Asia Brief

[Asia Brief | 2025 December Issue]
Published on December 31st, 2025, Zurich, 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 and distributed by the SwissChamASIA.

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

Bonus: Opinion: Finally, Russia enters Indian Ocean - Farhat Ali

To Cite: Asia Brief. SwissCham ASIA & Singularity Academy, 2025 December Issue. Zurich, Switzerland.

Switzerland

The year 2026 is poised to be a defining chapter in Switzerland's modern political history. Two parallel narratives will dominate the national agenda: the delicate, high-stakes renegotiation of the country's relationship with the European Union, and the quiet, pragmatic revolution in digital finance unfolding on the streets of Lugano. Together, they represent Switzerland's simultaneous navigation of its entrenched institutional frameworks and its embrace of a disruptive technological future.

The Crucial Year for Europe

After years of complex negotiations, the package known as the "Bilateral III" agreements with the EU is reaching its moment of truth. The Swiss Federal Council will present its finalized message to parliament in spring 2026, kicking off what promises to be fierce and prolonged debates in both chambers. While the right-wing Swiss People's Party (UDC/SVP) stands in firm opposition, other major parties offer conditional support laced with significant reservations. The Socialists demand stronger protections for union representatives, The Centre party raises concerns on migration, and the Liberal-Radicals critique the dynamic adoption of EU law. Meanwhile, the agricultural sector is gearing up to defend its autonomy.

The journey doesn't end in Bern. The 1,800-page text must also clear the European Council and face a vote in the European Parliament by autumn. In Brussels, rapporteur Christophe Grudler notes a prevailing, though cautious, willingness to forge a stable long-term partnership.

Yet the most formidable hurdle may await in the Swiss public square. A referendum is expected before the 2027 federal elections, but its rules are themselves a battleground for 2026. The government prefers an optional referendum, requiring only a simple popular majority. The UDC is fighting for a mandatory referendum, which would also require approval from a majority of cantons—a historically higher bar. This procedural clash will be amplified by the "Boussole" initiative, funded by business figures, which seeks to constitutionally mandate the double-majority rule for all future EU agreements.

Further complicating the European calculus is the UDC's "No to 10 million" initiative, potentially slated for a June 2026 vote. It calls for strict immigration caps, threatening the core principle of free movement and, through the "guillotine clause," potentially unraveling the entire existing bilateral framework with the EU. Its passage could derail the new agreements entirely.
This European focus unfolds against an unusually crowded direct-democracy calendar, with votes scheduled on issues from public broadcasting fees and tax reform to climate funds and constitutional protections for cash.

Lugano's Quiet Revolution

While Bern grapples with Brussels, the Italian-speaking city of Lugano is writing a different playbook for sovereignty—in the realm of finance. Here, the future of money is not a theoretical debate but a daily reality. From artisan coffee shops to McDonald's, and critically, for settling municipal tax bills, residents can pay with Bitcoin, Tether, or the city's own Swiss franc-pegged stablecoin, LVGA.

Launched in 2022 through a public-private partnership with Tether, "Plan ₿" is a masterclass in pragmatic, bottom-up adoption. Its three-currency ecosystem is designed for utility: Bitcoin for its decentralized ethos, USDT for large, stable commercial transactions, and LVGA to power a local loyalty program, keeping value circulating within the city.

Special ATM machines in Switzerland allow people to convert Swiss francs to bitcoin, and vice versa

The driving force is economic logic. With credit card fees in Switzerland averaging around 3%, Bitcoin transactions via the Lightning Network cost merchants a fraction of that. The city has deployed over 350 free point-of-sale terminals, removing the hardware barrier for businesses. For citizens, the ability to pay taxes and fines with digital currency integrates this new system into the most fundamental citizen-state interactions.

The experiment's maturity is evident. Lugano now issues municipal bonds on the SIX Digital Exchange, moving from retail payments into sophisticated capital markets. It has become a hub, attracting over 110 crypto startups, thanks in part to Switzerland's clear regulatory framework.

Challenges remain, primarily around public perception and the understanding of custodial risks compared to insured bank deposits. Yet, Lugano has demonstrated a viable model: eliminate adoption costs, tie usage to essential services, and build a closed-loop economy. It is testing a viable alternative to state-issued digital currencies, one built on private, decentralized, yet stable digital assets.

The Swiss Balance

These two narratives—the intricate diplomatic dance with the EU and the grassroots financial innovation in Lugano—are deeply connected. They both reflect Switzerland's enduring search for autonomy and its signature pragmatic adaptability.

One is about preserving sovereignty within a vast neighboring bloc through meticulous negotiation and democratic consent. The other is about proactively claiming sovereignty in the digital age through infrastructure, competition, and voluntary participation.

In 2026, Switzerland stands at this dual frontier. The outcome with the EU will shape its political and economic landscape for a generation. Meanwhile, the lessons from Lugano's cobblestone streets, where a yellow "Plan ₿" sticker sits beside traditional payment logos, may well shape the future of urban finance far beyond its borders. Both journeys underscore a central truth: in Switzerland, the future is not passively awaited; it is put to a vote, or built transaction by transaction.

Bahrain

As of late 2025, Bahrain continues to advance its Economic Vision 2030, with a strong focus on non-oil sector expansion, which grew by 3.5% in Q2 2025. The financial sector remains a cornerstone, contributing 17.2% to the GDP in 2024 and showcased at the major Fintech Forward 2025 event, which fostered 38 new partnerships. Politically, the kingdom maintains an active diplomatic stance, as seen in its condemnation of regional military actions and advocacy for dialogue. Culturally, Bahrain is enhancing its global profile by leading the UNIDO Global Call 2025, celebrating 20 years of its first UNESCO World Heritage site, and participating in Expo 2025 Osaka. While fiscal challenges like public debt persist, strategic initiatives in digital finance and international engagement underpin its path toward resilient growth.

Bangladesh

As of late 2025, Bangladesh stands at a decisive political and economic juncture. The country is preparing for its first national election since 2024's upheaval, scheduled for February 12, 2026, which will coincide with a referendum on major institutional reforms. Economically, growth has slowed with a projected real GDP increase of 3.8% for 2025 and inflation remains high at 10.0%, though the vital ready-made garment sector continues to be a key driver. Culturally, the interim government is actively promoting an inclusive policy, recently highlighting at an international forum its commitment to bridging socio-cultural divides and ensuring all ethnic and religious communities are represented in national celebrations. The nation's medium-term trajectory hinges on the success of the upcoming political transition and the implementation of economic reforms.

Bhutan

As of late 2025, Bhutan demonstrates a stable trajectory guided by its unique development philosophy. The economy shows steady growth, with a 5.31% GDP increase in the third quarter and controlled inflation at 3.99% in October. Politically, the nation is strengthening its crucial partnership with India, highlighted by the late 2025 visit of Indian Prime Minister Narendra Modi to inaugurate the joint 1020 MW Punatsangchhu-II Hydroelectric Project and celebrate historical ties.

Culturally, the government is actively promoting its spiritual heritage on the global stage, most notably by hosting the 16-day Global Peace Prayer Festival in Thimphu in November 2025, an event that also featured a historic spiritual gift from India. These developments occur against the backdrop of Bhutan's recent economic milestone of graduating from the UN's Least Developed Country list in late 2023 , positioning it for its next phase of growth.

Brunei

As of late 2025, Brunei Darussalam maintains macroeconomic stability while navigating the ongoing challenge of economic diversification. The economy shows robust but moderating growth, with GDP expansion projected at 2.0% to 1.8% for the year, alongside a very low inflation rate of 0.4%. Politically, the nation continues to strengthen international ties, as exemplified by commemorating 40 years of diplomatic relations with Oman, against a backdrop of significant fiscal pressures, with the fiscal deficit widening to 13.9% of GDP. Culturally and economically, the government is actively promoting tourism and heritage as part of its diversification strategy. Key initiatives include exploring the establishment of a cultural village to showcase indigenous heritage and leveraging media productions to attract international visitors. Thus, Brunei's trajectory remains defined by its reliance on hydrocarbon revenues and its concerted, multi-sector efforts to build a more resilient and diversified future.

Central Asian Region

As 2025 concludes, Central Asia stands out for its economic resilience and strategic diplomatic positioning. The region is projected to achieve a GDP growth of 5.7% to 6.1%, significantly outpacing the global average, driven by strong domestic demand, infrastructure investment, and rising remittances. Politically, the nations have adeptly practiced "omni-alignment," balancing relations with major powers like China, the EU, and Russia without aligning exclusively with any single bloc. This is exemplified by securing a €12 billion investment from the EU for connectivity projects while deepening ties within frameworks like the Shanghai Cooperation Organization. However, the region faces persistent challenges, including dependence on commodity prices, structural water-energy disputes, and the need for deeper economic diversification to ensure long-term stability.

- **Kazakhstan:** As of late 2025, Kazakhstan has solidified its role as Central Asia's economic and political anchor. The economy achieved its strongest growth in over a decade, with real GDP expanding by 6% to over $300 billion, driven by robust manufacturing and fixed-asset investment. Politically, President Tokayev's reform agenda consolidated, advancing plans for a unicameral parliament and preparing to chair the Eurasian Economic Union in 2026. The country's most transformative strides were in digitalization and artificial intelligence, positioning itself as a regional tech leader. Despite persistent challenges like inflation, its trajectory demonstrates significant strategic agency and diversified growth.
- **Uzbekistan:** As of late 2025, Uzbekistan's economy reached a historic peak, with GDP exceeding $145 billion, driven by a 23% growth in exports and attracting around $43.1 billion in foreign investment. Politically, the nation elevated its global profile by hosting major events like the Central Asia-EU Summit and signing key regional agreements. Tourism exploded as a strategic sector, with international arrivals surpassing 10.7 million—a 73% increase from 2019—bolstered by a successful visa-free regime and major infrastructure investments. The government has concurrently launched a focused cultural policy, declaring 2026 the "Year of Mahalla Development" and implementing plans to increase wages for arts and culture workers to strengthen national identity and social prosperity. These comprehensive efforts position Uzbekistan firmly on its path toward upper-middle-income status.

Mongolia

As 2025 concludes, Mongolia navigates a period defined by intense political instability alongside steady economic growth and active cultural diplomacy. The nation experienced its most severe constitutional crisis in over 30 years, stemming from a bitter leadership struggle within the ruling Mongolian People's Party (MPP) that led to the dismissal and subsequent reinstatement of Prime Minister G. Zandanshatar in October, resolved only by a decisive ruling from the Constitutional Court. Economically, growth remains resilient with a projected real GDP increase of 5.5% for the year. In foreign policy, Mongolia actively expanded its partnerships, elevating relations with Turkey, India, and Italy to the strategic level while engaging in trilateral talks with Russia and China to advance key infrastructure projects like the Power of Siberia 2 gas pipeline.

China

As of late 2025, China navigates a period of stabilized yet complex growth, underpinned by resilient exports and strategic recalibration. The economy is projected to grow by 5% in 2025, with notable resilience in high-tech manufacturing and services, though it faces headwinds from a contracting real estate sector and soft domestic investment. Politically, China actively engages in regional diplomacy, recently mediating between Cambodia and Thailand to promote ceasefire and dialogue, demonstrating its role in fostering regional stability. Culturally, Chinese soft power saw a significant rise, exemplified by the global popularity of products like Pop Mart's Labubu and the breakthrough of homegrown AI model DeepSeek, marking a successful year for its cultural and technological influence.

- **Chinese Taipei (Taiwan):** As of late 2025, this region is experiencing a robust but uneven economic expansion primarily fueled by the global AI boom, with its GDP growth projected to reach 7.37%, significantly outperforming the global average. Politically, navigating external trade pressures—particularly from U.S. tariff policies—remains a key challenge, while officials are actively promoting cultural diplomacy in Europe with over 70 events across 26 countries to enhance international visibility. The economy faces structural domestic issues, including a heavy reliance on semiconductor exports, which constitute over 73% of total exports, widening income inequality, and significant wage stagnation that has left many citizens feeling excluded from the headline economic success.
- **Hong Kong:** As 2025 concludes, Hong Kong has achieved a third consecutive year of growth, with the government raising its annual GDP growth forecast to 3.2%, exceeding earlier expectations. The economy was primarily driven by exports, particularly of electrical equipment, and a recovery in fixed-asset investment and private consumption. Politically, the government is focusing on actively integrating with China's national development strategy, with finance, innovation & technology, and trade outlined as the three key growth engines for the future. Culturally, a vibrant calendar of mega-events, which attracted over 41 million visitor arrivals in the first ten months, supported the revival of tourism and related sectors. The outlook for 2026 remains positive, supported by global economic conditions and Hong Kong's strategic initiatives to solidify its roles as an international financial and innovation hub.

Macao: As of late 2025, Macao is navigating a post-pandemic recovery while deepening its integration with national development strategies. Economically, the gaming sector showed robust growth with November gross gaming revenue surging 14.4% year-on-year to MOP 21.1 billion, helping the annual figure approach pre-pandemic levels. The government is actively promoting economic diversification under the "1+4" strategy, aligning its next five-year plan with China's 15th Five-Year Plan, with GDP growth for 2026 projected at 2% to 5%. Politically, the Legislative Assembly election held in September saw a turnout of 53.35%, conducted under the reinforced principle of "patriots governing Macao". Culturally, Macao is aggressively marketing itself as a "World Centre of Tourism and Leisure."

Cambodia

As of late 2025, Cambodia's economy is navigating a slowdown, with GDP growth projected to decelerate to 4.8% from 6.0% in 2024, primarily due to weakening domestic demand, export volatility, and a decline in remittances. Politically, the nation remains under the firm control of the Cambodian People's Party following a dynastic succession, with the government maintaining strict restrictions on political dissent and fundamental freedoms. Culturally, the country's rich traditions continue to be a pillar of national identity and a key driver of tourism, highlighted by major festivals like the Water Festival in November and the global "Acts of Memory" event commemorating the 50th anniversary of the fall of Phnom Penh.

India

As of late 2025, India stands out as one of the world's fastest-growing major economies, characterized by a "Goldilocks period" of high growth and low inflation. Its real GDP grew at 8.2% in the second quarter, making it the fourth-largest economy globally, while inflation eased significantly to 0.71% in November and unemployment fell to 4.7%. Politically, the ruling Bharatiya Janata Party (BJP) consolidated power by winning key state elections, including a decisive victory in Bihar where women's high turnout (71.6%) was pivotal, and ending the Aam Aadmi Party's decade-long rule in Delhi.

Culturally, the nation's vibrant diversity was showcased through a continuous cycle of festivals and major events like the Jaipur Literature Festival and India Art Fair, reflecting its rich traditions and dynamic contemporary arts scene.

Indonesia

As of late 2025, Indonesia's economy demonstrates robust resilience with a projected growth of 5.0%, supported by strong domestic demand and a non-oil sector that constitutes over 83.2% of the economy. Politically, the government led by President Prabowo Subianto is moving to consolidate power, with the ruling coalition proposing significant electoral reforms to change how regional leaders are elected starting in 2029. This political maneuver coincides with a push to accelerate the nation's digital transformation to create higher-value jobs, though challenges in internet quality and wage growth persist. The overall outlook is one of stable economic expansion amid significant political and structural adjustments.

Japan

As 2025 concludes, Japan is navigating a period of significant political transition and economic recalibration. Politically, following a major upper house election loss in July and Prime Minister Ishiba's resignation in September, Sanae Takaichi made history in October by becoming Japan's first female prime minister, leading a coalition government.

Economically, growth remains moderate but faces headwinds; real GDP grew at an annualized rate of 2.2% in the first half of the year, yet inflation persists with food prices (like rice up 49.1% year-on-year in September) squeezing household consumption. The Bank of Japan has signaled potential for a rate hike, focusing on wage growth trends. Culturally, the nation is actively promoting its global soft power, leveraging major events like Expo 2025 in Osaka and international art festivals such as the Setouchi and Aichi Triennials to enhance tourism and showcase innovation.

Laos

As 2025 concludes, Laos demonstrates a stabilizing economy with a projected GDP growth of 4.8%, primarily driven by electricity exports, tourism, and foreign direct investment. The government has made significant progress in controlling inflation, which sharply fell from 26% in mid-2024 to around 4% by late 2025. Socially, the national poverty rate has dramatically declined from 46% in 1993 to 16.8% in 2024. Politically, the country maintains a controlled media environment under the one-party system. Culturally, Laos is engaging in more international exchanges, such as hosting the regional art and social action forum "Meeting Point 2025" in Vientiane. The nation continues to focus on macroeconomic stability while navigating challenges like high public debt and an extensive informal employment sector.

Malaysia

As of late 2025, Malaysia's economy demonstrates robust growth with a 5.2% GDP expansion in the third quarter, placing it on track to meet the higher end of its 4.0%-4.8% annual target, underpinned by resilient domestic demand and a stable 3.0% unemployment rate. Politically, the country is reinforcing its regional leadership, notably in climate policy as the ASEAN Chair, having solidified its commitment through an updated NDC 3.0 in October 2025 that aims to peak emissions by 2030 and plans to introduce a carbon tax. Culturally, the government is actively fostering innovation through initiatives like the flagship cultural-tech expo "BudayaVerse 2025," which merges heritage with frontier technologies like AI and the metaverse to amplify the nation's creative economy.

Middle East Region

As of late 2025, the Middle East region presents a complex picture defined by cautious economic resilience overshadowed by persistent political instability and ongoing attempts at cultural engagement. Economically, the region shows growth supported by hydrocarbon revenues and domestic demand, with projections indicating a strengthening yet moderate pace. Multiple ongoing conflicts, including in Gaza, Lebanon, and Yemen, coupled with the fragmentation of old alliances and an intense struggle for regional influence in the absence of a clear hegemon, continue to pose significant risks to development and long-term peace. Culturally, regional actors, in line with global trends, are exploring the role of culture as a tool for soft power and sustainable development, as highlighted in major international forums.

- **Saudi Arabia:** As of late 2025, Saudi Arabia demonstrates a resilient economic transformation underpinned by robust non-oil growth and record-low unemployment, despite lower oil prices, affirming the progress of Vision 2030 diversification efforts. Culturally, the sector has entered a new era of growth, highlighted by a historic SR81 billion ($21.6 billion) investment in infrastructure and the signing of 89 agreements worth SR5 billion at the 2025 Cultural Investment Conference.
- **United Arab Emirates (UAE):** UAE demonstrates strong economic resilience, proactive diplomacy, and active cultural promotion. The economy is projected to grow with an expected GDP of $534.7 billion by year-end and non-oil sector growth of 6.2%. 2025 was a landmark year. Four cultural elements were inscribed on the UNESCO Intangible Heritage list, and major museums like the Zayed National Museum opened.

Myanmar

Myanmar's situation is defined by profound economic collapse, a highly contentious political process, and severe cultural repression. The economy is in shambles, widespread blackouts, and a crippled middle class. Politically, the military junta is proceeding with a staged election starting December 28th, which is widely condemned as a sham designed to cement its control, as only pro-military candidates can run and vast areas of the country are excluded due to ongoing civil war. Culturally, dissent is brutally suppressed, with filmmakers and artists receiving long prison sentences for criticism. While China's support has bolstered the regime, the international community, including the UN and ASEAN, largely rejects the vote, warning it risks entrenching instability rather than paving a path to peace.

North Korea

North Korea exhibits a distinct trajectory defined by solidified strategic alliances abroad, notable economic growth, and unrelenting internal control. Politically, the regime institutionalized its hostility by officially designating South Korea as its "principal enemy," marking a decisive break from previous unification rhetoric, while simultaneously elevating ties with Russia to a quasi-alliance based on military and resource exchange. Economically, the country achieved its fastest growth in eight years, with GDP expanding by 3.7% in 2024, a rebound largely attributed to increased trade and cooperation with Russia. Culturally and socially, the state maintained severe punishing access to unsanctioned media—particularly from South Korea. This combination of external strategic maneuvering, sanctioned economic activity, and internal rigidity shapes North Korea's current posture.

Pakistan

As of late 2025, Pakistan is pursuing fiscal consolidation, reducing total expenditures by 6.7% in its FY2026 budget while notably increasing defense spending by 20%, reflecting ongoing regional tensions. A bright spot is the digital economy, where IT exports hit a record $3.8 billion, driven by a 90% surge in freelancing. Politically, the country is engaged in a strategic pivot towards "economic diplomacy," securing multi-billion dollar investment commitments from Gulf nations and working with the IMF on reforms. Socially, poverty is estimated to have modestly decreased to 22.2%, yet the economy remains at a fragile turning point, heavily reliant on reforms, foreign investment, and climate resilience to ensure inclusive growth.

Philippines

As of late 2025, the Philippines' economy demonstrates robust fundamentals with an estimated 5.5% GDP growth and a $497.5 billion nominal GDP, positioning it among Asia's fastest-growing emerging markets. However, growth moderated from earlier projections to around 5.1% due to weak investment and typhoon-related disruptions, with a modest recovery to 5.3% forecast for 2026. Culturally and socially, the country grapples with structural challenges including an unemployment rate of 5.0% , concerns over job quality and underemployment, and the rapid rise of a digital gig economy that is transforming the labor market.

Singapore

As of late 2025, Singapore's economy is performing robustly, with its annual GDP growth forecast upgraded to "around 4.0%" after the economy expanded by 4.2% year-on-year in the third quarter. Politically, the ruling People's Action Party (PAP) consolidated its mandate in the May 2025 general election, winning 65.57% of the popular vote and 87 out of 97 parliamentary seats. In the social and cultural sphere, digital life is nearly ubiquitous, with approximately 90.6% of the population using social media, though concerns about online misinformation are rising. The outlook for 2026 remains stable.

South Korea

As 2025 concludes, South Korea navigates a period of significant political transformation and moderated economic growth. The economy, facing trade headwinds, is projected to expand by around 0.8% to 1.0% , a slowdown attributed to weak domestic demand and external pressures from U.S. tariffs and slowing Chinese imports. Politically, the nation witnessed a historic democratic crisis and renewal. Following the failed martial law declaration by former President Yoon Suk Yeol in December 2024 and his subsequent impeachment, a snap presidential election was held in June 2025. Opposition leader Lee Jae-myung won the election with 49.42% of the vote, marking a major political shift and a reaffirmation of democratic resilience. Culturally, South Korea remains one of the world's most digitally connected societies, with 94.7% of its population using social media and platforms like KakaoTalk and YouTube being deeply embedded in daily life and content consumption.

Thailand

As of late 2025, Thailand is navigating a period of profound economic deceleration and sustained political turbulence, despite social and cultural milestones. The economy is slowing, with real GDP growth for 2025 projected at 2.0% to 2.1% and expected to fall further to 1.6% in 2026. This stems from weakened exports following earlier front-loading ahead of U.S. tariffs, subdued domestic consumption, and long-standing structural headwinds like an ageing population and high household debt.

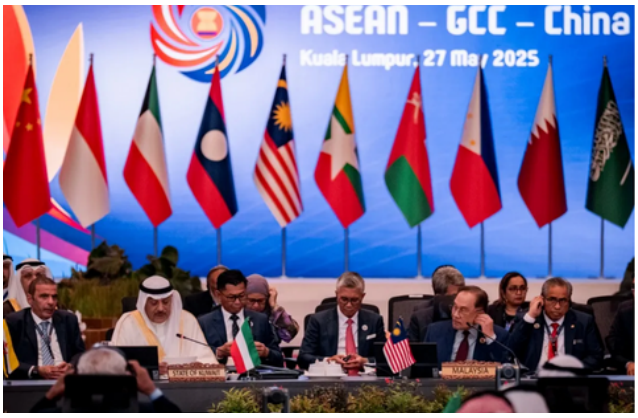
Politically, the country faced a major crisis in mid-2025, culminating in the Constitutional Court suspending and then removing Prime Minister Paetongtarn Shinawatra, leading to a new coalition government under Anutin Charnvirakul. This instability has undermined investor confidence and raised concerns about policy continuity. Culturally, Thailand's passage of a marriage equality law makes it the first Southeast Asian nation to recognize same-sex relationships, even as the government maintains restrictions on freedom of expression. Concurrently, the country is engaged in global initiatives like the UNIDO Global Call 2025 to promote its creative industries.

Vietnam

As 2025 concludes, Vietnam stands out for its robust economic growth and significant institutional reforms. The economy is projected to grow at one of Asia's highest rates, with GDP reaching approximately $510 billion and per capita income surpassing $5,000 for the first time, driven by strong manufacturing, exports, and foreign investment. Politically, the year was marked by the most extensive administrative restructuring in decades, which streamlined the central government and reorganized local governance. Culturally, Vietnam's heritage gained global recognition, including new UNESCO inscriptions, and the tourism sector saw a strong recovery, welcoming over 19 million international visitors in the first eleven months of the year.

COLUMN REPORT

2025: THE YEAR THE WORLD RESHUFFLED

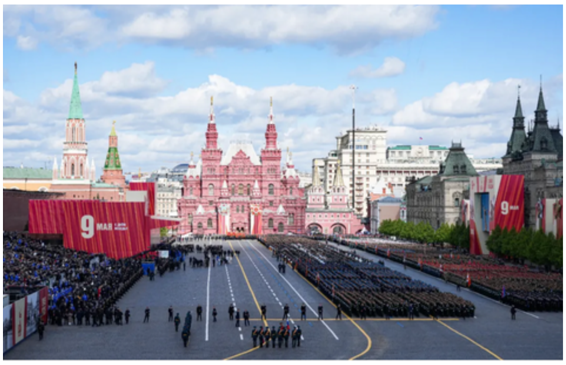


As 2025 draws to a close, the international landscape finds itself fundamentally recast. This was not a year of incremental change but of sharp, decisive breaks with the past, defined by a retreat from multilateral norms, the fracturing of old alliances, and the fierce assertion of national interests in an increasingly zero-sum world. The guiding principle of the year seemed to be not cooperation, but confrontation and calculated realignment.

The most potent force reshaping the **global economy** was the return of aggressive protectionism, spearheaded by the United States. The Trump administration's rollout of its "reciprocal tariff" regime, imposing a 10% baseline levy on all imports and targeting key sectors like steel, aluminum, and chips, shattered the remnants of the post-war liberal trade order. With America's average effective tariff rate hitting an 89-year high, the move triggered a global crisis, forcing nations to choose between retaliation and accommodation. While some, like Europe, grappled with the political fallout and economic pressure, China engaged in a tense diplomatic duel, securing a crucial one-year suspension of the additional 24% tariff on its goods. This tariff war accelerated a broader fragmentation, as seen in the U.S. push to build exclusive critical mineral partnerships with allies like Australia and Japan, aiming to rewire supply chains away from Chinese dominance.

Politically and strategically, 2025 witnessed the dramatic erosion of American-led alliances and the rise of fluid, interest-based partnerships. The transatlantic bond, a cornerstone of the 20th century, frayed publicly as U.S. rhetoric shifted from support to scorn, openly criticizing European governments and encouraging internal dissent.

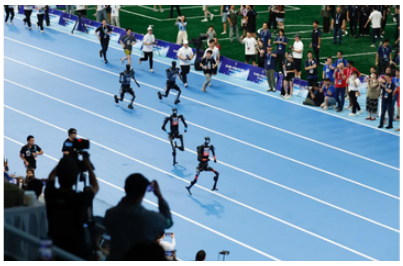
This emboldened nationalist forces within Europe, as seen in Germany's fragmented politics, while leaving allies like Ukraine in a precarious limbo, with promised peace deals unfulfilled. Into this vacuum stepped new configurations. Russia, despite a stagnating war economy at home, deepened its strategic embrace with North Korea and courted India, showcasing a global diplomacy untethered from the West. The Middle East remained a vortex of conflict, from the U.S.-Israeli strikes on Iran to the horrific toll in Gaza, yet also produced surprising new security guarantees, such as Pakistan's explicit offer of a nuclear umbrella to Saudi Arabia.



Amidst the fragmentation, the seeds of an alternative order, led by the Global South, were visibly sown. The historic first ASEAN-China-GCC Summit, representing a quarter of global GDP, stood as a powerful statement of collective economic sovereignty. The establishment of the International Mediation Court in Hong Kong offered a new platform for dispute resolution outside Western-dominated institutions. India, despite facing exposure from a brief but intense conflict with Pakistan and pressure from U.S. tariffs, adeptly played "multi-alignment," hosting Vladimir Putin while engaging China, refusing to be confined to a single bloc.

The year's challenges were compounded by a climate in crisis. Record-breaking global temperatures and a landmark UN climate conference in the Amazon underscored an existential threat that the fractured international community is still ill-equipped to handle collectively. Meanwhile, the race for technological supremacy, particularly in AI, intensified, with the U.S. explicitly framing its strategy as a race against China.

In conclusion, 2025 marked the end of an illusion—the illusion of a smooth, rules-based convergence. The world has entered a new, more volatile phase defined by economic decoupling, diplomatic realignment, and strategic ambiguity. The coming years will test whether this great reshuffling leads to a stable, if competitive, multipolarity or descends into deeper conflict. The actions of major powers in this formative moment will determine the answer.



Opinion: Finally, Russia enters Indian Ocean

Russia's century-old dream of reaching warm waters quietly materialised during President Vladimir Putin's recent visit to India. For generations, Russian strategists—from the Tsars to the Soviet admiralty—sought reliable access to the Indian Ocean, the gateway to global trade and energy. That ambition had always been blocked by geography, rival powers, or political constraints.

Farhat Ali

The agreement termed 'RELOS' changed that in one stroke. With India opening its ports and logistics network to the Russian Navy, Putin's trip to New Delhi early this month effectively turned a historic aspiration into operational reality. Russia is now no longer confined to the frigid northern seas—it has finally secured a southern maritime foothold in the world's most strategic ocean.

What looks like a bureaucratic logistics pact is, in fact, the breaking of a strategic monopoly.

The 'RELOS' logistics pact between India and Russia has triggered one of the most profound shifts in the global power architecture since the end of the Cold War. For the first time, Moscow now gains routine naval access to the Indian Ocean through India's ports, airfields, and maintenance facilities. This breaks the long-standing US monopoly over the world's most strategic maritime space—the artery of global oil, energy routes, and Asia–Middle East shipping.

'RELOS' is not a routine military agreement. It hands Russia the ability to refuel and repair thousands of kilometres from home, opening a new front in great-power competition.

In return, which is hardly a counterbalance, India's navy and air force gain reliable access to Russian facilities across the Arctic and Pacific, including ports along the Northern Sea route, enhancing sustained maritime presence and operations in previously inaccessible waters.

The reaction across capitals is unprecedented: panic in Washington, calculation in Beijing, alertness in Moscow, and pressure on New Delhi. The Indian Ocean is becoming the frontline of the next great-power contest, and India faces the most consequential strategic dilemma of its century: remain the anchor of a US-led Indo-Pacific strategy, or emerge as the southern pillar of a Russia-centered Eurasian arc.

The United States has three core interests in the Indian Ocean: control of energy routes, dominance of chokepoints, and denial of access to rival navies. 'RELOS' undermines all three.

Washington's alarm was immediate. The sudden dispatch of US Deputy Trade Representative Rick Switzer this week to New Delhi is not about tariffs; it is about strategic retrieval. It is a strategic intervention aimed at pulling India back into the American orbit at the very moment when New Delhi and Moscow are knitting together deeper military, naval, and energy architecture beyond Western oversight.

At stake is America's Indo-Pacific strategy, which depends on India serving as the democratic counterweight to China and the southern anchor of US maritime dominance. Now that assumption is collapsing. Washington's concern goes far beyond military logistics. 'RELOS' coincides with India's purchase of discounted Russian oil, the expansion of India–Russia defence ties, and the quiet emergence of an Eurasian energy-security bloc that excludes Western influence.

Will the US attempt containment? Yes—through diplomatic urgency, economic incentives, and subtle threats. India will face pressure on arms purchases, oil imports, technology access, and strategic cooperation within the Quad.

But India understands that the US needs India to balance China far more than India needs exclusive alignment with Washington. That could give New Delhi rare leverage.

China's reaction could be complex—but far from hostile. It is likely to be pragmatic

A more independent India—one that is not fully under US influence—helps Beijing by preventing the encirclement strategy Washington envisions through the Quad.

It could benefits from any development that prevents the Indian Ocean from becoming a US-controlled lake. A Russian naval footprint makes the region multipolar, which suits Beijing's long-term calculus.

However, China will interpret 'RELOS carefully'.

A Russian naval footprint in the Indian Ocean introduces another big-power actor in China's maritime backyard. Beijing will want assurances that Russia's presence does not drift into an anti-China coalition subsidized by India.

Beijing will watch Indian ambitions carefully, but Russia's entry serves as a balancing force, ensuring India does not emerge as the sole gatekeeper of the Indian Ocean.

'RELOS' reshapes the region well beyond India. Central Asian republics already tethered to Moscow may align more closely. 'RELOS' has created a gravitational pull toward a broader Eurasian coalition. South Asia and Asia Pacific now have options to play within the multipolar maritime order evolving in its proximity.

Pakistan faces both concern and opportunity. On one hand, India-Russia naval alignment raises concerns about enhanced Indian reach in the Arabian Sea.

> *On the other hand, Pakistan's own proximity to Russia and China allows it to benefit from a broader Eurasian realignment. Moscow's interest in warm waters is not limited to India. Russia's larger push toward warm waters could bring Moscow closer to Pakistan, especially through Karachi and Gwadar. Islamabad can benefit if it positions itself as an alternative or complementary maritime partner for Russia.*

'RELOS', most likely, would not undermine CPEC or Gwadar port. If anything, Russia's southward search for access could breathe new life into Gwadar as an additional logistical node. The region's shift toward multipolarity reduces US surveillance over Chinese projects.

Iran is arguably the biggest winner. 'RELOS' strengthens the north–south axis linking Russia, Iran, and India. Tehran's Chabahar Port gains new relevance, and Russia's need for diversified southern access expands Iran's geopolitical value—especially as it pushes back against Western pressure.

Afghanistan becomes an unavoidable transit node for Eurasian connectivity. Any stable future in Afghanistan strengthens the Russia–India–Iran corridor, giving the landlocked state fresh relevance despite its internal challenges.

Middle Eastern states, particularly Saudi Arabia and the UAE, would welcome the diversification. A Russian naval presence reduces exclusive US dominance and gives Gulf monarchies more strategic bargaining power in energy and security affairs. The Indian Ocean is no longer unipolar. Russia is in. China is entrenched. The US feels cornered. India is emerging as the pivot between continental Eurasia and maritime Asia.

'RELOS' marks the start of a new maritime century—one in which no single power controls the Indian Ocean and the global energy routes. India redraws the maritime map. The decisions New Delhi makes in the next decade will define Asia's balance of power for the next fifty years. The challenges for India are severe and several. 'RELOS' is India's biggest strategic gamble — Russia enters a maritime earthquake India cannot reverse. Whereas, India is at the crossroads: US pressure vs Eurasian alignment.

References

Asian Development Bank. "Bangladesh Economic Outlook: Navigating Recovery and Reform." December 2025.

ASEAN Secretariat. "Joint Statement of the Inaugural ASEAN-China-GCC Summit." May 2025.

Brunei Economic Development Board. "Annual Economic Performance Report 2025." December 2025.

Central Bank of Cambodia. "Monthly Economic and Monetary Statistics Review." November 2025.

China National Bureau of Statistics. "Statistical Communiqué on the 2025 National Economic and Social Development." December 2025.

Department of Statistics, Malaysia. "Gross Domestic Product Q3 2025." November 2025.

Economic Research Institute for ASEAN and East Asia. "Digital Transformation and Creative Industries in Indonesia." November 2025.

European External Action Service. "EU-Central Asia Connectivity Investment Package Signed." October 2025.

Federal Reserve Bank of San Francisco. "Global Tariff Policies and Trade Flow Analysis." August 2025.

Global Peace Index Institute. "2025 GPI: Annual Report on Global Safety and Stability." June 2025.

Hong Kong Census and Statistics Department. "The Half-yearly Economic Report 2025." December 2025.

IMF. "World Economic Outlook: Subdued Global Growth, Regional Divergence." October 2025.

International Crisis Group. "Myanmar Conflict Monitor: December 2025." December 2025.

International Monetary Fund. "Bhutan: 2025 Article IV Consultation Staff Report." November 2025.

International Monetary Fund. "Pakistan: Sixth Review Under the Extended Arrangement." December 2025.

Japan Cabinet Office. "Monthly Economic Report (October 2025)." November 2025.

Kazakhstan Ministry of National Economy. "Report on Socio-Economic Development for January-November 2025." December 2025.

Lao Statistics Bureau. "The Lao PDR Socio-Economic Development Report 2025." December 2025.

Macao Government Tourism Office. "Visitor Arrivals and Tourism Statistics (January-November 2025)." December 2025.

Ministry of Commerce, PRC. "China's Foreign Trade in Goods and Services (Jan-Oct 2025)." December 2025.

Ministry of Culture, Saudi Arabia. "Cultural Sector Investment and Development Report 2025." November 2025.

Ministry of Economy, UAE. "UAE Annual Economic Report 2025." December 2025.

Ministry of Foreign Affairs, DPRK. "Statement on the Fundamental Principle of State Relations with the Republic of Korea." January 2025.

Ministry of Tourism, Uzbekistan. "Annual Report on Tourism Development 2025." December 2025.

National Bank of Kazakhstan. "Monetary Policy Report for the Fourth Quarter of 2025." December 2025.

National Bank of Mongolia. "Monthly Statistical Bulletin, October 2025." November 2025.

National Bureau of Statistics, China. "Big Data Surveillance Report on New Cultural Consumption Trends." December 2025.

National Statistical Office of Thailand. "Key Economic Indicators for the Third Quarter of 2025." November 2025.

OECD. "Economic Surveys: Korea 2025." November 2025.

Philippine Statistics Authority. "Labor Force Survey (October 2025 Round)." November 2025.

Royal Monetary Authority of Bhutan. "Monthly Statistical Bulletin, October 2025." November 2025.

Russian Ministry of Finance. "Preliminary Evaluation of Federal Budget Execution for 2025." December 2025.

Singapore Department of Statistics. "Advance GDP Estimates for the Third Quarter of 2025." October 2025.

State Bank of Pakistan. "Annual Report on the State of Pakistan's Digital Economy 2024-25." December 2025.

Swiss Federal Council. "Message on the Approval of the Institutional Agreement with the European Union." March 2026.

The Election Commission of Singapore. "Report on the General Election 2025." June 2025.

The World Bank. "Central Asia Economic Update: Navigating a New Era." Fall 2025.

The World Bank. "Indonesia Economic Prospects: Maintaining Resilience Amidst Uncertainty." December 2025.

The World Bank. "Mongolia Development Update: Balancing Growth and Stability." October 2025.

The World Bank. "Myanmar Economic Monitor: Surviving the Crisis." December 2025.

The World Bank. "The Lao PDR Economic Monitor: Stabilizing Amidst Challenges." December 2025.

The World Bank. "Vietnam Macroeconomic Monitoring Report." December 2025.

UNESCO. "Decisions of the Intergovernmental Committee for the Safeguarding of the Intangible Cultural Heritage, 2025." December 2025.

UNIDO. "Global Call 2025: Outcome Report on Creative Industries and Sustainable Solutions." October 2025.

Uzbekistan State Statistics Committee. "Socio-Economic Development of the Republic of Uzbekistan (January-September 2025)." October 2025.

Vietnam National Administration of Tourism. "Monthly Report on International Visitor Arrivals." November 2025.

World Meteorological Organization. "State of the Global Climate 2025: Provisional Report." November 2025.

Zayed National Museum. "Inauguration and Inaugural Exhibition Press Kit." November 2025.