

Welcome to This Week's Asia on the Horizon

(25 AUGUST 2025)

This week, the Indo-Pacific once again proves itself to be the world's most dynamic and contested geopolitical theater. From military exercises and border diplomacy to shifting trade flows and symbolic visits, Asia's horizon is crowded with developments that capture both the risks of escalation and the prospects for pragmatic cooperation.

At the heart of this edition lies a recalibration of partnerships and rivalries. In Europe's deepening Indo-Pacific outreach, Japan and Germany upgraded their strategic dialogue, underscoring the growing convergence between the Euro-Atlantic and Asian security landscapes. India and China, meanwhile, are testing a tentative thaw—resuming direct flights, opening economic channels in rare earths, and framing themselves as “partners, not rivals.” Yet the fragility of this reset is evident: the Line of Actual Control remains tense, and the sustainability of trust depends on restraint. Adding another layer, India is simultaneously doubling down on Russia ties, with External Affairs Minister S. Jaishankar declaring a “do more, do differently” approach in Moscow, signaling New Delhi's determination to pursue multipolar flexibility despite U.S. sanctions threats.

Security flashpoints also dominate. North Korea announced plans for a rapid nuclear buildup in response to U.S.–South Korea drills, escalating the peninsula's volatility. In Southeast Asia, the Philippines and Australia launched their largest bilateral exercises to date, joined by U.S. Marines, strengthening deterrence in contested waters. Across the Himalayas, Russia's parliamentary diplomacy is paving the way for President Vladimir Putin's attendance at the Shanghai Cooperation Organisation (SCO) summit in Tianjin, where he will join a roster of global heavyweights—including Xi Jinping, Narendra Modi, and UN Secretary-General António Guterres—underlining China's ambition to frame the SCO as a central regional platform.

China's own diplomatic activism was on full display. In Kabul, Wang Yi attended a trilateral dialogue with Pakistan and Afghanistan, reinforcing Beijing's role as a broker in South Asia and tying regional stability to Belt and Road cooperation. In Islamabad, he pledged deeper integration of agriculture, mining, and industrial sectors into the China–Pakistan Economic Corridor, reaffirming Beijing's strategic commitment to its “iron brother.” Domestically, Xi Jinping's rare visit to Tibet—only his second as president—was heavy with symbolism, projecting Party control and national unity on the eve of sensitive anniversaries. Meanwhile, in the South China Sea, Beijing's announcement of “control measures” against Philippine ships at the Second Thomas Shoal highlighted its readiness to continue coercive maritime tactics despite Manila's transparency campaign and international pushback.

Defense modernization also advanced across the region. Taiwan unveiled a record \$26 billion defense budget for 2026, reflecting U.S. pressure and rising cross-strait tensions. New Zealand announced a \$1.6 billion procurement package for maritime helicopters and Airbus aircraft, signaling that even smaller Pacific actors are prioritizing security.

In Seoul, President Lee Jae-Myung prepared for difficult talks in Washington as Donald Trump presses South Korea to quintuple its troop costs while entertaining “strategic flexibility” that could drag Seoul into wider Indo-Pacific contingencies vis-à-vis China. Against this backdrop, Japan and South Korea resumed shuttle diplomacy, aligning ahead of Lee’s U.S. visit, projecting a united front amid uncertainty over America’s transactional alliance demands.

Not all developments tilted toward confrontation. Vietnam’s Coast Guard dialogue with India in Hanoi showcased cooperative momentum on maritime search and rescue, law enforcement, and marine pollution response—areas of “soft security” increasingly tied to countering China’s assertiveness. At the same time, Vietnam’s dramatic island-building surge in the Spratlys—on track to surpass China’s reclaimed landmass—illustrates that gray-zone competition continues apace, reshaping the South China Sea’s physical and strategic landscape. Germany’s high-level engagement with ASEAN in Jakarta capped off a week of European–Asian diplomatic convergence, reinforcing ASEAN’s central role amid great-power rivalry.

Finally, our data-driven features provide sharper lenses on these trends. This week’s Statistics of the Week unpacks India–China’s record \$138.5 billion bilateral trade, dominated by a widening deficit. The Map of the Week charts Vietnam’s unprecedented land reclamation drive across the Spratlys, while the Photo of the Week captures the trilateral foreign ministers’ meeting in Kabul—a visual reminder of Beijing’s regional activism. The Infographic of the Week illustrates Modi and Wang Yi’s cautious reset, framing cooperation alongside competition. For deeper insights, our Regional Alliances feature explores China’s trilateral diplomacy with Afghanistan and Pakistan, while the Analysis section dissects the fragility of the India–China thaw, asking whether it heralds a sustainable coexistence or merely a reprieve.

In short: this week’s horizon spans from military drills and nuclear buildups to trade diplomacy and symbolic visits—a vivid reminder that Asia is both the cockpit of confrontation and the laboratory of multipolar cooperation.



1. KEY DEVELOPMENTS

Japan–Germany Strategic Ties Deepen

German Foreign Minister Johann Wadephul, speaking in Tokyo on 18 August 2025, urged a ramp-up in pressure on Russia—coupled with increased aid for Ukraine—as a means to bring Moscow closer to a "just and lasting peace." His comments came ahead of a high-profile meeting in Washington, where U.S. President Trump will host Ukrainian President Zelenskyy alongside European leaders including German Chancellor Friedrich Merz. Wadephul emphasized that "firm security guarantees are central" to empower Ukraine to defend itself even after ceasefire talks conclude, while echoing his European counterparts in insisting that Ukraine be a participant in any territorial negotiations and that its remaining territory must be safeguarded.

At the same time, the inaugural Japan–Germany Foreign Ministerial Strategic Dialogue was held in Tokyo, marking a significant step in bilateral ties. Japan's Foreign Minister Takeshi Iwaya and his German counterpart Wadephul affirmed that the Euro-Atlantic and Indo-Pacific regions are increasingly interlinked, and they welcomed Germany's growing engagement in Asia through asset deployment and expanded cooperation. The two sides agreed to a faster 2+2 Foreign and Defense Ministers' meeting, deeper collaboration in economic security—including supply chain resilience—and bolstered cyber and public-private security dialogue. They also committed to enhancing intellectual and people-to-people ties via the Japan-Germany Forum and the 40th-anniversary activities of the Japan-German Center Berlin, as well as working closely on broader regional challenges, from Ukraine to North Korea and UN reform.

India–China Diplomatic Thaw Advances

In New Delhi on 18–19 August 2025, Indian Foreign Minister Subrahmanyam Jaishankar and Chinese Foreign Minister Wang Yi held the 24th round of border talks, where Jaishankar stressed that any forward momentum in bilateral ties hinges on maintaining peace and tranquility along their disputed Himalayan frontier—pointing specifically to the need for troop withdrawal following the deadly 2020 clash. Both sides committed to resuming direct flights and restoring border trade through three designated Himalayan passes, signaling small but meaningful steps toward rebuilding economic and people-to-people linkages.

Amid these diplomatic overtures, China also pledged to more fully address India's pressing needs for critical imports—particularly rare earths, fertilizers, and tunnel boring machines—highlighting a willingness to ease export restrictions that have long hampered India's access to essential industrial inputs despite its own sizeable reserves. Prime Minister Narendra Modi affirmed that since his 2024 meeting with President Xi in Kazan, India–China relations have seen steady progress guided by mutual respect and sensitivity to each other's interests—reinforcing that these developments are part of a broader, pragmatic re-engagement rather than mere episodic diplomacy.

Modi Flags “Steady Progress” in India–China Relations Ahead of SCO Summit

Prime Minister Narendra Modi announced on 19 August 2025 that bilateral relations with China have exhibited "steady progress" since his last meeting with President Xi Jinping in October, emphasizing that this improvement is rooted in mutual respect for each other's interests and sensitivities. He also expressed anticipation for their next meeting in Tianjin on the sidelines of the upcoming Shanghai Cooperation Organisation (SCO) Summit, framing stable and constructive ties as instrumental to both regional and global peace and prosperity.

This diplomatic thaw coincides with recent breakthroughs in high-stakes deliberations: during the 24th round of border talks, China committed to meeting some of India's critical economic needs—namely rare earths, fertilizers, and tunnel-boring machines—a nod toward easing longstanding supply vulnerabilities despite a steep 58 percent decline in rare-earth exports to India compared to January levels. The combination of political goodwill and practical economic concessions portrays a deliberate shift: one that blends confidence-building diplomacy with pragmatic cooperation, offering a degree of normalization to a relationship long strained by the fallout of the 2020 border clash.

"Doing More, Doing Differently": Jaishankar Advances India–Russia Ties Amid U.S. Friction

In Moscow, Indian External Affairs Minister Subrahmanyam Jaishankar and Russian Foreign Minister Sergei Lavrov reinforced a relationship described by Jaishankar as “among the steadiest of the major relationships in the world since World War II,” citing a shared legacy rooted in historical camaraderie and strategic depth. This reaffirmation came amid rising U.S. tariffs—now up to 50%—on Indian goods, a response to India's sustained purchases of Russian oil, triggering Western criticism.

During their meeting, both leaders outlined a path forward through practical cooperation: Lavrov highlighted strong gains in hydrocarbon collaboration while advocating for joint projects in Russia's Far East and the Arctic. Jaishankar reciprocated by emphasizing the need to expand Indian exports—specifically in pharmaceuticals, agriculture, and textiles—to correct trade imbalances and foster economic diversification. He also bluntly rebuked U.S. criticism of India's energy strategy, pointing out the hypocrisy of the U.S. and EU in continuing their own trade with Russia, asserting that India's actions align with its sovereign interests.

Jaishankar urged both countries to adopt a more innovative and creative approach to their bilateral collaboration, particularly within the framework of the India–Russia Inter-Governmental Commission (IRIGC-TEC). He encouraged the various working groups to think beyond established patterns, signaling a shift toward adaptive and pragmatic engagement in a turbulent geopolitical environment .

Kim Jong Un Accelerates Nuclear Buildup Amid U.S.–South Korea Drills

North Korean leader Kim Jong Un has announced an urgent push to “rapidly expand” his country’s nuclear arsenal, branding the ongoing Ulchi Freedom Shield joint military exercises between the U.S. and South Korea as a deliberate provocation and a show of hostile intent. He framed the drills—held over 11 days and designed to enhance readiness—as evidence of an adversarial posture, particularly citing what he described as a “nuclear element” embedded in the exercises. In his remarks, delivered during a visit to a naval destroyer, Kim reaffirmed that the evolving security environment necessitates a radical and swift overhaul of military strategy and an accelerated build-up of nuclear capabilities.

Concurrently, North Korea is ramping up its conventional military prowess. The country is developing a third Choe Hyon–class destroyer, slated for completion by October 2026, while also conducting tests of new naval and anti-air weapon systems. Together, these developments underscore Pyongyang’s dual-track strategy—melding nuclear escalation with conventional naval enhancement—which further intensifies the already fraught regional security dynamics.

Russian Duma Speaker to Visit China Marks Strategic Warm-Up Ahead of Putin’s Trip

The Chairman of the Russian State Duma, Vyacheslav Volodin, is set to lead a parliamentary delegation to Beijing and Changchun this week, according to Vedomosti via Reuters. This visit strategically precedes Russian President Vladimir Putin’s scheduled trip to China in late August and early September for commemorative events marking the defeat of Japan and the broader conclusion of World War II in Asia.

The sequence of these visits underscores a calculated diplomatic choreography: Volodin’s tour serves as a soft-power precursor to reinforce inter-parliamentary ties, signalling continuity and depth in Russia–China relations as Putin’s high-profile state visit approaches. The timing holds symbolic weight too; both nations draw on shared narratives from the Second World War—Russia commemorating Victory Day on May 9, and China remembering its wartime suffering between 1937–1945—to reinforce their historical solidarity.

China Amplifies ASEAN Cultural Ties Through Digital Innovation at Liuzhou Forum

China convened the 2025 ASEAN-Oriented Cultural Exchange and Cooperation Forum on August 18, 2025, in Liuzhou, Guangxi. Co-hosted by the Ministry of Culture and Tourism’s international exchange bureau and Guangxi’s cultural department, the event embraced the theme “Museums and the Future of Cities”. It assembled cultural officials, scholars, and experts from both China and ASEAN nations. Central to their discussions were two pressing topics: the protection of industrial heritage and the sustainable, future-oriented transformation of museums—especially through

technological tools such as AI, AR/VR, and big data for digital preservation, immersive storytelling, and improved visitor experiences.

The forum underscores Guangxi's strategic role as a gateway in China–ASEAN cultural exchange and signals a broader push toward blending heritage preservation with digital innovation. As highlighted by Hab Touch, Permanent Secretary of Cambodia's Ministry of Culture and Fine Arts, the gathering catalyzed shared learning, mutual problem-solving, and new opportunities for collaboration in the digital age.

Philippines–Australia Exercise 'Alon' Hits Record Scale with U.S. Marines in Tow

Australia and the Philippines have launched Exercise Alon 25, marking their largest-ever bilateral military drill, with participation exceeding 3,600 personnel from multiple branches. The joint operation includes live-fire exercises, beach landings, guided-missile destroyers, F/A-18 fighter jets, C-130 transport aircraft, and special forces components—conducted across Luzon and Palawan near the contested South China Sea. The United States Marines, deployed from Darwin as part of their rotational force, are joining the maneuvers for the first time—bringing amphibious operations into the mix with MV-22B Ospreys, UH-60 Black Hawk helicopters, and integrated amphibious raids devised in conjunction with Australian and Philippine units.

This exercise unfolds against a backdrop of escalating regional tensions, notably the recent clash involving Chinese vessels near Scarborough Shoal, prompting concerns over aggressive maritime behavior. By combining sophisticated joint operations, Australia and the Philippines—with U.S. participation—are projecting a collective deterrence posture, reinforcing their strategic ties via the Philippines–Australia Status of Visiting Forces Agreement (SOVFA) and illustrating the deepening interoperability among regional allies. The deployment underscores a shared commitment to uphold international law and sovereignty in the Indo-Pacific amid rising geopolitical pressure.

China Deepens Strategic Ties with Afghanistan and Pakistan through Trilateral Engagement

Chinese Foreign Minister Wang Yi made a significant diplomatic foray into Kabul on 20 August 2025, engaging in high-level meetings with Afghanistan's acting Foreign Minister Amir Khan Muttaqi and Interior Minister Sirajuddin Haqqani, as well as participating in the sixth China–Afghanistan–Pakistan Foreign Ministers' Dialogue. In these talks, China conveyed a strategic intent to spearhead practical mining operations in Afghanistan—home to strategic deposits of lithium, copper, and iron—and encouraged formal Afghan participation in the Belt and Road Initiative (BRI) to facilitate deeper regional integration.

At the trilateral summit, Wang Yi called for strengthened strategic trust, reinforced security cooperation, and enhanced development, trade, and investment exchanges among the three countries. Special emphasis was placed on bolstering law enforcement collaboration to combat transnational terrorism, particularly threats that could impact China's Xinjiang region, while resisting external interference in their

affairs. The summit echoed broader efforts to stabilize volatile Afghan–Pakistani relations while positioning China as a central diplomatic and economic facilitator in South Asia.

Germany Flags Indo-Pacific Flashpoints as Threats to European Stability

During a visit to Indonesia on 20 August 2025, German Foreign Minister Johann Wadephul sounded a cautionary note on the growing regional instability in the Indo-Pacific, signaling that tensions there directly endanger vital European interests. Wadephul highlighted that China's assertive stance in the South China Sea and the Taiwan Strait not only disrupts Asian security but also undermines the international rules-based order, putting critical maritime trade routes—upon which Europe relies—at risk.

Just days earlier, Wadephul had condemned what he termed China's “aggressive behavior” ahead of a tour to Japan and Indonesia, stressing the need for globally binding rules to uphold international norms. Both statements underscore Germany's growing concern that strategic shocks far from European shores—if unchecked—could ripple inward, stirring economic, diplomatic, and security vulnerabilities at home.

Taiwan Raises 2026 Defence Budget Sharply as U.S. Advocacy and Chinese Pressure Mount

Taiwan is set to raise its defence budget by 22.9% in 2026, allocating T\$949.5 billion (approximately \$31.27 billion)—equivalent to 3.32% of GDP, marking its highest share since 2009. This leap reflects dual pressures: growing military and political threats from China—including near-daily air incursions and grey-zone tactics—and sustained encouragement from the United States for Taiwan to enhance its own defence posture. The inclusion of the coast guard and veterans' affairs in the defence budget for the first time, adopting a NATO-style model, underscores a recalibration toward integrated security and recognition of evolving threat landscapes.

Premier Cho Jung-tai described the budget surge as “a concrete demonstration” of Taiwan's resolve to preserve sovereignty, regional stability, and global responsibility. The modernization push includes investment in new fighter jets and naval defences, with special provisions (T\$117.6 billion) earmarked for these upgrades. Amplifying this momentum, President Lai Ching-te has announced an ambitious goal to raise Taiwan's defence spending to 5% of GDP by 2030, signaling a sustained commitment to strategic deterrence and long-term military readiness. In response, U.S. officials are planning arms sales to Taiwan that may surpass those approved during Trump's first term, reinforcing Taipei's capability-building amid regional tensions.

New Zealand Accelerates Defence Modernization with US Helicopters and Airbus Jets

New Zealand has committed NZ\$2.7 billion (US\$1.6 billion) to overhaul its aging defence aircraft, including the procurement of five MH-60R Seahawk maritime

helicopters and two Airbus A321XLR transport planes. This marks the first major delivery under the government's Defence Capability Plan unveiled in April, which outlines NZ\$9 billion in increased defence spending over four years and a goal to nearly double defence expenditure to 2% of GDP within eight years.

The MH-60Rs—sourced via the U.S. Foreign Military Sales program—will replace eight outdated SH-2G(I) Seasprite helicopters, enhancing New Zealand's maritime and anti-submarine capabilities and improving interoperability with key partners like Australia. The Airbus A321XLRs, acquired through a six-year lease-to-buy arrangement, will supplant the Royal New Zealand Air Force's 30-year-old Boeing 757 fleet, whose frequent failures have stranded high-profile delegations.

Defence Minister Judith Collins emphasized the urgent need for a "combat capable, interoperable and dependable fleet" amid a worsening global security environment. Foreign Minister Winston Peters linked the modernization drive to rising espionage and interference threats—particularly from China—underscoring the critical connection between security and economic stability.

China Reaffirms Strategic Support to Pakistan in Deepening Ties

Chinese Foreign Minister Wang Yi, during his recent visit to Islamabad (around 21–22 August 2025), reiterated Beijing's commitment to enhancing cooperation with Pakistan in critical sectors such as agriculture, mining, and industry—underscoring the centrality of the China–Pakistan Economic Corridor (CPEC) as a cornerstone of their strategic and economic partnership. Wang emphasized China's steadfast support for Pakistan's sovereignty, anti-terrorism initiatives, and broader developmental ambitions while calling for greater regional collaboration to resist “unilateralism in global trade.” These remarks reflect China's positioning of Pakistan as a key partner in its regional diplomacy, with CPEC continuing to serve as a tangible conduit of bilateral integration.

The visit also featured a formal meeting between Wang Yi and President Asif Ali Zardari in Islamabad, highlighting the diplomatic significance China attributes to its relationship with Pakistan. This high-profile engagement reinforces a message of mutual respect and priority—positioning Pakistan not merely as a strategic ally but as a core participant in China's regional architecture. The timing ahead of the Shanghai Cooperation Organisation (SCO) summit—also set to include Indian Prime Minister Modi—further elevates the symbolic and geopolitical weight of Wang's Islamabad stop, signaling a resurgence of China's active role in shaping South Asian diplomacy.

Xi to Host High-Profile SCO Summit in Tianjin, Signaling China's Rising Regional Clout

Chinese President Xi Jinping is set to convene a significant Shanghai Cooperation Organisation (SCO) summit in Tianjin from August 31 to September 1, 2025, with more than 20 heads of government—including Russia's Vladimir Putin, UN Secretary-General António Guterres, Iran's Masoud Pezeshkian, and India's Narendra Modi—expected to attend. The gathering, emphasizing “neighborhood diplomacy,” underscores Beijing's

ambition to elevate the SCO as a central platform for political cohesion and security coordination across Eurasia. The event will culminate with the Tianjin Declaration, building on the 2024 Astana summit's commitments in counterterrorism, renewable energy, and the digital economy for deeper regional collaboration.

Indian Prime Minister Narendra Modi will attend both the SCO summit in China and an earlier 15th India–Japan Annual Summit in Tokyo from August 29 to 30, reflecting New Delhi's calibrated approach to deepening multilateral engagement.

Seoul Under Pressure: Troop Costs, China and Alliance Flexibility Dominate Seoul–Washington Summit

As South Korean President Lee Jae-Myung prepares to meet U.S. President Donald Trump, one of the summit's central topics is expected to be burden sharing: Seoul may be asked to significantly increase its financial contribution toward the maintenance of the 28,500 U.S. troops stationed on the peninsula, a legacy of the Korean War. Currently, South Korea covers over US\$1 billion annually and has underwritten the development of key facilities like Camp Humphreys. However, Trump's administration is reportedly pushing for contributions approaching US\$5–10 billion, with an eye toward having allies shoulder defense costs closer to 5% of GDP, well above South Korea's current rate of approximately 3.5%.

Beyond finances, the discussions will extend to the strategic role of U.S. troops in South Korea. Pentagon debates are underway about expanding the U.S. military's mission to include deterrence against China, aligning U.S.–South Korea defense posture with broader Indo-Pacific security dynamics. Yet, such shifts risk provoking Chinese retaliation—recalling an abrupt economic backlash when Seoul deployed the THAAD missile system in 2017. While Washington seeks "strategic flexibility"—potentially involving U.S. forces in contingencies beyond the North Korean threat—Seoul must grapple with sustaining its alliance with Washington while managing delicate ties with Beijing.

Xi Jinping's Rare Tibet Visit Underlines Party Control ahead of Sensitive Anniversary

Chinese President Xi Jinping made only his second visit as leader to Tibet on 20 August 2025, touching down in Lhasa to commemorate the 60th anniversary of the Tibet Autonomous Region (TAR)—a milestone deeply loaded with political symbolism. The first visit happened in July 2021, and the rarity itself signals both the strategic sensitivity of the region and Beijing's intent to project central authority.

The celebrations in Potala Palace Square were grand and orchestrated—thousands gathered in Lhasa for songs, dances, and banners extolling Party loyalty, ecological stewardship, and border security, all under the ideological umbrella of Xi Jinping Thought. In his remarks, Xi emphasized the need for a “united, prosperous, civilized, harmonious, and beautiful” Tibet and underscored the party's role in ensuring political stability, ethnic unity, and religious harmony—a call to shape Tibetan Buddhism in line with socialist values.

The dual themes of development and control were omnipresent: while Tibet's economic growth (notably infrastructure proliferation and doubling of roads since 2012) was showcased as a success story, human rights groups and exiled Tibetan organizations condemned the visit as a performative reaffirmation of Beijing's tightening grip—particularly ahead of the looming Dalai Lama succession debate.

Beijing Employs “Control Measures” Against Filipino Ships at Second Thomas Shoal

China's coast guard has announced it implemented “control measures” against two Philippine vessels that were operating near the BRP Sierra Madre, a grounded Philippine naval ship stationed at the Second Thomas Shoal—a longstanding flashpoint in the South China Sea dispute. Beijing accused the vessels of deliberately executing provocative maneuvers and engaging in collisions, though no specific timeframe for the incident has been disclosed. The coast guard also released a brief video showing one Philippine ship passing in close proximity to a Chinese patrol craft, implying a dangerous encounter.

China's deployment of control measures in this highly contested maritime zone illustrates its ongoing strategy of asserting sovereignty through coercive, gray-zone actions. The Second Thomas Shoal is especially sensitive given Manila's persistent resupply missions to the Sierra Madre, intended to reinforce its maritime claims. This episode is the latest in a series of aggressive maneuvers: from laser illumination of Philippine vessels and water-cannon confrontations to allegations of ramming and equipment damage. These tactics, short of outright military conflict, aim to signal dominance and test Manila's responses. Meanwhile, Manila has ramped up its “transparency initiative”, publicly exposing each altercation to build international awareness and pressure. While this has earned diplomatic support, it has yet to visibly alter China's behavior at sea.

Germany Strengthens ASEAN Ties with High-Level Foreign Minister Visit

On 21 August 2025, German Foreign Minister Johann Wadephul visited the ASEAN Secretariat in Jakarta, meeting with Secretary-General Dr. Kao Kim Hourn and reinforcing Germany's commitment to deepening its engagement in Southeast Asia as a key partner of the bloc. This visit builds on Germany's broader Indo-Pacific outreach, which includes expanding cooperation through trade, climate, and security. During his regional trip, Wadephul underscored the importance of ASEAN's central role amid global geopolitical shifts and emphasized partnership driven by shared democratic and legal values.

This visit aligns with Germany's efforts to enhance its Indo-Pacific strategy, spatially entrenching itself within ASEAN's diplomatic orbit. By reaffirming support for multilateral norms and convergence on issues like trade liberalization, digital cooperation, and climate resilience, Germany signals a resilient alignment with

Southeast Asian priorities amid rising great-power competition. The visit also sets the stage for deeper economic integration under frameworks such as the EU's Global Gateway and the upcoming EU–Indo-Pacific Foreign Ministers' Meeting.

Seoul Shuffles Diplomatic Deck Ahead of Washington—Japan Visit Paves Way for U.S. Summit

On 23 August 2025, South Korean President Lee Jae-Myung made his first official visit to Japan since taking office in June, meeting alongside Prime Minister Shigeru Ishiba in Tokyo ahead of his planned summit with U.S. President Donald Trump in Washington. The leaders reaffirmed their commitment to uphold and enhance bilateral and trilateral cooperation with the U.S., especially in defense, economic security, artificial intelligence, and youth exchanges. They also agreed to resume shuttle diplomacy and maintain 15% tariffs on goods exported to the U.S.—a strategic move that helped dodge steeper duties threatened by Washington.

This diplomatic step comes at a moment of uncertainty under President Trump's "America First" policies, where trade coercion and defense cost pressure threaten to strain alliances. Lee and Ishiba's visit not only reaffirms their alignment against North Korean threats and growing Chinese assertiveness, but also sends a powerful signal: both remain reliable U.S. partners amidst transactional diplomacy. Seoul's outreach to Tokyo functions as both reassurance and prerequisite to its Washington negotiations, where major issues like troop cost-sharing, economic integration, and alliance modernization will be on the table.

Vietnam's Island-Building Surges Past China's in the Spratly Islands

Vietnam has dramatically escalated its island-building efforts in the disputed Spratly Islands, significantly closing the gap with China—and likely soon surpassing it. According to a new report by the Center for Strategic and International Studies (CSIS), satellite imagery from early 2025 reveals ongoing dredging and landfill work across eight previously undeveloped features—including Alison, Collins, and East Reefs—bringing all 21 Vietnam-held landforms up to an artificial-island status. As of March 2025, Vietnam had created approximately 70% as much artificial land in the Spratlys as China, and its recent expansions are expected to push it beyond China's scale.

Emerging infrastructure on these features—such as munitions storage—signals a growing strategic tilt in Vietnam's posture, even though the placement of new installations may limit runway capacity. The only exception could be Barque Canada Reef, which, along with the island currently hosting Vietnam's lone airstrip, appears to have runway potential. This construction acceleration underscores Hanoi's determination to fortify its maritime presence and offset China's historical dominance in the archipelago.

India–Vietnam Coast Guards Step Up Cooperation with Focus on SAR, Law Enforcement, and Pollution Control

The 6th High-Level Meeting between the Indian Coast Guard (ICG) and Vietnam Coast Guard (VCG) opened in Hanoi on 20 August 2025, underscoring the deepening maritime partnership between the two Indo-Pacific states. Discussions centered on expanding Maritime Search and Rescue (SAR) capabilities through joint drills in the South China Sea, a strategic theater where both nations have vital stakes. The agenda also prioritized Maritime Law Enforcement (MLE) cooperation to combat illegal fishing, arms and narcotics smuggling, and other transnational maritime crimes, reflecting converging security concerns amid rising regional competition.

In addition, both sides committed to advancing Marine Pollution Response (MPR) measures, with particular emphasis on oil-spill containment and plastic-waste management. India's Pollution Control Vessel Samudra Paheredar, deployed to Vietnam for the meeting, symbolized New Delhi's growing investment—estimated at \$1.2 billion—in maritime domain awareness and coastal security. The engagement builds on the 2015 MoU on Coast Guard Cooperation and is widely viewed as a deliberate effort to reinforce Vietnam's maritime resilience while balancing China's assertive footprint in regional waters. The outcome signals not only operational synergy but also a strengthening of the strategic partnership between India and Vietnam in shaping the rules of the Indo-Pacific.

2. STATISTICS OF THE WEEK

India–China Bilateral Trade Crosses \$138.5 Billion in 2024, with Deficit Widening

According to the latest trade data, India–China bilateral trade reached \$138.5 billion in 2024, driven by \$120.5 billion in Chinese exports to India and \$18 billion in Indian exports to China. This represents a record high in overall trade volumes, but also reflects the persistence of a wide trade imbalance in China’s favor.

The imbalance has been structural for nearly a decade: since 2016, Chinese exports to India have more than doubled (from \$58.4 billion in 2016 to \$120.5 billion in 2024), while Indian exports to China have remained relatively stagnant—peaking at \$28.1 billion in 2021, before falling back to \$18 billion in 2024.

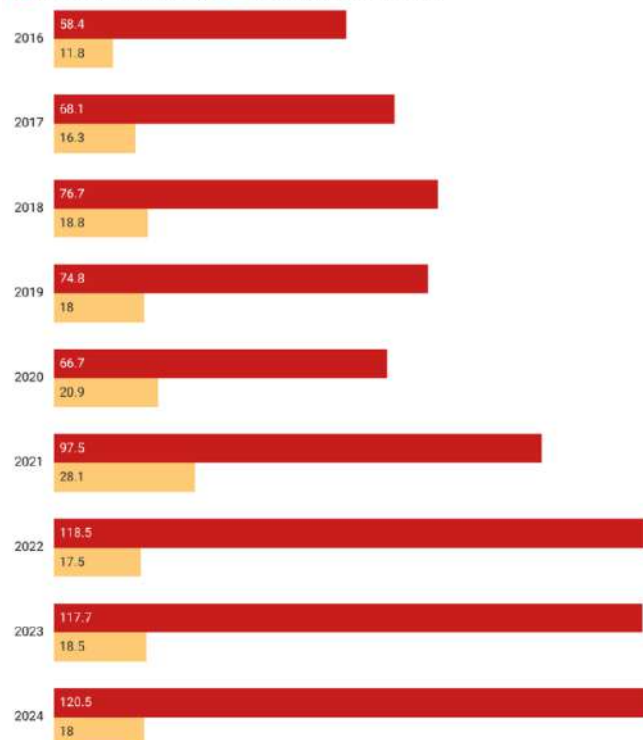
India’s trade deficit with China exceeded \$100 billion in 2024, highlighting strategic vulnerabilities in critical supply chains, particularly electronics, machinery, and chemicals.

The widening imbalance comes amid heightened border tensions and efforts in New Delhi to diversify supply chains away from Beijing.

India is likely to intensify efforts to promote domestic manufacturing under “Make in India” and deepen trade ties with alternative partners, while seeking targeted Chinese imports in areas like pharmaceuticals, rare earths, and renewable energy components.

India-China Bilateral Trade

■ China exports to India (US\$ Bn) ■ China imports from India (US\$ Bn)



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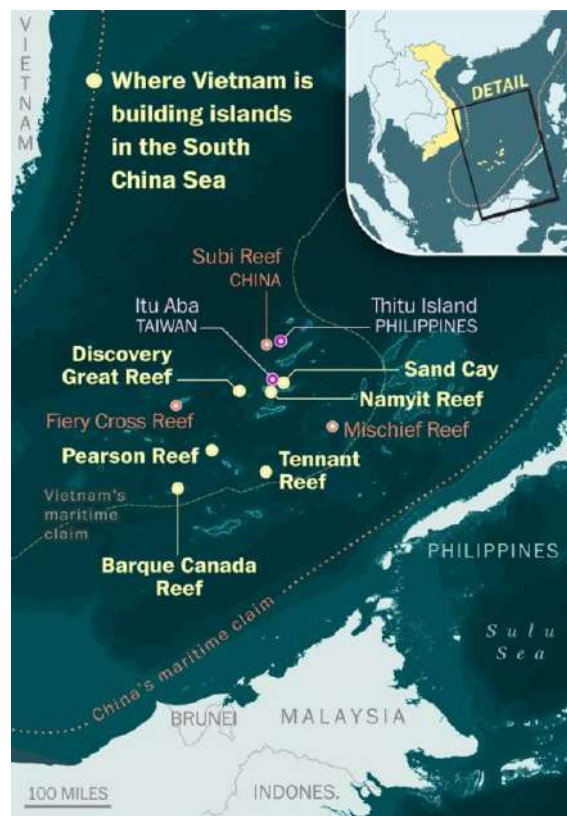
3. MAP OF THE WEEK

Vietnam Accelerates Island Building to Challenge China's Maritime Claims

Vietnam has sharply intensified its land reclamation drive in the South China Sea, transforming once-deserted reefs into fortified military outposts. According to satellite imagery and expert assessments, Hanoi is on track to create over 1,000 acres of new land in 2024 alone—its most ambitious year yet. In just three years, Vietnam has increased its reclaimed territory in the Spratlys tenfold, reshaping the contested archipelago with dredging, landfill, and new defensive structures.

The map of the week highlights key reefs under Vietnamese development—including Barque Canada Reef, Pearson Reef, Tennant Reef, Discovery Great Reef, and Namyt Reef—illustrating how Hanoi is consolidating its maritime footprint directly in the face of Chinese claims. Analysts note that not since China's own large-scale reclamation campaign a decade ago, which created artificial islands like Fiery Cross and Mischief Reefs, has the South China Sea seen such sweeping transformation.

Vietnamese officials frame these efforts as “self-defense and consolidation”, aimed at countering threats “early and from afar,” while reaffirming their pursuit of peaceful resolution. Still, the pace and scale of construction underscore a strategic shift: Vietnam is quietly but decisively strengthening its deterrence posture, even as tensions escalate between China and the Philippines in nearby flashpoints.



<https://www.washingtonpost.com/world/interactive/2024/vietnam-south-china-sea-islands-growth/>

4. PHOTO OF THE WEEK

Chinese, Afghan, and Pakistani Foreign Ministers Convene in Kabul to Deepen Trilateral Cooperation

On 20 August 2025, top diplomats from China, Afghanistan, and Pakistan gathered in Kabul for the sixth China–Afghanistan–Pakistan Foreign Ministers’ Dialogue—the first of its kind held in Afghanistan since the Taliban’s return to power. Chinese Foreign Minister Wang Yi, Afghan Foreign Minister Amir Khan Muttaqi, and Pakistan’s Deputy Prime Minister and Foreign Minister Ishaq Dar reaffirmed commitments to strengthen security coordination, counter cross-border terrorism, and expand economic ties.

China emphasized its willingness to deepen good-neighborly trust, oppose external interference, and support Afghanistan’s stabilization and reintegration into the international community. The three sides also pledged to expand cooperation in trade, Belt and Road connectivity, development projects, and people-to-people exchanges, while stressing the principle of “indivisible security” to ensure mutual respect for each country’s security concerns.

The dialogue carried added weight as it came on the eve of the SCO Summit in Tianjin, signaling Beijing’s push to cement its role as a stabilizing actor in South and Central Asia. Analysts noted that the meeting was both a continuation of the trilateral framework and a “new starting point,” reflecting cautious optimism in easing Afghanistan–Pakistan tensions with China as a facilitator.



<https://www.globaltimes.cn/page/202508/1341367.shtml>

5. INFOGRAPHIC OF THE WEEK

Modi–Wang Yi Meeting Marks a Reset in India–China Relations

The August 19, 2025, meeting in New Delhi between Indian Prime Minister Narendra Modi and Chinese Foreign Minister Wang Yi signaled a cautious reset in bilateral ties after years of strained relations. Both leaders emphasized stability and reconciliation, linking improved ties directly to regional and global peace.

Prime Minister Modi underscored the value of constructive engagement, noting his anticipation for a follow-up meeting with President Xi Jinping on the sidelines of the upcoming SCO Summit in Tianjin.

Wang Yi acknowledged the setbacks of past tensions and expressed satisfaction at the restoration of relative calm along the contested border, framing it as a necessary step toward broader cooperation.

The infographic highlights the broader narrative: while border stabilization has opened the door for dialogue, the true test lies ahead as Modi and Xi prepare to meet in person during the SCO Summit. Their engagement will determine whether this apparent thaw translates into lasting stability or remains a temporary pause in a volatile relationship.



https://www.linkedin.com/posts/eurohub4sino_indiachina-reset-modi-meets-activity-7363855158079823873-H-pY?utm_source=share&utm

6. REGIONAL ALLIANCES

China–Pakistan–Afghanistan Trilateral Nudges Toward a Hard-Security and Connectivity Compact

Beijing used a rare, high-profile conclave in Kabul to tighten the triangle between China, Pakistan, and Afghanistan, casting the format as a vehicle for stabilisation along China’s western flank and for knitting Afghanistan into regional economic corridors. On 20 August 2025, Chinese Foreign Minister Wang Yi met Afghan Foreign Minister Amir Khan Muttaqi and Pakistan’s Deputy PM/Foreign Minister Ishaq Dar for the 6th China–Afghanistan–Pakistan Foreign Ministers’ Dialogue, the first held in Afghanistan since the Taliban takeover. The optics—Kabul hosting, China headlining—signalled both a security imperative and Beijing’s ambition to anchor “neighbourhood diplomacy” before the SCO summit cycle.

Security First: Building a Trilateral Counter-Terrorism Architecture

Wang Yi pressed for deeper security coordination, calling to improve the security-dialogue mechanism, intensify law-enforcement cooperation, and target transnational terrorism while opposing “external interference.” The three sides framed the effort as addressing symptoms and root causes, with an emphasis on information-sharing and border management—an agenda that aligns with China’s concerns about spill-over into Xinjiang and Pakistan’s need to curb cross-border militancy.

Economic Linkages: From CPEC to Kabul and the Lure of Minerals

Beyond hard security, the dialogue revived an economic proposition: extend the China–Pakistan Economic Corridor (CPEC) into Afghanistan, deepen trade and transit, and explore connectivity that links Afghanistan to markets in Pakistan, China and Central Asia. In parallel bilateral talks, China told Kabul it is keen to explore and mine Afghan minerals and wants Afghanistan to formally join the Belt and Road Initiative, placing resource development and corridors at the centre of a prospective normalisation.

Politics and Diplomatic Signalling

The choice of venue and ministerial level served a second purpose: to legitimise functional engagement with Kabul without formal recognition. Beijing’s message emphasised mutual respect for sovereignty, non-interference, and good-neighbourly trust—a framing designed to keep channels open while urging Afghanistan and Pakistan to manage frictions through dialogue. For Islamabad, the format showcases China’s role as a steady external balancer at a time of security pressure and economic strain.

Frictions and Constraints

The trilateral is not operating in a vacuum. Pakistan–Afghanistan tensions over cross-border attacks and phased refugee deportations complicate implementation; Kabul’s internal governance and capacity constraints further limit absorption of large projects. Analysts note that while China can convene and underwrite, progress hinges on sustained security gains and credible assurances from Kabul on militant safe havens.

Conclusion

Kabul’s trilateral brought incremental alignment: a clearer security compact, a connectivity agenda tied to CPEC/BRI, and political signalling that Beijing intends to mediate and invest, not merely observe. The near-term test will be whether working-level mechanisms translate into joint counter-terror operations and border coordination, and whether feasibility work on mining and corridor links moves beyond communiqués. If security cooperation holds, China’s neighbourhood strategy could lock in a modest but durable security-economics bargain along its western rim; if not, the format risks reverting to photo-ops amid persistent spoilers.

7. ANALYSIS

A Fragile Thaw in China–India Relations

After five years of tension defined by the 2020 Galwan Valley clash, a drawn-out military standoff, and rising economic distrust, China and India appear to be cautiously re-engaging. A series of high-level meetings in mid-August 2025—including talks between Indian External Affairs Minister S. Jaishankar and Chinese Foreign Minister Wang Yi, Modi’s rare direct engagement with Wang, and announcements of trade and connectivity measures—suggest that both sides now seek to stabilize ties. For Beijing, managing its relationship with India reduces strategic friction on its southwestern flank at a time of intensifying competition with the United States. For New Delhi, the thaw provides breathing space while it juggles its commitments to the Quad and partnerships with Europe, the U.S., and ASEAN. Whether this marks a sustainable reset or a tactical pause remains the central question.

Border Peace as the Litmus Test

The Line of Actual Control (LAC) remains the core obstacle and litmus test for bilateral relations. Jaishankar reiterated India’s long-held position: peace and tranquillity along the border is the foundation for progress in other areas. Wang Yi’s remarks—acknowledging that recent setbacks hurt “the fundamental interests of both peoples”—were unusually candid, indicating that Beijing recognizes the damage prolonged border hostility has done to political trust. Yet, despite more than 20 rounds of corps commander talks, both militaries still maintain forward deployments in Ladakh and Arunachal Pradesh. This unresolved status quo creates a fragile environment in which confidence-building measures can easily collapse if another border incident occurs. The thaw, therefore, is contingent upon continued restraint and incremental disengagement.

Economic Recalibration: Trade, Flights, and Rare Earths

Economics has become the practical bridge for restoring ties. Both sides agreed to resume direct passenger flights, suspended since the pandemic, to support student exchanges, tourism, and business connectivity. This is not symbolic: over 23,000 Indian students are enrolled in Chinese universities, and thousands of small and medium enterprises depend on cross-border trade. More strategically, China pledged to address India’s rare earth needs, critical for renewable energy and electronics. This aligns with India’s industrial push under Make in India and its ambition to reduce reliance on Western suppliers. Prime Minister Modi, however, highlighted the need for balanced trade, as India’s trade deficit with China has ballooned beyond \$100 billion. This dual track—China providing resources India needs, and India pressing for fairer trade access—reflects a pragmatic economic recalibration, though deep asymmetries remain.

Strategic Messaging: Regional and Global Implications

The thaw also has significant regional signaling value. Beijing’s timing—just ahead of the Shanghai Cooperation Organisation (SCO) Summit in Tianjin—underscores its

desire to present itself as a stabilizing actor in Eurasia. Hosting both Modi and Putin at the SCO allows China to project its diplomatic clout as a convening power, countering narratives of isolation. For India, engaging China at this juncture strengthens its posture as a multi-aligned power: not abandoning the U.S. or its Indo-Pacific partners, but showing it can balance and engage all sides on its own terms. Modi's framing of India-China ties as linked to "peace and stability at the global level" reflects an attempt to elevate bilateral normalization beyond narrow border disputes, portraying India as a responsible global stakeholder. The interplay between cooperation in multilateral forums and competition in the Indo-Pacific illustrates the complexity of this reset.

Conclusion: A Reset or a Reprieve?

Taken together, these moves represent the most significant effort since 2020 to rebuild political trust. Symbolic yet concrete measures—resumed flights, resource deals, rare-earth cooperation—show that both sides are testing ways to stabilize the relationship without solving the hardest issues outright. But the durability of this thaw will depend almost entirely on the border question. If both militaries can sustain restraint and avoid new crises, this moment may evolve into a managed coexistence, where competition persists but conflict is avoided. If not, the "reset" risks unraveling, leaving ties stuck in a cycle of tactical pauses and renewed flare-ups. In essence, the thaw is real—but it remains fragile, conditional, and reversible.