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USA - China Trade War

Federal Reserve's Dilemma

Japan's Tourism Boom

Elphinstone Capital Management

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Contents

North America

- 4 **The Federal Reserve's Dilemma: Managing Risk in Uncertain Times**
- 5 **Hidden Costs We All Pay: When Markets and Policy Backfire**

Europe

- 7 **France's Political Equilibrium Collapsed: Lecornu Resigns**

Asia

- 8 **The Ongoing Trade War Between the USA and China**
- 10 **Japan's Tourism Boom: A Blessing and a Burden**
- 11 **ASEAN's Power Grid Bet**

Middle East & Africa

- 13 **South Africa's Car Industry at a Crossroads**
- 14 **Saudi Arabia's \$5.4 Billion Oil Deal with Algeria**

Oceania

- 15 **Reserve Bank of New Zealand Lowers Official Cash Rate**

Technology

- 16 **OpenAI's Billion Dollar Gamble on Intelligence**

North America

The Federal Reserve's Dilemma: Managing Risk in Uncertain Times

by Jessica McGregor

The U.S. central bank, the Federal Reserve, recently decided to cut interest rates by 0.25%, lowering the main rate to between 4.00% and 4.25%. Although seemingly insignificant upon first glance, its effects do come into play.

Interest rates are imperative to the financial system, affecting all aspects of the financial world to some extent, spanning from mortgage payments to global stock prices. Typically, the Federal Reserve reduces rates in periods of recession in an attempt to stimulate consumer spending and make it cheaper for borrowers to repay loans. Expansionary monetary policy, however, is implemented on the premise of strengthening a nation's economic foothold. This begs the question, with quarterly growth hitting +3.8% in the previous quarter, why has the Federal Reserve gone ahead with this?

The answer is twofold. Initially, prices are increasing faster than desired, with the inflation rate currently sitting 0.9% above the 2% target. The second is that President Trump imposed a federal shutdown over 14 days ago, and although the Federal Reserve has not been affected directly, it has caused some disruptions.

It is unusual to cut rates when inflation is above target. However, evidence suggests that the U.S. job market is weakening, and could be the reason they decided to go ahead with it. This rate cut was viewed as "risk management", said Chair Jerome Powell. This is indicative that the Reserve is aiming to get ahead before the economy slows too much.

Due to the shutdown, key economic data reports such as the consumer price index (CPI) and the monthly job reports have not been

delivered on time. This means that the Federal Reserve cannot make any adequately informed decisions regarding its upcoming interest rate cuts, planned to take place in October. When official data is not prompt or transparent, it can affect monetary policy and financial markets due to investor uncertainty, likely declining the price of US Treasury fixed income bonds, while conversely rising equity markets.

If there are further delays with the CPI, it may disrupt markets that rely on inflation data. Assets, including Treasury inflation-protected securities and government bond payments, will continue to be at risk, while financial contracts used by investors and institutions to hedge or speculate on future inflation levels can both be at risk. The consequences of rate cuts will not solely prohibit the everyday investor; rather, unstable markets will see increased anxiety among professional traders, and inflation-linked assets may be harder to trade. If bottlenecks in the transfer of data continue, a fallback pricing mechanism can be of use, but it can also lead to a mismatch in pricing.

Despite the absence of key financial data, Governor Stephen Miran reported that the Federal Reserve need to cut rates fast, suggesting that they are on track to go ahead with the October rate cut.

Money will begin to lose its purchasing power if inflation persists and stays too high for a long time. Subsequently, this may lead to decreased consumer spending because of a general decrease in disposable income. Moreover, investors may pose too much risk and inflate asset bubbles (prices rise beyond real value). The shutdown, however, does not tend to

change financial markets severely since investors choose longer-term macroeconomic trends over budget standoffs. Longer shutdowns, however, may pose a threat to inflation-linked securities and even more so when the CPI report is delayed.

The Federal Reserve is required to uphold two key goals: Maintain stable prices in conjunction with supporting maximum employment. However, such juxtaposing facets of economic policy can be hard to juggle. This is because when rates are high, inflation decreases, but poses the risk of unemployment since employers cannot afford to hire. Conversely, when rates are kept too low, borrowing becomes cheaper and demand rises faster than supply, which can overheat the economy and push inflation upward. Many analysts have suggested that the Reserve's decisions are largely swayed by underlying political agendas. Most prominently, this political intersection has been witnessed via President Trump's push to lower interest rates before the 2026 re-election, despite Powell having frequently stated that the Reserve's decision-making will not be influenced by government pressures.

So, who are the winners and losers during this time? When interest rates drop, borrowers are at an advantage, as it is cheaper for individuals, companies, and government investors to repay loans and buy shares. However, individual savers and many institutional investment entities, such as pension funds, suffer, as there are lower returns on bonds and savings accounts.

Future Fed rate cuts could stimulate short-term growth but risk reigniting inflation if done too soon. Persistently low rates may inflate asset bubbles, weaken the dollar, and erode pension and insurance returns. Over time, they could reduce policy flexibility, leaving the Fed with fewer tools to counter future downturns.

In essence, Central banks need to make decisions based on incomplete information, allowing for adequate weighing of risks and benefits. Additionally, Investment consultants and pension professionals need to plan for different economic outcomes. If inflation does decline as hoped, the "risk-management" approach would look wise. But if prices continue to be high, the reputation of the reserve and the credibility of its independence could be at risk.

Hidden Costs We All Pay: When Markets and Policy Backfire

by Freya Ferguson

In today's global economy, decisions made by corporations and politicians often have a ripple effect that extends far beyond boardrooms and campaign stages. Whether it is a trade tariff or a furniture recall, the average consumer typically bears the financial burden of these tariffs, which are taxes placed on imported goods. The first cautions that protectionist tariffs can lead to costly government bailouts, while the second highlights how consumer goods can become dangerous when safety regulation lags behind production. Together, these pieces point to a larger story of how well-intentioned regulations and profit-driven shortcuts can skew markets, reduce trust, and put ordinary people at risk of

financial and safety problems.

A complex network of production, trade and regulation underpins the global economy. Governments often introduce tariffs, taxes on imported goods, to protect domestic industries or create jobs. However, economists argue that tariffs often raise costs for consumers and spark retaliation from other countries. Similarly, consumer safety regulation exists to prevent harm from faulty or unsafe products, but in an era of mass production and fast-moving supply chains, oversight can easily fall behind. Both Trump's tariff proposal and IKEA's sofa scandal shows how the boundaries between economic policy and consumer protection blur. When

governments intervene too heavily or companies cut corners, markets lose efficiency, and individuals pay the price, whether through higher taxes, more expensive goods, or compromised safety.

Economic interventions, whether political or corporate, often have unintended consequences. For instance, Trump's proposed tariffs are intended to strengthen American manufacturing. However, higher import costs can diminish competitiveness, forcing firms to raise prices or lay off workers. Historically, similar tariff strategies have resulted in bailouts - taxpayer-funded support for industries harmed by their own protection. This cycle perpetuates short-term political gains at the expense of long-term economic costs. On the corporate side, IKEA's "killer sofas" exemplify another form of market failure: when competition for low prices prioritises safety standards. A single weak link, such as a poor material choice or lax testing, can transform a household product into a safety hazard.

Both situations reveal cracks in governance. Tariffs represent overreach: the government distorts markets to pursue political goals. The IKEA example, meanwhile, reflects under-reach: regulation failing to keep pace with globalised production. In each case, the institutions meant to protect consumers or promote fairness end up shifting the burden onto them.

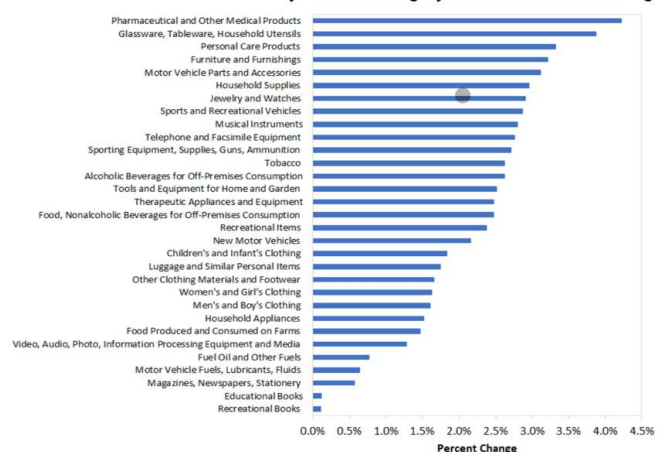
The short-term winners are clear: domestic industries shielded by tariffs and corporations maximising profits through cost control. However, the losers are harder to see. Taxpayers fund bailouts, consumers pay higher prices, and families unknowingly bring unsafe furniture into their homes. In all these instances, the public absorbs the hidden costs of private or political decisions.

These stories remind us that economic policy and consumer safety are interconnected. Both

rely on trust: citizens trust that governments act responsibly, and consumers trust that products on store shelves are safe. When this trust is broken, confidence in markets is lost. The broader lesson is the need for balance: smart regulation that protects without suppressing innovation, and economic policies that promote competition rather than manipulate it. Transparency, whether in government bailouts or product standards, ensures accountability stays clear. When decision-makers fail to consider the downstream effects of their actions, the burden inevitably falls on those least able to avoid it: consumers.

The Trump tariff debate and the IKEA sofa controversy share a common moral: when systems intended to protect people fail to function effectively, the costs don't simply vanish; they shift. Markets thrive on trust, but this trust demands honesty, responsibility, and foresight. Whether in Washington or a Swedish design studio, decision-makers must recognise that economic success is meaningless if it comes at the expense of those who maintain the system's integrity – the public.

Estimated Price Effect of Tariffs by Product Category with Perfect Pass-through



Source: U.S. Census Bureau

The figure shows the effect of tariffs on goods and the variance between them

Europe

France's Political Equilibrium Collapsed: Lecornu Resigns After Just Hours in Office

A crisis of consensus deepens as Macron scrambles to stave off snap elections

by Klaudia Wawrzyniak & Aayush Kulkarni

On October 6, 2025, France awoke to political upheaval when Prime Minister Sébastien Lecornu resigned just hours after unveiling his new cabinet. He now holds the record for the shortest tenure in the Fifth Republic. Facing a fractured parliament, hardened party lines, and no clear majority, Lecornu conceded he could not form a viable coalition. President Emmanuel Macron has asked him to remain in caretaker mode while he scrambles to secure cross-party support. With the 2026 budget approaching and France facing serious debt constraints, the stakes are high for Europe's second-largest economy.

The current crisis stems from France's June 2024 snap election, which resulted in a hung parliament split between three blocs: the left-wing New Popular Front, Macron's centrist Ensemble, and the far-right National Rally. Macron has cycled through multiple prime ministers—including Michel Barnier and François Bayrou—each struggling to push through fiscal reforms. Lecornu, 39, a former defence minister and close Macron ally, was appointed on September 9, 2025. But his October 5 cabinet announcement triggered swift backlash: conservatives dismissed it as more of the same, and the left opposed his fiscal agenda. Within a day, Lecornu stepped down.

Markets reacted sharply. Reuters reported the CAC 40 index dropped 1.8%, while 10-year French bond yields surged to multi-month highs. The euro slipped 0.7% against the US dollar, and credit default swaps (CDS) on French debt widened, signalling heightened sovereign risk.

Major French banks and industrial firms saw steep declines. Investors shifted toward safe-haven assets like German Bunds and other core EU bonds. Euronews suggested the European Central Bank may consider deploying its Transmission Protection Instrument if volatility spreads further.

This episode highlights how political fragmentation is now a key variable in market stability. Extended uncertainty could stall fiscal reforms, raise borrowing costs, and undermine broader eurozone financial stability.

Lecornu's resignation has triggered real-world consequences. France has suspended its pension reform until after the 2027 election, delaying structural changes and increasing fiscal pressure. Reuters quoted strategist Mathieu Savary: 'French bonds remain un-investable.' Bond yields rose 9 basis points to nearly 3.6%, while CDS spreads widened from 38 to 41 bps. These shifts suggest France may face tougher EU scrutiny if it exceeds deficit targets. Rising yields further strain the deficit, reduce liquidity, and risk spillover effects.

Higher borrowing costs raise debt servicing costs and widen spreads across the eurozone. Without spare labor or capacity, increased borrowing could crowd out private investment, raising interest rates and reducing access to capital for households and small businesses. While short-term government stimulus may support GDP, misallocated funds could reduce long-term growth. A spike in CDS fees could signal rising default risk. According to Investopedia, this may shake market

confidence, weaken the euro, and depress bond values. On October 6, the euro fell 0.63% to \$1.1688. A week later, it had only modestly recovered to \$1.1628. As France is the eurozone's second-largest economy, continued instability may fuel inflation and drag on regional growth.

The shock resignation of Sébastien Lecornu has pushed France deeper into political and economic turbulence. With a 2024 deficit of 5.8% and national debt at 114% of GDP - almost

€50,000 per citizen - France already faces heightened borrowing costs and weakening investor sentiment. Though Lecornu pledged a €30 billion budget cut, central bank chief François Villeroy de Galhau estimated the uncertainty has already cost 0.2% in lost growth. If political gridlock continues, the risk of broader eurozone disruption will only rise. France's experience underscores how fragile policy credibility can ripple through markets.

Asia

The Ongoing Trade War Between the USA and China

A rare earth mineral dispute, recently resolved between the two nations, has re-emerged as an issue.

by Michelle Mangwiro

The start of 2025 had the world bracing for impact as President Donald J. Trump implemented a wave of tariffs, in a move to restabilise and strengthen the domestic economy. Nations worldwide received various tariffs and chose to respond in non-conflicting ways. A few retaliated in response to Trump, China was one of them.

Tariffs on Chinese imports stood at 145% and some US exports to China faced duties of 125%. This is not the first time that President Trump has initiated a trade war during a Presidential term. During his first term, Trump implemented taxes on most of China's goods by May 2019; tariffs on \$200 billion worth of Chinese goods increased. China retaliated and imposed stiff duties on American exports.

January's troubled waters settled, albeit temporarily until May. Rare earth minerals dug from the Earth's crust also dug in further tensions between America and China. President Xi Jinping and President Trump attended a conference in June where they had supposedly

resolved the issue. However, as of early October, heated words between the two leaders manifested themselves in tariffs, international investigations, and higher costs for consumers.

Rare earth minerals are a group of 17 metals. Despite their name, they are not rare in the Earth's crust; they are considered to be due to their difficulty and cost in extracting, purifying and removing waste. These metals, when combined with alloys, can make products more heat-resistant and magnets more powerful. They create most technological items that we use. Neodymium, a rare earth mineral, when combined with Boron and Iron, creates the magnet found in wireless earphones. The powerful miniature speaker and case that closes in a quiet, sleek way is all thanks to the rare earth metal. Electric cars use rare earth minerals as well - these facilitate the functioning of seat controls, windows, airbags and motors. Additionally, the minerals are used for national defence, creating a variety of complex products like fighter jets, submarines and warships.

China mines roughly 69% of the world's rare earth minerals and is responsible for 92% of their refining. They successfully dominate the entire supply chain, making the world dependent on its resources for sustainability, digital and national defence goals and ambitions. Demand for these minerals is believed to grow exponentially due to the sustainability transition. Furthermore, as China does not have the same carbon emission targets as other countries, they also dominate the rare minerals refining sector. Chinese prices are much cheaper than European prices, pushing consumers to purchase from China's market.

China dominates rare earth supply chain

Share of extraction and processing of rare earth elements in China and the rest of the world in 2019.



Source: International Energy Agency
Giovanna Coli/POLITICO

As of the 9th of October, China expanded their rare earth restrictions list. Export controls grew and added five new elements to the list. Rules now state that countries or companies intending to use Chinese materials must obtain a Chinese export license if the final product contains or is made with Chinese equipment or material, even if the transaction doesn't involve Chinese companies. This is scheduled to take effect on the 8th of November.

The following news impacted stock markets rather aggressively last week, with investors fearing trade war escalations. The beginning of this week saw comforted investors as stock markets opened higher on Monday morning. In American markets, the S&P 500 blue chip index saw an increase of 1.1%, whilst the Nasdaq rose by 0.2%, falling 0.1% by close of business day. European markets moved minimally, with the CAC 40 remaining unmoved on Monday morning after falling 1.6%, Ibex 35 rose by 0.25% and the Dax index went up by 0.3%. Investors have stated that they are anxiously hoping for this to be a 'taco trade,' as this would be an explanation for the markets rallying. TACO stands for

"Trump Always Chickens Out" of aggressive trading decisions.

Very few sectors have been positively affected by this news. Shares in Chinese companies such as: Northern Rare Europe, China Rare Earth Resources and Technology and Shenghe Resources rose by 10%, 9.97% and 9.4% respectively.

In the US markets, rare earth companies such as Critical Metals Corporations gained 25%, Energy Fuels, 9%, MP materials up by 2.5% and USA Rare Earth rose by 15%. Companies in this market have felt both motivated and frustrated by the news. Some have mentioned that this is an opportunity for America to showcase their technical abilities on American soil, whilst others have expressed discontent on behalf of commercial manufacturers, expressing difficulty they are currently experiencing.

The shipping industry has faced a more aggressive jolt. The US and China, as of Sunday, 19th October, started charging new port fees towards one another. China states that the levies are meant to protect the country's shipping industry from unfair 'mindsets.' It's believed that this is a retaliatory measure to the US fees on Chinese ships that are meant to support American shipping companies. China argues that its motivations are that the maritime agreement between the two nations was violated once the US duties to Chinese ships took effect. U.S.-linked ships berthing at Chinese ports are charged 400 yuan per net tonne. The fees will rise annually, reaching 1,120 yuan per tonne in 2028. These costs will negatively affect consumers the most, as the increased costs suppliers have will be passed on, raising the prices for these goods.

Lastly, tech firms have been the target for the two presidents as part of their retaliatory measures. Three days ago, Nvidia announced that the company's position in the advanced chip market in China, has dropped from 95% to 0%, as they are no longer allowed to sell their advanced products to Chinese companies under the US restrictions. These products are advanced chips that power artificial intelligence applications. The firm, however, obtained a per-

mit to sell a less powerful, tailor-made product for China, that the Chinese cyberspace administration launched an investigation for, due to security concerns. Another company that's found itself in the crosshairs of this trade war is Qualcomm. China as of the 10th of October, launched an anti-trust investigation into the firm. The market regulator expressing concern that Qualcomm did not lawfully declare some details of its acquisition of the Israeli chip designer Autotalks. International investigations, increased tariffs, rising port fees and higher prices for the consumer.

Both China and America are successfully causing discomfort for one another, but ultimately at a cost to themselves. The intense relations will hopefully be laid to rest once President Xi Jinping and Trump meet at the end of the month in South Korea.

What will happen at the end of the month is a conclusion that few will assume correctly, but ultimately, all investors will feel uncomfortable waiting for. Arguably, more uncomfortable than the two leaders facing pressure to resolve international matters.

Japan's Tourism Boom: A Blessing and a Burden

by Maya Mistry

Japan is experiencing an unprecedented tourism boom that is transforming its economy and society. In 2024, the country welcomed 37 million foreign visitors, and the government aims for 60 million by 2030. A weak yen and relaxed visa rules have made hotspots like Kyoto, Kamakura, and Osaka surge in popularity. But this growth is straining infrastructure, raising prices, and triggering cultural tensions.

Kyoto, a symbol of cultural preservation, has become the epicentre of Japan's over-tourism crisis. Districts like Higashiyama regularly exceed capacity, causing congestion and rising rents. Short-term rentals and budget hotels are displacing residents. Hotel prices have more than doubled since 2021. Economists note that tourism demand along the 'Golden Route' exacerbates regional inequality, benefiting major hubs while bypassing rural areas. Growing frustration with tourist behaviour underscores national identity strains. The boom is driving recovery - but also inflation and social tension. Tourism is now a key driver of market performance and regional growth. Airlines, hotels, and major retailers have outperformed the TOPIX index, riding a wave of foreign spendi-

ng. Higher flight demand boosts airline yields; hotels enjoy full occupancy; and consumer goods benefit from tourist demand. This creates a feedback loop of rising prices and economic overheating. Currency markets are feeling it too: yen inflows from tourism push the currency up marginally, making Japanese exports less competitive. The Bank of Japan now faces the challenge of curbing inflation while supporting growth.

Japan has launched targeted measures to manage over-tourism. Tourist taxes and entry caps are easing pressure in hotspots like Kamakura. The 'Touristship' initiative promotes better visitor behaviour, while planned bullet-train expansions aim to redistribute travel flows. Government investment is also targeting under-visited areas to spread economic benefits more evenly. These steps reflect a broader effort to balance growth and sustainability — with results still unfolding.

Tourism has unlocked new opportunities across transport, hospitality, retail, and tech. Infrastructure projects are now reaching rural areas to support regional revitalisation. But this prosperity comes with trade-offs. Concentrated

consumption in cities has lifted GDP and tax revenues while driving up inflation and widening inequality. Policymakers now face a core dilemma: how to maintain growth while ensuring local communities are not left behind.

Japan's experience with over-tourism offers lessons for other mature economies. Its mix of economic lift and social strain reflects the com-

plexity of global mobility in the post-pandemic world. As the government navigates policy responses, its model will be closely watched. If Japan succeeds in turning its tourism boom into sustainable success, it could set the pace for other destinations facing similar pressures.

ASEAN's Power Grid Bet

Connecting Southeast Asia's Energy & Future

by Apurbo Zunaid

After about 40 years of discussions, the ASEAN Power Grid (APG) is finally moving from plans to real projects that are backed by funding from the Asian Development Bank (ADB) and the World Bank. This is a huge step which is important for ASEAN's goal of making a connected regional electricity network. The Southeast Asian energy demand is rising every single year, for which power sharing between these countries is of the utmost importance. The APG could really help in making electricity cheaper and cleaner across the ASEAN countries.

The idea for the APG initially began under the Heads of ASEAN Power Utilities/Authorities (HAPUA). Afterwards, the first cooperation agreement was in 1986. The MoU by ASEAN members to give HAPUA 10 goals, one of which was power interconnectivity within member states, was signed in 1996; the official APG plan was then introduced in 1997. Then, in 1999, the ASEAN Ministers on Energy Meeting (AMEM) brought forward the ASEAN Plan of Action for Energy Cooperation (APAEC), which then guided the projects in the 2000s. In 2022, the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LITMS-PIP) was launched, which connected the power grids of Laos, Thailand, Malaysia and Singapore. By 2025, \$10 billion in funding was pledged by the ADB, and a grant of \$7.7million was approved by the World Bank to

expand the grid.

The ASEAN Centre for Energy (ACE) predicts that the Southeast Asian countries' "electricity demand could double by 2050". That's a huge surge, fuelled by ASEAN's economic growth and urban expansion. It's a real challenge. But the ASEAN Power Grid (APG) idea honestly feels like a game-changer. It lets them share power smarter. Laos, with all its hydropower, could export clean energy. Meanwhile, Singapore and Malaysia could easily get the stable imports they need. It's a perfect match. This isn't just about security, either. The private sector wins big, like construction, engineering, and renewable energy firms all getting a boost. By trading power across borders, they could actually lower costs, attract green investment, and finally speed up their shift to a sustainable, connected system. The future looks brighter with a plan like this.

Running the APG project is no small task, and it falls to HAPUA, AMEM, AERN, APGCC and ACE to manage it. But they're facing some big obstacles. Think about the sheer logistics for a second. They've got sets of different rules, standards, and prices from every member country. What makes it worse are real-world violence and tension, like Myanmar's brutal civil war or those tense border standoffs between Thailand and Cambodia, which throw everything into chaos. This instability is a huge red flag for

anyone thinking of investing. It means crucial grid routes face difficulties in being completed, and what should be simple cross-border cooperation turns into diplomatic problems instead. When transmission lines have to cross disputed areas, the political uncertainty makes infrastructure planning chaotic and also raises financing risks sky-high. To fight this, ASEAN aims to align the funding to clean-energy goals, helping projects stay on track. It's also encouraging that new talks are happening about harmonising regulations and creating a dispute-resolution system. This shows ASEAN is genuinely trying to protect the APG's future and build that integrated energy network, despite the chaos and instability caused/faced by some of its members.

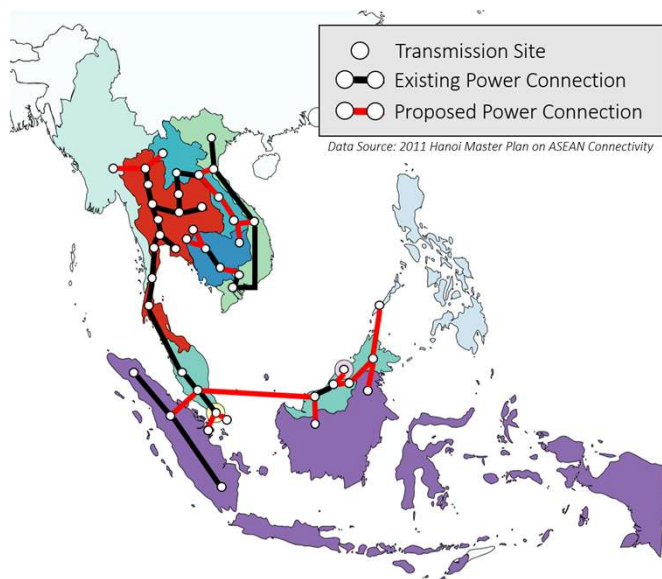


Figure: A map of Southeast Asia, depicting existing and proposed electric power connections for a unified ASEAN Power Grid, collected from Wikipedia

The APG will create clear winners and losers. Laos can be a huge winner, cashing in on its hydropower to become the "Battery of Southeast Asia." Singapore and Malaysia will win by securing cleaner energy, and investors will profit from new projects. Regular people could see lower bills. But the shift is tough for some. Fossil fuel exporters like Indonesia will face declining demand. National utilities will lose their monopoly power. The real tragedy is a cou-

ntry like Myanmar; its instability means it might get left behind entirely, missing out on all the benefits.

Ultimately, the APG is a test case for the world. It's about proving that a deeply diverse region can put aside its differences to build a shared future. If they can get the politics right and actually connect these grids, the reward isn't just regional. They're building a tangible, working example for the entire world. It would show every other divided region how to move past conflict and weave up a sustainable, shared future.

Country	APG interconnection Status	Readiness level
Brunei Darussalam	No existing interconnections; actively participating in the Brunei Darussalam-Indonesia-Malaysia-Philippines(BIMP-PIP) feasibility studies.	Initiating
Cambodia	Maintains bilateral power import agreements with Vietnam and Thailand; plans to import 300 MW of solar and hydro power from Laos starting in 2026. (Varadhan 2024)	Developing
Indonesia	Internal links (Sumatra-Java) only & planning BIMP-PIP with neighbours. (Investor Daily 2025)	Developing
Lao PDR	Functions as a regional power export hub with existing links to Thailand, Vietnam, and Cambodia; a key participant in the Lao PDR-Thailand-Malaysia-Singapore Power Integration Project (LTMS-PIP). (ASEAN Centre for Energy 2024)	Integrated
Malaysia	Connected to Thailand and Singapore (via HVDC and AC links); currently building Sarawak-Sabah/Brunei link (BIMP-Eaga 2023)	Integrated
Myanmar	Limited imports from Laos/Thailand; no regional APG projects (Shani 2023)	Initiating
Philippines	None. Islands are isolated (BIMP-PIP under study) (ASEAN 2023)	Initiating
Singapore	Connected to Malaysia (via Peninsular grid, included in LTMS); pursuing link to Indonesia Riau (Energy Market Authority 2022)	Integrated
Thailand	Connected to Laos and Malaysia; key LTMS participant (ASEAN Centre for Energy 2024)	Integrated
Vietnam	Linked to Laos and Cambodia; expanding import capacity (Varadhan 2024)	Developing

Table: ASEAN member states and their status in the APG integration, collected from ASEAN-BAC

The APG's 40-year journey has amounted to billions in funding, and many of the ASEAN countries' power grids are integrated with the APG. I believe we're looking at more than just power lines; this is about building a shared future. The goal of cleaner and affordable electricity for Southeast Asia is thrillingly close, but it's a fragile one. Frankly, it all comes down to this: can they choose collaboration over conflict? If the region can muster the political will to untangle the knots of discord, the APG will do more than power cities, it will pave the way for other regions with conflicts to collaborate for the better.

Middle East & Africa

South Africa's Car Industry at a Crossroads

by Maya Mistry

Donald Trump's administration has reintroduced 25% tariffs on imported vehicles from South Africa. The auto industry is South Africa's largest manufacturing exporter and a key pillar of employment. With exports to the U.S. down nearly 90% year-on-year, the automotive sector is under severe strain, and pressure is mounting on President Ramaphosa's coalition.

This downturn underscores how trade policy in major economies can destabilise emerging markets. It raises broader concerns about Africa's industrial future and its dependence on Western markets for growth.

South Africa's auto exports make up two-thirds of its manufacturing output, with the U.S. previously the largest buyer under AGOA (African Growth and Opportunity Act). With AGOA now lapsed and new U.S. tariffs in place, duty-free access is gone. Mercedes-Benz's Eastern Cape plant and Ford's Silverton factory are reportedly preparing for layoffs.

Manufacturing accounts for roughly 13% of GDP, and recent data shows this share declining. The country's industrial base has become increasingly fragile.

The 25% tariff renders South African cars uncompetitive in the U.S. Exports have collapsed, foreign currency inflows have dried up, and investor confidence has deteriorated. The rand has weakened, driving up the cost of imported machinery and energy for local manufacturers. Bond yields have risen as investors demand higher compensation, adding further pressure to the government's fiscal position.

NAAMSA data shows a steep decline in vehicle exports beginning in late 2024, with H1 2025 volumes down nearly 50% from pre-tariff levels. Falling production has disrupted supply chains, reducing demand for metals and components

and increasing unemployment across supplier networks.

In response, global automakers are redirecting investment toward lower-risk, tariff-free markets such as China and India. This shift threatens to permanently erode South Africa's role in the global automotive supply chain.

Ramaphosa has proposed a R940 billion industrial plan to revive domestic manufacturing and attract green-tech investment. However, progress is slow, and with Western partners stepping back, other global players are beginning to fill the vacuum. This illustrates South Africa's continued reliance on external trade relationships - a structural vulnerability in an increasingly fragmented global economy.

South Africa's carmakers are exploring joint ventures, shifting exports to new markets, and investing in electric vehicle capacity to counterbalance U.S. losses. Meanwhile, the African Continental Free Trade Area (AfCFTA) may offer new regional supply chain routes to reinforce intra-African trade.

For the wider economy, the contraction in manufacturing threatens tax revenues, consumer demand, and employment. A rise in job insecurity could further strain South Africa's already fragile social and political fabric, testing the resilience of President Ramaphosa's reform agenda. Long-term industrial credibility will depend on consistent policy and the ability to attract a broader set of trading partners.

South Africa's car industry stands at a pivotal crossroads. The new U.S. tariffs have exposed the country's dependence on a narrow set of export markets and its vulnerability to external shocks. How Pretoria responds - both in trade negotiations and industrial strategy - will shape not only South Africa's manufacturing future but also its role in the wider African economy.

Saudi Arabia's \$5.4 Billion Oil Deal with Algeria:

Strategic Expansion or Signal of Strain?

How a major cross-border energy contract could shape OPEC dynamics, test Algeria's reserves, and highlight Aberdeen's decline

by Shane Silveira

On October 18, 2025, Saudi Arabia's Midad Energy signed a \$5.4 billion oil and gas contract with Algeria's national oil company, Sonatrach. The 10-year agreement grants Midad access to Algeria's Illizi Basin, with projected production reaching nearly 993 million barrels of oil equivalent. While this move strengthens Saudi Arabia's overseas footprint, it also raises questions: Why is one of the world's largest oil producers seeking additional offshore assets?

Saudi Arabia currently produces approximately 9.97 million barrels of oil per day - around 1.3 million tonnes daily - placing it among the top global producers. Yet long-term forecasts suggest Saudi production could decline steadily over the coming decades, driven by reserve depletion and diversification pressures. By securing long-term external supply through deals like this one, Saudi Arabia may be hedging against future domestic constraints while reinforcing its OPEC influence.

For Algeria, the deal offers immediate benefits: \$5.4 billion in investment and a surge in oil output. Though the project taps into just 2.3 years' worth of Algeria's daily production, the country holds an estimated 12.2 billion barrels in reserves - enough for roughly 78 years at current extraction rates. Still, critics argue this deal represents a 'plundering' of Algeria's natural assets, with long-term costs potentially outweighing short-term gains.

Algerian officials state the program complies with strict environmental regulations. However, any increase in fossil fuel excavation raises concerns: land degradation, pollution, and biodiversity loss remain risks. Even with advanc-

ed technology, critics note that 'efficient' extraction is not equivalent to 'sustainable' practice.

Historically dubbed the 'oil capital of Europe,' Aberdeen faces long-term production decline. Guardian reporting (2024) cites the North Sea basin producing only 34 million tonnes in the past year. Geologists forecast full extraction may cease by 2050, with reserves running dry by 2039. While Saudi Arabia's reserves are projected to last another 50–60 years, Aberdeen's role in global production is diminishing.

Global demand from economies like the U.S., China, and India ensures short-term benefit for oil exporters. But with net-zero targets advancing and renewables scaling, oil is increasingly seen as a bridge fuel. The Saudi-Algeria deal may boost near-term supply and revenue, but it doesn't insulate either country from the long-term risk of stranded assets or regulatory constraints. Algeria could eventually restrict foreign involvement in extraction, as climate policy tightens globally.

This bilateral energy deal signals Saudi Arabia's intent to secure long-term market share while navigating domestic production limits. Algeria, for its part, gains investment—but risks long-term overdependence. Meanwhile, Aberdeen's diminishing reserves highlight the broader transition facing legacy oil economies. While oil remains a powerful engine of global growth today, the clock on its dominance is ticking. For producers, investors, and policymakers, the real question is not how much oil is left—but how wisely it is used.

Oceania

Reserve Bank of New Zealand Lowers Official Cash Rate

by Shaeden Fernandes

The Reserve Bank of New Zealand (RBNZ) surprised observers on 8 October 2025 by cutting the Official Cash Rate (OCR) by 50 basis points to 2.5%. This cut is the most significant reduction in over three years and comes as a clear signal to curb a slowing economy and consistently higher inflation rates. Its purpose is to encourage borrowing, push business spending, and protect jobs across New Zealand. It gives borrowers relief, even though doubts remain about whether this assistance will be long-lasting.

The Official Cash Rate (OCR) is the key interest rate that influences mortgage, commercial loan, and savings account rates nationwide. This key rate cut comes on the heels of low GDP growth of just 0.9% in the June quarter, highlighting ongoing challenges stemming from international trade wars and lukewarm domestic consumption. Presently, inflation remains just above the central bank's 1-3% target band, at roughly 2.7-3%; however, the Reserve Bank of New Zealand (RBNZ) expects the rate to fall back to 2% by mid-2026, aided by weak consumer confidence and reduced demand. The Monetary Policy Committee (MPC) voted unanimously for this rate cut, signalling a preference for bold action over further cautious, gradual rate cuts.

Financial markets reacted understandably to the monetary cut. Investors wagered on continued relaxation by buying government bonds, and yields declined. The New Zealand dollar weakened against major currencies, improving exports. Stock markets shifted higher, and property and utility shares gained amid lower interest rates. Major banks passed on the reduction, setting a one-year fixed home loan rate at 4.49% and possibly lower if wholesale funding is reduced further. Whilst this is good

news for households short of cash for their mortgages, those saving suffer decreasing yields, and are encouraged towards riskier assets.

RBNZ's action was aligned with its dual mandates of job growth and price stability. The 50-point cut was deliberately made larger than the intermediate step of 25 points to signal the RBNZ's strong determination to inject life into the economy. This cut was larger than most market estimates, but it should make households and businesses more confident. Governor Adrian Orr also kept the door open for further cuts should inflation and jobs data be soft through the following year.

Borrowers would be the biggest gainers, as reduced mortgage payments would give them extra cash to spend and help the housing and construction industries. However, retirees and savers, on whom interest income has depended, would have a hard time. Exporters, particularly those in farming and tourism, which are key components of the New Zealand economy, would benefit from the weak dollar. Equity investors would also gain, but market volatility may be caused by inflation uncertainty. At 2.5%, the OCR is now firmly in so-called "stimulatory territory," well below the neutral rate (around 3%). The cut signals New Zealand's intention to foster growth. Economists like those at Westpac are looking for another 25-point cut by December 2025, which would push borrowing costs even lower. That would create competitive pressure throughout Oceania, putting other regional central banks' policy shifts into question.

In the short term, the cut should help households and small enterprises living on tight margins. However, risks exist: continued low rates could drive housing prices higher and debt

outward, making the economy vulnerable to shocks as rates rise again. Trouble could spill beyond the Pacific region, too, as the weakening of the New Zealand rate increases cross-border lending and trade links.

The RBNZ's 50-basis-point reduction constitutes both a guarded defence and a bullish boost for the economy. It gives debtors

and exporters short-term relief and wagers on the economy recovering stronger. This coming Monetary Policy Committee meeting on November 26 centres on inflation and employment data. Should these be soft, the next round of relaxation looms, and 2025 becomes the make-or-break year for monetary policy in the pandemic rebound in New Zealand.

Technology

OpenAI's Billion Dollar Gamble on Intelligence

Who Owns Intelligence? Inside OpenAI's Bid to Dominate the Global Compute Race

by Hassan Tariq

AI once promised opening access to intelligence, knowledge for all, and creativity for everyone. As OpenAI continues down its path, partnering with companies like AMD and NVIDIA, and investing more than \$100 billion in infrastructure, the reality feels more like consolidation than liberation. The real divide in AI isn't human versus machine, it's access versus ownership. The next generation of AI isn't being written in code; it's being fenced in by compute. Behind the glow of progress, giants like Google, Anthropic, Perplexity, and OpenAI are building private chip kingdoms, choosing who can create and who can only consume. The question is no longer about speed or scale, but about sovereignty. These partnerships aren't just about performance; they're about power. Whoever controls performance decides who gets to innovate, and who gets left behind. The question is simple: will these alliances expand access to AI, or tighten its grip around a few corporations?

NVIDIA's Vera Rubin platform powers a new era of GPU architecture, purpose-built to redefine frontier-scale AI workloads. This system unites ultra-dense compute clusters, high-bandwidth

memory, and advanced networking fabric to maximise training efficiency and inference performance across multimodal models. It is engineered to support trillion-parameter architectures and sustain the compute intensity essential for continuous large-scale experimentation. The first one-gigawatt deployment is scheduled for the second half of 2026, forming a cornerstone in OpenAI's expanding network of AI data centres. By securing large, specialised facilities, OpenAI wants to speed up development toward highly advanced AI systems that can think, learn, and work in different active situations. The partnership provides the resources and reliability needed to help OpenAI lead in building the next generation of AI models.

Market reactions were immediate and unmistakable. Semiconductor valuations surged, cloud providers raced to secure vast reserves of power and cooling capacity, and investors began to question who truly controls the arteries of the AI economy. Yet beneath the exuberance lies unease. Over one trillion dollars in AI-linked agreements now circulate between OpenAI, NVIDIA, Oracle, and their partners, a

closed loop of capital that blurs the line between strategic investment and self-perpetuating speculation. Some analysts warn that this surge of interdependent financing risks inflating an AI era asset bubble built more on momentum than on measured demand. Whether this cycle matures into durable growth or collapses under its own excess will determine not only the fate of the chipmakers but the architecture of the intelligence economy itself.

OpenAI's infrastructure push is unfolding faster than governments can respond. In the U.S., regulation remains fragmented: the Removing Barriers to American Leadership in AI order favours deregulation, while states like Colorado and California are advancing their own, often conflicting, AI laws. To counter this, OpenAI has urged "harmonised" national standards through the new Centre for AI Standards and Innovation, warning that a patchwork of rules could stifle innovation. Its letter to Governor Newsom framed coherence as both an economic and geopolitical necessity, vital to maintaining U.S. leadership against China's centralised AI strategy. Meanwhile, the

EU's AI Act and similar initiatives abroad are setting the pace, suggesting that the real competition may be less about technology itself than who gets to define its boundaries.

NVIDIA commands the AI supply chain; AMD finally earns relevance; and OpenAI secures the compute empire it needs. The losers are the rest, startups, researchers, and universities, priced out as training frontier models now cost hundreds of millions. Compute has become the new currency of progress, doubling in demand every few months. Innovation is drifting from open labs to closed ecosystems, where the future of intelligence is decided by capital, not curiosity.

AI's future is being built in silicon. The race for compute has become the race for power economic, political, and intellectual. What began as a quest for smarter machines is now a struggle over who controls the infrastructure of intelligence itself. Keep an eye on energy partnerships, chip supply chains, and global regulation. The next disruption won't come from a new model, but from who owns the servers it runs on.

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