

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

This week, we navigate through the latest developments in the Asia-Pacific and beyond, highlighting stories that underscore the complexities of global interconnectedness. From groundbreaking negotiations in ASEAN-China maritime cooperation to the rippling implications of U.S.-proposed tariffs targeting key trading partners, the headlines capture the evolving dynamics shaping the region.

In this issue, we spotlight the renewed focus on undersea cable security in the Baltic, a pressing reminder of the vulnerabilities of critical infrastructure worldwide. The Asia-Pacific region, with its intricate supply chains and geopolitical intricacies, continues to grapple with economic and strategic shifts that resonate globally.

Our analysis delves into how these dynamics are impacting regional alliances and economic partnerships, while our featured stories and visuals provide a deeper understanding of the week's most pivotal moments.

Thank you for joining us as we explore the pulse of Asia on the horizon—where global strategy meets regional realities.



1. KEY DEVELOPMENTS

China Hosts Second CISCE to Champion Global Supply Chain Stability

The second China International Supply Chain Expo (CISCE), themed "*Connecting the World for a Shared Future*," is taking place in Beijing. As global supply chains face significant challenges, the expo seeks to strengthen international cooperation and enhance global trade stability. The event provides a platform for nations to address shared supply chain issues amidst shifting global economic dynamics.

This year's CISCE places particular emphasis on inclusivity, offering free resources and exhibition spaces to participants from least-developed countries, including African exhibitors. By fostering engagement with emerging economies, the expo reflects a growing focus on balanced global economic growth and collaborative approaches to addressing international supply chain disruptions.

Trump's Tariff Plans Threaten Global Trade Stability

President-elect Donald Trump announced plans to impose new tariffs on imported goods from Mexico, Canada, and China on his first day in office. Citing issues such as illegal immigration and the fentanyl crisis, Trump proposed a 25% tariff on goods from Mexico and Canada, along with an additional 10% tariff on Chinese imports. These measures aim to fulfill campaign promises but raise concerns about their potential impact on global trade.

The announcements have provoked responses from key stakeholders. China's embassy emphasized the mutual benefits of U.S.-China trade, warning against the risks of a trade war. Canadian and Mexican leaders highlighted the importance of cooperation over confrontation, signaling potential retaliatory measures. As Mexico and Canada together account for nearly 30% of U.S. trade volumes, and China remains a vital trading partner, these tariffs could disrupt established supply chains, increase costs for American consumers, and strain international relations.

China-Luxembourg Relations: Strengthening Bilateral and EU Ties

Chinese Foreign Minister Wang Yi hosted Luxembourg's Deputy Prime Minister and Foreign Minister Xavier Bettel in Beijing on November 25, celebrating over five decades of diplomatic relations. Wang highlighted the strong foundation of mutual respect and cooperation between the two nations, emphasizing its role as a stabilizing factor in China-Europe relations. Both leaders acknowledged the complementary nature of their economies and expressed interest in expanding collaboration in areas such as green development and cultural exchanges.

Bettel reaffirmed Luxembourg's adherence to the one-China principle and stressed the importance of fostering trust and understanding between Europe and China. As a founding member of the European Union, Luxembourg positioned itself as a gateway for enhanced China-EU cooperation, advocating for open dialogue over bloc politics.

Both sides expressed a shared commitment to addressing global challenges through partnership and inclusivity.

Baltic Undersea Cables Severed Amid Suspicions of Sabotage

The Baltic region is once again at the center of geopolitical intrigue as European allies investigate the severing of two undersea fiber-optic cables connecting Finland to Germany and Sweden to Lithuania. A Chinese bulk carrier, the Yi Peng 3, currently anchored near Aarhus, Denmark, is under scrutiny for its potential involvement in the incident, although no formal allegations have been made.

German Defense Minister Boris Pistorius described the event as a likely act of sabotage, dismissing the possibility of accidental damage. This incident follows a pattern of unexplained disruptions in the Baltic, including last year's damage to the Balticconnector pipeline, which Finland attributed to a Hong Kong-registered vessel under dubious circumstances.

The incident underscores the need for improved maritime monitoring systems in the Baltic, as highlighted by Estonian Prime Minister Kristen Michal. The Baltic region has seen an uptick in hybrid threats targeting critical infrastructure, raising concerns over security and resilience.

While investigations continue, the case reflects broader tensions surrounding the safety of undersea infrastructure and the challenges of attributing responsibility in such incidents. Chinese officials have denied any knowledge of the vessel's involvement, emphasizing adherence to international law and safeguarding navigational rights. As Europe grapples with these recurring threats, calls for stronger collaboration and vigilance are growing.

China's Defense Minister Investigated for Corruption: A Sign of Deeper PLA Challenges

China's Defense Minister, Admiral Dong Jun, is reportedly under investigation for corruption, marking the third consecutive defense minister implicated in graft allegations. This probe, part of a broader anti-corruption campaign within the People's Liberation Army (PLA) led by President Xi Jinping, follows the ousting of Dong's predecessors, General Li Shangfu and Wei Fenghe, on similar charges. The investigation highlights the persistent challenges Xi faces in ensuring transparency and loyalty within the PLA's ranks.

Admiral Dong's tenure, which began in December 2023, has been marred by controversy. His absence from the Central Military Commission—a key body in China's military hierarchy—raised eyebrows earlier this year, and his recent refusal to meet U.S. Defense Secretary Lloyd Austin at an Asian defense meeting has drawn further scrutiny. The broader implications of these corruption cases extend beyond individual accountability, raising questions about internal discipline and the PLA's readiness to achieve strategic objectives, including Taiwan-related goals.

U.S. and China Conduct Rare Prisoner Exchange Amid Diplomatic Shift

In a significant development in U.S.-China relations, three American citizens—Mark Swidan, Kai Li, and John Leung—were released after years of imprisonment in China. Their return to the United States on November 27 was part of a diplomatic agreement marking a rare moment of cooperation between Washington and Beijing during the final months of the Biden administration.

The exchange appears to be a reciprocal gesture, with China announcing the return of three Chinese nationals and one additional individual to its custody. While details of the arrangement remain undisclosed, the move underscores the broader complexities of U.S.-China relations, characterized by persistent tensions over trade, human rights, and security concerns. The timing of this agreement signals Beijing's potential willingness to maintain dialogue ahead of the incoming Trump administration, which has pledged a tougher stance on China.

G20 Trade Shows Resilient Growth in Q3 2024

G20 merchandise and services trade expanded in the third quarter of 2024, reflecting mixed global economic trends. Merchandise exports among G20 nations rose by 0.4% compared to Q2 2024, while imports increased by 1.5%. Growth was notably driven by strong trade activity in North America and Europe. Meanwhile, services trade saw robust performance, with exports increasing by 2.8% and imports rising by 1.4%, led by significant gains in China and other key economies.

The United States experienced notable growth in merchandise exports (2.5%) and imports (3.1%), largely driven by semiconductors and capital goods, while Canada's export growth was bolstered by mineral products and consumer goods. In Asia, Japan recorded impressive export growth (4.9%), while China faced a contraction, with exports declining by 3.4% and imports falling by 2.0%. Services trade painted a similar picture of resilience, with China leading the way in services export growth (16.4%), driven by transport and travel revenues, although imports declined by 4.2%.

Former Bank of China Chairman Sentenced for Corruption

Liu Liange, former chairman of the Bank of China, has received a suspended death sentence for bribery and illegal loan issuance, according to Chinese state media. Handed down by a court in Shandong province, the sentence comes with a two-year reprieve, meaning it may be commuted to life imprisonment if Liu commits no further crimes during this period.

Liu, who rose to prominence after holding senior roles at the People's Bank of China and the Export-Import Bank of China, was expelled from the Communist Party in 2023 for alleged corruption. The court cited his acceptance of over 121 million yuan (\$17 million) in bribes and illegal loan approvals exceeding 3.32 billion yuan, which led to significant financial losses. While much of the misappropriated funds have been

recovered, Liu's case underscores China's intensified anti-corruption campaign targeting high-profile figures in the financial sector.

Leadership Shakeup in China's Military Amid Corruption Allegations

China's Ministry of Defense announced on November 28, 2024, that Admiral Miao Hua, a member of the Central Military Commission (CMC) and head of its Political Work Department, has been suspended for "serious violations of discipline," a term often associated with corruption. The suspension is part of an intensified crackdown on graft within the People's Liberation Army (PLA), which has also seen Defense Minister Dong Jun reportedly under investigation.

Admiral Miao Hua's suspension adds to the growing leadership turbulence within the PLA, raising concerns about the military's organizational stability and operational readiness. Critics argue that frequent purges disrupt command structures, complicating long-term planning and war-fighting preparedness. Some analysts link these developments to power struggles within the Chinese Communist Party, speculating that internal divisions may undermine President Xi Jinping's efforts to reform and consolidate control over the military. While the full implications remain uncertain, the ongoing anti-corruption campaign underscores the challenges Beijing faces in maintaining political loyalty and operational effectiveness within the PLA.

China Extends Tariff Exemptions on U.S. Goods

China announced an extension of tariff exemptions on select U.S. goods until February 28, 2025, according to a statement from the Customs Tariff Commission of the State Council. Initially set to expire on November 30, 2024, these exemptions pertain to items excluded from China's countermeasures against U.S. Section 301 tariffs.

The move reflects China's continued adjustment of its trade policies amid ongoing bilateral negotiations and complex economic relations with the United States. By extending these exemptions, Beijing may be signaling a willingness to maintain stability in trade ties while addressing domestic economic considerations.

Russian Defense Minister's Visit to North Korea Signals Deepening Military Ties

Russian Defense Minister Andrei Belousov's recent visit to North Korea highlights the strengthening of military and strategic cooperation between the two nations amid their shared geopolitical challenges. Belousov met with North Korean Defense Minister No Kwang Chol and other officials in Pyongyang, where both sides emphasized their solidarity and commitment to a strategic partnership. The visit builds on agreements signed earlier this year by Russian President Vladimir Putin and North Korean leader Kim Jong Un.

Belousov praised the partnership's potential to maintain a "balance of power" in the region, while North Korea reiterated its support for Russia's actions in Ukraine, describing them as a defense of sovereignty. The visit has raised concerns among

Western nations and South Korea over potential exchanges of military technology and support, including North Korea's supply of weapons and troops to Russia in violation of international sanctions. As North Korea seeks to bolster its international standing and military capabilities, this collaboration marks a significant development in the evolving dynamics of regional security.

EU and Japan Open Negotiations for Horizon Europe Collaboration

The European Union and Japan have initiated negotiations for Japan to associate with Horizon Europe, the EU's flagship research and innovation program. This marks a significant step toward deepening international cooperation in science and technology between the two entities. If successful, Japan will become the first country in Asia to join this framework, which fosters collaboration on societal challenges through multinational projects.

The negotiations focus on Pillar II of Horizon Europe, enabling Japanese researchers to lead and coordinate projects while securing funding under the program. Iliana Ivanova, EU Commissioner for Innovation, emphasized the potential for accelerated progress in achieving green and digital transitions through this partnership. Japan's inclusion would align with the EU's vision of broadening collaboration with like-minded nations, enhancing global efforts to address pressing challenges such as climate change and technological innovation.

Trump Warns BRICS Nations Against Moving Away from US Dollar

US President-elect Donald Trump has issued a stark warning to BRICS countries, threatening 100% tariffs on nations pursuing alternatives to the US dollar. In a statement on Truth Social, Trump urged the bloc—comprising Brazil, Russia, India, China, South Africa, and recently expanded members—to abandon plans for a new currency or non-dollar trading mechanisms, emphasizing the potential economic consequences of such actions.

The warning follows discussions during the BRICS summit in Kazan, Russia, where leaders, including Vladimir Putin, advocated reducing reliance on the dollar, citing its use as an economic weapon. Trump's stance underscores the strategic importance of the dollar in global trade and signals potential friction with economies seeking alternatives to Washington-led financial systems. The evolving dynamics raise questions about the future of global currency structures and US economic policy under the incoming administration.

2. STATISTICS OF THE WEEK

America's Main Import Partners

The chart below highlights the significant role of Mexico, China, and Canada as the United States' top import partners in 2023. Together, these three countries accounted for over 40% of U.S. goods imports, with Mexico leading at \$475.2 billion, followed by China at \$426.9 billion, and Canada at \$418.6 billion. Other notable contributors include Germany, Japan, South Korea, Vietnam, and Taiwan, with "the rest of the world" collectively surpassing \$1.1 trillion in imports.

This data underscores the economic interdependence between the U.S. and its closest trading partners, which now faces potential upheaval. President-elect Donald Trump has announced sweeping tariffs targeting these top suppliers, proposing a 25% tariff on goods from Mexico and Canada and a 10% tariff on Chinese imports. His stated goal is to leverage tariffs as political tools to address issues such as immigration, drug trafficking, and fentanyl precursor production.

While the proposed tariffs align with Trump's previous trade policy approach, they pose significant challenges. Higher import costs could disrupt critical supply chains, increase consumer prices, and strain U.S. business operations. With these three nations forming the backbone of U.S. trade, the long-term implications of such tariffs on economic stability and bilateral relations remain uncertain.



<https://www.statista.com/chart/33462/main-import-partners-of-the-united-states/>

3. MAP OF THE WEEK

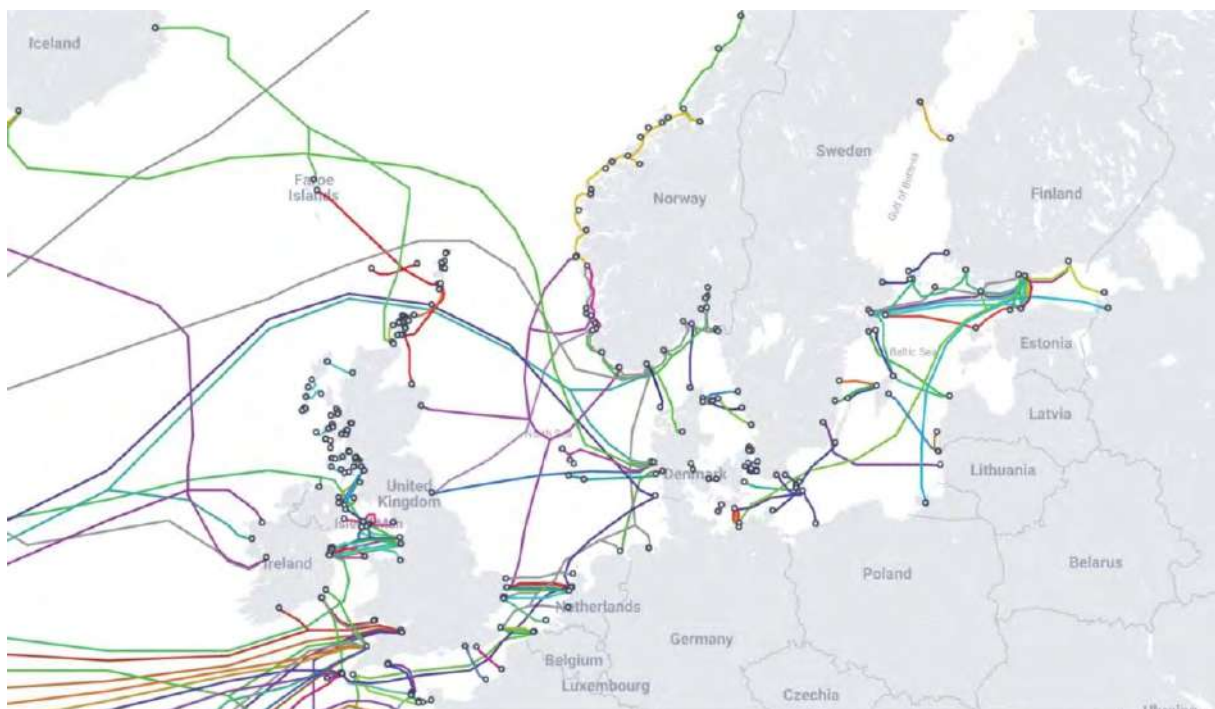
Tensions Beneath the Baltic Sea

This week's map highlights the intricate network of undersea fiber-optic cables in the Baltic Sea, which serve as critical arteries for communication and data transmission in the region. The map takes on renewed significance following the mysterious severing of two major cables connecting Finland to Germany and Sweden to Lithuania on November 17-18, 2024.

These incidents, occurring within a short time frame, have drawn international scrutiny. Suspicion centers on the Chinese bulk carrier *Yi Peng 3*, which was detected near the breach sites. Currently anchored in Denmark's Exclusive Economic Zone in the Kattegat Sea, the vessel is under close surveillance by the Danish Navy.

The damage to these cables echoes past events in the Baltic, such as the Nord Stream pipeline explosion in 2022 and the Balticconnector damage in 2023, raising concerns about hybrid threats targeting critical infrastructure. While investigations continue, the incident underscores the urgent need for enhanced monitoring and multinational collaboration to safeguard undersea infrastructure—a vital yet vulnerable component of global connectivity.

This evolving situation highlights the importance of maintaining maritime security in one of the world's most geopolitically sensitive regions. Stay tuned for further updates as investigations and diplomatic efforts unfold.



<https://www.submarinecablenmap.com>

4. PHOTO OF THE WEEK

Tensions in the Baltic Sea

This week's photo captures the Danish naval patrol ship HDMS P525 monitoring the Chinese bulk carrier Yi Peng 3 in the Baltic Sea. The vessel remains anchored in the Kattegat Strait following the suspected sabotage of two critical undersea fiber-optic cables linking Finland to Germany and Sweden to Lithuania.

Regional leaders, including Swedish Prime Minister Ulf Kristersson, convened in Harpsund to address the rising risks in the Baltic. While refraining from direct accusations, Kristersson highlighted the Baltic Sea as a "high-risk zone" for disruptive activities. The incident underscores the vulnerability of critical infrastructure in an increasingly tense geopolitical environment, with investigations ongoing and international attention focused on the ship's movements.



Photograph: Mikkel Berg Pedersen/EPA

<https://www.theguardian.com/world/2024/nov/27/swedish-pm-says-baltic-sea-now-high-risk-after-suspected-cable-sabotage>

5. INFOGRAPHIC OF THE WEEK

Leadership Shake-Up in China's Military

This week's infographic highlights the sudden removal of Admiral Miao Hua, a senior member of China's Central Military Commission (CMC), due to "serious violations of discipline." This term, often a euphemism for corruption, underlines systemic issues within the People's Liberation Army (PLA).

Miao Hua's ousting comes amidst unconfirmed reports that Defense Minister Dong Jun is also under investigation for similar charges, marking what could be the third consecutive defense minister implicated in misconduct. These developments raise critical questions about the stability of China's military leadership, its governance, and its readiness to address challenges in a rapidly evolving geopolitical environment. As the PLA continues its reform and modernization efforts, these leadership shake-ups may signal deeper structural challenges within its ranks.

ADMIRAL MIAO HUA REMOVED AMID 'SERIOUS VIOLATIONS OF DISCIPLINE'




ADM. MIAO HUA

Admiral Miao Hua, a senior member of the Central Military Commission (CMC), has been removed from office and is under investigation for "serious violations of discipline."



严重违纪行为
"SERIOUS VIOLATIONS OF DISCIPLINE"

This term is often used in China to refer to allegations of corruption, though no specifics have been disclosed.



Miao Hua's removal follows unconfirmed reports that Defense Minister Dong Jun is also under investigation for corruption.

6. REGIONAL ALLIANCES

Advancing ASEAN-China Maritime Cooperation

The 45th meeting of the ASEAN-China Joint Working Group on the Implementation of the Declaration on the Conduct of Parties in the South China Sea (DOC) was convened in Laos last week, bringing together representatives from ASEAN member states and China. This crucial dialogue underscores both parties' commitment to fostering peace, stability, and constructive cooperation in the South China Sea—a region of geopolitical significance and persistent tension.

At the meeting, delegates engaged in comprehensive discussions about the current maritime situation, implementation of the DOC, and avenues for practical maritime cooperation. A key focus was the advancement of consultations on a Code of Conduct (COC) in the South China Sea, which aims to establish binding guidelines for managing disputes and promoting stability. Both ASEAN and China emphasized their shared responsibility to handle differences through dialogue and consultation while working toward actionable frameworks that enhance mutual trust and understanding.

The DOC: A Framework for Stability

The DOC, signed in 2002, remains the cornerstone of ASEAN-China collaboration in the South China Sea. It is the first political document jointly issued by the two sides on this sensitive issue, reflecting their consensus on the need for peaceful solutions to disputes. Guided by international legal frameworks, including the 1982 UN Convention on the Law of the Sea, the DOC outlines principles for maritime cooperation in areas such as environmental protection, navigation safety, scientific research, and combating transnational crime.

The ASEAN-China Joint Working Group, established in 2004, has been instrumental in translating these principles into concrete cooperative activities. This body not only identifies opportunities for collaboration but also develops policy recommendations to ensure disputes are not escalated. For example, ongoing initiatives include building a register of experts to provide non-binding technical inputs and organizing workshops to enhance regional capacity in key maritime areas.

Progress Toward a Code of Conduct (COC)

A central element of the recent discussions was the COC, which seeks to formalize and enhance the commitments outlined in the DOC. By focusing on binding, actionable agreements, the COC is expected to address complex territorial and maritime disputes while fostering a rules-based order in the South China Sea. Although progress has been incremental, the continued consultations reflect a shared recognition of the importance of institutionalized dialogue in resolving disagreements.

The ongoing collaboration between ASEAN and China has implications beyond regional peace and stability. It also signals their ability to manage disputes independently of external interference, reinforcing ASEAN's centrality in regional security architecture. At a time of heightened geopolitical competition in the Indo-Pacific, such efforts underscore the importance of dialogue-driven solutions.

Future Directions

Looking forward, the ASEAN-China Joint Working Group is tasked with developing actionable recommendations for areas of mutual interest, including marine environmental protection, search and rescue operations, and safety of navigation. These efforts aim to deepen trust and cooperation, paving the way for a comprehensive COC that benefits all stakeholders in the region.

As geopolitical tensions remain a constant challenge, the continued commitment of ASEAN and China to peaceful cooperation in the South China Sea provides a hopeful counter-narrative. The recent meeting reaffirmed that dialogue, mutual respect, and practical collaboration remain the most effective tools for ensuring regional stability and prosperity.

7. ANALYSIS

Economic Tensions Resurface—Implications for the Asia-Pacific Amid Proposed U.S. Tariffs

President-elect Donald Trump's announcement of new tariffs targeting imports from China, Mexico, and Canada has far-reaching implications, not only for North American and global trade but also for the strategic and economic dynamics in the Asia-Pacific region. By threatening to impose a 10% increase on all imports from China, the United States risks deepening economic and geopolitical tensions in an already fragile regional context.

Economic Ripple Effects in the Asia-Pacific

China remains the largest trading partner for many Asia-Pacific nations, serving as a hub for regional supply chains. The proposed tariffs will not only affect bilateral trade between the U.S. and China but also disrupt interconnected trade networks that depend on Chinese manufacturing. Industries such as electronics, automotive components, and consumer goods in countries like Vietnam, South Korea, and Japan rely on intermediate goods from China. A downturn in Chinese exports to the U.S. could ripple across these economies, forcing businesses to reconfigure supply chains and driving up costs.

Moreover, the tariffs could exacerbate the economic challenges China is already facing, such as a slowing domestic economy and weakened global demand. The Asia-Pacific, which has long been economically intertwined with China, may see reduced regional trade flows and slower growth in economies heavily reliant on exports. Nations like Malaysia and Thailand, which are integral to the supply chain for U.S. consumer goods, may feel the indirect impact of these measures, particularly if they reduce Chinese purchasing power or export volume.

Strategic Consequences for Regional Alliances

The proposed tariffs also come at a time of heightened competition between the United States and China for influence in the Asia-Pacific region. U.S.-China trade tensions have broader implications for regional alliances and partnerships. Countries in ASEAN, for example, have sought to maintain a delicate balance between economic cooperation with China and security partnerships with the U.S. Increased U.S. tariffs could force regional players to navigate an even more polarized economic environment, complicating their strategic calculations.

Additionally, the tariffs may undermine ongoing efforts to promote economic integration in the region, such as through the Regional Comprehensive Economic Partnership (RCEP) and other multilateral trade agreements. With China's economy under pressure, its ability to lead or contribute effectively to these initiatives could weaken, leaving a void that may strain regional cooperation.

Geopolitical Ramifications

China has already signaled its disapproval of the proposed tariffs, describing them as a counterproductive measure that could harm global trade. The move risks further deteriorating U.S.-China relations, which have recently seen limited progress in restoring communication channels. Tensions between the two powers could escalate into broader strategic confrontations, including in sensitive areas such as the South China Sea or Taiwan Strait, which are already flashpoints of geopolitical competition.

For the Asia-Pacific region, the tariffs represent a test of resilience in navigating the challenges of a fragmented global trade environment. Countries that have worked to diversify their economies and reduce reliance on either China or the U.S. may find themselves better positioned, while others may face difficult decisions about aligning with one economic bloc over the other.

Conclusion: A High-Stakes Gamble for Asia-Pacific Stability

The proposed U.S. tariffs on China have implications that go far beyond their immediate economic impact. For the Asia-Pacific region, they could exacerbate existing vulnerabilities in supply chains, complicate regional cooperation, and heighten geopolitical tensions. As China and the U.S. grapple with their economic and strategic priorities, Asia-Pacific nations will need to adapt to an increasingly volatile global trade environment, balancing opportunities for growth with the challenges of managing great-power competition. In this high-stakes scenario, the region's ability to maintain stability and navigate economic pressures will be critical to its long-term resilience.

