

Welcome to This Week's Asia on the Horizon

(12 MAY 2025)

Amid a rapidly shifting geopolitical landscape, this week's Asia on the Horizon brings you into the heart of a region straddling diplomacy and danger, resilience and rivalry. From the fragile ceasefire along the Line of Control between India and Pakistan to the deepening embrace between China and Russia in Moscow, Asia is once again proving that its regional developments carry global consequences.

In South Asia, the subcontinent has narrowly stepped back from the edge, following two weeks of unprecedented military escalation. While the guns have fallen silent for now, the strategic calculus on both sides appears more volatile than ever. We dissect the drivers behind the flare-up—and what could trigger the next one.

Meanwhile, President Xi Jinping's visit to Moscow has reset the coordinates of great-power alignment. As Western nations struggle with unity, the China–Russia axis appears more deliberate, more strategic, and more defiant. In this issue, we analyze how this partnership could reshape Eurasia's balance of power, with ripple effects across the Indo-Pacific.

From Australia's recalibrated approach to U.S.–China rivalry to the Philippines' escalating tensions with Beijing in contested waters, we highlight how middle powers are reasserting agency in a polarized world. Our regional alliances section explores the outcomes of the ASEAN+3 finance ministers' summit in Milan—a rare moment of forward-looking multilateralism.

This week's data spotlight falls on U.S. dependence on Chinese rare earths—an invisible but vital front in the global tech rivalry. Our map and photo of the week transport you to the fault lines of conflict and cooperation, from Kashmir's contested skies to a gilded Kremlin tea room where strategy is brewed behind smiles.

Stay informed. Stay ahead.



1. KEY DEVELOPMENTS

Fragile Ceasefire Halts India–Pakistan Spiral—For Now

After nearly two weeks of escalating hostilities, India and Pakistan have entered what appears to be a fragile and undeclared ceasefire, halting the most dangerous phase of their standoff since the 2019 Pulwama-Balakot crisis. The sudden calm comes after an alarming sequence of events that pushed the nuclear-armed neighbors to the brink of direct conflict, with both capitals rocked by explosions, proxy clashes, and veiled nuclear signaling.

The current pause—described by U.N. officials as “tenuous but holding”—follows a series of cross-border strikes and military posturing that began in early May. On May 5, Pakistan test-launched its nuclear-capable Ababeel missile in what Islamabad described as a response to India’s growing military assertiveness in Kashmir and its abrupt suspension of the Indus Waters Treaty—a cornerstone of South Asia’s fragile water diplomacy since 1960. India, meanwhile, pushed forward with hydropower projects in the disputed region, signaling a new strategy of coercive infrastructure.

Explosions were reported in Pakistani-controlled Kashmir on May 6, followed by a deadly bombing in Balochistan that killed seven Pakistani soldiers. Days later, blasts were confirmed at multiple Indian and Pakistani military sites, triggering panic and confusion. While neither government publicly claimed responsibility, military analysts cited growing evidence of shadow operations and retaliatory drone or missile attacks. In response, Pakistan’s Prime Minister Shehbaz Sharif convened the National Command Authority, the civilian-military body responsible for nuclear policy, prompting international fears of dangerous brinkmanship.

International actors responded with urgency—but not always with coherence. The United Nations Security Council issued a muted call for dialogue, while Japan urged immediate de-escalation. U.S. Vice President JD Vance drew sharp criticism after stating the standoff would be “none of our business,” signaling a significant shift in America’s crisis posture. The remarks were quickly overshadowed by former President Donald Trump, who reemerged as an unexpected diplomatic player. Trump claimed to have “open lines” to both Islamabad and New Delhi and offered mediation—albeit uninvited.

Yet behind the scenes, diplomacy stirred. Pakistan’s ambassador to Washington acknowledged quiet contacts at the National Security Council level, and reports by The New York Times and CNN now confirm that U.S. officials played a discreet but pivotal role in facilitating a return to calm. According to CNN, backchannel pressure from both the U.S. and Gulf allies helped avert further escalation. Intelligence-sharing, pre-emptive deconfliction, and third-party guarantees were reportedly exchanged to manage misperceptions and prevent further retaliation.

On May 11, it was reported that Trump has pledged new trade initiatives with both India and Pakistan if tensions remain frozen. The offer is seen by some as an attempt to transform crisis diplomacy into economic leverage, with Trump positioning himself as a potential broker of a longer-term reset.

Despite the current calm, experts remain cautious. The underlying causes—militancy in Kashmir, proxy instability, and hardening nationalism on both sides—remain unresolved. Analysts warn that without formal mechanisms for crisis management or sustained dialogue, the next provocation could again tip the region toward open war.

For now, the guns have fallen silent—but the shadow of escalation lingers.

Xi Jinping's Moscow Visit Deepens China-Russia Strategic Alliance Amid Global Tensions

Chinese President Xi Jinping's state visit to Moscow from May 7 to 10, 2025, underscored the strengthening strategic partnership between China and Russia. Coinciding with the 80th anniversary of the Soviet Union's victory over Nazi Germany, Xi's presence at the Victory Day celebrations highlighted the historical camaraderie and current geopolitical alignment between the two nations. During his visit, Xi and Russian President Vladimir Putin signed a comprehensive joint statement pledging to deepen cooperation across various sectors, including military collaboration, energy, and technology. They emphasized their shared commitment to countering what they perceive as the United States' "dual containment" strategy aimed at both countries.

The leaders' discussions also focused on significant economic initiatives, notably the proposed Power of Siberia 2 gas pipeline, intended to transport 50 billion cubic meters of gas annually from Russia to China via Mongolia. This project is pivotal for Russia as it seeks to redirect its energy exports amid Western sanctions. Additionally, Russia's state development bank, VEB, announced plans to fund joint projects with Chinese companies, allocating approximately \$42 billion for initiatives in sectors such as gas, metallurgy, timber processing, and shipbuilding.

Xi's visit, his 11th to Russia as president, not only reinforced bilateral ties but also signaled a united front against Western influence, particularly in light of ongoing tensions related to the Ukraine conflict and global trade disputes. Both leaders portrayed their alliance as a stabilizing force in a turbulent world, advocating for a multipolar international order and expressing opposition to what they termed as "unilateral illegitimate restrictive measures" imposed by other nations.

Australia Pledges to Navigate U.S.–China Rivalry as Top Strategic Priority

Fresh from a decisive re-election, Australian Prime Minister Anthony Albanese has placed the intensifying U.S.–China rivalry at the forefront of his government's foreign policy agenda. Treasurer Jim Chalmers described the bilateral contest as a "dark shadow" looming over the global economy, underscoring Canberra's urgency in shaping a regional strategy that balances security interests with economic resilience.

Albanese's Labor Party expanded its parliamentary majority significantly, with voters appearing to favor policy continuity and regional stability in the face of growing global turbulence.

The Albanese administration now faces the delicate task of managing Australia's close defense ties with the United States—exemplified by the AUKUS pact—while preserving vital economic relations with China, its largest trading partner. The re-election also comes amid escalating trade pressures, including a recent 10% tariff imposed by the U.S. on Australian exports. In response, Albanese has signaled a pragmatic approach: reinforcing multilateralism, expanding regional partnerships, and pursuing diplomatic engagement with both Washington and Beijing. With the Indo-Pacific increasingly defined by great-power rivalry, Canberra is positioning itself as a stabilizing force committed to rule-based order and strategic clarity.

Philippines Accuses China of Illegal Survey in South China Sea

On May 5, the Philippine Coast Guard reported that a Chinese research vessel was conducting unauthorized marine scientific research within the Philippines' exclusive economic zone (EEZ) in the South China Sea. The vessel, identified as the China Research Vessel (CRV), was observed operating without the necessary permits, prompting the deployment of a Philippine Coast Guard ship and aircraft to monitor and escort the vessel out of the area. The Philippines asserts that such activities violate its sovereign rights under international law, specifically the United Nations Convention on the Law of the Sea (UNCLOS).

This incident adds to the ongoing tensions between Manila and Beijing over disputed territories in the South China Sea. In January 2025, the Philippines suspended a scientific survey near Sandy Cay after alleging harassment by Chinese coast guard and navy vessels. Despite a 2016 international arbitration ruling invalidating China's expansive claims in the region, Beijing continues to assert sovereignty over vast areas of the South China Sea, leading to frequent confrontations with neighboring countries.

ASEAN+3 Launches Rapid Lending Facility to Bolster Financial Resilience

On May 5, finance ministers from Japan, China, South Korea, and the ten ASEAN nations agreed to enhance the region's financial safety net by introducing a new rapid lending facility under the Chiang Mai Initiative Multilateralization (CMIM). This facility aims to provide swift, unconditional financial support during crises such as pandemics and natural disasters, reflecting lessons learned from past emergencies. The CMIM, established after the 1997–98 Asian financial crisis, currently holds a \$240 billion reserve pool, with significant contributions from Japan and China at \$76.8 billion each, South Korea at \$38.4 billion, and the ASEAN members collectively at \$48 billion.

Historically, the CMIM's existing tools—a crisis resolution instrument and a precautionary line—have remained unused due to the preference for bilateral arrangements with simpler procedures. The newly introduced rapid financing facility

addresses this gap by offering immediate access to funds without stringent conditions, aiming to strengthen regional economic stability and resilience against sudden shocks. This development signifies a proactive step by the ASEAN+3 countries to fortify their collective financial infrastructure in the face of evolving global challenges.

China Signals Openness to EU Amid Trade Tensions

On May 6, 2025, Chinese President Xi Jinping expressed China's readiness to collaborate with European Union leaders to enhance mutual openness and effectively manage differences. Marking the 50th anniversary of diplomatic relations between China and the EU, Xi emphasized the importance of stable China-EU ties for global benefit and called for joint efforts to maintain fairness and oppose unilateral actions.

China has welcomed visits from European Council President Antonio Costa and European Commission President Ursula von der Leyen, proposing a new round of high-level meetings focusing on strategy, trade, green development, and digitalization. Additionally, both sides have agreed to revive mutual exchanges, including the lifting of Chinese sanctions on members of the European Parliament, initially imposed in 2021 over human rights disputes related to Xinjiang.

India and UK Finalize Landmark Free Trade Agreement

On May 6, 2025, Indian Prime Minister Narendra Modi and UK Prime Minister Keir Starmer announced the conclusion of a landmark India–UK Free Trade Agreement (FTA), marking the most significant bilateral trade pact for both nations since Brexit. The agreement, finalized after over three years of negotiations, aims to reduce tariffs on a wide range of goods and services, potentially increasing bilateral trade by £25.5 billion (\$34 billion) annually by 2040.

Key provisions include substantial tariff reductions on British exports to India, such as whisky and gin—dropping from 150% to 75% immediately, with plans to reduce further to 40% over the next decade—and cars, with tariffs falling from over 100% to 10% under a quota system. In return, the UK will eliminate import duties on 99% of Indian exports, including textiles, food, and jewelry. The agreement also introduces modest changes to business mobility, facilitating visa access for Indian professionals like musicians, chefs, and yoga instructors.

While the deal has been lauded by industry leaders and is expected to boost the UK economy by £4.8 billion and increase household incomes by £2.2 billion annually, it has faced criticism from some quarters. Opponents argue that provisions such as the exemption of Indian workers posted to the UK from National Insurance contributions for up to three years create a "two-tier" tax system, potentially disadvantaging British workers.

Despite the controversies, the agreement signifies a deepening of the strategic partnership between India and the UK. Prime Minister Starmer has accepted an invitation from Prime Minister Modi to visit India, with plans to further solidify bilateral relations and explore additional avenues for cooperation.

China Unveils Monetary Stimulus Ahead of U.S. Trade Talks

On May 7, 2025, the People's Bank of China (PBOC) announced a series of monetary easing measures to bolster the economy amid escalating trade tensions with the United States. These measures include a 50 basis point reduction in the reserve requirement ratio (RRR) for banks, effective May 15, which is expected to inject approximately 1 trillion yuan (\$138 billion) into the financial system. Additionally, the PBOC cut the benchmark interest rate on seven-day reverse repos by 10 basis points to 1.40%, effective May 8.

The stimulus package also encompasses increased insurance investment in equities, the establishment of low-cost relending facilities for technology and services sectors, and reductions in mortgage costs. These actions aim to counteract signs of economic stress, including the fastest contraction in factory activity in 16 months and rising deflationary pressures. Analysts view these measures as tactical moves to stabilize domestic markets and strengthen China's position ahead of upcoming trade negotiations with U.S. officials in Switzerland.

Quad Nations Conduct Simulation to Strengthen Indo-Pacific Disaster Response

From April 28 to May 2, 2025, the Quad nations—Australia, India, Japan, and the United States—conducted a tabletop simulation exercise in Honolulu, Hawaii, aimed at enhancing regional disaster response capabilities through the operationalization of the Quad Indo-Pacific Logistics Network (IPLN). The exercise focused on improving coordination and interoperability among the member countries to facilitate more effective civilian disaster response across the Indo-Pacific region.

The IPLN initiative is designed to enable Quad partners to leverage shared logistics capabilities, ensuring rapid and efficient support during natural disasters. This collaborative effort underscores the Quad's commitment to a free and open Indo-Pacific and highlights the importance of strengthening practical cooperation to address regional challenges.

North Korea Conducts Missile Tests Amid Export Speculations

On May 8, 2025, North Korea launched multiple short-range ballistic missiles from its eastern coastal city of Wonsan, with the projectiles traveling up to 800 kilometers before landing in the sea. South Korea's military indicated that the launches might have been performance and flight stability tests for missiles intended for export. The exact number and specifications of the missiles were not disclosed, but analysts suggest they could be variants of short-range ballistic missiles previously supplied to Russia for use in Ukraine.

North Korean leader Kim Jong Un supervised the tests, which also included long-range artillery drills, emphasizing the importance of maintaining combat readiness of the country's nuclear forces. State media reported that the exercises aimed to ensure the rapid response capability of its nuclear arsenal amidst rising regional tensions. The

tests involved 600 mm multiple launch rocket systems and the Hwasong-11 (KN-23) tactical ballistic missile. These developments have raised concerns among neighboring countries and the international community, given the potential implications for regional security and the ongoing conflict in Ukraine.

U.S.–China Trade Talks in Geneva Mark 'Total Reset' Amid Tariff Standoff

High-level trade negotiations between the United States and China commenced over the weekend in Geneva, aiming to de-escalate a tariff conflict that has strained global markets. U.S. Treasury Secretary Scott Bessent and Trade Representative Jamieson Greer met with Chinese Vice Premier He Lifeng at the Swiss ambassador's residence, marking the first face-to-face discussions since both nations imposed tariffs exceeding 100% on each other's goods.

President Donald Trump characterized the meeting as a "total reset" and "constructive," expressing optimism about opening China's market to American businesses. While no specific agreements were disclosed, Trump suggested the possibility of reducing U.S. tariffs on Chinese goods from 145% to 80%, though he emphasized that any concessions would require reciprocal actions from Beijing. Chinese state media maintained a firm stance, asserting that China would reject proposals compromising its core interests.

Singapore Hosts IMDEX Asia 2025, Reinforcing Maritime Security Dialogue

On May 6, 2025, Singapore inaugurated the 14th International Maritime Defence Exhibition and Conference (IMDEX) Asia at the Changi Exhibition Centre. Senior Minister of State for Defence Mr. Zaqq Mohamad highlighted the event's significance as a platform for fostering mutual understanding and dialogue among global maritime stakeholders. He emphasized that IMDEX has become crucial for defense and military leaders to exchange perspectives, establish partnerships, and address common security challenges, especially amid global political uncertainties.

The exhibition features participation from over 56 delegations, including Navy Chiefs, Coast Guard Directors, and Heads of Maritime Law Enforcement Agencies from more than 35 countries. Over 230 exhibitors are showcasing their technologies, and 17 ships from 13 countries are part of the warships display. In conjunction with IMDEX Asia 2025, the Republic of Singapore Navy is co-organizing the 9th International Maritime Security Conference and the Maritime Information-Sharing Exercise from May 6 to 8, providing platforms for navies and maritime agencies to enhance practical cooperation and mutual understanding.

Nvidia Unveils Downgraded H20 AI Chip for China Amid U.S. Export Controls

In response to stringent U.S. export restrictions, Nvidia plans to release a modified version of its H20 artificial intelligence chip tailored for the Chinese market by July 2025. The original H20 chip, previously the most powerful AI processor available for sale in China, now requires an export license due to tightened U.S. regulations aimed at preventing advanced semiconductor technology from reaching China for potential military use. To maintain its presence in the vital Chinese market, which contributed \$17 billion (13% of Nvidia's revenue) in the previous fiscal year, Nvidia has developed a less advanced version of the H20 with significantly reduced memory capacity and other limitations. Some configurations of the modified chip may still allow customers to adjust performance levels. Major Chinese tech firms like Tencent, Alibaba, and ByteDance had increased their H20 orders due to rising demand for cost-efficient AI hardware. Nvidia CEO Jensen Huang recently visited Beijing to reinforce the importance of the Chinese market amidst these regulatory challenges. Nvidia has reportedly received \$18 billion in H20 orders since January 2025.

This development comes as the Trump administration considers overhauling the Biden-era export control framework, which categorized countries into tiers with varying chip access levels. The proposed changes aim to simplify the system and potentially allow more flexibility in chip exports through direct government agreements. While no specific timeline has been set for the new policy, the move reflects ongoing debates about balancing national security concerns with the interests of U.S. technology companies in global markets.

China's Trade Performance Defies Expectations Amid U.S. Tariff Pressures

In April 2025, China's export sector demonstrated unexpected resilience, with exports increasing by 8.1% year-on-year, surpassing economists' forecasts of a 1.9% rise. This growth is largely attributed to a surge in shipments ahead of the implementation of U.S. President Donald Trump's 145% tariffs on Chinese goods, which took effect on April 9. Imports experienced a marginal decline of 0.2%, defying expectations of a 5.9% drop, suggesting a stabilization in domestic demand. The trade surplus with the U.S. narrowed to \$20.5 billion, reflecting the impact of the escalating trade tensions.

Despite the challenging trade environment, Chinese officials have expressed confidence in managing the ongoing trade disputes. Vice Foreign Minister Hua Chunying stated that China possesses full confidence in its ability to handle U.S. trade issues, emphasizing that the U.S. administration's tariff policy is unsustainable and adversely affects American consumers. She highlighted China's commitment to resolving the trade conflict through dialogue, ahead of high-level negotiations between Chinese Vice Premier He Lifeng and U.S. Treasury Secretary Scott Bessent in Switzerland.

2. STATISTICS OF THE WEEK

China's Dominance in U.S. Rare Earth Imports: Strategic Dependency at 70%

This week's statistics from Visual Capitalist illustrates a critical vulnerability in the United States' industrial and technological supply chain: rare earth dependency. Between 2020 and 2023, 70% of U.S. rare earth imports came from China, followed by Malaysia (13%), Japan (6%), Estonia (5%), and a collective 6% from other sources.

Rare earth elements—especially scandium (Sc) and yttrium (Y)—are indispensable to defense systems, clean energy technologies, and high-end consumer electronics. The U.S. Geological Survey estimates that America relies on imports for 100% of its scandium and yttrium consumption in 2024, and 80% for lanthanides (a group of 15 rare earth metals essential in magnets, batteries, and optical devices). This leaves critical sectors, including those supporting Apple, Lockheed Martin, and Tesla, vulnerable to geopolitical supply shocks.

The data underscores how China's near-monopoly on processing and exporting rare earths continues to be a geostrategic lever—especially as U.S.–China tensions rise over trade, technology, and Taiwan. For Washington, diversifying rare earth sources is not just economic policy—it is national security strategy.



<https://elements.visualcapitalist.com/charted-where-the-u-s-gets-its-rare-earths-from/>

3. MAP OF THE WEEK

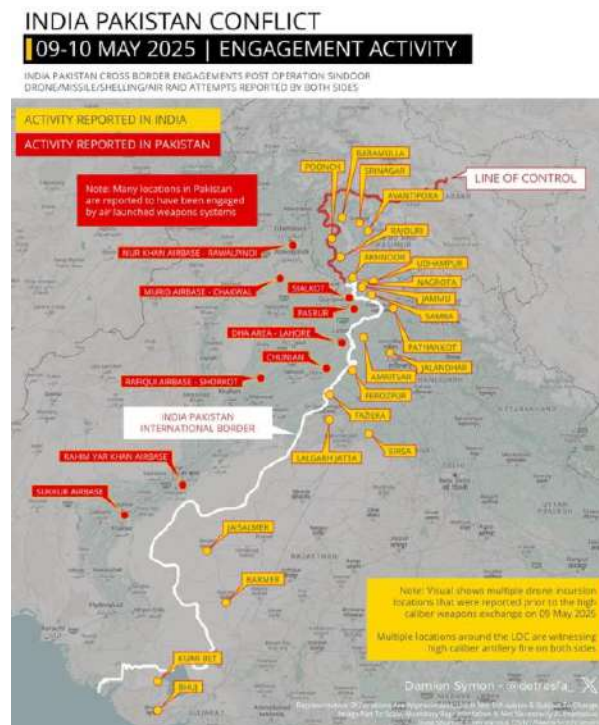
Escalation Across the Line of Control: India–Pakistan Conflict

This week's map captures the breadth and intensity of cross-border engagements between India and Pakistan during the sharpest spike in hostilities since 2019. Spanning May 9–10, 2025, the visual, compiled by open-source intelligence analyst Damien Symon, shows widespread artillery fire, drone incursions, and air-launched weapon strikes reported by both sides along the Line of Control (LoC) and the international border.

Indian airbases and strategic sites from Jammu and Kashmir to Gujarat—such as Pathankot, Barmer, and Bhuj—witnessed alerts or were reportedly engaged. In Pakistan, airbases in Rawalpindi, Chakwal, and Shorkot were among the locations claimed to have come under attack, with many described as targeted by air-launched systems. The visual also notes drone incursion patterns that predated the heavy exchange of fire, suggesting a phase of surveillance and probing prior to the escalation.

Multiple locations across Kashmir—Rajouri, Baramulla, Akhnoor, and Avantipora—became flashpoints of high-caliber artillery exchanges. The map underscores the geographic spread and dual-front pressure that defines modern military confrontations in South Asia, involving both conventional systems and emerging technologies such as drones and precision-guided munitions.

The map serves as a stark reminder of how quickly local flashpoints can evolve into regional crises, with implications not just for India and Pakistan, but for broader Indo-Pacific stability.



<https://x.com/detresfa/status/1921086480631419136>

4. PHOTO OF THE WEEK

Tea Diplomacy in Moscow: Xi and Putin in Candid Conversation

This week's photo captures a moment of informal yet strategic significance: Chinese President Xi Jinping and Russian President Vladimir Putin engaging in a private tea meeting at the Kremlin during Xi's May 2025 state visit to Russia. Against a backdrop of gold-accented imperial décor, the image symbolizes both the intimacy and symbolism of the evolving Sino-Russian partnership.

According to the Chinese Foreign Ministry, the meeting was marked by "deep strategic communication" and a reaffirmation of the "no limits" comprehensive strategic partnership. Xi emphasized that China views its relationship with Russia as a priority in its diplomacy with major countries. The two leaders exchanged views on regional stability, global governance, and future cooperation under multilateral platforms such as the UN, BRICS, and the SCO.

The relaxed setting contrasts with the high stakes: ongoing conflict in Ukraine, a shifting U.S. posture under President Trump, and growing contestation over global norms. In this quiet yet telling scene, the photo speaks to the consolidation of a strategic axis that may well shape the geopolitical center of gravity for years to come.



http://in.china-embassy.gov.cn/eng/zgxw/202505/t20250509_11618135.htm

5. INFOGRAPHIC OF THE WEEK

Xi and Putin Cement United Front in Moscow

This week's infographic highlights the symbolic and strategic significance of Chinese President Xi Jinping's state visit to Moscow on May 8, 2025. The visit coincided with Russia's Victory Day commemorations, offering a powerful visual of China-Russia solidarity amid ongoing geopolitical turbulence.

Two key quotes dominate the graphic. Xi's statement frames the visit as part of a broader campaign against "hegemonic bullying" and "power politics"—a clear reference to U.S. influence—while Putin ties the WWII commemoration to contemporary struggles against "neo-Nazism and militarism," reinforcing Russia's Ukraine narrative. Their messages converge on a shared strategic narrative that positions both leaders as guardians of global order and historical truth.

The infographic underscores four themes:

- **Strategic Narrative:** Xi links WWII remembrance with resistance to Western dominance.
- **Geopolitical Partnership:** The "no limits" alliance is reaffirmed through energy and trade agreements.
- **Symbolic Unity:** Putin uses Xi's presence to bolster domestic and international legitimacy.
- **Resistance to Isolation:** Moscow counters diplomatic isolation by emphasizing strong China ties.

Visually and thematically, the infographic captures the evolution of the China-Russia partnership—from tactical cooperation to a deeply ideological alignment—framed as a counterweight to Western-led global governance.



6. REGIONAL ALLIANCES

ASEAN+3 Fortifies Financial Safety Net Amid Global Uncertainties

On May 4, 2025, finance ministers and central bank governors from the ASEAN+3 countries—comprising the 10 ASEAN nations plus China, Japan, and South Korea—convened in Milan, Italy, for their 28th annual meeting. Amid a backdrop of escalating global economic uncertainties, the meeting underscored the region's commitment to strengthening its financial resilience through enhanced cooperation and the introduction of new financial instruments.

Introduction of the Rapid Financing Facility

A significant outcome of the meeting was the approval of the Rapid Financing Facility (RFF) under the Chiang Mai Initiative Multilateralisation (CMIM). This facility is designed to provide swift, unconditional financial support to member countries facing crises stemming from pandemics or natural disasters. The RFF aims to address the limitations of existing CMIM mechanisms, which, despite a pool of \$240 billion in foreign exchange reserves, have remained unused due to complex activation procedures and members' preference for bilateral arrangements. By incorporating freely usable currencies, including the Chinese renminbi, the RFF enhances the flexibility and accessibility of emergency funding, marking a significant step toward diversifying the region's financial safety net.

Exploration of a Paid-in Capital Structure

In a move to further solidify the CMIM's effectiveness, the ASEAN+3 members endorsed the exploration of transitioning to a paid-in capital (PIC) structure. This shift would align the CMIM more closely with global financial institutions like the International Monetary Fund (IMF), providing a more robust and reliable source of emergency funding. A Technical Working Group has been established to assess various PIC models, focusing on governance, reserve recognition, and contribution currencies. The transition to a PIC structure represents a strategic effort to enhance the CMIM's role within the global financial safety net.

Launch of the SPIRIT Initiative

Addressing the need for structural reforms, the meeting saw the introduction of the Structural Policy Improvement and Review Instrument with Technical Assistance (SPIRIT). This voluntary, non-binding facility aims to support member countries in implementing structural improvements aligned with their development strategies. Initially launched as a pilot project, SPIRIT offers predefined thematic technical assistance programs, with the ASEAN+3 Macroeconomic Research Office (AMRO) providing support. The initiative underscores the region's proactive approach to enhancing economic resilience through targeted policy reforms.

Fiscal Policy Exchange and Strategic Direction Updates

Recognizing the critical role of fiscal policy in maintaining financial stability, the ASEAN+3 members welcomed the ASEAN+3 Fiscal Policy Exchange Initiative. This platform facilitates the exchange of views and experiences on fiscal policies, focusing on promoting growth while maintaining fiscal sustainability and addressing population aging. Additionally, the members agreed to update the "Strategic Directions of ASEAN+3 Finance Process" adopted in 2019. An Experts Panel comprising eight regional experts has been established to provide insights and policy advice, ensuring that the Finance Process remains relevant and responsive to evolving economic landscapes.

Commitment to Multilateralism and Sustainable Growth

Amid rising protectionism and global economic fragmentation, the ASEAN+3 members reaffirmed their commitment to multilateralism and a rules-based, non-discriminatory, free, fair, open, inclusive, equitable, and transparent multilateral trading system, with the World Trade Organization at its core. The joint statement emphasized the importance of enhancing macroeconomic policy dialogue, promoting regional financial cooperation, and ensuring stable and unimpeded industrial and supply chains. The members also expressed full support for the robust implementation of the Regional Comprehensive Economic Partnership (RCEP) Agreement, highlighting their dedication to sustainable and inclusive economic development.

Conclusion

The 28th ASEAN+3 Finance Ministers and Central Bank Governors' Meeting marked a pivotal moment in the region's pursuit of financial stability and resilience. Through the introduction of the Rapid Financing Facility, exploration of a paid-in capital structure, launch of the SPIRIT initiative, and commitment to multilateralism, the ASEAN+3 countries have demonstrated a unified and proactive approach to navigating the complexities of the global economic landscape. These developments not only strengthen the region's financial safety net but also reinforce its role as a stabilizing force in the global economy.

7. ANALYSIS

Xi's Moscow Visit: Cementing the China-Russia Axis Amid a Divided World

Chinese President Xi Jinping's May 2025 visit to Moscow—timed with Russia's Victory Day commemorations—marked more than a ceremonial appearance. It was a potent display of geopolitical alignment, economic interdependence, and joint strategic vision between China and Russia at a time of deepening global polarization. As the Ukraine war entered its third year and the Trump administration pursued a recalibration of U.S.-Russia policy, Xi's presence beside Vladimir Putin in the Kremlin was both a defiant rebuttal to Western isolation efforts and a message of ideological solidarity rooted in shared grievance and ambition.

At the heart of the visit was symbolism—with Xi and Putin presenting themselves as heirs to the anti-fascist legacy of World War II and guardians of “historical truth.” Framing their alignment through the lens of 20th-century victory allowed both leaders to cast their current geopolitical positions not as revanchist, but as restorative: they are, in their narrative, restoring balance to a world distorted by U.S. dominance. Xi's appearance at the Red Square parade, following Ukraine's calls for an international boycott, reinforced that Beijing stands squarely in Moscow's corner—even as Western leaders and institutions attempt to isolate Putin. The choreography was intentional: Xi was the highest-profile foreign dignitary in attendance, and his physical presence symbolized the endurance of a partnership many in the West have hoped to split.

Strategic Depth: From Energy Flows to Sanctions Workarounds

Beneath the political optics lies a relationship increasingly defined by strategic economic necessity. China has become Russia's top trade partner, with bilateral trade reaching a record \$245 billion in 2024. Chinese purchases of discounted Russian energy have propped up the Kremlin's revenue base, while Chinese consumer and industrial goods now fill the void left by departed Western brands. Infrastructure links—railways, pipelines, and ports—are tightening the economic interface between the two powers, particularly through projects like the proposed Power of Siberia 2 pipeline and upgraded rail corridors spanning Central Asia.

A critical dimension of this deepening partnership is sanctions circumvention. Beijing has assisted Moscow in shifting trade settlement from dollars to yuan, enabling financial transactions outside U.S. and European oversight. By the end of 2024, nearly two-thirds of Russia's imports from China were invoiced in yuan. Xi's delegation in May included economic technocrats focused on expanding this framework—from energy to fintech and supply chain integration. What emerges is not simply economic cooperation, but a deliberate strategy to insulate both countries from Western economic coercion—leveraging each other's strengths to build a sanctions-resilient bloc.

Trump and the Triangular Tensions

The visit cannot be understood outside the broader triangle of U.S.-China-Russia relations—particularly under President Donald Trump’s second term. Trump’s approach to Moscow has shifted markedly from his predecessors: rather than isolating Russia, he has flirted with rapprochement, unsettling Beijing. Xi’s highly publicized presence in Moscow served a dual purpose. It reaffirmed China’s indispensability to Russia and cautioned against any overtures toward Washington that might leave Beijing outmaneuvered. As U.S. officials floated the prospect of a Trump-brokered peace deal in Ukraine, Beijing sought to ensure its strategic interests remained central to any new Eurasian security order.

For Washington, the growing entente between Moscow and Beijing complicates its calculus. Trump has stated a desire to "drive a wedge" between Russia and China—a classic balance-of-power strategy. But the May 2025 summit demonstrated that attempts to court one by isolating the other may only deepen their mutual dependency. Xi and Putin’s reaffirmation of their “no limits” partnership—and a slew of new cooperation agreements—signaled to Washington that the China-Russia axis is neither fragile nor transactional, but strategic and adaptive. Each leader sees in the other a bulwark against the unpredictability and pressure of U.S. policy.

The Architecture of Multipolarism

Beyond immediate concerns over war and trade, Xi and Putin articulated a long-term vision of a multipolar world order, centered on sovereign equality and resistance to Western-led alliances. Their joint statements emphasized support for the U.N.-centered system—ironically, even as both have subverted it—and pledged to deepen cooperation in alternative forums such as the Shanghai Cooperation Organization (SCO) and BRICS. China’s current chairmanship of the SCO, and Russia’s growing advocacy for BRICS expansion, reflect a shared ambition to elevate the Global South and marginalize U.S.-led institutions.

Notably, both leaders denounced “unilateral sanctions,” “bloc confrontation,” and “hegemonic behavior”—a thinly veiled critique of NATO, AUKUS, and the U.S.-led economic order. Xi and Putin do not merely seek parallel institutions; they are actively contesting the rules and norms of global governance. Their alliance proposes a model where state sovereignty trumps intervention, and where the West no longer defines legitimacy. This narrative has resonance in parts of Africa, Latin America, and Central Asia, where anti-Western sentiment and calls for economic independence are rising.

Conclusion: A Fault Line Hardened

Xi's May 2025 visit to Moscow was more than a diplomatic courtesy; it was a strategic convergence layered with symbolism, substance, and geopolitical defiance. In standing beside Putin on Red Square, Xi telegraphed China's full-spectrum support—not only in narrative, but in finance, energy, and multilateral coordination. The visit affirmed that efforts to isolate Russia are being neutralized by deepening Sino-Russian alignment, and that Beijing has no intention of watching passively as Trump attempts to reorder Eurasian dynamics.

For observers across the Indo-Pacific, this partnership presents a stark reality: the world is not moving toward renewed globalization or consensus, but toward structured polarity. As Washington recalibrates under Trump, and Europe grapples with strategic incoherence, the China-Russia axis is solidifying its position not as a reaction—but as an alternative vision for global leadership. The May 2025 summit was a milestone in that transformation.