

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

(09 JUNE 2025)

Asia is on edge—and on the move. This week brings into sharp focus the region's accelerating transformation, where elections, embargoes, and diplomatic overtures reveal deeper undercurrents shaping the Indo-Pacific's future. At the forefront is South Korea's dramatic political reset, where liberal leader Lee Jae-myung assumed the presidency in the wake of a failed martial law attempt and widespread public unrest. With no formal transition from his impeached predecessor, Lee has wasted no time asserting executive control—reshaping the domestic agenda and reorienting Seoul's foreign policy posture amid intensifying U.S.–China competition.

Diplomatic signals are also flashing across the Pacific. The first direct Trump–Xi phone call since the U.S. administration change reflects both countries' recognition of the need for dialogue amid rising economic and geopolitical friction. While Trump framed the exchange as “very positive,” especially on trade and rare earths, Xi emphasized restraint, particularly over Taiwan. Whether this represents a lasting recalibration or a short-term de-escalation remains to be seen, but it is clear that strategic communication is cautiously returning to a deeply strained relationship.

On the economic front, China's tightening grip over rare earth exports is sending shockwaves through global markets. The newly implemented licensing regime has delayed exports of magnets and heavy minerals, forcing Western and Asian manufacturers into crisis mode.

Meanwhile, India is actively expanding its strategic footprint in Central Asia. The 4th India–Central Asia Dialogue, held in New Delhi, showcased deepening regional cooperation on counterterrorism, infrastructure, digital finance, and—most notably—rare earth and critical mineral exploration.

This week's photo of the week captures Lee Jae-myung's post-election triumph—a visual testament to democratic resilience in Northeast Asia. The infographic of the week highlights the key messages from the Xi–Trump phone call, offering a snapshot of strategic communication amid systemic rivalry.

As we look ahead to the G7 Summit in Canada, where India's participation signals a potential thaw in New Delhi–Ottawa ties, and to further ministerial talks in London and Beijing, this issue of Asia on the Horizon traces the contours of a region that is recalibrating—but not yet at rest.



## 1. KEY DEVELOPMENTS

### South Korea's Lee Jae-myung Seeks Democratic Renewal and Economic Rebound

South Korea's newly elected liberal President Lee Jae-myung has moved swiftly to steer the nation from the brink of what he termed a "near demise" under his predecessor's attempted martial law toward a rejuvenated democratic and economic path. Elected on June 3 with 49.42% voter support in a snap election Lee framed his victory as both a rebuke of authoritarian overreach and a mandate for renewal. In his inauguration speech on June 4, he pledged to reinforce democratic institutions, heal national divisions, and pursue pragmatic, pro-market reforms—including deregulation, enhanced support for small businesses, and redoubled efforts to tackle rising household living costs. Notably, Lee also emphasized sustaining a robust U.S.–South Korea alliance, while paving the way for renewed engagement with North Korea and rebalancing relations with China and Japan.

Economically, Lee faces an immediate uphill battle. The country is grappling with stagnating growth, weak exports, and vulnerability to global protectionism—most notably U.S. tariff threats. In response, he has promptly convened an emergency economic task force and called for a supplementary ₩13.8 trillion won budget to stimulate consumer spending and support lower-income households. Market confidence surged accordingly. But with significant international challenges Lee's administration will be tested on its ability to deliver tangible results while reinforcing democratic and economic resilience.

### Taiwan and U.S. reaffirm commitment on 36th anniversary

On June 4, marking 36 years since the Tiananmen Square crackdown in 1989, both U.S. Secretary of State Marco Rubio and Taiwan President Lai Ching-te publicly reaffirmed their commitment to preserving the memory of the pro-democracy protests and condemning Beijing's enduring efforts to erase the event from public consciousness. Rubio honored the bravery of those who stood against authoritarianism and emphasized that "the CCP actively tries to censor the facts, but the world will never forget". Simultaneously, Lai praised the courage of the protesters and stressed the vital role of democracies in preserving historical truth, warning that authoritarian regimes attempt to bury inconvenient memories.

In Beijing and Hong Kong, state authorities implemented strict controls to suppress any form of commemoration. Public memorials remain forbidden, internet discussions are heavily censored, and surveillance along with police enforcement has effectively silenced public remembrance—highlighted by the detention of activists in Hong Kong under its national security law. Meanwhile, civil society in Taiwan and other democratic societies has used the anniversary to demand accountability and preserve the legacy of those who paid the ultimate price for democratic freedoms.

## Xi-Lukashenko Summit Deepens China–Belarus Strategic Nexus

In Beijing on June 4, President Xi Jinping hosted Belarus’s long-time leader Alexander Lukashenko, describing Belarus as a “true friend and good partner” amid Western sanctions over Minsk’s support for Russia in Ukraine. This marked Lukashenko’s first international trip since his disputed January re-election, during which Xi reinforced Beijing’s commitment to a robust alliance. Both leaders denounced Western “hegemony and bullying,” signaling a shared ideological front and coordinated stance in multilateral arenas such as the UN and the SCO. Xi reiterated China’s strategic, long-term vision for bilateral relations and underscored Minsk’s evolving pivot from Western isolation toward increased diplomatic and economic alignment with Beijing.

Economically, China asserted its role as Belarus’s principal lender and investor, even as trade disparities widen—Chinese exports to Belarus grew by 47.6% in 2024, leaving Minsk with a multibillion-dollar deficit. The summit reaffirmed plans to deepen cooperation in high-tech and industrial sectors, with potential new projects in the Great Stone Industrial Park and wider integration within Belt and Road and SCO frameworks. Strategically, Belarus’s expansion of ties with China augments its alliances with Russia, collectively reinforcing an Eastern bloc resistant to Western influence and reshaping alignments amid global sanctions and geopolitical pressure.

## Trump–Xi Call Sparks Optimism Amid Tension, but Landmark Deal Still Elusive

On June 4, President Donald Trump publicly described Chinese President Xi Jinping as “very tough and extremely hard to make a deal with,” reflecting deep-seated frustrations over stalled trade negotiations and tariff impasses. Yet just a day later, he and Xi held a 90-minute phone call, marking their first direct dialogue since tensions escalated. According to Chinese state media, the conversation centered on trade issues, with both leaders agreeing to resume high-level discussions and exchanging invitations for reciprocal state visits. Trump also hinted at a potential easing of rare-earth export controls, emphasizing the call as “very positive,” though he stopped short of announcing any concrete breakthroughs.

Despite this apparent thaw, market and expert reactions remain cautious. Chinese equity benchmarks showed negligible change following the call, indicating that investors viewed the meeting as a starting point rather than a resolution. Looking ahead, both sides plan to send senior officials—including U.S. Treasury Secretary Scott Bessent and Commerce Secretary Howard Lutnick—to continue trade negotiations in London. Domestic and legal pressures in the U.S., including ongoing tariff disputes and a court challenge to Trump’s tariff authority, could complicate efforts to transition from dialogue to decisive action.

## Critical Minerals Crunch: China's Export Curbs Shake Global Supply Chains

China's April move to impose export restrictions on a broad range of rare earth elements—particularly alloys, magnets, and heavy rare earths—has triggered global alarm over potential manufacturing disruptions. The bottleneck, caused by a licensing requirement administered by a compact unit within China's Ministry of Commerce, has led to significant slowdowns: magnet exports dropped 50%, pausing production for European auto parts factories and threatening plant shutdowns in the US and India. These minerals are essential to industries ranging from electric vehicles and aerospace to semiconductors and defense. Automakers from Germany, the U.S., and India are urgently seeking expedited licenses, while diplomatic delegations from Japan and the EU engage Beijing in emergency negotiations.

The fallout underscores China's strategic leverage in the intensifying U.S.–China trade war. By mirroring Washington's export control strategies, China has weaponized its near-monopoly—accounting for around 90% of rare-earth refining—using bureaucratic control of licenses to gain insight into global supply chains and pressure . While some temporary licenses were recently granted to U.S. automaker suppliers, the broader system remains inflexible, prompting lawmakers in Washington to accuse China of violating a Geneva truce. Meanwhile, automakers like Ford, GM, BMW, and Mercedes-Benz scramble to build inventories or find scarce alternatives, acknowledging that recovery in miner diversification will take years.

## India–Central Asia Dialogue Deepens Across Security, Connectivity, and Trade

At the 4th India–Central Asia Foreign Ministers' Dialogue in New Delhi (June 5–6), External Affairs Minister S. Jaishankar hosted counterparts from Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan to strengthen regional cooperation on multiple fronts. The ministers reaffirmed a united stance against terrorism, condemning recent cross-border attacks including the Pahalgam incident, and pledged coordinated counter-terrorism measures and intelligence-sharing frameworks. Prime Minister Narendra Modi later met the delegation, emphasizing India's commitment to deepening strategic bonds through trade, connectivity, fintech, energy, food security, and health, and extended an invitation for the next Central Asia Summit in 2025.

Economic integration and infrastructure connectivity were key agenda items. The dialogue spotlighted the International North-South Transport Corridor (INSTC) and Chabahar port as foundational projects to enhance freight movement across the region. Financial linkages, including digital payments and national currency trade, featured prominently. A new Joint Working Group on banking was proposed, alongside expanded technical cooperation in science, healthcare, and digital public infrastructure.

## Modi Accepts G7 Invitation Amid Diplomatic Reset with Canada

On June 6, Indian Prime Minister Narendra Modi confirmed receiving an invitation from Canadian Prime Minister Mark Carney to attend the 51st G7 Summit, scheduled for June 15–17 in Kananaskis, Alberta. The invitation marks a potential thaw in relations following a diplomatic crisis triggered by Canada’s accusations of Indian involvement in the 2023 assassination of Sikh separatist Hardeep Singh Nijjar. Despite these tensions, Carney emphasized India’s importance as the world’s fifth-largest economy, central to global supply chains, and key to discussions on energy, AI, and critical minerals. Modi responded positively, expressing eagerness to collaborate “with renewed vigour” and reaffirming shared democratic values, positioning the summit as an opportunity to recalibrate their bilateral relationship.

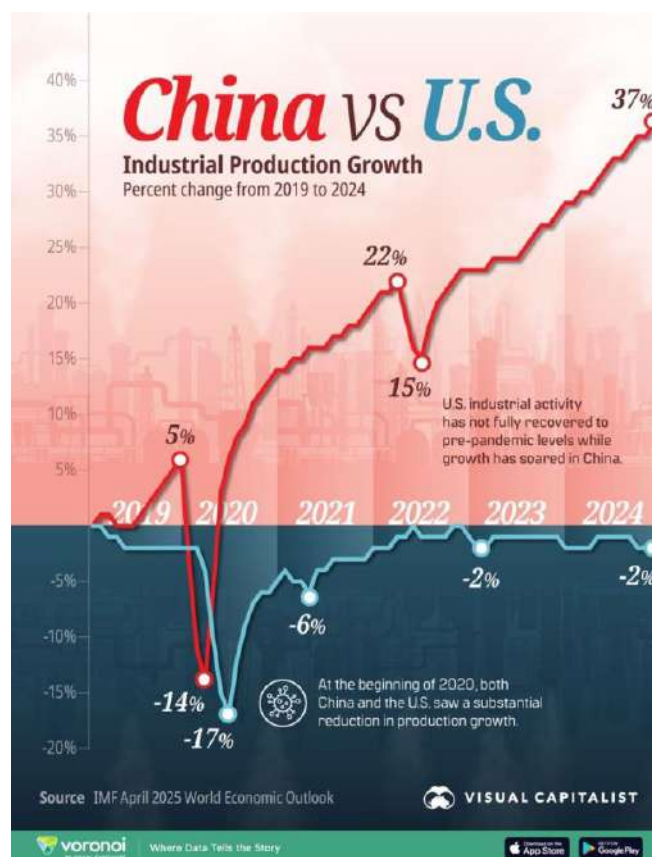
Modi’s participation as an invited guest highlights India’s burgeoning global footprint and the G7’s recognition of its strategic relevance. This invitation not only signals a diplomatic reset with Canada but also reflects broader efforts by G7 nations to integrate non-member economies into critical multilateral discussions. Observers see this inclusion as a calculated move to address transnational issues—from supply chain resilience to climate and digital governance—through a more inclusive framework. For India, the summit underscores both its rising geopolitical influence and its continued balancing act between addressing bilateral tensions and projecting its role on the global stage.

## 2. STATISTICS OF THE WEEK

### China's Industrial Surge Leaves U.S. Behind

China's industrial production grew by an astonishing +37% from 2019 to 2024—far outpacing the United States, which remains -2% below pre-pandemic levels. This divergence underscores China's sustained manufacturing momentum, particularly in electric vehicles, rare earth processing, and critical infrastructure. Despite a brief contraction in early 2020 (-14%), China rapidly rebounded, surpassing 22% growth by mid-2022 and maintaining an upward trajectory through 2024.

Meanwhile, the U.S. industrial sector—already weakened by offshoring and automation—plunged by -17% in 2020 and has since failed to recover. Even as China diversifies away from U.S. markets (exports to the U.S. now constitute only 15%, down from 20% in 2017), its production base continues to power global exports. With manufacturing employing roughly 8% of Americans—half the share seen in China—Beijing's industrial dominance is increasingly structural, not just cyclical.



<https://www.voroniapp.com/economy/-Industrial-Production-in-China-Up-37-Since-2019--4873>

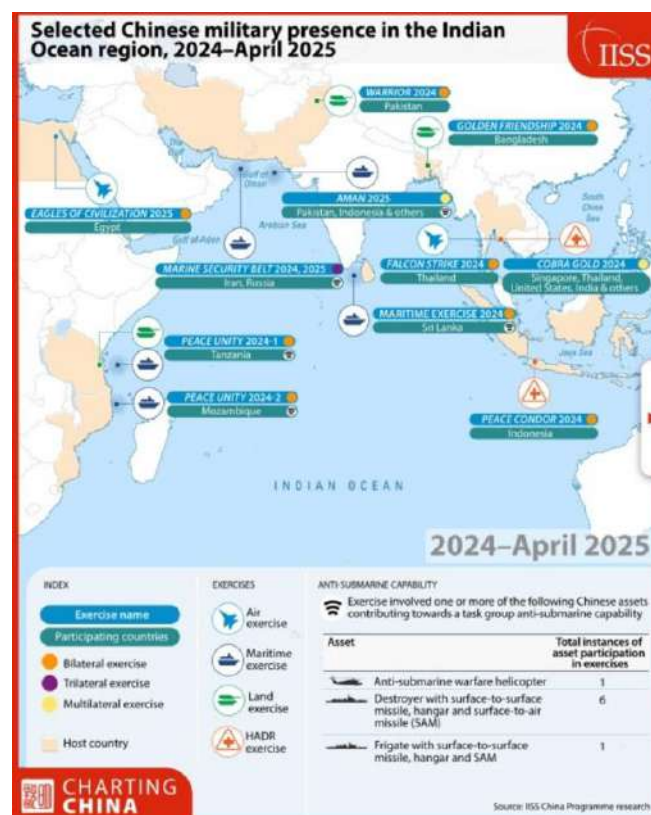


### 3. MAP OF THE WEEK

#### Mapping China's Expanding Footprint in the Indian Ocean

China's evolving presence in the Indian Ocean has taken on strategic depth between 2007 and April 2025, reflecting a comprehensive military and geoeconomic posture far beyond simple naval deployments. While often portrayed as overextended in the region, Beijing has systematically embedded itself through a mix of bilateral and trilateral military exercises, anti-submarine warfare deployments, and infrastructure investment—from the Red Sea to the Strait of Malacca. These exercises, distinct from ceremonial port calls, indicate growing interoperability with partners like Pakistan, Myanmar, and the UAE—who are also among the top recipients of Chinese arms transfers.

China's Indian Ocean activities now encompass deep seabed exploration, strategic infrastructure along the East African coast, and military assets near critical chokepoints, including the Bab el-Mandeb and the Mozambique Channel. Notably, the eastern coast of Africa and Western Indian Ocean islands have become focal points for China's dual-use development initiatives since 2017. As tensions rise across the Taiwan Strait and Western Pacific, Beijing's sustained and multilayered presence in the Indian Ocean signals a deliberate strategy to diversify maritime pressure points and extend its influence into South Asia and Africa's maritime corridors.



[https://www.linkedin.com/posts/international-institute-for-strategic-studies\\_iiss-charting-china-china-in-the-indian-activity-7331286492511617026-3sox?](https://www.linkedin.com/posts/international-institute-for-strategic-studies_iiss-charting-china-china-in-the-indian-activity-7331286492511617026-3sox?)

## 4. PHOTO OF THE WEEK

### Lee Jae-myung's Moment of Ascendancy

This week's image captures a defining moment in South Korea's democratic rebound: President-elect Lee Jae-myung, flanked by supporters and his wife Kim Hye-kyung, raises clenched hands and bouquets in a symbolic gesture of triumph and unity. Taken in Seoul on election night, the photograph reflects not just electoral victory, but a broader political reset following the constitutional crisis that led to snap elections. Lee's expression—composed but resolute—embodies his campaign's dual message: economic revival and democratic restoration.

The backdrop to this image is one of high-stakes urgency. With no formal transition from his impeached predecessor, Lee has swiftly asserted presidential authority—convening economic emergency meetings, reactivating legislative channels, and initiating outreach to both Washington and Beijing. As domestic and regional uncertainties mount, this image marks a visual inflection point: the return of a confident executive to the Blue House, greeted by a crowd hoping for stability, reform, and a more inclusive national trajectory.



<https://koreapro.org/2025/06/no-transition-no-problem-lee-jae-myung-asserts-early-control-of-presidency/>



## 5. INFOGRAPHIC OF THE WEEK

### Xi and Trump Reopen Strategic Dialogue

This week's featured infographic captures a rare moment of strategic recalibration: Presidents Xi Jinping and Donald Trump reengaging in direct dialogue amid intensifying tensions over trade, Taiwan, and rare earth exports. In a 90-minute call held on June 5, the two leaders exchanged sharply framed but diplomatically significant messages. Trump praised the discussion as a "very good call" with a "positive conclusion," particularly on rare earth product complexities, signaling possible de-escalation in the minerals export standoff.

On the other side, Xi invoked maritime metaphor—"the giant ship of China-U.S. relations"—to call for co-leadership and restraint, especially regarding the Taiwan question. The dialogue appears to mark the reopening of stalled high-level communication channels, with both sides agreeing to resume economic negotiations and mutual state visits. This infographic distills the dual-track tone of the call: transactional optimism from Washington and strategic caution from Beijing. As rhetoric turns back to diplomacy, all eyes will be on whether this thaw can weather the deep structural divides ahead.



## 6. REGIONAL ALLIANCES

### India and Central Asia Reinforce Strategic Convergence

In a region marked by shifting fault lines—from the fragile Afghanistan-Pakistan corridor to an increasingly contested Eurasian heartland—India and the five Central Asian republics have stepped up efforts to institutionalize their strategic convergence. The 4th India–Central Asia Dialogue, held on June 5, 2025, in New Delhi, brought together the foreign ministers of Kazakhstan, Kyrgyz Republic, Tajikistan, Turkmenistan, and Uzbekistan, culminating in a wide-ranging agenda that emphasized connectivity, security, and economic integration. With External Affairs Minister S. Jaishankar hosting and Prime Minister Narendra Modi personally receiving the visiting dignitaries, the dialogue signaled India’s intent to deepen its footprint in a geopolitically vital and resource-rich region increasingly shaped by China’s Belt and Road and Russia’s Eurasian projects.

### Security and Counterterrorism: A Shared Threat Perception

A major outcome of the dialogue was the joint condemnation of terrorism in all its forms, including cross-border attacks—implicitly referencing the Pahalgam incident in Jammu & Kashmir. The ministers reaffirmed the need for a comprehensive, multilateral counterterrorism architecture, including the expansion of intelligence sharing, border management, and capacity building. The emphasis on security cooperation was underscored by India’s proposal to launch a dedicated India–Central Asia Joint Working Group on Counterterrorism, aimed at institutionalizing coordinated action against terror networks, narcotics trafficking, and cyber threats.

### Connectivity and Trade: Chabahar, INSTC, and Digital Corridors

India placed heavy emphasis on regional connectivity, positioning Chabahar Port and the International North–South Transport Corridor (INSTC) as anchors of East–West freight and energy flows. Ministers endorsed efforts to accelerate multimodal infrastructure across Iran, the Caspian, and the Caucasus. Additionally, India proposed digital connectivity projects—including cross-border fintech platforms and national currency settlements—to insulate regional trade from global disruptions and enhance monetary sovereignty. In a parallel track, cooperation in green energy, food security, and technical education was also elevated, with India offering expanded capacity-building programs under the ITEC scheme.

### Rare Earths and Industrial Cooperation: Strategic Diversification

In a strategically notable development, India and the Central Asian states declared intent to deepen critical mineral cooperation, particularly in rare earths and battery materials, responding to global supply chain uncertainties triggered by China’s recent export restrictions. A revival of the India–Central Asia Rare Earth Forum was proposed, alongside technical feasibility studies and resource mapping exercises. This initiative reflects a growing ambition to not only trade but also co-develop and co-produce

within strategic sectors such as renewable energy, defense manufacturing, and telecom infrastructure.

### **Conclusion: Toward a Multipolar Eurasian Architecture**

The 4th India–Central Asia Dialogue reaffirmed the strategic logic of “consultation, coordination, and cooperation” as a trilateral doctrine for future engagement. While India may not match China’s scale of investment, its people-centric, sovereign-respecting model of partnership offers a compelling alternative to regional elites wary of overdependence on any one power. By aligning shared interests in security, transit, technology, and resources, the India–Central Asia format continues to mature from a dialogue platform into a functional alliance architecture—one that could prove pivotal as Eurasia navigates new multipolar realities.

## 7. ANALYSIS

### Strategic Diplomacy or Tactical Pause? Unpacking the Xi–Trump Call

As geopolitical tensions between the U.S. and China reach their most acute point since the onset of the trade war, a direct phone call between Presidents Donald Trump and Xi Jinping on June 5 marked an unexpected moment of high-level engagement. Officially characterized as “constructive” by both sides, the 90-minute exchange was the first such dialogue since Trump returned to office—and may represent either a calibrated diplomatic reset or a temporary tactical de-escalation. This week's analysis unpacks the strategic, economic, and symbolic dimensions of the call to assess whether this marks the beginning of a new chapter—or merely an interlude in a deepening rivalry.

#### Escalation Fatigue and Mutual Constraints

The call came on the heels of several compounding flashpoints: China's imposition of rare earth export controls, Washington's renewed tariff escalation, and intensifying U.S. military activity around Taiwan. Both economies have also shown signs of internal strain—China with slowing industrial output, and the U.S. facing investor unease amid tariff-driven inflationary pressures. The timing suggests both leaders recognized the need to break the momentum of escalation without yielding on core interests. While Trump emphasized a “positive conclusion” on rare earth issues, Xi framed the dialogue in metaphorical terms—calling for the two Presidents to “steer the giant ship” of bilateral ties with prudence, particularly over Taiwan.

#### Trade & Rare Earths: A Fragile Economic Truce?

The clearest tangible outcome of the call was renewed dialogue on trade and critical minerals. Trump claimed the conversation resolved “complexity” over rare earth products—interpreted by markets as a possible softening of China's opaque export license regime, which had recently disrupted global supply chains. Yet no formal agreement was announced, and China's Ministry of Commerce has offered no confirmation of immediate policy adjustments. Both sides agreed to dispatch senior trade and finance officials to London, signaling a renewed willingness to negotiate—but under vastly different expectations: the U.S. seeks reciprocal market access and regulatory clarity; China demands the removal of what it calls “illegal and unilateral” tariffs. With trust at a historic low, the resumption of dialogue may simply reframe, rather than resolve, the structural conflict.

#### Taiwan, Technology, and the Strategic Frontlines

Beyond economics, the call underscored persistent friction on the geopolitical front. Xi's statement explicitly tied diplomatic stability to U.S. conduct on Taiwan, urging “prudence” to avoid “confrontation and conflict.” In contrast, Trump remained silent on the issue publicly, focusing instead on trade deliverables and domestic optics. This rhetorical divergence reflects the underlying asymmetry: for China, Taiwan is existential; for Trump, it remains a lever in a broader negotiation. Meanwhile, bilateral

tensions continue to simmer in the tech and defense realms, including disputes over semiconductor export controls, maritime surveillance, and cybersecurity. The call did little to bridge these divides but may have functioned as a circuit-breaker—restoring backchannels before the July G20 summit in Italy.

### **Conclusion: A Reset or a Recalibration?**

The June 5 Trump–Xi phone call suggests that direct leader-level communication remains the most reliable stabilizer in an increasingly volatile bilateral relationship. However, optimism should remain measured. While both leaders have strong incentives to de-escalate economically, their core worldviews—and domestic political calculations—remain profoundly misaligned. For now, the call represents a recalibration, not a reset: a temporary cooling of rhetorical temperatures in service of preventing crisis, rather than a substantive shift in posture. With further talks planned, the coming weeks will test whether this engagement can evolve into a more durable framework—or whether it will dissolve into yet another missed opportunity.