

Welcome to This Week's Edition of Asia on the Horizon

Greetings, readers! This week's issue dives deep into the evolving dynamics shaping Asia-Pacific and Indo-Pacific regions, with a focus on strategic collaborations, economic trends, and geopolitical developments. From ground-breaking infrastructure projects linking continents to escalating maritime tensions in contested waters, the region is witnessing transformative shifts that demand global attention. Join us as we unpack these stories and their broader implications for regional stability, economic growth, and great-power competition.



1. KEY DEVELOPMENTS

China's Trade Surplus Nears Historic Highs

China's trade surplus is set to reach an unprecedented \$1 trillion by the end of 2024, fueled by record-breaking export volumes and falling export prices. The growing imbalance has provoked strong reactions from major economies, including the U.S. and EU, as tariff measures intensify and currency adjustments loom on the horizon.

APEC Summit Highlights Strategic Rivalries and Sustainability

The 2024 APEC Summit in Lima, Peru, centered on themes of empowerment, inclusion, and sustainability, underscoring the region's efforts to transition to a digital and green economy. However, China's influence dominated the discourse, particularly through the inauguration of the Chancay Port, which strengthens its economic footprint in Latin America.

South China Sea Tensions Escalate

New maritime laws enacted by the Philippines to reinforce sovereignty have sparked a strong response from Beijing. China's declaration of baselines around Scarborough Shoal and its naming of 64 islands underscore the intensifying contest for control over the resource-rich and strategically vital South China Sea.

Sino-Indonesian Economic Partnership Reaches New Heights

Indonesian President Prabowo Subianto's visit to Beijing resulted in \$10 billion worth of agreements across green energy, digital infrastructure, and agriculture. While the deals promise economic growth, they also raise concerns about sovereignty and dependency, especially regarding cooperation near the contested Natuna Islands.

Trump Administration Signals Hardline on China

President-elect Donald Trump's cabinet picks, including Marco Rubio as Secretary of State, signal a more confrontational U.S. approach toward China. With an emphasis on Taiwan, trade disputes, and human rights, the incoming administration's stance could reshape U.S.-China relations and impact the broader Asia-Pacific balance.

Shigeru Ishiba Reelected as Japanese Prime Minister

Shigeru Ishiba retained his position as Japan's prime minister after securing a runoff victory in a special Diet session. The vote, which marked the first such runoff since 1994, reflects the political balance between the ruling Liberal Democratic Party (LDP) and opposition factions. Ishiba's cabinet appointments signal a focus on stability, with critical posts being assigned to experienced leaders, including new appointments for justice, agriculture, and infrastructure ministries.

French Navy's Charles de Gaulle Heads for Pacific Deployment

France announced the upcoming deployment of its aircraft carrier Charles de Gaulle to the Indo-Pacific under "Mission Clemenceau 25." The carrier strike group (CSG) will conduct high-intensity exercises and joint drills with regional allies, including India, Japan, Australia, and the United States. The deployment underscores France's commitment to strengthening its strategic partnerships and asserting its role in Indo-Pacific security amid rising regional tensions.

2. STATISTICS OF THE WEEK

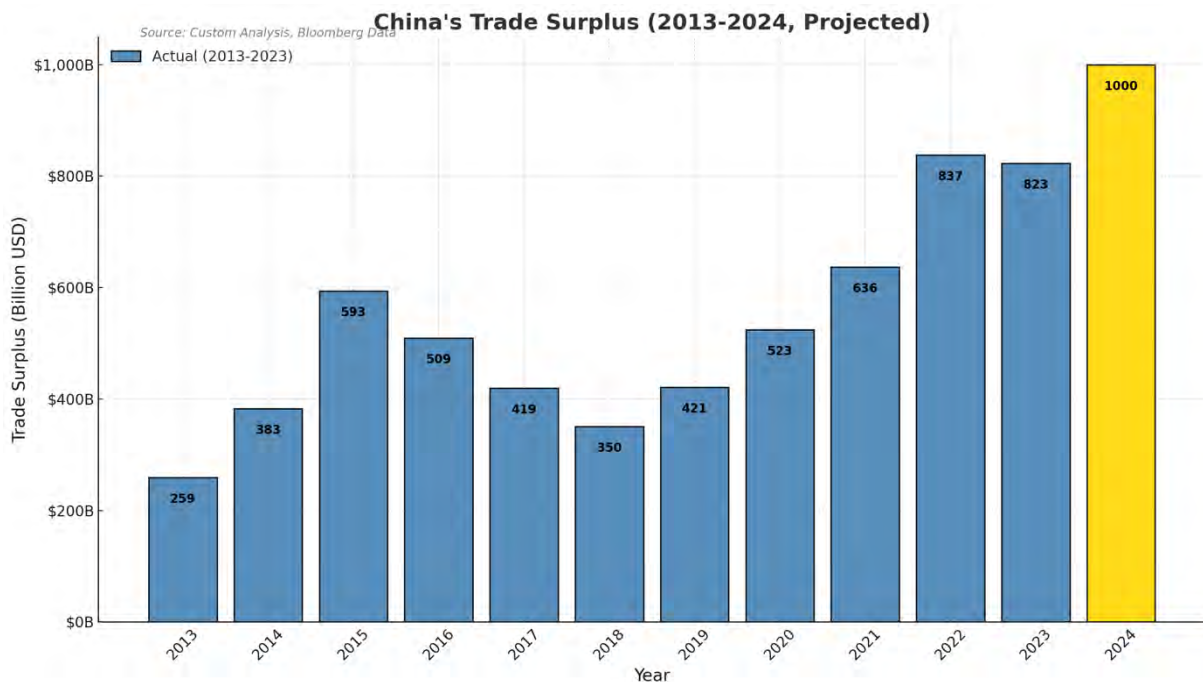
China's Trade Surplus Set to Hit \$1 Trillion in 2024

China's trade surplus is projected to reach an unprecedented \$1 trillion by the end of 2024, driven by surging export volumes. This marks a significant leap from the \$785 billion surplus recorded in the first ten months of 2024, already the highest on record for the period and a 16% increase from 2023.

Over the past decade, China's surplus has steadily climbed, reflecting its pivotal role in global commerce. The chart highlights this trajectory, with key milestones such as \$837 billion in 2022. The rise underscores China's reliance on exports to counter domestic economic weaknesses, bolstered by falling export prices but resilient export volumes.

This growing imbalance in global trade has drawn sharp reactions from major economies. The U.S., EU, and ASEAN nations have raised tariffs, while a potential currency war looms as China leverages a weaker yuan to sustain its export competitiveness. With trade surpluses widening across regions, the global trade landscape may face intensified tensions as nations recalibrate their strategies to address these imbalances.

The increasing surplus also raises questions about the sustainability of China's export-driven growth and its long-term implications for global economic stability.



3. MAP OF THE WEEK

Escalating Tensions in the South China Sea

This week's map focuses on the South China Sea, a region marked by intensifying disputes between China and the Philippines. The map visually represents overlapping territorial claims and highlights strategic locations, including Scarborough Shoal and the Spratly Islands.

Recent developments have further heightened tensions. In November 2024, the Philippines enacted the Maritime Zones Act and Archipelagic Sea Lanes Act, reinforcing its sovereignty and maritime boundaries. China countered by declaring baselines around Scarborough Shoal, naming 64 islands and reefs, and condemning the Philippines' legislative moves.

The ongoing friction underscores the region's strategic importance for global trade and geopolitical stability, as well as the challenges of resolving territorial disputes in a complex, multi-claimant environment.



China and Taiwan Malaysia Vietnam Brunei Philippines

https://www.reddit.com/r/MapPorn/comments/1132m1f/map_depicting_the_claims_of_different_countries/#lightbox

4. PHOTO OF THE WEEK

The Strategic Opening of Chancay Port – A Milestone in China’s Global Ambitions

This week’s photo features Chinese President Xi Jinping and Peruvian President Dina Boluarte at the inauguration of the Chancay Port in Peru, held on November 14, 2024. This \$3.5 billion project, a cornerstone of China's Belt and Road Initiative (BRI), represents more than an infrastructure development—it is a strategic link in Beijing’s effort to integrate Latin America into its global economic network.

Located on Peru's Pacific coast, the Chancay Port serves as a gateway for South American exports to Asia, particularly critical minerals like copper, essential for the global clean energy transition. While offering economic opportunities for Peru, the port also signals China's expanding influence in the Americas, raising questions about economic dependency and regional sovereignty.

For the U.S. and its allies, the port underscores China's increasing foothold in a region historically within Washington’s sphere of influence. As great-power competition intensifies, the Chancay Port stands as a symbol of the shifting global order, showcasing China's ability to reshape economic and geopolitical landscapes far beyond Asia.



<https://english.news.cn/20241115/79b76da3115c4ca49338a8d462297af4/c.html>

(Xinhua/Xie Huanchi, Li Mengxin)

5. INFOGRAPHIC OF THE WEEK

The latest developments in the South China Sea highlight escalating friction between China and the Philippines. The infographic outlines key events, from China's 2012 de facto control over Scarborough Shoal to the UN tribunal's 2016 ruling against China's expansive claims. In November 2024, the Philippines enacted the Maritime Zones Act and Archipelagic Sea Lanes Act, asserting its territorial rights. China swiftly responded by declaring baselines around Scarborough Shoal, naming 64 islands and reefs in the region, and condemning the Philippines' new maritime laws. This evolving situation underscores the ongoing contest for control and sovereignty in one of the world's most strategically significant waterways.

RISING TENSIONS IN THE SOUTH CHINA SEA

China's Baseline Declaration around Scarborough Shoal



6. REGIONAL ALLIANCES

APEC Peru 2024 – A Nexus of Trade, Sustainability, and Geopolitics

The 2024 APEC Summit in Lima, Peru, stands as a pivotal moment in the recalibration of global economic relations. Under the theme “Empower, Include, Grow,” the gathering of 21 economies, accounting for 60% of global GDP and 40% of world trade, served as a platform to address critical issues ranging from digital transformation to sustainability and geopolitical rivalries.

China’s Expanding Influence Through Infrastructure Diplomacy

A major highlight of the summit was the inauguration of the Chancay Port, a \$3.5 billion project funded under China’s Belt and Road Initiative (BRI). This development cements Peru’s role as a critical link between Asia and Latin America while deepening Beijing’s economic footprint in the region. The port symbolizes China’s strategy of leveraging infrastructure investments to establish long-term economic and political ties, enabling smoother access to critical Latin American markets and resources.

However, this expansion is not without its challenges. While the port promises to enhance trade connectivity and bolster Peru’s economy, it also raises concerns over dependency on China and the potential erosion of national sovereignty.

The U.S. Struggles to Counterbalance

President Joe Biden’s participation in the summit highlighted Washington’s continued interest in Latin America, but the limited impact of initiatives like the Americas Partnership for Economic Prosperity (APEP) remains evident. As China’s tangible investments in infrastructure eclipse U.S. efforts, the region’s confidence in American economic engagement is waning. This dynamic becomes even more critical as President-elect Donald Trump signals a potential shift in U.S. priorities, with a focus on reimposing tariffs and reassessing multilateral agreements.

The U.S. faces an uphill battle in reclaiming its influence in the region, particularly with Beijing positioning itself as a stable partner. Whether the U.S. can develop a coherent and competitive strategy for Latin America will have significant implications for its standing in the global economic order.

A Renewed Push for Sustainability

The summit also underscored the urgency of addressing climate resilience and sustainable development. With Peru as a key producer of critical minerals essential for clean energy technologies, discussions revolved around balancing economic growth with environmental sustainability. APEC’s focus on transitioning to a digital and green economy aligns with broader global trends, though its success will depend on the member economies’ ability to translate these commitments into actionable policies.

Latin America as a Geopolitical Battleground

As Latin America emerges as a focal point for global powers, countries like Peru must navigate a complex geopolitical landscape. China’s economic diplomacy offers short-term opportunities but raises long-term risks of overreliance. Meanwhile, the U.S. risks losing its traditional influence unless it can offer a compelling alternative to Beijing’s investments. The

challenge for Latin American nations will be maintaining economic autonomy while capitalizing on opportunities from both powers.

Conclusion

The APEC Peru 2024 Summit reflects the intricate interplay of economics, geopolitics, and sustainability shaping the Asia-Pacific and Latin American regions. As China consolidates its role as a dominant economic player and the U.S. rethinks its regional strategy, the outcomes of this summit will reverberate far beyond its conclusion. For Peru, the challenge lies in leveraging its strategic position while safeguarding its long-term sovereignty and economic independence. The broader APEC community must now work to translate this year's dialogue into collective action, ensuring the region remains resilient in the face of shifting global dynamics.

7. ANALYSIS

Trump's Cabinet Picks Signal a Hardline Approach on China

The incoming administration of President-elect Donald Trump is shaping up to be one of the most assertive in recent memory when it comes to U.S.-China relations. With key cabinet nominees such as Marco Rubio for Secretary of State, John Ratcliffe as CIA Director, and Michael Waltz as National Security Adviser, Trump has assembled a team known for its unyielding stance on Beijing. This hawkish lineup signals a clear intent to adopt a tougher approach on China across multiple domains, from security and trade to human rights and Taiwan policy.

Marco Rubio's Role and Potential Impacts on U.S.-China Relations

Rubio, a vocal critic of China, has consistently championed stronger support for Taiwan, even advocating for increased military aid to deter potential Chinese aggression. If confirmed, his tenure as Secretary of State could see an amplified U.S. commitment to Taiwan's security and a hardline response to China's regional ambitions. Rubio's stance on human rights—specifically his condemnation of China's actions in Xinjiang and Hong Kong—suggests that his leadership will prioritize issues that Beijing considers internal affairs, potentially leading to further diplomatic strain.

Hardline Security and Trade Strategy

The cabinet selections extend beyond Rubio. Ratcliffe's experience as Director of National Intelligence underscores a priority shift to treat China as the primary security threat to U.S. interests. Meanwhile, Waltz, a retired Green Beret, has openly warned of China's military aspirations, especially regarding Taiwan and the Indo-Pacific. Together, they are likely to advocate for policies that bolster U.S. military presence and alliances in Asia. Additionally, former U.S. Trade Representative Robert Lighthizer, expected to return as "trade czar," could reignite trade tensions through aggressive tariffs, further straining economic ties.

Balancing Hawkish Policies with Musk's Economic Interests

Interestingly, Elon Musk's nomination to lead the "Department of Government Efficiency" introduces a contrasting view within the administration. Known for his extensive business ties in China, Musk's relatively positive stance on Beijing may serve as a moderating influence, particularly in economic policy. However, his impact is likely to be limited in an administration otherwise geared towards a confrontational approach.

Regional Reactions and Global Implications

U.S. allies in Asia, particularly Japan and Taiwan, may view Trump's cabinet choices as a reassuring commitment to regional security. However, Southeast Asian countries with close economic ties to China might be wary of escalating tensions that could force them into difficult strategic choices. Globally, this administration's approach could lead to a more polarized international order, with U.S.-China competition intensifying across diplomatic, military, and economic fronts.

Trump's selection of high-profile China hawks, spearheaded by Rubio's nomination, underscores a deliberate shift towards a harder line on China. This stance is likely to define U.S. policy on Taiwan, human rights, and regional security, while also posing challenges for allies and global markets linked to China. As the administration advances its agenda, the Asia-Pacific region—and the world—will be watching closely.

The Strategic Significance of the Chancay Port – China's Expanding Influence in Latin America

The inauguration of the Chancay Port in Peru marks a significant milestone in China's Belt and Road Initiative (BRI), reflecting Beijing's growing influence in Latin America. Situated on the Pacific coast, this \$3.5 billion project represents more than just a logistical hub—it is a key component in China's strategy to integrate Latin America into its global economic network. While the port promises economic opportunities for Peru and the wider region, it also raises critical geopolitical and economic concerns.

A Gateway Between Asia and Latin America

Chancay Port is strategically designed to bridge the gap between Asia and South America. By providing a state-of-the-art facility for the movement of goods, it strengthens trade connections between the two regions. For Peru, the port positions the country as a gateway for Latin American exports to Asia, particularly China, its largest trade partner. Peru's rich deposits of copper and other critical minerals essential for the global clean energy transition make it an ideal partner for China's resource-driven economic strategy.

The port also aligns with Beijing's broader goals under the BRI to develop global trade corridors. By enhancing connectivity, China secures access to critical resources while bolstering its economic dominance in the Global South. For Latin American countries like Peru, Chancay offers the prospect of improved infrastructure and economic growth—but at what cost?

Economic Dependency and Sovereignty Risks

While the port symbolizes economic progress, it also highlights the risks of dependency on Chinese investments. Peru's reliance on Chinese capital for infrastructure development gives Beijing significant leverage over the country's economic and political decision-making. Critics warn that such dependence could erode national sovereignty, as seen in other nations heavily involved in the BRI, where repayment difficulties have led to concessions of strategic assets.

Furthermore, the Chancay Port's economic benefits are likely to be unevenly distributed. While it may boost trade and create jobs, concerns about local environmental and social impacts persist. Infrastructure projects of this magnitude often generate opposition from local communities, particularly regarding displacement, ecological degradation, and labor issues.

Geopolitical Implications

The Chancay Port is not just an economic project—it is also a geopolitical statement. For the United States and its allies, China's expanding influence in Latin America poses a direct challenge to their historical dominance in the region. The port's inauguration underscores

Beijing's ability to establish long-term footholds in regions traditionally aligned with Washington. This development is particularly significant as the U.S. struggles to match China's infrastructure investments through initiatives like the Americas Partnership for Economic Prosperity (APEP), which lack the same scale and immediacy of impact.

From a broader perspective, Chancay enhances China's presence in the Pacific, potentially contributing to Beijing's long-term strategic objectives in the Indo-Pacific region. By establishing deep economic ties with Latin America, China also strengthens its position in global trade negotiations, further complicating efforts by the U.S. and its allies to counter Beijing's influence.

The Belt and Road Initiative's Expanding Footprint

The Chancay Port reflects the ongoing evolution of the BRI, which has shifted from large-scale projects in Asia and Africa to more nuanced investments in the Americas. This diversification demonstrates Beijing's commitment to expanding its global footprint, leveraging infrastructure diplomacy to secure economic and political partnerships.

Conclusion

The Chancay Port is a microcosm of the opportunities and challenges posed by China's Belt and Road Initiative. For Peru, it offers a chance to become a critical player in trans-Pacific trade, but this opportunity comes with risks of dependency and geopolitical entanglement. As Latin America becomes an increasingly contested space between China and the United States, the Chancay Port symbolizes the shifting dynamics of global power. For Peru and the wider region, the challenge lies in balancing economic benefits with the need to safeguard sovereignty and autonomy in the face of intensifying great-power competition.

Strengthening Sino-Indonesian Ties in an Era of Strategic Engagement

Indonesian President Prabowo Subianto's visit to China from November 8-10, 2024, marks a pivotal moment in the evolving relationship between Jakarta and Beijing. With deals amounting to \$10 billion, the trip highlights Indonesia's intent to deepen economic and strategic ties with China, a key global power, while balancing domestic economic priorities and regional geopolitics.

Economic Collaboration as a Foundation

The agreements signed during the visit span critical sectors, including green energy, digital technology, infrastructure, and agriculture. Notably, the focus on renewable energy and the digital economy reflects shared ambitions to capitalize on the global energy transition and technological advancements. Specific collaborations include:

1. **New Energy Ventures:** Agreements on lithium batteries, photovoltaics, and new energy vehicles signal Indonesia's intention to align with global decarbonization trends while leveraging its abundant nickel resources—a key input for battery production.
2. **Technological Advancement:** Partnerships with Chinese tech giants Tencent and Alibaba to develop Indonesia's cloud infrastructure and digital workforce underscore Jakarta's desire to become a regional digital hub.

3. **Industrial Integration:** The establishment of a high-pressure acid leaching plant in Central Sulawesi by Chinese firms like GEM demonstrates China's growing dominance in Indonesia's nickel industry, reinforcing its position in global supply chains for electric vehicles.

Geopolitical Undertones: The Natuna Islands

A contentious element of the visit was the agreement on economic activities near the Natuna Islands, located within the South China Sea. While Indonesia has traditionally maintained that it has no territorial disputes with China, Beijing's expansive maritime claims often overlap with Indonesia's Exclusive Economic Zone (EEZ). This deal raises questions about Indonesia's long-term strategy for asserting sovereignty in the region while engaging economically with China. Jakarta's willingness to collaborate with Beijing near contested waters may be seen as a pragmatic move to secure investment but risks potential backlash both domestically and internationally.

Indonesia's Pragmatism in Regional Stability

President Prabowo's emphasis on "cooperation, not confrontation" reflects Indonesia's desire to strike a balance between economic interdependence and regional stability. By choosing China as his first state visit, Prabowo signals Indonesia's commitment to fostering stronger bilateral ties while navigating the complexities of U.S.-China strategic competition in Southeast Asia. However, such partnerships must be carefully managed to ensure Indonesia does not become overly reliant on Beijing, especially as other ASEAN nations express growing unease over China's assertiveness in the South China Sea.

A Strategic Opportunity for Indonesia

Indonesia's robust engagement with China offers significant opportunities:

- **Economic Growth:** Investments in critical sectors, particularly green energy and technology, could drive long-term economic growth and industrial modernization.
- **Strategic Leverage:** Deepening ties with China allows Indonesia to position itself as a central player in regional geopolitics, balancing relations with both Beijing and Washington.
- **Supply Chain Leadership:** As the world's largest nickel producer, Indonesia can secure its role in the global energy transition by aligning with major Chinese stakeholders in the EV supply chain.

Challenges Ahead

However, potential risks loom on the horizon:

- **Sovereignty Concerns:** Cooperation near the Natuna Islands could embolden China's maritime claims, complicating Indonesia's position in the South China Sea.
- **Economic Overdependence:** Heavy reliance on Chinese investments, particularly in key industries like nickel and technology, may limit Indonesia's strategic autonomy.
- **Domestic Criticism:** Agreements perceived as compromising Indonesia's sovereignty or favoring Chinese interests could face pushback from domestic stakeholders.

Conclusion

President Prabowo's visit to Beijing signals a bold step toward deepening Sino-Indonesian relations, grounded in mutual economic interests and shared regional aspirations. While the agreements promise significant benefits, careful navigation of geopolitical and domestic concerns will be crucial to ensuring that Indonesia maximizes its gains without compromising its sovereignty or strategic independence. This visit underscores Jakarta's growing role as a pragmatic actor in shaping the future of Southeast Asia amidst intensifying great power competition.

