

## Welcome to This Week's Asia on the Horizon

(05 MAY 2025)

This week's Asia on the Horizon unfolds against a backdrop of sharpening rivalry, accelerating militarization, and deepening diplomatic fragmentation across the Indo-Pacific. As global power centers brace for intensified economic decoupling and regional flashpoints escalate, the region is no longer just a theater of contestation—it is the fulcrum upon which the future shape of global order will pivot.

At the heart of this edition lies a stark data point: military expenditure in the Asia-Pacific has surged to an all-time high of \$629 billion, with China accounting for nearly half. The SIPRI report that anchors our Analysis of the Week paints a portrait of a region where deterrence is fast becoming doctrine, and where defense budgets are being shaped less by national needs than by shared insecurity. Japan's record-breaking defense budget increase, North Korea's destroyer-class warship test, India's \$7.4 billion Rafale naval deal, and the Philippine-American "Reciprocal Access Agreement" all mark a decisive strategic shift toward preparedness, resilience, and hard power signaling.

Geoeconomic tensions continue to inflame the region's strategic recalibration. As President Trump doubles down on his tariff-first doctrine, U.S.-China trade relations remain in free fall. China's manufacturing slowdown and retaliatory moves against Boeing aircraft underscore the fragility of global supply chains now subject to geopolitical leverage. While China signals conditional openness to dialogue, insisting on the removal of unilateral tariffs, Washington continues to escalate its pressure campaign. Against this volatile backdrop, our Infographic of the Week captures the competing narratives of strategic resolve and tactical flexibility in the trade war, while the Statistics of the Week reveal how rising military expenditures reflect not only security concerns but also the economic realignment underway in a militarizing Indo-Pacific.

Diplomatic recalibrations are equally telling. Japan is stepping into a visible leadership role in Southeast Asia, with back-to-back high-level visits to Vietnam and the Philippines showcasing Tokyo's quiet but strategic resolve to shape a minilateral Indo-Pacific order. South Korea deepens its economic engagement with Indonesia, while India finalizes landmark defense technology deals with both the U.S. and France. These overlapping initiatives reveal a region hedging against great-power confrontation by strengthening intra-Asian resilience and diversifying strategic dependencies.

The week also spotlights how nontraditional alignments are redrawing global partnerships. North Korea's open deployment of troops to Ukraine marks its most provocative international intervention in decades, aligning itself firmly with Russia. Meanwhile, China's visible diplomatic embrace of Iran ahead of nuclear talks in Rome reinforces Beijing's growing footprint in the Middle East. Our Photo of the Week captures the parallel symbolism in the deepening China-Brazil relationship, highlighting the cohesion of the Global South as a counterweight to Western fragmentation.

Yet, beneath the great-power choreography, unresolved tensions persist. The Kashmir crisis—ignited by a deadly militant attack—has edged India and Pakistan closer to confrontation, with nightly exchanges of fire, stalled diplomacy, and escalating rhetoric. At the same time, long-term structural risks loom large. Our Map of the Week shifts focus to the region’s deepening demographic crisis, spotlighting collapsing fertility rates across East and Southeast Asia. As policymakers contend with immediate security flashpoints, the slow-burn challenges of population decline threaten to erode economic resilience and reshape the region’s future workforce and welfare systems.

Finally, in democratic arenas, voters in Singapore and Australia delivered mandates for stability and continuity, resisting the global trend of anti-incumbent backlash. These electoral outcomes suggest that in a time of rising uncertainty, electorates may increasingly prioritize steady hands over radical disruption.

From defense budgets and demographic decline to diplomatic brinkmanship and soft-power pivots, this week’s developments reveal a region caught between fragmentation and reconfiguration. The Indo-Pacific is not simply adapting to global change—it is increasingly driving it.

As always, Asia on the Horizon offers the clarity, depth, and context needed to navigate these unfolding dynamics.



## 1. KEY DEVELOPMENTS

### Asia-Pacific Military Spending Surges Amid Strategic Competition

Military expenditure in the Asia-Pacific reached a record high of \$575 billion in 2024, continuing a 35-year upward trend and marking a 4.6% increase from the previous year, according to the latest SIPRI data. The region's rise in spending reflects intensifying strategic rivalries, particularly between China, the United States, and their respective partners. China alone accounted for 49% of all military spending in Asia and Oceania, spending an estimated \$296 billion—the second highest globally. Japan, South Korea, and Australia also recorded significant increases, citing threats from North Korea and tensions in the Taiwan Strait and South China Sea. Notably, Japan's spending rose for the 12th consecutive year, reflecting Tokyo's new defense strategy focused on counter-strike capabilities and regional deterrence.

Southeast Asian nations also increased their defense budgets, albeit at a slower pace, signaling growing unease over China's assertiveness and broader regional instability. Countries like Vietnam, the Philippines, and Indonesia have modestly ramped up spending, in part to modernize aging military infrastructure and enhance maritime security. Across the region, governments are investing in air and naval capabilities, cyber defense, and joint interoperability with U.S. and allied forces. The SIPRI report underscores how the Asia-Pacific has become a central theater of global military buildup, with defense budgets increasingly shaped by geopolitical flashpoints rather than domestic threats. As U.S.-China tensions deepen and flashpoints from Taiwan to the South China Sea intensify, the trajectory of military spending in the region shows no sign of slowing.

### U.S. Importers Shift Away from Chinese Goods Amid Tariff Concerns

U.S. importers are increasingly diverting shipments away from China in response to the latest round of tariffs imposed by the Trump administration. The Financial Times reports a notable decline in Chinese goods arriving at U.S. ports, as businesses seek to mitigate the impact of heightened trade tensions. This shift is evident in the reduced volume of Chinese imports at major entry points, signaling a strategic move by companies to diversify their supply chains and avoid potential cost increases associated with the tariffs.

The first container shipments from China subjected to the new levies are expected to arrive in the U.S. in the coming week, prompting importers to reassess their sourcing strategies. This development underscores the broader implications of the ongoing U.S.-China trade dispute, highlighting the challenges businesses face in navigating an increasingly complex global trade environment. As companies adapt to these changes, the long-term effects on trade patterns and economic relations between the two nations remain to be seen.

## **Philippines Refutes Reports of Chinese Seizure of Disputed Reef**

The Philippines has denied claims that China has seized control of Sandy Cay, a disputed reef in the South China Sea. Chinese state broadcaster CCTV had reported that its coast guard personnel landed on Sandy Cay and raised the Chinese flag, suggesting an assertion of sovereignty. However, Philippine National Security Council spokesperson Jonathan Malaya stated that a Philippine team visited the sandbars and found no Chinese presence, labeling the reports as "irresponsible" and assuring the public that the Pagasa Cays remain under Philippine control.

Sandy Cay is located near Thitu Island, the largest of the nine features occupied by the Philippines in the Spratly archipelago. The area is strategically significant and is claimed by multiple countries, including China, the Philippines, Vietnam, and Taiwan. The incident underscores ongoing tensions in the South China Sea, where China's expansive claims and activities have been a source of friction with neighboring countries.

## **North Korea Confirms Troop Deployment to Russia, Deepening Military Alliance**

North Korea has officially acknowledged the deployment of troops to support Russian forces in Ukraine, marking its first confirmed overseas military engagement since the Korean War. State media KCNA reported that the decision, made by leader Kim Jong Un under a strategic partnership treaty with President Vladimir Putin, involved sending approximately 14,000 soldiers, including reinforcements, to assist in recapturing Russia's Kursk region. While Moscow claims the area has been cleared of Ukrainian forces, Kyiv disputes this, asserting ongoing operations in the region.

The deployment has drawn international condemnation. The U.S. State Department criticized it as a violation of U.N. Security Council resolutions, while South Korea labeled the move "inhumane and immoral." Analysts suggest the announcement serves to showcase the strengthening alliance between Pyongyang and Moscow, potentially setting the stage for a forthcoming Kim-Putin summit. Reports indicate that North Korean troops have suffered significant casualties due to inadequate equipment and lack of experience in modern warfare. Ukraine claims to have eliminated a unit of 25 North Korean soldiers in recent operations.

## **Japan and Vietnam Strengthen Free Trade and Security Cooperation Amid Regional Tensions**

Japanese Prime Minister Shigeru Ishiba's official visit to Hanoi on April 28 reaffirmed growing strategic alignment between Japan and Vietnam as both nations face shared concerns over regional security and economic instability. During talks with Vietnamese Prime Minister Pham Minh Chinh, the two sides pledged joint support for a rules-based international order, emphasizing their commitment to free trade amid escalating U.S.-China trade tensions. The leaders signed agreements to deepen cooperation in digital technology, energy, infrastructure, and supply chain resilience.

The visit highlighted Japan's increasing economic and security engagement in Southeast Asia, particularly as China expands its regional influence and the global trading system faces fragmentation. Ishiba reiterated Japan's intention to enhance defense collaboration, citing freedom of navigation in the South China Sea and concerns over unilateral changes to the status quo. The Hanoi stop is part of a broader Japanese push to strengthen ties with ASEAN nations, and it coincides with Vietnam's own efforts to navigate geopolitical turbulence while preserving its strategic autonomy.

### **South Korea Deepens Economic Ties with Indonesia through \$17 Billion Investment Surge**

South Korean companies are significantly boosting their economic footprint in Indonesia, with new investments totaling \$17 billion across key sectors including electric vehicles, renewable energy, and petrochemicals. Indonesia's Coordinating Minister for Maritime and Investment Affairs, Luhut Pandjaitan, announced the surge following his visit to Seoul, emphasizing that the deals align with Indonesia's green industrialization goals and President Yoon Suk Yeol's push for closer strategic and economic ties with Southeast Asia.

The announcement underscores South Korea's growing commitment to regional supply chain integration and reflects Jakarta's central role in Asia's clean energy and critical mineral ecosystems. The investments follow the 2023 bilateral agreement to strengthen economic and security cooperation, and they come amid intensifying U.S.-China competition in the Indo-Pacific. As Indonesia seeks to position itself as a hub for electric vehicle manufacturing and battery production, Seoul's increased capital inflow is poised to cement a long-term strategic partnership in the region.

### **India and France Finalize \$7.4 Billion Rafale Deal to Bolster Naval Air Power**

India has signed a landmark \$7.4 billion deal with France to acquire 26 Rafale Marine fighter jets, marking a major step in modernizing the Indian Navy's carrier-based aviation capabilities. The agreement, finalized during high-level defense talks, will equip India's indigenous aircraft carrier INS Vikrant with cutting-edge multirole fighters, further cementing the strategic defense partnership between New Delhi and Paris.

This deal strengthens India's naval deterrence posture in the Indo-Pacific amid heightened maritime tensions and growing Chinese assertiveness. It also highlights France's expanding role as a key defense supplier to India, complementing previous deliveries of Rafale jets to the Indian Air Force. As the geopolitical landscape evolves, the India-France defense axis continues to gain momentum, reinforcing both countries' commitment to security cooperation, technology transfer, and joint production in critical defense domains.

## **Kashmir Crisis Deepens: Cross-Border Fire, Diplomatic Maneuvers, and Fears of Escalation**

Tensions between nuclear-armed neighbors India and Pakistan have intensified to their highest level in recent years following a brutal attack on Indian tourists in Kashmir that killed 26 and injured 17. Indian authorities blamed Pakistan-based militant groups for the assault and swiftly summoned Islamabad's top diplomat. In a move that underscores the gravity of the crisis, New Delhi convened an all-party meeting to build a national consensus on its response. Over the past week, small arms fire has been exchanged nightly across the Line of Control (LoC), marking the fourth consecutive evening of direct clashes, raising alarm over a possible military confrontation.

Pakistan's defense minister further escalated tensions by claiming that a military incursion by India was "imminent," while Islamabad denied any involvement in the attack and called for an international investigation. Meanwhile, Kashmiris on both sides of the LoC are preparing for the worst—stockpiling essentials and bracing for full-scale conflict amid rising rhetoric. India's diplomatic offensive has also extended to international financial institutions; New Delhi formally urged the International Monetary Fund to reconsider loans to Pakistan, citing its alleged support for cross-border militancy.

At the international level, the United States has been drawn into crisis management efforts. U.S. Vice President J.D. Vance warned that while India has the right to demand accountability, its response should "avoid a regional war." Indian Foreign Minister S. Jaishankar, in a meeting with U.S. Secretary of State Marco Rubio, reiterated India's demand for the perpetrators to be brought to justice. Despite these efforts, border tensions show no sign of abating, with troops deployed along key flashpoints and both governments exchanging accusations daily. As civilians along the LoC continue to live under siege-like conditions, the region stands on the brink of another dangerous spiral unless de-escalation mechanisms are urgently activated.

## **U.S.-China Tariff War Grounds Boeing Deliveries, Disrupts Global Aviation**

The escalating U.S.-China trade conflict has significantly impacted the aviation industry, with both Chinese airlines and Boeing facing substantial challenges. China's Commerce Ministry reported that U.S.-imposed tariffs have severely affected operations, leading to disruptions in global supply chains, air transport, and investment activities. In a notable development, Boeing repatriated three 737 MAX aircraft originally destined for Chinese customers, as these clients declined deliveries amid the trade tensions.

The situation has prompted Boeing to consider reselling dozens of aircraft initially intended for China, highlighting the broader implications of the trade dispute on the aerospace sector. China has responded by expressing a willingness to support normal business cooperation and has granted tariff exemptions on certain U.S. aerospace components, such as engines and landing gear, to mitigate the impact.



## Japan Warns U.S. Tariffs Could Undermine Indo-Pacific Security

Japan's ruling Liberal Democratic Party policy chief, Itsunori Onodera, has cautioned that U.S. President Donald Trump's proposed reciprocal tariffs could negatively impact security in the Indo-Pacific region. Speaking at the Center for Strategic and International Studies in Washington, Onodera emphasized concerns that such tariffs might drive Southeast Asian nations away from the U.S., thereby weakening regional security alliances.

The U.S. has imposed a 24% tariff on Japanese exports and a 25% duty on cars, with a universal 10% tariff currently in place. These measures have raised fears in Tokyo about potential economic and strategic rifts, particularly with ASEAN countries. Japan's trade negotiator, Ryosei Akazawa, is set to engage in further discussions in Washington to address these concerns.

Onodera highlighted Japan's significant investments in the U.S. and contributions to shared security, warning that economic strain on Japanese firms could reduce their ability to support U.S. interests. He also expressed concern that reduced U.S. global engagement, such as the dismantling of USAID, could allow China to expand its influence, suggesting that Japan could help compensate for U.S. retrenchment.

## Japan and the Philippines Deepen Strategic Ties Amid Regional Tensions

Japanese Prime Minister Shigeru Ishiba's recent visit to the Philippines marked a significant step in strengthening the strategic partnership between the two nations. During his two-day trip, Ishiba met with President Ferdinand Marcos Jr. to discuss enhancing security and economic cooperation, particularly in light of increasing regional tensions in the Indo-Pacific. The leaders focused on the implementation of the Reciprocal Access Agreement (RAA), a landmark pact allowing mutual deployment of forces for joint training and disaster response. While the Philippines has ratified the agreement, it is still pending approval from Japan's legislature.

The discussions also addressed the challenges posed by China's assertive actions in the South China Sea and the broader implications of global trade disputes, including U.S. tariffs. Both leaders emphasized the importance of a free and open Indo-Pacific and a rules-based international order. Additionally, they explored the potential for an information security agreement to facilitate the exchange of confidential information, further bolstering security cooperation. Japan's commitment to supporting the Philippines through its official security assistance program was also reaffirmed, highlighting the deepening defense and economic ties between the two nations.

## North Korea Showcases Naval Leap with First Test of New Destroyer-Class Warship

North Korea has conducted the first test-firing of its newly unveiled "Choe Hyon-class" warship's weapons system, marking a significant advancement in its naval capabilities. The test, which included the launch of cruise and anti-air missiles along with artillery fire, was overseen by leader Kim Jong Un and senior officials, according to state media KCNA.

The 5,000-tonne "Choe Hyon-class" destroyer, named after anti-Japanese revolutionary fighter Choe Hyon, is equipped with advanced weaponry and is slated to enter naval service early next year. During the test, Kim emphasized the need to accelerate the navy's nuclear armament to ensure maritime sovereignty and national defense.

Analysts note that the ship's design includes features such as vertical launch systems and phased-array radars, suggesting a significant leap in North Korea's naval technology. However, satellite imagery indicates that the vessel may still require additional work before it can operate under its own propulsion.

This development is part of North Korea's broader efforts to modernize its military forces, including recent advancements in tank production and drone technology.

## China's Factory Activity Contracts Sharply in April Amid Escalating U.S. Tariffs

China's manufacturing sector experienced its steepest contraction in 16 months in April 2025, as the impact of U.S. President Donald Trump's latest tariff measures took a significant toll on industrial output. The official Purchasing Managers' Index (PMI) fell to 49.0 from 50.5 in March, dipping below the 50-point threshold that separates growth from contraction and missing the median forecast of 49.8.

The downturn reflects the mounting pressure on China's economy from the 145% tariffs imposed by the U.S., which have curtailed export orders and disrupted global supply chains. The Caixin/S&P Global manufacturing PMI also declined to 50.4 from 51.2 in March, marking the lowest reading since January and indicating a slowdown in factory activity.

Analysts warn that the trade tensions are exacerbating existing economic challenges in China, including weak domestic demand and a persistent property crisis. Capital Economics forecasts China's GDP growth to slow to 3.5% in 2025, down from the government's target of around 5%.

In response to the economic headwinds, Chinese policymakers are expected to implement additional stimulus measures, such as interest rate cuts and increased fiscal spending, to support affected businesses and workers. However, the effectiveness of these measures remains uncertain amid the ongoing trade dispute and global economic uncertainties.



## China's Diplomatic Backing Bolsters Iran Ahead of Critical Nuclear Talks

As the United States and Iran prepare for pivotal nuclear negotiations in Rome, China has publicly endorsed Tehran's diplomatic efforts, signaling its intent to play a more assertive role in Middle Eastern affairs. During a meeting in Brazil with Ali Shamkhani, secretary of Iran's Supreme National Security Council, Chinese Foreign Minister Wang Yi commended Iran's commitment not to develop nuclear weapons and its cooperation with the International Atomic Energy Agency (IAEA). Wang emphasized China's support for ongoing dialogue between Iran and other parties, highlighting Beijing's appreciation for Tehran's diplomatic initiatives.

This development comes amid escalating tensions, with U.S. President Donald Trump threatening military action if Iran does not agree to curb its nuclear program. The U.S. has recently imposed sanctions on entities involved in Iran's petroleum trade to increase pressure ahead of the talks. China's backing of Iran underscores its growing influence in the region, following its role in facilitating the 2023 agreement that restored diplomatic ties between Iran and Saudi Arabia. However, ongoing conflicts, such as the Israel-Gaza crisis and Houthi attacks on Red Sea shipping routes, present challenges to Beijing's diplomatic ambitions.

## Trump Signals 'Potential Deals' with India, South Korea, and Japan Amid Tariff Talks

Former U.S. President Donald Trump announced that he has potential trade deals in the works with India, South Korea, and Japan, signaling a possible recalibration of U.S. trade relations in Asia amid a broader tariff-driven strategy. Speaking at a televised town hall on May 1, Trump emphasized that while he is not rushing into formal agreements, the United States is currently benefiting from its tariff leverage and is in a strong negotiating position. "We are sitting on the catbird seat," he said, suggesting that the three Asian countries are more eager to finalize trade agreements than the U.S. Trump has imposed sweeping tariffs across the globe as part of a protectionist trade policy, and these discussions appear aimed at selectively softening that stance in return for economic concessions.

In the case of India, bilateral talks have included proposals such as reducing tariffs on U.S. agricultural exports and a future-proofing "most-favored-nation" clause. South Korea has sent a delegation to Washington to negotiate tariff relief and deepen cooperation in strategic sectors like shipbuilding and energy. Meanwhile, Japan is reportedly also engaged in quiet discussions, although details remain limited. As Trump doubles down on his tariffs-first approach, these potential deals represent an attempt to balance economic assertiveness with selective diplomacy. The prospect of breakthroughs has also impacted financial markets in the region, with the Indian rupee hitting a six-month high amid investor optimism about a possible deal.

## Trump Claims Xi Reached Out Amid China's Denials of Trade Talks

President Donald Trump said he has spoken with Chinese President Xi Jinping about the ongoing tariff tensions, despite Beijing firmly denying that any economic or trade negotiations are underway. In an interview with Time magazine, Trump claimed Xi had called him but did not provide details about the conversation. When pressed again by reporters before departing for the Vatican, Trump reiterated that he has spoken with Xi "many times," yet declined to specify whether any new talks had occurred since China's imposition of 125% retaliatory tariffs against U.S. goods.

Meanwhile, China's Ministry of Commerce categorically rejected the notion of any negotiations taking place, stating there were "absolutely no negotiations" currently between the two countries. Trump maintained that the high tariff rates, now up to 145% on Chinese imports, are forcing a realignment of global trade in America's favor, boasting about reaching 200 unnamed trade agreements with other nations. As he warns of further tariff escalations following a 90-day pause on most new tariffs, Trump signaled he would consider it a "total victory" even if elevated tariff levels persist for another year, predicting massive revenues for the U.S. economy.

## China Signals Openness to Talks as U.S. Seeks Tariff Relief

Beijing has announced that the United States is showing a "clear willingness" to negotiate over punitive tariffs, and reiterated that China's door to dialogue remains open, according to remarks from the Chinese Ministry of Commerce on May 2. This follows a recent wave of rhetorical softening from Washington, where former President Donald Trump hinted at potential trade agreements with major Asian economies. While no formal negotiations have been confirmed, the Chinese side emphasized that the removal of "unilateral and unreasonable tariffs" is a prerequisite for meaningful dialogue. A spokesperson noted that bilateral discussions must be grounded in mutual respect and equality, reflecting Beijing's insistence that it will not negotiate under pressure.

The announcement comes as the U.S. faces mounting backlash from allies and industries affected by global tariff hikes. Analysts suggest China is leveraging this window to position itself as the more stable and pragmatic player in the trade war. Despite signs of thaw, Beijing has not walked back any of its retaliatory measures, including high duties on American goods and import restrictions. With both sides seemingly posturing for leverage, the international business community remains cautious, wary that any breakthrough could still be derailed by shifting political winds. Nonetheless, China's statement may mark the first tangible step toward a de-escalation of the trade standoff that has rattled global markets.

## **U.S. Approves \$131 Million Defense Tech Deal with India**

In a significant boost to U.S.-India defense ties, the United States has cleared a \$131 million sale of sophisticated defense software and communications equipment to New Delhi. The deal, announced by the U.S. Defense Security Cooperation Agency (DSCA), includes an advanced Situational Awareness System, Global Positioning System (GPS) modules, and related support for integration with Indian Air Force transport aircraft. The DSCA emphasized that the sale will improve the security of a “Major Defense Partner” and reinforce India’s capabilities in regional humanitarian assistance, disaster relief, and strategic transport operations.

This approval comes amid heightened strategic cooperation between the two countries, especially in the face of regional tensions and evolving Indo-Pacific dynamics. While the DSCA stated that the proposed sale would not alter the basic military balance in the region, it signals Washington’s commitment to deeper interoperability with India’s armed forces. The announcement follows high-level engagements in Delhi, including recent meetings between U.S. Vice President J.D. Vance and Indian Prime Minister Narendra Modi, where defense technology transfer and trade were key discussion points.

## **China's Premier Li Qiang Outlines Economic Strategy Amid Global Uncertainties**

On May 1, 2025, Chinese Premier Li Qiang delivered a comprehensive address detailing China's economic strategy in the face of global uncertainties. Emphasizing the nation's commitment to high-quality development, Li highlighted plans to boost domestic consumption, enhance innovation, and deepen international cooperation. He acknowledged the challenges posed by external factors, including trade tensions and geopolitical shifts, and underscored the importance of proactive policies to maintain economic stability. Li's speech reaffirmed China's dedication to opening up its economy and fostering a favorable environment for both domestic and foreign enterprises.

Key initiatives outlined include accelerating the development of emerging industries, such as artificial intelligence and green technology, and implementing measures to stimulate consumer spending. Li also stressed the need for structural reforms to address imbalances and promote sustainable growth. By focusing on innovation-driven development and expanding market access, China aims to navigate the complexities of the current global landscape while ensuring long-term economic resilience.

## Singapore's Ruling PAP Secures 14th Consecutive Victory, Reinforcing Political Dominance

Singapore's ruling People's Action Party (PAP) has won its 14th consecutive general election, securing 87 out of 97 parliamentary seats and increasing its vote share to 65%, up from 61% in 2020. This marks the first national mandate for Prime Minister Lawrence Wong, who succeeded Lee Hsien Loong last year. The election took place under the shadow of rising global tensions, particularly the disruptive effects of U.S. tariffs under President Donald Trump. Emphasizing continuity and competence, the PAP pledged new economic support measures, including expanded housing assistance and healthcare investments, as it seeks to steer Singapore through a volatile international landscape and persistent domestic cost-of-living concerns.

Despite the PAP's entrenched dominance, the opposition Workers' Party retained its 10 parliamentary seats, maintaining its role as the principal counterweight in Singapore's political system. Analysts describe the emerging dynamic as a "one-and-a-half party" system—acknowledging the Workers' Party's resilience without signaling a major challenge to PAP hegemony. Voter turnout remained high, and early post-election commentary suggests a citizenry cautiously seeking both stability and accountability. As geopolitical and economic headwinds intensify, the electoral outcome positions Singapore for policy continuity while keeping open channels for alternative political voices.

## Albanese Secures Second Term in Australian Landslide Victory

In a historic political comeback, Prime Minister Anthony Albanese has led Australia's Labor Party to a sweeping re-election victory, defying expectations and bucking the global "incumbency curse." With early results pointing to a significantly expanded majority, the center-left government triumphed over the conservative Liberal-National coalition, whose leader Peter Dutton not only oversaw a crushing national defeat but also lost his own parliamentary seat. Albanese hailed the win as a mandate for fairness, opportunity, and unity, while vowing to advance policies on healthcare, housing affordability, climate action, and Indigenous reconciliation. International leaders, including UK Prime Minister Keir Starmer and U.S. Secretary of State Marco Rubio, welcomed the result as a signal of continuity and partnership in an increasingly turbulent world.

Dutton's Trump-style campaign — marked by culture war rhetoric, policy backflips, and hardline stances on immigration and China — appears to have alienated moderate voters, reinforcing doubts about his leadership within the party. The result signals a renewed appetite among Australians for stability and pragmatism amid global uncertainty, and marks the first time in over two decades that a sitting Australian prime minister has won consecutive elections. As the Coalition enters a period of introspection, Labor now faces the challenge of turning its strengthened mandate into bold policy implementation, with pressure mounting to address long-standing issues like Indigenous recognition, economic inequality, and environmental protection.

## Xi to Join Putin in Moscow for Victory Day and Strategic Talks

Chinese President Xi Jinping will visit Moscow from May 7 to 10 as Russia prepares to commemorate the 80th anniversary of its World War II victory with Victory Day events on May 9. The Kremlin confirmed that Xi is making the trip at the invitation of President Vladimir Putin and will serve as the main guest at the Red Square military parade. This marks a highly symbolic moment, emphasizing deepening ties between Beijing and Moscow amid intensifying geopolitical polarization.

During the visit, Xi and Putin are expected to engage in high-level talks covering bilateral cooperation, global security issues, and regional developments. The Kremlin noted that several intergovernmental agreements will be signed. China's Foreign Ministry echoed the strategic importance of the visit, framing it as a continuation of "strategic communication" between the two powers. The timing and optics of Xi's participation in Victory Day underscore the growing alignment between China and Russia on global governance and opposition to Western-led norms.

## Lula and Wang Yi Deepen China-Brazil Strategic Partnership

On April 30, 2025, Brazilian President Luiz Inácio Lula da Silva met with Chinese Foreign Minister Wang Yi in Brasília, reaffirming the robust strategic partnership between Brazil and China. President Lula emphasized the strong mutual trust and deepening cooperation across various sectors, highlighting the importance of implementing the outcomes of President Xi Jinping's previous visit to Brazil. He expressed Brazil's commitment to enhancing high-level exchanges and expanding mutually beneficial cooperation in finance, energy, and other areas. Additionally, President Lula praised China's firm stance against "reciprocal tariffs," viewing it as a defense of international fairness and justice, and expressed Brazil's willingness to work with China to advocate for free trade and uphold international rules.

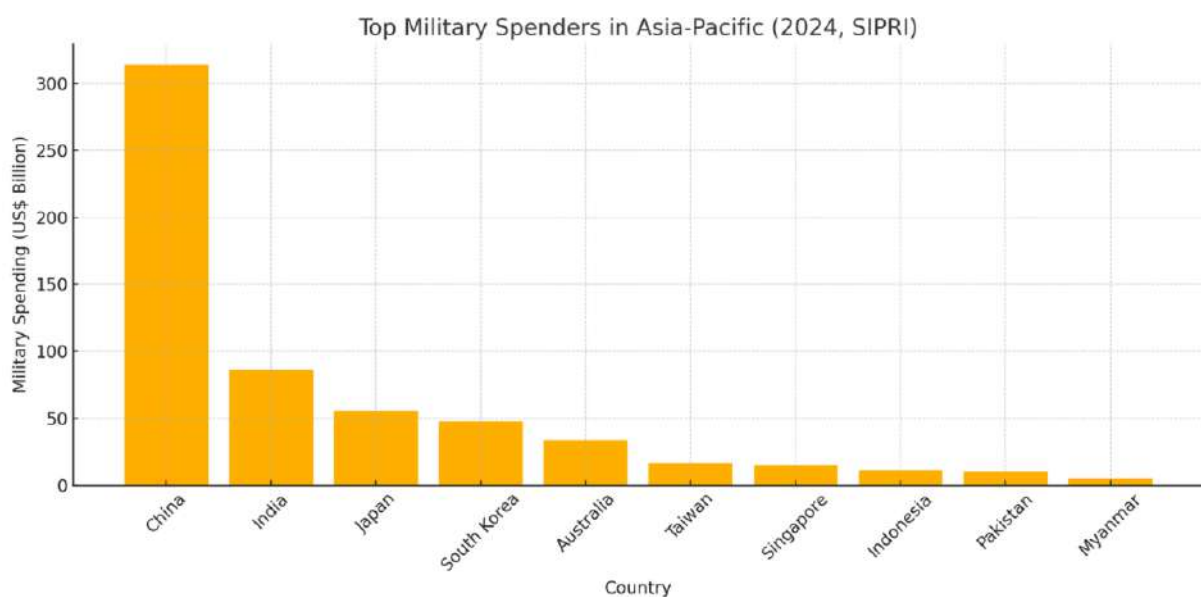
Foreign Minister Wang Yi conveyed President Xi's greetings and reaffirmed China's commitment to building a China-Brazil community with a shared future. He emphasized the importance of implementing the consensus reached by the two heads of state and strengthening cooperation within the BRICS framework and among Global South countries. Wang Yi also met with Brazilian Foreign Minister Mauro Vieira and Chief Advisor to the President Celso Amorim, discussing strategic alignment of development strategies and expressing China's support for Brazil's BRICS chairmanship. Both sides agreed on the need to uphold multilateralism, resist unilateralism, and jointly safeguard the multilateral trading system.

## 2. STATISTICS OF THE WEEK

### Asia-Pacific Military Spending Surges Amid Strategic Uncertainty

According to the latest data from the Stockholm International Peace Research Institute (SIPRI), military spending across the Asia-Pacific region continued to rise in 2024, driven by intensifying regional rivalries and global strategic uncertainty. China maintained its position as the region's largest military spender by far, allocating an estimated \$296 billion, which accounts for over 12% of global military expenditure and represents a 6% real-term increase from the previous year.

India followed with an estimated \$83.6 billion, reflecting ongoing security concerns along its borders and deepening military partnerships with Western allies. Japan and South Korea also saw significant increases in their defense budgets—\$50.2 billion and \$47.9 billion respectively—as both countries recalibrated their defense posture in response to threats from North Korea and tensions in the Taiwan Strait. Notably, Australia recorded a 3.7% real-term increase, reaching \$38.4 billion, as it advanced its Indo-Pacific defense agenda under the AUKUS framework. Together, these trends underscore the region's shift toward deterrence, resilience, and strategic realignment in the face of rising geopolitical headwinds.



**Resource:** SIPRI Trends in World Military Expenditure, 2024, <https://www.sipri.org/publications/2025/sipri-fact-sheets/trends-world-military-expenditure-2024>

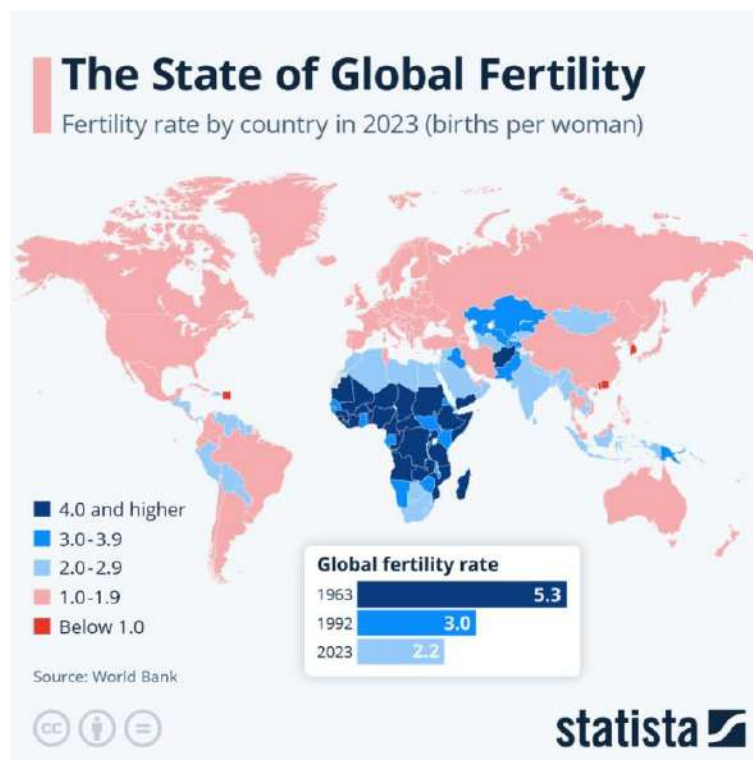


### 3. MAP OF THE WEEK

#### Asia-Pacific's Fertility Cliff: A Demographic Time Bomb

This week's map highlights a quiet yet seismic shift reshaping Asia-Pacific: the collapse of fertility rates in some of the region's most developed economies. According to the latest World Bank data visualized by Statista, South Korea continues to lead global demographic decline with a fertility rate below 1.0—one of only four places worldwide in this category, alongside Hong Kong, Macau, and Puerto Rico. Japan, too, remains firmly in the danger zone, with a fertility rate of just 1.2 in 2023, well below the population replacement threshold of 2.1.

Across much of East and Southeast Asia, fertility rates have dipped into sub-replacement levels, driven by urbanization, high living costs, delayed family formation, and expanding female education and workforce participation. Countries such as Thailand, China, and Vietnam now mirror trends long seen in Western nations. This poses grave challenges to long-term economic growth, social stability, and labor force sustainability. As Asia's population giants confront shrinking youth cohorts and aging societies, the demographic crisis may soon rival geopolitical tensions in shaping the region's future.



<https://www.statista.com/chart/16058/total-fertility-rate/>

## 4. PHOTO OF THE WEEK

### A Firm Handshake for the Global South

This week's photo captures a moment of strategic solidarity as Chinese Foreign Minister Wang Yi meets with Brazilian President Luiz Inácio Lula da Silva in the capital of Brazil. With warm expressions and clasped hands, the image reflects the growing depth of the China-Brazil relationship amid escalating global trade tensions and shifting geopolitical alignments.

The meeting highlighted shared positions on multilateralism, economic cooperation, and resistance to unilateral sanctions. Lula praised China's firm stance against "reciprocal tariffs" while reaffirming Brazil's commitment to a multipolar order and to the BRICS framework. Wang, in turn, emphasized building a China-Brazil community with a shared future, describing their partnership as a model for South-South cooperation. The image underscores the symbolic and strategic weight of the China-Brazil axis in a divided international landscape.



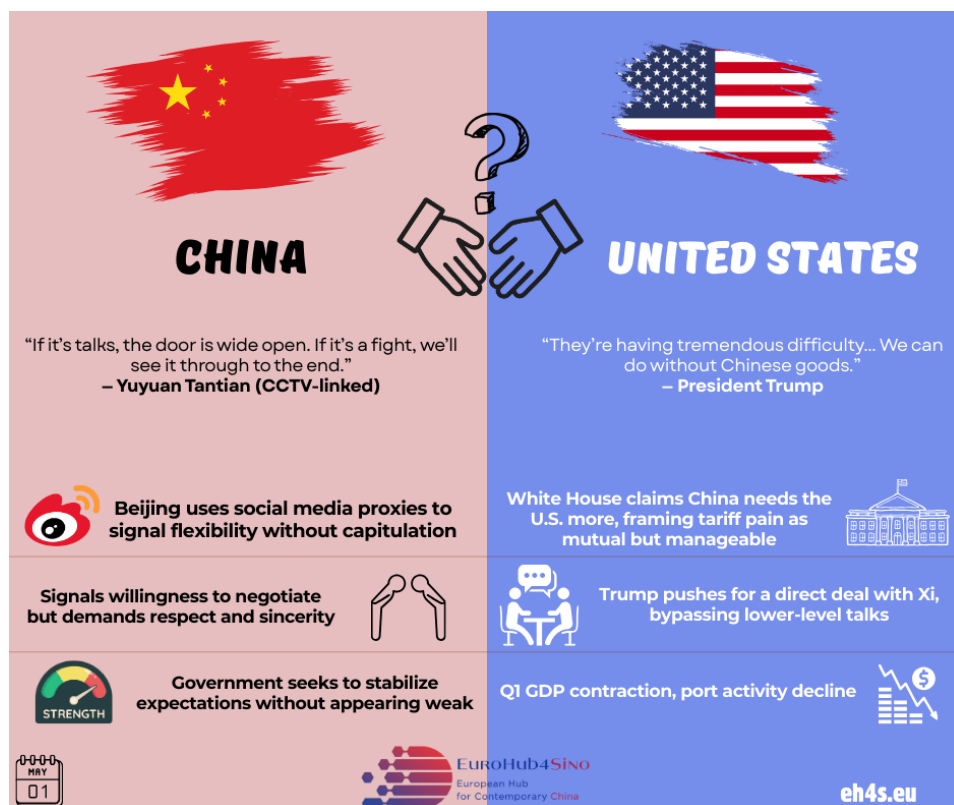
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## 5. INFOGRAPHIC OF THE WEEK

### China Signals Readiness for Talks, Trump Doubles Down on Tariffs

This week's infographic visualizes the escalating but nuanced trade standoff between the United States and China. With both sides sending mixed messages, the chart captures the core contrasts in posture. China, through media proxies like CCTV-linked commentators, signals a conditional openness to dialogue—"If it's talks, the door is wide open"—while also affirming its resolve if tensions escalate. Behind the scenes, Beijing is trying to stabilize public expectations without showing weakness, leveraging social media channels and calibrated rhetoric.

Meanwhile, Washington is intensifying pressure. President Trump's public statements frame China as the weaker party, citing port slowdowns and GDP dips, while the White House insists the U.S. can weather the economic storm. Trump's move to pursue a direct leader-level negotiation with Xi Jinping—bypassing formal channels—reflects both urgency and a transactional style aimed at securing a political win. The infographic, published by [EuroHub4Sino](https://eurohub4sino.eu), highlights the high-stakes theater of strategic signaling and brinkmanship in the evolving trade war.



## 6. REGIONAL ALLIANCES

### Japan Deepens Strategic Ties with Vietnam and the Philippines

#### Introduction: A Southeast Asian Pivot

Japanese Prime Minister Shigeru Ishiba's back-to-back visits to Vietnam and the Philippines this week underscore Tokyo's accelerating pivot toward Southeast Asia as it navigates intensifying geopolitical rivalry and regional security anxieties. Against the backdrop of China's assertive maritime posturing and a more transactional U.S. approach to alliances under President Trump, Japan is working swiftly to entrench its position as a reliable security and economic partner in the Indo-Pacific. These twin diplomatic engagements highlight a shared strategic calculus between Tokyo, Hanoi, and Manila: strengthening regional deterrence, reducing economic vulnerabilities, and bolstering supply chain resilience amid a fragmenting global order.

#### Vietnam: Trade, Tech, and Trust

In Hanoi, Ishiba and Vietnamese Prime Minister Pham Minh Chinh reaffirmed their commitment to free and open trade, emphasizing support for rules-based economic integration. Both leaders highlighted the importance of multilateral frameworks like the CPTPP and RCEP in safeguarding economic stability in the Indo-Pacific. Importantly, Tokyo pledged to enhance investment in Vietnam's high-tech and digital infrastructure sectors—an implicit hedge against both Chinese technological dominance and Western reshoring pressures.

Beyond trade, security cooperation also loomed large. Japan announced a series of capacity-building programs to support Vietnam's maritime domain awareness and coast guard modernization efforts. These initiatives align with Tokyo's broader strategy of empowering like-minded Southeast Asian partners to counterbalance Chinese influence in the South China Sea without escalating direct confrontation.

#### Philippines: A Maritime Security Nexus

In Manila, Ishiba's reception was notably warm, as he met President Ferdinand Marcos Jr. for wide-ranging talks centered on maritime security, economic cooperation, and regional stability. Japan and the Philippines formally agreed to commence negotiations on a Reciprocal Access Agreement (RAA), which would grant Japanese forces legal status to conduct joint training and disaster relief operations on Philippine soil. This mirrors Japan's recent RAAs with Australia and the United Kingdom and represents a substantial step toward interoperability with ASEAN partners.

The two leaders also signed agreements to expand Japanese investment in the Philippines' critical mineral supply chains and energy transition sectors. Notably, Japan committed over \$10 billion in infrastructure and green energy financing—a clear signal that Tokyo is not merely a security provider but a long-term development partner. With Chinese gray-zone tactics continuing to challenge Philippine sovereignty in the West Philippine Sea, Japan's role as a strategic counterweight is increasingly welcome in Manila.

## **Conclusion: Toward a Resilient Minilateralism**

Ishiba's Southeast Asia tour reflects a wider recalibration in Japan's foreign policy—a move from cautious postwar pacifism to proactive strategic engagement. The visits to Hanoi and Manila not only strengthen bilateral ties but also lay the groundwork for a more resilient, multilateral Indo-Pacific architecture. By deepening defense partnerships, expanding economic cooperation, and supporting regional sovereignty, Japan is asserting itself as a central pillar in the evolving security landscape of the Asia-Pacific. In doing so, Tokyo reinforces its message to both allies and adversaries alike: Japan is back as a shaper—not merely a participant—of regional order.

## 7. ANALYSIS

### Tensions and Trajectories: Military Spending Surges Across Asia-Pacific in 2024

In 2024, Asia and Oceania registered a combined military expenditure of \$629 billion, marking a significant 6.3% increase from the previous year and a 46% surge over the past decade. According to the Stockholm International Peace Research Institute (SIPRI), this uninterrupted rise—tracing back to the late 1980s—reflects mounting regional tensions and accelerating security competition, particularly in East Asia. The most pronounced drivers include China’s assertive posture, North Korean provocations, and great-power dynamics centered around the Taiwan Strait and South China Sea. The report underscores the region’s evolving defense landscape, highlighting the growing strategic investments by major and middle powers across subregions.

#### Regional Hotspots: East Asia’s Expanding Arsenal

East Asia remained the epicenter of Asia-Pacific military spending in 2024, accounting for \$433 billion—nearly 70% of the region’s total. Japan’s defense budget soared by 21% to \$55.3 billion, its largest increase since 1952. This steep rise reflects Tokyo’s new five-year defense buildup plan focusing on long-range strike capabilities and missile defense—evidenced by the \$13 billion allocated to U.S.-made systems alone. Meanwhile, South Korea raised its military spending by 1.4% to \$47.6 billion, maintaining the region’s highest military burden at 2.6% of GDP. Its procurement of ballistic missiles and F-35As continued amid growing threats from North Korea.

Taiwan also recorded a 1.8% increase in military outlays, bringing its defense budget to \$16.5 billion—up 48% from 2015. In 2024, Taipei expanded its investment in indigenous UAVs and anti-drone systems while earmarking 18% of its budget for U.S.-sourced naval assets and upgrades to its F-16 fleet. The defense posture of these actors reflects a shared concern over Chinese military assertiveness and a desire to reinforce deterrence capabilities.

#### South and Southeast Asia: Uneven Growth, Escalating Risks

Southeast Asia saw military spending grow by 7.5% to \$54.9 billion in 2024. Myanmar’s defense budget stood out with a 66% rise to \$5.0 billion—driven by escalating internal conflicts and rebel offensives. The military burden of 6.8% of GDP was the highest in the region and second globally only to Ukraine. While Indonesia, Vietnam, and the Philippines have increased allocations moderately, SIPRI notes a shift toward naval modernization and anti-access capabilities to confront maritime threats.

South Asia’s military expenditure rose by just 1% to \$102 billion, primarily shaped by India’s growing defense procurement and Pakistan’s budgetary constraints. India’s push for strategic autonomy and modernization—evident in its recent Rafale acquisitions and U.S. defense software deals—signals sustained upward pressure on regional military budgets amid Indo-Pakistani and Sino-Indian rivalries.



## **Conclusion: The Indo-Pacific at an Inflection Point**

SIPRI's 2024 report reinforces the view that the Asia-Pacific is undergoing a structural military recalibration. With escalating security flashpoints—from Taiwan to the South China Sea—and increasing great-power rivalry, countries in the region are pouring resources into deterrence, resilience, and technological superiority. The pace and magnitude of these investments reflect a broader shift: from reactive posturing to proactive militarization. As defense spending surges across the region, questions remain over the long-term fiscal sustainability and the prospects for arms control or confidence-building in an increasingly polarized Indo-Pacific order.

