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ASIA BRIEF

[ASIA BRIEF | 2026 MAY ISSUE]
PUBLISHED ON MAY 26TH, 2026, ZÜRICH, SWITZERLAND
BY SWISSCHAM ASIA
WWW.SWISSCHAM.ASIA

The [Asia Brief] is meticulously crafted to give Swiss-Asian business stakeholders a comprehensive understanding of Asia's rapidly changing economic and business landscapes. This region presents a dynamic blend of challenges and opportunities crucial for Swiss businesses and their global counterparts. Through the [Asia Brief], we aim to empower SwissCham ASIA's members with enhanced strategic positioning and informed decision-making, fostering success for Swiss and Asian businesses within the dynamic Asian market.

[Asia Brief] is scholarly supported and published by the [Singularity Academy](http://www.singularity.academy) and distributed by the [SwissChamASIA](http://www.swisscham.asia).

[Asia Brief] is structured into three sections: Switzerland, Asian Countries, and Column Report.

Bonus: Panda 'diplomacy' - Farhat Ali

To Cite: Asia Brief. SwissCham ASIA & Singularity Academy, 2026 May Issue. Zurich, Switzerland.



Switzerland

On May 9, 2026, the Swiss crypto community quietly watched a dream die. A civic initiative to force the Swiss National Bank (SNB) to hold Bitcoin as a constitutional-level reserve asset failed – short of the 100,000 valid signatures needed by the deadline. No dramatic crash, no official statement. Just the slow, factual end of what many had hoped would be a global precedent.

A few weeks later, another referendum looms. On June 14, Swiss voters will decide whether to cap the country's permanent resident population at 10 million by 2050. Polls show a dead split: 47% for, 47% against. Behind the numbers is the same question that killed the Bitcoin initiative – what should Switzerland guard, and what should it let in?



Why the SNB Said No

Switzerland calls itself Crypto Valley, but the central bank never blinked. For the SNB, a national reserve must be liquid, safe, and predictable. Bitcoin's annualised volatility regularly exceeds 50%, and in a stressed market, liquidity can evaporate overnight. That is not a theoretical risk – it is a hard no for any institution managing taxpayers' money.

The Swiss franc, after all, is one of the world's most trusted safe havens. The SNB sees no need to swap that stability for digital speculation. Bitcoin pays no interest, carries no counterparty guarantee, and fits none of the traditional reserve asset categories. So despite collecting roughly 50,000 signatures – half of what was needed – the initiative never stood a chance.



Schweizerische Nationalbank: Angepasste Wachstumsprognose aufgrund der von den USA erhobenen Zölle. Foto: REUTERS

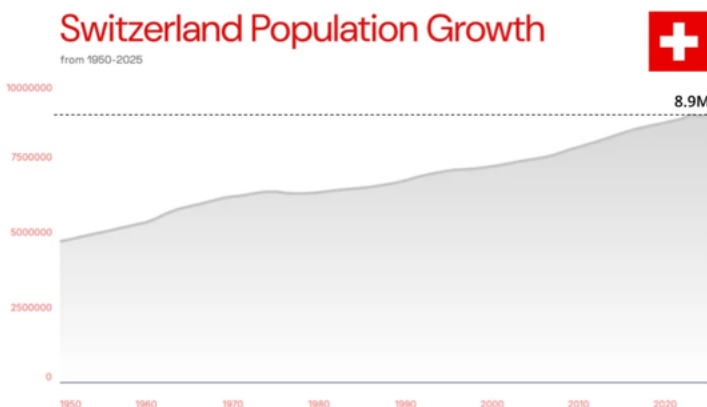
The Global Divide

Switzerland's retreat stands in sharp contrast to what is happening elsewhere. In the United States, the Trump administration signed an executive order in March 2025 creating a "Strategic Bitcoin Reserve" – not by buying Bitcoin, but by seizing roughly

200,000 coins (worth tens of billions of dollars) and declaring them off-limits for sale. Bitcoin had moved from evidence to asset.

El Salvador keeps buying, one coin a day, no matter the price. As of early 2026, its stash exceeds 7,600 Bitcoin. Bhutan, using abundant hydropower, mines Bitcoin at a national scale. The global map of sovereign Bitcoin holdings now includes over 460,000 coins, and the number is growing.

So why can Switzerland not follow? Because the SNB is not the Fed, and the Swiss political system is designed to make constitutional change slow – some would say stubborn. The same caution that makes Swiss banking trusted also makes it resistant to financial innovation at the state level.



The Population Cap: A Mirror of the Same Fear

The June 14 referendum on a 10-million population cap is not about Bitcoin, but it shares the same DNA. Proposed by the conservative Swiss People's Party,

the measure would force the government to restrict immigration once the population nears 9.5 million, and to terminate the free-movement agreement with the EU if the cap is breached.

Supporters argue that schools, housing, transport and the environment are buckling under growth. Opponents – including the government, most other parties, and business groups – warn of disaster: labour shortages, a broken single-market access, and a blow to Switzerland's prosperity. One study cited by opponents estimates that capping population would shrink GDP by a double-digit percentage over time.

What is striking is the symmetry. Both the Bitcoin initiative and the population cap are about erecting walls – one against a volatile digital asset, the other against people. Both appeal to a deep Swiss instinct: protect what we have, control what comes in. And both face the same structural reality – Switzerland cannot afford to shut itself off, whether from global capital markets or from the EU labour pool.



What Comes Next

The Bitcoin initiative is dead, but its legacy is not. It pushed the question of “digital assets in national reserves” into mainstream debate. As the initiative's founder put it, “We are not surrendering – we are regrouping.” Expect another attempt, better organised, perhaps with a narrower ask.



The population referendum is still alive, and it is close. If it passes, Switzerland would enter uncharted legal territory, likely triggering years of negotiations (or conflict) with the EU. If it fails, the debate will not disappear – demographics guarantee that.

Switzerland's genius has always been its ability to hold contradictions: neutrality and globalisation, privacy and transparency, slow democracy and fast finance. May 2026 is a moment when those contradictions are more visible than usual. The country is not retreating from the world, but it is definitely rethinking how much of the world it wants inside its borders – and inside its central bank's vault.



Bahrain

During May 2026, Bahrain remained on high alert after the Iran-U.S.-Israel war, revoking more citizenships and sentencing five people to life in prison for plotting attacks with Iran, while the Gulf Cooperation Council declared full solidarity with Manama. King Hamad reiterated that Bahrain's security is a shared responsibility and called on Tehran to stop meddling in Gulf affairs. Economically, the government unveiled a fiscal reform package on May 21, cutting administrative spending by 20%, raising fuel and utility tariffs, and introducing a 10% corporate income tax from 2027 on large firms. Non-oil GDP now accounts for 85% of the economy, aligning with Bahrain's Vision 2030. Culturally, a week-long programme from May 16 to 23 marked International Museum Day under the theme "Museums Unite a Divided World," with guided tours and workshops at the Bahrain National Museum, Bahrain Fort Site Museum, and other venues. Overall, Bahrain balanced heightened security, ambitious fiscal reform, and cultural resilience as it pushed forward its economic diversification agenda.

Bangladesh

In May, Bangladesh saw violent quota reform protests that blocked highways and forced a nationwide "Bangla Blockade". The Supreme Court intervened on May 21, scrapping most quotas and restoring merit-based recruitment for 93% of government jobs, easing tensions. Economically, the World Bank projected FY2026 GDP growth to slow to just 3.9%, the third consecutive annual decline, while April inflation remained at 9.04%. Fitch downgraded Bangladesh's outlook to negative. On the diplomatic front, Foreign Minister Khalilur Rahman visited Beijing (May 5-7) to seek China's support for the Teesta River project and reaffirm Belt and Road commitment. The Asian Development Bank announced \$5 billion in new financing to boost investment.



Bhutan

In May 2026, Bhutan faced a severe water supply crisis as storage at the Thimphu water treatment plant fell to critical levels, prompting authorities to enforce daily cutoffs and consider diverting water from the Hongtsho River. According to KUENSEL, the plant's storage capacity dropped significantly, leading to cuts lasting from early morning until late afternoon. On the diplomatic front, India's Prime Minister received a courtesy call from the secretary of Bhutan's National Environment Commission on May 3, discussing bilateral cooperation on environmental and energy projects. On May 10, KUENSEL reported that the Managing Director of India's National Highways and Infrastructure Development Corporation (NHIDCL) briefed Bhutan's Minister for Infrastructure and Transport on the ongoing Phuentsholing-Thimphu highway project, which faced delays.

Brunei

Brunei remained diplomatically active in May while continuing to advance economic diversification and socio-cultural priorities. On the diplomatic front, Sultan Hassanal Bolkiah attended the 48th ASEAN Summit in Cebu, the Philippines, highlighting BIMP-EAGA's role in regional food security and calling for deeper cooperation on energy connectivity, logistics, broadband expansion, and the full operationalisation of the BIMP-EAGA 2035 Vision secretariat. Domestically, national preparations commenced for His Majesty's 80th birthday celebrations. Public holidays observed included Hari Raya Aidiladha on 27 May and Royal Brunei Armed Forces Day on 31 May.



Central Asian Region

Central Asian countries deepened cooperation with China in security and human rights, holding ministers' meetings in Astana and Tashkent. Kazakhstan declared 2026 the "Year of Digitalization and AI" to build a regional digital hub. Uzbekistan advanced its "New Uzbekistan" reforms and signed a permanent good-neighborly treaty. Kyrgyzstan reported 12.4% GDP growth (Jan-Apr) and launched 113 industrial facilities. Turkmenistan prepared for independence celebrations and progressed WTO talks. Regional cultural exchanges also intensified, including Tajikistan Culture Days in Bishkek.

- **Kazakhstan:** President Tokayev hosted Kenyan President Ruto in Astana, agreeing to open an embassy in Nairobi and boost cooperation in transport, agriculture, IT, and tourism. Tokayev also chaired a Central Asia-China interior ministers' meeting on counter-terrorism. He publicly rejected transforming the Organization of Turkic States into a military alliance. The IMF raised Kazakhstan's nominal GDP forecast to ~\$360 billion. The government ratified an IMF memorandum to establish a regional capacity development center. Kazakhstan missed its 2025 budget revenue target by 336 billion tenge due to lower oil prices. Culturally, the National Museum held a Museum Night with interactive tours and AI demonstrations, while the Chinese Embassy co-hosted a youth exchange event.



- **Uzbekistan:** Uzbekistan continued its rapid economic and diplomatic progress. Samarkand hosted the 59th ADB Annual Meeting (May 3-6), where a \$12.5 billion partnership program with the bank was signed through 2030. Prime Minister Aripov visited Beijing on May 7, agreeing with China to deepen cooperation in trade, energy, and connectivity. GDP grew 8.7% in Q1 2026, foreign direct investment rose 45.7%, and annual inflation fell to 7.1%. President Mirziyoyev launched an anti-bureaucracy reform on May 12, expected to add \$13 billion to the economy by 2030. Uzbekistan aims to join the WTO by the end of 2026, having concluded negotiations with 33 of 35 members. At a Turkic States summit on May 15, Mirziyoyev proposed a "Digital Turkic Corridor" to boost AI and digital cooperation.

Mongolia

Mongolia swore in new President Khaltmaa Battulga on May 18, pledging economic revival and a “third neighbour policy”. GDP grew 7.9% year-on-year in Q1, the strongest in two years, driven by mining. The Asian Development Bank forecast 5.7% full-year growth. Diplomatically, the Mongolia-China Joint Border Commission met in Beijing on May 19-20, and a China-Russia joint statement agreed to assist Mongolia’s SCO accession. The EU celebrated Europe Day in Darkhan for the first time outside the capital. Culturally, the first national “Mongolian Horse Herders” forum was held at the State Palace.



China

In May 2026, China maintained steady economic and diplomatic momentum. Industrial output rose 5.6% year-on-year from January to April, with high-tech manufacturing growing 12.6% and total goods trade surging 14.9%. Diplomatically, China hosted President Trump (May 13-15), President Putin (May 20), and the Belt and Road Forum with 130 countries attending. Foreign Minister Wang Yi met with Bangladesh’s counterpart on May 7 to deepen BRI cooperation. Culturally, the 2026 Beijing Science and Technology Week (May 24-31) showcased innovations in AI, quantum tech, and aerospace. The State Council emphasized implementing macro policies to ensure a strong start to the 15th Five-Year Plan.

- **Chinese Taipei (Taiwan):** Chinese Taipei continued to see strong economic performance driven by the global AI boom. GDP grew approximately 13.7% year-on-year in the first quarter of 2026, the highest quarterly growth in nearly 39 years, largely thanks to robust demand for advanced semiconductor chips and high-tech manufacturing. Several international financial institutions revised up their full-year GDP forecasts for the region. On the cultural front, the writer Yang Shuangzi won the 2026 International Booker Prize for her novel “Taiwan Travelogue”. Meanwhile, the government announced a NT\$100 billion plan to support small, medium, and micro enterprises as well as traditional industries in their digital and green transformation.
- **Hong Kong:** Hong Kong continued to thrive as an international hub. The city hosted the signing ceremony for the Convention on the International Mediation Institute and the 2026 Global Prosperity Summit with nearly 200 leaders. Economically, Q1 real GDP surged 5.9% year-on-year, driven by strong exports and local demand; the IMF commended Hong Kong’s resilient growth and financial hub status. The fourth Hong Kong International Cultural and Creative Expo featured over 1,000 exhibitors and launched the first AI Film Festival. The International Dragon Boat Federation relocated its headquarters to Hong Kong, and Buddha’s birthday was celebrated with grand activities. Overall, Hong Kong demonstrated strong economic momentum and vibrant cultural and diplomatic engagement.
- **Macau:** Macau launched a 40-day public consultation for its Third Five-Year Plan (2026-2030), aiming to raise non-gaming industries’ share of GDP to about 60% by 2030 and invest at least MOP 18 billion in tech innovation. The plan emphasizes economic diversification and deeper cooperation with Hong Kong. Q1 GDP grew 7.1% year-on-year to MOP 107.56 billion, recovering to 90.3% of pre-pandemic levels, driven by a 13.7% rise in visitor arrivals. Macau also authorized Keypay Limited to expand its digital economy. Culturally, the 36th Macao Arts Festival (May 8-June 27) featured 15 programs, and over 20 museums held the Macao International Museum Day Carnival on May 17. On regional cooperation, Smart Immigration Clearance launched at Hengqin Port on May 7, and the “Liancheng-2026” cross-border rescue drill took place May 20-22. Macau also co-hosted the 2026 Belt and Road Global Health Forum.

Cambodia

Prime Minister Hun Manet attended the 48th ASEAN Summit in Cebu on May 8, reaffirming ASEAN's commitment to multilateralism. Cambodia launched the "ACP4Climate" programme with Australia to address climate change. Economically, Cambodia revised its 2026 GDP growth forecast down to 4.2% on May 21, citing the Middle East conflict and rising fuel prices. Rice exports to China surged 83% year-on-year in the first four months of 2026, reaching 129,332 tonnes. On the cultural front, the "Encounter Angkor Wat" exhibition opened in Beijing on May 1, featuring 122 artifacts from Cambodia's National Museum. China also awarded former Cambodian Ambassador Khek Cai Mealy Sysoda the Outstanding Diplomat Medal on May 18 for her contributions to bilateral relations.



India

In May, India faced economic pressure from the West Asia crisis. The rupee fell to nearly 97 per US dollar, and oil import costs soared despite lower volumes. PM Modi urged citizens to reduce fuel use, avoid non-essential foreign travel, and refrain from buying gold for a year. Despite challenges, manufacturing PMI stood at 54.3 and services at 58.9. US Secretary of State Marco Rubio visited India (May 23-26) for talks on energy, trade and defence, attending the Quad foreign ministers' meeting. PM Modi also toured the Netherlands (May 15-16) to deepen semiconductor ties. Domestically, actor-turned-politician C Joseph Vijay was sworn in as Tamil Nadu Chief Minister on May 10. The India-Africa Forum Summit (May 28-31) was postponed due to the Ebola outbreak in Africa.

Indonesia

In May 2026, Indonesia found its foreign policy tested on multiple fronts. Jakarta reaffirmed its non-alignment by clarifying it made no binding commitments to grant U.S. military overflight access, while also condemning Israel's interception of a humanitarian flotilla carrying nine detained Indonesian citizens. To counter economic pressures from the Middle East conflict, President Prabowo Subianto pursued an aggressive resource-nationalism agenda, announcing that state-owned enterprises would become sole exporters of key commodities like palm oil and coal. Economically, the nation recorded robust 5.61 percent year-on-year GDP growth in the first quarter, primarily driven by a surge in government spending. Culturally, the government officially designated 430 new objects as national cultural heritage sites in May, aiming to leverage them as drivers of tourism and cultural-economic growth.



Japan

Japan's security posture drew regional concern. China condemned Japan's first overseas live-fire exercise of offensive missiles (May 6) as proof of "neo-militarism", a view echoed in a joint China-Russia statement on May 20. Domestically, 50,000 people rallied in Tokyo on May 3 against constitutional revision, demanding Prime Minister Takaichi resign. Diplomatically, Takaichi met South Korean President Lee (May 22), spoke with U.S. President Trump (May 16), and visited Vietnam (May 2). After a Shanghai stabbing injured two Japanese nationals on May 19, Tokyo urged Beijing to ensure citizen safety.

Economically, Q1 GDP grew 2.1% annualized, beating expectations, but the BOJ downgraded full-year growth to 0.5% and raised core inflation outlook to 2.8%. April exports surged 14.8%, with semiconductor shipments up 41.6%. The yen weakened past 159 per dollar, prompting -10 trillion yen intervention. Culturally, the Himeji Castle Festival (May 22-24) and Kamezaki Shiohi Float Festival marked Golden Week.

Laos

Laos reaffirmed its commitment to the One-China principle. The Bank of Laos kept its benchmark interest rate unchanged at 8% on May 18, as April inflation climbed back above 10% due to the Middle East conflict. The Asian Development Bank projected Laos' GDP growth to slow to 4.0% in 2026 from 4.4% in 2025. On the infrastructure front, the China-built Nam Ngum 3 Hydropower Station, featuring Laos' tallest dam at 210 meters, achieved water impoundment in May, marking a key milestone in Belt and Road cooperation. Diplomatically, Lao Deputy Foreign Minister Anouparb Vongnorkeo met with ASEAN-China Centre Secretary-General Shi Zhongjun in Vientiane on May 8, expressing willingness to deepen cultural exchanges and trade ties as the two countries mark 65 years of diplomatic relations. Despite external pressures, Laos continued to advance infrastructure-driven growth and maintain diplomatic stability.



Malaysia

In May 2026, Malaysia navigated a complex geopolitical and economic environment. The United States announced a 24% retaliatory import tariff on Malaysian goods, prompting Prime Minister Anwar Ibrahim to coordinate a unified ASEAN response, while defense cooperation with Europe faced a setback after Norway blocked delivery of a naval strike missile system. Domestically, political discourse centered on a possible snap election, alongside efforts to strengthen economic diplomacy through the New Industrial Master Plan 2030 and the National Energy Transition Roadmap. Diplomatically, Malaysia advanced engagement with China through senior officials' meetings on a South China Sea Code of Conduct and by joining trilateral "Aman Youyi" military exercises with China and Thailand, including bilateral naval drills in the Strait of Malacca.



Middle East Region

The Middle East remained mired in conflict and economic strain, though diplomatic efforts offered some fragile hope. On the security front, an Israel-Lebanon ceasefire was extended by 45 days, yet border clashes continued and tensions over Gaza persisted. The war's economic toll deepened significantly: the United Nations slashed its 2026 global growth forecast to 2.5%, with West Asia's GDP growth expected to plummet from 3.6% in 2025 to just 1.4%. Meanwhile, a blockade at the Strait of Hormuz caused oil tankers carrying about 160 million barrels of crude to remain stranded, forcing Gulf producers to slash output. On a more positive note, G7 finance ministers urged the IMF and World Bank to assist war-affected economies, and the UK signed its first-ever GCC trade deal, offering a crucial economic lifeline.

- Saudi Arabia:** Saudi Arabia balanced diplomacy, economic strain, and reform. Crown Prince Mohammed bin Salman refused U.S. requests to use Saudi bases and airspace amid the Iran conflict, while exploring a non-aggression pact with Iran. The first-quarter budget deficit reached \$33.5 billion as oil revenues fell 3% due to Hormuz disruptions and spending surged 20%. Non-oil GDP still grew 2.8%, with the IMF forecasting 3.1% full-year growth. Under Vision 2030, the cabinet approved PIF's 2026-2030 strategy. Aramco launched Saudi's first quantum computer. Culturally, the National Museum held International Museum Day events, and China's "Xuanzang Road" Gobi Challenge will be held in AlUla in 2027. Saudi also signed a strategic partnership with Spain and ratified visa-waiver agreements with China.
- United Arab Emirates (UAE):** The UAE pursued active diplomacy and economic resilience. Senior diplomat Dr. Anwar Gargash reaffirmed commitment to a political solution to the Iran conflict, while President Sheikh Mohamed bin Zayed held calls with U.S., Saudi, and Syrian leaders. Foreign Minister Abdullah bin Zayed condemned Iranian drone strikes on UAE civilian sites. Economically, the UAE exited OPEC on May 1 to boost oil production capacity to 5 million bpd by 2027. Dubai property saw a first quarterly decline since 2020 (-3.8%) but remained up 8.9% year-on-year. Inflation stayed low at -1.8-2.0%. The Barakah nuclear plant now supplies nearly 25% of UAE electricity. Culturally, Art Dubai 2026 and Alserkal Art Month took place, with free museum entry for International Museum Day.



Myanmar

In May 2026, Myanmar's military junta escalated offensives in Kachin, Chin, and Karen states to regain strategic control, claiming to have recaptured key trade routes and towns. However, ethnic armed groups and pro-democracy forces rejected the junta's call for cooperation ahead of planned elections. Economically, the junta promoted MSME-led self-reliance, but conflict and global shocks made GDP data "unusable," with daily power outages and fuel shortages persisting. Diplomatically, Myanmar attended RCEP-CPTPP talks in China and considered using the yuan for trade. The humanitarian crisis worsened dramatically: 16.2 million people need assistance, 12.4 million are acutely food insecure, 3.7 million displaced, and food prices have risen 18%. The EU contributed €8 million for emergency food relief.

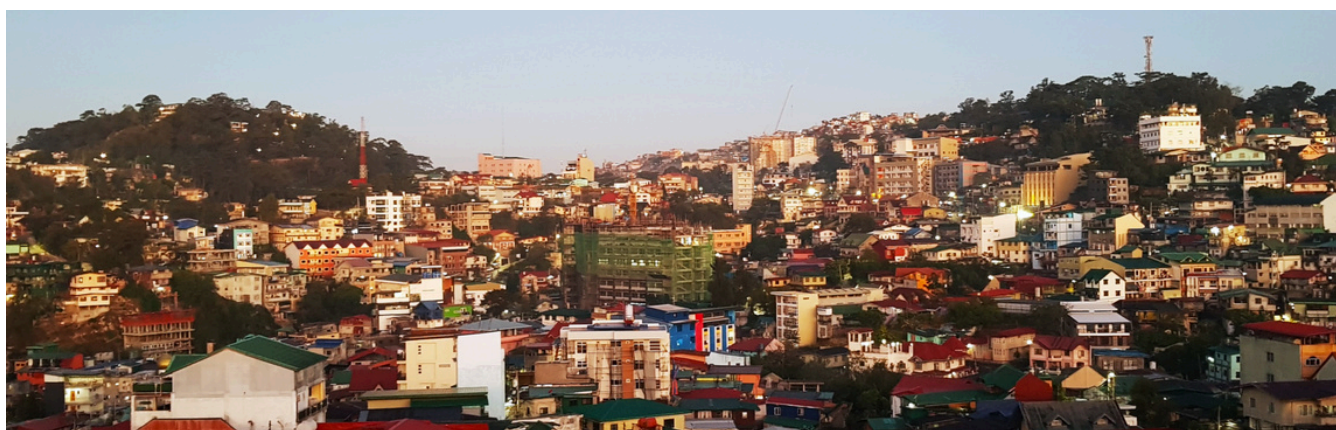
North Korea

North Korea conducted multiple provocative military actions despite deepening economic hardship. Pyongyang fired several short-range ballistic missiles into the Yellow Sea on May 26, just days after a failed spy satellite launch that exploded mid-air. Meanwhile, Kim Jong Un admitted the country faces a "tense" food situation caused by last year's typhoons and a severe drought. Despite these challenges, Kim maintained close diplomatic alignment with Beijing and Moscow, attending a parade marking the 75th founding anniversary with Chinese and Russian guests. Following summits between Xi and Putin in Beijing and growing speculation of Xi's potential Pyongyang visit, a China-Russia joint statement condemned sanctions and backed a political solution on the Korean Peninsula. Domestically, North Korea convened a key Workers' Party meeting in late June to review policies and discuss second-half tasks.



Pakistan

In May, Prime Minister Shehbaz Sharif visited China (May 20-25) to advance CPEC Phase II in industrialization, AI, renewables, and agriculture. The IMF approved a \$1.32 billion disbursement as Pakistan maintained fiscal discipline, though Middle East conflict fueled inflation. On May 24, a Baloch separatist bomb attack on a passenger train in Quetta killed at least 47 people, including 20 security personnel. China condemned the attack and pledged stronger counterterrorism cooperation. Pakistan also briefed China on its mediation efforts in the U.S.-Iran conflict. President Zardari reiterated that Pakistan would not allow foreign entities to use its territory to destabilize peace. Despite security and economic pressures, Pakistan continued to pursue recovery and diplomatic engagement.



Philippines

Philippines faced sharp political and economic pressures. President Marcos hosted the 48th ASEAN Summit in Cebu (May 8-9), rallying members to tackle energy and food security as the Middle East conflict hit the region. Domestically, the crisis sent inflation to 7.2%, dragged Q1 GDP growth to 2.8% — a five-year low — and pushed the peso past 61 per dollar. Political tensions also ran high after the Senate elected Alan Cayetano as president in a maneuver seen as weakening the impeachment case against VP Sara Duterte. In the South China Sea, both sides accused each other of fresh provocations around Thitu Island and a Chinese research vessel near Houteng Jiao.

Singapore

Lawrence Wong was sworn in as Prime Minister on May 15, succeeding Lee Hsien Loong in a smooth leadership transition, while retaining his finance portfolio. The economy grew 6.0% year-on-year in Q1, the strongest in over a year, driven by AI-related demand in manufacturing and finance. Non-oil domestic exports expanded 9.6%, with electronics shipments surging 57.8%. The central bank tightened monetary policy to counter inflation risks from the Middle East conflict. Diplomatically, Singapore reiterated its refusal to choose sides between the US and China, and continues as ASEAN-China coordinator. The Singapore International Festival of Arts (SIFA 2026) ran from May 15 to 30 under the theme “Let’s Play!”. On security, over 1,000 personnel conducted a two-day counter-terrorism exercise, Nexus Resolve 2026, at Changi Airport and a shopping mall simulation.

South Korea

South Korea prepared for the June 3 local elections, with the government vowing zero tolerance for AI deep-fake election crimes and vote-buying. President Lee Jae Myung ordered a review of enforcing an ICC arrest warrant against Israel’s PM Netanyahu after Israeli forces intercepted Gaza-bound aid vessels carrying South Korean activists. Foreign Minister Cho Tae-yul said missile wreckage that hit a South Korean vessel in the Strait of Hormuz would be brought home for analysis. Lee met Japanese PM Takaishi on May 20 to institutionalize energy and AI cooperation amid the Middle East crisis. Culturally, the Seoul International Travel Fair (May 8-10) celebrated 20 years of Korean tourism, and the government selected 160 unfair practices to eliminate under a “nation normalization” project.



Thailand

Thailand's economy showed strong resilience, with Q1 GDP growing 2.8% year-on-year, an 11-year high, driven by investment and exports. However, the Middle East conflict pushed up oil prices, increasing inflation pressure and clouding tourism prospects; the finance minister expects slower growth in Q2. The cabinet approved a 200 billion baht relief package to address the cost-of-living crisis, and is considering an additional 400 billion baht loan bill. Border tensions with Cambodia continued; Thailand said it would release 18 captured Cambodian soldiers after a 72-hour observation period. Culturally, Chiang Mai held the Inthakhin Festival (May 13-20), and the 26th Thai Festival took place in Tokyo (May 9-10). The government is preparing for the 15th Thai Silk Festival in June, with over 70 embassies expected to attend.

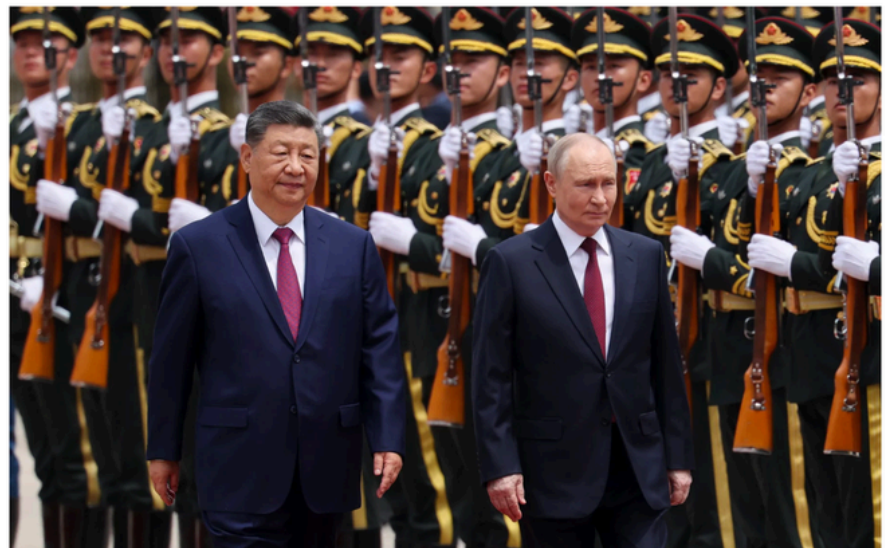
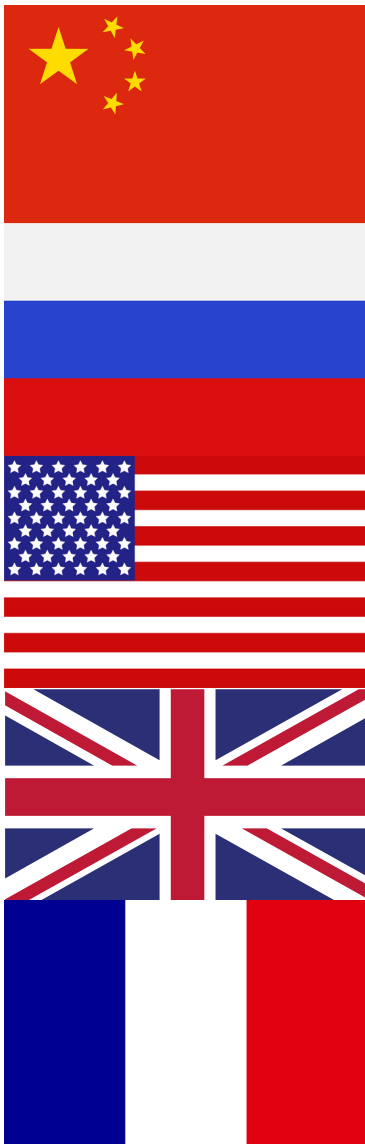


Vietnam

Vietnam's economy grew 7.83% year-on-year in Q1, driven by strong manufacturing and a 19.85% export surge. FDI reached \$18.24 billion (Jan-Apr), up 32% from 2025. The anti-corruption campaign intensified. Diplomatically, Prime Minister Le Minh Hung attended the ASEAN Summit in Cebu (May 8), while General Secretary To Lam prepared visits to Thailand and Singapore. Vietnam continued deepening its comprehensive strategic partnership with China. Culturally, the Giong Festival (May 23-25) and Tam Coc Golden Festival (May 24-31) were celebrated, along with Vesak in Hue featuring a lantern ceremony.

COLUMN REPORT

CHINA AS THE STRATEGIC PIVOT





What the Xi-Trump and Xi-Putin summits reveal about a shifting global order

On a mild morning in mid-May, Donald Trump set out from the Forbidden City hotel for the Great Hall of the People, returning for the first time since his 2025 re-election to a capital he had spent years trying to contain. Four days later, Vladimir Putin landed at the same airport for his 25th visit to Beijing.

The two men rarely appear in the same frame. This time, they did – back-to-back, on the same podium, talking to the same host about strikingly different things. In a single week, China hosted the leaders of the world’s two other great powers. That timing was not an accident.

The US summit: constructive vagueness

The Trump-Xi meeting on May 14-15 was choreographed as a show of personal rapport. There were strolls at the Temple of Heaven, private tea at Zhongnanhai, and a march of American CEOs through the Great Hall’s eastern corridor. Trump declared the visit “historic”, announced a raft of trade commitments including 200 Boeing jets and expanded agricultural purchases, and said that the two sides had agreed on a new framework: “constructive strategic stability”. China’s official readout used the same phrase.



Yet substance was thin. As analysts noted, the “constructive strategic stability” framework was a broad aspiration, not a binding treaty. Both sides left without formal agreement on tariffs – the baseline test of détente – or any US commitment on Chinese Taipei (Taiwan). Trump, in his post-summit briefing, offered his usual ambiguity: asked whether the US would defend the island if attacked, he said only that one person knew the answer, and that person was him. On Iran, Xi agreed that Tehran must never obtain nuclear weapons and that the Strait of Hormuz must stay open – positions China already held – but gave no pledge to pressure Tehran or cut oil purchases.

The summit was a successful optics exercise. The Economist Intelligence Unit noted that tail risks were “mildly reduced”, but called the three-year framework “fragile” – constrained by Congress, China hawks in Washington and Trump’s own political standing. As Chong Ja Ian of the National University of Singapore put it, the deals, “while impressive in dollar terms, are something that one or both sides could walk away from. They are also narrower transactions rather than address fundamental aspects” of the bilateral relationship.



US President Donald Trump participates in a friendship walk with Chinese President Xi Jinping. (Reuters: Evan Vucci)

In other words, the US-China summit was a case of managing a rivalry rather than resolving it. Both sides emerged able to claim something: Trump, trade figures to brandish in his midterm campaigns; Xi, a framework that stabilises relations without demanding concessions on core interests.

But the underlying structure of competition – over technology, the South China Sea, Chinese Taipei (Taiwan), global influence – was left untouched.

The Russia summit: depth and deliverables

Putin's visit on May 19-20, by contrast, was dense with concrete outcomes. Where Trump's summit produced atmosphere, Putin's produced paperwork. The two leaders signed two joint statements – one on strengthening comprehensive strategic coordination, another on “advocating a multipolar world and a new type of international relations” – along with forty cooperation documents across trade, energy, education, science, and media. They also extended the Treaty of Good-Neighbourliness and Friendly Cooperation for another term.



Russian President Vladimir Putin, right, and Chinese President Xi Jinping shake hands during a welcome ceremony at the Great Hall of the People, in Beijing, China, on Wednesday, May 20, 2026.

Alexander Kazakov/Pool Sputnik Kremlin



Children holding Russian and Chinese flags walk ahead of a welcoming ceremony for Russian President Vladimir Putin at the Great Hall of the People in Beijing, China Wednesday, May 20, 2026.

Maxim Shemetov/Pool Reuters

China and Russia also used the summit to deliver a pointed rebuke to the unipolar order. The 47-page multipolarity declaration was a direct challenge to US-led global governance. More tellingly, the Kremlin and the Chinese foreign ministry both emphasised the “unprecedented level” of bilateral ties. Xi noted that trade had exceeded \$200 billion for the third consecutive year and was up nearly 20 percent in the first four months of 2026. Since Russia's full-scale invasion of Ukraine in 2022, Moscow has become deeply dependent on Chinese manufacturing, technology and energy purchases – a fact that was quietly reinforced in Beijing.

The contrast between the two summits could not be sharper. One was a tactical recalibration, heavy on symbolism but light on binding commitments. The other was a strategic reaffirmation, institutionalised through dozens of agreements and a shared ideological statement against Western-led unipolarity. Beijing managed both in a single week.

What the dual summits reveal

The May 2026 sequence tells a larger story about global power.

First, China has become the unavoidable pivot of major-power diplomacy. For much of the post-Cold War era, the main axes of international politics ran through Washington-Moscow or Washington-Brussels. Today, both Washington and Moscow find it necessary to travel to Beijing. That reflects not just China's economic weight but its strategic position: it is the only country that maintains functioning, high-level relationships with both the United States and Russia, even as those two are locked in an ongoing confrontation over Ukraine.

Second, the two summits illustrate a new pattern of "limited stability". Neither summit resolved fundamental contradictions. The US-China rivalry remains structural; Russia's alignment with China remains asymmetric and deep. But both Washington and Moscow appear to have concluded that uncontrolled escalation is too costly. For the US, that means avoiding a two-front crisis – simultaneously managing China and the Russia-Ukraine war. For Russia, it means securing its eastern flank and economic lifeline while the war grinds on. China, for its part, has a clear interest in ensuring that neither of its two major relationships deteriorates to the point of conflict.

Third, Beijing is demonstrating a capacity to sustain parallel tracks. It has not allowed the Trump-Xi détente to dilute its strategic partnership with Russia, nor has it let the Putin-Xi partnership block a working relationship with Washington. That dual-track approach is not a balancing act between equals; it reflects China's position as the senior partner in one relationship (the economic asymmetry with Russia works heavily in Beijing's favour) and a cautious competitor in the other.

The risks ahead

None of this guarantees durability. The US-China “constructive strategic stability” framework has no enforcement mechanism. If Trump loses the midterms or the political winds shift, the current *détente* could evaporate. Taiwan, technology, and trade remain live explosives.

The Russia-China relationship, while institutionally deeper, is not without costs. Russia’s growing dependence on China has sparked quiet unease in Moscow; there is a limit to how much strategic autonomy Russia can surrender. China, meanwhile, must weigh the risks of over-identification with a Russian war effort that much of the world condemns.

But for the moment, Beijing occupies a rare position: it is the only capital that has just held back-to-back summits with both Washington and Moscow, extracted trade commitments from one and strategic reaffirmations from the other, and emerged without having to choose sides. In a fragmented world, that is not a small achievement. The question is whether it can hold the line.



Panda ‘diplomacy’

Pakistan’s inaugural Panda bond issuance in China’s onshore capital market is undoubtedly a financial milestone. Raising RMB 1.75 billion — roughly USD 250 million — at a 2.5 percent coupon with a three-year tenor, the government has projected the transaction as evidence of renewed international confidence in Pakistan’s economic direction. The issue was reportedly oversubscribed more than five times, with demand crossing RMB 8.8 billion.



Farhat Ali

At first glance, optics look impressive. A country long viewed as financially fragile has managed to access the world’s second-largest bond market at a rate substantially lower than what Pakistan usually pays in dollar-denominated Eurobonds. But behind the celebratory rhetoric lies a more nuanced reality. The Panda bond is neither an economic breakthrough nor a cure for Pakistan’s structural debt vulnerabilities. It is best understood as a tactical financing success rather than strategic debt transformation.

The issuance carried significant institutional support from Chinese financial structures and reportedly had backing arrangements involving the Asian Development Bank and Asian Infrastructure Investment Bank. This distinction matters. Investors were not evaluating Pakistan in isolation. They were also pricing in geopolitical considerations, Chinese state influence in the domestic bond market, and the implicit comfort provided by multilateral involvement.

In other words, the transaction says as much about China’s strategic willingness to support Pakistan as it does about Pakistan’s macroeconomic rehabilitation. There are nevertheless genuine positives.

First, Pakistan has diversified its funding base beyond the traditional Western capital markets and Gulf bilateral lenders. Accessing China's onshore RMB market reduces excessive dependence on dollar-denominated borrowing. In theory, this lowers vulnerability to global dollar tightening cycles and US interest rate shocks.

Second, the 2.5 percent coupon compares favourably with Pakistan's past sovereign borrowing history. Pakistan's Eurobonds have often carried yields between 6 percent and 8 percent, and at times much higher during periods of distress. Even the 2021 Eurobond issuance carried coupons of 5.875 percent and 7.375 percent. By comparison, 2.5 percent appears exceptionally cheap.

Third, the Panda bond potentially opens a new financing channel at a time when international commercial markets remain largely closed to Pakistan. Since the near-default crisis of 2022–23, Pakistan has struggled to regain normal market access. A successful debut in China provides an alternative avenue for refinancing and reserve support.

However, the pitfalls are equally significant.

The first concern is currency exposure. Panda bonds are denominated in Chinese renminbi, not Pakistani rupees. Pakistan still assumes foreign exchange risk. If the rupee depreciates sharply against the yuan over the next three years, repayment costs in local currency terms will rise.

Pakistan may have escaped dollar risk temporarily, but it has not escaped external currency risk altogether.

Second, this remains debt — not investment. Pakistan's political leadership often conflates external borrowing with economic success. Borrowing at a cheaper rate is preferable to borrowing expensively, but it does not fundamentally reduce indebtedness. Unless borrowed funds generate productive export capacity or sustainable growth, the country merely replaces one liability with another.

Third, the maturity profile is short. A three-year tenor means rollover pressures return quickly. Pakistan's external financing problem is not merely the cost of debt but the constant recycling of short-term obligations. Without deep structural reforms in taxation, exports, energy efficiency and governance, new borrowing simply postpones repayment stress.

There is also a geopolitical dimension. Greater reliance on Chinese capital markets could deepen Pakistan's financial dependence on Beijing at a time when global economic fragmentation is intensifying.

Diversification is healthy; over-concentration is not. Pakistan must avoid replacing dependence on Western creditors with excessive dependence on a single strategic partner.

Globally, Panda bonds are not unusual instruments. Countries such as the Philippines and Poland have also tapped China's domestic bond market. But unlike many of those economies, Pakistan enters the market from a position of chronic balance-of-payments fragility and repeated IMF dependence. That changes the interpretation entirely.

Pakistan's real debt crisis is structural, not transactional. Public debt remains unsustainably high relative to state revenues. Interest payments consume a massive portion of the federal budget. Export growth remains weak and narrow-based. Tax compliance is chronically low. Energy sector circular debt continues to expand. None of these vulnerabilities disappears because one bond issue succeeded.

The Panda bond should therefore be viewed as a useful financial instrument that buys Pakistan some breathing space, modestly improves funding diversification and signals partial restoration of market credibility.



Ultimately, this was a war that recalibrated power without resolving contestation. It reinforced deterrence without building trust. It paused violence without addressing its causes. In doing so, it leaves the region suspended in a precarious equilibrium—stable enough to avoid immediate collapse, yet unstable enough to preclude genuine peace.

Many such moments have presented themselves in the past, offering pathways to strategic transformation. Too often, they have been squandered. This ceasefire, fragile as it is, represents another such inflection point. Whether it evolves into a foundation for stability or dissipates into another cycle of conflict will depend not on the absence of tensions, but on the willingness of regional and global actors to confront them with realism and resolve.

For now, the guns may have fallen silent. But the agenda has expanded—and the contest has merely changed form.



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