

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

(28 JULY 2025)

This week's Asia on the Horizon arrives amid a turbulent and transformative moment for the Indo-Pacific and Eurasian regions, as shifting alliances, economic realignments, and escalating flashpoints redraw the strategic map. Our newsletter offers a panoramic view of the key developments shaping Asia's future—spanning high-stakes diplomatic summits, major economic agreements, volatile border disputes, and critical shifts in regional alliances.

In Key Developments, we spotlight Japan and the European Union's ambitious plan to build a joint satellite constellation—an emblem of a new era of technological autonomy and strategic hedging beyond traditional U.S. security frameworks. The region's web of alliances is further underscored by North Korea and China's high-profile reciprocal receptions marking the 64th anniversary of their defense treaty, symbolizing renewed vigor in traditional partnerships. Australia's dynamic diplomatic outreach is on full display, with Prime Minister Albanese's landmark China visit and direct engagement with President Xi Jinping—an effort to recalibrate the Sino-Australian relationship while navigating complex trade, technology, and security agendas.

This edition also tracks major economic milestones: the near-finalization of the Indonesia–EU free trade agreement and India's historic pact with the United Kingdom, both signaling Asia's drive to anchor new partnerships and diversify economic dependencies. At the same time, we dissect the ongoing friction and dialogue between China, Russia, and the West—highlighted by high-level meetings ahead of the upcoming SCO summit, and the EU–China summit where economic interdependence, security, and great power rivalry are on full display.

Our “Statistics of the Week” section brings Southeast Asia's contrasts to life, charting Indonesia's rise as an economic powerhouse, Singapore's global leadership in innovation, and the social and military spending trends defining the region's development paths. The Map of the Week illustrates the alarming escalation of the Thailand–Cambodia border dispute—a potent reminder of how history, nationalism, and local grievances can ignite regional crises with global implications.

In Photo of the Week, we feature the powerful visual of Chinese President Xi Jinping greeting EU leaders at a tense but pivotal summit in Beijing, capturing both the opportunities and challenges facing the China–EU relationship as both sides seek to define a new balance between openness and competition.

Our Infographic of the Week turns to Tianjin, where the Shanghai Cooperation Organisation's Foreign Ministers' Meeting signals Eurasia's growing ambition to serve as a driver of global stability and strategic alignment—underscoring the SCO's growing reach and China's diplomatic leadership.

This week's Regional Alliances explores how the SCO, under China's presidency, is evolving from a security pact into a multifaceted bloc for regional problem-solving and economic integration, set against a landscape of shifting alliances and contestation between East and West. In our featured Analysis, we probe Pakistan's strategic centrality for both the U.S. and China, unraveling how Islamabad's diplomacy and hedging strategies are shaping the broader contours of great power rivalry and economic interdependence.

As always, Asia on the Horizon aims to move beyond the headlines, equipping you with sharp analysis, structured insights, and visual storytelling to navigate Asia's ever-evolving geopolitical landscape. We hope this edition provides the clarity, depth, and foresight you need for the week ahead.



## 1. KEY DEVELOPMENTS

### Japan–EU Launches Plan for Independent Satellite Constellation

As revealed in draft documents ahead of the Japan-EU summit scheduled for July 23, 2025, Tokyo and Brussels are planning a joint initiative to build a communications satellite constellation aimed at reducing reliance on U.S. providers such as SpaceX. The proposal outlines coordinated launch and operation of small satellites under public-private partnership frameworks. Japan intends to deploy multiple domestic private-sector satellite systems by the early 2030s—while the EU seeks to expand its upcoming IRIS<sup>2</sup> constellation to meet similar strategic goals. The collaboration may also cover standardization of key technologies, climate and disaster data sharing, and the growing issue of space debris management.

The move builds on existing Japan–EU economic and security frameworks (including agreements concluded in 2018 and 2024), and appears driven by concerns over potential U.S. unpredictability—exemplified by SpaceX’s intermittent service decisions during the Ukraine conflict. With Elon Musk’s SpaceX planning upward of 40,000 satellites globally and China pursuing over 10,000, Japan and the EU aim to narrow capability and autonomy gaps by combining efforts in strategic industries beyond space—including defense, environment, and digital technologies.

### China–North Korea Mark 64 Years of Defense Pact with High-Level Diplomatic Receptions

North Korea and China held reciprocal receptions in Beijing and Pyongyang to commemorate the 64th anniversary of their Treaty on Friendship, Cooperation and Mutual Assistance, originally signed on July 11, 1961. The events—attended by senior figures such as Wang Dongming, vice chairperson of China’s National People’s Congress, and Kang Yun-sok, vice chairman of North Korea’s Supreme People’s Assembly—signal a notable warming of bilateral ties after a period of diplomatic coolness prompted by Pyongyang’s deepening alignment with Moscow.

The increased level of diplomatic representation, compared to last year’s lower-profile attendance, reflects efforts by both countries to reaffirm their traditional alliance amid shifting geopolitical dynamics. In his remarks, North Korean Ambassador Ri Ryong-nam reaffirmed Pyongyang’s commitment to strengthening ties with Beijing "through generations," highlighting the treaty’s enduring symbolic and strategic relevance at a time of rising tensions in Northeast Asia.

## Albanese Launches Major China Visit to Deepen Economic Ties

Australian Prime Minister Anthony Albanese began a high-profile visit to China in mid-July, with stops in Shanghai, Beijing, and Chengdu, marking his first trip since reelection and aligning with the start of the second decade of the China–Australia Comprehensive Strategic Partnership. The trip is positioned not just as diplomatic symbolism, but as a dynamic push toward expanding trade and investment across key sectors. Accompanied by business delegations spanning resources, tourism, education, and technology, Albanese emphasized China's significance to Australia—where one in four jobs depends on free, fair trade and China remains the nation's largest trading partner.

The Shanghai leg featured discussions with local leaders like Communist Party Secretary Chen Jining, covering cooperation in green transformation, scientific innovation, and cultural exchanges. Albanese also spotlighted people-to-people diplomacy, joining former Socceroo Kevin Muscat for a public stroll along the Bund as part of broader efforts to deepen mutual understanding. New commercial initiatives launched during the visit include a tourism MOU between Trip.com and Tourism Australia, along with a creative marketing campaign featuring Australian cultural figures in China.

## Australia–China Reinforce Engagement as Albanese Meets Xi in Beijing

Australian Prime Minister Anthony Albanese met with Chinese President Xi Jinping on July 15, 2025, at the Great Hall of the People in Beijing during a high-level trip focused on trade and regional security. The meeting reaffirmed Australia's diplomatic strategy of “cooperate where we can, disagree where we must,” while emphasizing open dialogue amid growing tensions in the Indo-Pacific. Following their private lunch, President Xi underscored the need to safeguard free trade and called for enhanced mutual trust. Australian leaders reiterated the importance of a stable bilateral pathway balanced on national interest.

While no major investment deals or trade agreements were announced, both nations committed to reviewing their decade-old free trade agreement and launched a new Policy Dialogue on Steel Decarbonisation to expand cooperation in green transition sectors. Albanese raised pressing issues—including the detention of Australian writer Yang Hengjun and unannounced Chinese live-fire drills near Australia—and pressed for transparency in bilateral defense conduct (Reuters). The visit concluded with business roundtables involving mining executives from Rio Tinto, BHP, Fortescue, and Chinese counterparts from BYD, Baosteel, and COFCO, signaling cautious but deliberate economic re-engagement.

## Indonesia Presses for EU Investment as Free Trade Deal Nears Finalization

Indonesia and the European Union have reached a political agreement on the Comprehensive Economic Partnership Agreement (CEPA), signaling critical progress toward the landmark free trade deal long in negotiation. Delivered during a joint appearance between Indonesian President Prabowo Subianto and EU Commission President Ursula von der Leyen in Brussels, the announcement emphasized the pact's potential to expand market access in agriculture, automotive, digital services, and raw materials — sectors vital to both economies.

With formal ratification expected by late 2025 or early 2026, Indonesia is urging enhanced European investment and technological engagement to match the trade. Prabowo framed the agreement as an economic and geopolitical anchor in turbulent global times, emphasizing Indonesia's interest in becoming a stronger strategic partner for Europe. Officials anticipate that the pact would eliminate tariffs on approximately 80% of Indonesian exports to the EU and could boost exports by over 50% within three to four years of implementation.

## Russia and China Deepen Coordination on Ukraine and U.S. Ties

Russian Foreign Minister Sergei Lavrov and Chinese Foreign Minister Wang Yi met in Beijing on July 13, 2025, ahead of the SCO foreign ministers' summit. Their dialogue covered a broad range of issues, including the war in Ukraine, bilateral relations with the United States, and regional security topics such as situations on the Korean Peninsula and Iran's nuclear program. Both sides reaffirmed the "no-limits" partnership established in February 2022 and emphasized the strategic imperative of increased coordination across global platforms like the United Nations, SCO, BRICS, G20, and APEC.

China and Russia framed their growing convergence as a response to rising global instability. They highlighted the need to "promote development and revitalisation of each other" and jointly tackle worldwide challenges stemming from a volatile international environment. By underscoring unified positions, especially in forums often dominated by U.S. influence, the two capitals are visibly cementing their strategic alignment amid intensifying geopolitical competition with Washington.

## India–China Diplomatic Reset: Jaishankar Meets Xi Amid SCO Engagement

Indian External Affairs Minister S. Jaishankar met with Chinese President Xi Jinping in Beijing on July 15, 2025, as part of the Shanghai Cooperation Organisation (SCO) Foreign Ministers’ meeting. It marked Jaishankar's first visit to China since the Galwan Valley clash of 2020, highlighting a potential thaw in bilateral relations. During the meeting, Jaishankar conveyed greetings from Indian President Droupadi Murmu and Prime Minister Narendra Modi and briefed Xi on recent steps taken to normalize ties, including resumption of the Kailash Mansarovar Yatra and renewed diplomatic exchanges.

China’s leadership responded positively, with Vice President Han Zheng meeting Jaishankar on July 14, stressing the importance of continued practical cooperation, respect for mutual concerns, and stabilizing the bilateral relationship amid geopolitical volatility. Jaishankar’s meetings with Foreign Minister Wang Yi and other senior CPC officials emphasized a long-term, strategic approach to managing border issues, restoring people-to-people exchanges, and avoiding trade restrictions—anchored in principles of mutual respect, interest, and sensitivity.

## China Prepares SCO Foreign Ministers Meeting to Lay Groundwork for Tianjin Summit

China is set to host the Council of Foreign Ministers of the Shanghai Cooperation Organization (SCO) on July 15, 2025 in Tianjin. The meeting, chaired by Chinese Foreign Minister Wang Yi, aims to politically prepare for the upcoming SCO Summit scheduled for the same city this autumn. Foreign ministers from member states will engage on cooperation across the SCO’s diverse fields and major regional and international issues, with the goal of consolidating consensus and formulating new joint resolutions and communiqués. By invoking the “Shanghai Spirit” and the “SCO in Action” agenda, Beijing is emphasizing principles of solidarity, mutual trust, regional peace and development, and fairness—setting a forward-looking tone for the institution’s trajectory.

China’s presiding role during the 2024–2025 term of SCO rotating presidency underscores its ambition to guide the organization toward "high-quality development." The upcoming Council meeting offers members an opportunity to align on shared strategic objectives, modify institutional priorities, and advance President Xi Jinping’s agenda for building a “shared home.” Completion of political groundwork at the foreign ministers’ level is expected to pave the way for concrete implementation at the leadership summit later in Tianjin.

## China and UK Signal Thaw in Relations with High-Level Security Talks

China and the United Kingdom have taken a step toward stabilizing and expanding their relationship, as Chinese top diplomat Wang Yi met with Jonathan Powell, the UK prime minister's national security adviser, in Beijing on July 14, 2025. Wang Yi, a member of the Political Bureau of the Communist Party of China Central Committee and director of the Office of the Foreign Affairs Commission, emphasized the steady improvement of China–UK ties under the guidance of both countries' leaders. He called for both sides to “respect each other, enhance mutual trust, and engage in strategic communication on a long-term basis,” highlighting the need for practical cooperation and an open, win-win approach to advance global stability and development.

Jonathan Powell echoed these sentiments, stating the UK's willingness to work with China to build a “stable, constructive and enduring” partnership. Both sides exchanged views on international and regional issues of mutual concern, agreeing on the importance of strengthening dialogue and expanding areas of practical cooperation. The meeting signals cautious optimism for renewed momentum in China–UK relations, as both capitals look to deepen engagement amid a shifting international landscape.

## Xi and Lavrov Reinforce China–Russia Partnership Ahead of SCO Summit

On July 15, 2025, Russian Foreign Minister Sergei Lavrov met with Chinese President Xi Jinping at the Great Hall of the People in Beijing during the backdrop of the SCO foreign ministers meeting. Lavrov conveyed warm greetings from President Vladimir Putin and expressed readiness to reinforce coordination ahead of Putin's upcoming visit, which will involve high-profile engagements such as commemorations on September 3 marking the victory over Japan in World War II. The talks reaffirmed the importance of sustained political dialogue and ramped-up bilateral engagement in advance of the summit.

During the meeting, President Xi emphasized the strategic imperative of strengthening mutual support in multilateral institutions, particularly within the Shanghai Cooperation Organization, which China and Russia jointly established. Xi called for deepened partnership across global platforms, urging both countries to champion Global South unity and promote a more equitable international order. Lavrov responded with praise for the deepening comprehensive strategic partnership, reaffirming Russia's commitment to support China's SCO presidency and ensure the success of the upcoming summit in Tianjin.

## Xi Meets SCO Foreign Ministers, Reaffirms Pillars of Regional Cooperation

On July 15, 2025, President Xi Jinping greeted the foreign ministers and heads of standing bodies from Shanghai Cooperation Organization (SCO) member states at the Great Hall of the People in Beijing. During the Council meeting, Xi reflected on the SCO's evolution over its 24-year history, praising its enduring vitality and consistent adherence to the "Shanghai Spirit," which emphasizes mutual trust, equality, inclusivity, and pragmatism. China, currently holding the SCO's rotating presidency, has prioritized the organization in its neighborhood diplomacy, and Xi reaffirmed its commitment to strengthen the SCO's role in advancing regional security, economic cooperation, and a shared future.

Xi also highlighted the organization's upcoming Tianjin SCO Summit, noting China's ambition to convene heads of state in the city later this year to chart the group's future trajectory. Against a backdrop of global volatility, Xi called on SCO countries to remain "focused, confident, and efficient," urging concerted efforts to inject greater stability and "positive energy" into the wider international order. The statement reflects China's aim to lead the SCO toward proactive diplomacy and constructive multilateralism in a fractious global environment.

## SCO Foreign Ministers Meet in Tianjin to Finalize Summit Preparations

On July 15, 2025, the Council of Foreign Ministers of the Shanghai Cooperation Organisation (SCO) convened in Tianjin, chaired by Chinese Foreign Minister Wang Yi, to pave the way for the upcoming SCO Heads-of-State Summit scheduled for August 31–September 1 in the same city. Attended by senior diplomats including India's S. Jaishankar, Iran's Seyed Abbas Araghchi, Kazakhstan's Murat Nurtleu, Pakistan's Ishaq Dar, and Russia's Sergei Lavrov, the meeting focused on strengthening foreign policy coordination and preparing consensus drafts—such as the Tianjin Declaration and a new SCO Development Strategy for the next decade. Wang Yi emphasized the need to uphold the "Shanghai Spirit"—mutual trust, mutual benefit, equality, and consultation—to guide the organization through complex global turbulence.

In one-on-one exchanges on the sidelines, member states reiterated support for China's rotating presidency and the coming September summit. Kazakhstan's Foreign Minister Murat Nurtleu praised the SCO's growing international clout and pledged continued institutional strengthening based on equity and sustainable development. India's External Affairs Minister Jaishankar used the platform to reiterate the SCO's founding anti-terror mandate, warning that "nations who aid terror will pay a price" and demanding concrete action on terrorism, separatism, and extremism. Collective discussions underscored the SCO's deepening role in Eurasian diplomacy, with member states signaling their readiness to mobilize for a successful and impactful Tianjin summit.

## China and Iran Reaffirm Strategic Partnership and Dialogue on Nuclear Issue

On July 16, 2025, Chinese Foreign Minister Wang Yi met with Iranian Foreign Minister Seyed Abbas Araghchi in Tianjin, emphasizing the enduring strength of their countries' comprehensive strategic partnership. Wang Yi reaffirmed China's ongoing support for Iran's sovereignty and national dignity, stressing opposition to power politics and outside pressure. Both sides committed to deepening mutual trust, expanding cooperation, and strengthening exchanges, aiming for steady, long-term growth in bilateral relations. Wang also voiced China's readiness to work with Iran to promote stability and development as part of broader neighborhood diplomacy.

The talks included an exchange on the Iranian nuclear issue, with Araghchi reiterating Iran's position of not pursuing nuclear weapons while insisting on its right to peaceful nuclear energy. He expressed Iran's willingness to negotiate with all parties on an equal and respectful basis to seek a political resolution. Wang Yi, in turn, appreciated Iran's diplomatic approach and commitment to non-proliferation, affirming China's support for dialogue and consultation over the use of force. Both countries pledged to continue constructive engagement to help resolve the nuclear issue and promote stability in the Middle East.

## Pakistan–China Reinforce Strategic Partnership on SCO Sidelines

Pakistani Deputy Prime Minister and Foreign Minister Mohammad Ishaq Dar met with Chinese Foreign Minister Wang Yi in Tianjin on July 16, 2025, alongside the SCO Council of Foreign Ministers meeting. The two reaffirmed their "all-weather" strategic cooperative partnership, emphasizing strong coordination in security, trade, agriculture, and mining sectors. Discussions highlighted expanding cooperation under the China–Pakistan Economic Corridor (CPEC) and bolstering multilateral engagement. Both sides expressed mutual satisfaction with the depth of bilateral coordination and pledged continued support for each other's core interests.

Dar reiterated Pakistan's support for the One-China principle and China's leadership in hosting the upcoming Tianjin SCO Summit, pledging efforts to ensure its success and the safety of Chinese nationals and institutions in Pakistan. Wang Yi affirmed China's appreciation for Pakistan's backing and reaffirmed readiness to jointly elevate CPEC and strategic dialogue to new heights. The meeting reflects sustained Sino-Pakistani solidarity amid regional volatility and ahead of the SCO leaders' summit in late August.

## **Prabowo Elevates Indonesia's Global Profile as Bastille Day Guest of Honor in Paris**

Indonesian President Prabowo Subianto graced France's Bastille Day military parade on July 14, 2025, as the official guest of honor, marking a diplomatic milestone in Jakarta–Paris relations. This debut appearance in France's most prestigious national celebration offered an opportunity for Prabowo to project Indonesia as a serious global player capable of engaging the West on equal footing. Analysts interpreted the high-profile invite and ceremonial honors—including a presidential banquet hosted by Emmanuel Macron—as a symbolic acknowledgement of Indonesia's rising strategic and economic clout.

Indonesia's participation was widely visible: over 200 military personnel, including traditional drummers, led the foreign contingent in France's famed Champs-Élysées parade. Prabowo's presence coincided with anticipated defense discussions, including the potential confirmation of contracts for Rafale fighter jets and Scorpène-class submarines. The combination of ceremonial pomp and expected arms procurement underscored the strengthening defense and diplomatic ties between Indonesia and France, offering Jakarta a platform to reinforce its growing influence in global security architecture.

## **South Korea Joins Horizon Europe, Deepening EU–Asia Research Ties**

On July 17, 2025, the Republic of Korea officially became the first Asian country to associate with Horizon Europe, the European Union's €93.5 billion flagship research and innovation programme for 2021–2027. This milestone grants Korean researchers and organisations equal access to Europe's largest collaborative Pillar II (focusing on climate, energy, digital, and health) and enables them to lead international consortia, receive funding, and deepen collaboration with European institutions. Under a transitional arrangement that began on January 1, 2025, Korean entities have already been eligible to apply for Horizon Europe grants, pending finalisation of the full association agreement.

The move also carries significant geopolitical implications, signaling the EU's intent to forge stronger alliances with like-minded partners beyond Europe. Korea's financial contribution to the programme underscores its commitment. The expanded access is designed to accelerate joint innovation on global challenges—from carbon-neutral technologies to the digital economy—while reinforcing the EU's strategic collaborations in the Indo-Pacific. Commissioner Ekaterina Zaharieva welcomed the partnership, highlighting the global nature of contemporary challenges and the value of uniting leading minds across continents to drive progress together.

## Historic Defeat: LDP-Komeito Coalition Loses Upper House Majority

In the July 20, 2025 election, Prime Minister Shigeru Ishiba’s ruling coalition—Liberal Democratic Party (LDP) and Komeito—failed to secure the 50-seat threshold needed for Upper House control, winning only 47 seats, thus losing its majority in the 248-seat chamber. This marks the first time since 1955 that the LDP has lost control of either house, compounding its earlier lower house losses and heightening political instability.

The election saw major gains by fringe and populist parties, most notably Sanseito, which secured 14 seats, riding public dissatisfaction over inflation, stagnant wages, and rising living costs. Its nationalist “Japanese First” platform resonated with younger and anti-establishment voters. Despite the setback, Ishiba vowed to remain in office, arguing continuity is essential amid ongoing U.S. trade negotiations and tariff threats, though party insiders are increasingly pressing for leadership change.

## U.S. Proposes South Korea Lead Manufacturing Fund in Tariff Talks

The United States has reportedly asked South Korea to take the lead in establishing a multi-billion-dollar “Manufacturing Cooperation Enhancement Fund” aimed at bolstering American manufacturing, according to South Korean media citing unnamed officials. The fund, if realized, would support South Korean firms investing in the U.S. by expanding factories or forming local partnerships. While the proposal echoes a similar Japanese offer of a \$400 billion fund.

The request comes as part of South Korea’s intense deadline-driven negotiations with the U.S., aimed at avoiding 25% tariffs on key exports starting August 1. Seoul is pressing for a trade deal comparable to the recently concluded U.S.–Japan agreement. South Korea is preparing to propose a \$100 billion investment package led by companies like Samsung and Hyundai to deepen cooperation in semiconductors, auto, and energy sectors—part of a final push to secure equitable terms.

## Secretary Rubio Meets Philippine President Marcos Jr.

On July 21, 2025, U.S. Secretary of State Marco Rubio met with Philippine President Ferdinand R. Marcos Jr. at the U.S. Department of State, during Marcos’s first visit to Washington under the Trump administration. The two leaders reaffirmed their shared commitment to enhancing bilateral economic cooperation, emphasizing the need to maintain a rules-based trading system and modernize existing agreements to address emerging challenges. They underscored the strategic imperative of aligning economic goals with regional security cooperation in the Indo-Pacific.

Their conversation also addressed broader strategic and defense priorities: both sides pledged deeper collaboration on trade diversification, supply chain resilience, and joint investments to support shared prosperity. As the Philippines faces escalating tariffs and seeks exemptions from proposed 20% levies, Marcos emphasized the necessity of deeper U.S. investment to bolster Philippine competitiveness and cement its role as a key strategic partner. Both leaders signaled readiness to coordinate across economic, security, and diplomatic domains to navigate global volatility.

## Trump Signals Potential China Trip and Possible Xi Meeting Amid Trade Thaw

On July 22, 2025, U.S. President Donald Trump stated that he may make a trip to China in the “not-too-distant future,” acknowledging an invitation from Chinese President Xi Jinping. The proposed visit aims to address persistent tensions on trade and security, with aides reportedly discussing a possible meeting during an upcoming Asia tour or at high-level events such as the APEC Summit in South Korea or Beijing’s September 3 Victory Day ceremony, which Russian President Putin is also expected to attend.

This announcement comes amid a temporary easing of the U.S.–China trade war, including tariff reductions negotiated in recent high-level talks. Trump—speaking alongside Philippine President Marcos Jr.—highlighted improved relations with China while maintaining pressure on key issues such as rare-earth exports and Russian oil purchases. The potential summit, which would represent their first face-to-face meeting since Trump’s second inauguration, is seen as a pivotal test of whether both sides can translate recent diplomacy into a substantive and durable economic agreement.

## Global Markets Rally on U.S.–Japan Trade Breakthrough, Hopes for EU Deal

On July 23, 2025, global financial markets surged following the announcement of a surprise U.S.–Japan trade deal. The agreement sharply reduced proposed tariffs on Japanese goods to 15% from a previously threatened 25%, boosting investor confidence—especially in Japanese auto stocks, which rallied strongly, while the Nikkei index hit a one-year high. The announcement ignited optimism about similar agreements with the EU and South Korea, helping lift European futures and underpin equity gains worldwide.

Markets reacted to broader expectations of easing trade tensions via additional US pacts—not only with Japan, but also Indonesia and the Philippines, which agreed to 19% tariffs in exchange for economic concessions. These developments helped the S&P 500 and MSCI indices reach record levels. Treasury yields stabilized on strong foreign demand, even as euro-area policymakers held interest rates steady amid caution over potential spillovers. Economists, however, warned that countries still under negotiation—such as South Korea, India, and Thailand—face uncertain economic outcomes ahead of the August 1 tariff deadlines.

## Ishiba Denies Resignation Plans Amid Post-Election Turmoil

Following his coalition's historic defeat in Japan's upper house election, widespread media reports claimed Prime Minister Shigeru Ishiba intended to resign by the end of August. These reports, citing unnamed party sources, suggested the resignation would allow leadership renewal after the ruling LDP–Komeito coalition lost its majority in both Diet chambers for the first time since 1955. However, Ishiba rapidly refuted the rumors, calling them “completely unfounded” and stated that he has never announced any intention to step down. He and his advisors described the speculation as politically destabilizing, arguing it would be irresponsible to resign ahead of the August 1 deadline for finalizing a crucial trade deal with the United States, which includes reduced auto tariffs.

Despite Ishiba's denials, political pressure continues to mount within the Liberal Democratic Party, where younger lawmakers and opposition groups—including the rising far-right Sanseito—are calling for fresh leadership. Ishiba's approval rating has fallen to around 22–23%, exacerbating speculation over his political future. Any resignation would trigger a high-stakes succession contest, further complicating governance as the LDP now must negotiate with opposition factions to pass legislation.

## India Resumes Tourist Visas for Chinese Citizens After Five-Year Suspension

India announced on July 23, 2025, that it will resume issuing tourist visas to Chinese citizens starting July 24, ending a five-year suspension that began in the aftermath of the 2020 Galwan Valley clashes and escalating bilateral tensions. China had previously restricted travel from Indian nationals after the border tension and India responded with reciprocal bans on Chinese investments and apps. This step marks a significant move toward normalizing bilateral ties and restoring people-to-people exchanges.

Chinese Foreign Ministry spokesperson Guo Jiakun welcomed the decision, stating that Beijing is “ready to maintain communication and consultation with India and constantly improve the level of personal exchanges” between the two countries. While diplomatic and travel relations are easing, longstanding issues—including border disputes and trade restrictions—remain unresolved. Indian officials have reiterated the need for troop withdrawal and continued dialogue to fully restore bilateral relations.

## Sino-EU Summit Highlights Deep Frictions Amid 50 Years of Ties

At a one-day summit in Beijing on July 24, 2025, Chinese President Xi Jinping met with European Commission President Ursula von der Leyen and European Council President António Costa to mark fifty years of diplomatic relations. The summit, shortened at China's request, underscored escalating tensions over trade imbalances, rare-earth export controls, and China's perceived support for Russia's war in Ukraine. Von der Leyen warned that EU–China relations "have reached an inflection point," calling for "real solutions" to long-standing issues such as industrial overcapacity, market access, and export subsidies. Xi pushed back, urging Europe to make "correct strategic choices," maintain open markets, and avoid decoupling and protectionism. The two sides managed to issue a modest joint declaration on climate cooperation as a rare point of convergence.

European leaders repeatedly urged China to use its geopolitical influence—particularly with Russia—to support adherence to international law and a peaceful resolution to the Ukraine conflict. Brussels also pressed Beijing to address its €305.8 billion trade surplus, its industrial policies in sectors like electric vehicles, and disruptions tied to rare-earth export restrictions. While both sides reaffirmed support for the Paris Agreement, emphasizing cooperation on carbon markets and clean technologies, unresolved geopolitical tensions continue to cast a shadow over deeper EU–China engagement. Analysts noted that while China frames the relationship as globally stabilizing, the EU is increasingly aligning with U.S. trade policy, making future rapprochement contingent on Beijing's flexibility on contentious fronts.

## Indian Firm Shipped High-Grade Explosives to Russia Despite U.S. Warnings

In December 2023, Ideal Detonators Private Limited, an Indian company, exported approximately \$1.4 million worth of HMX (octogen)—a high-explosive compound with known military applications—to Russian entities including Promsintez and High Technology Initiation Systems. This occurred despite repeated U.S. warnings about sanctions risks tied to supporting Russia's war effort in Ukraine. HMX is widely used in missile warheads, torpedoes, rocket motors, and advanced military systems. U.S. officials had identified it as "critical for Russia's war effort," raising alarms over the military implications of the exports.

The company has defended the exports, stating they complied with Indian regulations and were meant for civilian industrial use—such as mining—rather than military deployment. Indian authorities emphasized that the shipment adhered to non-proliferation commitments and undergo regulatory review as a dual-use item. The U.S. Treasury retains the authority to sanction entities involved in similar transfers, although officials have shown restraint so far given India's strategic ties. The episode underscores the delicate balancing act New Delhi faces in maintaining its deep economic and defense relationship with Moscow while managing rising pressure from Washington.

## Worst Violence in Over a Decade as Thailand–Cambodia Border Clashes Escalate

As of July 25, 2025, intense fighting along the disputed Thailand–Cambodia border has entered its third consecutive day, marked by heavy artillery fire, airstrikes, and landmine incidents across at least 12 flashpoints—from Surin and Sisaket in Thailand to Oddar Meanchey and Pursat in Cambodia. The conflict, rooted in a long-standing dispute over colonial-era demarcations, has left at least 20 people dead and forced over 130,000 civilians to flee their homes into temporary shelters and university halls in Thailand, with thousands more displaced in Cambodia. Despite mutual accusations, both governments deny deliberately targeting civilians.

Cambodian Prime Minister Hun Manet has backed ASEAN chair Malaysian Prime Minister Anwar Ibrahim’s ceasefire proposal, calling for an “immediate and unconditional” truce—although Thailand initially agreed but later withdrew support, favoring direct bilateral talks instead of third-party mediation. The conflict has drawn international concern, with the UN Security Council holding an emergency meeting, and former U.S. President Donald Trump taking an active diplomatic role—urging both sides toward negotiations and warning that trade talks with the U.S. would be suspended if fighting continued.

## India–UK Finalize Historic Free Trade Agreement in London Signing

On July 24, 2025, Indian Prime Minister Narendra Modi and UK Prime Minister Keir Starmer formally signed a landmark Comprehensive Economic and Trade Agreement (CETA) at Chequers, marking India's first major trade pact with a European country post-Brexit. The agreement aims to double bilateral trade to approximately £25.5 billion (USD 34 billion) annually by 2040, eliminating tariffs on nearly 99% of Indian exports and around 90% of British goods, including key sectors like textiles, whisky, automobiles, and medical devices.

Indian Commerce Minister Piyush Goyal hailed the pact as the “gold standard” for future FTAs, reflecting Indian priorities and calibrated protections for sensitive areas such as agriculture and dairy, which were excluded from liberalization under India’s instructions. Among the innovations is a Double Contributions Convention easing social security burdens on Indian professionals working short-term in the UK. Key Indian states, including Gujarat and Rajasthan, stand to benefit substantially from increased market access in textiles, leather, gems, chemicals, and MSMEs, with projected export surges in the coming years.

## **U.S. Lifts Sanctions on Myanmar Junta Allies After Praise to Trump**

On July 24, 2025, the U.S. Treasury Department quietly removed sanctions designations on several companies and individuals closely linked to Myanmar's ruling military junta. Those delisted included KT Services & Logistics (founder Jonathan Myo Kyaw Thaug), MCM Group (Aung Hlaing Oo), Suntac Technologies (Sit Taing Aung), and Tin Latt Min—assets previously blocked in response to the 2021 military coup and ongoing human rights violations. The announcement came two weeks after junta leader Min Aung Hlaing sent a glowing letter to U.S. President Donald Trump, praising him and urging easing of trade restrictions. U.S. officials emphasized that the delisting was part of routine administrative review and not directly linked to the general's letter.

Human rights organizations sharply criticized the move. Human Rights Watch described the decision as “extremely worrying,” warning it could signal a broader shift in U.S. policy toward Myanmar's junta. The delisted entities were previously sanctioned for their roles in facilitating the regime's arms imports and supporting its military apparatus. Critics argue the decision undermines accountability efforts and emboldens the junta amid escalating violence and displacement within the country.

## **Britain and Australia Cement 50-Year AUKUS Submarine Pact and Economic Alignment**

During high-level ministerial talks in Sydney on July 25, 2025, the United Kingdom and Australia formalized a historic 50-year treaty reinforcing their commitment to the AUKUS trilateral security partnership, using a new class of nuclear-powered submarines for long-term defense alignment in the Indo-Pacific. British Defence Secretary John Healey and Foreign Minister David Lammy led the UK delegation in discussions with Australian Prime Minister Anthony Albanese, as both nations pledged to deepen defence integration and mutual strategic coordination. The agreement is expected to support the maintenance, construction, and operation of SSN-AUKUS submarines, upping interoperability and shared deterrence capabilities. It comes at a time when AUKUS is under review by U.S. officials, and amid growing pressure on Australia to increase defense spending.

Economically, the treaty is projected to generate up to £20 billion (≈ USD 27 billion) in British exports over the next 25 years, and to support the creation of tens of thousands of skilled jobs across both countries. Australian Foreign Minister Penny Wong and her British counterparts also framed the agreement as a means to bolster shared resilience—not just in security terms, but across industries tied to undersea technology, supply chains, and defence innovation. As the largest-ever military exercise in the region—Talisman Sabre—continues in Darwin, the deepening of UK-Australia ties signals broader strategic integration amid heightened Indo-Pacific tensions.

## China Reaffirms Iron-Clad Support for Pakistan Amid Security Challenges

On July 25, 2025, Chinese Foreign Minister Wang Yi met with Pakistan Army Chief Field Marshal Asim Munir in Beijing, issuing a robust reaffirmation of China’s “unwavering” support for Pakistan’s efforts to combat terrorism. Wang lauded Pakistan as a key diplomatic priority and an “iron-clad” strategic partner, emphasizing the Pakistani military’s role in safeguarding Chinese nationals, projects, and diplomatic sites across Pakistan—particularly in light of recent attacks on Belt and Road Initiative (BRI) infrastructure. He urged enhanced protection measures, including possible deployment of Chinese security personnel, to ensure the safety of Chinese workers and assets.

During the talks, Wang reaffirmed China’s backing for Pakistan’s sovereignty and stability, reinforcing longstanding bilateral ties amid heightened regional tensions. Pakistan’s military leadership was praised for its “steadfast guardianship” over national independence, and China pledged to maintain Pakistan as a top priority in its neighborhood diplomacy. These developments underscore the increasingly close politico-military alignment between the two countries, as both navigate shifting regional security dynamics.

## Pakistan and U.S. Near Trade Deal as Diplomacy Intensifies

On July 25, 2025, Pakistani Foreign Minister Ishaq Dar stated during an Atlantic Council appearance in Washington that Pakistan and the United States are “very close” to finalizing a bilateral trade agreement, possibly within days rather than weeks or months. Dar emphasized that negotiation teams from both sides are actively engaged in the final tuning of the deal, which aims to reduce reciprocal tariffs and bolster economic ties. However, no official timeline has been confirmed by U.S. officials, including Secretary of State Marco Rubio, who affirmed the importance of expanding collaboration in critical minerals and mining.

This development follows productive trade meetings in Washington involving top Pakistani officials and U.S. counterparts, who discussed broader structural issues such as investment in Pakistan’s mining sector—particularly joint ventures in areas like Balochistan’s Reko Diq project. Islamabad is also prepared to boost imports of U.S. crude oil and edible oils as part of negotiations to address a nearly \$3 billion trade surplus and avoid the threatened 29% tariffs scheduled to take effect August 1.

## Modi Resets Ties with Maldives: Major Credit Pledge and FTA Launch

As part of his Maldives state visit on July 25–26, 2025, Prime Minister Narendra Modi announced a \$565 million (Rs 4,850 crore) line of credit to the debt-burdened island nation, signaling renewed Indian economic support amid intensifying competition with China in the Indian Ocean region. Modi’s visit coincided with the 60th anniversary of Maldives’ independence, where he served as ceremonial Guest of Honour and formally launched free trade agreement (FTA) negotiations with President Mohamed Muizzu.

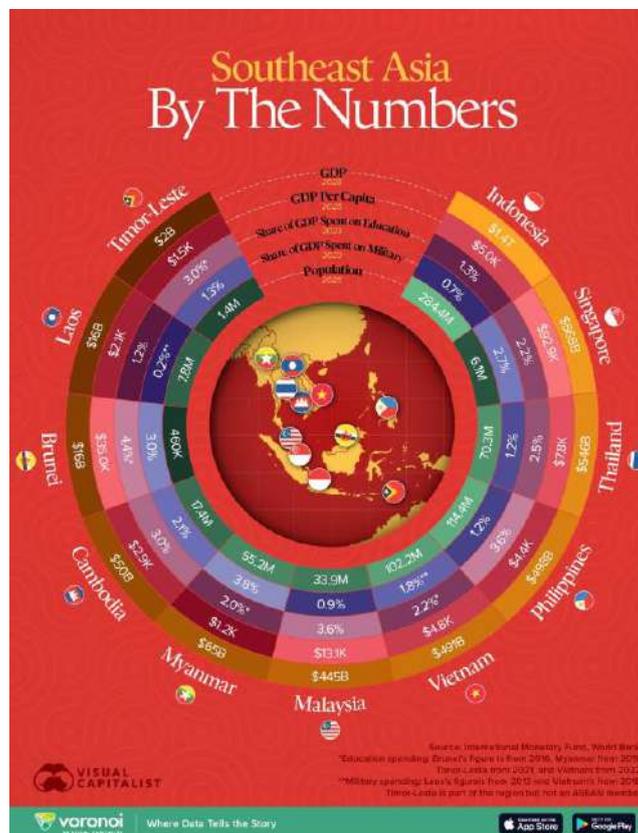
The visit also saw the signing of multiple Memorandums of Understanding covering fisheries, aquaculture, tourism, health, digital services (including UPI and RuPay integration), and meteorological collaboration. India agreed to reduce Maldives’ existing debt obligations under Gol-funded lines of credit, while a commemorative stamp was issued to mark 60 years of bilateral relations. The strategic visit and infrastructure commitments—such as India-funded heavy equipment for Maldives’ defense—underscore India’s intent to recalibrate ties with Male and reassert its regional influence.

## 2. STATISTICS OF THE WEEK

### Southeast Asia by the Numbers

Southeast Asia’s economic and demographic landscape in 2025 reveals striking diversity and key regional trends. Indonesia stands as the undisputed heavyweight, with a projected GDP of \$1.4 trillion and a population nearing 285 million—the largest in the region by far. In contrast, Singapore, despite its modest population of 6 million, boasts a remarkable GDP per capita of \$92,900, underscoring its position as Southeast Asia’s premier financial and innovation hub. Malaysia and Thailand round out the top four economies with GDPs of \$445 billion and \$546 billion respectively, reflecting their ongoing roles as regional manufacturing and export powerhouses.

On social spending, the share of GDP devoted to education is highest in Brunei (4.4%), while Vietnam and Myanmar lead in military spending relative to GDP (2.2% and 3.6% respectively). Countries like Timor-Leste and Laos remain at the lower end of the spectrum, with small populations and lower economic output—Timor-Leste, for instance, records a GDP of just \$2 billion and a per capita income of \$1,500. The Philippines, with over 114 million people, has emerged as a significant growth engine, boasting a GDP of \$499 billion and a young, dynamic workforce. As these numbers highlight, the region’s story is one of stark contrasts: fast-growing giants, resilient middle powers, and smaller states seeking to leverage niche strengths amid an era of regional competition and opportunity.



<https://www.visualcapitalist.com/ranked-southeast-asian-countries-by-the-numbers/>

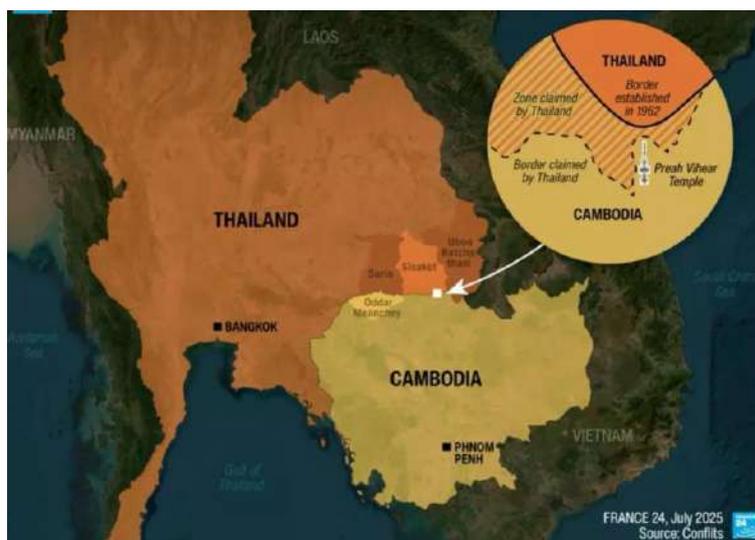
### 3. MAP OF THE WEEK

## Thailand–Cambodia Border Dispute—Nationalism and History Collide

This week’s map highlights the epicenter of Southeast Asia’s most dangerous border dispute—the contentious frontier between Thailand and Cambodia. The conflict, focused around Sisaket, Surin, and Oddar Meanchey provinces and the historic Preah Vihear temple, exploded into open fighting on July 24–25. The inset illustrates overlapping territorial claims, with Thailand contesting both the ICJ’s 1962 ruling and the boundaries demarcated by French colonial authorities over a century ago.

Intensifying clashes have uprooted more than 138,000 people from Thailand’s border regions, left at least 15 civilians and a soldier dead, and brought the two neighbors to the brink of war. The roots of the dispute are deeply historical: after the ICJ awarded the Preah Vihear temple to Cambodia in 1962, Thailand continued to claim adjacent land, and nationalist sentiment remains potent on both sides. Efforts at dialogue—including a dormant Joint Boundary Commission—have failed to resolve competing claims, and previous skirmishes (notably in 2008 and 2011) over the temple’s UNESCO World Heritage status left a dozen dead.

The escalation is fueled by internal political turmoil, nationalist rhetoric, and suspicion over joint resource projects in maritime areas. The recent death of a soldier and retaliatory landmine incidents have led to diplomatic expulsions and heavy troop deployments along the border. Despite the ICJ’s 2013 affirmation of Cambodia’s claims, Thailand insists on bilateral negotiation, while Cambodia hints at returning to the international court. As both sides exchange artillery and rocket fire near historic sites, the United Nations Security Council is set to convene for emergency talks—underscoring the urgent risk that unresolved, highly politicized disputes still pose to regional stability in Southeast Asia.



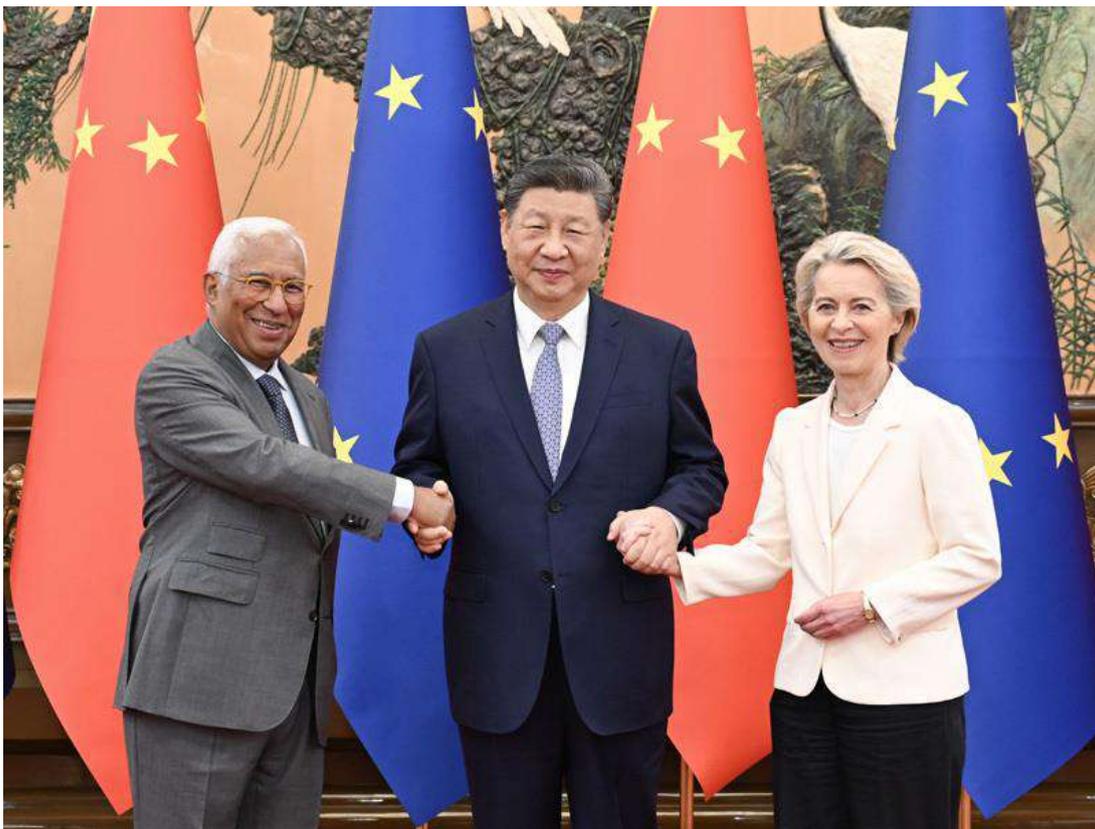
<https://www.france24.com/en/asia-pacific/20250725-thailand-and-cambodia-clash-a-border-dispute-fuelled-by-nationalism>

## 4. PHOTO OF THE WEEK

### Xi Jinping Hosts EU Leaders Amidst Tense Beijing Summit

This week's photo captures a moment of diplomatic significance as Chinese President Xi Jinping meets with European Council President António Costa and European Commission President Ursula von der Leyen at Beijing's Great Hall of the People during the 25th China-EU Summit (July 24, 2025). Against a backdrop of Chinese and EU flags, the leaders project a unified yet cautious handshake—reflecting both the promise and complexity of the Sino-European relationship at a pivotal juncture.

President Xi used the summit to urge both sides to "uphold openness and cooperation, and properly manage differences." He stressed that economic interdependence is not a risk but a source of shared opportunity, cautioning against "building walls or barriers" that hinder dynamic and mutually beneficial trade. Xi encouraged the EU to maintain openness in trade and investment, avoid restrictive economic tools, and create a welcoming environment for Chinese enterprises. Despite persistent friction over trade, technology, and geopolitical alignments, the photo embodies a shared commitment to dialogue—reminding both parties that managing differences through engagement remains essential to global stability.



[https://english.www.gov.cn/news/202507/24/content\\_WS6881fa2bc6d0868f4e8f4663.html](https://english.www.gov.cn/news/202507/24/content_WS6881fa2bc6d0868f4e8f4663.html)

## 5. INFOGRAPHIC OF THE WEEK

### SCO Foreign Ministers Meet in Tianjin

This week's infographic spotlights the Shanghai Cooperation Organisation (SCO) Foreign Ministers' Meeting, held in Tianjin, China, on July 15, 2025. The event brought together top diplomats from the region to lay the groundwork for the upcoming leaders' summit and to articulate a shared strategic vision for Eurasia's future. Chinese President Xi Jinping delivered a central message: "The SCO must bring greater stability and positive energy to the world," calling for the "Shanghai Spirit"—mutual trust, benefit, and respect—to guide the organization through an increasingly complex global environment.

Key outcomes from the Tianjin meeting include the adoption of the SCO Development Strategy to 2035 and the signing of the Tianjin Declaration. Ministers also issued thematic statements marking the 80th anniversary of WWII and advocating for United Nations reform. Policy priorities emphasized at the meeting include deeper Belt and Road alignment, a firm opposition to hegemony and power politics, and a commitment to strengthening cooperation for shared development across the SCO's broad Eurasian footprint. The infographic captures these themes, providing a concise visual reference to one of the week's most consequential regional diplomatic gatherings.



[https://www.linkedin.com/posts/eurohub4sino\\_sco-foreign-ministers-meet-in-tianjin-activity-7351147144126304256-ObNm?utm](https://www.linkedin.com/posts/eurohub4sino_sco-foreign-ministers-meet-in-tianjin-activity-7351147144126304256-ObNm?utm)

## 6. REGIONAL ALLIANCES

### SCO Foreign Ministers' Meeting in Tianjin: Toward a New Era of Eurasian Regionalism

The Shanghai Cooperation Organisation (SCO) Foreign Ministers' Meeting, held in Tianjin on July 15, 2025, comes at a time when Eurasia faces renewed turbulence—ranging from security crises in Central Asia and Afghanistan to shifting trade routes amid global economic fragmentation. Chaired by Chinese Foreign Minister Wang Yi, the event gathered top diplomats from all full member states—including India, Russia, Pakistan, Iran, Kazakhstan, Kyrgyzstan, Tajikistan, and Uzbekistan—as well as observer and partner countries. This convergence underscored the SCO's ambition to move beyond a security-centric bloc and emerge as a key forum for economic cooperation, infrastructure connectivity, and diplomatic conflict management in the heart of Eurasia. The timing is particularly significant: China holds the rotating presidency, and the heads-of-state summit—set for late August to early September in Tianjin—will mark a major test for Beijing's regional vision and the SCO's growing institutional maturity.

Against this backdrop, the Tianjin meeting focused on preparing draft texts for the Tianjin Declaration and a comprehensive SCO Development Strategy to 2035—documents that will shape the group's agenda for the next decade. More than formalities, these drafts reflect an evolving sense of common purpose among diverse member states facing mounting external pressure and internal vulnerabilities. For Beijing, shepherding consensus at this meeting is as much about projecting leadership within Eurasia as it is about managing its own relations with India, Russia, and the wider Global South.

#### Five-Point Roadmap and the 'Shanghai Spirit' Foundation

A central theme of the Tianjin gathering was the reaffirmation and operationalization of the "Shanghai Spirit"—a guiding philosophy first articulated at the SCO's founding in 2001. This ethos, emphasizing mutual trust, mutual benefit, equality, consultation, respect for cultural diversity, and pursuit of common development, is repeatedly invoked as the organization's "secret sauce" for successful multilateralism in a region often riven by rivalry and suspicion. Chinese Foreign Minister Wang Yi's keynote speech went further, presenting a five-point roadmap for SCO renewal: strengthening political trust, expanding security cooperation, deepening economic integration, broadening people-to-people exchanges, and enhancing the organization's international influence. These themes are not abstract. They translate into specific calls for action: joint anti-terrorism operations, greater alignment with China's Belt and Road Initiative, expanded energy and digital corridors, youth and cultural exchanges, and coordinated responses to "external interference" (often code for Western policy pressures). The Tianjin Declaration's draft language, shaped by these priorities, affirms non-interference, consensus-driven decision-making, and "shared security"—a subtle rebuke to both NATO-style alliances and the fractious legacy of the post-Soviet space.

The summit's focus on consensus is itself remarkable given ongoing disputes—such as India–Pakistan friction and cautious Iranian engagement—yet the meeting showcased the SCO's value as a platform where such differences can be managed if not resolved.

### **Strategic Coordination amid Global Uncertainty**

Beyond ritualistic declarations, this year's meeting was defined by the frank exchange of strategic priorities among major regional powers. Russian Foreign Minister Sergei Lavrov, fresh from bilateral talks with Chinese President Xi Jinping, used the platform to reaffirm Moscow's support for Beijing's leadership and the SCO's potential as a bulwark against Western sanctions and military alliances. Iran's Seyed Abbas Araghchi, attending as Foreign Minister for the first time since Tehran's accession as a full SCO member, sought guarantees of collective security and support for Iran's sovereignty amid U.S. pressure.

For India, represented by External Affairs Minister S. Jaishankar, the meeting was an opportunity for cautious diplomatic re-engagement with China in the wake of years of border tension, even as New Delhi remained firm on sovereignty and counter-terrorism issues. Jaishankar called for “clear and unambiguous action against terrorism, separatism, and extremism,” implicitly targeting Pakistan-based groups but also signaling India's unease over the SCO's growing closeness with Beijing and Moscow. Meanwhile, Pakistan's Deputy PM Ishaq Dar and Central Asian ministers pushed for greater connectivity, energy security, and support for regional infrastructure, highlighting the SCO's practical importance as a platform for smaller states to assert their interests. Tianjin talks thus went beyond mere symbolism: they reflected real-world coordination on the Afghanistan crisis, responses to Western sanctions, and emerging economic and technological linkages. The presence of observer and dialogue partners—from Belarus and Mongolia to Turkey—emphasized the SCO's “open architecture,” seeking to draw in new partners at a time when global alignments are increasingly fluid.

### **Summit Preparation and Institutional Ambition**

A significant achievement of the meeting was consensus on the SCO Development Strategy to 2035, a sweeping blueprint for regional integration covering security, economics, sustainable development, and cultural exchange. The Tianjin Declaration, another output, will formalize commitments to sovereignty, territorial integrity, and the principle of indivisible security—a concept meant to reassure smaller members and push back on perceived Western intervention. Delegates also agreed on thematic statements marking the 80th anniversary of the end of WWII, and in support of UN reform, placing the SCO in the broader context of global governance debates.

The meeting's preparatory work included laying the groundwork for new working groups on digital economy, energy security, and green technology, as well as expanding joint counter-terrorism and law enforcement exercises. China emphasized Belt and Road alignment and pledged support for regional connectivity, while Central Asian

states advocated for fairer resource sharing and more balanced decision-making. As the summit approaches, these institutional reforms and practical projects will be critical in testing the SCO's capacity to move from ambitious rhetoric to concrete action.

With over 20 member and observer states and a reach that now spans the majority of Eurasia, the SCO aspires to be more than a talking shop; it seeks to be a hub for regional problem-solving and a counterweight to other multilateral formats—whether the Western G7, the U.S.-led Indo-Pacific partnerships, or even the BRICS grouping.

### **Conclusion: SCO at a Crossroads—Coordination or Cohesion?**

The Tianjin Foreign Ministers' Meeting marks a crossroads for the Shanghai Cooperation Organisation. The group's expanded agenda, deeper institutionalization, and ability to attract diverse participants highlight its growing influence in Eurasia and the wider Global South. Yet, as the heads-of-state summit approaches, the SCO faces persistent internal and external challenges—ranging from strategic mistrust among some members to uneven economic development and contested visions for the region's future.

The meeting demonstrated that, while unity remains elusive, the SCO has become an indispensable venue for dialogue and conflict management in an age of global uncertainty. If the momentum from Tianjin carries into the September summit and translates into tangible projects and credible mediation efforts, the SCO could help anchor a more stable and multipolar Eurasian order. But the ultimate test will be the group's ability to move from broad declarations to genuine cohesion—balancing major power competition, regional rivalries, and the aspirations of its smaller states. The next few months will reveal whether the SCO can consolidate its gains, deepen its regional leadership, and offer a new model of Eurasian cooperation.

## 7. ANALYSIS

### **Pakistan's Strategic Centrality in U.S. and Chinese Geopolitics**

Few countries occupy as pivotal—and precarious—a position in contemporary geopolitics as Pakistan. Bordered by China, Afghanistan, Iran, and India, Pakistan's geography places it at the intersection of South Asia, Central Asia, and the broader Indo-Pacific, conferring it with enduring leverage in global power dynamics. In 2025, as the U.S. and China accelerate their rivalry across economic, technological, and military domains, Pakistan is once again emerging as a sought-after partner and battleground for influence. This is vividly reflected in the recent surge of high-level contacts: Islamabad's diplomatic missions to Washington for trade and investment, renewed U.S. overtures in energy and minerals, and a parallel intensification of strategic dialogue and security commitments with Beijing. Each great power views Pakistan not only through the lens of bilateral ties, but as a vital asset in their broader regional and global strategies.

Pakistan's centrality is no accident. Since its founding, Islamabad has adeptly navigated Cold War alliances, played a frontline role in the war in Afghanistan, and positioned itself as both a bridge and buffer in major power rivalries. Today, amid economic crises at home and escalating strategic competition abroad, Pakistan's ability to balance and extract concessions from both Washington and Beijing is being tested like never before. Its choices—and its skill at hedging—could shape security, commerce, and connectivity across an increasingly contested Eurasian and Indo-Pacific landscape.

### **U.S. Engagement: Economic Reset and Geostrategic Caution**

U.S.–Pakistan relations have long oscillated between partnership and mistrust. In the post-2021 era, American policymakers are recalibrating their approach. No longer the exclusive “frontline state” of the War on Terror, Pakistan is now valued as a potential trade partner, minerals supplier, and regional balancer. Recent weeks have seen high-level economic diplomacy: Foreign Minister Ishaq Dar's visit to Washington, public statements about being “very close” to a new U.S.–Pakistan trade agreement, and ongoing negotiations to avoid steep new tariffs on Pakistani exports. These moves reflect U.S. interest in leveraging economic carrots—access to markets, energy cooperation, and potential technology transfer—to encourage Pakistan's alignment on critical minerals and supply chains, especially as the U.S. seeks to diversify away from Chinese-dominated sources.

Security, however, remains a powerful undercurrent. U.S. officials continue to view Pakistan as essential for regional counterterrorism, over-the-horizon monitoring in Afghanistan, and as a stabilizing presence in a volatile neighborhood. Washington is mindful of Pakistan's nuclear arsenal, domestic fragility, and historic ties with both the Taliban and U.S. intelligence. Policy, therefore, is pragmatic and often transactional: expanded trade and diplomatic engagement are coupled with calls for transparency, nonproliferation, and counterterrorism cooperation.

Moreover, U.S. strategy reflects the recognition that Pakistan is now actively courted by China and other powers. Washington's aim is not to "flip" Pakistan but to ensure it does not fall wholly into Beijing's orbit, and to keep lines of communication open on regional crises—be it Afghanistan, Iran, or the Indian Ocean. U.S. economic diplomacy thus serves both as an incentive and as leverage, encouraging Islamabad's reforms, supporting its IMF negotiations, and ensuring strategic access when needed.

### **China's Approach: Deepening the "Iron-Clad" Axis and Strategic Corridor Diplomacy**

In contrast to Washington's transactional style, China has steadily constructed a narrative of "all-weather" strategic partnership with Pakistan—one that has deepened considerably over the past decade. The centerpiece is the China-Pakistan Economic Corridor (CPEC), now worth an estimated \$60 billion, linking the port of Gwadar to China's western regions through roads, rail, energy, and digital infrastructure. For Beijing, Pakistan is more than an economic partner: it is a linchpin for the Belt and Road Initiative (BRI), a trusted security ally, and a means to counterbalance both India and U.S.-led alliances in the Indo-Pacific.

Recent high-level meetings—such as Army Chief Asim Munir's talks with Foreign Minister Wang Yi in Beijing—underscore the growing security dimension of the partnership. With rising attacks on Chinese workers and BRI projects in Pakistan, Beijing has pressed for stronger Pakistani security guarantees and has even signaled willingness to deploy its own private or official security assets if required. Wang Yi's recent assurances of "unwavering" support, and China's public praise for Pakistan's counter-terror efforts, reflect not just solidarity but the very real strategic and economic stakes Beijing has in Pakistan's stability.

Multilaterally, China supports Pakistan's diplomatic weight in the Shanghai Cooperation Organisation (SCO) and other forums. Beijing has often shielded Islamabad from international pressure, including on issues like Kashmir and nuclear nonproliferation. The relationship is also highly institutionalized, involving regular joint military exercises, intelligence sharing, and arms sales. For China, a stable, well-disposed Pakistan provides strategic depth in South Asia, secures overland trade routes to the Indian Ocean, and serves as a testbed for BRI expansion in an often hostile regional environment.

### **Great Power Courtship: Islamabad's Artful Hedging and Internal Challenges**

Pakistan, for its part, has proven remarkably skilled at playing the great power game to its advantage. By simultaneously negotiating with Washington on trade and with Beijing on security and infrastructure, Islamabad aims to maximize external support while preserving autonomy. Recent outreach to Gulf states, Türkiye, and Russia further reflects Pakistan's ambition to craft a multipolar foreign policy and avoid dependency on any single patron.

This hedging yields dividends—new credit lines, infrastructure investment, military hardware, and diplomatic backing—but also brings significant risks. Overreliance on

Chinese finance has deepened Pakistan’s debt, fueled domestic concerns about sovereignty (especially over CPEC projects and port operations), and exposed Islamabad to growing pressure to curb attacks on Chinese nationals. U.S. engagement, meanwhile, often comes with calls for reforms, accountability, and a check on groups Washington deems as extremist. This balancing act is further complicated by internal politics: economic crisis, security volatility, and a delicate civil-military equilibrium leave little room for diplomatic missteps.

Nevertheless, Pakistan’s ability to maintain positive (if sometimes tense) ties with both Washington and Beijing is a testament to its enduring geopolitical value. The country’s mineral wealth—including copper, gold, and rare earths—adds further leverage as the world’s major powers scramble to secure alternative supply chains. In the long run, Islamabad’s continued ability to extract support and maintain autonomy will depend on its willingness to reform, diversify its partners, and navigate the increasingly treacherous waters of global rivalry.

### **Conclusion: A Decisive Role in the New Asian Order**

In sum, Pakistan’s strategic significance for both the U.S. and China is rooted not just in geography or history, but in its continued ability to adapt and assert agency in an era of great power competition. The flurry of high-level contacts, new economic initiatives, and security dialogues in recent weeks point to Islamabad’s enduring relevance as both a prize and a player in global politics. As the U.S. seeks to contain China’s rise and secure new partners, and as Beijing pursues ambitious infrastructure and connectivity projects, Pakistan stands at a critical juncture—its choices poised to shape not only its own future, but the security and prosperity of a much wider region.

Yet the stakes are high. If Islamabad can maintain its balancing act—extracting investment and support without sacrificing sovereignty or becoming entangled in zero-sum rivalries—it may well emerge as a model for other “pivot states” in the developing world. If not, the risks include debt distress, security spillover, and diminished autonomy. As the world moves further into an era of multipolar competition, Pakistan’s ability to sustain strategic relevance—without being overwhelmed by the ambitions of others—will serve as both a test and a template for middle powers everywhere.