

Welcome to This Week's Asia on the Horizon

As the geopolitical landscape in the Indo-Pacific continues to shift, this week's issue of Asia on the Horizon brings you in-depth insights into the key developments shaping the region. At the forefront is the escalating trade conflict between the United States and China, with Beijing retaliating against Trump's latest tariffs through targeted levies on U.S. exports and strategic export controls on critical minerals. This revived trade war signals growing economic tensions that could reverberate across global markets.

Political dynamics in Southeast Asia also demand attention. The Philippines is grappling with a major political crisis, following the impeachment of Vice President Sara Duterte, which has deepened the rift between her camp and President Ferdinand Marcos Jr. In parallel, regional alliances are being strengthened, as Canada and the Philippines near the conclusion of a defense pact aimed at boosting joint military exercises in response to heightened tensions in the South China Sea.

Diplomatic engagements have also been prominent this week. Japanese Prime Minister Shigeru Ishiba's meeting with U.S. President Donald Trump at the White House stands out, as Ishiba skillfully balanced diplomacy and pragmatism, securing assurances on security cooperation while managing trade concerns. We further explore Asia's economic power dynamics in our Statistics of the Week section, focusing on the continent's staggering \$40 trillion GDP. Our Map of the Week provides a detailed analysis of strategic influence in Southeast Asia, illustrating the shifting balance of power between China, the U.S., and ASEAN.

Additionally, our Photo of the Week captures a symbolic moment from Ishiba's White House visit, reflecting the personal rapport cultivated between the two leaders. The Infographic of the Week visually unpacks China's retaliatory moves against Trump's trade actions, highlighting the implications for key industries, from energy to technology.

As regional complexities grow, this issue aims to provide a nuanced perspective on the forces shaping Asia's political, economic, and security outlook. Thank you for joining us, and we invite you to explore these stories in detail.



1. KEY DEVELOPMENTS

China Responds to Trump's Tariffs with Targeted Countermeasures

China has responded to U.S. President Donald Trump's imposition of a 10% tariff on all Chinese imports with a series of measured countermeasures aimed at balancing retaliation without escalating a full-blown trade war. Beijing announced a new round of tariffs, effective February 10, targeting approximately \$14–\$20 billion worth of U.S. goods—representing less than 10% of total U.S. exports to China. The new Chinese tariffs range from 10% to 15% and apply to liquefied natural gas (LNG), crude oil, coal, agricultural machinery, and large-displacement vehicles, while additional export controls have been placed on rare metals crucial to high-tech industries.

Additionally, Beijing has intensified scrutiny of U.S. companies, launching an antitrust investigation into Google and adding U.S. biotech firm Illumina and clothing giant PVH Group (owner of Calvin Klein and Tommy Hilfiger) to its “unreliable entity list.” These actions, particularly the rare metals export controls, signal China's use of economic leverage in critical sectors, including semiconductors, where Chinese dominance in tungsten and other key minerals could disrupt global supply chains.

Despite these measures, analysts view China's response as restrained compared to previous tariff battles, suggesting that Beijing aims to leave room for negotiations rather than escalate tensions immediately. This calculated response contrasts with Trump's broader trade moves, which also targeted Canada and Mexico with higher tariffs—though he temporarily suspended those measures after discussions with their leaders. Trump's administration has tied the new China tariffs to broader concerns, including trade imbalances and Beijing's role in the fentanyl crisis.

With Trump and Xi expected to speak in the coming days, there remains a possibility for diplomacy. However, Beijing's WTO complaint and its assertion that the U.S. tariffs violate international trade norms underscore the ongoing fragility of the U.S.-China economic relationship. While China has diversified its trade partners since the last tariff war, its slowing economy limits its ability to engage in prolonged economic conflict. As both sides signal cautious positioning, the coming weeks will reveal whether these retaliatory moves serve as a precursor to a deeper standoff or as leverage for renewed negotiations.

Philippine Vice-President Sara Duterte Impeached Amid Deepening Political Feud

The Philippine House of Representatives has voted to impeach Vice-President Sara Duterte, marking a dramatic escalation in the political battle between her and President Ferdinand "Bongbong" Marcos Jr. The impeachment, driven by allegations of corruption and an incendiary claim that she threatened to have Marcos assassinated, passed with 215 out of 306 lawmakers in favor—far surpassing the required threshold. Duterte, daughter of former president Rodrigo Duterte, has dismissed the charges as politically motivated, portraying herself as a victim of a

vendetta orchestrated by the Marcos administration. The case now moves to the Senate, which will convene as an impeachment court. If convicted, Duterte would become the first Philippine vice-president to be removed from office and permanently barred from holding public office, dealing a severe blow to her anticipated presidential ambitions in 2028.

The impeachment vote is widely seen as the latest chapter in a deepening rift between the Marcos and Duterte political dynasties, whose uneasy alliance secured a landslide victory in the 2022 elections but fractured soon after. Their policy differences—particularly regarding the Philippines' foreign relations with the U.S. and China—have fueled tensions, with Marcos steering the country closer to Washington while Duterte's camp remains aligned with Beijing. Duterte's loss of influence accelerated last year when lawmakers scrutinized her discretionary budget, leading to her resignation from Marcos's cabinet. The political stakes are high, as the impeachment unfolds just months ahead of the May midterm elections, which will serve as a key test of Marcos's support and could reshape the country's power balance.

Trump and Ishiba Highlight U.S.-Japan Alliance Amid Trade Tensions

In their first face-to-face meeting at the White House, U.S. President Donald Trump and Japanese Prime Minister Shigeru Ishiba reaffirmed the strength of the U.S.-Japan alliance while addressing trade imbalances and economic cooperation. Trump praised Japan as a critical ally but pressed for a reduction in Tokyo's \$68.5 billion trade surplus with Washington, advocating for increased Japanese investment in U.S. energy and technology sectors. Ishiba pledged to boost Japanese investment in the U.S. to \$1 trillion and expressed interest in purchasing more American liquefied natural gas and other resources. The leaders also discussed the contentious \$14.9 billion bid by Nippon Steel to acquire U.S. Steel, with Trump indicating a shift in position—stating that he was open to the deal if it were structured as an investment rather than a full acquisition.

Beyond trade, the meeting emphasized continuity in security cooperation, with both leaders reaffirming their commitment to a free and open Indo-Pacific, including trilateral coordination with South Korea and opposition to Chinese military assertiveness in the region. The leaders also underscored the importance of maintaining stability in the Taiwan Strait and reaffirmed support for Taiwan's participation in international organizations. While Trump's broader tariff plans remain uncertain, Ishiba carefully avoided direct confrontation on potential U.S. trade measures against Japan. Analysts view Ishiba's visit as a critical step in strengthening his rapport with Trump, who had a close relationship with former Japanese Prime Minister Shinzo Abe. While economic tensions persist, the meeting suggested a pragmatic approach to preserving the long-standing U.S.-Japan partnership.

The 9th Asian Winter Games officially commenced in China

The 9th Asian Winter Games officially commenced in Harbin, China, with a grand opening ceremony showcasing the region's deep connection to ice and snow culture. Themed "Dream of Winter, Love among Asia," the artistic performance highlighted Harbin's role as a winter sports hub, China's enthusiasm for ice and snow sports, and the unifying spirit of Asian nations through athletic competition. The ceremony featured a symbolic torch-lighting at Harbin Ice and Snow World, the world's largest ice-themed park, with four torchbearers accompanied by children holding ice lanterns. Chinese President Xi Jinping declared the Games open, welcoming over 1,300 athletes from a record 34 countries and regions, surpassing the previous participation milestone set in Sapporo 2017.

Running from February 7 to 14, the Games mark China's third time hosting the event, following Harbin in 1996 and Changchun in 2007. The competition will see athletes from across Asia, including North Korea, Japan, and South Korea, competing in various winter sports disciplines. The presence of high-profile international dignitaries, including Brunei's Sultan, Pakistani President Asif Ali Zardari, Kyrgyz President Sadyr Japarov, Thai Prime Minister Paetongtarn Shinawatra, and IOC President Thomas Bach, underscored the significance of the event for regional sports diplomacy. With record participation and a strong display of cultural and athletic unity, Harbin 2025 aims to further solidify China's leadership in winter sports and foster deeper regional cooperation through sporting excellence.

Canada and the Philippines Finalize Defense Pact Amid Rising Regional Tensions

Canada and the Philippines are in the final stages of negotiating a Status of Forces Visiting Agreement (SOFA) that will enable both nations to conduct larger joint military exercises, further solidifying their defense ties amid growing security concerns in the Indo-Pacific. Canadian Ambassador David Hartman announced the development while reiterating Ottawa's commitment to reinforcing the rule of law in the region. The agreement comes as the Philippines, under President Ferdinand Marcos Jr., continues to expand its security partnerships to counter China's increasing assertiveness in the South China Sea. Canadian naval forces have actively participated in joint patrols and exercises with Philippine and allied forces, including the U.S., Japan, France, and Australia, moves that have drawn sharp criticism from Beijing. The Royal Canadian Navy's HMCS Ottawa, currently on a port visit to Manila, will engage in further joint exercises next week, underscoring Canada's commitment to regional security.

The agreement builds on previous defense cooperation accords between Canada and the Philippines, including a 2023 deal granting Manila access to Canada's Dark Vessel Detection System, a satellite-based technology used to track vessels attempting to evade surveillance. The Philippine military has accused Chinese coast guard and fishing vessels of routinely disabling their location-transmitting devices to operate undetected in disputed waters. If finalized, the SOFA would allow for more extensive military

collaboration, making Canada only the third country—after the United States and Australia—to have such an agreement with the Philippines. Meanwhile, Manila is also pursuing similar defense pacts with France and New Zealand, signaling a broader regional push to strengthen security cooperation in the face of rising tensions with China.

Trump Backs AUKUS as U.S.-Australia Defense Cooperation Advances

U.S. President Donald Trump has affirmed his support for the AUKUS security pact, signaling continuity in Washington's commitment to Indo-Pacific deterrence. The announcement came after Australian Defence Minister Richard Marles met with U.S. Defense Secretary Pete Hegseth, marking the latter's first summit with a foreign counterpart since assuming office. Trump's endorsement of AUKUS, following months of speculation, solidifies the trilateral security framework between Australia, the United Kingdom, and the United States, particularly in the development of Australia's nuclear-powered submarine capability. Marles underscored the importance of AUKUS in the modern U.S.-Australia alliance, emphasizing that the Biden-era agreement remains a cornerstone of Indo-Pacific security under the Trump administration.

Australia's \$798 million payment marks the initial stage of its long-term investment in nuclear submarine technology, reflecting Canberra's deepening defense commitments alongside its U.S. and UK allies. Hegseth's discussions with Marles reinforced Washington's Indo-Pacific focus, highlighting Australia's role in the region's evolving security architecture. Trump's endorsement is expected to enhance defense industrial cooperation and accelerate technology transfers under AUKUS, amid rising concerns over China's military expansion. With AUKUS now enjoying bipartisan support in Washington, Australia's strategic ambitions for a more advanced naval force appear on firmer ground, ensuring greater interoperability with U.S. and UK forces in the Indo-Pacific.

2. STATISTICS OF THE WEEK

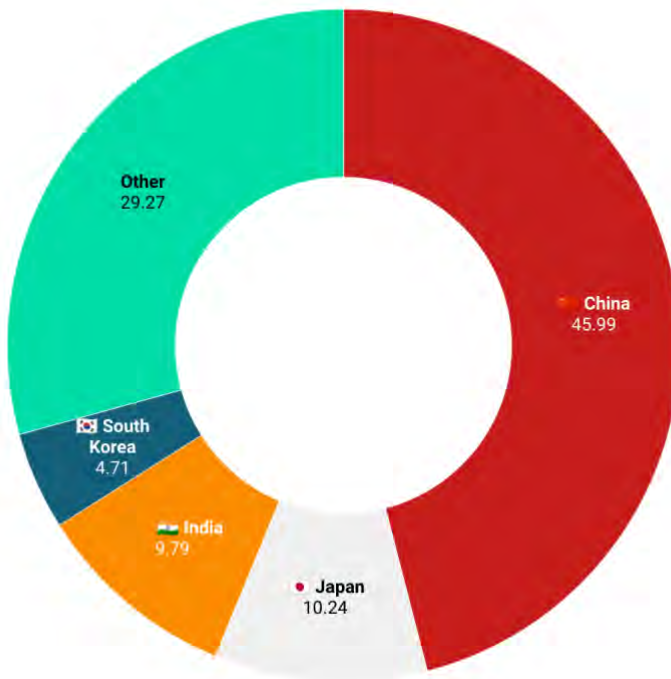
Asia's \$40 Trillion Economic Powerhouse

Asia's economic landscape continues to be dominated by China, Japan, and India, with the region's total GDP reaching an estimated \$40 trillion in 2024. China alone accounts for \$18.3 trillion, making up approximately 46% of Asia's total economy, followed by Japan (\$4.1 trillion) and India (\$3.9 trillion). Together, these three economies represent 66% of Asia's GDP, highlighting their central role in shaping regional and global economic trends.

Beyond the top three, South Korea (\$1.9 trillion), Indonesia (\$1.4 trillion), Türkiye (\$1.3 trillion), and Saudi Arabia (\$1.1 trillion) round out the largest economies, with the top 10 economies collectively making up 85% of Asia's GDP. Smaller but significant contributors include Taiwan (\$775 billion), Hong Kong (\$402 billion), and Vietnam (\$466 billion). The data underscores the region's economic diversity, with rising players like Bangladesh (\$451 billion) and the Philippines (\$470 billion) gaining ground. The statistics reaffirm Asia's pivotal role in the global economy, with emerging markets poised for further growth in the coming years.

Asia's \$40 Trillion Economic Powerhouse

■ China
 ■ Japan
 ■ India
 ■ South Korea
 ■ Other



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3. MAP OF THE WEEK

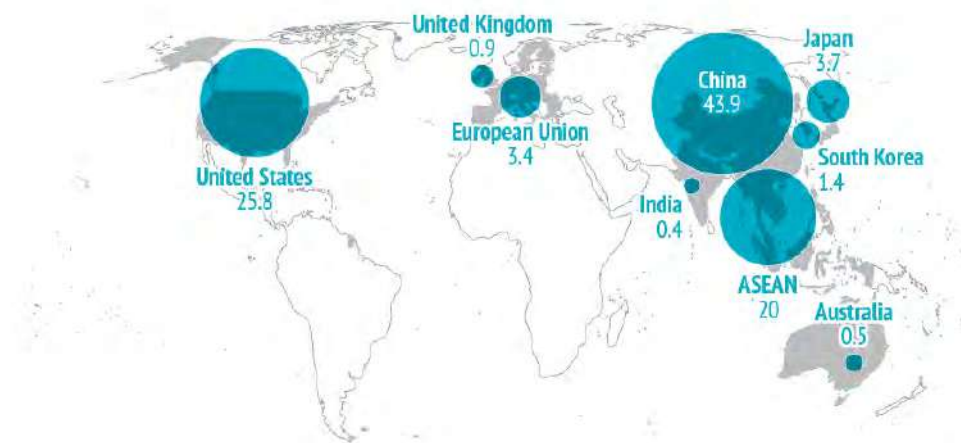
Strategic Influence in Southeast Asia

Southeast Asia remains a geopolitical battleground where China and the United States wield the most significant political and strategic influence. According to survey data, 43.9% of respondents perceive China as the most influential actor in the region, reflecting Beijing’s deep economic ties, strategic investments, and assertive policies in the South China Sea. The United States follows with 25.8%, underscoring its enduring military alliances, economic partnerships, and diplomatic engagement in regional security frameworks.

While Japan (3.7%), the European Union (3.4%), and ASEAN itself (20%) retain a role in shaping Southeast Asia’s strategic direction, their influence is comparatively limited. South Korea (1.4%), Australia (0.5%), and India (0.4%) struggle to assert broader geopolitical sway, reinforcing the perception of an increasingly bipolar dynamic dominated by Washington and Beijing. As multipolarity intensifies, regional actors are diversifying their partnerships, evidenced by Indonesia’s entry into BRICS+ and ASEAN’s push for strategic autonomy. For Europe, the challenge is evident—without a cohesive Indo-Pacific strategy, its relevance in Southeast Asia risks further decline amid shifting geopolitical currents.

Strategic influence

% of respondents who think that country/regional organisation has the most political and strategic influence in Southeast Asia?



<https://www.iss.europa.eu/publications/briefs/geopolitics-multipolarity-how-counter-europes-waning-relevance-southeast-asia>

4. PHOTO OF THE WEEK

A Warm Gesture in U.S.-Japan Relations

In a symbolic moment at the White House, Japanese Prime Minister Shigeru Ishiba holds up a photobook of Donald Trump, gifted to him during a joint press conference with the U.S. president. The image encapsulates the cordial atmosphere of Ishiba's first summit with Trump, where the Japanese leader skillfully navigated diplomatic concerns while fostering a personal rapport with Washington's unpredictable leader. Against the backdrop of economic uncertainty and Trump's push for "reciprocal" tariffs, Ishiba's low-key but strategic diplomacy ensured that Japan's security ties with the U.S. remained intact, while laying the groundwork for deeper economic cooperation.

Despite Tokyo's lingering concerns about potential trade pressures, the meeting reinforced the enduring strength of the U.S.-Japan alliance. Ishiba's approach—marked by diplomatic warmth and strategic engagement—contrasts with the tense trade negotiations faced by other U.S. allies like Canada and Mexico. His successful summit strategy highlights Japan's balancing act in maintaining a strong partnership with the U.S. while navigating the uncertainties of Trump's economic policies.



Ishiba holds a photograph of Trump given to him during a news conference in the White House. - Photographer: Stefani Reynolds/Bloomberg

<https://www.bloomberg.com/news/articles/2025-02-09/japan-s-ishiba-shows-how-to-work-with-trump-in-first-summit>

5. INFOGRAPHIC OF THE WEEK

China Strikes Back – Retaliatory Tariffs Against Trump's Trade Moves

This week's infographic highlights the escalating trade war between the U.S. and China, following President Donald Trump's decision to impose an additional 10% tariff on all Chinese imports. The move revives trade tensions from Trump's first term, prompting China's swift retaliation with tariffs ranging from 10% to 15% on key U.S. exports, including liquefied natural gas (LNG), coal, crude oil, agricultural machinery, and automobiles. These tariffs, effective from February 10, signal a broader economic confrontation between the world's two largest economies.

Beyond tariffs, China has introduced export controls on rare metals such as tungsten and tellurium-related materials, which are critical for industrial, defense, and renewable energy applications. These restrictions could disrupt global supply chains, particularly in high-tech and defense sectors, amplifying market uncertainty. As trade tensions reignite, key implications include a hit to the energy sector, increased geopolitical friction, and broader economic volatility. This infographic from EuroHub4Sino provides a concise visual breakdown of the latest developments, underscoring the growing economic rift between Washington and Beijing.



6. REGIONAL ALLIANCES

Philippines and Canada Finalizing Defense Pact

The Philippines continues to expand its defense alliances, reinforcing regional security partnerships amid growing tensions in the Indo-Pacific. The latest development in this strategy is the finalization of a defense pact with Canada, which will enhance joint military exercises and multilateral training. This agreement aligns with Manila's broader goal of diversifying its defense partnerships beyond traditional allies like the United States and Australia, as it navigates increasing challenges in the South China Sea.

Philippines-Canada Defense Pact

The Status of Forces Visiting Agreement (SOFA) between the Philippines and Canada is in its final negotiation phase, according to Canadian Ambassador David Hartman. This pact will allow larger-scale military drills and operations, increasing Canada's direct involvement in the Indo-Pacific's security architecture. Canada has steadily expanded its military footprint in the region, conducting naval patrols and joining multilateral exercises alongside the United States, Japan, Australia, and the Philippines. The agreement is expected to strengthen Manila's external defense posture, further enabling joint maritime operations in contested waters.

Broader Security Cooperation

Beyond Canada, the Philippines is deepening its security ties with additional partners. In July 2024, the Philippines and Japan signed a Visiting Forces Agreement (VFA), which is currently awaiting ratification by Japanese lawmakers. Meanwhile, Manila is pursuing similar defense pacts with France and New Zealand, further integrating itself into a network of like-minded Indo-Pacific security partners. The U.S.-Japan-Philippines trilateral security framework continues to evolve, with increased joint patrols and military cooperation aimed at countering China's maritime expansion. Australia has also strengthened its defense collaboration with the Philippines, expanding joint naval exercises under the Enhanced Defense Cooperation Program (EDCP).

Strategic Implications

The Philippines' expanding security alliances reflect its growing role as a key player in Indo-Pacific stability. By diversifying its defense partnerships beyond its traditional reliance on the United States, Manila is building a more resilient and cooperative regional security structure. The strengthening of military agreements with Canada, Japan, and other allies signals a unified regional response to challenges in the South China Sea. As these alliances take shape, they will play a crucial role in upholding international law, ensuring freedom of navigation, and reinforcing deterrence against external threats.

Conclusion

With new defense agreements in the pipeline and existing partnerships expanding, the Philippines is positioning itself at the center of a growing Indo-Pacific security network. The finalization of the Philippines-Canada SOFA, alongside ongoing bilateral and trilateral initiatives with Japan, the U.S., and Australia, underscores Manila's proactive approach to regional security. As geopolitical tensions persist, these alliances will be critical in shaping the strategic landscape of the Indo-Pacific.

7. ANALYSIS

The U.S.-China Trade War Escalates Again – Strategic Moves and Global Implications

The U.S.-China trade war has reignited, with President Donald Trump imposing a 10% tariff on all Chinese imports, prompting Beijing's measured yet strategic retaliation. China's response, which includes tariffs on U.S. energy exports, export restrictions on rare metals, and an antitrust investigation into Google, signals a calculated approach to managing tensions while leaving room for negotiation. The unfolding trade dispute is set against the backdrop of broader geopolitical frictions, including technology competition, military posturing in the Indo-Pacific, and economic restructuring efforts in both economies.

Background and Context

Trade tensions between the United States and China have fluctuated since Trump's first presidency, when tariffs and export controls on Chinese goods and technology first intensified. While President Joe Biden maintained and expanded many of these measures, the new round of tariffs under Trump's administration signals a more aggressive stance. Unlike his previous term, Trump has tied these trade measures directly to national security concerns, particularly China's alleged role in the fentanyl crisis. Beijing, meanwhile, is pursuing a more diversified trade strategy to reduce its dependency on the U.S. market while leveraging its dominance in key strategic industries such as critical minerals and advanced manufacturing.

Key Developments

The current escalation in the U.S.-China trade conflict is marked by several critical developments:

- Trump's 10% tariff on all Chinese imports took effect, significantly impacting global supply chains.
- China responded with selective tariffs ranging between 10% and 15% on U.S. coal, crude oil, liquefied natural gas, agricultural machinery, and automobiles.
- Beijing imposed new export restrictions on rare metals, including tungsten, a key component for semiconductor and defense manufacturing.
- The Chinese government launched an antitrust investigation into Google, a move seen as retaliatory against U.S. tech dominance.
- China added U.S. biotech giant Illumina and fashion retailer PVH Group (owner of Calvin Klein and Tommy Hilfiger) to its "unreliable entity list", further straining economic ties.

While these measures indicate a tit-for-tat response, China's relatively restrained retaliation suggests a willingness to negotiate, as opposed to the full-scale economic confrontation seen in Trump's first term.

Strategic Implications for the Global Economy

The renewed trade war between the world's two largest economies has far-reaching implications for global markets:

- **Supply Chain Disruptions:** The tariffs and export restrictions could raise costs for manufacturers, particularly in energy, automotive, and semiconductor industries.
- **Technology and Innovation Risks:** China's probe into Google and restrictions on rare metals are part of an ongoing battle for tech dominance, potentially accelerating the decoupling of U.S. and Chinese technology ecosystems.
- **Energy Markets Instability:** China's tariffs on U.S. crude oil, LNG, and coal could redirect energy trade flows, affecting major exporters like Australia, Qatar, and Russia.
- **Geopolitical Realignment:** The trade dispute may push China to strengthen its economic ties with Europe, Southeast Asia, and the BRICS bloc, further reshaping global trade alliances.

U.S. and China's Calculations: Escalation or Resolution?

Despite the harsh rhetoric, both Washington and Beijing have signaled potential off-ramps for de-escalation:

- Trump's decision to impose 10% tariffs instead of the 60% he promised during his campaign suggests he wants to maintain leverage without immediately crippling U.S.-China trade.
- China's limited tariff response, covering only \$14–20 billion of U.S. goods, indicates a desire to avoid further economic strain amid its ongoing economic slowdown.
- The expected phone call between Trump and Chinese President Xi Jinping presents a crucial opportunity for bilateral negotiations.

That said, further escalation remains a strong possibility, particularly if Trump follows through with his broader protectionist trade agenda or if China targets more strategically sensitive industries like semiconductors or aviation.

Conclusion

The latest phase of the U.S.-China trade war reflects a delicate balance between confrontation and negotiation. While both sides have taken measures to assert economic pressure, their responses have been calibrated to avoid a complete rupture in trade relations. The **outcome of upcoming diplomatic engagements between Washington and Beijing will be crucial in determining whether this dispute remains a controlled trade standoff or escalates into a wider economic conflict with global ramifications. As businesses, investors, and policymakers navigate the uncertainty, the resilience of global trade networks and economic diplomacy will be put to the test.

