maduro, and US grandstanding concerning Greenland. Thus, does the US have the shipyard capacity to 'bring back' the battleship through the 'Trump-class' battleship, BBG(X)?

Historically, a 'battleship' was a large capital ship, often serving a command-and-control purpose, that maximised gunfire on target. Think of HMS Victory of 1765, HMS Dreadnought of 1906, and USS Iowa (BB-61). Aircraft carriers supplanted battleships' role after the Second World War because naval aviation was more effective than naval gunfire. Navies phased out battleships during the latter half of the twentieth-century and did not build replacements.

Because navies stopped ordering battleships, the shipyards that built them closed. For example, General Dynamics's (NYSE: GD) Fore River Shipyard, which built battleships like the South Dakota-class USS Massachusetts (BB-59), closed in 1986. Likewise, the Brooklyn and Philadelphia naval shipyards, which were the primary shipyards for the Iowa-class, closed in 1966 and 1996, respectively. This creates BBG(X)'s main constraint: shipyard capability. Consider that BBG(X) is about the displacement of the Second World War South Dakota, and length of Iowa:

The size of BBG(X) will mean that only specific shipyards can build them. A shipyard is less of a factory and more of an assembly area. Components come together, either from the shipyard itself or subcontractors, into a hull on land. Then, the ship needs to be gently moved into the water. For instance, GD's Bath Iron Works in Maine ('GD/BIW') builds ships initially on land using a 'Land Level Transfer Facility' ('LLTF'), and then: 'when ready, ships are moved onto a floating dry dock and then lowered into the river.'

	BBG(X)	South Dakota (1939)	Iowa (1943)
Ship Type	'Guided-Missile Battleship'	Battleship	Battleship
Shipyards	To be determined	New York Ship, Newport News	Brooklyn, Philadelphia, and Norfolk naval shipyards
Displacement (Weight)	~34,000 long tons	~35,000–45,000 long tons	~57,000 long tons
Length (Overall)	~840–880 feet	~680 feet	~880 feet
Beam (Width)	~110 feet	~108 feet	~108 feet
Draught	~24–30 feet	~36 feet	~37-41 feet
Propulsion	Non-Nuclear	Non-Nuclear	Non-Nuclear

Importantly, the US Navy has not yet issued a competitive tender for BBG(X). That means, as of now, no shipyard is attempting to become the main, or collaborative, assembly yard for BBG(X). However, on 16 January, the Congressional Research Service issued a report that stated which yards could build BBG(X): GD/BIW, Huntington Ingalls Industries (NYSE: HII) Ingalls Shipbuilding of Mississippi ('HII/IS'), and HII Newport News Shipbuilding ('HII/NNS') of Virginia. While this list is non-exhaustive, each of these shipyards has constraints that would limit BBG(X) production regarding time, budget, and scale (with cost and schedule risks separate but vital issues).

Continued on the next page

	Zumwalt	America	Ford
Ship Type	Destroyer	'Amphibious Assault Ship', i.e., Aircraft Carrier (non-nuclear)	Aircraft Carrier (nuclear)
Shipyards	GD/BIW	HII/IS	HII/NNS
Displacement	~15,650 long tons	44,971 long tons	~100,000 long tons
Length (Overall)	610 feet	~843 feet	~1,092 feet
Beam (Width)	80.7 feet	~106 feet	~139 feet
Draught	27.6 feet	26 feet	39 feet
Propulsion	Non-Nuclear	Non-Nuclear	Nuclear

First, GD/BIW was and is a destroyer-and cruiser-first shipyard, known for building Zumwalt and Arleigh Burke destroyers and Ticonderoga, Belknap, and Leahy cruisers. While GD/BIW has built ships of a similar displacement, these were tankers, such as Falcon Champion (MA-353), which GD/BIW stopped building in the 1980s, and were about 688 feet in length, shorter than BBG(X) as shown above. Indeed, GD/BIW's LLTF is itself only 750 feet long and has a certified launch limit of 28,000 long tons. Put simply, without facility upgrades to GD/BIW, the LLTF is too small to manage BBG(X) construction, and BBG(X) would be too heavy to launch into the water. Likewise, GD/BIW's 'Ultra Hall' to build ship components has a limit of 4,000 long tons; BBG(X) components could conceivably challenge this limit. Thus, GD/BIW is unlikely to be the main yard for BBG(X), if the concept comes to be.

Second, while both HII/IS and HII/NNS have the track record of building ships comparable in weight and length to BBG(X), both yards, like GD/BIW, are already facing labour shortages and an increasing backlog of ships to build. HII/IS serves a specific role within HII's portfolio: high-volume throughput of established designs, not experimental design development. HII/IS needs experienced workers rather than new hires to build the ships already on contract, let alone develop and produce at scale an untested 'battleship' concept. Currently, HII/IS's backlog includes five Arleigh Burke destroyers, three San Antonio-class landing ships, two America-class amphibious assault ships with one in planning, and two Zumwalt destroyer refits. Thus, while HII/IS could be the main yard for BBG(X), the yard is not optimised, based on labour shortages and organisational intent, meaning, lack of available backlog 'slack', to be where a twenty-first-century battleship is designed, developed, and built to scale.

This problem of having too few skilled workers but too much backlogged work is even greater at HII/NNS, which is America's primary nuclear shipyard. For instance, USS Gerald R. Ford ('CVN-78') was expected to be delivered in September 2015, but instead, HII/NNS delivered the ship on 31 May 2017. Likewise, CVN-78 cost $12.9 billion to build, rather than the expected $10.5 billion. HII/NNS currently has in backlog three more Ford-class carriers, as well as sixteen Virginia-class nuclear attack submarines. HII/NNS also collaborates with GD's Electric Boat for Columbia-class nuclear ballistic missile submarines, refuels and overhauls older Nimitz-class carriers, and provides support to US Navy nuclear ships. Making HII/NNS the main yard for BBG(X) would introduce a non-nuclear aberration into an already over budget and behind schedule system that's building America's most vital nuclear warships: Ford, Virginia, and Columbia. Thus, making HII/NNS the main yard for BBG(X) would be a significant opportunity cost over maximising existing nuclear production at HII/NNS.

Whether or not BBG(X) goes forward as a programme is a separate issue. However, currently, US shipyards are under significant strain to build the ships they already have on order. BBG(X) would introduce more stress into an already shaky system, making BBG(X) a questionable decision given current shipyard capacity.

Europe

New Year New Currency:
Bulgaria Enters the Eurozone

by Apurbo Zunaid

Starting the year anew, Bulgaria joined as the 21st member of the eurozone on January 1, 2026, marking an important turning point for its economy. Its future is now tied more closely with the European Central Bank (ECB) by replacing the lev with the euro. According to the European Commission, with Bulgaria being one of the European Union's lower-income countries, adoption of the euro is expected to boost investor confidence and reduce financial uncertainty.

This decision, however, arrived at a sensitive time, with inflation concerns, income inequality, and weak productivity growth affecting households. Bulgaria met the eurozone inflation criterion in 2025 by a narrow margin, recording a 12-month inflation rate of 2.7% in April. The European Commission had predicted inflation to average around 3.5%-3.6% in 2025 before falling to around 3% in 2026. Once inside the eurozone, Bulgaria lost independent monetary tools in exchange for stability. Observations from other small EU economies that went through a similar process suggest that the gains from entering the eurozone can be high if structural weaknesses are fixed; otherwise, the transition could have negative consequences.

The eurozone is a group of countries in the EU that share a common currency (€) and a single monetary policy regulated by the European Central Bank (ECB). According to the ECB, the aims of this system are to maintain stable prices and ease trade and investment across member states. In return, countries give up control over their own interest rates and exchange rates.

Bulgaria's case is quite unique. Since 1997, the country has operated under a currency board arrangement, pegging the lev to the euro. As the International Monetary Fund has noted, this arrangement already removed significant monetary flexibility in exchange for credibility after a period of hyperinflation and financial collapse in the 1990s. Thus, Bulgaria has lived with euro-like constraints without formal membership for quite some time.

Other countries with similar economic profiles can be useful sources for comparison. As seen from ECB bond yield data, Croatia, which adopted the euro in 2023, had a tightly managed currency beforehand and saw borrowing costs fall soon after entry. Croatia's sovereign credit rating was affirmed at BBB+ with a stable outlook after adopting the euro, with rating agencies citing eurozone membership as a factor supporting lower risk premiums. Slovakia, which joined in 2009, adopted the euro to dive deeper into European manufacturing, especially in the automotive sector, as documented by Eurostat trade figures.

From an economic perspective, euro adoption offers Bulgaria clear and immediate advantages. According to the European Commission, eliminating currency risk reduces transaction costs for firms trading with eurozone partners, who already account for the majority of Bulgaria's exports. In 2024, around half of Bulgaria's exports of goods and services were directed to euro area countries, while 62%-65% went to the EU overall, demonstrating the scale of existing economic interconnection. Foreign investors favour euro membership as it indicates institutional stability, which is why countries like Croatia and Lithuania experienced increases in capital inflows after adopting the euro, according to World Bank investment data.

The government also stands to gain financially. As mentioned earlier, when smaller economies adopt the euro, investors usually view them as safer. This allows governments to borrow money at lower interest rates. In 2025, Bulgaria's

general government debt stood at roughly 26%-28% of GDP, one of the lowest ratios in the EU and far below the bloc's average of around 82%, according to Eurostat; thus, joining the euro could make it cheaper for the government to raise funds. This would give policymakers more means to spend on public services or respond to economic issues without placing excessive pressure on taxes or budgets.

Most of the risks are concentrated at the household level. In Estonia and Latvia, prices in services and housing rose faster after euro adoption, a process economists call price convergence. Average wages in Bulgaria remain among the lowest in the EU, which may negatively affect real incomes and affordability. Furthermore, as Bulgaria has relinquished control over monetary policy, it will be difficult to respond to economic problems with demand-side policies.

Concerns regarding economic resilience remain. As mentioned previously, without control over monetary policy, Bulgaria must rely on fiscal policy and labour market flexibility to respond to shocks. The eurozone debt crisis showed that countries with poorly functioning institutions found it hard to cope once they had joined the euro. According to later IMF reviews, the problem was not the currency itself, but weak government systems and slow decision-making. Slovakia's experience shows that adopting the euro works best when accompanied by strong educational systems, productivity, and public administration, rather than relying on the currency alone.

Bulgaria's move into the eurozone offers stability, credibility, and deeper integration with the wider EU economy, but these benefits are conditional. The experiences of Croatia, Slovakia, and the Baltic states suggest that the euro can support growth, but it cannot act as a substitute for structural reform. For Bulgaria, euro adoption is a system that rewards discipline and competitiveness. Whether the country converges with richer eurozone members will depend less on the currency itself, and more on how effectively policymakers use the stability it provides.

Energy Dependence and Europe Competitiveness

by Veronika Meleshko

Europe's long-standing dependence on imported energy has moved from being a strategic concern to a direct threat to its economic competitiveness. The sharp rise in energy prices following Russia's invasion of Ukraine exposed how vulnerable European economies are to external supply shocks, particularly in gas-intensive industries such as manufacturing, chemicals, and steel. While short-term emergency measures helped to stabilise markets, they did little to address the deeper structural problem: Europe consumes more energy than it produces and relies heavily on politically sensitive suppliers. As global competitors, particularly the United States and parts of Asia, benefit from cheaper and more secure energy access, Europe now faces a growing cost disadvantage that risks weakening productivity, investment, and long-term industrial resilience.

Energy dependence refers to the extent to which a country or region relies on imported energy to meet domestic demand. Prior to 2022, the European Union imported over 55% of its total energy consumption, with natural gas playing a particularly significant role. Russia was the EU's largest gas supplier, accounting for roughly 40% of gas imports, making Europe highly exposed to geopolitical disruption. When gas flows were reduced, wholesale energy prices surged, feeding directly into electricity costs and broader inflation.

This dependency has had tangible economic consequences. Energy-intensive fi rms across Germany, France and Italy faced higher production costs, forcing some to scale back

operations or relocate production abroad. For example, several European chemical producers temporarily shut plants in 2022 as operating costs became unsustainable. While diversification towards liquefied natural gas (LNG) imports from the US and Qatar improved supply security, it often came at a higher price, reinforcing the cost pressures facing European businesses.

The impact of energy dependence on Europe's competitiveness is most visible in its industrial sector. High and volatile energy prices increase marginal costs, compress profit margins, and discourage long-term investment. Compared to the United States, where domestic shale gas has kept energy prices relatively low, European fi rms face structurally higher costs. This divergence has contributed to capital shifting towards regions with cheaper energy, particularly for energy-intensive industries such as aluminium, fertilisers, and steel.

Policy responses have been mixed. Short-term price caps and subsidies helped households and fi rms absorb the immediate shock but placed strain on public fi nances and did little to improve energy independence. In contrast, the US Inflation Reduction Act combines industrial policy with energy security by incentivising domestic clean energy production, strengthening competitiveness while accelerating the green transition. Europe's response, although ambitious in climate terms, has been slower and more fragmented due to regulatory complexity and uneven national interests.

Energy dependence also affects Europe's global trade position. Higher production costs reduce export competitiveness and widen trade deficits, particularly in manufactured goods. Small and medium-sized enterprises are disproportionately affected, as they lack the financial capacity to hedge energy risks or relocate production. Over time, this risks hollowing out Europe's industrial base and undermining economic growth.

However, the crisis has also created an opportunity. Investment in renewables, grid infrastructure, and energy efficiency could reduce dependency while lowering long-run costs. The challenge lies in executing these investments at scale and speed, while maintaining affordability for businesses during the transition.

Europe's energy dependence is no longer just an energy policy issue; it is a fundamental competitiveness challenge. While diversification away from Russian gas has improved security, high energy costs continue to weigh on industry and investment. Without decisive progress in domestic energy production, infrastructure, and coordinated industrial policy, Europe risks falling behind global competitors with more secure and affordable energy access. The path forward requires balancing short-term economic stability with long-term structural reform, ensuring that energy independence becomes a source of competitive strength rather than a persistent economic weakness.

South America

From Black Gold to Blackouts: How the U.S. Oil Blockade Is Reshaping Venezuela and Cuba

Oil wealth is reshaping Venezuela while Cuba's energy shortages ripple through regional markets and public finances

by Klaudia Wawryzniak

On January 3, 2026, the United States launched a military operation codenamed Operation Absolute Resolve targeting Venezuela. According to U.S. officials, the operation resulted in the detention of Venezuelan President Nicolás Maduro and his wife, Cilia Flores, who were subsequently transferred to New York to face charges including narco-terrorism, drug trafficking, and weapons-related offences under U.S. law. The operation reportedly involved targeted strikes on strategic locations. Diplomatic relations between Washington and Caracas had already been strained since 2019, when then-President Donald Trump recognised opposition leader Juan Guaidó as Venezuela's interim president, although Venezuelan officials have since stated that the two sides were engaged in "exploratory" discussions aimed at restoring diplomatic ties.

Venezuela holds the world's largest proven oil reserves, estimated at around 300 billion barrels, or roughly 17% of global reserves. In late 2025, the United States intensified enforcement actions against Venezuelan oil exports, including a maritime campaign that involved the interception of sanctioned tankers and the seizure of vessels linked to Venezuelan crude shipments in the Caribbean. Washington described these measures as part of its broader sanctions strategy, while the Venezuelan government condemned them as violations of international law.

In mid-January 2026, the U.S. Department of Energy announced that it had completed what it described as the first authorised sales of Venezuelan oil under a new framework. The transaction was valued at $500 million, forming part of a wider $2 billion agreement between U.S. authorities and Venezuelan state entities. Venezuela's interim president, Delcy Rodríguez, stated that approximately $300 million in proceeds had already been received and used to provide foreign-exchange liquidity to domestic firms. U.S. Energy Secretary Chris Wright indicated that oil production could rise by up to 30% from current levels of around 900,000 barrels per day in the short to medium term. U.S. officials characterised the operation as serving multiple objectives, including weakening the Maduro government, disrupting illicit trade networks, and reshaping access to Venezuelan energy resources.

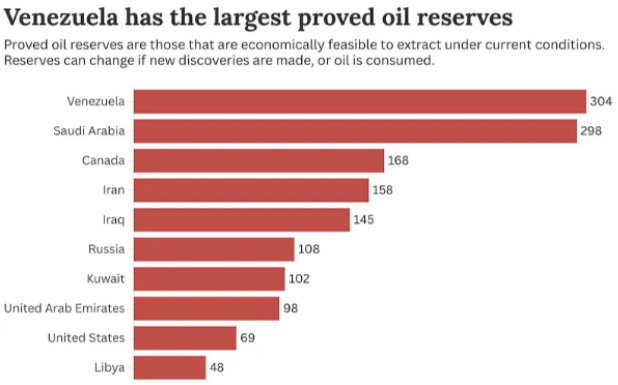
While U.S. involvement in Venezuelan oil flows has expanded, neighbouring Cuba has experienced severe economic spillovers. The island has faced widespread electricity blackouts across large parts of the country, affecting hospitals, factories, and essential services. Cuban crude and fuel imports in the first ten months of 2025 fell by more than a third compared with the same period in 2024, following reductions in supplies from Mexico and Venezuela. According to Investing.com, Cuban oil imports from Mexico declined to approximately 5,000 barrels per day, a 73% drop year-on-year. Even prior to recent developments, blackouts lasting up to 20 hours per day had become common. Cuba has long relied on imported refined fuels, including diesel and fuel oil, for power generation, leaving the national grid particularly vulnerable amid sanctions and financial constraints.

The re-entry of Venezuelan crude into international markets following Maduro's

removal has begun to reshape global fuel flows. As U.S. authorities eased restrictions on exports, Gulf Coast refiners, including Valero and Phillips 66, resumed purchases of heavy Venezuelan crude. Reuters reports that up to 50 million barrels of Venezuelan oil are expected to re-enter global trade, with the U.S. market potentially absorbing as much as 700,000 barrels per day. By January 21, 2026, exports under the bilateral supply arrangement had already reached approximately 7.8 million barrels, drawn largely from existing Venezuelan storage facilities.

Washington is also preparing to introduce a general licence regime that would further relax sanctions on Venezuela's energy כעsector, replacing the previous system of individual exemptions. U.S. officials argue this shift could unlock a proposed $100 billion reconstruction programme for Venezuela's oil industry. According to Reuters, several international firms linked to state oil company PDVSA, including Chevron, Repsol, ENI, and Reliance Industries, have applied for licences to expand production or exports. Trinidad and Tobago's energy minister has confirmed that companies such as Shell are exploring opportunities in shared offshore gas fields. Analysts estimate that fully lifting sanctions could raise Venezuelan oil exports by more than 200,000 barrels per day within months, increasing competition with Chinese refiners that have historically relied on discounted Venezuelan crude. Data from Kpler shows China imported roughly 389,000 barrels per day of Venezuelan oil in 2025, accounting for about 4% of its seaborne crude imports.

As international attention remains focused on Venezuela's political transition, Cuba continues to face acute energy shortages. U.S. lawmakers have warned oil companies of potential legal and financial risks associated with investing in Venezuela, cautioning that future administrations or governments in Caracas could reverse current arrangements. At the same time, Chevron has announced plans to increase shipments of Venezuelan crude to U.S. refineries from March 2026. Cuban officials have warned that the island may hold as little as 15 to 20 days of oil reserves, heightening fears of further nationwide blackouts. Following a partial grid collapse in December 2025, ageing infrastructure and declining fuel supplies have compounded the crisis. Venezuela's vice-president, Delcy Rodríguez, has since been sworn in as interim president by the Supreme Court, while Russia and China criticised U.S. actions, describing them as violations of Venezuelan sovereignty. Washington has stated that U.S. oversight of Venezuela is temporary and intended to facilitate a political transition, with existing officials remaining in place pending further decisions.



Source: pixabay

Energy Institute, Statistical Review of World Energy (2025). Data from 2020, measured in billions of barrels

Middle-East & Africa

Architecting the Future: Inside Saudi Arabia's Vision 2030

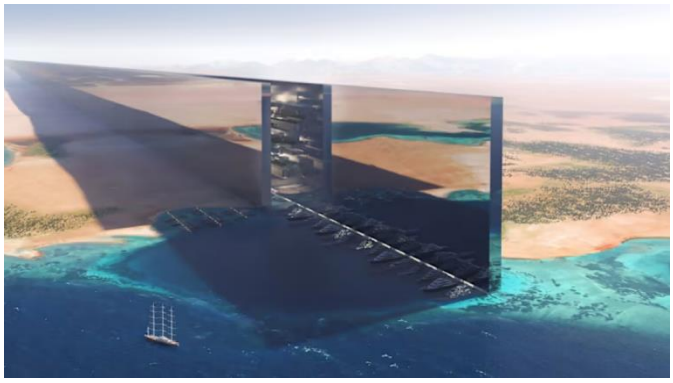
Why mobile money succeeded where traditional banking failed, and what it means for the future of finance

by Anna Malysheva

Beginning in 2017 as a fundamental component of Saudi Arabia's Vision 2030 development plan, NEOM stands as one of the world's most ambitious urban megaprojects. Envisioned as an expansive high-tech area on the kingdom's northwest coast, NEOM aims to redefine the future of work, living, tourism, and industry through advancements in renewable energy, automation, transportation, and digital infrastructure.

Saudi Arabia is known as the world's largest exporter of crude oil, and the energy sector accounts for around 40 - 42% of its Gross Domestic Product (GDP). This makes the country highly dependent on oil as a central driver of its economic activity. Moreover, establishing the nation as a global leader in technology and sustainability is something that Saudi Arabia strives for. However, NEOM has sparked discussions regarding its feasibility, cost, as well as the potential environmental and societal impacts.

Since the start date of this project back in October of 2017; launched by Saudi Crown Prince Mohammed bin Salman, the estimated and real costs have significantly increased. To begin with, the expected costs were approximately $500 billion for the entirety of the project. As time went on, however, the costs have risen to an overrun (increase in costs) of $8.8 trillion expanding the magnitude of this project tremendously. Furthermore, this would make the total cost over 25 times the annual Saudi government budget. NEOM is mostly financed and owned by the Public Investment Fund (PIF) of Saudi Arabia's sovereign wealth fund. So what is the issue that NEOM is facing as of now? Cost overruns is one major issue NEOM has faced. Some of the reasons for the increase



Source: Financial Times

in costs include inaccurate original calculations of the budget and the timing of the project, as the project is now facing significant delays; as only 2.4 km of the project now expected to be completed by 2030 – the original deadline. Other reasons include logistical and engineering challenges of building infrastructure in a desert region and delays and redesigns of the actual design.

NEOM stands as one of the most futuristic development projects of the 21st century, reflecting Saudi Arabia's goals to expand its economy and establish itself as a global center for technology, tourism, and sustainability. Additionally, the project presents advantages that make it appealing. If successful, NEOM could help Saudi Arabia's shift away from reliance on oil, foster new industries, draw international investment, and contribute to reshaping the nation's global image. The project may also challenge the limits of urban planning and showcase new models for integrating renewable energy, AI-driven governance, and forward-thinking infrastructure. These possibilities highlight the initiative's transformative potential and explain why it has gathered global attention. However, NEOM also

underscores the inherent complexities and trade-offs involved in pursuing such large-scale transformation. The project has faced increasing costs, logistical issues, and delays, raising questions about its financial viability and long-term economic returns. Dependence on significant government and sovereign wealth funding has heightened vulnerability to fluctuations in oil prices and fiscal priorities.

Additionally, concerns about human rights, environmental disruption, and the displacement of indigenous communities complicate the narrative of progressive innovation and raise ethical questions about how such futuristic cities are constructed and managed. The postponement of major milestones and the scaling back of certain components further illustrate the gap between vision and practicality. To conclude, NEOM serves as a case study: a project that embodies the promise of national transformation, while revealing the risks of investment in futuristic megaprojects. Its result will depend not only on the construction, but also on whether the benefits outweigh the financial, social, and political costs.

Oceania

Oceania's Economy at the start of 2026:
Inflation Lowers as Housing Rebounds, Pacific Nations Seek Growth

by Oliver Luckham-Down

January 2026 represented a cautious turning point for Oceania's economies. After several years of inflation shocks, housing instability, and post-pandemic adjustment, recent statistics indicate that price pressures are lessening in key economies such as Australia and New Zealand. At the same time, housing markets are beginning to stabilise, while energy investment and trade flows are shaping growth prospects across the Pacific. However, the recovery is far from uniform. Pacific Island governments face a variety of issues, including rising trade deficits and reliance on commodity exports and tourism. This piece examines how inflation, housing, energy, and trade developments are shaping Oceania's economic outlook and why these trends are essential for the region's long-term viability.

Oceania's economies are heavily integrated but structurally varied. Australia and New Zealand are mature, service-based economies with active central banks and robust housing markets. In contrast, Pacific Island countries like Fiji and Papua New Guinea rely significantly on their tourism and natural resource exports. Housing shortages, energy costs, and global supply chain disruptions all contributed to the region's high inflation between 2024 and 2025. Central banks responded by tightening monetary policy, which slowed GDP but helped inflation peak. As we enter 2026, lowering global pricing and local demand adjustments are improving the situation, but exposure to external shocks (such as commodity price fluctuations and international trade uncertainties) remains substantial.

In Australia, annual inflation remains at 3.4% from November 2025; however, core inflation still exceeds the Reserve Bank's objective of 2.5% in 2026, currently at 3.3%. Housing costs, particularly rentals, continue to rise alongside tourism, creating an environment which is hard for locals to stay centralised within their economy. Nonetheless, unemployment remains low at 4.3%, which boosts consumer spending. Property markets have recovered, with national

house prices expected to rise by 6-8% in 2026, driven by population growth and limited housing supply. In New Zealand, inflation has also cooled to 3%, supported by a slower rent rise and lower construction costs. House prices are expected to rise by roughly 5% in 2026, driven by lower mortgage rates and improved economic confidence.

Softer conditions are forecast for Australia's commodity exports, with LNG (liquefied natural gas) and iron ore prices expected to decline through 2026. This has prompted Rio Tinto and Glencore to consider merging, creating the largest iron mining firm with an expected valuation of 290 billion dollars.

At the end of 2025, inflation in Fiji dropped to 0%, which helped households. However, as imports much exceeded exports due to increased domestic demand, the trade deficit has increased by more than 10%. On a positive note, investment activity is on the rise with building permits and new lending for housing and real estate spiking. The situation in Papua New Guinea is different. With significant investments in gold, especially from Lingbao with $370 million in funding, and the possible approval of significant LNG projects, economic growth of about 4% in 2026 is expected. These innovations have the potential to increase employment, investment, and exports greatly.

Consumers in Australia and New Zealand benefit from lower inflation, while homeowners may profit from rising property values. In contrast, Pacific economies are still exposed to trade imbalances and commodity dependency, rendering them sensitive to global price swings.

For corporations and governments, January's developments indicate a transition from crisis management to medium-term planning. Lower inflation encourages investment, but home affordability remains a major challenge in Australia and New Zealand. Renewable energy expansion provides long-term productivity improvements, but it necessitates extensive infrastructure and regulatory cooperation. In the Pacific, developing local sectors and diversifying exports are crucial. Fiji's growing trade imbalance emphasises the dangers of consumption-led growth, whereas Papua New Guinea's reliance on large-scale resource projects emphasises the significance of good governance and revenue management. Economic resilience across the area will be determined by the ability to balance growth with stability in an increasingly uncertain global context.

Oceania is taking a cautious approach to economic stability in January 2026. Inflation is declining, housing markets are improving, and investment, notably in energy, is redefining future development. However, the region's unequal outcomes highlight the importance of making informed policy decisions. As global conditions change, the fundamental question is whether these early benefits will convert into long-term, inclusive prosperity throughout Oceania.

M&A

The Implications of Warner Bros. and Netflix's Merger

by Dayaan Khokhar

2025's most high-profile M&A case sees two media juggernauts engaging in what is possibly the most collaborative (and suspicious) acquisition that the industry has ever seen. Despite Paramount's high-flying offer exceeding Netflix's $82.7B proposal, nothing seems to shake the Warner Bros. (WB) board in the face of the biggest potential consolidation of media power that we've ever known. With antitrust, attention monopolies and consumer protection concerns, this deal has the potential to shake up the climate of content consumption and regulation in an entirely unprecedented way.

It's worth looking at the biggest concern first. The 1950s saw the film industry become directly regulated following the United States v. Paramount Pictures, et al. (Paramount) antitrust case, a pivotal moment in the film industry and the culmination of a long-standing war between studios and the federal government. Clearly, how content gets distributed plays a big part – at least to the government – in how it gets consumed, and there is regulatory precedent in the industry that protects consumers from anti-competitive corporate behaviour.

At first blush, the proposed deal between Netflix and WB strikes a parallel resemblance to the issues in Paramount. The potential horizontal integration in streaming alone is enough for this writer to be concerned, and that's to say nothing of the potential vertical foreclosure risks that mirror those found in the U.S. v. AT&T Inc., DirecTV Group Holdings, LLC, and Time Warner Inc. lawsuit. Naturally, such a consolidated power would also hold significant leverage over talent and creators under its umbrella, reducing their bargaining power and harming the industry as a whole in their "race to the bottom" as far as internal costs go.

Savvy legal observers will probably spot that this potential negativity hinges on a major condition; the scope of the regulators' case must be limited to the streaming video on demand (SVOD) market. The government will always want to argue a narrower market definition – that is the most efficient way to illustrate market power and leverage. Netflix will likely claim that their market is the entertainment industry as a whole, and, as such, will argue that their biggest competitors are not HBO or Hulu, but YouTube, TikTok and Instagram.

Social media does not seem like immediate competition because the services that they offer are not similar, but Netflix will want to convince courts that they are appropriate substitutes for entertainment in consumers' eyes, and that an acquisition of WB would actually be in the consumers' favour. Netflix argues that it can help Warner Bros. iconic franchises generate even more value by connecting them to audiences in over 190 countries. And it's not just about reach: with approximately 75% of HBO Max subscribers also being Netflix members, the significant overlap creates an opportunity to offer consumers more tailored, better optimised subscription plans depending on their specific preferences. Here, Netflix clearly believes that it can stand up to its substitutes and provide a higher-quality service to consumers. Conveniently missing from their release is any material on price changing and distribution meddling.

On that subject, a look at the government's potential strategy might give us an idea of how all of this will play out. More than likely, the government's first job will be to narrow the market as mentioned above. Assuming they succeed in this, they will immediately move to

trigger the PNB presumption. This presumes a rebuttable illegality to mergers that fall under the Clayton Act for which the post-merger market share exceeds 30%. Unfortunately for the government, this merger just barely triggers the presumption. Yes, it helps, but it doesn't take their case far at all; Netflix could easily argue that a minor and uncontrollable change in the content consumption climate could shift the power such that their control drops, and that is a benefit of the doubt that the court is likely to grant in the face of a compelling enough argument.

After all of that, the government still has to argue that this could harm consumers. They could suggest that Netflix would raise prices, failing the consumer welfare test (though there is much that affects consumers besides raised prices, as noted earlier in this article). They could also suggest that there would be less content diversity as fewer voices get a say in what kind of content gets made, or that data-driven media could manipulate audiences en masse to push studio agendas, or that parallel industries like theatres and theatre supply businesses could be affected by lower attendance thanks to a more compelling service in the SVOD market. This is a personal favourite argument; that the consolidation of power would be reflected in consumers' behavioural and consumption changes more than in raw market share numbers. This is where Paramount comes in. In fact, the government's old Hollywood nemesis could be its key to a successful case.

At $30/share, Paramount's $108.4B offer was rejected "unanimously" by the WB board and regarded as "inferior" to Netflix's. Elementary math shows an enormous gap between the offers; clearly, the "superior" offer must come with benefits that are not considered in the tendered offer. Netflix's reputation and market hold are clearly far more important to WB than the immediate cash that they get from a buyout, as their corporate duty to expand relentlessly imposes on them the responsibility to choose the path that leads to the highest rate of promulgation in their market. WB wants money, but they need expansion. This much is clear.

To bring it back to the government's case, the rejection of Paramount illustrates Netflix and WB's priorities clearly; they want the most market control that they can possibly get. Netflix wants more resources to make content, and WB wants more distributive power. Paramount's rejection shamelessly illustrates this, and it is in the best interest of the government's case to latch onto this and to convince courts that there are sinister implications behind this merger that would harm consumers in the long-term as production and distribution channels are finalised and developed. It is a strange intermingling of media powers that has brought the market here, and all that consumers can hope for is that the government looks out for the best interests of high-quality art production, preservation and distribution.

Pfizer's acquisition of Metsera

by Alvin Poure

One of the biggest M&A deals in the healthcare sector to close off the calendar year 2025 was the acquisition of Metsera by Pfizer. Metsera, established in 1979, plays a crucial role in the healthcare sector, with its core business involving the development of next-generation injectable and oral nutrient-stimulated hormone (NuSH) analog peptides to treat obesity, overweight, and related conditions. Whilst Pfizer specialises in researching, developing, manufacturing, and commercialising a wide spectrum of medications and vaccinations for humans, its multinational business spans across research, clinical development, regulatory affairs, manufacturing, and global commercial distribution across multiple

therapeutic areas.

Pfizer stopped the development of Danuglipron (PF-068882961) after a patient developed a liver injury from the impact of the oral chronic weight-management therapy, subsequently leading to its withdrawal from the next-generation obesity drug scramble in April 2025. Eventually, as interest and insight were rediscovered, Pfizer agreed to acquire Metsera after a massive bidding war with Novo Nordisk, which caused Pfizer to pay a fee of $7.3 billion that put the company back into the obesity and metabolic drug space after exiting earlier in the year. The CEO and Chairman of Pfizer, Albert Bourla, stated that "Obesity is a huge and growing subsector with an estimated 200+ health conditions. The acquisition of Metsera is in line with our focus on directing our investments to the most impactful opportunities and drives Pfizer into this key therapeutic area."

The proposed deal adds Metsera's portfolio of oral and injectable incretin, non-incretin, and clinical assets to Pfizer's channel, which comprises a Phase I obesity candidate (biologic PF-07999415); a Phase II chronic weight-management drug (PF-07976016, a GIPR antagonist); and a trio of candidates designed to treat metabolic dysfunction-associated steatohepatitis (MASH).

One of the biggest potential benefits of the deal arising from Metsera's pipeline is its ability to address patients' unmet desire to receive fewer injections while maintaining effectiveness and tolerability. Metsera's pipeline includes a range of assets, from symptomatic programs in enabling studies to four clinical-stage programs. These include weekly and monthly injectable versions of MET-097i, a glucagon-like peptide-1 (GLP-1) receptor agonist currently in Phase II trials; MET-233i, a monthly-dosing, ultra-long-acting, subcutaneously injectable amylin analogue candidate being evaluated as both monotherapy and in combination with MET-097i in a Phase I trial, with Metsera anticipating that the combination will demonstrate enhanced weight loss and metabolic benefits; and MET-224o, an ultra-long-acting GLP-1 receptor agonist being developed for administration at lower dose levels than other oral peptides produced through Metsera's Nutrient-Stimulated Hormone (NuSH) platform, with the aim of improving scalability. MET-224o is being developed both as a standalone therapy and in combination with MET-097o, an oral version of MET-097i, and is positioned as a successor peptide to MET-002o, which is currently being evaluated in a Phase I study as a prototype to identify an optimal clinical formulation for the MET-224o/MET-097o combination.

David Risinger claimed that "Pfizer's acquisition of Metsera is expected to add obesity drug candidates that are estimated to generate peak sales above $5 billion." He continued by saying, "Our investment thesis is that the company's core business and pipeline of novel obesity peptide-based therapeutics offer several advantages relative to competing assets."

After a seemingly endless bidding war with Novo Nordisk, Pfizer and Metsera reached an agreement to acquire all outstanding shares of Metsera's common stock for $47.50 per share in cash at closing, valuing the company at approximately $4.9 billion in enterprise value. In addition, shareholders will receive a non-transferable contingent value right (CVR), which provides the potential for up to $22.50 per share in additional cash payments, adding a further $2.4 billion to the total value of the deal if specific milestones are achieved. These milestones include a $5 per share payment upon the initiation of a Phase III clinical trial for Metsera's MET-097i and MET-233i combination therapy, an additional $7 per share upon FDA approval of Metsera's monthly MET-097i monotherapy, and a further $10.50 per share upon FDA approval of the monthly MET-097i and MET-233i combination therapy.

All of these combine to give a total of $22.50 per share as incentives if these goals are achieved. The acquisition was finalised at the end of 2025, as Pfizer's final offer and a perception of lower regulatory and antitrust risk led the Metsera board and preferred shareholders to retain Pfizer's deal. With the deal finalised, Pfizer has now positioned itself to excel in the obesity drug race.

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