

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

(26 MAY 2025)

As the Indo-Pacific and its surrounding regions continue to evolve under the weight of global competition, strategic recalibrations, and diplomatic realignments, this week's Asia on the Horizon takes you deep into the core shifts shaping the geopolitical and economic order. We offer a panoramic view of how Asia is not merely reacting to global currents but actively shaping them—across trade, security, technology, and diplomacy.

This week's headlines are rich with meaning. China's trilateral agreement with Pakistan and Afghanistan to extend the China-Pakistan Economic Corridor (CPEC) northward signals Beijing's ambition to integrate Afghanistan more fully into its Belt and Road Initiative, while Pakistan eyes new economic leverage and Afghanistan seeks infrastructure lifelines. But these moves are not without friction: India, perceiving the expansion as a direct strategic challenge, is sharpening its regional recalibration.

In Southeast Asia, China and ASEAN's conclusion of the upgraded Free Trade Area 3.0 marks a profound moment for regional integration, embedding digital trade, green development, and supply chain resilience into the economic architecture of the Asia-Pacific. As global trade fractures deepen, this pact positions China and ASEAN not only as trade partners but as co-architects of a rules-based, innovation-driven future.

Meanwhile, across the diplomatic chessboard, Beijing's reaffirmation of Danish sovereignty over Greenland, juxtaposed with rising tensions over Taiwan's exclusion from the WHO, highlights China's twin-track strategy of pragmatic outreach and uncompromising stance on core sovereignty issues. Taiwan, for its part, is walking its own delicate tightrope: President Lai Ching-te reaffirms a peace-first posture even as Taiwan invests heavily in defense and high-tech sectors, all under the watchful gaze of Beijing's military maneuvers.

On the security front, Washington's potential pullback of thousands of U.S. troops from South Korea rattles regional defense architectures, raising concerns among key allies over whether U.S. deterrence commitments are shifting. In contrast, the U.S.-Japan-South Korea Trilateral Coordinating Secretariat moves ahead, signaling an effort to institutionalize multilateral defense coordination despite political headwinds.

Overlaying all this is the intensifying battle over technological primacy: Nvidia's public critique of U.S. chip export restrictions, China's retaliatory rhetoric, and bilateral AI dialogues between Beijing and London all reflect a new reality where microchips, algorithms, and AI governance are now battlegrounds in great-power rivalry.

Finally, the U.K.'s landmark decision to cede sovereignty over the Chagos Islands to Mauritius—while retaining its military footprint on Diego Garcia—reminds us that even long-frozen colonial disputes carry fresh strategic weight in today's multipolar world. With the Indian Ocean increasingly contested by U.S., Chinese, and regional interests, small islands now loom large on the global map.

As always, this issue weaves together diplomacy, security, economics, and technology to bring you the clarity, depth, and foresight you need to navigate the shifting currents of the Asia-Pacific. Stay informed. Stay ahead.



## 1. KEY DEVELOPMENTS

### China Affirms Denmark's Sovereignty Over Greenland Amid Diplomatic Tensions

On May 19, 2025, Chinese Foreign Minister Wang Yi reaffirmed China's full respect for Denmark's sovereignty and territorial integrity concerning Greenland during a meeting in Beijing with Danish Foreign Minister Lars Lokke Rasmussen. This statement comes amid heightened geopolitical interest in Greenland, particularly following U.S. President Donald Trump's assertions that Washington should take over the strategically located, semi-autonomous Danish territory. Wang emphasized that China hopes Denmark will "continue to support China's legitimate position on issues concerning China's sovereignty and territorial integrity," referencing China's stance on Taiwan.

The meeting also addressed recent strains in China-Denmark relations, notably Denmark's hosting of former Taiwanese President Tsai Ing-wen, which drew criticism from Beijing. Despite these tensions, both nations expressed a commitment to deepening cooperation in areas such as the green economy, scientific innovation, and trade. Denmark's expertise in wind power and environmental solutions aligns with China's goals for a green transition. Additionally, Wang highlighted the shared commitment of both countries to multilateralism and free trade, expressing a desire for strengthened dialogue and cooperation with the European Union.

### WHO Assembly Excludes Taiwan Amid Geopolitical Tensions

On May 19, 2025, member states of the World Health Organization (WHO) voted against inviting Taiwan to participate as an observer in the annual World Health Assembly in Geneva. The proposal, spearheaded by Belize and Saint Vincent and the Grenadines—two of the few nations maintaining formal diplomatic ties with Taiwan—highlighted concerns that Taiwan's exclusion could undermine global health preparedness and response. Despite these efforts, no major Western countries endorsed the proposal, and the United States notably left its seat vacant, reflecting its ongoing plans to withdraw from the WHO.

China, asserting its claim over Taiwan, strongly opposed the motion, labeling it a challenge to the authority of the United Nations and the post-war international order. Supported by Pakistan, China's stance was that Taiwan's "separatist" position negated the political foundation necessary for its participation. The WHO assembly ultimately upheld Taiwan's exclusion, a decision that continues to reflect the complex interplay of health diplomacy and international politics.

## **China Pledges \$500 Million to WHO, Positioning as Top Donor Amid U.S. Exit**

On May 20, 2025, China announced a \$500 million contribution to the World Health Organization (WHO) over the next five years, as stated by Vice Premier Liu Guozhong at the World Health Assembly in Geneva. This pledge comes amid the WHO's financial challenges following the United States' withdrawal, which led to a 21% reduction in its 2026–2027 budget. Liu emphasized the importance of multilateralism in addressing global health issues and criticized unilateral actions that undermine international health security.

With this commitment, China is poised to become the WHO's top state donor, especially as member countries have agreed to a 20% increase in mandatory fees over the next two years. It remains unclear whether China's pledged amount includes this fee increase. The financial support underscores China's strategic positioning as a proponent of multilateral global health initiatives amid shifting international dynamics.

## **China Condemns U.S. AI Chip Restrictions, Warns of Retaliation**

On May 19, 2025, China's Ministry of Commerce strongly criticized recent U.S. guidance advising companies against using advanced Chinese semiconductors, including Huawei's Ascend AI chips. Labeling the measures as "discriminatory" and an abuse of export control mechanisms, Beijing urged Washington to "immediately correct its wrongdoings" and cautioned that continued actions undermining China's interests would prompt "resolute measures." The ministry emphasized that such U.S. actions could ultimately harm America's own industrial competitiveness.

This development follows a recent 90-day tariff truce between the two nations, agreed upon during high-level trade talks in Geneva. However, the U.S.'s latest restrictions have cast doubt on the stability of this agreement. China's Vice Commerce Minister Li Chenggang and U.S. Trade Representative Jamieson Greer met last week at the APEC summit in South Korea, but no details from their discussions have been disclosed. The escalating tensions underscore the fragile nature of U.S.-China trade relations, particularly in the technology sector.

## **U.S., Japan, and South Korea Convene Trilateral Coordinating Secretariat Managing Board in Washington**

On May 19, 2025, senior officials from the United States, Japan, and South Korea convened in Washington, D.C., for a meeting of the Trilateral Coordinating Secretariat Managing Board. This gathering, led by U.S. Deputy Assistant Secretary for East Asian and Pacific Affairs Kevin Kim, South Korean Deputy Director-General for North American Affairs Yi Won-woo, and Japanese Deputy Director-General for Asian and Oceanian Affairs Okochi Akihiro, marked a significant step in institutionalizing trilateral cooperation among the three nations. The Secretariat, established in November 2024, aims to enhance coordination on regional and global challenges, reflecting a shared commitment to a free and open Indo-Pacific.

During the meeting, the Managing Board reviewed progress on existing initiatives and discussed strategies to strengthen collaboration across economic, security, and people-to-people domains. The officials emphasized the importance of the Secretariat in operationalizing trilateral outcomes and sustaining momentum on priority efforts. This development underscores the deepening ties among the U.S., Japan, and South Korea in addressing shared challenges and promoting regional stability.

## **Taiwan's President Reaffirms Peace Overtures and Defense Resolve on First Anniversary**

Marking his first year in office, Taiwan President Lai Ching-te reiterated his commitment to peace and dialogue with China, emphasizing that while Taiwan seeks peaceful exchanges based on mutual respect, it must also strengthen its defenses to deter conflict. Lai stated, "Peace is priceless and war has no winners," but added that "preparing for war is the best way to avoid it." He reaffirmed Taiwan's sovereignty, asserting that only its people can determine their future. Despite multiple offers for talks, Beijing has rebuffed Lai's overtures, labeling him a "separatist" and conducting military drills near Taiwan.

In addition to addressing cross-strait relations, President Lai announced plans to establish a sovereign wealth fund aimed at bolstering Taiwan's tech-driven economy. He highlighted ongoing trade discussions with the United States, which currently has paused tariffs, and emphasized Taiwan's role in global technology, visiting major tech exhibitors at the Computex trade show, including Nvidia, Foxconn, and Mediatek.

## **China and UK Hold AI Dialogue to Boost Global Governance and Cooperation**

On May 20, 2025, China and the United Kingdom convened a high-level dialogue on artificial intelligence (AI) in Beijing, marking a key moment in bilateral science and technology relations. Co-hosted by China's Department of Arms Control and the UK's International Science and Technology Department, the talks covered opportunities, challenges, and national policies on AI. Both sides agreed to maintain close coordination on global AI governance, pledging to work together on implementing the UN's Global Digital Compact and Declaration on Future Generations, with a focus on supporting developing countries' capacity-building and ensuring inclusive, beneficial AI development.

The meeting took place amid broader China-UK AI cooperation efforts, with both nations highlighting the need to insulate scientific exchanges from political interference. Chinese Ambassador Zheng Zeguang emphasized that international collaboration is essential for responsible AI governance and invited the UK to send a senior delegation to the upcoming AI conference in Shanghai. He also criticized certain UK factions for holding on to outdated ideological biases that overstretch national security concerns, arguing that China and the UK, with their strong technological foundations, stand to benefit mutually from pragmatic, forward-looking collaboration.

## **Nvidia CEO Criticizes U.S. AI Chip Export Controls as Ineffective**

Nvidia CEO Jensen Huang has labeled the U.S. export restrictions on AI chips to China as a "failure," citing significant financial losses and a sharp decline in market share. The controls, intended to curb China's access to advanced semiconductors, have instead accelerated the growth of domestic competitors like Huawei, whose Ascend 910B chip has gained traction. Nvidia's share in the Chinese market has plummeted from 95% to 50%, leading to a \$5.5 billion inventory write-down and an anticipated \$15 billion in lost sales.

In response, Nvidia is developing a new, cost-effective AI chip tailored for the Chinese market, expected to launch as early as June 2025. This chip, based on the Blackwell architecture and potentially named the 6000D or B40, will feature reduced capabilities to comply with U.S. export regulations, including limitations on memory bandwidth and the exclusion of advanced packaging technologies. Priced between \$6,500 and \$8,000, it aims to regain competitiveness in a market increasingly dominated by Chinese alternatives.

Huang has praised the Trump administration's initiative to reverse some of the Biden-era export curbs, advocating for a global licensing regime over restrictive measures. This policy shift aligns with Nvidia's strategy to maintain its global influence and mitigate the unintended consequences of stringent export controls.

## **Philippines and U.S. Conduct Joint Maritime Drills Amid South China Sea Tensions**

On May 21, 2025, the Philippines and the United States conducted joint maritime exercises in the South China Sea, marking the first time their coast guard vessels participated alongside naval and air force units in such drills. The exercises, held off the coasts of Palawan and Occidental Mindoro, involved the Philippine Navy, Air Force, and Coast Guard, as well as the U.S. Coast Guard Cutter Stratton and a U.S. Navy P-8A Poseidon maritime patrol aircraft. This "maritime cooperative activity" is the second of its kind this year and the sixth since the allies initiated joint activities in 2023. The drills included communication exercises and search-and-rescue scenarios, aiming to enhance interoperability and reaffirm the Armed Forces of the Philippines' commitment to modernizing its capabilities and strengthening defense partnerships to secure national and regional maritime interests.

These exercises occur amid escalating tensions between the Philippines and China over territorial disputes in the South China Sea, a vital waterway through which over \$3 trillion in annual ship-borne commerce passes. China's expansive claims in the region have been a point of contention, particularly following a 2016 international arbitral tribunal ruling that invalidated Beijing's assertions under international law—a decision China does not recognize. The joint drills underscore the Philippines' efforts to bolster its defense posture and maritime security through strategic partnerships, especially in light of recent confrontations with Chinese vessels in contested waters.



## **China's J-10C Fighter Jets Make Combat Debut in India-Pakistan Skirmish**

In May 2025, the ongoing conflict between India and Pakistan witnessed the combat debut of China's J-10C fighter jets, operated by the Pakistan Air Force (PAF). According to Pakistani officials, these jets were instrumental in downing several Indian aircraft, including French-made Rafale fighters, marking a significant moment for Chinese military aviation on the global stage. The J-10C's performance has garnered international attention, potentially boosting China's position in the global arms market.

The use of Chinese-made PL-15E missiles by the PAF during these engagements further underscores China's growing influence in advanced military technologies. While Beijing has maintained a cautious diplomatic stance to avoid escalating tensions with India, the successful deployment of its military hardware in real combat situations serves as a testament to its defense capabilities. This development may influence future defense procurement decisions by countries observing the efficacy of Chinese equipment in active conflict zones.

## **China Backs India-Pakistan Dialogue Amid Regional Tensions**

On May 21, 2025, Chinese Foreign Minister Wang Yi expressed China's support for India and Pakistan in resolving their differences through dialogue, aiming for a comprehensive and lasting ceasefire. During talks with Pakistani Deputy Prime Minister and Foreign Minister Mohammad Ishaq Dar in Beijing, Wang emphasized that such efforts align with the fundamental and long-term interests of both nations and contribute to regional peace and stability. He reaffirmed China's commitment to its strategic partnership with Pakistan, highlighting cooperation in areas such as industry, agriculture, energy, and counter-terrorism.

Dar acknowledged China's role in facilitating the recent ceasefire between India and Pakistan and reiterated Pakistan's adherence to the one-China principle. He also assured that Pakistan would ensure the safety of Chinese personnel and projects within its borders. The meeting underscored China's active engagement in South Asian affairs, balancing its strategic ties with Pakistan while advocating for peaceful resolutions to regional conflicts.

## **China and ASEAN Finalize Upgraded Free Trade Agreement Emphasizing Digital and Green Economies**

On May 21, 2025, China and the Association of Southeast Asian Nations (ASEAN) concluded negotiations on the upgraded "Free Trade Area 3.0" agreement. This enhanced pact aims to deepen economic integration by incorporating new sectors such as the digital and green economies, enhancing supply chain connectivity, and promoting the integration of production and supply chains. The agreement is expected to provide greater certainty to regional and global trade, fostering openness, inclusiveness, and mutual benefit.

ASEAN, comprising ten Southeast Asian nations, remains China's largest trading partner, with bilateral trade reaching \$234 billion in the first quarter of 2025. The upgraded agreement, which builds upon the original ASEAN-China Free Trade Area established in 2002 and enacted in 2010, is anticipated to be formally signed before the end of the year. This development comes amid China's efforts to strengthen ties with ASEAN in response to global trade tensions and protectionist measures.

## **China, Pakistan, and Afghanistan Agree to Expand CPEC Amid Regional Tensions**

On May 21, 2025, the foreign ministers of China, Pakistan, and Afghanistan convened in Beijing for an informal trilateral meeting, resulting in an agreement to extend the China-Pakistan Economic Corridor (CPEC) into Afghanistan. This expansion aims to enhance regional connectivity, trade, and development under the broader Belt and Road Initiative (BRI) framework. The leaders emphasized their commitment to regional peace, stability, and shared prosperity.

The decision to include Afghanistan in CPEC has significant geopolitical implications, particularly for India, which has consistently opposed the corridor due to its passage through Pakistan-administered Kashmir—a territory India claims. India views the expansion as a strategic challenge that could bolster China's and Pakistan's influence in the region. Despite these concerns, the trilateral agreement marks a notable step in regional cooperation, with the next meeting scheduled to be held in Kabul.

## **Pakistan and China Deepen Strategic Ties Following India-Pakistan Ceasefire**

On May 21, 2025, Pakistan and China reaffirmed their commitment to strengthening bilateral relations during a meeting between Pakistani Foreign Minister Ishaq Dar and Chinese Foreign Minister Wang Yi in Beijing. The discussions focused on enhancing cooperation in trade, investment, agriculture, and industrial development. This meeting occurred shortly after a ceasefire agreement between India and Pakistan on May 10, which ended the most intense conflict between the two nations in nearly three decades. China expressed support for Pakistan's sovereignty and emphasized the importance of resolving regional disputes through dialogue.

Additionally, the two foreign ministers held a trilateral meeting with Afghanistan's acting Foreign Minister Amir Khan Muttaqi. The trio agreed to extend the China-Pakistan Economic Corridor (CPEC) into Afghanistan, aiming to bolster regional connectivity under China's Belt and Road Initiative. The next trilateral meeting is scheduled to take place in Kabul, reflecting a collective effort to promote economic development and stability in the region.



## **China and Afghanistan Reaffirm Strategic Partnership on 70th Anniversary of Diplomatic Ties**

On May 21, 2025, Chinese Foreign Minister Wang Yi met with Afghan Acting Foreign Minister Amir Khan Muttaqi in Beijing to commemorate the 70th anniversary of diplomatic relations between China and Afghanistan. Wang emphasized China's respect for Afghanistan's sovereignty, independence, and cultural diversity, stating that China does not interfere in Afghanistan's internal affairs nor seeks to establish spheres of influence. He reiterated China's commitment to supporting Afghanistan's reconstruction and development, expressing willingness to enhance cooperation in areas such as trade, agriculture, energy, mining, law enforcement, and security. China also pledged to import more high-quality Afghan specialty products to aid in the country's economic recovery.

Minister Muttaqi expressed appreciation for China's longstanding support and affirmed Afghanistan's adherence to the one-China principle. He assured that Afghanistan would not allow any force to use its territory to harm China and expressed readiness to strengthen security cooperation to safeguard regional stability. The meeting underscored the deepening strategic partnership between the two nations and their shared commitment to regional peace and development.

## **ASEAN Intensifies Focus on Myanmar Conflict with Dedicated Meetings**

In a renewed effort to address the protracted crisis in Myanmar, the Association of Southeast Asian Nations (ASEAN) has scheduled two dedicated meetings ahead of its upcoming summit in Kuala Lumpur. ASEAN Secretary-General Kao Kim Hourn announced that these meetings will concentrate exclusively on the situation in Myanmar, aiming to revitalize the bloc's stalled peace initiative, the Five-Point Consensus, established in 2021. The first meeting will involve representatives from Malaysia, Laos, and the Philippines—the current, former, and incoming ASEAN chairs—while the second will convene the bloc's foreign ministers.

The decision to hold focused discussions underscores ASEAN's commitment to facilitating dialogue and reducing violence in Myanmar, where the military coup in 2021 has led to ongoing conflict and humanitarian challenges. Despite limited progress in previous efforts, Secretary-General Kao emphasized the importance of patience and incremental steps towards peace, such as decreasing large-scale fighting and initiating inclusive dialogue among all parties involved.

## China to Host Third China-Pacific Island Countries Foreign Ministers' Meeting in Xiamen

Chinese Foreign Minister Wang Yi is set to chair the Third China-Pacific Island Countries (PICs) Foreign Ministers' Meeting in Xiamen, Fujian Province, from May 28 to 29, 2025. This marks the first time the meeting will be held in person in China. Foreign ministers or representatives from 11 Pacific Island nations that have diplomatic relations with China are expected to attend, including Kiribati, Niue, Tonga, Nauru, the Federated States of Micronesia, the Solomon Islands, Vanuatu, Papua New Guinea, the Cook Islands, Fiji, and Samoa.

The meeting aims to deepen cooperation between China and the Pacific Island countries across various sectors, including economic development, climate resilience, and regional stability. It will also provide a platform for in-depth discussions on international and regional issues of mutual interest. China has been actively engaging with PICs in recent years, focusing on strengthening political mutual trust and promoting comprehensive cooperation.

## North Korean Warship Launch Failure Sparks Leadership Backlash

On May 21, 2025, a significant mishap occurred during the launch of North Korea's second Choe Hyon-class destroyer at the Chongjin Shipyard. The 5,000-ton vessel capsized during the ceremony, with its stern slipping into the water while the bow remained on the slipway, resulting in the ship resting on its side. North Korean leader Kim Jong Un, present at the event, labeled the incident a "criminal act" stemming from "absolute carelessness" and demanded accountability from those responsible.

In response to the failure, North Korean authorities detained several senior shipyard officials, including the chief engineer, head of hull construction, and a deputy manager. The regime has initiated a formal investigation to determine the causes and responsibilities associated with the mishap. Despite claims by state media that the damage is minimal and repairable within ten days, external analysts express skepticism, suggesting the extent of the damage may be understated. The incident poses a setback to North Korea's naval modernization efforts, particularly as the Choe Hyon-class destroyers are intended to enhance the country's maritime capabilities amid ongoing regional tensions.

## **Huawei Bribery Scandal: European Parliament Names Five Lawmakers Under Investigation**

On May 22, 2025, the European Parliament publicly identified five of its members as subjects of a Belgian bribery investigation involving Chinese technology firm Huawei Technologies. European Parliament President Roberta Metsola announced that Maltese Socialist MEP Daniel Attard, Bulgarian centrist Nikola Minchev, and Italian centre-right MEPs Salvatore De Meo, Fulvio Martusciello, and Giusi Princi are accused of accepting gifts from Huawei in exchange for lobbying on the company's behalf within the Parliament.

Belgian prosecutors have requested the European Parliament to waive the immunity of these lawmakers to facilitate further investigation. The Parliament's Committee on Legal Affairs will assess this request, and a final decision will be made through a vote involving all 720 members. Huawei has stated that it maintains a zero-tolerance policy toward corruption and is committed to complying with all applicable laws and regulations.

## **China Emphasizes Multilateralism Amid Progress in U.S. Trade Talks**

During a recent World Trade Organization (WTO) General Council meeting in Geneva, China acknowledged the significance of its May 12 trade discussions with the United States, which led to a mutual reduction in tariffs. The U.S. agreed to lower its tariffs on Chinese goods from 145% to 30%, while China reduced its tariffs on U.S. imports from 125% to 10%. Despite this progress, China emphasized that multilateralism remains essential for resolving global trade challenges. The Chinese delegation stated that while bilateral talks are beneficial, a stable, rules-based international trade system under WTO principles is crucial for long-term solutions.

China criticized unilateral trade measures, such as the imposition of reciprocal tariffs, describing them as counterproductive and detrimental to global economic stability. The United States, on the other hand, highlighted the need for WTO reforms to address trade imbalances and the system's current inefficacy in managing non-market policies. Amid these discussions, 47 WTO member countries, including Singapore and Switzerland, reaffirmed their support for a multilateral, rules-based trading system, underscoring the importance of collective efforts in addressing international trade issues.

## **UK Cedes Chagos Islands Sovereignty to Mauritius, Retains Diego Garcia Base Under Landmark Deal**

On May 22, 2025, the United Kingdom signed a landmark agreement transferring sovereignty of the Chagos Islands to Mauritius, concluding decades of legal and diplomatic disputes over the archipelago in the Indian Ocean. Under the terms of the deal, the UK retains control of the strategically important U.S.-UK military base on Diego Garcia through a 99-year lease, ensuring continued joint operations vital to regional and global security. The agreement includes a financial arrangement wherein the UK will pay Mauritius £3 billion over the lease term, with an option for a 50-year extension. Mauritian Prime Minister Navin Ramgoolam hailed the deal as a historic step toward full decolonization, while U.S. Secretary of State Marco Rubio welcomed the accord for securing the long-term operation of the Diego Garcia facility .

The signing faced a last-minute legal challenge from British national Bertrice Pompe, born in Diego Garcia, who criticized the exclusion of Chagossians from the negotiations. A High Court judge lifted the injunction, citing national interest concerns. Critics, including the UK Conservative Party, condemned the deal as costly and strategically flawed, expressing concerns over potential Chinese influence in the region. Despite these objections, Prime Minister Keir Starmer defended the agreement as essential for national security and countering malign influences, emphasizing the base's significance in operations across the Middle East and Indo-Pacific .

## **U.S. Considers Withdrawing Thousands of Troops From South Korea**

The Trump administration is evaluating a proposal to withdraw approximately 4,500 U.S. troops from South Korea, relocating them to other areas in the Indo-Pacific, such as Guam. This consideration is part of an informal policy review concerning North Korea. While the Pentagon emphasizes its continued commitment to South Korea, top military commanders have cautioned that reducing troop levels could compromise the U.S.'s ability to respond to threats from North Korea, China, and Russia. The potential drawdown has raised concerns among allies like South Korea, Japan, and the Philippines, who depend on U.S. military support.

South Korea's defense ministry stated that no discussions have occurred with the U.S. regarding a potential troop reduction and affirmed the intent to maintain a strong combined defense posture to deter North Korean aggression. The Pentagon also clarified that there are no immediate plans to reduce U.S. forces in South Korea. Despite these assurances, the possibility of a troop withdrawal has stirred anxiety in South Korea, especially amid ongoing regional tensions and the upcoming presidential election.

## India Declares End to Pakistan's Access to Indus Waters, Escalating Treaty Dispute

On May 22, 2025, Indian Prime Minister Narendra Modi declared that Pakistan would no longer receive water from rivers over which India holds rights, intensifying tensions between the two nations following the suspension of the Indus Waters Treaty (IWT). This announcement came after a deadly attack in Indian-administered Kashmir on April 22, which India attributed to Pakistan-based militants—a claim Islamabad denies. The IWT, brokered by the World Bank in 1960, allocates water from six rivers between the two countries, with Pakistan relying on the Indus, Jhelum, and Chenab rivers for approximately 80% of its agricultural needs.

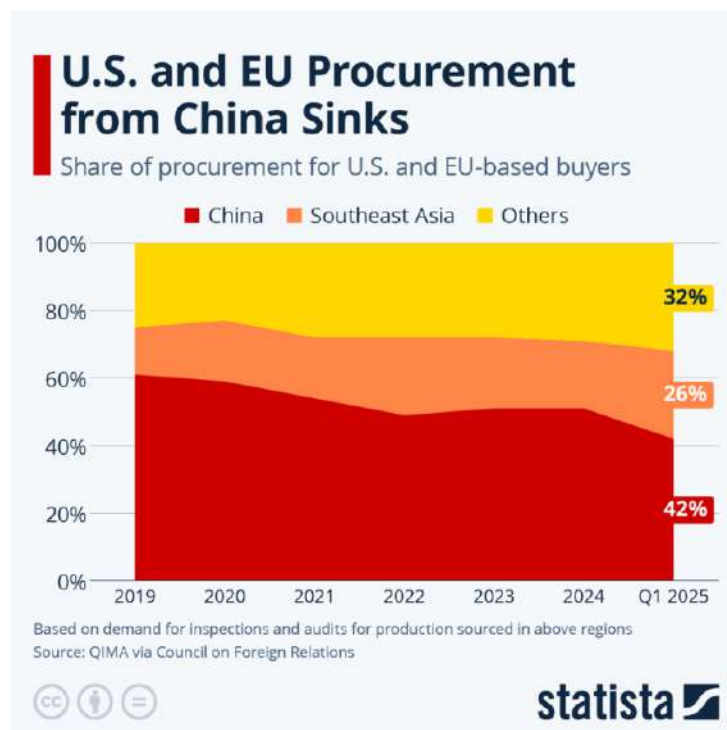
In response to India's actions, Pakistan's Attorney General Mansoor Usman Awan emphasized that the treaty remains legally binding and cannot be unilaterally suspended. He acknowledged receiving communication from India citing population growth and clean energy needs as reasons for modifying the treaty but insisted that any discussions must occur within the treaty's framework. India has begun enhancing hydroelectric projects in Kashmir, such as the Kishanganga and Baglihar dams, aiming to increase water storage capacity. Pakistan has expressed concerns over these developments, warning that attempts to divert water could be considered an "act of war."

## 2. STATISTICS OF THE WEEK

### U.S. and EU Procurement from China Sinks: Southeast Asia Gains Ground

According to new data from the Council on Foreign Relations, the share of procurement by U.S. and EU-based buyers from China has dropped sharply, reaching just 42% in Q1 2025. Southeast Asia now accounts for 26% and other regions make up 32%, reflecting a broader trend of diversification away from China. This shift is driven by both political and economic factors, including the Trump administration's high reciprocal tariffs, which were only paused in April, and the rising competitiveness of factories in Vietnam, Malaysia, and Thailand. However, even as buyers pivot away from China, many Southeast Asian producers still rely heavily on Chinese materials, creating complex supply chain interdependencies.

In response to these shifting trade patterns and the threat of expanded U.S. tariffs, the Council on Foreign Relations reports that Asia's poorer economies, like Cambodia and Vietnam, are making concessions to buy more American goods despite financial strain. Meanwhile, wealthier and more strategically positioned countries, such as Japan, are negotiating at a slower pace, with any potential tariff-reduction deals unlikely before July. The data underscores how U.S. trade pressure is not only reshaping global procurement patterns but also straining Asia's smaller economies as they seek to maintain market access and reduce trade friction.



<https://x.com/statistacharts/status/1924836762309869730>



### 3. MAP OF THE WEEK

#### Diego Garcia: Strategic Pivot Amid Chagos Sovereignty Shift

This week's map spotlights Diego Garcia, the central military outpost in the Chagos Archipelago, following the landmark May 22, 2025, agreement between the United Kingdom and Mauritius. Under the deal, the UK formally cedes sovereignty over the Chagos Islands to Mauritius but retains control of Diego Garcia through a 99-year lease, preserving the base's vital role in U.S.-UK defense operations across the Indo-Pacific and Middle East.

The map visualizes the compact geography that carries outsized geopolitical weight. Home to one of the most important U.S. military installations outside the continental United States, Diego Garcia serves as a launch point for naval, air, and surveillance operations, anchoring Western strategic presence in the Indian Ocean. The adjacent migrant camp, less visible in strategic narratives, has drawn human rights scrutiny—underscoring how local realities intersect with global power projection.

The agreement, described by Mauritian Prime Minister Navin Ramgoolam as a historic decolonization milestone, has sparked both celebration and controversy. While U.S. and UK officials frame the deal as essential for countering malign regional actors, critics warn it may open pathways for Chinese diplomatic or economic inroads in Mauritius. Legal disputes persist as Chagossian voices call for meaningful inclusion in shaping the archipelago's future.

As the Indo-Pacific becomes ever more central to global security dynamics, Diego Garcia remains a key node—a small island with a far-reaching strategic footprint.



<https://www.bbc.com/news/articles/ckdg7jjlx2go>

## 4. PHOTO OF THE WEEK

### Trilateral Handshake in Beijing: China, Pakistan, and Afghanistan Expand CPEC

This week's photo captures a symbolic moment of trilateral diplomacy in Beijing, where Chinese Foreign Minister Wang Yi, Pakistani Deputy Prime Minister Ishaq Dar, and Afghan Acting Foreign Minister Amir Khan Muttaqi posed together after agreeing to expand the China-Pakistan Economic Corridor (CPEC) into Afghanistan. Against a backdrop of traditional Chinese mountain art, the handshake signals an ambition to bind the three countries more closely through trade, infrastructure, and regional connectivity under the Belt and Road Initiative (BRI).

The expansion of CPEC into Afghanistan carries weighty geopolitical implications. While Beijing frames the move as a path to peace and shared prosperity, India views it with suspicion, perceiving it as an encroachment into its strategic sphere—particularly as the corridor runs through disputed Kashmir. For China and Pakistan, the agreement deepens their economic and diplomatic footprint in the heart of Asia, while Afghanistan sees it as a potential lifeline for postwar reconstruction and economic revival.

As the leaders prepare for the next trilateral meeting in Kabul, this image crystallizes the intricate balancing of infrastructure, influence, and regional power plays shaping the future of Central and South Asia.



[https://www.fmprc.gov.cn/mfa\\_eng/wjzbzhd/202505/t20250521\\_11629994.html](https://www.fmprc.gov.cn/mfa_eng/wjzbzhd/202505/t20250521_11629994.html)

## 5. INFOGRAPHIC OF THE WEEK

### China–Denmark Dialogue on Greenland: Sovereignty, Cooperation, and Geostrategic Balance

This week's infographic highlights the nuanced diplomatic exchange between China and Denmark over Greenland, reflecting how Arctic geopolitics intersects with broader questions of sovereignty, trade, and global influence.

On May 19, China publicly reaffirmed its recognition of Danish sovereignty over Greenland, signaling diplomatic caution amid heightened sensitivities following Taiwan-related tensions. Beijing emphasized its commitment to multilateralism and free trade while seeking deeper cooperation with the European Union via Denmark.

Denmark, in turn, appreciated China's acknowledgment of its sovereign rights and expressed its intent to advance open dialogue, economic cooperation, and a stable EU-China relationship. As Copenhagen marks 75 years of China-Denmark diplomatic ties, the government aims to balance sovereignty concerns with pragmatic collaboration across trade, investment, and climate initiatives.

The dialogue underscores how even distant regions like Greenland—long perceived as peripheral—have become entangled in the shifting power plays of great-power competition, economic alignment, and institutional diplomacy.



**CHINA-DENMARK DIALOGUE ON GREENLAND**

**China's Statement:**

"China fully respects Denmark's sovereignty and territorial integrity on the Greenland issue. We hope Denmark continues to support China's legitimate position on issues concerning its sovereignty and territorial integrity."

China reaffirms its recognition of **Danish sovereignty over Greenland** amid heightened sensitivities following Taiwan-related diplomatic activity.

Beijing emphasizes **shared support for multilateralism and free trade**, while seeking deeper cooperation with the EU via Denmark.

**Denmark's Statement:**

"Denmark appreciates China's recognition of our sovereign rights regarding Greenland. We seek to advance open dialogue, economic cooperation, and a stable foundation for EU-China relations."

Copenhagen underscores diplomatic continuity and economic engagement as it marks **75 years of China-Denmark relations**.

Denmark aims to **balance sovereignty concerns with pragmatic cooperation** in trade, investment, and climate initiatives.

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## 6. REGIONAL ALLIANCES

### China and ASEAN Finalize Free Trade Area 3.0: A Strategic Leap into Digital and Green Integration

On May 21, 2025, China and the Association of Southeast Asian Nations (ASEAN) concluded negotiations on the upgraded China-ASEAN Free Trade Area (CAFTA) 3.0. This development marks a significant advancement in regional economic integration, expanding the scope of cooperation to include digital and green economies, supply chain connectivity, and support for micro, small, and medium-sized enterprises (MSMEs). The agreement is poised to be formally signed by the end of the year, reinforcing the commitment of both parties to open, inclusive, and mutually beneficial trade relations .

#### Key Features of CAFTA 3.0

The upgraded agreement introduces nine new chapters, reflecting the evolving economic landscape and shared priorities of China and ASEAN. These chapters encompass:

- **Digital Economy:** Addressing areas such as e-commerce, digital trade standards, and cross-border data flows to facilitate seamless digital transactions.
- **Green Economy:** Promoting cooperation in renewable energy, environmental protection, and sustainable development initiatives.
- **Supply Chain Connectivity:** Enhancing the resilience and efficiency of regional supply chains through improved logistics and infrastructure.
- **Standards and Technical Regulations:** Harmonizing standards to reduce technical barriers to trade.
- **Customs Procedures and Trade Facilitation:** Streamlining customs processes to expedite the movement of goods.
- **Sanitary and Phytosanitary Measures:** Ensuring food safety and animal and plant health standards.
- **Competition and Consumer Protection:** Establishing fair competition practices and safeguarding consumer rights.
- **Support for MSMEs:** Providing assistance to small businesses to integrate into regional and global markets.
- **Economic and Technical Cooperation:** Encouraging collaboration in various sectors to foster economic growth .

#### Strategic Implications and Future Outlook

The completion of CAFTA 3.0 negotiations comes at a time of increasing global economic uncertainty and rising protectionism. By deepening economic ties and expanding areas of cooperation, China and ASEAN aim to inject greater certainty into regional and global trade. The agreement underscores their shared commitment to multilateralism and open markets, serving as a model for other regions seeking to enhance economic integration .

As both parties proceed with domestic procedures to ratify the agreement, CAFTA 3.0 is expected to play a pivotal role in shaping the economic landscape of the Asia-Pacific region. It not only strengthens the economic partnership between China and ASEAN but also contributes to the broader goal of building a community with a shared future.

### **Conclusion: Strengthening Regional Resilience and Global Influence**

The China–ASEAN Free Trade Area 3.0 marks more than just an economic upgrade; it is a strategic recalibration that aligns the region with the imperatives of the 21st-century global economy. By embedding digital transformation, green development, and resilient supply chains into the heart of their economic partnership, China and ASEAN are positioning themselves as leaders in shaping a more interconnected, sustainable, and innovation-driven Asia-Pacific.

Amid rising global protectionism and economic fragmentation, this agreement sends a powerful message: that regional alliances can chart pathways of openness, adaptability, and shared prosperity. As the formal signing approaches, CAFTA 3.0 promises not only to deepen China–ASEAN ties but also to enhance the region’s collective weight in setting the terms of global trade, technology, and sustainability standards. The coming years will test how effectively both sides can translate this ambitious framework into tangible outcomes—but the foundations for a forward-looking regional architecture are now firmly in place.

## 7. ANALYSIS

### CPEC's Northern Push: Strategic Calculus Behind the China–Pakistan–Afghanistan Trilateral Agreement

#### Introduction: A New Chapter in the Belt and Road Initiative

On May 21, 2025, the foreign ministers of China, Pakistan, and Afghanistan convened in Beijing and agreed to extend the China–Pakistan Economic Corridor (CPEC) into Afghanistan. This development marks a significant evolution in the Belt and Road Initiative (BRI), aiming to enhance regional connectivity, trade, and development. The expansion carries profound geopolitical implications, particularly for India, which has consistently opposed CPEC due to its passage through Pakistan-administered Kashmir—a territory India claims.

#### Strategic Motivations: China's Regional Ambitions and Pakistan's Economic Interests

China's interest in extending CPEC into Afghanistan aligns with its broader strategic objectives under the BRI. By incorporating Afghanistan, China seeks to:

- **Enhance Regional Connectivity:** Integrating Afghanistan into CPEC facilitates access to Central Asian markets, promoting economic interdependence and stability in the region.
- **Secure Economic Interests:** Afghanistan's rich mineral resources present lucrative opportunities for Chinese investments, aligning with China's resource acquisition strategy.
- **Strengthen Geopolitical Influence:** Expanding CPEC into Afghanistan allows China to solidify its presence in South and Central Asia, counterbalancing Western influence and securing its western borders.

For Pakistan, the inclusion of Afghanistan offers:

- **Economic Opportunities:** Improved trade routes and infrastructure development can stimulate economic growth, particularly in Pakistan's western regions.
- **Strategic Depth:** Strengthening ties with Afghanistan may provide Pakistan with greater leverage in regional affairs and enhance its security calculus.

#### Afghanistan's Perspective: Economic Prospects Amid Political Complexities

Afghanistan stands to gain from the CPEC extension through:

- **Infrastructure Development:** Participation in CPEC can lead to the construction of roads, railways, and energy projects, addressing Afghanistan's infrastructure deficits.
- **Economic Integration:** Enhanced connectivity may facilitate trade and investment, contributing to economic growth and stability.



However, challenges persist:

- **Security Concerns:** Ongoing conflicts and political instability may hinder project implementation and deter investment.
- **Sovereignty Issues:** Afghanistan must navigate its involvement carefully to maintain sovereignty and avoid overreliance on external powers.

### **India's Response: Strategic Concerns and Diplomatic Repercussions**

India has expressed strong opposition to the CPEC extension into Afghanistan, citing:

- **Territorial Integrity:** The corridor's passage through Pakistan-administered Kashmir, which India claims, is viewed as a violation of its sovereignty.
- **Geopolitical Rivalry:** The expansion is perceived as a strategic maneuver by China and Pakistan to encircle India and diminish its influence in the region.

India's concerns may lead to:

- **Diplomatic Pushback:** India may intensify diplomatic efforts to counter the CPEC expansion and strengthen alliances with neighboring countries.
- **Strategic Realignment:** The development could prompt India to reassess its regional strategy and economic partnerships to safeguard its interests.

### **Conclusion: Navigating Complex Geopolitical Terrain**

The agreement to extend CPEC into Afghanistan represents a significant shift in regional dynamics, offering economic opportunities while introducing complex geopolitical challenges. For China and Pakistan, the move aligns with strategic objectives to enhance connectivity and influence. Afghanistan stands to benefit economically but must manage security and sovereignty concerns. India's opposition underscores the intricate balance of power in South Asia. As the project progresses, the involved nations will need to navigate these complexities to realize the potential benefits while mitigating risks and tensions.