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# ASIA BRIEF

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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.

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

Bonus:

1. *The Real China Model - Beijing's Enduring Formula for Wealth and Power* (Dan Wang and Arthur Kroeber) - Summary Edition
2. *Rare earth: politics, promise and peril* - Farhat Ali

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## Switzerland

Switzerland is currently facing a decision that could reshape its future. At the heart of the political debate is a new comprehensive cooperation agreement with the European Union (EU). This is not just a diplomatic matter; it is a fundamental discussion about Switzerland's sovereignty, economic stability, and social welfare. As political parties weigh their positions, the outcome of this debate will influence the country's direction for decades.



### The Bilateral Path and Political Divides

Switzerland's relationship with the EU is unique. Instead of membership, it relies on a series of bilateral agreements covering areas like trade,

transport, and the free movement of people. While this approach has provided flexibility, the EU has been pushing for a more streamlined framework. After Switzerland paused negotiations in 2021, talks have resumed, putting the country at a political crossroads.

The debate has split the political landscape. The right-wing Swiss People's Party (SVP) strongly opposes the agreement, citing concerns over national sovereignty. On the other side, the Green Party and the Green Liberal Party are clear supporters, emphasizing the benefits of stable relations with the EU. The Social Democratic Party (SP), historically cautious about wage protections, has moved toward supporting the agreement but must still manage internal disagreements.

The most interesting divisions, however, are found in the centre-right parties. The business-friendly Free Democratic Party (FDP) is deeply divided.

While some members see clear economic advantages in the agreement, others are hesitant about losing regulatory autonomy. Similarly, The Centre Party supports stable EU relations in principle but is calling for clearer rules on wages and social security. The party is split between its pro-treaty wing and sceptics from agricultural communities.



## A Thriving Economy Amid Uncertainty

While politicians debate, Switzerland's economy—particularly its start-up sector—shows remarkable strength. In the first half of 2025, a record 27,564 new companies were established, marking a

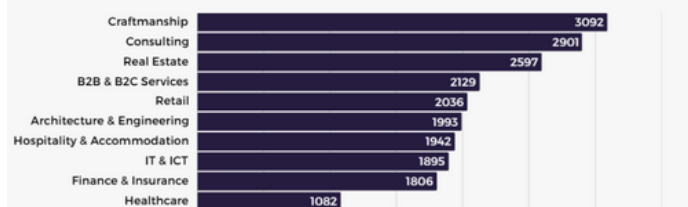
2.6% growth compared to the same period last year. This translates to an average of 154 new businesses every day.

Canton	1st half year 2025	Difference in %	1st half year 2024
BE	2'253	-1.7%	2'293
FR	998	3.5%	964
JU	189	-2.1%	193
NE	471	-0.2%	472
SO	697	5.4%	661
Espace Midlands	4'608	0.5%	4'583
AG	1'728	-2.3%	1'768
BL	727	5.1%	692
BS	707	4.7%	675
Northwestern Switzerland	3'162	0.9%	3'135
LU	1'232	4.4%	1'180
NW	161	0.6%	160
OW	123	20.6%	102
SZ	765	7.1%	714
UR	74	-12.9%	85
ZG	1'691	10.7%	1'528
Central Switzerland	4'046	7.3%	3'769
ZH	5'135	4.6%	4'911
Zurich	5'135	4.6%	4'911
AI	78	11.4%	70
AR	145	-14.2%	169
GL	110	-6.0%	117
GR	563	-10.5%	629
SG	1'411	-5.1%	1'487
SH	220	18.9%	185
TG	813	4.0%	782
Eastern Switzerland	3'340	-2.9%	3'439
GE	2'278	14.4%	1'992
VD	2'717	-3.2%	2'807
VS	1'358	8.0%	1'257
Southwestern Switzerland	6'353	4.9%	6'056
TI	1'167	-4.0%	1'216
Ticino	1'167	-4.0%	1'216
Total	27'811	2.6%	27'109

(Source: Swiss Official Gazette of Commerce SOGC; analysis and graph: IFJ Institut für Jungunternehmen AG);  
01.01.2025 - 30.06.2025 in comparison to the same period the previous year)

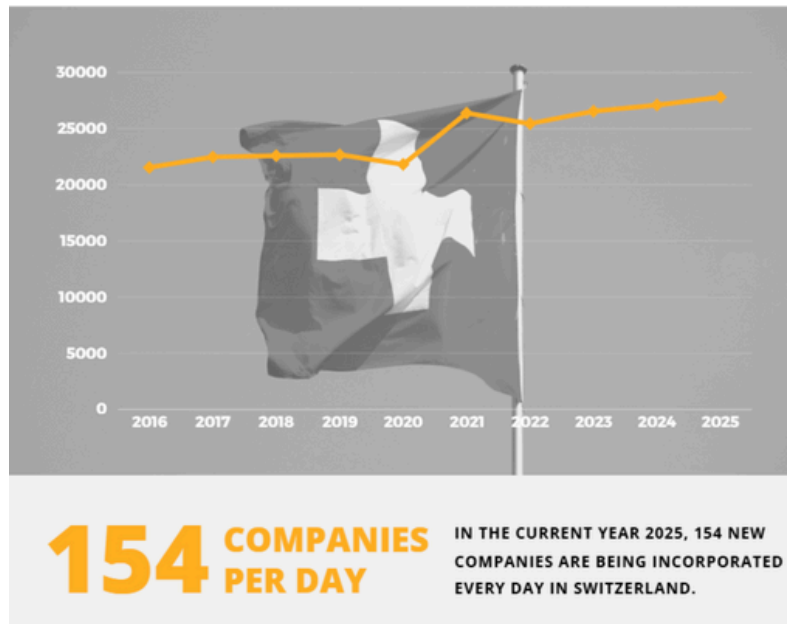
However, this growth is not evenly spread across the country. Central Switzerland saw a significant increase of 7.3% in new company registrations, while Eastern Switzerland and Ticino experienced declines. Over the past five years, Central Switzerland has been the fastest-growing region, with an average annual growth rate of 6.3% in start-ups.

### Top 10 Startup-Intensive Industries



(Source: Swiss Official Gazette of Commerce SOGC; analysis and graph: IFJ Institut für Jungunternehmen AG;  
Period: 01.01.2025 to 06.30.2025 compared to the same period of the previous year)

Cantons like Obwalden, Schaffhausen, and Geneva saw particularly strong growth, while others, such as Graubünden and Uri, recorded notable declines. The most active sectors were craftsmanship, consulting, and real estate, reflecting a diverse and dynamic entrepreneurial landscape.



China's Foreign Minister Wang Yi and Swiss Foreign Minister Ignazio Cassis walk during an official visit at Castelgrande in Bellinzona, Switzerland, October 10, 2025. ELIA BIANCHI/Pool via REUTERS [Purchase Licensing Rights](#)

## Linking Politics and Prosperity

The booming start-up activity highlights Switzerland's economic vitality, even as its political future with the EU remains uncertain. For many entrepreneurs, access to the EU market is crucial. At the same time, Switzerland is looking beyond Europe, seeking to strengthen trade ties with countries like China, especially after the U.S. imposed high tariffs on Swiss imports.

The political decision on the EU agreement will not only test the unity of Switzerland's parties but also shape the country's ability to maintain its economic momentum.

A stable relationship with the EU could provide the certainty that businesses need to thrive, while failure to reach an agreement might put at risk the rights of Swiss citizens in the EU and complicate cross-border trade. As Switzerland moves forward, the contrast between a politically divided government and an economically vibrant private sector could not be sharper. The second half of 2025 may prove decisive, determining whether the country can align its political choices with its evident entrepreneurial energy.

## **Bahrain**

As of October 2025, Bahrain's economy demonstrates robust progress in its Economic Vision 2030 diversification agenda, predominantly driven by a non-oil sector that constitutes over 83.2% of the economy. Politically, the kingdom maintains active diplomatic engagements, recently concluding preparatory meetings for the second Bahrain-UK Strategic Dialogue and expressing support for international peace initiatives. Concurrently, the country is bolstering its cultural and innovative profile by leading the UNIDO Global Call 2025, focusing on creative industries and sustainable solutions. While fiscal challenges such as public debt persist, ongoing initiatives in digital transformation and strategic international partnerships continue to underpin the nation's trajectory toward resilient and inclusive growth, positioning it as a stable and evolving player in the region.

## **Bangladesh**

As of late October 2025, Bangladesh is navigating a complex political transition under an interim government led by Nobel laureate Muhammad Yunus, established following the ousting of Prime Minister Sheikh Hasina in August 2024 after widespread protests. Economically, due to high inflation, external challenges, and financial sector vulnerabilities. A pressing structural concern is widespread youth underemployment, with nearly 30% of young people neither employed nor in education or training, highlighting the economy's difficulty in translating growth into sufficient job creation. On a positive note, foreign exchange reserves have shown a significant recovery, climbing from a low of \$24 billion in mid-2024 to nearly \$32 billion by June 2025, providing a crucial buffer for the economy.

## **Bhutan**

As of October 2025, the Kingdom of Bhutan continues to navigate its unique development path under its Gross National Happiness framework while pursuing economic diversification. The nation maintains political stability under its constitutional monarchy, with the People's Democratic Party securing a strong majority in the 2024 parliamentary elections and Tshering Tobgay serving as Prime Minister. Economically, Bhutan is expanding beyond its traditional hydropower exports to India, with tourism remaining crucial - the government aims to double tourist arrivals by 2026 through policies including a \$100 daily "Sustainable Development Fee."

Most significantly, Bhutan has notably emerged as a digital economy pioneer, establishing a national cryptocurrency payment system for tourism services and accumulating approximately \$1.28 billion in bitcoin reserves, ranking among the world's leading government holders. This digital transformation, powered by the country's renewable hydropower resources, represents a strategic approach to economic development. Meanwhile, Bhutan continues to balance its deep-rooted Buddhist traditions with gradual global integration, carefully preserving its cultural heritage while adopting innovative technologies to ensure sustainable development within its constitutional monarchy framework.

## Brunei

As of October 2025, Brunei maintains political stability under Sultan Hassanal Bolkiah's longstanding rule while advancing its Brunei Vision 2035 through the 12th National Development Plan (2024-2029). The economy demonstrated robust 4.1% growth in 2024, though this is expected to moderate to around 2.0% in 2025-2026, with inflation remaining subdued below 1%. Despite these positive indicators, the country faces a widening fiscal deficit projected at 13.9% of GDP in FY2025. Brunei continues its challenging transition toward economic diversification beyond hydrocarbons, with focused development in digitalization and green technology sectors. The nation's strict social codes persist alongside environmental initiatives like the Brunei Accredited Green Unified Seal, reflecting the delicate balance between modernization and traditional values as the country navigates its post-oil future.



## Central Asian Region

As of October 2025, Central Asia demonstrates remarkable progress in regional integration and economic cooperation. The region has strengthened political coordination through regular consultative summits, successfully resolving longstanding border disputes. Economically, collective GDP now exceeds \$500 billion, with intra-regional trade growing significantly to reach \$11 billion - a 250% increase over eight years. Major infrastructure projects like the Trans-Caspian Corridor are enhancing connectivity, while regional countries are collaboratively developing a “Green Energy Corridor” to leverage renewable resources. In international relations, Central Asian states actively employ “multi-vector diplomacy” through various “C5+” formats with major powers, demonstrating growing autonomy while maintaining balanced foreign relations and increasingly asserting their collective interests on the global stage.

- **Kazakhstan:** Kazakhstan demonstrates robust economic momentum with projected growth of 5.9%, establishing itself as Central Asia’s fastest-growing economy. The nation is actively pursuing economic diversification beyond its traditional hydrocarbon sector while strengthening regional connectivity through substantial infrastructure investments under the CAREC program. A landmark \$4.2 billion railway agreement with Wabtec Corporation highlights its modernization efforts, complemented by the establishment of a new Ministry of AI and Digital Development to drive technological advancement. Kazakhstan continues to balance its strategic partnerships while enhancing regional trade corridors, positioning itself as an increasingly important link between Europe and Asia.
- **Uzbekistan:** Uzbekistan is actively pursuing a multi-vector foreign policy, marked by the signing of a new Enhanced Partnership and Cooperation Agreement (EPCA) with the European Union to deepen ties in trade, investment, and political dialogue. Concurrently, it is strengthening regional bonds with Russia, exemplified by over 30 new interregional cooperation agreements. This diplomatic activity occurs alongside significant economic engagement, with Uzbekistan-EU trade having doubled over five years to approximately €6.4 billion in 2024, reflecting the country’s ongoing integration into the global economy and its commitment to domestic reforms.



## Mongolia

Mongolia maintains strong economic growth projected at 6.5%, driven primarily by its mining sector with the Oyu Tolgoi copper-gold mine reaching peak production. While attracting substantial foreign investment, the economy faces challenges including persistent inflation and the need for diversification. Politically, the ruling Mongolian People's Party continues governance amid calls for anti-corruption measures and political reforms. In foreign policy, Ulaanbaatar pursues its balanced "Third Neighbor" approach, maintaining relations with both traditional partners and Western nations. The government addresses domestic issues like urban-rural disparities and air pollution while developing non-mining sectors. Recent discoveries of rare earth deposits enhance Mongolia's global strategic position, though challenges remain in translating economic gains into broader social development and poverty reduction.



## China

As of October 2025, China continues to demonstrate economic resilience with a projected GDP growth of 4.2%, maintaining its position as a major driver of global economic expansion. The country has accelerated its technological advancement, particularly in artificial intelligence and green energy sectors, where it now leads in several key innovation indicators. In international relations, Beijing continues to pursue its distinctive diplomatic approach, strengthening strategic partnerships through initiatives like the Belt and Road while navigating complex relations with major powers.

The Chinese economy shows increasing maturity with the service sector contributing approximately 55% to GDP, though structural reforms continue to address regional disparities and technological self-reliance. Social policies focus on common prosperity initiatives while maintaining overall stability, as China positions itself strategically in evolving global supply chains and international governance frameworks.

- **Chinese Taipei (Taiwan):** As of October 2025, Taiwan is experiencing a significant reorientation of its trade relationships, with exports to the United States surging 43.1% to \$61.6 billion during January-May 2025, largely driven by strong demand for AI-related hardware and semiconductor components. Taiwan's economic dependence on Mainland China has decreased to 28.1% of total exports, falling below 30% for the first time since 2001. This strategic shift reflects Taiwanese companies' ongoing supply chain diversification and increased investment in the U.S. market.
- **Hong Kong:** Hong Kong maintains its status as a global financial hub while navigating economic transformation. The economy shows resilience with projected GDP growth of 3.2%, driven by revived tourism and sustained financial services. Visitor numbers have recovered to approximately 85% of pre-pandemic levels, with mainland tourists remaining crucial. The region continues to develop its virtual asset market under new regulatory frameworks while upholding its common law system. Implementation of the National Security Law continues alongside the “eight centers” development strategy, particularly focusing on innovation and technology. Socially, the territory faces persistent challenges including an aging population and housing affordability issues.



**Macao:** Macau continues to strengthen its position as a global tourism and entertainment hub while pursuing strategic economic diversification. The government is actively implementing its “1+4” economic diversification strategy, developing integrated tourism, modern finance, high-tech industries, and cultural sectors alongside the traditional gaming industry. Infrastructure development continues with the expansion of the Light Rapid Transit system and enhanced connectivity through the Hong Kong-Zhuhai-Macau Bridge, further integrating Macau into the Greater Bay Area. The region maintains its unique cultural identity as a UNESCO Creative City of Gastronomy while balancing its Portuguese heritage with its role as China’s Special Administrative Region.

## **Cambodia**

Cambodia continues to demonstrate steady economic growth with a projected GDP increase of 6.2%, driven by robust manufacturing exports and sustained tourism recovery. The garment and footwear industry remains a crucial economic pillar, accounting for approximately 38% of total merchandise exports, while tourist arrivals have recovered to nearly 85% of pre-pandemic levels. Under the leadership of Prime Minister Hun Manet, who succeeded his father in 2023, the government maintains political stability while implementing gradual economic reforms focused on improving the business environment and digital transformation. The country faces ongoing challenges including youth employment and infrastructure development, though ongoing public investment projects aim to address these gaps. Cambodia continues to balance its foreign relations, maintaining strong ties with China while increasingly engaging with ASEAN partners and international institutions.

## **India**

As of October 2025, India maintains robust economic growth with projected GDP expansion of 6.5%, driven by strong domestic demand and continued foreign investment. The manufacturing sector shows particular strength under the government’s “Make in India” initiative, while services exports continue to perform well. New Delhi is actively pursuing strategic partnerships, recently enhancing cooperation with key partners in critical minerals and technology sectors.

The country faces ongoing challenges including managing inflation pressures and addressing employment generation needs, particularly for its youthful population. Infrastructure development remains a priority, with numerous projects underway in transportation and digital connectivity.

## Indonesia

Indonesia maintains steady economic growth with projected GDP expansion of 5.2%, supported by robust domestic consumption and sustained export performance. The world's third-largest democracy continues to demonstrate political stability under President Joko Widodo's administration, with recent economic policies focusing on infrastructure development and regulatory reforms to attract foreign investment. Indonesia faces ongoing challenges in addressing income inequality and improving digital infrastructure across its vast archipelago. The government continues to pursue its downstream industrialization strategy, particularly in the mineral processing sector, while navigating global economic uncertainties and maintaining its strategic neutrality in international relations.



## Japan

As of October 2025, Japan navigates a new political era under Prime Minister Sanae Takaichi while maintaining steady economic progress. The economy shows moderate growth with inflation stabilizing around 2%, supported by recovering tourism and sustained export performance in automotive and technology sectors.

Culturally, Japan continues to showcase its global influence through major events like the Tokyo International Film Festival, though society grapples with balancing traditional values against increasing international engagement. The new administration faces challenges in implementing proposed fiscal policies while addressing demographic pressures and workforce needs. Meanwhile, Japan's cultural exports in anime, cuisine, and design maintain their worldwide appeal, contributing to soft power even as the country adjusts to its evolving role in the regional and global landscape.

## **Laos**

As of October 2025, Laos continues to navigate significant challenges including high public debt, and persistent inflationary pressures. The government sustains its one-party socialist system while pursuing strategic infrastructure development through international partnerships, particularly with China and Vietnam. Laos balances resource exploitation with environmental conservation efforts, especially regarding Mekong River ecosystems, while cautiously engaging with regional economic frameworks. Foreign policy maintains traditional alignment with Vietnam and China, though Vientiane is gradually expanding engagement with other ASEAN partners. The country faces ongoing difficulties in improving human development indicators and addressing rural poverty amid its controlled modernization process.

## **Malaysia**

As of October 2025, the Unity Government continues to navigate political dynamics while advancing key initiatives under Malaysia MADANI, focusing on institutional reforms and sustainable development. The nation's export sector faces challenges from global trade tensions, though strategic partnerships particularly with China continue to deepen through infrastructure projects and bilateral cooperation. Culturally, Malaysia celebrates its diverse heritage through events like Festival Budaya Malaysia 2025, showcasing traditional and contemporary arts. The country maintains its distinctive position in regional diplomacy, balancing relationships with major powers while addressing domestic priorities including cost of living concerns and industrial transformation toward digital and green economies.

## Middle East Region

The Middle East is navigating a period of significant transformation. Economically, the region is showing resilience, with the IMF projecting growth to accelerate to 3.3% in 2025, driven by factors like increased oil production in Gulf states and a rebound in sectors like tourism and agriculture in other countries. Concurrently, a profound cultural and social shift is underway, particularly in the Gulf, where nations like Saudi Arabia and the UAE are actively diversifying their economies beyond oil. Despite ongoing geopolitical challenges, these parallel developments in economic modernization and societal change are defining the region's current trajectory.

- **Saudi Arabia:** Saudi Arabia continues its ambitious transformation under Vision 2030, achieving significant economic diversification with its non-oil sector driving 4% GDP growth. The kingdom maintains active diplomacy, recently signing a strategic defense pact with Pakistan while pursuing balanced international relations. Socially, reforms continue to expand women's workforce participation, now reaching 35%, alongside a broader societal opening.
- **United Arab Emirates (UAE):** The nation continues to leverage its strategic global position through active diplomatic engagement and comprehensive economic partnership agreements, while maintaining its role as a hub for international dialogue through events like the World Governments Summit. Culturally, the UAE successfully blends traditional heritage with modern initiatives, hosting diverse events from shopping festivals to esports competitions. The country's development strategy emphasizes sustainable growth and innovation, further solidifying its position as a leading global business and tourism destination while navigating regional dynamics.



## Myanmar

Myanmar remains entrenched in a severe political and humanitarian crisis following the 2021 military takeover. The nation experiences widespread armed conflict between the military regime and ethnic armed organizations, with fighting particularly intense in Kachin, Shan, and Rakhine States. This ongoing violence has created one of Southeast Asia's most severe displacement crises, with over 3 million people internally displaced and approximately 18.6 million requiring humanitarian assistance. The country's economy and social fabric face extreme strain, with limited international access hampering effective humanitarian response amid the military's continued consolidation of power and resistance from opposition forces.



## North Korea

As of October 2025, North Korea remains an isolated, repressive state under Kim Jong-un's leadership, prioritizing its military and nuclear programs. The country experienced 3.7% GDP growth in 2024—its fastest pace in eight years—driven largely by strengthened cooperation with Russia.

Nevertheless, chronic economic issues persist due to mismanagement and the heavy financial burden of weapons development. While dependent on China for nearly all imports, the regime continues to commit severe human rights violations and maintains strict control over information and movement, resulting in ongoing food insecurity and humanitarian challenges for its population.

## **Pakistan**

Pakistan's economy is navigating challenges and opportunities through key international trade partnerships. The country benefits from the European Union's GSP+ arrangement, which grants duty-free access for many exports and made the EU its second-largest trading partner in 2024 . Its strategic economic relationship with China continues to deepen under the China-Pakistan Free Trade Agreement (CPFTA), which significantly increased bilateral trade since its first phase and was further enhanced with a second phase aimed at boosting trade volumes to between \$15-20 billion. This external trade engagement occurs against a backdrop of internal challenges, including the need for trade diversification beyond the dominant textiles sector and addressing domestic business concerns regarding competition.

## **Philippines**

As of October 2025, the Philippines maintains steady economic growth, primarily driven by robust domestic consumption and a stable labor market . A significant recent development is a new bilateral trade agreement with the United States, under which Filipino exports will face a 19% tariff in the U.S. market, while the Philippines will grant zero-tariff access for various American goods. In international relations, the country continues to pursue a balanced foreign policy, having recently participated in the Non-Aligned Movement Ministerial Conference and actively engaging with regional partners as it prepares to assume the ASEAN Chairmanship in 2026.

## **Singapore**

As of October 2025, Singapore maintains stable 2.8% economic growth under Prime Minister Lawrence Wong's leadership, continuing its role as a global financial hub. The nation advances its digital transformation and sustainable development through the Green Plan 2030, while balancing international relationships and addressing domestic challenges like cost of living. Singapore preserves its multicultural identity while pursuing innovation-driven growth strategies to maintain regional competitiveness.

## South Korea

As of October 2025, South Korea continues to navigate a dynamic political landscape following the 2024 legislative elections, which resulted in a divided government with the opposition Democratic Party securing a majority in the National Assembly. This has created significant challenges for President Yoon Suk Yeol's administration in advancing its policy agenda. South Korea's cultural influence continues to expand globally through K-pop, K-dramas, and the film industry, while tourism has rebounded to pre-pandemic levels. In foreign policy, Seoul maintains its alliance with the United States while carefully managing relations with China and addressing North Korea's continued nuclear development, all while striving to enhance its role as a global middle power in international affairs.



## Thailand

As of October 2025, Thailand is navigating a period of political transition under the coalition government led by Prime Minister Chaithawat Tulathon, who took office following the 2023 general election. The economy demonstrates resilience with projected growth of 3.2%, supported by recovering tourism arrivals reaching 85% of pre-pandemic levels and sustained agricultural exports. In international relations, Bangkok maintains its traditional non-aligned stance while strengthening ties with both China and the United States, particularly through increased defense cooperation. Infrastructure development continues with major transportation projects, while the country prepares for its upcoming hosting of the 2025 ASEAN Summit.

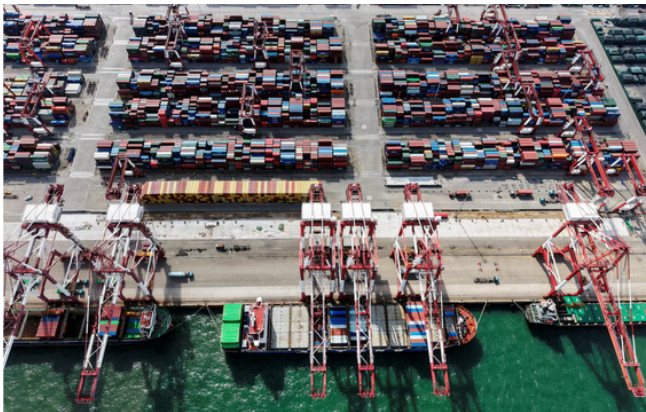
## Vietnam

Vietnam benefits significantly from multiple free trade agreements, particularly the EU-Vietnam Free Trade Agreement (EVFTA), which has boosted bilateral trade to approximately \$72.9 billion in 2024. Vietnam maintains political stability under the Communist Party's leadership while actively pursuing administrative reforms and anti-corruption measures. The nation is increasingly focusing on digital transformation and green energy transition, with substantial investments in renewable infrastructure and technology sectors. Vietnam's strategic position in Southeast Asia continues to attract foreign direct investment, especially in electronics, textiles, and footwear manufacturing. The country faces challenges including infrastructure bottlenecks, skilled labor shortages, and the need for deeper economic restructuring. Regionally, Vietnam plays an active role in ASEAN while carefully balancing relations with major powers, positioning itself as a key manufacturing hub and emerging middle power in the Indo-Pacific region.



# COLUMN REPORT

## EUROPE'S SEARCH FOR SOVEREIGNTY IN A FRAGMENTING WORLD



In the autumn of 2025, Europe faces a geopolitical reality reshaped by two powerful forces: America's assertive foreign policy under the Trump administration and the accelerating reorganization of global supply chains. These developments are testing Europe's unity and economic resilience like never before—pushing the continent to redefine its role in an increasingly polarized world.



The transatlantic relationship, once a stable pillar of the post-war order, has evolved into a cultural and political battleground. Under President Trump, the U.S. has adopted what analysts call “humiliation diplomacy,” using trade and tariffs to pressure European allies. A symbolic moment came during this year’s U.S.–EU trade talks, when European Commission President Ursula von der Leyen conceded to unfavorable terms under the threat of sweeping tariffs. A photo of her beside a triumphant Trump came to represent, for many Europeans, the erosion of their political sovereignty.

Beyond trade, the U.S. has amplified its influence by supporting far-right movements in Europe and openly challenging European values. These actions have deepened divisions within the Western alliance—shifting disagreements from policy to questions of identity and dignity.

At the same time, the structure of the global economy is undergoing its most profound shift in decades. Supply chains, once optimized for cost and efficiency, are now being redesigned according to geopolitical strategy. American tariffs on Chinese goods and intermediate imports from Southeast Asia have forced multinational companies to reorganize production networks—a shift that directly affects European industry.

European firms now find themselves caught between U.S. protectionism and China's state-driven industrial policy. Choosing sides in this divided global economy comes at a real cost: the IMF estimates that a full-scale breakdown of global trade could reduce worldwide GDP by 2.5% to 7%, with Europe's export-dependent economies among the most vulnerable.



Complicating matters further is the recent election of Sanae Takaichi as Japan's first female prime minister. Her conservative stance and calls for a stronger Japanese defense align closely with U.S. strategy in the Indo-Pacific. While she has acknowledged the importance of Japan's economic ties with China, her leadership signals a Tokyo more closely aligned with Washington—a shift that could narrow Europe's diplomatic room for maneuver.

In response to these layered challenges, Europe is crafting a strategy that seeks neither confrontation nor full alignment with Washington or Beijing. Instead, it is pursuing what might be called “sovereign interoperability”—maintaining functional ties with multiple powers while avoiding overreliance on any one partner.

Initiatives like the “Re-arm Europe” plan aim to strengthen the continent's defense industrial base. The Critical Raw Materials Act and Net-Zero Industry Act seek to reduce strategic dependencies in key sectors. Through regulations like the Digital Services Act, the EU is also asserting its power to set global standards rather than adopt those designed abroad.

Still, Europe's quest for strategic autonomy faces serious obstacles. Internal political divisions, stoked by outside support for populist movements, threaten coherent action. The massive investments needed for true sovereignty test the limits of European public budgets. And the pace of geopolitical change keeps accelerating, with new crises emerging before old ones are resolved.

Yet this recalibration itself marks a historic shift. After decades under an American-led framework, Europe is gradually building the institutions, policies, and mindset needed for greater independence. As French President Emmanuel Macron has argued, the goal is not isolation but “sovereign Europeanization”—the ability to make decisions based on European interests, not external pressure.



## ASEAN Expands—and Steps into the Spotlight

While Europe grapples with sovereignty and strategy, another significant realignment is unfolding in Southeast Asia. This week, East Timor officially became the 11th member of the Association of Southeast Asian Nations

(ASEAN), a milestone Prime Minister Xanana Gusmão hailed as a “dream realized.”

The small nation, also known as Timor-Leste, was welcomed with applause at the ASEAN summit in Kuala Lumpur—a moment rich with symbolism for a country that suffered a long and violent struggle for independence.



“This is not the end of a journey. This is the beginning of an inspiring new chapter,” Gusmão said emotionally.

With a population of 1.4 million, East Timor is one of Asia's poorest nations. Its economy, valued at around \$2 billion, is a tiny fraction of ASEAN's collective \$3.8 trillion GDP. More than 40% of its people live below the poverty line, and nearly two-thirds are under 30. Its government relies heavily on oil and gas revenues, but with reserves declining, it urgently needs to diversify.

ASEAN membership offers access to regional free trade agreements, broader markets, and new investment—a potential lifeline for its fragile economy. Yet the timing of this expansion is significant. The same ASEAN summit also drew global attention as U.S. President Donald Trump made his first trip to Asia since beginning his second term. He joined other world leaders—including South Korean President Lee Jae-myung, Chinese Premier Li Qiang, and Japanese Prime Minister Sanae Takaichi—in a display of diplomatic engagement.

Trump mediated a ceasefire signing between Thailand and Cambodia, two ASEAN members that clashed earlier this year over a border dispute. He also met with Brazilian President Luiz Inácio Lula da Silva, whose country faces 50% U.S. tariffs—a reminder of how trade leverage shapes diplomatic relations. Amid U.S. protectionism, ASEAN is seeking to strengthen ties with other major economies. On October 27, the Regional Comprehensive Economic Partnership (RCEP)—the world's largest free trade agreement—held its first-ever leaders' meeting. The bloc aims to use the pact, which includes China, Japan, South Korea, Australia, and New Zealand, to counterbalance American unilateralism.

## A World in Realignment

From Europe to Southeast Asia, nations are recalibrating their strategies in response to a world where old alliances are shifting and economic security is increasingly tied to geopolitical choices. Europe's pursuit of sovereignty, ASEAN's cautious expansion, and the U.S.'s transactional diplomacy are all parts of the same story: a global order in flux. What remains unclear is whether this realignment will lead to greater fragmentation or inspire new forms of cooperation.

## The Real China Model - Beijing's Enduring Formula for Wealth and Power - Summary Edition

(Dan Wang and Arthur Kroeber)

China's technological rise represents one of the most significant geopolitical developments of our time. While often attributed to massive state subsidies, the true foundation of China's success lies in what might be called its "deep infrastructure" - the underlying systems that enable sustained innovation and production at scale.

The "Made in China 2025" initiative, launched a decade ago, marked Beijing's ambitious plan to achieve leadership in future industries. While this involved substantial financial support - estimated at 1-2% of GDP annually - the program's real success stems from broader infrastructural investments. China has built the world's most extensive digital and energy networks, creating an ecosystem where technology can develop and scale with remarkable speed.

Three pillars support China's technological model. First, its digital infrastructure connects virtually the entire population while maintaining state control, enabling both surveillance and technological development. Second, China has created the world's most advanced electrical grid, generating more power than the US and EU combined and positioning the country to become the first major economy powered primarily by electricity. Third, and most crucially, China has developed a 70-million-strong industrial workforce with unparalleled "process knowledge" - the hands-on expertise needed to manufacture efficiently at massive scale.

This infrastructure has yielded dramatic results. Chinese companies now dominate electric vehicles, clean technology, drones, and industrial automation.



When Xiaomi broke electric vehicle speed records at Germany's famous Nürburgring track just one year after producing its first car, it demonstrated how Chinese firms can leverage this ecosystem to achieve rapid technological advancement.

However, China's model faces significant challenges. Subsidies have led to waste, corruption, and overcrowded sectors where multiple competitors struggle for minimal profits. State support for inefficient enterprises suppresses innovation, while overregulation hampers service sector growth. These factors contribute to slower economic growth, deflationary pressures, and reliance on ever-increasing trade surpluses.

The US response has primarily focused on export controls and tariffs, with limited success. While these measures have created obstacles, Chinese companies have demonstrated remarkable resilience. Huawei recovered from sanctions to reach pre-restriction revenue levels, while Chinese AI firms like DeepSeek have achieved breakthroughs despite limited access to advanced chips.

The fundamental limitation of the US approach is its failure to address America's own infrastructural deficiencies. Unlike China's comprehensive ecosystem development, US industrial policy remains fragmented and subject to political shifts. Critical systems - from EV charging networks to electrical transmission - remain underdeveloped, while regulatory barriers and shifting immigration policies hamper innovation.

Ultimately, China's technological strength has become a permanent feature of the global landscape. Its success stems not merely from subsidies but from decades of strategic investment in physical and human infrastructure. For the US to compete effectively, it must move beyond containment strategies and focus on rebuilding its own industrial ecosystems - developing reliable energy systems, streamlining regulations, maintaining stable immigration policies, and making patient long-term investments. The competition will be decided not by who slows the other down, but by who builds the more robust foundation for future innovation.



## Rare earth: politics, promise and peril

As China tightens its export grip, Pakistan's mineral wealth is back in global focus. This puts to test Pakistan's promise, politics and the peril to test; and its ability for turning potential into policy, and geology into growth?



Farhat Ali

*Pakistan's long-buried mineral wealth is once again in the headlines. The country's rare earth potential — lithium, copper, cobalt, and other strategic minerals — has suddenly become geopolitically significant as global supply chains shift and China clamps down on technology exports.*



For decades, Pakistan's minerals were more a subject of geological reports than of global commerce. Now, with its first commercial shipments of

enriched minerals to a US firm and a \$500 million strategic agreement signed this year, Pakistan has formally stepped into the critical-minerals arena.

Pakistan's mineral geography is indeed promising. Rich deposits are scattered across Balochistan, Khyber Pakhtunkhwa, and Gilgit-Baltistan. Many of these contain rare earth elements (REEs) vital for electric vehicles, wind turbines, semiconductors, and defense systems — resources at the heart of the 21st-century technological race. The Reko Diq and Saindak copper-gold projects have already proved that Pakistan sits atop one of the most mineral-endowed belts in the world. The next frontier is the extraction and processing of REEs — a much more complex business.

Globally, the rare earth sector is no longer just about mining; it's about technology, processing, and geopolitics. Today, China dominates more than 80 percent of global refining capacity.

That stranglehold has prompted the United States, Japan, South Korea, and the EU to diversify supply chains, seeking alternative sources — and Pakistan fits naturally into that new strategic calculus.

Beijing's decision to tighten exports of REE refining technology and specific materials has sent shockwaves through global markets. What began as quiet regulatory control has evolved into a strategic policy tool. For Pakistan, this presents both opportunity and challenge. On the one hand, China's restrictions make new suppliers like Pakistan more valuable. On the other, the curbs deprive Islamabad of affordable Chinese processing technology — the most accessible route to value addition.

This means that Pakistan will now need to court Western and East Asian partners who possess the know-how but demand transparent governance, legal protection, and stable contracts. It's an opening — but one that will test Pakistan's institutional credibility.

**The next challenge is: “From discovery to dollars: the time reality.”**

The biggest misconception about mineral wealth is the speed of monetization. Globally, the journey from exploration to full production can take anywhere between seven and twenty years. Mines require roads, power, water, and ports — and rare earths require sophisticated separation plants. Even optimistic projections suggest that Pakistan could see notable revenue within five to ten years, assuming sustained investment, policy consistency, good governance, political consensus and stability and above all security of men and material. These are all demanding and challenging musts.

Early pilot exports and sampling shipments, like those recently announced, are encouraging but symbolic. Meaningful earnings as foreseen — in hundreds of millions annually — will only come once processing and export infrastructure matures. For now, Pakistan's mineral wealth is still more potential than profit. If handled well, the payoff could be transformative. Rare earth development can diversify Pakistan's narrow export base, boost foreign exchange, and generate high-tech jobs. The Reko Diq model already projects tens of billions in long-term revenue from copper and gold; similar structured investment in REEs could add another high-value stream.

Crucially, Pakistan must avoid the trap of exporting raw ore. Countries that move up the value chain — from extraction to refining to component manufacturing — capture far more jobs, taxes, and industrial capability. For Islamabad, that means establishing joint ventures for refining and magnet production, training local metallurgists, and ensuring domestic technology transfer.

**But the path is steep. Several deterrents, dangers and risks loom large:**

With China out of the equation on this subject, Pakistan will be required to build partnerships with Western and regional players, who will insist on transparent contracts and legal predictability.

Developing REE projects requires billions in long-term investment. That won't flow without credible dispute resolution mechanism, security assurances, political consensus and stability.

Complex permitting, overlapping jurisdictions, and political volatility can delay or derail mining timelines. Many deposits lie in sensitive regions. Without community benefits and environmental safeguards, local resistance could block progress.

The “environmental concerns” are for real. Rare earth processing can be toxic if poorly managed. Pakistan must set modern environmental standards or risk international backlash and domestic opposition.

Then there are technology and business challenges. REE prices are linked to global tech cycles. A downturn in EV or semiconductor demand can quickly erode profits.

The next few years in this business, which promises trillion of dollars, are crucial. Islamabad needs to act on three fronts. The foremost is the “institutional clarity”. This needs a single-window mineral authority, which should handle exploration licensing, environmental oversight, and export permits, reducing red tape.

The second is the value-addition, which offers incentives for refining and processing within Pakistan — tied to strict environmental compliance and local employment.

The third is the technology partnerships and strategic alliances with global buyers from the US, Australia, Japan, and South Korea, all of whom are actively seeking the REEs.

Pakistan's mineral wealth could also be tied into larger economic corridors. Integrating mineral transport and processing with the China–Pakistan Economic Corridor (CPEC) and new US-backed investment frameworks could help balance competing influences and maximize returns.

Rare earths are the oil of the clean-energy era — but only for nations that can extract and refine them efficiently and responsibly. For Pakistan, the opportunity is immense but perishable. Global demand will peak over the next two decades as the energy transition accelerates and new suppliers emerge. If Islamabad can establish itself now as a credible player, it could gain billions in exports, strengthen its currency, and climb the industrial value chain.

If not, Pakistan risks watching yet another resource boom pass it by — the minerals dug, the profits gone, and the promise unfulfilled.

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