

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

(01 SEPTEMBER 2025)

The Indo-Pacific entered September with a week that underscored both the volatility and the dynamism of the region. As old alliances are tested, new partnerships are forged, and rivalries take on fresh dimensions, this issue captures the complexity of a region where every handshake, tariff, and military parade reverberates globally.

We open with a moment that set Washington abuzz: South Korea's President Lee Jae-myung's first White House summit with Donald Trump. The encounter was more than ceremonial; it was a stress test for Seoul's ability to preserve the alliance under Trump's transactional gaze. Lee navigated unpredictability with deft diplomacy, signaling both resilience and recalibration in a relationship central to Northeast Asia's security.

From the Himalayas to the South China Sea, water and territory again became flashpoints. Our coverage examines China's mega-dam on the Brahmaputra, a project hailed in Beijing as a feat of engineering but feared in Delhi as a trigger for a potential "water war." It is a reminder that the region's strategic rivalries are not confined to military deployments, but extend to resources essential for survival. Meanwhile, in Manila, the Philippines drew its clearest red line yet, warning China against any move to seize or tow the BRP Sierra Madre—an aging warship turned sovereignty outpost at Second Thomas Shoal. With President Marcos Jr. hinting at invoking the U.S. Mutual Defense Treaty in case of a Filipino casualty, the stakes in the South China Sea have rarely been higher.

This week also brought a story of economic gravity. China has secured a place as a top-three trading partner for 157 countries worldwide, with Belt and Road exchanges now accounting for over half its global trade. For Beijing, this milestone is proof of its ascent as a commercial superpower; for others, it is a reminder of just how deeply global markets are tied to China's fortunes.

Yet the diplomatic centerpiece was the Shanghai Cooperation Organisation Summit in Tianjin—the largest in the bloc's history, with Xi Jinping, Vladimir Putin, Narendra Modi, and more than 20 leaders in attendance. The SCO projected the optics of multipolar solidarity, but beneath the handshakes lay unresolved rivalries. Modi's bilateral with Xi—his first in seven years—produced gestures of rapprochement, from restoring direct flights to reaffirming "partnership, not rivalry." Our Regional Alliances feature dissects these contradictions, showing why the SCO is as much a theater of symbolism as it is a tool of coordination.

Beyond Tianjin, the week revealed widening cracks in U.S. alliances. Trump's tariff blitz, which doubled duties on Indian imports to 50% and imposed sweeping levies on Japan and South Korea, is fraying trust with America's traditional partners. Delhi scrambled to secure investment pledges from Tokyo and to thaw ties with Beijing, while Japan's negotiators balked at shifting U.S. demands on agriculture. Seoul, caught between

Trump's tariffs and regional uncertainty, quietly sought to stabilize ties with Beijing. In our Analysis section, we trace how Trump's "price-tag diplomacy" is reshaping Indo-Pacific alliances, pushing partners to hedge even as they seek to maintain their U.S. security anchors.

Elsewhere, geopolitics and security flashpoints dominated the headlines: Australia expelled Iran's envoy after linking Tehran to antisemitic attacks, Beijing prepared a grand Victory Day military parade attended by Putin and Kim Jong Un in a show of authoritarian solidarity, and Trump's tariff war rippled through Asian corporate earnings, hitting India hardest while sparing countries like South Korea that negotiated carve-outs.

Visually, this issue is rich. Our Statistics of the Week illustrates how tariffs are reshaping forward earnings forecasts across Asian economies. The Map of the Week tracks the SCO's expanding geographic footprint and the implications of its newest members. The Photo of the Week captures Modi's high-stakes handshake with Xi in Tianjin—an image heavy with symbolism after years of estrangement. And the Infographic of the Week highlights the UK–Japan defense partnership, showcasing how Tokyo is diversifying security ties beyond its U.S. alliance.

From Xi's choreography of authoritarian unity to India's recalibrated diplomacy and Trump's transactional strain on alliances, this week's Asia on the Horizon is packed with the moments that define the Indo-Pacific's shifting balance. As September begins, one truth is clear: the region is no longer waiting for Washington or Beijing alone—the new order is being contested, negotiated, and reimagined in real time.



## 1. KEY DEVELOPMENTS

### US–ROK Summit: Lee Charms Trump, Avoids “Zelenskiy Moment”

South Korean President Lee Jae-Myung navigated his first summit with U.S. President Donald Trump on August 25 with unexpected finesse, sidestepping what many feared could become a confrontational “Zelenskiy moment.” Despite Trump’s earlier social media jabs questioning South Korea’s political stability, Lee defused tensions through a blend of flattery and cultural rapport—praising the Oval Office décor, offering Trump his wooden fountain pen, and even joking about building a “Trump Tower” in North Korea as an ice-breaker. The meeting concluded without dramatic clashes; both leaders stressed mutual respect and downplayed trade, defense, and political fault lines. Trump voiced support for Lee’s North Korea policy and expressed openness to renewed diplomatic talks with Kim Jong-un, though key issues like nuclear reprocessing and shipbuilding regulations remained unresolved.

Lee strategically framed South Korea as the “pacemaker” to Trump’s “peacemaker,” reinforcing Seoul’s desire to play a central role in regional diplomacy, especially amid concerns over “Korea Passing” in U.S.–North Korea dialogue. He also signaled a shift toward a forward-leaning alliance, announcing plans to expand the defense budget to build a “smart military” capable of addressing future threats and modernizing U.S.–ROK cooperation. Lee committed to substantial investments, including the \$350 billion fund tied to a reduced 15 percent U.S. tariff, while discussions highlighted expanded shipbuilding collaboration.

### China’s Mega-Dam Sparks Downstream Alarm

China has commenced construction on the Medog Hydropower Station, poised to become the world’s largest hydropower facility with a capacity of 60 GW, located on the lower reaches of the Yarlung Tsangpo (Brahmaputra) River in Tibet. The project, approved in December 2024 and broken ground on July 19, 2025, is slated for commercial operations by 2033, with an investment exceeding ¥1 trillion. While Beijing frames the initiative as an environmentally conscious stride in clean energy and climate goals, environmental and security experts warn of significant downstream risks—ranging from altered water flows, disrupted sediment transport, and biodiversity loss to seismic instability in one of the world’s deepest river gorges.

Alarmed by internal analyses suggesting that the dam could cut the Brahmaputra’s dry-season flows by up to 85%, India is fast-tracking its own Upper Siang Multipurpose Storage Dam as both a strategic countermeasure and a buffer against potential water shortages or flood threats. However, the plan faces stiff opposition from local communities in Arunachal Pradesh concerned about displacement and environmental impact. Indian officials, including External Affairs Minister S. Jaishankar, have raised the issue in diplomatic forums, demanding transparency and urging Beijing to consult downstream nations—a call underpinned by broader worries of “water weaponization” and regional instability.

## China Expands Global Trade Footprint Amid BRI Surge

China announced on August 25 that it now ranks among the top three trading partners for 157 countries and regions, underscoring its deepening role in the global economy. According to Sun Meijun, head of the General Administration of Customs, trade with Belt and Road Initiative (BRI) partners reached 22 trillion yuan (about US \$3 trillion) in 2024, accounting for more than half of China's total imports and exports. The figures highlight how Beijing's trade architecture is increasingly anchored in emerging markets, with ASEAN, Latin America, Africa, and Central Asia registering double-digit annual growth since 2021.

The expansion reflects both economic opportunity and strategic leverage. By embedding itself at the center of global supply chains and financing infrastructure across the Global South, Beijing is cushioning against U.S.-led tariff shocks while reinforcing its claim as a champion of multipolar globalization. With 519 international cooperation agreements signed since 2021, China has institutionalized its commercial reach, creating durable frameworks for resource access, technology exchange, and financial partnerships. Yet, while Beijing touts “mutual economic benefits,” critics warn that dependency risks and debt burdens for smaller states may sharpen geopolitical frictions as China's trade dominance consolidates.

## A Diplomatic First: Xi Sends Independence Day Greetings to Ukraine

On August 24, 2025, in an unusual diplomatic gesture, Chinese President Xi Jinping sent a public congratulatory message to Ukrainian President Volodymyr Zelenskyy marking Ukraine's Independence Day — the first such public outreach by Beijing since Russia's full-scale invasion in February 2022. Highlighting over three decades of diplomatic ties, Xi emphasized the steady development of bilateral cooperation and offered to work with Zelenskyy to guide China-Ukraine relations toward long-term, mutually beneficial outcomes. Zelenskyy responded appreciatively, reinforcing Kyiv's desire to build a relationship grounded in mutual respect and collaboration for peace, stability, and prosperity.

This overture comes amid heightened scrutiny of Beijing's posture amid the war in Ukraine. As China deepens strategic ties with Moscow, this message serves as a calculated signal of diplomatic neutrality and flexibility — projecting openness without compromising its “no-sides” stance on the conflict. Analysts view Xi's move as an attempt to balance growing Western skepticism over China's warm relations with Russia, while preserving room for engagement with European and post-Soviet states. For the Asia on the Horizon readership, this gesture may hint at Beijing hedging between great-power alignments and its interest in sustaining diversified regional ties — a narrative that merits continued attention as the geopolitical environment evolves.

## China–South Korea Relations at a "Critical Juncture" Amid Reset Push

Chinese Foreign Minister Wang Yi recently told a South Korean delegation led by former National Assembly Speaker Park Byeong-seug that the bilateral relationship is at a “critical juncture for improvement and development”. The meeting, held on the 33rd anniversary of the two countries’ diplomatic ties, signals Beijing’s readiness to reset ties after years of tension, particularly during the previous administration’s strategic shift toward the U.S. and Japan. South Korea’s special envoys arrived bearing a personal letter from President Lee Jae-Myung, and extended an invitation for Xi Jinping to attend the APEC summit in Gyeongju this October—underscoring Seoul’s intention to broaden regional strategic engagement while maintaining its alliance with Washington.

Both sides expressed a desire to strengthen economic and supply chain cooperation, recognizing the need to balance strategic autonomy with protection of national interests and U.S. relations. Wang Yi emphasized Beijing’s consistent policy and called on both nations to expand mutual interests, promote people-to-people exchanges, and keep relations on the “right track”. For your newsletter, this development captures a strategic moment where Seoul is deftly navigating the triangular diplomacy between Washington, Tokyo, and Beijing—signaling a forward-looking approach to regional cooperation while carefully managing great-power pressures.

## Diplomatic Flashpoint: Australia Expels Iranian Envoy Over Antisemitic Attacks

Australia has launched a severe diplomatic retaliation against Iran, accusing Tehran of orchestrating at least two antisemitic arson attacks—one in Sydney and another in Melbourne. In response, Prime Minister Anthony Albanese announced the expulsion of Iran’s ambassador, suspended operations at Australia’s embassy in Tehran, and is moving to designate Iran’s Islamic Revolutionary Guard Corps (IRGC) as a terrorist organization. The more recent attack in July involved a firebomb at a Melbourne synagogue during services, while intelligence from ASIO connected the incidents to a sophisticated funding chain tied back to Iran.

These events mark Australia’s first ambassadorial expulsion since World War II and signify a profound rupture in bilateral relations. The ASIO investigation revealed that attacks were executed through proxies—local individuals manipulated by foreign agents via covert financing. One suspect, Younes Ali Younes, has been charged in connection with the synagogue incident, illustrating the regime’s capacity to exploit criminal networks for ideological violence abroad.

## China Stages Grand Alliance Optics at SCO Summit

In a highly choreographed diplomatic display, Chinese President Xi Jinping is hosting over 20 world leaders—most notably Russian President Vladimir Putin and Indian Prime Minister Narendra Modi—at the Shanghai Cooperation Organisation (SCO) summit in Tianjin from August 31 to September 1. This marks Modi's first visit to China in seven years, signaling a deliberate thaw in Sino-Indian relations following heightened border tensions in 2020. The summit serves as a powerful tableau for Global South solidarity and a counterweight to mounting U.S. pressures, especially under the Trump administration's increasingly aggressive posture. Analysts emphasize the summit's primarily symbolic role, offering more in visual messaging than concrete policy achievements.

Concurrently, Xi reinforced Beijing's long-standing strategic alignment with Moscow, emphasizing the necessity of Sino-Russian unity in safeguarding shared security and developmental interests amid escalating Western sanctions. His meeting with Vyacheslav Volodin, Speaker of Russia's State Duma, underscored this point, and precedes Putin's continued participation in a WWII Victory Day military parade in Beijing—another well-calibrated act of geopolitical theatre. These moves signal China's dual strategy: affirming its leadership within the Global South while deepening tactical bonds with Russia, even as it opens avenues for moderated engagement with India and other regional powers.

## Strategic Symbiosis: Xi and Volodin Highlight China–Russia as Pillars of Global Stability

Chinese President Xi Jinping met with Russian State Duma Chairman Vyacheslav Volodin in Beijing on August 26, framing China–Russia relations as “the most stable, mature, and strategically significant” major-power partnership in today's shifting global environment. Xi underscored that this bilateral rapport not only serves the interests of both nations but also underpins world peace and stability. He referenced their mutual commemoration of the 80th anniversaries of the Great Patriotic War and the Chinese people's War of Resistance Against Japanese Aggression as symbolic touchstones reinforcing this bond.

Against a backdrop of rising geopolitical turbulence, Xi emphasized that China and Russia must jointly safeguard their security and development interests, deepening strategic trust and preserving their “traditional friendship.” He characterized their partnership as a stabilizing force in advocating for an equitable international order—one that counters the unilateralism promoted by Western powers. Additionally, this rhetoric aligns with analysts' framing of the China–Russia axis as a “Dragon-Bear” embrace—a powerful yet cautious alignment aimed at supporting a multipolar world, even as underlying mistrust and strategic divergence persist.



## Trump's Dual Diplomatic-Strategic Gambit

In a surprising turn, President Trump announced that the United States will allow 600,000 Chinese students to study at American universities—more than double the current enrollment, which stood at approximately 277,400 in 2023–24. This expansion marks a sharp rhetorical shift from prior restrictions targeting Chinese students with supposed ties to the Chinese Communist Party or sensitive academic fields. Trump defended the move by emphasizing the economic contributions of international students, suggesting their presence is vital to the survival of weaker U.S. colleges, though critics argue the policy remains partly performative, with some GOP voices dismissing the announcement as misleading or overblown.

At the same White House meeting, Trump issued a pointed warning that China must ensure the U.S. continues receiving rare-earth magnets—or face a staggering 200% tariff. Rare-earth magnets are key components in electric vehicles, drones, and advanced electronics, especially the technologically advanced NdFeB magnets, which are predominantly produced in China (over 95% of global supply). Analysts view the threat as both a high-stakes negotiating lever and confirmation of China's strategic bargaining power in global supply chains. While China has previously restricted rare-earth exports, the U.S. is simultaneously stepping up domestic production and forging new supply chains—efforts underscored by significant investments in companies like MP Materials

## Australia–Philippines Defence Pact: Institutionalising Security Amid South China Sea Tensions

Australia and the Philippines are moving toward formalizing a new defence cooperation agreement, slated for signing in 2026, that promises to elevate their military partnership beyond ad-hoc drills. Philippine Defence Secretary Gilberto Teodoro and Australian Defence Minister Richard Marles signed a Statement of Intent on August 22 to “regularise” joint military operations and exercises, reflecting a deliberate shift toward more structured interoperability and combined deterrence capacity. This build-up comes amid escalating tensions in the South China Sea, where China's assertive maritime claims have intensified regional security concerns.

The agreement paves the way for deeper tactical coordination, greater access to shared defence infrastructure, and potentially the placement of Australian forces at Philippine facilities—marked departures from previous arrangements. As part of this broader strategy, the two countries continue to ramp up joint exercises, including “Alon”—their largest-ever live-fire drills with over 3,600 personnel—and multilateral sails with partners like Canada, Japan, and the U.S. These activities underscore a collective effort to uphold a rules-based Indo-Pacific order and present a unified front against unilateral maritime coercion.

## **Xi Strengthens Southeast Asian Ties with Royal Visit from Cambodia**

On August 26, 2025, President Xi Jinping and First Lady Peng Liyuan hosted King Norodom Sihamoni and Queen Mother Norodom Monineath Sihanouk of Cambodia at Zhongnanhai in Beijing. Xi extended a heartfelt welcome to the Cambodian royals and invited King Sihamoni to attend the upcoming commemorations marking the 80th anniversary of victory in the Chinese People's War of Resistance Against Japanese Aggression and World Anti-Fascist War. This royal visit, while ceremonial, underscores the enduring cultural and diplomatic affinity between Beijing and Phnom Penh.

Beyond symbolism, the meeting reflects China's broader strategic use of historical commemoration and elite engagement to cultivate soft power and reinforce regional networks. By linking Cambodia's leadership to China's narratives of anti-fascist legacy, Beijing deepens interpersonal trust while positioning itself as an anchor of shared historical identity. This reinforces bilateral solidarity, strengthens the foundation for policy alignment in forums like the SCO Summit, and signals to Southeast Asian audiences that harmony with China is grounded not only in geopolitics, but also cultural and historical fellowship.

## **Quad Endorsement Marks India's Strategic Pivot Amid U.S. Tensions**

In advance of Prime Minister Narendra Modi's Japan visit scheduled for August 29–30, India reaffirmed its commitment to the Quad—the strategic grouping of India, Japan, the U.S., and Australia. Indian Foreign Secretary Vikram Misri emphasized the Quad's importance in areas such as critical minerals cooperation, suggesting the multilateral framework remains central to India's Indo-Pacific strategy despite growing strains with the United States. The move underscores New Delhi's intention to strengthen regional alliances while expanding practical cooperation beyond traditional security domains.

This assertion comes amid mounting diplomatic and trade tensions between India and the U.S., including steep tariffs that have reportedly disrupted joint initiatives and raised concerns about the future of defense collaborations. Validating the Quad's value amid these strains underscores India's broader recalibration—seeking to maintain ties with Washington while simultaneously strengthening regional bonds with Japan, Australia, and like-minded partners. As Modi's Japan trip advances, discussions are expected to deepen cooperation in defense, critical minerals, and technology infrastructure—elements that will reinforce the Quad's relevance to regional stability and India's strategic autonomy.



## US–India 2+2 Dialogue Signals Strategic Repair Amid Trade Turbulence

On August 25, 2025, senior officials from the United States and India convened virtually for the 22nd U.S.–India 2+2 Intersessional Dialogue, aiming to revive momentum across a fresh array of bilateral priorities. The virtual event featured U.S. representatives—Bethany P. Morrison (State Department) and Jedidiah P. Royal (Acting Assistant Secretary of Defense for Indo-Pacific Security Affairs)—alongside India’s Additional Secretary for the Americas, Nagaraj Naidu Kakanur, and Joint Secretary Vishwesh Negi from the Defence Ministry. They covered a broad spectrum—from deepening trade and investment, advancing civil-nuclear and energy security cooperation, to critical minerals exploration, and steps against narcotics and terrorism.

Perhaps most notably, both sides committed to negotiating a new 10-year framework for the U.S.–India Major Defense Partnership, reinforcing defense-industrial synergy, technology exchange, and operational coordination under the expansion of the U.S.–India COMPACT initiative. They also reaffirmed shared strategic priorities, including strengthening collaboration within the Quad framework to promote Indo-Pacific security and resilience

## Triangular Cyber Security Alliance: US, Japan & ROK Tackle North Korea’s IT Worker Threat

On August 26, 2025, the United States, Japan, and the Republic of Korea (ROK) convened a high-level public–private forum in Tokyo alongside cybersecurity firm Mandiant. The gathering brought together more than 130 representatives from government and leading technology and finance sectors—including freelance platforms, AI firms, cryptocurrency exchanges, and payment service providers—to address the escalating risks posed by North Korean IT worker schemes. These schemes involve operatives posing as remote tech employees, infiltrating global companies, and funneling substantial earnings back to fund Pyongyang’s weapons and ballistic missile programs. Engaging with such individuals exposes companies to threats including theft of intellectual property, reputational damage, and legal consequences.

In Tokyo, the trio of countries issued a Joint Statement alongside an “Alert for Companies on North Korean Information Technology Workers,” urging private sector vigilance and enhanced vetting protocols. The initiative expanded the ongoing trilateral coordination—first launched in 2022—highlighting a growing fusion of cybersecurity and geopolitics in the Indo-Pacific. In joining forces with Mandiant, the governments signaled a strategic shift: mobilizing technology firms, bolstering detection of AI-based identity fraud, and reinforcing sanctions enforcement to disrupt North Korea’s cyber-enabled revenue pipelines. This effort marks a new front in regional resistance to digital authoritarianism and covert statecraft.

## U.S. Doubles Tariffs on Indian Exports, Straining Strategic Ties

In a sharp escalation of trade tensions, the United States on August 27, 2025 doubled tariffs on a wide array of Indian goods — including garments, jewelry, footwear, furniture, and chemicals — pushing rates to as high as 50%, one of the steepest across major U.S. trading partners. The move, which came after five rounds of stalled negotiations, was explicitly framed as a response to India's continued purchases of Russian oil amid Western sanctions. The affected goods constitute approximately 55% of India's \$87 billion annual exports to the U.S., placing at risk thousands of small exporters and up to 2 million jobs, particularly in manufacturing hubs like Gujarat. The immediate economic aftermath included a drop in Indian equities and a weakening of the rupee.

Meanwhile, India's Finance Ministry acknowledged that although the direct effects may be contained in the short term, the broader economic fallout could prove significant. To counteract the impacts, New Delhi plans to diversify export destinations — pursuing trade agreements with regions such as the UK, Australia, and the EU — alongside offering targeted financial assistance to affected businesses. Supportive structural reforms, including recent tax measures and a sovereign credit upgrade, are expected to strengthen economic resilience over time.

## Philippines Draws “Red Line” Over China’s Maneuvers at BRP Sierra Madre

The Philippine military has issued a firm warning to China, declaring that any attempt to board, tow, or remove the BRP Sierra Madre — the Filipino warship deliberately grounded at the disputed Second Thomas Shoal (also known as Ayungin Shoal) — would constitute a “red line.” Rear Admiral Roy Vincent Trinidad, spokesperson for West Philippine Sea operations, raised the alarm after Manila observed a marked increase in Chinese maritime activity around the shoal, including the deployment of a navy tugboat for the first time. He stressed that contingency plans are in place and noted that, per President Ferdinand Marcos Jr.’s instructions, any Filipino casualty would trigger consideration of invoking the U.S.-Philippines Mutual Defense Treaty (MDT).

This development highlights a strategic escalation through China's continued use of gray-zone tactics — including coast guard and militia deployments, water cannon drills, and now tugboat movements near a critical Philippine outpost. Manila's firm public stance and clear warning signal a shift from quiet resistance to proactive deterrence. It also underscores how the BRP Sierra Madre remains a symbolic and operational linchpin in Manila's sovereignty assertion strategy — while testing thresholds of alliance commitments and contingency planning. For readers of Asia on the Horizon, this moment illustrates how offshore standoffs, bolstered by tactical messaging, continue to shape regional stability and alliance dynamics.

## Axis of Upheaval: Xi's Military Pageant Sends a Geopolitical Signal

In a striking demonstration of geopolitical solidarity, President Xi Jinping is set to host leaders from some of the world's most heavily sanctioned nations—Vladimir Putin (Russia), Kim Jong-Un (North Korea), Masoud Pezeshkian (Iran), and Min Aung Hlaing (Myanmar)—at a grand military parade in Beijing on September 3, commemorating the 80th anniversary of Japan's WWII surrender. Analysts have dubbed this alliance the “Axis of Upheaval,” suggesting a concerted counter-narrative to Western dominance. Notably, almost no Western leaders—aside from Slovakia's Prime Minister Robert Fico and Serbia's President Aleksandar Vucic—will attend, amplifying the parade's symbolism as a statement of defiance rather than diplomacy.

Simultaneously, the event doubles as an exhibition of military modernization, featuring advanced weaponry including hypersonic missiles, stealth aircraft, underwater drones, and comprehensive battlefield systems. Designed for maximum deterrence, the parade showcases not only hardware but also PLA's enhanced command, control, communication, and electronic warfare capabilities. While visually impressive, some observers caution that the display doesn't necessarily reflect true combat readiness or integration across the PLA.

## Modi's Asia Tour: Strategic Recalibration Amid U.S. Trade Fallout

With U.S. tariffs on Indian goods soaring to 50%, Prime Minister Narendra Modi launched a pivotal diplomatic swing across Asia, aiming to soften the economic blow and reinforce India's strategic resilience. As part of this campaign, Modi visited Japan, where Tokyo pledged up to \$68 billion in long-term investments, including support for critical minerals and high-value manufacturing under the Quad framework—an essential boost to his “Make in India” agenda.

The tour culminated at the SCO Summit in Tianjin, marking Modi's first visit to China in seven years. In meetings with President Xi Jinping, both leaders emphasized that India and China are “development partners, not rivals,” signaling a thaw in relations despite lingering border tensions and economic imbalances. They agreed on restoring direct flights, easing visa and pilgrimage restrictions, and renewing economic engagement—all intended to buffer Delhi's strategic autonomy amid mounting U.S. pressure.

## Britain's HMS Prince of Wales Ushers in a New Era of UK–Japan Security Cooperation

In a landmark moment symbolizing deepening defense ties, the Royal Navy's aircraft carrier HMS Prince of Wales, part of a 12-nation strike group, made history with the first-ever port call by a foreign aircraft carrier to Tokyo. Spanning an eight-month Indo-Pacific deployment, the visit drew praise from Japan's Defence Minister Gen Nakatani, who declared that bilateral security cooperation had reached an "unprecedented" level. UK Defence Secretary John Healey echoed the sentiment, emphasizing how Indo-Pacific security is intrinsically connected to Euro-Atlantic stability. Central to this deepening alliance is the Global Combat Air Programme (GCAP)—a trilateral initiative with Italy aimed at developing a next-generation fighter jet by the mid-2030s, with their first international contract expected by year-end.

This visit reflects Tokyo's strategy to diversify its security partnerships beyond its U.S. alliance, forging stronger ties with like-minded democracies amid growing regional pressure from China. For the U.K., deepening military engagement across the Indo-Pacific aligns with its ambition to expand its role as a global security actor. The visual and operational collaboration—including recent drills showcasing British F-35Bs landing on Japan's JS Kaga—exemplifies burgeoning interoperability and signals a shared commitment to maintaining a rules-based regional order.

## China's Victory Day Parade: Xi Unites with Putin, Kim in Strategic Pageantry

China is set to stage a major military parade on September 3, marking the 80th anniversary of Japan's World War II surrender. Organized by the Chinese Communist Party and the Central Military Commission, this Victory Day event will unfold across Beijing's Chang'an Avenue and Tiananmen Square. The parade will feature advanced weaponry, new combat capabilities, and a meticulously choreographed display of military modernization.

In a highly orchestrated display of solidarity, Chinese President Xi Jinping will be joined by Russian President Vladimir Putin and North Korean leader Kim Jong Un—their first multilateral appearance in years. The invitation list also includes leaders from countries spanning the Global South, such as Iran, Cambodia, Laos, Vietnam, Pakistan, and Singapore, while Western leaders are notably absent, with the exception of Slovakia's prime minister. Analysts interpret the alignment of these leaders as a symbolic "axis"—a projection of unity among authoritarian regimes in defiance of Western influence.

## SCO Summit: China's Multipolar Pitch Meets Strategic Skepticism

From August 31 to September 1, China hosted the 25th Shanghai Cooperation Organisation (SCO) summit in Tianjin—the largest gathering in the bloc's history. Leaders from India, Russia, Iran, Central Asian countries, and ASEAN members such as Indonesia, Malaysia, and Vietnam were in attendance. President Xi Jinping framed the summit as a moment of shared Global South responsibility, urging member states to embrace greater roles in safeguarding regional peace and promoting development. Indian Prime Minister Narendra Modi, attending for the first time in seven years, committed to enhancing trade and investment, easing visa logistics, and addressing border tensions—while reiterating that India–China relations should not be viewed through external lenses.

The meeting served as a symbolic showcase of multipolar solidarity—featuring the convergence of often conflicted powers under one roof. Yet the summit also underlined the SCO's structural limitations: Indian abstention from joint statements due to terrorism concerns, ongoing trade imbalances with China, and disputes like the controversial Tibetan dam projects. While the bloc stands as a useful platform for diplomatic signaling and broad cooperation agendas, analysts caution that its capacity for concrete collective action remains constrained by entrenched rivalries, differing priorities, and institutional weaknesses.

## Japan's Trade Trek Postponed: Investment Deal Stalls Amid Tariff Disputes

Japan's chief trade negotiator, Ryosei Akazawa, abruptly canceled a planned visit to the United States aimed at finalizing a \$550 billion Japanese investment package, aimed at securing tariff relief—delaying a key economic arrangement amid escalating U.S. trade pressure. The postponement, confirmed on August 28, occurred due to lingering administrative and negotiation issues that remain unresolved at the working level. Tokyo had expected to solidify financial details such as profit-sharing, but emphasized that they require an amended presidential executive order to eliminate overlapping tariffs—especially on products like beef and auto parts—before any joint statement is issued.

The original July agreement envisioned a reduction of U.S. tariffs on Japanese goods—from 25% to 15%—in exchange for this large-scale investment, with promises also to lower duties on Japanese car imports. Despite these commitments, Japan asserts that the substantive implementation of tariff changes remains incomplete, prompting this diplomatic pause. There are indications that Akazawa may reschedule the trip as early as next week, contingent on satisfactory resolution of these outstanding issues.

## Top Chinese Trade Envoy Visits Washington—But No Formal Talks Signed

Senior Chinese trade negotiator Li Chenggang, who took on the role of international trade representative and vice-minister of commerce in April, traveled to Washington this week for talks with U.S. officials. Confirmed by China's Ministry of Commerce and the U.S. government, the visit is aimed at sustaining dialogue under the current tariff truce—but does not constitute a formal negotiation round. Li, who has already participated in three prior meetings this year (Geneva, London, Stockholm), met with deputy-level counterparts to explore pathways for stabilizing bilateral economic relations and preparing for future engagements.

In remarks during the trip, China reiterated its commitment to pursuing “equal dialogue and consultation” with the U.S., stressing the importance of using established mechanisms to maintain “healthy, stable and sustainable” trade relations. Though the visit signals mutual interest in de-escalation, it falls short of a breakthrough; no high-level commitments or meetings—such as between Li and U.S. Trade Representative Jamieson Greer—are planned. Rather, the trip appears to serve as strategic “maintenance,” positioning both sides to re-engage more substantively ahead of the truce's November expiration.

## India–Japan Summit: ₹10 Trillion Investment and Deepened Strategic Partnership

Prime Minister Narendra Modi's visit to Japan from August 29–30, 2025 culminated in a landmark agreement with Prime Minister Shigeru Ishiba, whereby Tokyo pledged up to ¥10 trillion (approx. US \$68 billion) in Japanese private investments in India over the coming decade. The two leaders issued a forward-looking “joint vision” for their Special Strategic and Global Partnership, targeting collaboration across defense, clean energy, technology, space, and critical minerals. Japan also committed to facilitating the mobility of 500,000 students and workers within five years—an initiative aimed at addressing Japan's labour shortage while strengthening people-to-people linkages with India. Resilience in the Quad framework and a shared commitment to a free, open, and rules-based Indo-Pacific were further affirmed.

Modi's itinerary included a symbolic bullet-train ride with Ishiba en route to a Tokyo Electron semiconductor facility in Sendai—an apt metaphor for the technological and industrial thrust of the tour. By promoting bilateral investment and innovation under his “Make in India, Make for the World” campaign, Modi reinforced India's appeal as a global manufacturing and innovation hub. These tangible outcomes align with his broader strategy to pivot toward Asia amid rising U.S. trade tensions and underscore the growing importance of multilateral regional partnerships.



## SCO Summit: China's Grand Showcase of Global South Cohesion

From August 31 to September 1, China hosted the 25th Shanghai Cooperation Organisation (SCO) Summit in Tianjin—its largest summit to date, bringing together over 20 national leaders including Vladimir Putin, Narendra Modi, and Iran's Masoud Pezeshkian. The summit served as a strategic stage for Beijing to project influence, advance its vision of a multipolar global order, and offer a diplomatic reprieve amid mounting U.S. protectionist pressures. Modi's attendance—his first visit to China in more than seven years—highlighted New Delhi's nuanced positioning, enhancing regional ties while preserving its autonomy amid conflicting geopolitical currents.

Modi's bilateral engagement with Xi underscored a deliberate thaw in India–China relations. The two leaders committed to restoring direct flights, easing pilgrimage and visa norms, de-escalating border tensions, and reaffirmed they were “partners, not rivals”—though deep-seated friction, trade imbalances, and distrust linger. Meanwhile, India refrained from endorsing a joint SCO statement and emphasized its enduring strategic independence. Analysts see the summit's symbolic value—multipolar messaging and Global South solidarity—as its primary outcome, rather than actionable regional policy shifts.

### Modi and Xi Reaffirm “Partners, Not Rivals” at Tianjin SCO Summit

At the 25th SCO Summit in Tianjin on August 31, Indian Prime Minister Narendra Modi and Chinese President Xi Jinping met for their first bilateral exchange since the 2020 border clashes. Both leaders underscored their shared intent to move past tensions: Xi called for viewing India and China as “development partners, not rivals,” while Modi reaffirmed India's commitment to improving ties and stressed the stability and peace along their border ridge. He also raised the substantial bilateral trade imbalance—nearly \$99.2 billion—and emphasized the importance of mutual respect, trust, and strategic autonomy, rejecting third-party influences from defining their relations.

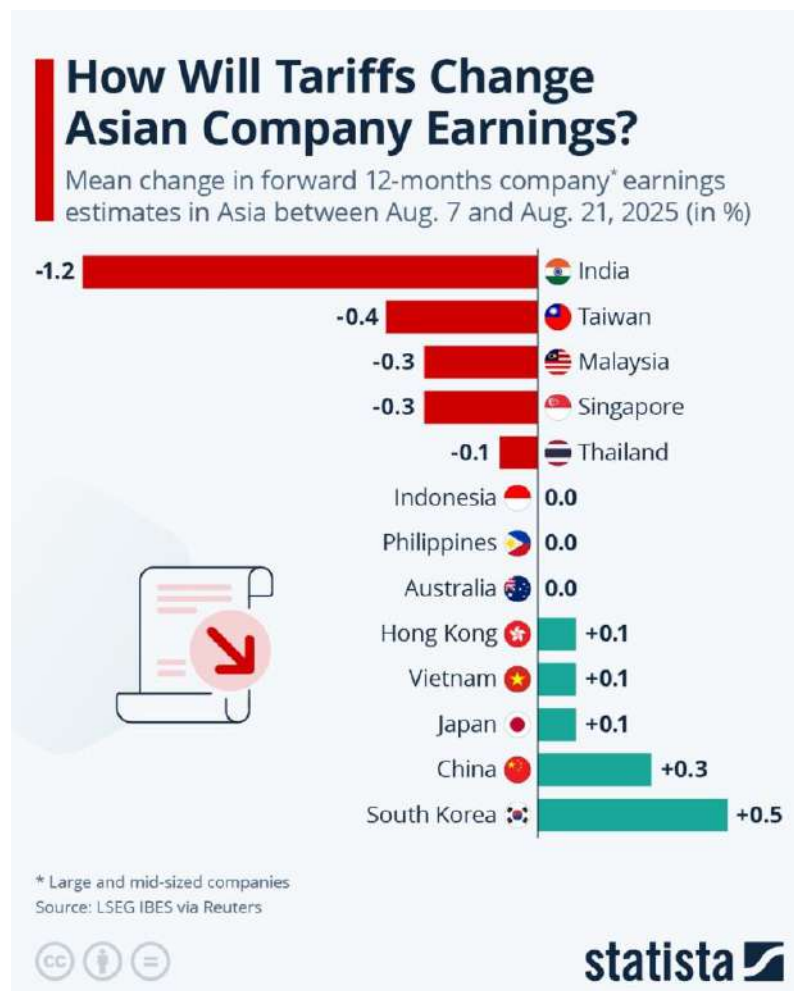
This renewed engagement comes against a backdrop of regional realignment as China hosts a summit featuring a constellation of Global South leaders such as Putin, Erdoğan, and others. The occasion reflects Beijing's broader aim to cast the SCO as a burgeoning alternative multilateral platform, even as real structural cooperation lags behind symbolic optics. For India, Modi's attendance—with careful bilateral diplomacy and sidestepping joint statements—signals a calculated strategy: engaging China diplomatically while preserving strategic autonomy and balancing ties with Western partners.

## 2. STATISTICS OF THE WEEK

### Tariffs Reshape Asia's Corporate Earnings Outlook

Within just two weeks of U.S. global tariffs returning, India has suffered the sharpest downgrade in Asia's corporate earnings forecasts. According to LSEG data (via Reuters), forward 12-month profit estimates for Indian large and mid-sized companies were cut by -1.2%, reflecting the severe impact of Washington's 50% import duties—the highest globally, alongside Brazil.

Other economies facing downgraded earnings include Taiwan (-0.4%), Malaysia (-0.3%), Singapore (-0.3%), and Thailand (-0.1%), all exposed to U.S. duties in the 19–20% range. By contrast, forecasts were upgraded for China (+0.3%), South Korea (+0.5%), Japan (+0.1%), and Vietnam (+0.1%), thanks to recently negotiated tariff carve-outs and truce extensions. Australia, Indonesia, and the Philippines—though subject to tariffs—saw no measurable change, reflecting their limited share (under 1%) of U.S. imports.



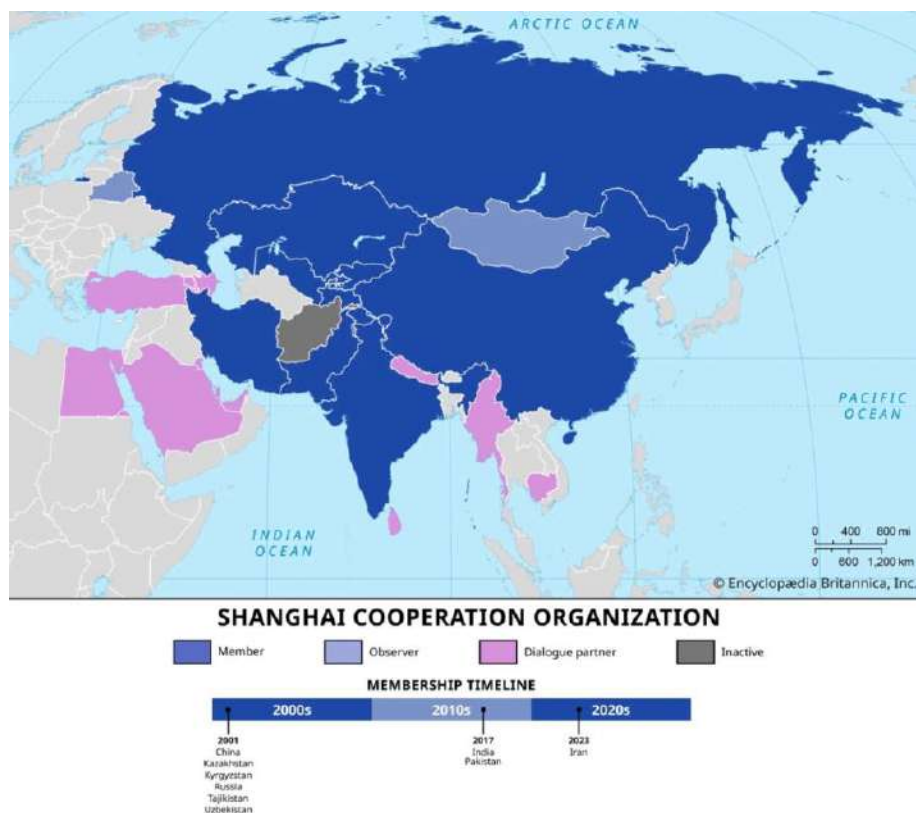
<https://www.statista.com/chart/35038/mean-change-in-forward-12-months-company-earnings-estimates-in-asia/>

### 3. MAP OF THE WEEK

#### Shanghai Cooperation Organisation: Expanding Footprint, Evolving Role

This week's map highlights the Shanghai Cooperation Organisation (SCO), whose 25th summit in Tianjin (Aug 31–Sep 1, 2025) brought together more than 20 heads of state, including Xi Jinping, Narendra Modi, and Vladimir Putin. Founded in 2001 by China, Russia, and four Central Asian states, the SCO has since expanded to include India and Pakistan (2017) and Iran (2023). Dialogue partnerships span Southeast Asia, the Middle East, and beyond, underscoring Beijing's ambition to transform the SCO into the premier platform for Global South cooperation.

The Tianjin summit underscored the SCO's dual identity: a symbolic showcase of multipolar solidarity and a forum grappling with deep internal contradictions. While Xi framed the SCO as a stabilizing force in a turbulent world, India's refusal to sign a joint statement in June 2025 highlighted enduring divergences on terrorism and regional priorities. Nonetheless, bilateral meetings—especially Modi and Xi's first in seven years—signaled tentative rapprochement, with agreements on restoring direct flights and easing border frictions. For Beijing, the summit reinforced its narrative of leading an alternative order; for Delhi, it was a careful exercise in strategic balancing amid growing strains with Washington.



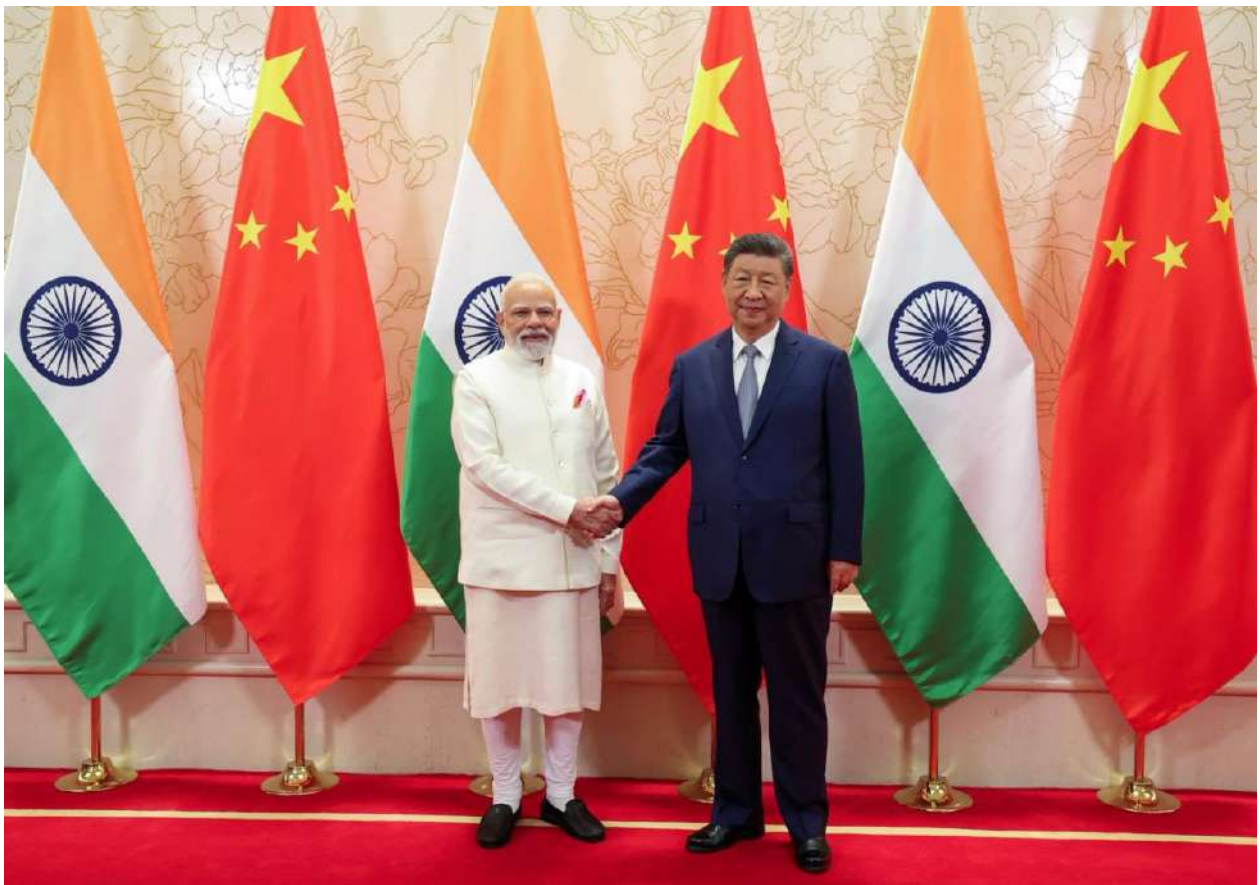
<https://www.britannica.com/topic/Shanghai-Cooperation-Organization>

## 4. PHOTO OF THE WEEK

### Modi Meets Xi in Tianjin: Partners, Not Rivals?

This week's photo captures Indian Prime Minister Narendra Modi meeting Chinese President Xi Jinping on the sidelines of the SCO Summit in Tianjin—his first visit to China in over seven years. Against the backdrop of long-frozen border tensions and deepening U.S.–India trade disputes, the encounter marked a diplomatic reset. Xi framed the relationship as one where India and China should be seen as “development partners, not rivals”, while Modi reaffirmed Delhi's commitment to improving ties, stressing the need for peace and stability along the border and calling out the nearly \$99 billion trade imbalance.

For Beijing, hosting Modi alongside Putin and other Global South leaders reinforced its claim to leadership in a multipolar order. For New Delhi, the meeting was carefully calibrated—signaling willingness to thaw ties with China while maintaining strategic independence and hedging against U.S. economic pressure. Symbolism dominated substance, yet the handshake between Xi and Modi may mark the first step toward rebuilding trust in a relationship that has defined Asia's strategic balance for decades.



<https://x.com/narendramodi/status/1962085023034863976>



## 5. INFOGRAPHIC OF THE WEEK

### Japan & UK Forge Unprecedented Security Ties

This week's infographic highlights the historic deepening of security cooperation between Japan and the United Kingdom, marked by the arrival of the HMS Prince of Wales in Tokyo on August 28, 2025. This was the first-ever visit of a foreign aircraft carrier to Japan, symbolizing the two nations' commitment to taking naval and air collaboration to unprecedented levels. Japanese Defence Minister Gen Nakatani underscored how Tokyo views London as its closest European security partner, while UK Defence Secretary John Healey hailed the move as a leap forward in defense ties.

Strategically, the visit underscores both countries' shared commitment to a rules-based Indo-Pacific order and Japan's effort to diversify its security relationships beyond the United States. At the heart of this partnership lies the Global Combat Air Programme (GCAP)—a joint UK-Japan-Italy project to build a next-generation fighter jet—reflecting a long-term convergence of defense-industrial strategies. Together, Tokyo and London are signaling that Euro-Atlantic and Indo-Pacific security are increasingly intertwined, reinforcing deterrence amid China's maritime assertiveness.



[https://www.linkedin.com/posts/behorizonorg\\_historic-milestone-in-japanuk-activity-7366951802077999104-vQvC?utm\\_source=share&utm](https://www.linkedin.com/posts/behorizonorg_historic-milestone-in-japanuk-activity-7366951802077999104-vQvC?utm_source=share&utm)

## 6. REGIONAL ALLIANCES

### SCO Summit in Tianjin—Symbols of Multipolar Promise, Limits of Cohesion

The 25th Shanghai Cooperation Organisation (SCO) Summit, held in Tianjin on August 31–September 1, 2025, became one of the most closely watched diplomatic gatherings of the year. Bringing together more than 20 heads of state and government—including China’s Xi Jinping, Russia’s Vladimir Putin, India’s Narendra Modi, and Iran’s Masoud Pezeshkian—the summit was staged as a powerful show of Global South solidarity at a time of heightened global polarization. Established in 2001 by China, Russia, and four Central Asian republics, the SCO has steadily grown in both membership and visibility, now spanning major Eurasian economies and key regional players. Its scale and diversity, however, also highlight the enduring challenge: how to transform a symbolic forum for multipolar messaging into a functional platform for coordinated action.

By choosing Tianjin—a bustling port city symbolic of China’s industrial might and gateway to the global economy—Beijing underscored its intent to frame the SCO as not only a security bloc but also a driver of economic integration and development partnerships. The summit’s timing, coinciding with intensifying U.S. protectionism and ongoing wars in Europe and the Middle East, further amplified the SCO’s profile as a stage for counter-narratives to Western leadership.

#### Multipolar Messaging and Strategic Signaling

At the summit’s opening, President Xi Jinping declared that the SCO now carries “greater responsibilities” for maintaining regional peace, stability, and development, positioning the organization as an indispensable pillar of the emerging global order. This message was carefully choreographed: Xi welcomed fellow leaders to Tianjin just days before a major military parade in Beijing, linking diplomatic theater with a broader projection of Chinese strength. Alongside Putin and Modi, the optics of solidarity were as significant as any policy announcements.

The Tianjin summit reinforced the SCO’s evolution into a megaphone for multipolarity, where China and Russia emphasize collective resilience against what they term unilateral Western dominance. For Beijing, the SCO is a vehicle to institutionalize its Global South diplomacy, strengthen energy and infrastructure corridors, and expand its narrative of a rules-based order independent of U.S. frameworks. Russia, meanwhile, leaned on the summit to show it remains a key power broker despite sanctions and international isolation.

At the same time, the summit revealed the delicate balancing act: while leaders like Putin and Xi framed the SCO as a counterweight to NATO or the G7, many participants—especially Central Asian states—remain cautious about being locked into overt anti-Western alignment. Thus, the SCO’s rhetoric of unity masks a spectrum of priorities: for some, it is a tool for asserting sovereignty against great-power rivalry; for others, a pragmatic platform for trade, connectivity, and security assurances without formal alliances.



## India's Cautious Engagement

A central subplot of the summit was the return of Narendra Modi to China after seven years, following the deep freeze in relations triggered by the 2020 border clashes. Modi's bilateral meeting with Xi was widely seen as the summit's most consequential encounter. Both leaders agreed to frame India–China relations as those of “development partners, not rivals”, committing to restore direct flights, reopen cultural and religious exchanges, and reduce the intense bilateral trade imbalance, which currently favors China by nearly \$100 billion.

Yet New Delhi's engagement was marked by deliberate caution. India notably declined to endorse the summit's joint statement, citing insufficient acknowledgment of its terrorism concerns—a reminder of the friction it faces with both China and Pakistan within the SCO framework. Modi used the platform to highlight India's commitment to regional connectivity and economic development, but carefully avoided alignment with Beijing or Moscow's overtly anti-Western tone. Instead, he underscored India's vision of strategic autonomy: engaging with the SCO while simultaneously deepening ties with the Quad, G20, and bilateral partners such as Japan and the EU.

This balancing act underscores India's diplomatic calculus: while U.S. tariffs have strained New Delhi's relationship with Washington, Modi's Tianjin visit was not about pivoting toward China, but about ensuring India is seen as a sovereign actor capable of engaging all sides. In doing so, India amplified its role as a swing state in Asia's evolving power geometry—never fully aligned with any bloc, but too important to be excluded from the region's multilateral platforms.

## The SCO's Structural Gaps and Symbolic Weight

Despite its expanding membership—including Iran's accession in 2023 and the invitation of Belarus in 2024—the SCO remains limited in institutional capacity. Its diversity, once a strength, is also its greatest constraint: it includes rivals like India and Pakistan, economies as varied as China and Kyrgyzstan, and states with diverging visions of regional order. While the summit produced strong rhetoric on solidarity and development, there were few binding agreements and no major breakthroughs on sensitive issues such as counterterrorism or cross-border trade disputes.

Analysts note that the SCO often functions more as a stage for bilateral diplomacy than a driver of collective policy. For Central Asian states, it remains a valuable forum to hedge between great powers while attracting Chinese investment and Russian security guarantees. For China, it is an anchor for its Eurasian strategy, dovetailing with the Belt and Road Initiative and serving as a platform to court South Asian and Middle Eastern partners. But the absence of enforcement mechanisms and the lack of consensus on contentious issues continue to dilute its effectiveness.

Still, the symbolic weight of Tianjin cannot be dismissed. The ability to convene such a wide and ideologically diverse set of leaders—especially at a time when Western blocs face fragmentation and crisis—illustrates the SCO's relevance as a diplomatic stage for multipolar signaling. Its value lies less in collective action and more in agenda-setting

optics, shaping narratives of global governance and giving member states a forum to articulate non-Western visions of order. Frictions and Constraints

## Conclusion

The Tianjin summit demonstrated the SCO's dual identity: both a powerful symbol of multipolar solidarity and a fragmented bloc hampered by rivalries and divergent interests. For China, the summit showcased its leadership role in convening the Global South, reinforcing its ambition to present the SCO as an alternative to U.S.-led structures. For Russia, it provided international visibility amid isolation. For India, it was a chance to recalibrate ties with Beijing while signaling continued independence from bloc politics.

Yet the summit also underscored the limits of the SCO's cohesion: the absence of concrete policy outcomes and the competing agendas of its members all highlight the gap between aspiration and action. In this sense, the SCO remains more a stage for optics than a platform for enforcement. Still, in a world marked by U.S. protectionism and renewed great-power competition, Tianjin reinforced the SCO's role as a symbolic cornerstone of multipolar diplomacy—an arena where global narratives of order are contested and reshaped.

## 7. ANALYSIS

### Trump's Transactional Turn Is Fraying U.S. Alliances in the Indo-Pacific

President Trump's 2025 trade resets and hard-edged bargaining—headline tariffs, commodity ultimatums, and ad-hoc “deals”—have jolted U.S. ties with key Asian partners. The result: allies hedging away from Washington, striking side arrangements with each other (and sometimes with Beijing), and re-pricing the value of alignment with the United States. Recent moves against India, tense trade mechanics with Japan, and tariff-laden “bargains” with South Korea illustrate how a transactional U.S. posture is eroding trust and accelerating regional realignments.

#### India: Punitive Tariffs Leads to Strategic Drift

Washington's decision to double tariffs on Indian goods to as high as 50% dealt a visible blow to the relationship, threatening labor-intensive exporters and souring political goodwill just as Delhi had tightened energy ties with Moscow. Indian officials warned of broader knock-on effects as the levies took effect.

Delhi's response has been to re-open doors with Beijing and deepen Asian partnerships: Prime Minister Narendra Modi's China and Japan swing coincided with a Modi–Xi reset in Tianjin—framed as “development partners, not rivals”—and a push to offset U.S. market losses through regional capital and supply-chain deals. The optics and deliverables signal hedging, not rupture, but the direction of travel is unmistakable.

Analytically, the tariff shock functions as a reverse-sanction on a partner Washington needs for balancing China. It has nudged India toward a more equidistant stance—maintaining Quad ties while pursuing economic relief and political space with China.

#### Japan: “Deal” Uncertainty Undercuts Confidence

Tokyo has tried to stabilize ties by negotiating a tariff framework that would set most U.S. duties at 15%, but execution has been messy. Japan's chief negotiator abruptly canceled a Washington trip amid new U.S. demands—including reports of additional rice purchases—highlighting how shifting goalposts threaten a package that was supposed to lower friction.

Faced with ambiguity, Japan is diversifying its security and industrial bets—tightening defense cooperation with the UK (carrier visit to Tokyo, GCAP fighter program) while its own August outlook flagged caution about tariff impacts. The strategic message: Tokyo will stay close to Washington, but it is building redundancy into its alliances.

#### South Korea: Tariff “Deal” with Strings—and a Quiet China Hedge

Seoul accepted a 15% U.S. tariff baseline under a July arrangement that traded market access for large U.S. investment pledges, then scrambled to help firms cope with higher costs. The optics around President Lee Jae-myung's first summit with Trump were

mixed—talk of “modernising” the alliance set against persistent tariff pressure and transactional asks.

In parallel, Seoul sent a senior delegation to repair ties with Beijing, describing relations as due for normalization—classic hedging behavior when an anchor alliance turns unpredictable on trade.

### **System Effects: Allies Hedge as Washington Swings Between Pressure and Pause**

Even as the White House extended a 90-day tariff truce with China and hosted a deputy-level visit by Beijing’s trade envoy, it also threatened 200% penalties unless China ensured rare-earth magnet supplies—underscoring a whiplash policy mix that complicates allied planning.

This uncertainty coincided with China’s SCO showcase in Tianjin, where Beijing projected multipolar leadership and welcomed leaders—Modi included—into a forum that prizes flexibility over rigid alignments. For partners weighing costs and benefits, transactional U.S. trade policy plus Chinese convening power is a potent nudge toward hedging.

### **Conclusion**

The Indo-Pacific’s three cornerstone democracies—India, Japan, and South Korea—remain aligned with Washington on many security goals. But the price-tag diplomacy of broad tariffs, shifting demands, and public ultimatums is corroding trust and driving insurance-seeking behavior: India re-opens channels with China, Japan multiplies partners and keeps options open, and South Korea cautiously tends its China relationship. Unless U.S. policy shifts from transactional volatility to predictable, negotiated frameworks, America risks weakening the very coalition it needs to shape the regional order.