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Cambodia

Ly Nory, Bon Sonavin, Chun Monyneath,
and Srey Ratanakmonyneath

Introduction

This second quarterly update for April–June 2025 provides a comprehensive overview of Cambodia’s evolving domestic, socio-economic, and foreign affairs landscape. Domestically, the report examines significant legal and political developments, including the seizure and sentencing of labor activist Rong Chhun and renewed border clashes with Thailand in Preah Vihear Province. It also highlights the National Assembly and Senate’s historic joint session, during which legislators unanimously voted to refer disputed temple areas to the International Court of Justice (ICJ) and agreed to military adjustments to de-escalate tensions.

On the socio-economic front, the update analyzes Cambodia’s growth trajectory amid competing forecasts from the Asian Development Bank (ADB) and AMRO, charts the impressive recovery of the tourism sector, and details the diplomatic and negotiating efforts surrounding new U.S. reciprocal tariffs and Cambodia’s pursuit of restored trade preferences.

In foreign affairs, the report reviews Cambodia’s proactive diplomacy, ranging from the April “ironclad friendship” visit by President Xi Jinping to bilateral summits with Thailand and Malaysia, and Cambodia’s contributions at the 46th ASEAN Summit. Together, these sections paint a detailed picture of Cambodia’s strategic balancing act between safeguarding national sovereignty, fostering economic resilience, and strengthening regional integration in a shifting global order.

Domestic Politics

Seizure of Rong Chhun’s assets

In April 2025, the Phnom Penh Municipal Court ordered a seizure of Rong Chhun's, a labor activist and senior advisor of the National Power Party, assets, including his

home in Phnom Penh.¹ This was followed in February by the court ordering him to pay damages of \$100,000 for his earlier 2021 conviction over the Cambodia-Vietnam border incitement. In March, he requested an installment payment, but the court rejected and demanded the full payment. In mid-April, the court also rejected his appeal to clear his incitement record and restore his political rights due to his unpaid compensation. On April 24, 2025, the court seized his house in order to enforce the unpaid fine.² He was found guilty of a new incitement from his support for villages who lost land over the new airport project and was sentenced to four years in prison. He was also stripped of his citizenship rights to vote and stand for election. In 2021, he was arrested and sentenced to two years for incitement to commit a felony or cause social unrest after his comment that the demarcation of the border between Cambodia-Vietnam has stripped several farmers of their land.³

The Cambodia-Thailand border clash

On May 28, 2025, a Cambodian soldier was killed during the border clash between Cambodia and Thailand in Preah Vihear Province. The Cambodian Ministry of Defense said that the incident happened after Thai troops launched an initial attack on the area that Cambodia has been occupied. The Royal Thai Army claimed that the Cambodian soldiers were the first to exchange fire, in which Thai soldiers shot back in response. On May 29, after negotiation, both parties agreed on a ceasefire. However, the clash remains difficult to solve since both Cambodia and Thailand did not want to withdraw from the conflicting area. Cambodia has resolutely committed to stationing their soldiers on the border and defend their territory integrity at all cost.⁴

¹ Khoun Narum, "Labor, Political Activist Rong Chhun's Home to Be Seized Over Incitement Fine," *CamboJA News*, <https://cambojanews.com/labor-political-activist-rong-chhuns-home-to-be-seized-over-incitement-fine/>

² Sovann Sreypich, "Rong Chhun Asks Court to Allow Him to Pay \$100K Compensation in Installment," *CamboJA News*, <https://cambojanews.com/rong-chhun-asks-court-to-allow-him-to-pay-100k-compensation-in-installment/>

³ Sebastian Strangio, "Cambodian Court Sentences Prominent Labor Activist to 4 Years in Prison," *The Diplomat*, May 6, 2025, [https://thediplomat.com/2025/05/cambodian-court-sentences-prominent-labor-activist-to-4-years-in-prison/?](https://thediplomat.com/2025/05/cambodian-court-sentences-prominent-labor-activist-to-4-years-in-prison/)

⁴ David Hutt, "Cambodian Soldier Killed in Clash With Thai Army Along Disputed Border," *The Diplomat*, May 29, 2025, <https://thediplomat.com/2025/05/cambodian-soldier-killed-in-clash-with-thai-army-along-disputed-border/>

The official statement of the National Assembly and Senate June 2-3 meeting and the military adjustment

On June 5, 2025, the Secretariat of the National Assembly and Senate issued an official statement on the outcome of the June 2-3 meeting, the first-ever joint meeting between the National Assembly and the Senate. The discussion included three topics, such as the social protection system, the informal economy, and agriculture. However, one of the most significant topics of discussion is the recent border clash between Cambodia and Thailand. The National Assembly and the Senate vote unanimously to file the case of the border clash around the areas of Ta Moan Thom, Ta Moan Toch, and Ta Kro Bei temples and the area of the Emerald Triangle to the ICJ to address the issue despite Thailand's reluctance^[6]. On June 8, 2025, Cambodia and Thailand decided to adjust their military to appropriate areas to avoid confrontation and escalate the conflict. Both sides agreed that the military in the Emerald Triangle would meet three times a week, each side with seven unarmed people.⁵

Socio-economic Affairs

Economic trajectory

Cambodia's economy in the second quarter of 2025 navigated a complex and evolving landscape, characterized by significant external pressures and proactive domestic policy responses. According to the Asian Development Bank's (ADB) latest assessment in April on Cambodia's economic growth, the country is projected to experience gross domestic product (GDP) expanding by 6.1% in 2025.⁶ Key driven sectors include high demands for manufacturing goods, tourism recovery, and government investment in infrastructure. Export momentum remains robust, particularly in key industries such as garments, footwear, and travel goods, supported by favorable global demand.

⁵ "Cambodia and Thailand agree to de-escalate border tensions through military adjustments," Khmer Times, June 9, 2025, https://www.khmertimeskh.com/501697207/cambodia-and-thailand-agree-to-de-escalate-border-tensions-through-military-adjustments/#google_vignette

⁶ "Cambodia Economy Set to Grow, but Tariff Risks Cloud Outlook – ADB", Asian Development Bank, April 11, 2025. <https://www.adb.org/news/cambodia-economy-set-grow-tariff-risks-cloud-outlook-adb>.

However, according to the ASEAN+3 Macroeconomic Research Office (AMRO) following its Annual Consultation Visit to Cambodia from April 21 to 30, 2025, the country's economic growth is expected to slow to 4.9% in 2025, marking a significant drop from the 6.0% growth recorded in 2024. The primary reason for the slowdown is the high tariffs imposed by the United States on Cambodia, which has significantly impacted the country due to its heavy reliance on exports to the U.S. market.⁷

Tourism recovery

Despite the global challenges such as political tensions, economic fluctuation, and the lasting impact of COVID-19, Cambodia's tourism sector is bouncing back strongly. According to a June 5 report from the Ministry of Tourism, the country welcomed 2.4 million international visitors from January to April 2025—a 13.6% increase compared to the same time last year.⁸ The majority came from neighboring ASEAN countries, followed by China, South Korea, and the U.S. This surge reflects growing regional confidence and contributes significantly to Cambodia's economic rebound, especially in sectors like hospitality, transport, and services.

Cambodia-US trade relations

On April 2, President Trump announced “discounted reciprocal tariffs” on all countries, including Cambodia. A 49% tariff was imposed on imported goods from Cambodia, ranking at the highest rate of the numerous tariffs he announced.⁹ Following the event, Prime Minister Samdech Thipadei Hun Manet expressed deep concern over the potential negative impacts on Cambodia's export-driven economy, which is heavily reliant on access to U.S. markets, particularly for garments, footwear, and agricultural products.

⁷ ASEAN+3 Macroeconomic Research Office (AMRO), “Cambodia Should Navigate Rising Global Uncertainty with Multifaceted and Coordinated Policy Strategy.” AMRO, May 30, 2024. <https://amro-asia.org/cambodia-should-navigate-rising-global-uncertainty-with-multifaceted-and-coordinated-policy-strategy>.

⁸ “Tourism in Cambodia Surges 13.6% with over 2 Million Visitors in First Four Months of 2025.” The Better Cambodia, May 19, 2025. <https://thebettercambodia.com/tourism-in-cambodia-surges-13-6-with-over-2-million-visitors-in-first-four-months-of-2025/>.

⁹ Hin Pisei, “Cambodia tops list of new Trump tariffs, 49%”, The Phnom Penh Post, April 03, 2025. <https://www.phnompenhpost.com/national/cambodia-tops-list-of-new-trump-tariffs-49->

In a diplomatic response, Prime Minister Hun Manet formally requested bilateral talks with the Trump Administration, seeking to mitigate the consequences of the new tariffs and to reopen discussions on trade preferences under the Generalized System of Preferences (GSP) which Cambodia lost in previous years due to concerns over labor rights and democratic governance.¹⁰

On April 16, the two countries held their first virtual negotiation session. During the talks, both delegations underscored the importance of sustaining an open, constructive dialogue to rebuild mutual trust and confidence in trade relations.¹¹ Cambodian officials emphasized the country's recent efforts to improve labor conditions, enhance transparency, and diversify its economy, positioning these reforms as a foundation for regaining GSP status.

Two negotiation rounds were held later in May and June. Cambodia's tariff negotiation team, led by Deputy Prime Minister Sun Chanthol, is actively pursuing increased U.S. investment and stronger trade ties during ongoing discussions under the Trade and Investment Framework Agreement (TIFA).¹² The team aims to secure better market access for Cambodian exports and encourage American companies to invest in key sectors like manufacturing, agriculture, and technology. Officials highlighted Cambodia's commitment to economic reforms, improved labor conditions, and a favorable investment climate as part of efforts to build investor confidence. The talks reflect Cambodia's strategic goal of diversifying trade partners and boosting its presence in the global market.

¹⁰ Niem Chheng, "Manet, Senior Officials Ready to Depart to US for Tariff Negotiations." The Phnom Penh Post, May 27, 2025. <https://www.phnompenhpost.com/national/manet-senior-officials-ready-to-depart-to-us-for-tariff-negotiations>.

¹¹ Sao Phal Niseiy, "Cambodia, US Hold First Talks on Trump Tariffs", CambodiaNess, April 17, 2025, <https://cambodianess.com/article/cambodia-us-hold-first-talks-on-trump-tariffs>

¹² Hin Pisei, "Cambodian Tariff Negotiation Team to Pursue US Investment" The Phnom Penh Post, May 31, 2025. <https://www.phnompenhpost.com/business/cambodian-tariff-negotiation-team-pursue-us-investment>.

Deputy Prime Minister Sun Chanthol led Cambodia's delegation in the second round of tariff talks with the United States on June 4, 2025.¹³ The discussions, held under the TIFA and focused on key issues such as tariff preferences, trade facilitation, and investment cooperation. The Cambodian government emphasized the importance of continued dialogue to enhance mutual economic benefits and promote a more balanced trade relationship.

Foreign affairs

Cambodia has committed to strengthening its bilateral and multilateral relations while safeguarding its national interests through an independent and proactive foreign policy. The second quarter was marked by intensified diplomatic outreach, including strengthening partnerships with the big two, China and the U.S., amidst the uncertain shifting world order, as well as Cambodia's closer engagement in ASEAN. At the same time, the country is also facing intensified border clashes with the neighboring country and reputational risks tied to cybercrime and corruption allegations. Through bilateral talks, high-level meetings, and diplomatic negotiations, Cambodia continued to assert its relevance while balancing between its national interest and international scrutiny through a neutral stance.

The U.S. new tariff proposal and Cambodia's diplomatic response

On April 9, the U.S. proposed a 49% tariff on Cambodian exports under its new "reciprocal tariff" policy, citing Cambodia's prior imposition of a 100% tariff on U.S. goods. This move raised serious concerns, as the U.S. remains Cambodia's largest export market, accounting for nearly 38% of total exports between January 2024 and January 2025.¹⁴

¹³ "PM Sun Chanthol to Lead Second Round of Cambodia-US Tariff Talks on 4 June" Khmer Times, June 1, 2025. <https://www.khmertimeskh.com/501694927/pm-sun-chanthol-to-lead-second-round-of-cambodia-us-tariff-talks-on-4-june/>.

¹⁴ Hin Pisei, "Cambodia Tops List of New Trump Tariffs, 49%," The Phnom Penh Post, April 3, 2025, <https://www.phnompenhpost.com/national/cambodia-tops-list-of-new-trump-tariffs-49>.

Commerce Minister Cham Nimul rejected claims of unfair duties, clarifying that Cambodia adheres to WTO rules, with import taxes ranging from 0% to 35% depending on the product. Prime Minister Hun Manet also formally requested a delay in negotiations with President Trump. In parallel, Minister Nimul and Deputy Prime Minister Sun Chanthol engaged with U.S. Trade Representative Sarah Ellerman, resulting in the U.S. suspending the 49% tariff and reducing it to a 10% baseline for 90 days. As a goodwill gesture, Cambodia lowered its duties from 35% to 5% on 19 product categories to ease tensions and demonstrate cooperation.¹⁵ From May 13 to 15, Deputy Prime Minister Sun Chanthol led a delegation to Washington, D.C., for trade talks that addressed imbalances, transshipment risks, supply chain transparency, and national security concerns. Cambodia introduced stricter regulations to combat origin fraud and emphasized openness, including multilateral access to the Ream Naval Base.¹⁶ Speaking at the Future of Asia Conference, Prime Minister Hun Manet further emphasized the need for industrial recalibration to strengthen Cambodia's long-term resilience.¹⁷

Although most of the White House's tariffs are on hold following a U.S. federal court ruling that questioned the legality of Trump's sweeping import duties¹⁸, the risk of a renewed trade war still carries significant weight. Experts note that Cambodia's economic stability remains closely tied to its trade relationship with the U.S., which accounted for \$12.8 billion, nearly 38% of total exports, between January 2024 and January 2025. While this underscores strong bilateral ties, it also reflects growing dependence on a single market. A 49% tariff could disrupt key industries, especially given that 47% of Cambodia's raw materials originate from China, raising U.S. concerns over supply chain transparency.¹⁹ This ongoing uncertainty highlights the

¹⁵ Ben Sokhean, "Cambodia Prioritising Diplomacy and Trade Talks in Response to New US Tariffs," Khmer Times, May 21, 2025, <https://www.khmertimeskh.com/501686986/cambodia-prioritising-diplomacy-and-trade-talks-in-response-to-new-us-tariffs/>.

¹⁶ Nhean Chamrong, "Cambodia-US Tariff Talks, Experts Are Cautiously Optimistic," Khmer Times, May 15, 2025, <https://www.khmertimeskh.com/501684080/cambodia-us-tariff-talks-experts-are-cautiously-optimistic/>.

¹⁷ Tamayo Muto and Yuya Takahashi, "Cambodia PM Urges 'Industrial Recalibrations' under Trump Tariff Pressure," Nikkei Asia, May 30, 2025, <https://asia.nikkei.com/Spotlight/The-Future-of-Asia/The-Future-of-Asia-2025/Cambodia-PM-urges-industrial-recalibrations-under-Trump-tariff-pressure>.

¹⁸ Peter Hoskins and Yang Tian, "Trump Tariffs Get to Stay in Place for Now. What Happens Next?," BBC News, May 30, 2025, <https://www.bbc.com/news/articles/c8xqdi9kyero>.

¹⁹ Hong Raksmeay, "US 'Reciprocal' Tariffs Raise Alarm over Economic Uncertainties, Supply Chain Risks," The Phnom Penh Post, April 23, 2025, <https://www.phnompenhpost.com/business/us-reciprocal-tariffs-raise-alarm-over-economic-uncertainties-supply-chain-risks>.

need for Cambodia to navigate global trade dynamics with caution and adaptability.

President Xi Jinping's visit

President Xi Jinping's state visit to Cambodia from April 17 to 18 marked a deeper stage in the bilateral relationship. Unlike past visits that focused mainly on aid, this one highlighted a more strategic and institutional partnership.²⁰ Both countries agreed to build a "Cambodia-China Community with a Shared Future in the New Era", the closest partnership China has formed with any Southeast Asian nation.²¹ This move reflects a deepening institutional bond, with both sides reaffirming support for the One-China policy, mutual respect for sovereignty, and China's support for Cambodia's chosen development path.

The visit resulted in 37 signed agreements covering areas like infrastructure, artificial intelligence, advanced manufacturing, and human capital development. Besides these agreements, major projects were also announced, including the Funan Techo Integrated Water Resources Management Project, a 900 MW LNG power plant in Koh Kong, and expanded railway cooperation. Both nations agreed to align China's Diamond Hexagon framework with Cambodia's Pentagon Strategy, reinforcing shared development goals under the Belt and Road Initiative.

Beyond economics, the visit reaffirmed the historic roots of Cambodia-China ties, nurtured by the late King Father Norodom Sihanouk and earlier Chinese leaders. Both sides described the partnership as "the choice of history and the people," emphasizing shared values and mutual trust. Future cooperation will be guided by the Cambodia-China Intergovernmental Coordination Committee and the Action Plan for building a shared future. Cambodia also voiced strong support for President Xi's global initiatives, including the Belt and Road Initiative (BRI), Global Development Initiative (GDI), Global Security Initiative (GSI), and Global Civilization Initiative (GCI), with both

²⁰ Chhay Lim, "With Xi Jinping Visit, Cambodia Doubles down on China Ties," The Diplomat, accessed July 2025, <https://thediplomat.com/2025/04/with-xi-jinping-visit-cambodia-doubles-down-on-china-ties/>.

²¹ Kin Phea, "Xi Jinping's Visit to Cambodia Elevates China-Cambodia Ties and Win-Win Cooperation," Khmer Times, February 12, 2024, <https://www.khmertimeskh.com/501674485/xi-jinpings-visit-to-cambodia-elevates-china-cambodia-ties-and-win-win-cooperation/>.

countries agreeing to promote these agendas through bilateral and multilateral platforms focused on people-centered development, shared security, and cultural exchange. Security cooperation was expanded under a new “2+2” dialogue mechanism between foreign and defense ministries, covering cybercrime, cross-border crime, and military exchanges.²²

Amid rising U.S. tariffs and shifting global dynamics, the visit highlighted China as a steady and strategic partner in Cambodia’s future. While maintaining its neutral stance, Cambodia’s alignment with Chinese development initiatives reinforces a path toward resilience, stronger people-to-people ties, and sustainable growth.

Cambodia-Thailand bilateral relations

From 23 to 24 April 2025, Thai Prime Minister Paetongtarn Shinawatra paid her first official visit to Cambodia, marking the 75th anniversary of bilateral relations . The visit focused on deepening political, economic, and security ties across multiple sectors, signaling renewed momentum in bilateral diplomacy under both new administrations.

Key outcomes included a Joint Action Plan to guide cooperation. A Memorandum of Understanding on transboundary haze pollution formalized joint environmental monitoring efforts. At the same time, a separate labor agreement addressed legal migration and human capital development, supported by plans for a Cambodia-Thailand Skills Development Institute. Economic integration was also emphasized, with both sides reaffirming a bilateral trade target of USD 15 billion by 2027, expanding cross-border infrastructure, and advancing rail-freight connectivity to ease travel burdens and logistics costs. Additionally, the reaffirmation of the **“Two Countries, One Destination”** tourism initiative, alongside interest in expanding it into a **“Six Countries”** format, further signals a shared vision for deeper ASEAN-wide integration.

²² Royal Government of Cambodia, “Joint Statement between The Kingdom of Cambodia and The People's Republic of China on Building an All-weather Cambodia-China Community with a Shared Future in the New Era and Implementing the Global Development Initiative, the Global Security Initiative and the Global Civilization Initiative,” press release, April 18, 2025, Ministry of Foreign Affairs and International Cooperation, <https://www.mfaic.gov.kh/posts/2025-04-18-Press-Release-Joint-Statement-between-The-Kingdom-of-Cambodia-and-The-People-s-Republic-of-China-on-Building-an-AI-19-59-27>.

On the security front, both leaders committed to strengthening law enforcement coordination along the shared border, particularly in combating the rising number of cyber scams. Although not mentioned in the official summit report, it is worth noting that a month prior, Thailand had proposed studying the construction of a border wall as part of its efforts to combat cross-border online scam operations.²³ While the meeting's agreement did not reference this proposal directly, it may reflect broader regional concerns over transnational cybercrime.

The bilateral meeting brought Cambodia and Thailand closer as they celebrated the 75th anniversary of their diplomatic ties. Together, they signed seven documents to deepen cooperation across multiple sectors:

1. Memorandum of Understanding between the Ministry of Environment of the Kingdom of Cambodia and the Ministry of Natural Resources and Environment of the Kingdom of Thailand on Transboundary Environmental Pollution Cooperation.

2. Memorandum of Understanding between the Government of the Kingdom of Cambodia and the Government of the Kingdom of Thailand on Labour Cooperation.

3. Agreement on the Employment of Workers between the Government of the Kingdom of Cambodia and the Government of the Kingdom of Thailand.

4. Agreement between the Government of the Kingdom of Cambodia and the Government of the Kingdom of Thailand on the Management, Maintenance, and Usage of the Cambodia-Thailand Friendship Bridge (Stung Bot -Ban Nong lan)

5. Agreement between the Government of the Kingdom of Cambodia and the Government of the Kingdom of Thailand on the Construction of the New Border

²³ Bangkok Post and Reuters, "Thailand Mulls Wall on Cambodia Border as Scam Centre Crackdown Widens," Bangkok Post, March 3, 2025, <https://www.bangkokpost.com/thailand/general/2971870/thailand-mulls-wall-on-cambodia-border-as-scam-centre-crackdown-widens>.

Bridge at Prum-Ban Pak Kard.

6. Record of Discussion between the Ministry of Public Works and Transport of the Kingdom of Cambodia and the Neighboring Countries Economic Development Cooperation Agency (Public Organization) of the Kingdom of Thailand for the Technical Assistance on the Detailed Design for the Improvement of the National Road NO.57 (Section of Battambang-Prom International Border Checkpoint) Project.

7. Exchange Note of Project on Strengthening the Capacity of the Cambodian-Thai Skills Development Institute.²⁴

Despite prior speculation and domestic pressure in Thailand regarding a proposed 50:50 profit-sharing model in overlapping claims,²⁵ the visit notably did not publicly address sensitive issues on Koh Kut and maritime boundary disputes, suggesting a preference to handle these through technical or diplomatic channels, thereby prioritizing continued cooperation. Overall, the visit reflects a pragmatic and forward-looking phase in Cambodia-Thailand relations, grounded in institutional cooperation, economic interdependence, and regional connectivity.

Cambodia's engagement in the ASEAN summit

On May 26-27, Prime Minister Samdech Thipadei Hun Manet led Cambodian delegation to the 46th ASEAN summit in Kuala Lumpur, Malaysia. The summit discussed various pressing regional issues, including the ongoing crisis in Myanmar, and emphasized efforts in fostering growth in the 4 pillars. As the meeting was held under the theme “our shared future”, ASEAN sought to further grow together as ASEAN in a resilient, dynamic way, while fostering a people-centered approach.²⁶

²⁴ Royal Government of Cambodia, “Cambodia and Thailand Pledged to Further Advance the Strategic Partnership,” press release, April 24, 2025, Ministry of Foreign Affairs and International Cooperation, <https://www.mfaic.gov.kh/posts/2025-04-24-Press-Release-Cambodia-and-Thailand-Pledged-to-Further-Advance-the-Strategic-Partnership-20-19-13>.

²⁵ Poramet Tangsathaporn, “Warnings as PM Visits Cambodia,” Bangkok Post, April 21, 2025, <https://www.bangkokpost.com/thailand/general/3007239/warnings-as-pm-visits-cambodia>.

²⁶ Seoung Nimol, “ASEAN Summit 2025: Vision for Unity and Prosperity Clouded by Security and Political Challenges,” CamboJA News, May 27, 2025, <https://cambojanews.com/asean-summit-2025-vision-for-unity-and-prosperity-clouded-by-security-and-political-challenges/>

Cambodia and other leaders continued to support this ASEAN's vision by adopting the Kuala Lumpur Declaration ASEAN 2045.²⁷ Malaysian PM Anwar Ibrahim emphasized the declaration as a shared commitment to unity, equitable prosperity, and deeper integration. The documents include agreements on strengthening the 4 key pillars: political-security, economic, socio-cultural, and connectivity.

Cambodian Foreign Minister Prak Sokhon further supports Malaysia's chair's adaptation of the 5-point consensus in dealing with the Myanmar Crisis and raising the issues of transnational crime. He praised the chair's special envoy for easing the flow of humanitarian aid and called out the possibility of opening the door to long-term reconciliation. Along the line, he also raised the urgency of addressing the rise of transnational crime, calling for a more comprehensive framework and a sufficient tackling mechanism.²⁸

On the sidelines of the summit, Cambodian Prime Minister Hun Manet held bilateral talks with Malaysian Prime Minister Anwar Ibrahim. The discussions reaffirmed commitments to strengthening cooperation in priority areas such as energy and the halal industry.²⁹ He also met with Philippine President Ferdinand Marcos Jr. to advance cooperation in defense, technology, and trade. Both also planned to adopt these discussions into actions, further strengthening and expanding cooperation.³⁰

The ASEAN Vision 2045 aligns closely with Cambodia's national ambition to achieve stronger domestic growth and deeper regional integration. As Prime Minister Hun Manet emphasized at the Cambodia-ASEAN Business Summit in March 2025, *"We, as ASEAN, grow stronger as we work together as a nation and as a region; this unity continues to shield us from global uncertainty and guides us toward our full economic*

²⁷ The ASEAN Secretariat. *ASEAN 2045: Our Shared Future*. Jakarta: ASEAN Secretariat, May 2025. <https://asean.org/wp-content/uploads/2025/05/ASEAN-2045-Our-Shared-Future.pdf>.

²⁸ Seoung Nimol, "ASEAN Summit 2025: Vision for Unity and Prosperity Clouded by Security and Political Challenges," *CamboJA News*, May 27, 2025, <https://cambojanews.com/asean-summit-2025-vision-for-unity-and-prosperity-clouded-by-security-and-political-challenges/>

²⁹ Molikasin. "Cambodia, Malaysia to Continue Fostering Cooperation in Key Areas." *Cambodian People's Party*, May 27, 2025. <https://www.cpp.org.kh/en/details/417646>.

³⁰ Molikasin. "Cambodia, Philippines Vow to Bolster Bilateral Cooperation." *Cambodian People's Party*, May 27, 2025. <https://www.cpp.org.kh/en/details/417814>.

potential and shared prosperity.³¹ This message reflects the core priorities of Cambodia's Pentagon Strategy Phase I, which emphasizes regional economic development and inclusive growth.³² By reinforcing these shared goals, the ASEAN Vision and related agreements are expected to further enhance Cambodia's access to trade opportunities, attract greater investment, and accelerate human capital development.

Cambodia-Thailand border clashes and responses

On the 28th of May, another clash happened between Thai and Cambodian militias at the border between Cambodia's Preah Vihear province and Thailand's Ubon Ratchathani province. A Cambodian soldier was seen dead in a trench, allegedly attacked by a Thai soldier, the Cambodian Royal Army spokesperson said. The CRA spokesperson informed that besides one casualty, there are more injuries, though the number has yet to be confirmed lasted approximately 10 minutes and intensified until a deadly point, prompting the Cambodian side to request a ceasefire to avoid further escalation^[OB].

These clashes triggered strong nationalist reactions in both countries, including protests at the Cambodian embassy in Thailand.³³ However, both governments urged restraint. Cambodian Prime Minister Hun Manet emphasized a commitment to peace and diplomatic solutions, while Thai Prime Minister Paetongtarn Shinawatra reassured the public that no Thai territory would be ceded, calling for unity and patience ahead of negotiations.³⁴ Ultimately, both leaders agreed to entrust the Cambodia-Thailand Joint Border Committee (JBC) with resolving the issue, following Cambodia's demand

³¹ Sok Sereyath, "Cambodia-ASEAN Business Summit 2025 Kicks Off with Some 500 Participants," Cambridge Daily Post (Cambodia), March 6, 2025. <https://www.cpp.org.kh/en/details/405491>.

³² The Royal Government of Cambodia, *Pentagonal Strategy—Phase I: Growth, Employment, Equity, Efficiency and Sustainability: Building the Foundation Towards Realizing the Cambodia Vision 2050* (Phnom Penh: Royal Government of Cambodia, August 2023), 38–40, <https://mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf>. <https://mfaic.gov.kh/files/uploads/1XK1LW4MCTK9/EN%20PENTAGONAL%20STRATEGY%20-%20PHASE%20I.pdf>.

³³ "Thai Reform Network Protests at Cambodian Embassy over Sovereignty Dispute," The Nation Thailand, June 6, 2025, <https://www.nationthailand.com/news/general/40050890>.

³⁴ "PM Assigns Foreign Ministry to Lead on Border Dispute Communication," The Nation Thailand, June 4, 2025, <https://www.nationthailand.com/news/asean/40050813>.

for a thorough investigation into the incident described as an “unprovoked attack.”³⁵ At the conclusion of JBC meeting, Cambodia and Thailand agreed upon four main agenda. First, review and approve the minutes of the 4th meeting of the Cambodia-Thailand-Cambodia Joint Technical Sub-Committee (JTSC) dated 14 July 2024 in Siem Reap, Kingdom of Cambodia. Second, review and discuss the revision of the 2003 TOR regarding the production of orthophoto maps (Step 2 in point 4 of the TOR). Third, discuss and approve the dispatch of a joint survey team to survey and demarcate the border on the actual ground between the exact locations of the agreed border posts (the waterline and the straight line). Fourth, discuss the guidelines for measurement in Sector 6 (Item IX of the 4th and Special Meetings of the JBC 2009). While further measures have been taken by both sides to protect their national sovereignty and territorial integrity.

The Royal Government of Cambodia (RGC) condemned the clashes as serious violations of sovereignty. The RGC later released an official statement, bringing the four areas: Ta Moan Thom Temple, Ta Moan Tauch Temple, Ta Krabei Temple, and the Mom Bei area, to the ICJ to solve this issue once and for all, citing limitations in existing bilateral mechanisms. The statements further emphasized that Cambodia will not include these four sensitive areas in the upcoming JBC meeting agenda on the 14th of June in Phnom Penh, although it agreed to continue engaging in bilateral negotiations.³⁶ Senate President Hun Sen also criticized Thailand for not upholding to the existing MoU 2000. He stated that Cambodia will appeal to the United Nations Security Council (UNSC) if fighting erupts again and warned that the situation could become similar to Gaza, where ongoing conflicts persist.³⁷

Meanwhile, Thailand maintains its commitment to bilateral mechanisms, with Defense Minister Phumtham Wechayachai calling ICJ involvement unnecessary and

³⁵ Ministry of Foreign Affairs and International Cooperation of the Kingdom of Cambodia. "The Letter from the Ministry of Foreign Affairs and International Cooperation of the Kingdom of Cambodia Presents Its Compliments to the Royal Thai Embassy in Phnom Penh..." *Office of the Council of Ministers*, June 2, 2025. <https://pressocm.gov.kh/en/archives/110905>.

³⁶ Ministry of Foreign Affairs and International Cooperation of Cambodia, "Statement by the Royal Government of Cambodia," June 5, 2025, <https://www.mfaic.gov.kh/posts/2025-06-05-Press-Release-Statement-by-the-Royal-Government-of-Cambodia-11-54-41Press-Release>.

³⁷ Niem Chheng, "Hun Sen Warns: Without ICJ, Border Could Become 'Like Gaza'," *The Phnom Penh Post*, June 2, 2025, <https://www.phnompenhpost.com/national/hun-sen-warns-without-icj-border-could-become-like-gaza>.

emphasizing Thailand does not recognize ICJ compulsory jurisdiction.³⁸ Later, Thailand requested that Cambodia withdraw troops from the Mom Bei area at the June 5 meeting, but Cambodia firmly rejected the request, citing sovereignty over the territory. On the 7th of June, several checkpoints, including the Poipet and Stung Bot gates, were closed early without prior notice, following the Royal Thai Army's issuance of Order No. 806/2568 to enforce stricter control over all border checkpoints. The new measure limits access to certain gates to just three days a week, with restricted operating hours.³⁹ Additionally, Thailand has reinforced its military presence along the border and instructed provincial authorities to prepare evacuation plans in the event of further clashes.⁴⁰

Historically, Cambodia and Thailand previously brought the Preah Vihear Temple case to the International Court of Justice (ICJ), where Cambodia prevailed. However, Thailand did not fully recognize the ICJ's jurisdiction and instead agreed to a Memorandum of Understanding (MoU) to manage border issues. A key source of ongoing tension lies in the use of different maps: Cambodia relies on the 1907 French-drawn map, while Thailand bases its claims on the 1904 watershed principle, leading to repeated clashes.⁴¹ Despite this, Cambodia has emphasized its commitment to peaceful negotiations over military confrontation, as reflected in the pursued of a legal resolution through ICJ and continued diplomatic dialogue.

Conclusion

The second quarter of 2025 underscores Cambodia's multifaceted challenges and adaptive strategies. Internally, the government's legal actions against dissenting

³⁸ Mongkol Bangprapa, "Thailand Rejects the International Court of Justice's Jurisdiction," Bangkok Post, June 5, 2025, <https://www.bangkokpost.com/thailand/politics/3042720/thailand-rejects-the-international-court-of-justices-jurisdiction>.

Niem Chheng, "Cambodia Rejects Thai Request for Withdrawal of Border Forces," The Phnom Penh Post, June 6, 2025, <https://www.phnompenhpost.com/national/cambodia-rejects-thai-request-for-withdrawal-of-border-forces>.

³⁹ "Thailand Reduces Opening Days for Major Border Crossings with Cambodia," Khmer Times, June 8, 2025, <https://www.khmertimeskh.com/501696672/thailand-reduces-opening-days-for-major-border-crossings-with-cambodia/>.

⁴⁰ "Governors of Seven Border Provinces Ordered to Prepare Evacuation Plans," The Nation Thailand, June 4, 2025, <https://www.nationthailand.com/news/asean/40050821>.

⁴¹ Ayadoure S. Stalin, "Thai-Cambodia Border Conflict and Colonial Legacies," Modern Diplomacy, June 8, 2025, <https://moderndiplomacy.eu/2025/06/08/thai-cambodia-border-conflict-and-colonial-legacies/>.

figures and its recourse to international adjudication for border disputes reflect a dual emphasis on maintaining order and pursuing lawful resolutions. Economically, despite headwinds from U.S. tariffs and a slight moderation in growth forecasts, Cambodia's 6.1% projected GDP expansion and robust tourism rebound illustrate underlying resilience and the critical importance of diversifying export markets.

On the diplomatic stage, Cambodia has committed to leverage our engagements with diverse partners , to secure infrastructure investments and reinforce its regional standing. At the same time, ongoing border tensions with Thailand and the risk of renewed trade friction with the U.S. highlight the persistent need for vigilant diplomacy and proactive risk management. Moving into the latter half of 2025, Cambodia's ability to harmonize domestic stability, economic diversification, and balanced foreign relations will be pivotal in sustaining its growth trajectory and preserving its strategic autonomy.

Indonesia

Sum Pich Kanika and Lors Visal

Introduction

This second quarterly update of 2025 highlights trending developments in Indonesia across three key areas: domestic affairs, socio-economic affairs, and foreign relations. In domestic affairs, major political developments include the proposed revision of Indonesia's military law, growing public concern over the government's rewriting of national history textbooks, rising calls for the removal of the vice president, and increasing investment in military armament. In socio-economic terms, to address slow economic growth, Indonesia is launching a \$1.5 billion stimulus package. In June, the government-initiated steps to build a national electric vehicle (EV) ecosystem and aims to finalize the EU-Indonesia free trade agreement by 2026. While in foreign affairs, Indonesia has agreed to enhance maritime security cooperation with China in the South China Sea. It also announced a strategic partnership with Thailand and is actively discussing expanded trade with China in response to the US tariffs.

Domestic affairs

Revision of Indonesia's military law potentially weakens Indonesia's soft power

The Indonesian government has faced several waves of mass protests since the inauguration of the new administration in October 2024. These began following the implementation of the key policies, such as the Free Nutritious Meal (MBG) program, which led to budget allocations affecting the education, social welfare, and health sectors. The Nutritious Meals Program or Makan Bergizi Gratis (MBG) is set to be served to Children in schools across Indonesia's archipelago, playing a vital role in human development and well-being. It reflects the government's political will as well as a strong commitment to address the problem of malnutrition and promote healthy eating, particularly among underserved communities. The program was launched on 6th January 2025, which aims to provide free nutritional meals to millions of Indonesian

children.¹ Even though this program has received strong support from rural and underserved communities, it has sparked several protests from various groups because the protestors believe that the program causes budget cuts in education, social welfare, and health sectors. Hence, the enactment of the Indonesian Military Law (TNI Law) on March 20, 2025, further fuels the public anger.² According to the Minister of Defense, the move is intended to adapt to geopolitical changes and advance in military technology, ensuring that Indonesia to prepare for both conventional and non-conventional threats. The law has become a controversial topic due to the perceived return to the dual function of the military in civilian affairs, reminiscent of the New Order Era under Suharto from 1966 to 1998.³ Under Suharto, Indonesia was highly centralized and military military-backed authoritarian rule. The new law in which Indonesia's parliament ratified, has raised concerns about increasing suppression of press freedom and freedom of expression. Such a situation could further erode public trust and international perception, ultimately weakening Indonesia's soft power.

Indonesia's fear of its dark past may be rewritten with the government's new history books

The Indonesian government's plan to release a new set of historical books has sparked concerns among historians. Many fear that some of the country's darkest periods may be written to portray President Prabowo Subianto and the late authoritarian ruler Suharto in a favorable light. The project, overseen by the Ministry of Culture, led by Fedi Zon, involves commissioning a 10-volume historical series, expected to be completed by August 2025. The books will cover Indonesia's history up to the present day. However, civil society groups have warned that the books could omit some significant actions, particularly human rights abuses linked to Suharto and

¹ "Press Release: Nutritious Meals Program to Reach Schools Today in Indonesia | School Meals Coalition." 2025. Schoolmealscoalition.org. January 6, 2025. <https://schoolmealscoalition.org/stories/press-release-nutritious-meals-program-reach-schools-today-indonesia>.

² Ahmad, Fairiza J. 2025. "Revision of Indonesia's Military Law Potentially Weakens Indonesia's Soft Power." Modern Diplomacy. April 17, 2025. <https://modern diplomacy.eu/2025/04/17/revision-of-indonesias-military-law-potentially-weakens-indonesias-soft-power/>.

³ Counter, Nicholas. 2025. "Indonesia Passes Bill Allowing Military in More Govt Roles." DW. Deutsche Welle. March 20, 2025. <https://www.dw.com/en/indonesia-passes-bill-allowing-military-in-more-govt-roles/a-71980395>.

Prabowo. Another concern is about how the book will portray the mass killings during 1965-1966, a period fraught with political and historical sensitivity.⁴ In response to the criticism, Fadli has requested the public to be patient and allow the historians to finalize the manuscript. Once the writing is completed, the book will be published for public review and testing before its official release.⁵

Retired military forum calls for Vice President's removal

A group of retired Indonesian military officers from the Military Forum Purnawirawan Prajurit (TNI) has formally requested the People's Consultative Assembly (MPR) to replace Indonesia's Vice President Gibran Rakabuming, who is former President Joko Widodo's eldest son. This marks a surprising and unprecedented move, as it is rare for former military groups to make such formal demands. The groups have requested a legal investigation and impeachment process, citing alleged constitutional violations, ethical breaches, and questions about Gibran's qualifications and performance. They argued that his two years of experience as Surakarta's mayor are insufficient for the position of the vice president.⁶ Moreover, the retired officers also stated their concern regarding the reignited controversy surrounding an anonymous online account known as "fufufafa," which is allegedly connected to Gibran. The account reportedly disseminated offensive and defamatory content. This has further fueled their intention to impeach Gibran as they view him as unfit and unqualified to lead. Despite many complaints, the impeachment seems too hard to reach since impeachment requires a clear legal foundation and cannot be driven by political pressure alone.⁷

⁴ Ananda Teresia, and Gayatri Suroyo. 2025. "In Indonesia, Fears Grow That Dark Past May Be Rewritten with Government's New History Books." Reuters, May 19, 2025. <https://www.reuters.com/world/asia-pacific/indonesia-fears-grow-that-dark-past-may-be-rewritten-with-governments-new-2025-05-19/>.

⁵ Fika, Dian Rahma. 2025. "Civil Society Coalition Confronts Fadli Zon's Session with House Commission X." Tempo. TEMPO.CO. July 2, 2025. https://en.tempo.co/read/2023703/civil-society-coalition-confronts-fadli-zons-session-with-house-commission-x?tracking_page_direct.

⁶ "Indonesia's Retired Generals Call for Vice President Gibran's Impeachment, Calling Him 'Unqualified to Lead.'" 2025. Mothership.sg. <https://mothership.sg/2025/06/indonesias-retired-generals-call-for-gibrans-impeachment/>.

⁷ Nationthailand. 2025. "Pressure Mounts on Indonesia vp Gibran as Impeachment Process Continues." The Nation Thailand. null. June 6, 2025. <https://www.nationthailand.com/blogs/news/asean/40050915>.

Better die than get colonized again: Prabowo says as Indonesia steps up arms investment

On June 11, 2025, President Prabowo Subianto emphasized the importance of strong national defense, stating “Better die than get colonized again”.⁸ This shows a strong commitment to modernize a strong military by stepping up defense spending to avoid the past traumas, starting from the Dutch colonization to Japanese occupation during World War II. Furthermore, he also added that history has taught Indonesia that it is better to die than to be colonized again, and that Indonesia must be ready to go to war if necessary. This perspective reinforces Prabowo Subianto’s belief that a strong military technology serves as a shield against any foreign control and interference. Since his presidential campaign last year, Prabowo and the Gerindra Party have vowed to increase defense spending. In 2025, Indonesia allocated Rp 139.2 trillion (approximately \$48.54 billion) for defense, in line with Prabowo’s fiscal strategy and budget priorities.⁹ As part of military modernization push, Indonesia has also join Turkiye’s Kaan fighter jet project, a fifth-generation, twin-engine stealth fighter led by Turkish Aerospace Industries (TAI), demonstrating Prabowo’s intent to enhance Indonesia’s military capacities on a global scale.¹⁰

Socio-economics affairs

Indonesia rolls out \$1.5bn stimulus as economic fear mounts

On June 5, 2025, the Indonesian government provided \$1.5 billion stimulus package to boost consumer spending to amid slowing economic growth and trade concerns. The stimulus package will provide discounts on transportation fares and wage subsidies for millions of households over two months, hoping to boost growth by 5 percent. These measures are designed to encourage people to travel and increase

⁸ .Indonesia Seeks to Join Turkiye’s Kaan Fighter Jet Project.” Jakarta Globe. 2025“ https://jakartaglobe.id/news/indonesia-seeks-to-join-turkiyes-kaan-fighter-jet-project?utm_source=jakartaglobe&utm_medium=read_more&utm_campaign=indonesia-seeks-to-join-turkiyes-kaan-fighter-jet-project

⁹ “‘Better Die than Get Colonized Again’: Prabowo Says as Indonesia Steps up Arms Investment.” 2024. Jakarta Globe. 2024. <https://jakartaglobe.id/news/better-die-than-get-colonized-again-prabowo-says-as-indonesia-steps-up-arms-investment>.

¹⁰ Ibid.

household consumption, which has declined in response to external shocks, particularly the tariffs introduced by President Trump. This slowdown poses a challenge to President Prabowo's goal of lifting annual growth to 8 percent. Growth has been hit even more by government spending in sectors such as infrastructure and President Prabowo's free meal program, both of which have added the pressure. As a result, Indonesia's central bank has revised its GDP forecast downward several times this year, with the latest projection ranging between 4.6 and 5.4 percent. To support economic activity, the bank has also cut interest rates by 50 basis points, bringing the benchmark rate down to 5.5 percent.¹¹ With the \$1.5 billion support from the government, it is expected to counter slowing growth and trade concerns.

Indonesia to start building EV ecosystem in June

Indonesia is starting to build a fully integrated electric vehicle (EV) battery ecosystem starting in June. The project is expected to cost from \$6 billion to \$7 billion, which will include all aspects of EV battery production, from mining down to battery cell manufacturing energy and mineral resources. The government targets 2 million electric cars and 12.9 million electric two-wheelers by 2030. While many of its traditional export sectors face uncertainty under Trump's tariffs, Indonesia's EV ecosystem is supported by domestic sales of 43,188 battery electric vehicles (BEVs) and over 100,000 electric motorcycles in 2024. Now, the government is intensifying efforts to build a competitive EV and battery supply chain to attract large scale investments in both vehicle production and battery manufacturing. To help infant industry, the Indonesian government has provided incentives such as VAT exemptions, production subsidies, and local content mandates. This has sparked a lot of investors' interest and raised EV sales. However, challenges remain, with the limitation of charging infrastructure, technology shifts in global battery chemistry, and uneven sub-national policy implementation. Indonesia, a major global supplier of nickel, currently relies heavily on nickel-based batteries for its EV production. Yet, this strategy is under

¹¹ Mariska, Diana, and A. Anantha Lakshmi. 2025. "Indonesia Rolls out \$1.5bn Stimulus as Economic Fears Mount." Financial Times. June 5. <https://www.ft.com/content/80bfaaed-83b3-402c-bc50-b4afa7f3d6f9>

reconsideration due to the rising popularity of lithium iron phosphate (LFP) batteries, which are cheaper, more abundant, and do not require nickel. LFP batteries are especially favored in China and India due to their affordability, safety, and sufficient performance for a wide range of applications. Meanwhile, Thailand and Vietnam are advancing their key areas such as building EV ecosystems, developing export-oriented industries, and rolling out necessary infrastructure like charging stations and manufacturing plants. This has made Indonesia's dominance in nickel seem less effective unless it adapts quickly.¹²

Indonesia aims to seal EU free trade agreement in 2026

On June 13, Indonesia aims to seal a free trade agreement with the European Union in 2026. Indonesia and the EU have been in a discussion on the free trade agreement for 9 years, and they are aiming to sign it by 2026. Previously, both sides clashed on tougher EU trade rules for the products which are linked to the deforestation problem.¹³ However, the EU has committed to provide market access to Indonesian products including textiles, footwear, palm oil, and seafood. In return, the EU will export agricultural and manufactured goods to Indonesia. The main benefits of this free trade deal for Indonesia are about foreign direct investment from the EU in sectors like semiconductors and mineral derivatives. According to senior economic minister Airlangga Hartarto, the deal could increase exports by 50% in three years.¹⁴

Foreign Affairs

China and Indonesia agree to boost maritime security cooperation in the South China Sea despite tensions

On April 21, 2025, Indonesia and China committed to maritime cooperation regarding the South China Sea. These two countries have had a complex, long-standing relationship over the South China Sea, specifically around Indonesia's Natuna islands. However, their relationship becomes less complex as they agreed to cooperate in

¹² "Indonesia's EV Ecosystem in 2025." 2025. Vercel.app. 2025. <https://ibc-bulletin-vol4.vercel.app>.

¹³ Reuters Staff. 2025. "Indonesia Aims to Seal EU Free Trade Agreement in 2026, Official Says." Reuters, June 13, 2025. <https://www.reuters.com/markets/commodities/indonesia-aims-seal-eu-free-trade-agreement-2026-official-says-2025-06-13/>.

¹⁴ Ibid.

promoting safety and security despite Indonesia's long-standing suspicions about China's actions. Moreover, they also agreed to cooperate in infrastructure building, joint security, and mineral development. Even though Chinese Foreign Minister Wang Yi agreed to further strengthen cooperation comprehensively and sustainably, Indonesia is still concerned about possible Chinese developments near the Natuna islands.¹⁵

Indonesia and Thailand announce strategic partnership, vow to boost economic and defense ties

Indonesia and Thailand officially elevated their bilateral relations to a strategic partnership on Monday, May 19, 2025, during President Prabowo Subianto's historic state visit to Bangkok. The visit also coincided with the 75th anniversary of the establishment of Indonesia-Thailand diplomatic relations.¹⁶ During the meeting, they discussed the commitment to boost cooperation in various fields, including trade and investment, tourism, and food security. Furthermore, they also discussed the deepening regional stability and prosperity, reinforcing ASEAN centrality, and jointly addressing regional security and socio-economic challenges in an uncertain world. This reflects the two countries' commitment to strengthening cooperation in many aspects regarding the issues of common interest.¹⁷

Indonesian president and Chinese premier meet to discuss expanding trade during the US trade war

On May 25, 2025, Chinese Premier Li Qiang met with Indonesian President Prabowo to discuss expanding trade and investment amid the ongoing U.S. trade war. The meeting followed U.S. President Donald Trump's announcement on April 2, 2025, of new tariffs targeting several Southeast Asian countries, including Indonesia. These

¹⁵ "China and Indonesia Agree to Boost Maritime Security Cooperation in South China Sea despite Tensions | the Asahi Shimbun: Breaking News, Japan News and Analysis." 2025. The Asahi Shimbun. 2025. <https://www.asahi.com/ajw/articles/15719223>.

¹⁶ Jintamas Saksornchai. 2025. "Thailand and Indonesia Announce Strategic Partnership, Vow to Boost Economic and Defense Ties." AP News. May 19, 2025. <https://apnews.com/article/thailand-indonesia-paetongtarn-subianto-official-visit-cfbba86b84b3e750884af7e5491f6020>.

¹⁷ Ibid.

measures were justified by the U.S. administration's concerns over the region's close economic ties with Beijing and persistent trade surpluses with Washington.¹⁸ The tariffs are relatively high and can affect the cost of Indonesia's exports to the US, such as textiles, electronics, and agricultural products. However, the visit of Chinese Premier Li Qiang was represented as an opportunity for more trade cooperation. For instance, Li brought 60 prominent Chinese businesspeople for his address to the Indonesia-China Business Reception, which shows the spirit of solidarity, friendship, cooperation, and unity of the Global South countries. Additionally, the meeting also signals more cooperation with a dozen agreements, including cooperation to encourage bilateral transactions in local currencies, trade, investment, tourism, health, and agricultural exports.¹⁹

Conclusion

Indonesia's second quarter in 2025 reflects a nation navigating its efforts to balance assertive domestic reforms, economic resilience, and strategic foreign engagements across domestic, socio-economic, and foreign affairs. Domestically, President Prabowo's administration has sparked both optimism and concern, ranging from military law revisions to controversies involving Vice President Gibran and historical reinterpretation. Economically, Indonesia is adopting bold measures to counter the US tariffs by providing \$1.5bn to boost consumer spending and strengthening its EV ecosystem. The ongoing EU free trade negotiation also presents a strategic

¹⁸ "Why Are Trump's Tariffs in Southeast Asia Highest among Indochina Countries?" 2024. CNA. 2024. <https://www.channelnewsasia.com/asia/us-president-donald-trump-tariffs-levy-asean-southeast-asia-economy-indochina-5042096>.

¹⁹ Niniek Karmini. 2025. "Indonesian President and Chinese Premier Meet to Discuss Expanding Trade during US Trade War." AP News. May 25, 2025. <https://apnews.com/article/indonesia-china-li-qiang-visit-51721a1c6f998faa979cfc83c7a5ce7b>.

opportunity for Indonesia's development. Regarding foreign relations, Indonesia continues to assert its regional leadership through strategic partnerships with Thailand and increased cooperation with China in terms of trade and the South China Sea. These moves highlight Indonesia's efforts to balance assertive domestic reforms, economic resilience, and strategic foreign engagements.

Laos

Meung Chansomanita, Nguon Socheata, Poun Raksmeay Panha Pich,
Penh Sopanha, Pa Sopheavolin, Pa Sopheavoleak,
Lim Ponleu, Lim Cheamara

Introduction

Moving into the second quarter of the year, Laos has continued its efforts in many key sectors, including domestic politics, economic development, socio-economic, and foreign affairs. Despite many challenges and setbacks, both internally and externally, the Laos government has demonstrated strong commitment to improvements and developments across all sectors. Significant achievements have been made in policy implementations, international cooperations, and economic reforms, all aimed at enhancing the country's resilience and long-term growth. This comprehensive update will take a closer look at the main activities and developments in each sector during the second quarter of 2025 and will highlight both the challenges and accomplishments Laos encountered and achieved.

Domestic Politics

Going into the second quarter, Laos has begun restructuring of the government apparatus. For years, the governmental structure has been characterized by overlapping responsibilities and an excessively large civil service.¹ Recent initiatives seek to address these inefficiencies directly. According to reports from the Laotian Times, the central government had previously comprised 47 sectors, 456 departments, and over 2,200 divisions, which is a configuration that has long stymied prompt decision-making and effective service delivery. The new restructuring program involves the merging of agencies with similar mandates, a reallocation of

¹ Onxayvieng, Chantha, and Shukui, Tan. "Public Personnel Administration Reform: Effect on Civil Service Management and Innovation in Lao People Democratic Republic." Public Policy and Administration Research, (n.d.). <https://www.iiste.org/Journals/index.php/PPAR/article/view/23342>

responsibilities to clarify departmental roles, and the adoption of constitutional amendments that aim to create a leaner, more agile administrative framework.²

Central to these reforms is the reduction of bureaucratic overlap. The restructuring efforts target the 168,000-strong civil service, which represents roughly 2.18% of the national population.³ Government salaries alone have consumed nearly 40% of annual state revenue, a disproportionate amount that has exacerbated fiscal imbalances.⁴ In addition, evidence has surfaced regarding low morale among public employees who are burdened with multiple roles and inadequate compensation. For instance, many civil servants have been forced to take on extra jobs, sometimes as informal taxi drivers to supplement their wages, highlighting the urgent need for administrative reform and improved compensation structures.⁵ These measures are expected to not only streamline governance processes but also contribute to the overall political stability by reducing public sector inefficiencies.

In tandem with government restructuring and economic stabilization, the legislative agenda for 2025 has been reoriented to support a multi-sectoral approach to sustainable development. As reported by the Vientiane Times, a joint meeting between government officials and the National Assembly, co-chaired by Prime Minister Sonexay and National Assembly President Xaysomphone Phomvihane, laid out the policy priorities for the coming year during a session held in February 2025. Key legislative topics include revising laws governing infrastructure expansion, industrial estate management, mineral exploitation, and power generation. These reforms are designed to create an enabling legal environment that not only supports long-term

² Siviero, Beatrice. "Laos Tackles Bureaucratic Bloat with Major Government Overhaul." *The Laotian Times*. Last Modified March 14, 2025. <https://laotiantimes.com/2025/03/14/laos-tackles-bureaucratic-bloat-with-major-government-overhaul/>

³ Freeman, Nick J. 2025. "Laos Streamlines Bureaucracy to Make It More Efficient." FULCRUM. April 14, 2025. <https://fulcrum.sg/laos-streamlines-bureaucracy-to-make-it-more-efficient/>.

⁴ Visapra, Phontham. "Laos Plans to Raise Minimum Government Salary by 2025." *The Laotian Times*. Last Modified June 14, 2024. <https://laotiantimes.com/2024/06/14/laos-plans-to-raise-minimum-government-salary-by-2025/>

⁵ Sisounonth, Oulayvanh. "Low Wages, High Costs: Lao Workers Struggle as Economic Pressures Mount." *The Laotian Times*. Last Modified March 7, 2025. <https://laotiantimes.com/2025/03/07/low-wages-high-costs-lao-workers-struggle-as-economic-pressures-mount/>

economic growth but also improves state oversight and transparency in critical development sectors.⁶

Furthermore, Laos' National Assembly cut ministries from 17 to 13, ratified constitutional changes to establish collective governing committees at all levels, and overhauled the Investment Promotion Law—raising approval thresholds, enforcing inter-ministerial reviews, and tightening audits—to streamline governance and tie big projects to its five-year strategic plan.⁷ These legislative reforms are expected to play a decisive role in facilitating the implementation of state investment projects and regulatory amendments. This holistic approach to legislative reform indicates a significant shift in how state policies are designed and implemented—one that emphasizes cross-sectoral coordination and long-term strategic planning.⁸

Laos' domestic political landscape in the second quarter of 2025 reflects a coordinated push for reform, addressing interconnected challenges in governance, fiscal policy, and legislation. Institutional restructuring, fiscal tightening, and legal reforms aim to improve efficiency and economic management by streamlining bureaucracy and enhancing revenue collection. However, uncertainties persist. While reduced bureaucracy may boost efficiency, it could also cause short-term disruptions. Despite progress in controlling inflation and increasing revenue, high public debt remains a concern. Ongoing reforms are expected to be iterative, evolving with feedback from implementation.

Economic Developments

The second quarter was especially fruitful for Laos PDR as the country continues to work hard for further developments. Within the economic sector, the country has met

⁶ Times Reporters. 2025. "Government, National Assembly Agree Key Policies for 2025." *Vientiane Times*, February 18, 2025.

https://www.vientianetimes.org.la/freefreenews/freecontent_034_Government_y25.php.

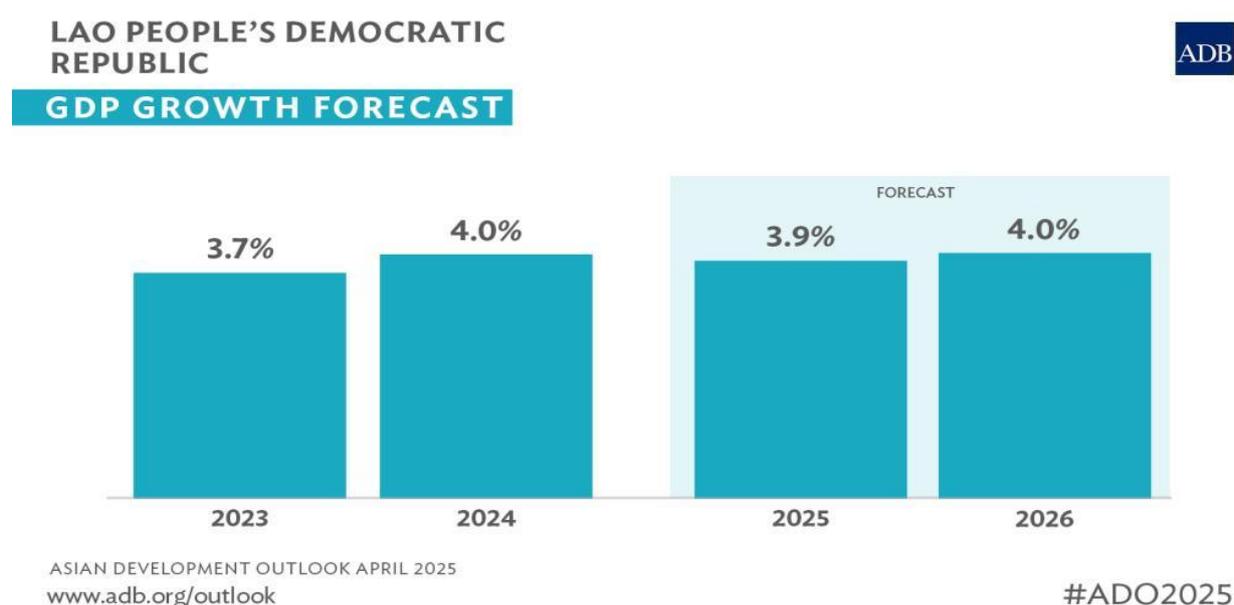
⁷ The Star. "Lao National Assembly Approves Ministry Mergers, Amendments to Constitution, Laws, Investment Incentives." *The Star*. Last Modified March 23, 2025.

https://www.thestar.com.my/aseanplus/aseanplus-news/2025/03/23/lao-national-assembly-approves-ministry-mergers-amendments-to-constitution-laws-investment-incentives#goog_rewarded

⁸ Visapra, Phontham. "Laos Approves Government Restructuring, Key Constitutional Amendments." *The Laotian Times*. Last Modified March 21, 2025. <https://laotiantimes.com/2025/03/21/laos-approves-government-restructuring-key-constitutional-amendments/>

with notable achievements, but at the same time, there are challenges and setbacks, as the economic aspect changes.

In the second quarter of 2025, the Asian Development Bank's (ADB) Lao Resident Mission (LRM) office in Vientiane launched the Asian Development Outlook April 2025. The report presented at the launch identified the tourism sector as the main driver of growth and stated it will continue to be so over the span of 2025–2026. The country's economy is forecasted to grow by 3.9% in 2025 and 4.0% in 2026. However, the country's inflation situation remains a concern, as Laos is dealing with a high inflation rate. This is significantly higher than the regional inflation projection of 2.3% in 2025 and 2.2% in 2026, even as global food and energy prices continue to decline. Despite these concerns, ADB's forecast further projected that renewable energy and mining investments are expected to help the industry grow over the next two years.⁹



Source: ADB Forecasts Moderate Growth in the Lao PDR. April 9, 2025. *ADB*.

Parallel with the administrative reforms, Laos' economic policy framework has undergone significant changes in response to enduring macroeconomic imbalances. The Laos' government faces persistent challenges, including high inflation, unsustainable public debt levels, and external liquidity pressures that restrict fiscal

⁹ "ADB Forecasts Moderate Growth in the Lao PDR," Asian Development Bank. Modified April 9, 2025. <https://www.adb.org/news/adb-forecasts-moderate-growth-lao-pdr>

space. According to a report from the World Bank, inflation moderated significantly during the early months of 2025, dropping from a peak of approximately 26.2% in mid-2024 to 15.5% by January 2025. This moderation is attributed to tighter monetary policies involving restrictive foreign exchange management and fiscal consolidation measures. Nevertheless, public and publicly guaranteed debt remains a perennial issue, currently amounting to about 116% of GDP.¹⁰ These levels of indebtedness—coupled with external debt service deferrals and currency volatility—pose grave risks to the nation’s financial sustainability.

In response, the government has taken steps to bolster revenue collection. Increased domestic revenue, now accounting for about 17.6% of GDP¹¹ has been partially driven by augmented value-added taxes (VAT), profit taxes, and natural resource fees. These initiatives are designed to stabilize the national budget while financing essential public services and infrastructure projects. However, fiscal tightening poses challenges for low-income households due to high inflation and wage stagnation, complicating poverty reduction efforts. Balancing fiscal consolidation with socio-economic well-being remains a central policy challenge.

In early April, the news of tariff imposition on many countries by the United States raised global concerns. Among them, Laos was one of the most affected by this recent announcement which President Donald Trump unveiled on 2 April. As stated by President Trump, April 5th will mark the start of a 10% universal tariff that will be applied to all imports into the United States, while a 48 percent reciprocal tariff will take effect on 9th April, specifically targeting imports from Laos. This greatly marked a shift that could pose new challenges for Laos’ agricultural, textile, and light manufacturing sectors, which have relied on the U.S. as a growing export market.¹² As a response to these new uncertainties, the Ministry of Industry and Commerce has initiated

¹⁰ World Bank. 2025. “Lao PDR Overview.” *World Bank*, last updated May 6, 2025. <https://www.worldbank.org/en/country/laos/overview>.

¹¹ Statista. 2025. “Macroeconomic Indicators - Laos | Statista Market Forecast.” *Statista*. 2025. <https://www.statista.com/outlook/co/macroeconomic-indicators/laos>.

¹² Siviero, Beatrice. “Trump’s New Reciprocal Tariffs Hit Laos, ASEAN Hard, Threatening Key Exports.” *The Laotian Times*. Last Modified April 3, 2025. <https://laotiantimes.com/2025/04/03/trumps-new-reciprocal-tariffs-hit-laos-asean-hard-threatening-key-exports/>.

collaborative efforts with private sector representatives to formulate appropriate countermeasures.¹³

On May 2, Minister of Foreign Affairs Mr. Thongsavanh Phomvihane led a delegation to Bangkok to attend the Organization for Economic Cooperation and Development (OECD) Southeast Asia Regional Program 2025 Policy Dialogue. For Laos, this policy dialogue is beneficial as it discusses how can Southeast Asian nations leverage OECD expertise in policy development and economic reforms promotion of quality investment through foreign direct investments by the OECD supported frameworks. Within this event, the foreign minister applauded the OECD's Indo-Pacific Strategy and its Southeast Asia Program for fostering ASEAN-OECD collaboration and outlined Laos' key development priorities which are agriculture, clean energy, and mining; and expanding public-private partnerships using OECD best practices.¹⁴

As we head into May, Laos' economy is showing encouraging signs of recovery from earlier challenges like high debt repayments, ongoing inflation, and structural issues. Although the country is working to make progress, growth is expected to slow to 3.5% in 2025 as the country faces a crucial fiscal period. Public debt repayments will reach their highest point next year, putting significant strain on government finances and reducing the ability to fund important areas like health, education, and infrastructure. Although steps have been taken to regain fiscal control, the combination of structural problems, high inflation, and rising debt still poses a serious risk to the country's long-term development.¹⁵

On May 20, Laos Minister of Industry and Commerce, Mr. Malaythong Kommasith, representing Laos as the ASEAN Economic Minister, led the Lao delegation in the ASEAN Economic Ministers' Special Dialogue Partner Meetings held via video conference at the Ministry of Industry and Commerce in Vientiane. The discussions revolve around the current regional and global economic issues, especially the U.S.

¹³ Souvannasane, Thongsavanh. "Laos Seeks Solutions to Address New United States Tariff Hikes." *The Laotian Times*. Last Modified April 30, 2025. <https://laotiantimes.com/2025/04/30/laos-seeks-solutions-to-address-new-united-states-tariff-hikes/>.

¹⁴ "FM Joins OECD Southeast Asia Regional Forum in Bangkok." *Lao News Agency*. Last Modified May 4, 2025. <https://kpl.gov.la/En/detail.aspx?id=91106>

¹⁵ Siviero, Beatrice. "Laos Economy Shows Signs of Recovery Amid Fiscal Pressures." *The Laotian Times*. Last Modified May 27, 2025. <https://laotiantimes.com/2025/05/27/laos-economy-shows-signs-of-recovery-amid-fiscal-pressures/>.

tariffs increase announced on April 2nd 2025. Ministers shared concerns about the possible effects on regional trade and economic stability. They emphasized their continued support for a multilateral trading system under the World Trade Organization (WTO). The meetings ended with the adoption of a draft joint statement, urging member states to uphold WTO principles and strengthen cooperation through existing and new trade agreements.¹⁶ In preparation for the 46th ASEAN Summit and related meetings, the Laos Prime Minister launched a strategic partnership to enhance cross-border trade through a rail-sea route with Malaysia. The plan aims to integrate the China-Laos Railway and establish a key trade corridor connecting southern China, through Laos and Thailand, to Malaysia's west coast. According to Azman Shah, the CEO of MMC Port, this initiative supports ASEAN's connectivity goals by cutting transit times and logistics costs, improving supply chain efficiency, and promoting regional economic growth.¹⁷

On May 26, Vietnamese Prime Minister Pham Minh Chinh held a working breakfast in Kuala Lumpur, Malaysia, with Cambodian Prime Minister Samdech Thipadei Hun Manet and Laos Prime Minister Sonexay. The three leaders were in the city to attend the 46th ASEAN Summit and related meetings.¹⁸ They recognized that all three countries are facing security, political, and socio-economic challenges due to global and regional instability. They agreed that existing bilateral and trilateral cooperation frameworks have been effective in strengthening their partnership. They also emphasized the importance of maintaining and deepening the traditional solidarity among the three nations, describing it as a foundation for closer collaboration. Commitments to guide their respective ministries, sectors, and local authorities in carrying out agreed actions and exploring new, results-driven cooperation mechanisms were also discussed.¹⁹

¹⁶ "ASEAN Economic Ministers Meet With Special Dialogue Partners." Lao News Agency. Last Modified May 22, 2025. <https://kpl.gov.la/En/detail.aspx?id=91485>.

¹⁷ "Laos, Malaysia Establish Strategic Rail-sea Trade Link." Asia News Network. Last Modified May 27, 2025. <https://asianews.network/laos-malaysia-establish-strategic-rail-sea-trade-link/>.

¹⁸ Vietnam Plus. 2025. "Vietnamese, Cambodian, Lao PMs Hold Working Breakfast on Sidelines of 46th ASEAN Summit." Vietnam+. May 26, 2025. <https://en.vietnamplus.vn/vietnamese-cambodian-lao-pms-hold-working-breakfast-on-sidelines-of-46th-asean-summit-post319855.vnp>.

¹⁹ "Vietnam, Laos, Cambodia Bolster Tripartite Cooperation on Sidelines of ASEAN Summit." VOV. Last Modified May 26, 2025. <https://english.vov.vn/en/politics/vietnam-laos-cambodia-bolster-tripartite-cooperation-on-sidelines-of-asean-summit-post1202259.vov>.

Socioeconomic Developments

On April 7th, the Ministry of Education and Sports in Laos announced a new resolution focused on boosting school enrollment, especially among students from low-income families. As part of this effort, the government has implemented an immediate increase in monthly living allowances for students across all education levels. The updated policy also includes higher allowances for students with special needs, such as those with disabilities, highlighting a strong commitment to educational equity and helping to reduce the financial barriers that often hinder students from continuing their education.²⁰

The Laos government continues to take proactive steps to enhance the education sector. On April 22nd, Phongsaly Province joined a national initiative aimed at training military personnel to serve as primary school teachers in remote communities. Selected personnel will undergo specialized teacher trainings. If they are assigned to a teaching role, they will receive extra salary. This initiative is part of a coordinated effort by the Ministry of National Defense and the Ministry of Education and Sports to close the education gap in under-resourced areas. Other provinces, like Luang Prabang, have also started adopting this approach. The growing dependence on military personnel to support teaching roles highlights the ongoing challenges in Laos' education system, particularly the high dropout rates seen in provinces such as Attapeu, Sekong, Savannakhet, Bolikhamxay, and Vientiane Capital.²¹

As part of its push to modernize the education system and address labor shortages, the Laos government is set to launch new vocational education programs in the 2024–2025 academic year. A key driver behind this initiative is the growing trend of the labor force migrating abroad, which has significantly impacted the domestic job market. In response, the government is collaborating with businesses to implement a dual cooperative training model that blends classroom instruction with practical, on-the-job

²⁰ Souvannasane, Thongsavanh. "Government Raises Student Living Allowances Nationwide to Boost Education Access." *The Laotian Times*. Last Modified April 11, 2025. <https://laotiantimes.com/2025/04/11/government-raises-student-living-allowances-nationwide-to-boost-education-access/>.

²¹ Visapra, Phontham. "Laos Expands Military Teacher Training Program to Tackle Teacher Shortage." *The Laotian Times*. Last Modified April 23, 2025. <https://laotiantimes.com/2025/04/23/laos-expands-military-teacher-training-program-to-tackle-teacher-shortage/>.

experience. This strategy is aimed at equipping students with relevant skills while helping to retain the country's workforce for local industries.²²

The Laos government is ramping up efforts to boost domestic production of meat, fish, and eggs, aiming to reach 577,000 tons this year. The goal is to improve food self-sufficiency and ensure every citizen has access to at least 73 kilograms of these staples annually. Despite a national surplus last year, many provinces still rely on food imports from neighboring areas. To fix this imbalance, the government is focusing on improving distribution and increasing egg production, with a long-term goal of helping each province meet its own food needs. By supporting both commercial farms and household producers, Laos hopes to build a more stable and self-reliant food supply.²³

On May 7th, 2025, the National Tourism Zone Development and Management Master Plan Dissemination Conference for Vang Vieng District and nearby areas was held in Vientiane, chaired by Minister of Information, Culture and Tourism, Ms. Suansavanh Viyaket. The event introduced the updated master plan for 2025–2035, officially approved under Decision No. 08/PM on January 10, 2025. Minister Suansavanh acknowledged that the previous 2010–2020 plan, created with support from the Asian Development Bank, fell short in execution. In response, the government began revising the strategy in 2021 under the direction of the Prime Minister's Office. The new plan focuses on integrated urban and tourism development, sustainable land use, and the protection of Vang Vieng's natural and cultural heritage. It will serve as a key roadmap for infrastructure development, environmental conservation, and tourism investment in the decade ahead.²⁴

Luang Prabang is aiming to boost its tourism profile by pursuing the prestigious Tourism Destination Award from the Green Destinations Organization, which honors places committed to sustainable and responsible tourism. On May 15, provincial authorities held a consultation meeting to advance the application process. The focus was on finalizing key documents and ensuring the city meets all criteria—especially

²² Chanlivong, Kheuakham. "Laos Expands Vocational Training to Curb Labor Shortage." *The Laotian Times*. Last Modified April 29, 2025. <https://laotiantimes.com/2025/04/29/laos-expands-vocational-training-to-curb-labor-shortage/>.

²³ "Laos Targets 577,000 Tonnes to Boost National Food Self-Sufficiency." *The Laotian Times*. Last Modified May 19, 2025. <https://laotiantimes.com/2025/05/19/laos-targets-577000-tonnes-to-boost-national-food-self-sufficiency/>.

²⁴ "Vang Vieng Tourism Master Plan for 2025–2035 Officially Unveiled." Last Modified May 7, 2025. <https://kpl.gov.la/EN/detail.aspx?id=91184>.

those related to environmental protection and community benefits. To strengthen the bid, local leaders are calling on different sectors to contribute data and ideas. The province also has its sights set on attracting around 2.3 million visitors in 2025. According to Soudaphone Khomthavong, Head of the Department of Information, Culture, and Tourism, the long-term goal is to develop Luang Prabang into a modern, high-quality destination that's well-connected both regionally and internationally by 2029.²⁵

Foreign Affairs

Laos remained active on the regional and international stage, deepening bilateral partnerships and promoting key strategic interests in the second quarter. On April 24-25, Vietnamese President Lương Cường made his inaugural state visit to Laos. This visit marked a significant step in strengthening the long-standing relationship between the two countries.²⁶ Key outcomes included agreements to elevate bilateral trade to \$5 billion and Vietnam's commitment to support Laos in constructing a new Border Guard Command headquarters. Additionally, Vietnam pledged to build a \$3 million district-level hospital in Vientiane, symbolizing the enduring friendship between the two countries. These initiatives reinforce Vietnam's ongoing commitment to Laos' development and border security.²⁷

Building on this high-level diplomatic engagement, Laos also made its voice heard at the 81st session of the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) held in Bangkok. Laos reiterated its dedication to regional collaboration and environmental sustainability. Deputy Minister of Foreign Affairs Maithong Thammavongsa emphasized the critical role of investing in renewable energy and ensuring equitable access to climate finance, especially for Least

²⁵ "Luang Prabang Pushes for Green Destination Certification to Boost Sustainable Tourism." *The Laotian Times*. Last Modified May 21, 2025. <https://laotiantimes.com/2025/05/21/luang-prabang-pushes-for-green-destination-certification-to-boost-sustainable-tourism/>.

²⁶ "Vietnamese President's State Visit to Laos 'Extremely Significant' to Bilateral Ties: Lao FM." Vietnam News. Last Modified May 27, 2025. <https://vietnamnews.vn/politics-laws/1716347/vietnamese-president-s-state-visit-to-laos-extremely-significant-to-bilateral-ties-lao-fm.html>

²⁷ "Lao Deputy Calls for Climate, Trade Cooperation." *The Laotian Times*. Last Modified April 23, 2025. <https://laotiantimes.com/2025/04/23/lao-deputy-calls-for-climate-trade-cooperation/>

Developed Countries (LDCs).²⁸ The session underscored Laos' proactive approach to addressing climate change challenges while promoting sustainable economic growth within the region.

Alongside multilateral engagement, Laos continued to strengthen key bilateral relationships. In March, Lao Foreign Minister Thongsavanh Phomvihane met with Chinese Foreign Minister Wang Yi in Beijing. The meeting further advanced the strategic partnership between the two countries. Discussions focused on accelerating progress in the Laos-China Economic Corridor and improving the operational efficiency of the Laos-China Railway. The talks also highlighted expanding cooperation in emerging sectors, such as energy, artificial intelligence, and digital economy. Furthermore, both countries are committed to joint efforts in combating cross-border crimes, including telecommunications fraud and human trafficking, demonstrating a comprehensive approach to bilateral security cooperation.²⁹

Thai Princess Maha Chakri Sirindhorn wrapped up her official visit to Laos from April 21st to 24th, following an invitation from Laos President Thongloun Sisoulith. The visit aimed to strengthen the close ties between the two countries as they celebrate 75 years of diplomatic relations. Upon her arrival at Wattay International Airport on April 21, the princess was welcomed by Laos Minister of Foreign Affairs Thongsavanh Phomvihane and other senior officials. That same day, she led a training session for 1,170 Lao health professionals as part of a long-running capacity-building program she launched in 2000. The initiative focuses on training various healthcare professionals—doctors, nurses, dentists, pharmacists, and more—who now serve communities across all provinces in Laos.³⁰

On April 29th, the Japanese government announced that Laos Prime Minister Sonexay Siphandone will be awarded the Grand Cordon of the Order of the Rising Sun for his

²⁸ "Lao Deputy Calls for Climate, Trade Cooperation." *The Laotian Times*. Last Modified April 23, 2025.

<https://laotiantimes.com/2025/04/23/lao-deputy-calls-for-climate-trade-cooperation/>

²⁹ "Lao, Chinese Foreign Ministers Discuss Closer Ties, Economic Cooperation." *The Laotian Times*. Last Modified March 14, 2025.

<https://laotiantimes.com/2025/03/14/lao-chinese-foreign-ministers-discuss-closer-ties-economic-cooperation/>

³⁰ Phontham Visapra. "Thai Princess Sirindhorn Concludes Visit to Laos." *The Laotian Times*. Last Modified April 24, 2025. <https://laotiantimes.com/2025/04/24/thai-princess-sirindhorn-concludes-visit-to-laos/>.

key role in strengthening Laos–Japan relations. Throughout his career—as Governor of Champasak, Minister of Planning and Investment, and Deputy Prime Minister—Sonexay has promoted Japanese investment in Laos and worked to improve the business environment. Last October, he welcomed Japanese Prime Minister Ishiba during an official visit and successfully led the Asia Zero-Emission Community (AZEC) Leaders Meeting, an initiative by Japan. In January, he visited Japan to mark the 70th anniversary of diplomatic ties, where both leaders agreed to upgrade relations to a “comprehensive strategic partnership.” The Japanese Embassy extended its sincere congratulations, with the award ceremony date yet to be announced.³¹

On May 29th, Laos President Thongloun Sisoulith visited Japan and met with Prime Minister Ishiba Shigeru to mark 70 years of diplomatic relations. They welcomed continued cooperation in legal reform, security, energy, and climate efforts under the Asia Zero Emission Community (AZEC). Both leaders reaffirmed their commitment to the newly elevated Comprehensive Strategic Partnership. President Thongloun thanked Japan for its support in UXO clearance and assistance during Laos’ 2024 ASEAN Chairmanship. He also announced that, starting June 1st, visa-free stays for Japanese visitors will be extended from 15 to 30 days. Prime Minister Ishiba expressed appreciation for the invitation extended to Princess Aiko for an official visit in November. Both sides also pledged closer coordination on regional and global issues, including the South China Sea, Korean Peninsula, Myanmar, and the Middle East.³²

On April 24th, Prime Minister Sonexay Siphandone met with UN Under-Secretary-General Rabab Fatima in Vientiane to discuss Laos’ upcoming graduation from Least Developed Country (LDC) status in 2026. PM Sonexay thanked the UN for its support and emphasized the need for continued international assistance during the 2026–2029 transition period. He called for ongoing cooperation to implement the Doha Programme of Action (2022–2031) and ensure a smooth, sustainable graduation. He

³¹ Thongsavanh Souvannasane. “Japan Honors Sonexay Siphandone With Order of the Rising Sun.” *The Laotian Times*. Last Modified April 29, 2025. <https://laotiantimes.com/2025/04/29/japan-honors-sonexay-siphandone-with-order-of-the-rising-sun/>.

³² Thongsavanh Souvannasane. “Thongloun’s Tokyo Visit Seals New Chapter in Laos–Japan Strategic Partnership.” *The Laotian Times*. Last Modified May 30, 2025. <https://laotiantimes.com/2025/05/30/thonglouns-tokyo-visit-seals-new-chapter-in-laos-japan-strategic-partnership/>.

also reaffirmed Laos' support for UN development system reforms and stronger coordination under the UN Sustainable Development Cooperation Framework.³³

In addition to its ties with major regional powers, Laos also engaged with partners beyond Asia. During a visit by Belarusian Ambassador Vladimir Borovikov to Vientiane, Laos and Belarus explored opportunities to deepen their cooperation across multiple domains, including politics, trade, economy, science, technology, and humanitarian affairs. The discussions included a review of progress on previously established agreements and a mutual commitment to enhancing people-to-people exchanges.³⁴ This engagement reflects Laos' intent to diversify its diplomatic partnerships beyond the immediate region.

On April 29th, the UN Human Rights Council praised Laos for its constructive participation in the Universal Periodic Review (UPR) but noted ongoing concerns, particularly around enforced disappearances and freedom of expression. Speaking in Geneva, Deputy Foreign Minister Thongphane Savanphet highlighted progress on human rights and efforts to implement past UPR recommendations. While countries and civil society welcomed Laos' engagement, they urged further action, especially in addressing unresolved disappearance cases. Regardless, Laos was commended for its openness to dialogue and commitment to continued cooperation with international human rights mechanisms.³⁵

On May 2nd, Laos Foreign Minister Thongsavanh Phomvihane met OECD Secretary-General Mathias Cormann during the 2025 OECD-Southeast Asia Regional Forum in Bangkok to enhance cooperation between Laos and the OECD. The discussion focused on strengthening ties through the Southeast Asia Regional Programme (SEARP). Minister Thongsavanh thanked the OECD for its support and stressed Laos' priorities in trade, investment, and infrastructure development. Secretary-General

³³ "PM Receives UN Under-Secretary-General, Discusses LDC Graduation." *Lao News Agency*. April 25, 2025. <https://kpl.gov.la/En/detail.aspx?id=90939>.

³⁴ "Belarus, Laos Intend to Intensify Cooperation." *Belarusian Telegraph Agency*. Last Modified April 2025. <https://eng.belta.by/politics/view/belarus-laos-intend-to-intensify-cooperation-167686-2025>

³⁵ "United Nations Rights Review Applauds Laos' Engagement but Flags Deep Concerns." *The Laotian Times*. Last Modified May 2, 2025. <https://laotiantimes.com/2025/05/02/united-nations-rights-review-applauds-laos-engagement-but-flags-deep-concerns/>.

Cormann praised Laos' active role in the forum and reaffirmed the OECD's commitment to deeper collaboration, encouraging ongoing dialogue across sectors.³⁶

President Thongloun Sisoulith will speak at the 30th International Conference on the Future of Asia, held from 29th to 30th May in Tokyo, at the invitation of Japanese economic daily NIKKEI. Themed "Asia's Challenge in a Turbulent World," the conference will address political shifts, economic disruptions, and humanitarian crises affecting the region. Key topics include renewed U.S. tariffs, political instability in South Korea, and the ongoing crisis in Myanmar. Since 1995, this annual forum has brought together leaders from government, business, and international organizations across Asia to discuss strategies for regional development and stability.³⁷

Conclusion

To sum up, Laos has made notable progress across all sectors of the country, ranging from economic developments and foreign relations to social well-being and addressing critical challenges. Throughout the second quarter, the government has demonstrated strong commitment and strategic efforts in advancing national priorities in welcoming new partnerships, improving policy frameworks, and responding to both domestic and international concerns. These efforts reflect a broader vision for sustainable growth, regional integration, and inclusive development. As we transition into the third quarter of the year, Laos is set to encounter a new range of opportunities and challenges. Continued engagement, both internally and with development partners, will be crucial as the government works toward long-term goals, including its LDC graduation, infrastructure modernization, and enhanced quality of life for all citizens.

³⁶ "Laos, OECD Strengthen Ties at Regional Forum," May 6, 2025. *Lao News Agency*. <https://kpl.gov.la/En/detail.aspx?id=91145>.

³⁷ Sisounonth, Oulayvanh. "President Thongloun Sisoulith to Attend Nikkei Forum 2025." *The Laotian Times*. Last Modified May 19, 2025. <https://laotiantimes.com/2025/05/19/president-thongloun-sisoulith-to-attend-nikkei-forum-2025/>.

Malaysia

Mey Minith, Poun Huyching, Thai Sreyvin, Chhem Seakmey,
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Introduction

The Second Quarter of 2025 was a period of significant activities for Malaysia, both domestically and internationally. Regarding domestic politics, much focus was on Abdullah Ahmad Badawi's Death, who is a former Malaysian Prime Minister. The high-profile legal cases involving Najib Razak also garnered attention for the Malaysian legal system. Moreover, Malaysia is also preparing for its local election. Despite such political tensions, Malaysia's economy is expected to grow substantially, benefiting from a sound business environment and various fiscal and monetary reforms. Internationally, Malaysia will play an active role as an ASEAN Chairman for this year. The country also maintained close relations with China, as President Xi Jinping has just visited the nation. This section reports the key political, economic, and foreign policy developments that shaped Malaysia in the second quarter of 2025.

Domestic Politics

Abdullah Ahmad Badawi's death

On 14 April 2025 at 7:10 PM, Abdullah Ahmad Badawi, Former Malaysian Prime Minister, died of heart disease at the age of 85. In January 1999, Abdullah was appointed deputy prime minister and home affairs minister before succeeding Mahathir as prime minister in 2003. He got a rising wave of popularity after replacing Mahathir Mohamad, a domineering, sharp-tongued leader known for his semi-authoritarian rule during 22 years in office. Abdullah led his National Front governing coalition to a landslide victory in a 2004 general election seen as a stamp of approval of his leadership. He served as the fifth leader of Malaysia and won support with promises of institutional reforms and his brand of moderate Islam by further pledging greater political freedoms with more space for critics and vowing to end corruption after a government minister was hauled to court on graft allegations. However, he was

often criticized for lackluster leadership leading to a series of massive street protests in late 2007. His party faced one of its worst general election results in 2008 in which the National Front failed to secure a two-thirds legislative majority for the first time in 40 years, yielding 82 seats to the opposition in the 222-member Parliament. The pressure intensified despite Abdullah's refusal to step down in April 2009 when he handed over power to his deputy, Najib Razak.¹

Najib Razak's house detention

Malaysia's top court has granted the Attorney-General's application to appeal the ruling, which gives jailed former Prime Minister Najib Razak access to a document, which he said was issued by the former King Al-Sultan Abdullah Ri'ayatuddin Al-Mustafa Billah Shah that allowing him to serve his remaining prison sentence under house arrest. In 2020, Najib was found guilty of criminal breach of trust and abuse of power for illegally receiving funds misappropriated from a unit of state investor 1Malaysia Development Berhad which he is on trial for corruption in several other 1MDB-linked cases and denies wrongdoing. However, Najib was imprisoned for his role in the multi-billion-dollar 1MDB scandal.² The former premier had his 12-year sentence halved last year in a pardon by then-King Al-Sultan Abdullah Ahmad Shah however, he said the granted order was ignored by authorities. In a unanimous decision, a three-member Federal Court bench ruled that the Attorney-General could appeal a lower court's January ruling in favor of Najib's attempt to access the alleged document, with the case to be heard on July 1 and 2.³

¹ The Associated Press. Former Malaysian leader Abdullah Ahmad Badawi, who extended political freedoms, dies at 85. April 14, 2025. <https://apnews.com/article/abdullah-ahmad-badawi-malaysia-death-pak-lah-f5913c60f4c61c904df225e61f262039>

² Reuters. Explainer: Malaysia's ex-PM Najib and the multi-billion dollar 1MDB scandal. August 23, 2022. <https://www.reuters.com/world/asia-pacific/malaysias-ex-pm-najib-multi-billion-dollar-1mdb-scandal-2022-08-23/>

³ Danial Azhar. Reuters. Malaysia court allows Attorney-General's application to appeal in jailed ex-PM's legal case. April 28, 2025. <https://www.reuters.com/world/asia-pacific/malaysia-court-allows-attorney-generals-application-appeal-jailed-ex-pms-legal-2025-04-28/>

Barisan Nasional win Ayer Kuning by-election

On 26 April 2025, Mohamad Yusri won the Ayer Kuning by-election by securing a large majority of 5,006 votes. Barisan Nasional (BN) defended the Ayer Kuning state seat after its candidate, Dr Mohamad Yusri Bakir, defeated Perikatan Nasional (PN) candidate Abd Muhaimin Malek and Parti Sosialis Malaysia (PSM) candidate K.S. Bawani. He gathered 11,065 votes, leaving 6,059 votes for Abd Muhaimin and Bawani with 1,106 votes. The voting process involved 31,281 voters who fulfilled their responsibility to elect a new representative for the constituency. The by-election was held following the death of Ishsam Shahrudin, the later assemblyman⁴

Petronas joined Malaysia's oil and gas sector as Federal

Malaysia's federal government and the Sarawak state government have signed a joint declaration, seemingly putting an end to the dispute over the governance of oil and gas distribution within Sarawak. On 21 May 2025, Prime Minister Anwar Ibrahim and Sarawak Premier Abang Johari Openg signed a declaration to jointly develop Malaysia's national oil corporation Petronas and Sarawak's state-owned oil and gas company into the country's oil and gas sectors. The Petroleum Development Act (PDA) dictates that Petronas is the sole guardian of Malaysia's hydrocarbon reserves. Sarawak has challenged the long-standing monopoly Petronas holds over Malaysia's oil and gas reserves as enshrined under a parliamentary statute in 1974.⁵

Nurul Izzah won No.2 post in PKR

Ms. Nurul Izzah Anwar, the eldest daughter of Prime Minister Anwar Ibrahim, has won the No. 2 post in Parti Keadilan Rakyat's (PKR) closely watched internal elections, defeating incumbent Rafizi Ramli in the race for the deputy presidency on May 23.

⁴ Zahratulhayat Mat Arif. News StraitsTimes. Ayer Kuning by-election: BN wins with larger majority. April 28, 2025. <https://www.nst.com.my/news/nation/2025/04/1207873/ayer-kuning-election-bn-wins-larger-majority>

⁵ Channel News Asia. Petronas, Petros to jointly develop Malaysia's oil and gas sectors as federal, Sarawak governments resolve dispute. May 21, 2025. <https://www.channelnewsasia.com/asia/malaysia-sarawak-oil-gas-petronas-petros-declaration-dispute-5144726>

She got 9,803 votes against Datuk Seri Rafizi, the Economy Minister, in the election held in Johor Bahru with no details of the turnout nor votes polled by Mr. Rafizi announced. Since its establishment, PKR has had only two presidents including her mother, Datuk Seri Wan Azizah, and her father, Mr. Anwar. Anwar currently also controls 85 percent or 17 of the 20 elected PKR central committee members. Rafizi refused to comment on the result when only three of his endorsed candidates won the party seats and he once had vowed on May 10 to resign as economy minister should he fail to defend his position as the party's No. 2.⁶

Preparation for the 17th Sabah State Election

Gabungan Rakyat Sabah (GRS) has actively engaged with its preparations for the 17th state election (PRN17), with comprehensive training sessions for its machinery conducted across all constituencies and state assembly areas. Datuk Seri Panglima Hajiji Noor, the GRS chairman, empathized with the full activation of the coalition's election machinery with grassroots-level training playing a key role in ensuring readiness. He also further confirmed the meeting between him and Datuk Seri Dr Ahmad Zahid Hamidi, the Barisan Nasional chairman, to discuss potential political cooperation before Ramadan. The Aidiladha celebration with around 1,000 worshippers attending fostered the hope of Hajiji in encouraging a deeper sense of unity and sacrifice among Malaysians, especially Muslims. During the celebration, he was accompanied by state Rural Development Minister Datuk Jahid Jahim, state Assistant Tourism, Culture and Environment Minister Datuk Joniston Bangkuai, Tuaran MP Datuk Seri Wilfred Madius Tangau, and Pantai Dalit assemblyman Datuk Jasni Daya (GRS).⁷

⁶ Lu Wei Hoong. The Straits Times. PM Anwar's daughter Nurul Izzah wins battle for No. 2 post in Malaysia's ruling party PKR. May 24, 2025. <https://www.straitstimes.com/asia/se-asia/pm-anwars-daughter-nurul-wins-battle-for-no-2-post-in-malaysias-ruling-party-pkr>

⁷ Sandra Sokial. The Star Media Group Berhad. GRS intensifies preparations for 17th Sabah state polls. June 07, 2025. <https://www.thestar.com.my/news/nation/2025/06/07/grs-intensifies-preparations-for-17th-sabah-state-polls>

Malaysia confirmed revise sale tax

On 9 June 2025, Malaysia revised its sales tax rate and also expanded the scope of its services tax from July 1, since the government aims to foster its revenue and strengthen its fiscal position. According to the Finance Ministry, non-essential and luxury goods, such as king crab, salmon, imported fruits, racing bicycles, and antique artworks will be imposed by a rate of 5 to 10 percent sales tax. On the other hand, the services tax will be expanded to include property rentals or leasing, construction, financial services, private healthcare, education, and beauty services. Due to concerns from businesses, the expansion of the tax was delayed from its initial implementation in May. However, during the government's budget announcement last October, Prime Minister Anwar Ibrahim stated that the sales and services tax would be progressively expanded. There will also be selective exemptions for the tax to avoid double taxation and to ensure that Malaysian nationals are not taxed for certain essential services. On the other hand, penalties against companies for non-compliance with the tax's legal requirements will not be imposed until 31 December.⁸

Anwar's lawsuit on sexual misconduct

On 10 June 2025, Malaysian Prime Minister Anwar Ibrahim won a reprieve in a civil suit accusing him of sexual misconduct, after a court approved his bid to temporarily suspend the trial due to start next week. The suit was filed in 2021 by his former research assistant, Muhammed Yusoff Rawther who accused Anwar of sexually harassing him in 2018 before Anwar became premier, in November 2022. On the other hand, Anwar denied any wrongdoing and accuses Yusoff of fabricating the charge to ruin his political career. A sparkling criticism arose particularly from opposition and others when Anwar sought immunity from prosecution. His application was dismissed by the High Court justifying by the court saying everyone is equal to the law. However, he shifted the application to the nation's top court, and his hearing of the case will be on July 21. On top of that, Anwar wants the Federal Court to rule on several legal questions evolving on whether a sitting prime minister has immunity from lawsuits

⁸ Reuters. Malaysia to introduce revised sales tax, expand services tax from July 1. June 09, 2025. <https://www.reuters.com/en/malaysia-introduce-revised-sales-tax-expand-services-tax-july-1-2025-06-09/>

stemming from alleged private events before his appointment. He further emphasizes in his Facebook that “It concerns the integrity of our constitutional system and the need to ensure that high public office is protected from litigation that may be strategically timed, politically motivated or institutionally disruptive.”⁹ On the other hand, Yusoff is currently detained and on trial, after police found drugs and fake pistols in his car last September, but he denied it by saying he was framed by those in power and the court will decide if he needs to enter his defense or acquit him in June.¹⁰

Socioeconomic Affairs

Trade amid US Tariffs

In April 2025, the United States imposed a blanket 10 percent tariff on Malaysian exports, citing the country’s persistent trade surplus. A planned increase to 24 percent was temporarily paused for 90 days, but business uncertainty remained high.¹¹ Exporters rushed to send out goods earlier than planned to avoid the upcoming tariff hike.¹² This was especially true for the electrical and electronics (E&E) sector, which makes up over 60 percent of Malaysia’s exports to the United States. The tariffs led to a downgrade in Malaysia’s GDP forecast to 4.3 percent from 4.7 percent earlier in the year, citing trade tensions and weaker domestic consumption, while the International Monetary Fund (IMF) has cut its forecast to 4.1 percent.¹³ The slowdown was attributed to weaker exports and declining domestic demand. In response, Bank Negara Malaysia reduced the statutory reserve requirement ratio by 100 basis points, injecting approximately RM19 billion into the banking system to support liquidity.¹⁴

⁹ Malay Mail, “Anwar Says Legal Bid Not about Immunity as Court Rejects Constitutional Reference,” Malay Mail. June 4, 2025. https://www.malaymail.com/news/malaysia/2025/06/04/anwar-says-legal-bid-not-about-immunity-as-court-rejects-constitutional-reference/179271#google_vignette.

¹⁰ Eileen Ng. The Associated Press. Malaysian leader Anwar wins a reprieve in a lawsuit alleging sexual misconduct. June 10, 2025. <https://apnews.com/article/malaysia-anwar-sexual-harassment-suit-yusoff-court-32cc22c1dd7253d61c1b760cd68d18a1>

¹¹ Saieed, Z. “A Tech Hub’s Plan to Upgrade for the A.I. Age Runs Into Trump’s Tariffs.” *The New York Times*. May 21, 2025. <https://www.nytimes.com/2025/05/21/world/asia/malaysia-ai-chips-trump-tariffs.html>

¹² Rahim, R., & Mahavera, S. “24% US tariff looms over Malaysia.” Asia News Network. June 5, 2025. <https://asianews.network/24-us-tariff-looms-over-malaysia/>

¹³ Trivedi, R. Malaysia’s economy likely lost momentum in first quarter, trade risks weigh. *Reuters*. May 14, 2025. <https://www.reuters.com/markets/asia/malysias-economy-likely-lost-momentum-first-quarter-trade-risks-weigh>

¹⁴ Azhar, D. Malaysia keeps rates steady, cuts reserve requirement ratio as growth outlook dims. *Reuters*. May 8, 2025. <https://www.reuters.com/markets/asia/malaysia-keeps-rates-steady-cuts-reserve-requirement-ratio-growth-outlook-dims-2025-05-08/>

Export reliant firms in machinery, furniture, and medical devices reported squeezed margins, with concerns rising over potential job losses and delayed hiring.

Investment surge

In the first quarter of 2025, Malaysia recorded RM89.8 billion in approved investments, equivalent to about USD 21.2 billion. This was a 3.7 percent increase compared to the same period in 2024.¹⁵ According to the Malaysian Investment Development Authority (MIDA), these investments were split between foreign direct investments (FDI) at USD 14.5 billion (RM60.4 billion) and domestic direct investments (DDI) at 7.06 billion (RM29.4 billion). The services sector was the largest contributor, accounting for USD 13.872 billion (RM57.8 billion) in approved investments. This includes sub-sectors such as financial services, logistics. In terms of source countries, Singapore was the top investor, contributing USD 6.792 billion (RM28.3 billion), followed by the United States with USD 2.376 billion (RM9.9 billion), and China with USD 1.896 billion (RM7.9 billion). Other notable contributors included Japan and Germany. These investments reflect strong confidence in Malaysia's economic fundamentals and its integration into global and regional value chains.

Monetary & fiscal measures

In Q2 2025, given evidence of weakening growth and rising global trade risks, Bank Negara Malaysia (BNM) kept the Overnight Policy Rate (OPR) at 3 percent and lowered the Statutory Reserve Requirement (SRR) by 100 basis points, from 2 percent to 1 percent effective May 16. In real terms, the cut to the SRR released approximately USD 4.56 billion (RM19 billion) or an equivalent amount of banking liquidity¹⁶. This was the first SRR cut since the COVID-19 period, which indicates the BNM's concerns surrounding tight liquidity conditions and offence due to a weaker external environment. The Malaysian economy was slowing down, case in point, Q1 GDP

¹⁵ Reuters. Malaysia records approved investments of \$21 billion in Q1. June 11, 2025.

<https://www.reuters.com/markets/asia/malaysia-records-approved-investments-21-billion-q1-2025>

¹⁶ BNM. "Monetary Policy Statement." Bank Negara Malaysia. May 8, 2025. <https://www.bnm.gov.my/-/monetary-policy-statement-08052025>.

growth was 4.4 percent compared to 5.0 percent for the previous quarter¹⁷. On the financial side, the Ministry of Finance was content to state its intention to maintain fiscal discipline and avoid any new stimulus funding, and instead reform certain subsidies (especially fuel), and improve tax compliance. These reforms intended to limit the budget deficit while still providing important public services.

Inflation & labor market

Malaysia's headline inflation remained subdued at 1.4 percent year-on-year in April 2025, continuing the recent trend of price stability. April's core inflation was maintained around 1.8-1.9 percent, indicating general price stability and limited underlying price pressures. The stable headline inflation was supported by declining global commodity prices, particularly for fuel and cooking oil, a stable ringgit, and softening domestic demand.¹⁸ Meanwhile, developments are still positive in labor market indicators. The unemployment rate dropped to 3.0 percent as of April 2025, the lowest level in more over ten years, as industries like services, construction, and agriculture continued to recover.¹⁹ Jobs created were especially high in tourism-based services and digital industries. However, underemployment and the mismatch of skills still remained, especially with new graduates, which caused the government to step up training and up-skilling initiatives with programmes like HRD Corp's National Skills Development.

Fiscal reform & tax policy

One of the biggest changes to fiscal policy occurred in Q2 2025 when the government of Malaysia introduced a multi-tiered Sales Tax system. From July 1, 2025, products in Malaysia were taxed with a new 5 percent, 8 percent, or 10 percent tax, depending on whether it was classified as basic or luxury.²⁰ Alongside the introduction of tiered

¹⁷ Trivedi, Rahul. "Malaysia's economy likely lost momentum in first quarter, trade risks weigh." Reuters. May 13, 2025. <https://www.reuters.com/markets/asia/malaysias-economy-likely-lost-momentum-first-quarter-trade-risks-weigh-2025-05-14/>.

¹⁸ Ai Leng, Tan . "Malaysia's April inflation stable at 1.4%, but core rate hits 17-month high" The Business Times. May 22, 2025. <https://www.businesstimes.com.sg/international/asean/malaysias-april-inflation-stable-1-4-core-rate-hits-17-month-high>

¹⁹ Zakri, Jazlin . "Malaysia's unemployment rate drops 10-year low, official data show" The Edge Malaysia. June 11, 2025. https://theedgemaalaysia.com/node/758601?utm_source

²⁰ Azhar, Danial. "Malaysia to introduce revised sales tax, expand services tax from July 1" Reuters. June 9, 2025.

sales tax, the government also expanded the Service Tax (SST) to include certain areas and services that were initially exempt. Importantly, it widened the tax coverage to activities such as real estate rental or leasing, logistics, construction, private healthcare, private education, and beauty services. It is anticipated that this would generate an additional annual revenue up to USD 1.44 billion (RM6 billion), which would allow the government to pursue fiscal consolidation and reduce dependency on volatile and unpredictable revenues from petroleum-related sources. The Ministry of Finance indicated that essential goods and services would remain exempt in an effort to protect low-income households.²¹

In addition, the government clarified that the national minimum wage will increase from RM1,500 to RM1,700 per month, approximately USD 360 to USD 408 per month, starting with full implementation on 1 August 2025. This wage increase is introduced as part of the broader social protection scheme, aiming to provide wages that align with the increasing cost of living and proper recompense for manufacturing and services industries workers. It is also implemented gradually to ingest the shock on SMEs and microenterprises.²²

Foreign Affairs

China-Malaysia relations: Xi Jinping's 2025 state visit

Between the 15th and 17th of April 2025, President Xi Jinping went to Malaysia on his first visit there in twelve years in commemoration of the Golden Jubilee of Sino-Malaysian relations.²³ President Xi met with Prime Minister Anwar Ibrahim and Sultan

https://www.reuters.com/en/malaysia-introduce-revised-sales-tax-expand-services-tax-july-1-2025-06-09/?utm_source

²¹ Ministry of Finance, "Revision to the Expanded Sales Tax and Service Tax Take into Account Public and Industry Feedback," Mof.gov.my, June 27, 2025, <https://www.mof.gov.my/portal/en/news/press-release/revision-to-the-expanded-sales-tax-and-service-tax-take-into-account-public-and-industry-feedback>.

²² Falak Medinal, Ayman. "Malaysia's New Minimum Wage Rate for 2025: What Employers and Workers Need to Know" ASEAN Briefing. February 21, 2025. https://www.reuters.com/en/malaysia-introduce-revised-sales-tax-expand-services-tax-july-1-2025-06-09/?utm_source

²³ *The Star*, "Chinese President Xi has arrived in Malaysia for a three-day state visit," April 15, 2025. <https://www.thestar.com.my/news/nation/2025/04/15/chinese-president-xi-has-arrived-in-malaysia-for-a-three-day-state-visit>

Ibrahim, marking the 50th anniversary of diplomatic relations²⁴, reaffirmed the close relations, and issued a Joint Statement produced with agreed terms emphasizing strategic trust, mutual respect for sovereignty, and shared visions in a multipolar world. Malaysia's Madani Economy was made consistent with China's Belt and Road Initiatives in infrastructure, digital economy, AI, green tech, and defense, while reaffirming the East Coast Rail Link, "Two Countries, Twin Parks," 5G cooperation, semiconductors, and supply chains. Malaysia reiterated that it abides by the One-China Policy. China reaffirmed its position as Malaysia's largest trading partner, with bilateral trade in 2024 reaching a record US\$212 billion, a rise of 11.4 percent year-on-year.²⁵ Agreements on law enforcement, agricultural cooperation, and vocational training were signed. Both sides also agreed to fast-track trade ties and ongoing visa waiver agreement until 2026, while fostering cooperation in tourism, education, and culture with China on a joint UNESCO nomination application for the lion dance. The meeting concluded with key agreements, include joint laboratories in emerging technologies such as AI, blockchain, and renewable energy, highlighted by the MoU between University of Malaya and Peking University, and cooperation in smart farming and digital innovation. The state visit further renewed a mutual visa-free travel agreement, leading to approximately 3.8 million Chinese tourist arrivals in 2024, more than doubling from the previous year. China also supported Malaysia's 2025 chairmanship of ASEAN and ASEAN Centrality. The statement called for the peaceful resolution of matters in the South China Sea, launch of ASEAN-China Free Trade Area 3.0, and a UN-based Order. The visit has taken their bilateral relations to a new height.²⁶

²⁴ Mai, L. & Poling, G. The Latest on Southeast Asia: Xi's Visit to Southeast Asia. Center for Strategic and International Studies. April 24, 2025. <https://www.csis.org/blogs/latest-southeast-asia/latest-southeast-asia-xis-visit-southeast-asia>

²⁵ The Star. Malaysia-China trade hits record US\$212 billion. South China Morning Post. February 02, 2025. <https://www.scmp.com/news/asia/southeast-asia/article/3297055/malaysia-china-trade-hits-record-us212-billion>

²⁶Ministry of Foreign Affairs Malaysia, "Joint Statement between the People's Republic of China and Malaysia on Deepening the Comprehensive Strategic Partnership Towards a China–Malaysia Community with a Shared Future," April 17, 2025. <https://www.kln.gov.my/web/guest/-/joint-statement-between-the-people-s-republic-of-china-and-malaysia-on-deepening-the-comprehensive-strategic-partnership-towards-china-malaysia-commun>

Malaysia-Myanmar engagement

On 17 April 2025, while holding the Chair of ASEAN, Malaysian Prime Minister Anwar Ibrahim met with Myanmar junta leader Senior General Min Aung Hlaing at Bangkok's Rosewood Hotel. Organized by former Thai premier Thaksin Shinawatra, now pro tempore adviser to Malaysia's ASEAN Chairmanship, the meeting was held under heavy guard and barred all media access due to the sensitivities at play. It was the first handshaking between an ASEAN Chair and the Myanmar military leader since the 2021 coup and the suspension of Myanmar from ASEAN high-level meetings. Following the terrible killing of 3,600 people in the 7.7 magnitude earthquake of March 2025, also came the opportunity for humanitarian intervention. Prime Minister Anwar wanted the junta to consider extending the ceasefire, initially declared April 2 for 20 days, and allow humanitarian access to the conflict zones. This meeting was opposed by anti-junta forces like the National Unity Government and the Karen National Union, who saw it as a form of legitimization for the junta. However, favoring engagement aligns with Malaysia's pragmatic approach to conflict diplomacy in an attempt to revive the Five-Point Consensus that had been endangered while addressing immediate humanitarian concerns. This in turn simultaneously underscores Malaysia's balancing role in diplomacy.²⁷

The 46th ASEAN Summit

The 46th ASEAN Summit was held in Malaysia in May 2025, under the theme of “Inclusivity and Sustainability,” at the Kuala Lumpur Convention Centre (KLCC). Amid geopolitical and economic uncertainties, leaders talk about the need for unity, regional stability, economic integration, and sustainable development. Foreign Minister Mohamad Hasan called for fairer trading within ASEAN to reduce income disparities and emphasized ASEAN Centrality amid worldwide tensions like the U.S.-China rivalry. He further added the moral responsibility of ASEAN to solve the humanitarian crises affecting Gaza and Myanmar. The governments adopted the Kuala Lumpur Declaration on ASEAN 2045: Our Shared Future, a 20-year vision aimed at innovation,

²⁷ The Straits Times, “Malaysia PM meets Myanmar junta chief amid opposition to talks,” April 17, 2025. <https://www.straitstimes.com/asia/se-asia/malaysia-pm-set-to-meet-myanmar-junta-chief-amid-opposition-to-talks>

inclusiveness, and institutional effectiveness. According to ASEAN leaders, Timor-Leste will be formally admitted at the full membership level in the next Summit in October 2025; Malaysia also hosted the first ASEAN-GCC-China Summit, a testament to ASEAN's growing stature in multipolar engagement and Indo-Pacific economic alignment. The Summit reaffirmed Malaysia's leadership in steering ASEAN's future, while in the process, further building on the organization's global standing and cohesiveness.²⁸

Malaysia-Kosovo relations strengthening

From 1 to 4 May, 2025, the President of the Republic of Kosovo, Vjosa Osmani Sadriu, made an official visit to Malaysia, aiming to cement bilateral relations in trade, investment, education, and people-to-people contact. The visit culminated with Kosovo again stressing deepening diplomatic, economic, and security cooperation with Malaysia as it would soon open its embassy in Kuala Lumpur. Among the earliest Asian countries to recognize Kosovo was Malaysia on October 30, 2008, with formal diplomatic ties established on March 18, 2011.²⁹

Bilateral talks between Malaysia and Qatar

On May 9, 2025, Secretary-General Dato' Sri Amran Mohamed Zin of the Ministry of Foreign Affairs of Malaysia held talks with his Qatari counterpart. Discussions ensued on developing bilateral relations in trade, investment, energy, advanced technology, and sports. In their exchanges, they touched upon other regional and international issues of common concern, thereby forging the bilateral commitment deeper within the multilateral contexts and international cooperation.³⁰

²⁸ The Star, "46th ASEAN Summit concludes with focus on unity and growth", June 3, 2025.

<https://www.thestar.com.my/starpics/2025/06/03/46th-asean-summit-concludes-with-focus-on-unity-and-growth>

²⁹ Bernama. 2025. "Kosovo President Concludes Visit to Malaysia." *The Edge Malaysia*. Last modified May 4, 2025. <https://theedgemaalaysia.com/node/753893>

³⁰ Embassy of Malaysia, Mexico City. 2025. "Malaysia and Qatar Deepen Bilateral Cooperation." https://www.kln.gov.my/web/mex_mexico-city/news-from-mission/-/blogs/malaysia-and-qatar-deepen-bilateral-cooperation

Malaysia and GCC Free Trade Agreement negotiations

The Free Trade Negotiations were initiated on May 26, 2025, at Kuala Lumpur, between Malaysia and the GCC countries. These oil-rich countries sought to ensure exports while removing trade restrictions, in line with the joint statement to commence negotiations for a Malaysia-GCC Free Trade Agreement (MGFTA). The Malaysia GCC Free Trade Agreement aims to reduce tariffs, ease non-tariff barriers, improve business mobility, and strengthen regulatory cooperation. Trade between Malaysia and the GCC, which includes Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, was valued at 22 billion US dollars in 2024. Key sectors include electronics, semiconductors, halal products, palm oil, and petrochemicals. The agreement builds on the Malaysia UAE Comprehensive Economic Partnership Agreement signed in January. Minister Tengku Zafrul expressed hope for increased GCC investment and better market access for Malaysian companies.³¹

Malaysia elected UN-Habitat President

Malaysia has recently been unanimously elected President of the UN-Habitat General Assembly for the 2025-2029 term, becoming the first UN-Habitat President in the history of the organization, and an acknowledgment by the international community of the Malaysian conviction in global urban development. The announcement took place at the UN-Habitat Assembly on May 30 in Nairobi. Represented by the Malaysian Minister for Housing and Local Government, Nga Kor Ming, Malaysia will also occupy a seat on the Executive Board alongside the UAE for the Asia-Pacific region. This role pertains to SDG 11, which deals with making cities inclusive, safe, resilient, and sustainable. As of present, 53% of Malaysia's 156 local governments have been conducting Voluntary Local Reviews and would have attained full coverage by the year 2030. The UAE felt proud of the joint leadership while reiterating sustainability as a mutually shared goal on urban futures.³²

³¹ Malay Mail. 2025. "Malaysia, GCC Launch Free Trade Talks to Boost Exports, Cut Trade Barriers." *Malay Mail*, May 26, 2025. <https://www.malaymail.com/news/money/2025/05/26/malaysia-gcc-launch-free-trade-talks-to-boost-exports-cut-trade-barriers/178291>

³² The Star. 2025. "Malaysia Elected President of UN-Habitat Assembly for 2025–2029 Term." *The Star*. Last modified May 30, 2025. <https://www.thestar.com.my/news/nation/2025/05/30/malaysia-elected-president-of-un-habitat-assembly-for-2025-2029-term>

Strengthening Malaysia-Poland strategic outlook

On 6 June 2024, President Andrzej Duda paid an official visit to Malaysia as part of the ASEAN Chairmanship, in reiterating their desire to further enhance bilateral relations and expansion of cooperation to all other areas. They find more prospects in the sustained top-level exchanges with the further improvement of coordination in multilateral formats, including the UN, ASEAN-EU Dialogue, and ASEM as the visit marked the timely ratification of the EU-Malaysia Framework Agreement of engaging Malaysia via the EU. The two sides agreed to strive to rebalance trade by removing economic barriers, enhancing business-to-business consultation among ministries concerned and encouraging greater cooperation, especially in agri-food trade. Both sides also pledged their support for progress on the Malaysia-European Union Free Trade Agreement and called for its finalization at the earliest possible opportunity. Moreover, collaboration will be encouraged in economic and digital transformation, especially in the following areas: public service digitalization, green energy transition including hydrogen and renewables, financial technology, infrastructure, transport, and the maritime economy. There was also the emphasis on enhancing multimodal transport connectivity to facilitate the strengthening of trade routes and the entrenchment of economic relations. Moreover, Malaysia and the Republic of Poland also reinstated their determination to collaborate in dealing with organized crime, human trafficking, and unlawful immigration.³³

Conclusion

The second quarter of 2025 reflected the strength and vibrancy of Malaysia in a complex political and global landscape. On the domestic front, the country had to reconcile between grieving the death of a past leader and at the same time deal with the current legal and political issues. On the economic front, Malaysia remained committed to sustaining growth on reform-based policies. Internationally, Malaysia

³³ Official Portal Ministry of Foreign Affairs Malaysia. 2025. *Joint Statement Between Malaysia and the Republic of Poland on the Occasion of the Official Visit by His Excellency Andrzej Duda, President of the Republic of Poland, to Malaysia, 9–11 June 2025.* <https://www.kln.gov.my/web/guest/-/joint-statement-between-malaysia-and-the-republic-of-poland-on-the-occasion-of-the-official-visit-by-his-excellency-andrzej-duda-president-of-the-repu>

assumed the ASEAN Chair and strengthened relationships with China, demonstrating its interest in regional collaboration and strategic diplomacy. All these developments portray a Malaysia that is not only sensitive to domestic changes but also a Malaysia that is more involved in the international scene.

Myanmar

Keo Sokkosol, Lek Amra Christie, and Tann Marady

Introduction

This second quarterly update of Myanmar covers the ongoing events in the aspects of domestic politics, economic development, and foreign affairs. In the political aspect, Min Aung Hlaing reaffirmed Myanmar's commitment to hold the general elections by late 2025-early 2026. However, the election draws scepticism as to what extent the election will be "free and fair". Economically, the country faced challenges from the earthquake aftermath, causing an estimated \$11 billion in damages, and over 20 million people are in need of humanitarian aid. In foreign affairs, Min Aung Hlaing paid visits to Bangkok and Moscow, on which occasions he engaged with leaders from Thailand, India, China, and Russia to discuss military cooperation, border stability, and aid.

Domestic Politics

During his first visit to Bangkok since the 2021 coup, Myanmar junta leader Min Aung Hlaing reaffirmed his commitment to hold a general election between late December 2025 and mid-January 2026, despite ongoing recovery from major earthquakes. He also informed Nepalese Prime Minister KP Sharma Oli at the BIMSTEC summit that instability will necessitate a phased vote. Before the quake, the junta announced that voter lists had been finalized and plans to use electronic voting machines. A new hybrid electoral system will be adopted: first-past-the-post for the Lower House and proportional representation for the Upper House and regional legislatures. Under the 2008 Constitution, only 8% of elected lawmakers are required to convene parliament, with 25% of seats reserved for the military. The election commission has registered 53 political parties, including the military-backed Union Solidarity and Development Party.¹

¹ Maung Kavi, "Junta Boss Reaffirms Election Plans While Myanmar Reels From Earthquake," *The Irrawaddy*, April 04, 2025, <https://www.irrawaddy.com/news/politics/junta-boss-reaffirms-election-plans-while-myanmar-reels-from-earthquake.html>

In addition, Min Aung Hlaing urged public cooperation and pledged it would be a “free and fair” process. In his Thingyan New Year message, he stated that the regime is willing to resolve the ongoing conflict through political means. His statement drew widespread criticism, as many accused the junta of neglecting the sudden earthquake that has killed more than 3,700 people and displaced tens of thousands, and critics accused the regime of prioritizing electoral plans over urgent humanitarian needs. Although some countries, such as China, Russia, India, Belarus, Thailand, and Cambodia, have supported the election, Western nations, Myanmar’s parallel National Unity Government, and other opposition groups have dismissed the vote as a strategy to legitimize military rule.²

To celebrate the traditional Thingyan New Year, Myanmar’s military government, headed by Senior General Min Aung Hlaing, announced the release of 4,893 prisoners, among whom are at least 22 political detainees, according to independent monitoring groups. Among those freed were journalists and activists who had been imprisoned on charges tied to incitement and restrictions on free speech. Moreover, 23 foreign nationals were deported.³

Myanmar’s military leader Min Aung Hlaing held his first meeting with Chinese President Xi Jinping since the 2021 coup during a World War II commemoration in Moscow. The meeting took place as China’s increasing concern over escalating instability along its border followed recent military defeats of the junta by the Three Brotherhood Alliance, an ethnic coalition that seized several strategic locations in northeast Shan State. Even though China mediated a ceasefire in early 2024, renewed clashes prompted Beijing to pressure ethnic rebels by cutting electricity and closing borders, which led to the Myanmar National Democratic Alliance Army’s withdrawal from Lashio. Despite a ceasefire extension between the MNDA and the Tatmadaw, airstrikes and aid restrictions continue.⁴ In addition, this visit also focused on military

² Maung Kavi, “Myanmar Junta Boss Pushes Elections in Thingyan Message,” *The Irrawaddy*, April 18, 2025, <https://www.irrawaddy.com/news/burma/myanmar-junta-boss-pushes-elections-in-thingyan-message.html>

³ “Myanmar frees nearly 4,900 prisoners including some political detainees,” *Associated Press*, April 17, 2025, <https://apnews.com/article/myanmar-amnesty-prisoners-min-aung-hlaing-new-year-c33b3af152a41f42fa01631150a42a6d>

⁴ Grant Peck, “Myanmar’s military government chief has first meeting with China’s leader since taking power in 2021,” *Associated Press*, May 10, 2025, <https://apnews.com/article/xi-beijing-min-aung-hlaing-lashio-aad2a493d0e80a3050e2c08d9aa57e1f>

ties with Russia. Min Aung Hlaing and senior military leaders met Russian officials to discuss defence technology and training. He also participated in diplomatic events hosted by President Vladimir Putin. Russia remains supplied to Myanmar and is proceeding with a nuclear power project near Naypyidaw.⁵

The Shan Nationalities Democratic Party (SNDP) has announced its participation in Myanmar's planned December 2025 election, with Party Chairman Sai Aik Pao stating that voting is essential for a civilian government to emerge. Speaking at the opening of the party's new Yangon office, he argued that rejecting the election would allow military rule to persist. Furthermore, Sai Aik Pao believes the junta would hand over authority to the winning party, despite the fact that many see the election as a sham to maintain junta control. He also emphasized that Myanmar's election laws allow the outcomes to be declared regardless of turnout, even if only one person votes. Although the main opposition parties, like the National League for Democracy (NLD) and Shan Nationalities League for Democracy (SNLD), were dissolved for not re-registering, other parties, such as the People's Pioneer Party and the People's Party, remain to prepare for the upcoming election, despite ongoing conflict and military airstrikes.⁶

Economic Developments in Myanmar

The 7.7-magnitude earthquake that occurred on March 28 has disastrously impacted Myanmar in terms of its economic and humanitarian outlook for Q2 2025. It is estimated that the disaster resulted in damages worth 11 billion dollars, approximately 14% of the total GDP of the country. Moreover, it took away the lives of 3,700 to 3,800 people in addition to displacing a large figure of people.⁷ The reconstruction process is sluggish due to infrastructure damages, ongoing civil wars, and lack of access to contested areas.

⁵ Maung Kavi, "Myanmar junta in Moscow to boost military technology and training" *The Irrawaddy*, May 09, 2025, <https://www.irrawaddy.com/news/myanmars-crisis-the-world/myanmar-junta-in-moscow-to-boost-military-technology-and-training-cooperation.html>

⁶ Maung Kavi, "Shan Party Says It's Ready to Take Part in Junta's Election," *The Irrawaddy*, May 19, 2025, <https://www.irrawaddy.com/news/politics/shan-party-says-its-ready-to-take-part-in-juntas-election.html>

⁷ Shoon Naing, "Earthquake worsens Myanmar's economic decline, World Bank says," *Reuters*, June 12, 2025, <https://www.reuters.com/markets/asia/earthquake-worsens-myanmars-economic-decline-world-bank-says-2025-06-12/>

In its recent projections, the World Bank foresees a fall in Myanmar GDP by 2.5% during the 2025-2026 financial year, as Mandalay and Naypyitaw are likely to record a substantial decrease in the economic rates.⁸ Additionally, the continued media blackout, the austerity of information policy, and improper practice in the distribution of aid, which is biased towards communities in resistance-controlled or sensitive regions, still cause harm to the living of the people.⁹

The need to respond to humanitarian needs has tripled, and there are over 20 million humans that need such assistance today.¹⁰ The food crisis also persists, especially when it comes to food security in rural and conflict-prone areas. The World Food Programme (WFP) has alerted that the aid in Myanmar is severely under-funded, and would further reduce the level of its food aid later by April 2025, which further poses anxiety about the occurrence of widespread malnutrition and famine situations.¹¹ The precarious recovery of Myanmar is economically and humanitarian-wise reliant on the international community, which is rapidly diminishing under the burden of geopolitical conflicts and donor fatigue.

Foreign Relations

Earlier in April, Senior General Min Aung Hlaing, visited Bangkok to attend the BIMSTEC summit, marking his first foreign visit since the 2021 coup. He held one-on-one talks with regional leaders, including Thai Prime Minister Paetongtarn Shinawatra and Indian Prime Minister Narendra Modi. The focuses of the discussions were earthquake reliefs and the demand for longer-lasting ceasefires. India has already sent

⁸ “Earthquake compounds Myanmar’s economic challenges,” *World Bank*, June 12, 2025, <https://www.worldbank.org/en/news/press-release/2025/06/12/earthquake-compounds-myanmar-s-economic-challenges>

⁹ Chad de Guzman and Charlie Campbell, “How Myanmar’s Junta—and Ongoing Civil War—Complicates the Nation’s Earthquake Recovery,” *Time*, April 2, 2025, <https://time.com/7273653/myanmar-junta-earthquake-recovery-aid-civil-war-explainer/>

¹⁰ Devjot Ghoshal, “UN’s Food Agency WFP to Cut Aid for About a Million People in Myanmar,” *Reuters*, March 14, 2025, <https://www.reuters.com/world/asia-pacific/uns-food-agency-wfp-cut-aid-about-million-myanmar-2025-03-14/>

¹¹ “WFP warns one million in Myanmar to be cut off from food aid amid funding shortfall,” *World Food Programme*, March 14, 2025, <https://www.wfp.org/news/wfp-warns-one-million-myanmar-be-cut-food-aid-amid-funding-shortfall>

their rescue teams and medical assistance in a special operation called Brahma, and Modi specifically called to establish peace in the region.¹²

The jamboree was also attended by International Assistance Chief Tom Fletcher and subsequently UN Special Envoy Julie Bishop before the summit, which highlights the worldwide call for a coordinated humanitarian response.¹³

UN Special Envoy Julie Bishop conducted her second visit in April, visiting Foreign Minister Than Swe and other leaders in quake-hit Naypyitaw. She aimed at strengthening the UN coordination in aid processes although she faced criticisms of having links to Chinese state firms. In a simple term, the criticism is over alleged ties to Chinese state firms in which she denied.¹⁴ In June, Bishop warned at the UN General assembly that Myanmar is on “path to self-destruction” due to the military conflicts and the supply of weapons hindering quake relief work.¹⁵

Resistance forces have responded by reciprocating the extension of the ceasefire by the military to April 22 and then to June 30, to allow work on reconstruction and quake relief. Nevertheless, in other quarters, fighting continues, raising doubts on the practicality of the ceasefire.¹⁶ ASEAN and other member states have also become more active in diplomacy. The Prime Minister of Malaysia, Anwar Ibrahim, had facilitated bilateral negotiations with the junta and the opposition National Unity Government (NUG), representing a tentative regional move towards dialogue.¹⁷ In the meantime, in a statement issued by Foreign Minister Maris Sangiampongsa, Thailand

¹² Devjyot Ghoshal and Panu Wongcha-um, “Myanmar Junta Chief Joins Bangkok Regional Summit as Earthquake Toll Tops 3,100” *Reuters*, April 4, 2025, <https://www.reuters.com/world/asia-pacific/myanmar-junta-chief-joins-bangkok-regional-summit-earthquake-toll-tops-3100-2025-04-04/>

¹³ Michelle Nichols, “UN aid chief to arrive in Myanmar on Friday,” *Reuters*, April 4, 2025,

<https://www.reuters.com/business/environment/un-aid-chief-arrive-myanmar-friday-2025-04-03/>
¹⁴ “UN Special Envoy Julie Bishop Makes Trip to War-Torn Myanmar after Devastating Earthquake,” *Associated Press*, last modified April 10 2025, <https://apnews.com/article/disaster-un-envoy-civil-war-earthquake-6c6e22779cfec5ee9e47512d267771d2>

¹⁵ Edith M. Lederer, “UN envoy to Myanmar warns that violence puts country on ‘path to self-destruction’,” *Associated Press*, June 10, 2025, <https://apnews.com/article/un-myanmar-conflict-earthquake-rohingya-38f2453e84472bce0aa0f8bbef6f80c5>

¹⁶ “Myanmar Junta Says Extends Temporary Ceasefire to June 30,” *Reuters*, June 3, 2025, June 3, 2025, <https://www.reuters.com/world/asia-pacific/myanmar-junta-says-extends-temporary-ceasefire-june-30-2025-06-03/>

¹⁷ Devjyot Ghoshal and Panu Wongcha-um, “Time Ripe for Talks between Myanmar Junta and Ousted Government, Malaysia’s Anwar Says,” *Reuters*, May 22, 2025, <https://www.reuters.com/world/asia-pacific/time-ripe-talks-between-myanmar-junta-ousted-government-malysias-anwar-says-2025-05-22/>

has recalled ASEAN to seek balanced ceasefires and a comprehensive dialogue, particularly at its forthcoming leaders' summit.¹⁸ The leadership of Malaysia is regarded by experts as a practical change to the ASEAN, which sees humanitarian engagement as a means of engagement independent of and different as distinct as a means of political recognition.

Overall, the second quarter of 2025 was the period when Myanmar's military government was taking advantages of the diplomatic avenues, which had been opened as a result of the earthquake: addressing regional powers, particularly India, China, Thailand, and Malaysia, working cautiously to allow UN-mediated humanitarian aid flowing into the country. Although the regime has achieved diplomatic progresses, the unabated violence, refugee crises, and the lack of political reforms cast doubt on whether there is any sustainability of the aid promises or whether any practical dialogue would occur.

Conclusion

In conclusion, Myanmar's second quarterly update was defined by Senior Leader Min Aung Hlaing's efforts to strengthen and lead the country. In domestic politics, the State Administration Council announced plans to hold the general election by the end of 2025, which is a move that many view as an attempt to legitimize the military regime through a flawed election. In the economic aspect, the nation is facing severe impacts, especially from the March earthquake, which caused immense damages and casualties. In foreign affairs, Min Aung Hlaing has been engaging with many key regional actors such as Thailand, Russia, India, and China to seek cooperation in military, finance, and border stability matters.

¹⁸ Panu Wongcha-um, "Thailand to Press for Broader International Engagement with Myanmar Junta," *Reuters*, May 23, 2025, <https://www.reuters.com/world/asia-pacific/thailand-press-broader-international-engagement-with-myanmar-junta-2025-05-23/>

The Philippines

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Introduction

The Philippines is an archipelagic country with more than 7,000 islands, with a diverse culture and rich history. The country is known as the first constitutional democracy in Asia, adopted since the transition from the authoritarian regime in 1899. The Philippines has been showing significant progress and new developments in the second quarter of 2025. On the political front, the country has highly anticipated the midterm election in May and is now looking ahead to the impeachment case, which could shape the political power dynamics in the 2028 presidential race. Economically, this report has provided an overview of notable socioeconomic trends in the Philippines during the second quarter of 2025. It examines various factors, including GDP, inflation, employment, poverty, utilities, and infrastructure. Lastly, foreign relations are also included in this report. All in all, this paper provides an update on the Philippines from April to early June 2025, analyzing changes occurred in the aspects of domestic politics, socio-economic, and foreign affairs.

Domestic Politics

As the Philippines revitalizes its political system ahead of the midterm election and the upcoming 2028 presidential election, the electoral competition is certainly defined by the two prominent parties, which are led by Vice President Sara Duterte and President Ferdinand Marcos.

Approaching the midterm election, worries began to arise following the remark from the Philippines National Security Council regarding the speculation of election intervention from China. On April 18th, President Ferdinand Marcos Jr. immediately ordered an investigation into this allegation about the potential state-sponsored information operation that influenced the electoral process. This probe will still proceed despite receiving a denial from Chinese Foreign Ministry spokesman Guo Jiakun concerning the accusation of interfering in the Philippines' domestic affairs.

Simultaneously, midterm election sentiment was unfolding amidst President Marcos's continued public support. Based on the April 2nd-5th, 2025 survey conducted ahead of the midterm election, President Marcos continued to receive a majority confidence and approval rating, with 60% of respondents expressing trust and 59% approving of his performance. This result reflected from his northern stronghold, namely Ilocos Region, Cordillera Administrative Region, and Cagayan Valley, which accounted 92%, 87%, and 83% respectively.¹ Though overall ratings were lowered significantly by fewer support in Mindanao, known as the stronghold region of Mr. Rodrigo Duterte, the support for President Marcos remained a higher rating than other top officials who also entered the race. Furthermore, the survey indicated that President Marcos notably appealed to the poorest socioeconomic class (Class E) among a total of 1200 respondents, with 66% of Class E. This pre-election survey signifies public confidence in his leadership, as he now reaches the midpoint of his term.²

On May 12th, the long-awaited midterm election finally came with approximately 70 million registered voters, as the nation pushed forward with efforts for improvement, ranging from advancing electoral technologies and expanding voter accessibility to addressing structural inequalities and protecting democratic integrity. These were to strengthen the systems and ensure inclusivity, given that the Philippines marked it as her "Super Election Year."³ Much of the attention was pointed toward the senatorial poll because the upper house will play a crucial role in influencing the party representation balance ahead of the 2028 presidential race.⁴ Moreover, this senatorial

¹ "Marcos Gets Majority Trust, Approval Ratings in April Survey – OCTA." Philippine News Agency. 2025. <https://www.pna.gov.ph/articles/1248969>.

² Cervantes, Filane Mikee. 2025. "Marcos Gets Majority Trust, Approval Ratings in April Survey – Octa."

Inquirer.net. April 2025. <https://newsinfo.inquirer.net/2056732/marcos-gets-majority-trust-approval-ratings-in-april-survey-octa>.

³ ANFREL. 2025. "The Philippines' Super Election Year: Insights into the 2025 National and Local Elections | Data

Dive Issue No. 17 | Asian Network for Free Elections." Asian Network for Free Elections | Advancing Electoral

Democracy in Asia. May 11, 2025. <https://anfrel.org/the-philippines-super-election-year-insights-into-the-2025-national-and-local-elections-data-dive-issue-no-17/>.

⁴ "Mid-Term Elections in the Philippines: The Clan War Reaches New Heights." Ifri.org. May 20, 2025. <https://www.ifri.org/en/memos/mid-term-elections-philippines-clan-war-reaches-new-heights>.

result will also determine the fate of Vice President Sara Duterte, with her impeachment approaching in July.

Later that day, the municipal result got released with Rodrigo Duterte securing the mayoral seat in his hometown Davao City with over 66 thousand casted in his ballot. Moreover, Mr. Sebastian and Mr. Paolo, who are his sons, got elected as Davao vice-mayor and a congressman respectively. His two grandsons also won in the midterm poll. In addition, 7 Senate seats came from Duterte-endorsed candidates and their alliances.⁵ These have proven that Duterte's influence remains embedded in the Philippines' politics despite being arrested by International Criminal Court (ICC) over charges related to his anti-drug campaign.⁶ Meanwhile, in disbelief, President Marcos responded to the mixed midterm results by calling on all Cabinet secretaries to submit courtesy resignations on May 22nd. This request was intended to reevaluate each department's performance and select officials who align with his new administration's priorities.⁷

In early March 2025, the ICC publicly announced the arrest warrant for Mr. Rodrigo Duterte for his alleged involvement in crimes against humanity related to his anti-drug campaign. His trial progressed with a new development in June when the ICC submitted the six-batch of evidence on the ongoing case. On June 3rd, the ICC disclosed 90 additional items, including documents, photos, and audio-video files, that will be used as evidence against Mr. Duterte during the confirmation hearing on September 23rd.⁸

⁵ Cerojano, Teresa. 2025. "Detained Philippines Ex-President Duterte Wins Mayoral Race in His Home City." AP News. May 13, 2025. <https://apnews.com/article/philippines-midterm-elections-duterte-senate-5c7ac2250249f71281ad2eab9daef511>.

⁶ Cerojano, Teresa. 2025. "Philippines Senate Race a Blow to President Marcos as He Feuds with Vice President Duterte." AP News. May 16, 2025. <https://apnews.com/article/philippines-midterm-election-duterte-senate-6e612ed03aa880fc3a5a4c9f2456f727>.

⁷ <https://apnews.com/author/jim-gomez>. 2025. "Philippine President Calls for All Cabinet Secretaries to Resign after Election Setbacks." AP News. May 22, 2025. <https://apnews.com/article/philippine-president-ferdinand-marcos-ir-cabinet-reshuffle-06f8e6eb126ddd71687ec579cfbd9f6>.

⁸ Abarca, Charie. 2025. "ICC Prosecution Submits 6th Batch of Evidence in Rights Case vs Duterte." Inquirer.net. June 2025. <https://globalnation.inquirer.net/279471/icc-prosecution-submits-6th-batch-of-evidence-vs-duterte>.

In conclusion, the Philippines's political landscape has underscored largely on the midterm election in the second quarter of 2025. The result will not only determine the balance of power in legislature but also eventually influence the direction of Vice President Sara Duterte ahead of her impeachment.

Socioeconomic Affairs

From April to June 2025, socioeconomic performances of the nation were moderately positive yet cautious. Although macroeconomic signs hinted at recovery and resilience, factors such as poverty, underemployment, and rising cost of living persist as the core challenges towards inclusive development. This quarterly report celebrated major socioeconomic trends in the Philippines for the second quarter of 2025, touching upon GDP, inflation, employment, poverty, and utilities and infrastructure.

In the second quarter of 2025, the Philippines economy expanded by 5.4% from the first quarter of 2025, driven by strong household consumption (5.3%), government spending (18.7%), and growth in the services sector, particularly in wholesale and retail trade (6.4%), financial services (7.2%), and manufacturing (4.1%).⁹ The Philippines economy witnessed an acceleration of 5.7% with the strongest domestic consumption, steady streams of remittances from overseas Filipino workers (OFWs), as well as the services sectors-tourism and business process outsourcing (BPO) coming into the limelight.¹⁰ Besides public infrastructure investments have encouraged job creation and improved connectivity, and growth via the Government's "Build Better More" program. Despite uncertainties emanating beyond due to fluctuations in global oil prices and geopolitical risks, the Philippine Peso remained stable with investor confidence especially leaning towards renewable energies and digital services.¹¹

⁹ Desiderio, Louella. 2025. "Philippines Q2 Growth Seen at 6%." Philstar.com. May 23, 2025. <https://www.philstar.com/business/2025/05/24/2445333/philippines-q2-growth-seen-6>.

¹⁰ "OECD Economic Outlook, Volume 2025 Issue 1: Philippines." 2025. OECD. 2025. https://www.oecd.org/en/publications/oecd-economic-outlook-volume-2025-issue-1_83363382-en/full-report/philippines_3312dc58.html.

¹¹ "DPWH Launches Lead Program to Prepare Future Leaders for Transformational Infrastructure Projects under Build Better More." Department of Public Works and Highways. 2025. <https://www.dpwh.gov.ph/dpwh/news/37521>.

Inflation fell this quarter, down from 4.1% in April to 3.8% in June. It is largely due to enhanced food availability, especially vegetables and pork, and government price stabilizations. Prices of rice and fuel were also volatile, but they affected the poor households disproportionately. Even while easing, inflation did not keep pace with rising cost of living, which erodes household purchasing power.¹²

At the labor front, the nation's unemployment rate dropped marginally to 4.3%, which means there is low job growth in the service sector and the construction sector. Underemployment rate was still at 11.2%, which shows the large number of Filipinos who are stuck in part-time or informal employment that is of little help in the economic needs. Youth and agriculture workers were still unable to obtain quality employment. While the government expanded labor programs, especially for youth, employment matching and education-employment transition structural issues still persist.¹³¹⁴ There exists a serious mismatch between propagated skills and the real demands of the job market since these problems have arisen. Graduates are unable to obtain internships or training, and this further hinders the development of weak channels between industries and schools. The situation impacts national development since it does not motivate people; hence, it affects the productivity of the workforce in economic transitions for young people and rural populations. Some government efforts being put into operation to address the issue include the Youth Entrepreneurship Program and TVET reforms, although the coverage and efficiency of these schemes must be enhanced.

Poverty, along with inequality, continued to characterize the socio-economic problems of the second quarter of 2025. While poverty rates for Q2 have not yet been released, the latest known figure from 2023 put the poverty rate at 15.5%.¹⁵ In addition to official

¹² "DPWH Launches Lead Program to Prepare Future Leaders for Transformational Infrastructure Projects under Build Better More | Department of Public Works and Highways." 2025. Department of Public Works and Highways. 2025. <https://www.dpwh.gov.ph/dpwh/news/37521>.

¹³ D1s-prD. 2025. "PH LABOR MARKET KICKS off 2025 on a HIGH NOTE." Department of Economy, Planning, and Development. March 6, 2025. <https://depdev.gov.ph/jan2025lfs/>.

¹⁴ "Authentication Challenge Pages." 2025. Psa.gov.ph. 2025. <https://psa.gov.ph/statistics/labor-force-survey/node/1684076355>.

¹⁵ Gonzales, Anna Leah. 2023. "Poverty Rate Falls to 15.5% in 2023 | Philippine News Agency." Pna.gov.ph. 2023. <https://www.pna.gov.ph/articles/1229459>.

statistics, a Social Weather Stations (SWS) survey conducted in April 2025 revealed that 55% of Filipino families, approximately 15.5 million, considered themselves poor, the highest self-rated poverty level recorded that year. Such a perception of poverty was held most strongly in Mindanao (70%) and the Visayas (67%) followed by their persistent regional disparities. Certainly, the government further expanded the conditional cash transfer programs and livelihood support schemes; yet, such programs could not reach or became less effective in far-flung provinces. There existed, moreover, an income gap in tandem with denial of avenues for social mobility, all distasteful to the growth efforts inclusive.¹⁶

Development of human capital and education remained a priority in quarter two of 2025. The Department of Education intensified its education reform under the "MATATAG" program to address COVID-19 pandemic-related learning losses. While gains in basic literacy and teacher development took place, progress was still sluggish and uneven, particularly in remote and underserved schools. Tertiary education became more accessible through state scholarship programs and free tuition in state universities and colleges, yet quality and resource disparity between urban and rural areas persist. Innovative proposals such as Human Capital Contracts (HCCs), which reframe education financing as an income-based investment rather than a traditional loan, have also been explored in academic research. A 2025 thesis from Ateneo de Manila University proposed a legal and management framework for implementing HCCs in the Philippines, aiming to democratize access to tertiary education and align financing models with social equity goals.¹⁷

For public health, the Philippines had managed to keep COVID-19 cases low during the second quarter, which allowed the government to focus on more broad-based

¹⁶ Abad, Michelle. 2025. "15.5 Million Filipino Families Consider Themselves Poor in April 2025 – SWS." RAPPLER. April 26, 2025. <https://www.rappler.com/philippines/self-rated-poverty-survey-sws-april-2025/>.

¹⁷ "Revolutionizing Education Financing: The Potential of Human Capital Contracts in the Philippines" Wins Best BS Legal Management Thesis for SY 2024-2025 | News | Ateneo de Manila University." 2025. Ateneo de Manila University. June 6, 2025. <https://www.ateneo.edu/news/2025/05/29/revolutionizing-education-financing-potential-human-capital-contracts-philippines>.

health reforms. However, a new concern has emerged: the country now records the fastest rise in new HIV cases globally, with 57 new infections daily, prompting the Department of Health to call for a national public health emergency. Alarming, the trend is shifting toward adolescents and even pre-teens, with the youngest case reported at age 12. While HIV is now manageable with antiretroviral therapy, the surge underscores the urgent need for expanded testing, education, and youth-focused interventions.¹⁸

Infrastructure and cyber connectivity were also upgraded. Ongoing investment in roads, railways, power, and telecommunications under the "Build Better More" program increased connectivity to remote areas. Rural broadband programs, including satellite and community Wi-Fi initiatives, were launched to enable digital learning and work-from-home options, especially in underserved provinces like Tawi-Tawi and Batanes, although geographical limitations still limited connectivity in island and mountain provinces.¹⁹

Overall, the second quarter of 2025 is both full of promise and ongoing challenges for the Philippines' socioeconomic affairs. The economy was proved to be resilient, and some government initiatives yielded gains in inflation control, employment, and the provision of public goods and services. Nevertheless, ongoing issues of high underemployment, poverty reduction that remains slow, learning gaps, and regional disparities must be tackled by consistent and comprehensive policy actions. With the country entering the second half of the year, food security, decent jobs, and investment in human capital will be the building blocks to achieving equitable and sustainable development.

¹⁸ Santos, Jel. 2025. "Philippines Sees World's Fastest Rise in New HIV Cases: DOH Calls for Public Health Emergency." Manila Bulletin. June 2, 2025. <https://mb.com.ph/2025/06/02/philippines-sees-worlds-fastest-rise-in-new-hiv-cases-doh-calls-for-public-health-emergency>.

¹⁹ Lee. 2025. "DICT: Digital Progress Must Reach the Most Remote, Underserved Communities - Philippine Information Agency." Philippine Information Agency. June 5, 2025. <https://pia.gov.ph/dict-digital-progress-must-reach-the-most-remote-underserved-communities/>.

Foreign Relations

Throughout the second quarter, the Philippines actively engaged with regional and global partners managing maritime tensions, strengthening military alliances, and expanding diplomatic and economic cooperation.

On April 2nd, 2025, Canadian Armed Forces Chief Gen. Marie Annabelle Carignan visited Manila to reaffirm defence ties with the Philippines. Since their 2024 agreement, both countries have increased cooperation in maritime security, cybersecurity, and capacity building. The visit emphasized joint efforts to enhance regional security and partnership.²⁰ In Manila from 9th to 11th the most recent round of talks aimed at concluding the South China Sea Code of Conduct (COC) between ASEAN and China took place. The negotiations for the COC are handled by the Joint Working Group for the Implementation of the Declaration on the Conduct of Parties in the South China Sea (JWG-DOC).²¹ On April 21st, 2025, the Philippines played a key role in concluding the WHO Pandemic Agreement, advocating for equitable access to vaccines and health resources. The agreement aims to improve global pandemic response and will be adopted at the World Health Assembly.²² On April 23, the Philippines is set to receive its second batch of BrahMos supersonic cruise missiles from India, which should bolster the country's coastal defence capabilities amid escalating tension with China and being integrated as part of the military's modernization program.²³

On April 29th, 2025, Japanese Prime Minister Shigeru Ishiba and Philippine President Ferdinand Marcos Jr. announced plans to begin talks on two new defence pacts to strengthen their security alliance amid China's growing aggression in disputed waters.

²⁰ Public. 2015. "Philippines, Canada Reaffirm Strengthening of Defense and Security Ties." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36442-philippines-canada-reaffirm-strengthening-of-defense-and-security-ties>

²¹ Public. 2015. "Philippines Hosts ASEAN-China Code of Conduct Negotiations." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36438-philippines-hosts-asean-china-code-of-conduct-negotiations>

²² Public. 2015. "Negotiations on WHO Pandemic Agreement Conclude with Philippines Championing Equity and Global Solidarity on Health." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36454-negotiations-on-who-pandemic-agreement-conclude-with-philippines-championing-equity-and-global-solidarity-on-health>

²³ Reuters Staff. 2025. "Philippines to Receive Second Batch of BrahMos Missile System from India." Reuters, April 23, 2025. <https://www.reuters.com/business/aerospace-defense/philippines-receive-second-batch-brahmos-missile-system-india-2025-04-23/>

They also addressed concerns over the global economic impact of U.S.-China trade tensions.²⁴ On April 30th, 2025, the Philippines signed a military pact with New Zealand, allowing joint exercises and expanding defence cooperation amid rising tensions with China in the South China Sea by Defence Secretary Gilberto Teodoro Jr. and New Zealand's Judith Collins, and President Ferdinand Marcos Jr. The Philippines continues to build security alliances as it faces an increasingly aggressive China in the disputed South China Sea.²⁵

On May 6, 2025, with the strong economy and investment potential of the Philippines set to be showcased in the Philippine Economic Dialogue in Milan along with the holding of the ADB meeting, the focus of the event is on strengthening trade and investment ties between the Philippines and Italy.²⁶

On May 7, the Commission on Higher Education (CHED) J. Prospero E. De Vera III, with the CHED delegation, paid an official visit, during which they were received by Chargé d'Affaires Christian L. De Jesus at the Philippine Embassy in Japan. Dialogues were aimed at improving educational programs and promotions of Japanese scholarship programs, and academic collaboration with Japanese institutions was undertaken.²⁷

Continue to May 8, 2025, the Philippines and Qatar held their 2nd Joint Consultation Meeting on Political Matters in Manila. DFA Undersecretary Ma. Theresa P. Lazaro and Qatar's Secretary General, Dr. Ahmad Hassen Alhammadi, reviewed progress in

²⁴ Gomez, Jim. 2025. "Japan and Philippines to Start Talks on 2 Defense Pacts in the Face of China's Growing Aggression." AP News. April 29, 2025. <https://apnews.com/article/japan-prime-minister-shigeru-ishiba-philippines-china-3c2d3dda146c8b98b2a993d1dd9c59be>

²⁵ Gomez, Jim. 2025. "Philippines Signs Military Pact with New Zealand to Widen Alliances While Facing an Assertive China." AP News. April 30, 2025. <https://apnews.com/article/new-zealand-philippines-status-of-visiting-forces-agreement-b695ff83f5021e1569b2245229dfe4d3>

²⁶ Public. 2015. "Philippine Economic Opportunities Take Center Stage in Milan, Italy." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postupdate/36563-philippine-economic-opportunities-take-center-stage-in-milan-italy>

²⁷ Public. 2015. "PH Embassy, CHED Commit to Strengthening PH-Japan Cooperation on Higher Education in Meeting with Filipino Scholars." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postupdate/36538-ph-embassy-ched-commit-to-strengthening-ph-japan-cooperation-on-higher-education-in-meeting-with-filipino-scholars>

political and economic cooperation, as well as collaboration in energy, defense, health, education, youth, sports, and tourism.²⁸

From 8th to 9th of May 2025, Secretary Enrique A. Manalo attended the 28th COFCOR meeting in St. Kitts and Nevis, marking the Philippines' first engagement with CARICOM. During the bilateral meeting with Grenada, both sides highlighted shared priorities such as climate change, food security, and maritime cooperation. The Philippines formalized diplomatic ties with Grenada, completing ties with all 14 CARICOM members. Secretary Manalo also pledged support to the CARICOM Development Fund, discussed deeper cooperation, and reaffirmed the Philippines' UN Security Council bid for 2027–2028.²⁹

On May 15, 2025, Cuban Ambassador Yadira Ledesma Hernández met with Foreign Secretary Enrique Manalo to explore ways to strengthen bilateral relations. Discussions included cooperation in agriculture, health, and education.³⁰ From 15 to 16 May 2025, the Philippines, represented by ASEAN-Philippines SOM Leader Ma. Theresa P. Lazaro emphasized the importance of maritime cooperation in promoting regional peace and sustainable development at the 29th ASEAN–ROK Dialogue in Bangkok. One of the key topics was upholding a rules-based order under UNCLOS.³¹

On May 19th, Mongolian Foreign Minister Batmunkh Battsetseg made a historic visit to the Philippines, marking the first visit by a Mongolian foreign minister in over four

²⁸ Public. 2015. "Philippines, Qatar Discuss Strengthening of Relations in Second Joint Consultation Meeting." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36536-philippines-qatar-discuss-strengthening-of-relations-in-second-joint-consultation-meeting>

²⁹ Noel, Dike. 2025. "COMMUNIQUE | Twenty-Eighth Meeting of the Council for Foreign and Community Relations (COFCOR) | Basseterre, Saint Kitts and Nevis | 8-9 May 2025." Caricom. May 15, 2025. https://caricom.org/communique-twenty-eighth-meeting-of-the-council-for-foreign-and-community-relations-cofcor-basseterre-saint-kitts-and-nevis-8-9-may-2025/?utm_source=chatgpt.com.

³⁰ "Cuban Ambassador Received by Philippine Foreign Secretary on the Occasion of the Presentation of Her Letter of Credence." 2025. CUBADIPLOMATICA. May 17, 2025. <https://misiones.cubaminrex.cu/en/articulo/cuban-ambassador-received-philippine-foreign-secretary-occasion-presentation-her-letter>

³¹ Public. 2015. "Philippines Engage with ASEAN Member States and the Republic of Korea (ROK) at the 29th ASEAN-ROK Dialogue." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/news-from-our-foreign-service-postsupdate/36574-philippines-engage-with-asean-member-states-and-the-republic-of-korea-rok-at-the-29th-asean-rok-dialogue>

decades. Both countries discussed enhancing their economic and strategic partnership, especially in tourism, science, and defence.³²

Additionally, to commemorate 75 years of diplomatic relations, the Philippines and Greece held their inaugural political consultations in Athens. Assistant Secretary Deena Joy Amatong and Greek counterpart Andreas Frygnas discussed cooperation in maritime affairs, defence, trade, culture, labor, and migration.³³

On May 24th, 2025, during the 46th ASEAN Summit in Malaysia, the Philippines' Foreign Secretary Enrique Manalo met with Brunei's Foreign Minister II Dato Erywan Pehin Yusof. The two agreed to finalize the Terms of Reference for the Working Group implementing the Memorandum of Understanding on maritime cooperation.³⁴

On May 25th, during the GCC–ASEAN Summit in Kuala Lumpur, Secretary Manalo held talks with Bahrain's Foreign Minister, Dr. Abdullatif bin Rashid Al Zayani. The meeting focused on expanding cooperation across various sectors for mutual benefit.³⁵

The following day, during the ASEAN Summit, Secretary Manalo had a meeting with Vietnamese Foreign Minister Bui Thanh Son. The talks emphasized how crucial cooperation is in the face of South China Sea concerns.³⁶

During the 46th ASEAN Summit in Kuala Lumpur on May 27, The president of the Philippines and the prime minister of Cambodia reaffirmed their long-standing

³²Gaborne, King Kenneth. 2025. "Philippines, Mongolia Strengthen Bilateral Ties in Manila Talks." POLITIKO - News Philippine Politics. May 19, 2025. <https://politiko.com.ph/2025/05/19/philippines-mongolia-strengthen-bilateral-ties-in-manila-talks/politiko-lokal/>

³³Public. 2015. "Philippines, Greece Hold Inaugural Political Consultations in Athens." Department of Foreign Affairs. 2015. <https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36621-philippines-greece-hold-inaugural-political-consultations-in-athens>

³⁴Baron, Gabriela. 2025. "Phl, Brunei Eye Intensified Maritime Relations." Daily Tribune. May 25, 2025. <https://tribune.net.ph/2025/05/25/phl-brunei-eye-intensified-maritime-relations>

³⁵"Minister of Foreign Affairs Meets with the Foreign Minister of the Philippines." 2019. Ministry of Foreign Affairs. 2019. <https://www.mofa.gov.bh/en/minister-of-foreign-affairs-meets-with-the-foreign-minister-of-the-philippines>

³⁶Quevedo, Richbon. 2025. "Phl, Vietnam Elevate Strategic Ties." Daily Tribune. May 26, 2025. <https://tribune.net.ph/2025/05/26/phl-vietnam-elevate-strategic-ties>

relationship on the fringes of the ASEAN Summit. Both leaders pledged to improve regional stability and promised to deepen defence and commerce cooperation.³⁷

Moreover, from May 28th to 30th, 2025, Secretary Manalo travelled to Tokyo in order to foster regional collaboration and strengthen ties between the Philippines and Japan. The visit emphasized a commitment to deepening strategic ties and forthcoming anniversaries in 2026.³⁸

On June 5, President Ferdinand Marcos Jr. and Singapore Prime Minister Lawrence Wong had strengthen bilateral ties agreed to work together on renewable energy, health, climate resilience, digital skills, explore collaboration in "new and emerging areas" amid an increasingly complex and challenging geopolitical environment. Both leaders highlighted their countries' strong partnership and commitment to ASEAN's peace and economic growth.³⁹ For international organization like the European Union (EU), The Philippines have agreed to establish a dialogue to deepen cooperation on defence and security, aimed at combating emerging challenges such as cyber threats, foreign interference, counterterrorism, crisis response, and information manipulation, Philippine News Agency (PNA) reported on 10th of June.⁴⁰

Conclusion

All in all, the political, socioeconomic, and foreign relations landscape of the Philippines in the second quarter of 2025 reflect a nation navigating a complex set of challenges and opportunities. The midterm elections highlighted the ongoing influence

³⁷ Aurelio, Julie M. 2025. "Marcos Pushes for Expansion of Trade, Defense Cooperation with Cambodia." Inquirer.net. May 2025. <https://globalnation.inquirer.net/278398/marcos-pushes-for-expansion-of-trade-defense-cooperation-with-cambodia>

³⁸ Public. 2015. "Secretary Manalo Visits Tokyo, Highlights Philippine Outlook at 30th Nikkei Future of Asia Forum." Department of Foreign Affairs. 2015. https://dfa.gov.ph/dfa-news/dfa-releasesupdate/36626-secretary-manalo-visits-tokyo-highlights-philippine-outlook-at-30th-nikkei-future-of-asia-forum?fbclid=IwY2xjawKp4h5leHRuA2FibQlxMQABHsc75jnzOyjplqFRqprN6uCbPIvGW7pngBXXK24n7OFq3bVVwJoLYS7LE3Nq3_aem_s56ltidicj5m6IYzUClaMuA

³⁹ Valente, Catherine S. 2025. "PH, Singapore Boost Relations." The Manila Times. June 4, 2025. <https://www.manilatimes.net/2025/06/05/news/national/ph-singapore-boost-relations/2127650>

⁴⁰ The Star Online. 2025. "EU-Philippines Defence Dialogue Targets Foreign Interference and Cyber Threats." The Star. June 2, 2025. <https://www.thestar.com.my/aseanplus/aseanplus-news/2025/06/02/eu-philippines-defence-dialogue-targets-foreign-interference-and-cyber-threats>

of key political figures. Socioeconomic indicators showed moderate recovery, yet persistent issues like poverty, underemployment, and regional disparities underscored the need for comprehensive policy action. Meanwhile, the Philippines actively engaged in strengthening international alliances and addressing maritime tensions, reinforcing its position on the global stage. As the country moves forward, the interplay of domestic politics and socioeconomic challenges remains critical in shaping its path toward inclusive and sustainable development, while bolstering its diplomatic relations to navigate an evolving geopolitical landscape.

Singapore

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Introduction

This quarterly update provides an overview of Singapore's domestic, socioeconomic, and foreign policy developments from April to June 2025, a period marked by strategic transitions, regulatory modernization, and heightened regional diplomacy. Domestically, the appointment of Prime Minister Lawrence Wong and a reshuffled cabinet signaled continuity in governance, while macroeconomic adjustments and labor reforms reflected the city-state's response to global economic uncertainty and trade tensions. Internationally, Singapore reaffirmed its role as a diplomatic bridge and innovation hub, hosting pivotal engagements like the Shangri-La Dialogue and expanding bilateral cooperation with partners such as the U.S., France, Japan, and the Philippines. Through proactive policymaking and principled diplomacy, Singapore continues to navigate an increasingly complex geopolitical and economic landscape.

Domestic Affairs

Lawrence Wong's cabinet reshuffling and continuity strategy

On May 13, 2024, Deputy Prime Minister Lawrence Wong announced a cabinet reshuffle ahead of his formal appointment as Prime Minister. A key change was the appointment of Minister for Trade and Industry Gan Kim Yong as Deputy Prime Minister. He will also serve as Acting Prime Minister, when necessary, Chair of the Monetary Authority of Singapore (MAS), and oversee the Strategy Group in the Prime Minister's Office. Mr. Wong will retain his role as Finance Minister, signaling a commitment to continuity in economic and fiscal policymaking.¹

¹ Fabian Koh, "PM Wong Unveils First Full Cabinet: No Second DPM, Three Coordinating Ministers Named," CNA, May 23, 2025, https://www.channelnewsasia.com/singapore/lawrence-wong-cabinet-reshuffle-gan-kim-yong-chan-chun-sing-ong-ye-kung-5144301?cid=FBcna&fbclid=IwQ0xDSwKtOH9leHRuA2FibQIxMQABHs3o69pgeac1Lc6mb6uUnUqldB8t7QZU-CVub0dLpCUx0Hbc67yUpK0Ek0-8_aem_wdszwdxmWjO3OxOBEGHDkA.

No major changes were made to other ministerial portfolios. The cabinet, comprising 18 members, reflects Mr. Wong's strategy of combining experienced leadership with policy stability as the current government enters its final term. Analysts view Gan Kim Yong's appointment, at age 65, as a strategic move to anchor institutional knowledge and provide steady guidance as Singapore navigates intensifying global and domestic challenges.²

Singapore urges foreign embassies to avoid stirring public sentiment

On May 22, 2025, Singapore's Ministry of Foreign Affairs (MFA) issued a diplomatic advisory to foreign embassies, urging restraint in public communications that may stir domestic sensitivities. The statement followed a contentious exchange between the U.S. and Chinese embassies over the South China Sea, sparked by a U.S. Embassy video using a local HDB analogy to criticize China's maritime claims. Singapore stressed that such complex geopolitical issues should be addressed through formal diplomatic channels and cautioned against analogies that may provoke local sentiment or distort public understanding.³

Modernizing legal frameworks through repealing of the Banishment Act 1959

On May 30, 2025, Singapore officially repealed the Banishment Act 1959 under the broader Immigration (Amendment) Act 2023, passed in Parliament on September 18, 2023. The Banishment Act had allowed the expulsion of individuals deemed a threat to national interest but had become defunct, with no usage since the 1980s. The repeal aligns with Singapore's broader efforts to modernize its legal framework and remove obsolete legislation.⁴

² Ibid.

³ "Singapore Tells Embassies to Avoid Inciting Domestic Reactions to International Issues," *Reuters*, May 22, 2025, <https://www.reuters.com/world/china/singapore-tells-embassies-avoid-inciting-domestic-reactions-international-issues-2025-05-22/>.

⁴ "Repeal of the Banishment Act 1959 on 30 May 2025," Ministry of Home Affairs, May 29, 2025, <https://www.mha.gov.sg/mediaroom/press-releases/repeal-of-the-banishment-act-1959-on-30-may-2025>.

Singapore hosts 22nd Shangri-La Dialogue amid rising regional tensions

From May 30 to June 1, 2025, Singapore hosted the 22nd Shangri-La Dialogue (SLD), organized by the International Institute for Strategic Studies (IISS). The forum welcomed defense ministers, senior military officials, and strategic affairs experts from 47 countries. French President Emmanuel Macron delivered the keynote address on May 30 while Malaysian Prime Minister Anwar Ibrahim gave a special address on May 31.⁵

Singapore's Minister for Defence, Mr. Chan Chun Sing, spoke on “**Enhancing Security Cooperation for a Stable Asia-Pacific**,” underlining Singapore's commitment to multilateralism and regional stability. Numerous bilateral meetings and roundtables were also convened, reinforcing Singapore's role as a diplomatic convenor in Asia's evolving security architecture.⁶

Launch of the Guns and Explosives Control Act

On June 3, 2025, the Ministry of Home Affairs enacted the Guns, Explosives, and Weapons Control Act (GEWCA), a significant legislative update to strengthen oversight over arms, explosives, and regulated weapons.

Key features include:

- **Expanded Regulation:** New controls on dangerous weapons, such as throwing stars and machetes.
- **Shooting Range Oversight:** Licensing and supervision of shooting ranges and related disposal activities.
- **Risk-Based Licensing:** A new class licensing regime for low- to moderate-risk activities like paintball and airsoft.

The GEWCA reflects a calibrated approach to security legislation, balancing public safety with operational flexibility in recreational sectors.⁷

⁵ “Singapore To Host 22nd Shangri-La Dialogue,” MINDEF, May 29, 2025, https://www.mindef.gov.sg/news-and-events/latest-releases/29may25_nr2.

⁶ Ibid.

⁷ “Commencement of the Guns, Explosives and Weapons Control Act,” Ministry of Home Affairs, June 3, 2025, <http://www.mha.gov.sg/mediaroom/press-releases/commencement-of-the-guns-explosives-and-weapons-control-act/>.

Minister flags high clinical rental concerns as healthcare Affordability at Risk

On June 4, 2025, Health Minister Ong Ye Kung raised concerns about a record-high clinic rental bid of SGD 52,188 per month for a unit in a Tampines HDB estate. The bid, submitted by I-Health Medical Holdings, triggered public discourse over its potential impact on healthcare affordability. Although I-Health emphasized that patient charges would remain competitive, the incident highlights tensions between healthcare cost control and market-driven tenancy.⁸

The tender was part of a new evaluation framework introduced by the Ministry of Health and the Housing & Development Board, where 70% of the assessment is based on service quality and 30% on rental bids. The unit, approximately twice the size of typical clinics, is designated for providers exploring multidisciplinary and community-based care models.⁹

Socioeconomic Affairs

MAS eases policy to cushion U.S. tariff shocks

On April 14, 2025, the Monetary Authority of Singapore (MAS) adjusted its monetary policy in response to rising global uncertainty, particularly the escalation of U.S. trade tariffs that threaten export-dependent economies like Singapore. The MAS slightly reduced the slope of the Singapore Dollar Nominal Effective Exchange Rate (SGD NEER) policy band to slow currency appreciation, aiming to support external competitiveness and domestic demand.¹⁰

This preemptive move reflects Singapore's longstanding strategy of early, measured interventions rather than reactive crisis management. With Q1 2025 GDP contracting by 0.8% and full-year growth revised down to 0–2%, this policy shift highlights

⁸ Chelsea Ong, "Health Minister Ong Ye Kung 'dismayed' at Company's S\$52,000 Monthly Rental Bid for Tampines Clinic," *CNA*, June 6, 2025, <https://www.channelnewsasia.com/singapore/ong-ye-kung-dismayed-tampines-clinic-rent-bid-5166011>.

⁹ Ibid.

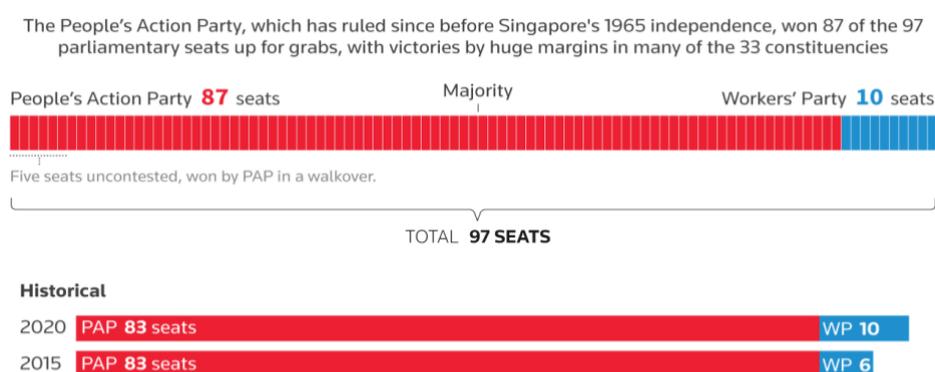
¹⁰ Xinghui Kok, Yantoultra Ngui, and Jun Yong, "Singapore Central Bank Eases Policy as US Tariffs Threaten Growth," *Reuters*, April 14, 2025, <https://www.reuters.com/markets/asia/singapore-central-bank-eases-monetary-policy-as-us-tariffs-threaten-growth-2025-04-14/>.

Singapore's vulnerability to global trade volatility and the need for proactive macroeconomic tools in small, open economies.¹¹

PAP's dominant win and public expectations for reform

On May 3, 2025, the People's Action Party (PAP), led by newly appointed Prime Minister Lawrence Wong, retained power with 87 out of 97 seats and 65.57% of the vote. The election was marked by record female representation and robust voter turnout.¹²

Exhibit 1: Results of the 2025 Singapore General Election



Note: Results updated as at May 4, 2025 at 9:00am SGT.

Source: Singapore Elections Department

Jackie Gu • May 4, 2025 | REUTERS

Source of Image: (Reuters, <https://www.reuters.com/world/asia-pacific/singapore-votes-test-ruling-partys-monopoly-2025-05-03/>)

While the strong result reaffirms public confidence in PAP's stability-focused leadership, the campaign spotlighted persistent concerns over rising living costs, housing affordability, and wage pressures. As Singapore faces economic headwinds and shifting demographics, the PAP's mandate now carries an implicit call for more inclusive socioeconomic reforms. Younger and middle-income voters, in particular, are expecting tangible shifts in housing, employment, and healthcare policy.¹³

¹¹ Ibid.

¹² Xinghui Kok and Jun Yong, "Singapore's Ruling Party Extends Monopoly With Decisive Election Win," *Reuters*, May 3, 2025, <https://www.reuters.com/world/asia-pacific/singapore-votes-test-ruling-partys-monopoly-2025-05-03/>.

¹³ Ibid.

Future-ready workforce through AI skills, SME innovation, and flexible work in focus

Singapore's labor market entered a new phase in 2025, marked by a strong emphasis on digital and AI skills, flexible work arrangements, and SME innovation. Government initiatives have been launched to upskill workers in emerging technologies and to help SMEs adopt digital solutions and contribute more significantly to the national economy.¹⁴

This transformation reflects Singapore's deep understanding of long-term global labor trends. With automation, aging demographics, and digital trade rising, the government is investing in skills that match future demand. Supporting SMEs is also key, as they make up over 99% of all enterprises and employ about 70% of the local workforce.¹⁵ By helping SMEs innovate, Singapore is enhancing economic resilience and decentralizing growth beyond multinational corporations (MNCs) and large corporations. Moreover, it suggests a signal shift toward quality growth, not just GDP expansion, but inclusive and innovation-led development.

Q2 job market rebounds despite external headwinds

Singapore's labor market remained optimistic in Q2 2025, with the Net Employment Outlook (NEO) rising to +27%, up from the previous quarter. The most active hiring was seen in the healthcare and life sciences sector, which recorded a 49% NEO. Other consistently strong areas included technology, finance, and public administration.¹⁶

The improving employment outlook reflects strong business confidence and ongoing economic recovery efforts. In particular, the surge in healthcare hiring demonstrates Singapore's response to long-term demographic trends, such as an aging population

¹⁴ "Singapore's Job Market Reboots for 2025: AI Skills, Flexibility, and SME Growth Take Centrestage," HR Asia, May 30, 2025, <https://hr.asia/top-news/singapore/singapores-job-market-reboots-for-2025-ai-skills-flexibility-and-sme-growth-take-centrestage/>.

¹⁵ Ajay Kumar Sangneria, "Ready, Refreshed and Resilient: How Singapore Can Position Itself for 2025 and Beyond?," KPMG, February 17, 2025, <https://kpmg.com/sg/en/home/insights/2025/02/ready-refreshed-resilient-how-singapore-can-position-itself-for-2025-and-beyond>

¹⁶ "Hiring Outlook Improves in Q2 Despite Economic Uncertainty," Singapore Business Review, March 11, 2025, <https://sbr.com.sg/hr-education/news/hiring-outlook-improves-in-q2-despite-economic-uncertainty-0>.

and increased focus on public health infrastructure. Meanwhile, sustained demand in technology and finance points to continued investment in digital transformation and fintech innovation, both central to Singapore's future economic positioning. The data also suggests that workforce development policies, including upskilling initiatives like SkillsFuture and the TechSkills Accelerator, are aligning well with industry needs. By focusing on building a digitally competent and adaptable workforce, Singapore is not only addressing immediate labor demands but also ensuring long-term economic resilience and global competitiveness.

Singapore tops India's FDI source list for 7th year running

From 2024–2025, Singapore remained India's largest source of foreign direct investment (FDI), contributing over USD 15 billion for the seventh consecutive year. This highlights Singapore's role as a regional financial hub, facilitating capital flows into fast-growing economies like India. It also reflects the city-state's strengths in financial services, regulatory stability, and outbound investment management, affirming its relevance in Asia's cross-border capital landscape.¹⁷

Hedge fund arrowpoint outperforms amid global uncertainty

In May 2025, Singapore-based Arrowpoint Investment Partners reported a 3% gain—their best-ever monthly performance, despite global market volatility linked to new U.S. tariffs. Arrowpoint's performance demonstrates the strength of Singapore's hedge fund ecosystem and risk management capacity. As global volatility rises, the ability of local financial institutions to generate stable returns bolsters investor confidence in Singapore as a resilient and sophisticated financial center.¹⁸

¹⁷ "Singapore Remains Biggest FDI Source for India for 7th Straight Year," *The Economic Times*, June 1, 2025, <https://economictimes.indiatimes.com/news/economy/finance/singapore-remains-biggest-fdi-source-for-india-for-7th-straight-year/articleshow/121546002>

¹⁸ Summer Zhen, "Singapore Hedge Fund Arrowpoint Capitalised on May Market Turmoil," *Reuters*, June 3, 2025, <https://www.reuters.com/world/asia-pacific/singapore-hedge-fund-arrowpoint-capitalised-may-market-turmoil-2025-06-03/>.

Tata launches new subsea cable to boost connectivity

In Q2 2025, Tata Communications launched a new subsea cable system, TGN-IA2, connecting Singapore to Hong Kong and Japan. The new infrastructure aims to meet growing digital data demands across Asia. This development is a key milestone in Singapore's efforts to enhance its role as a digital and data connectivity hub in the region. High-speed, secure digital infrastructure is foundational to supporting economic growth in areas like cloud computing, e-commerce, AI, and cross-border fintech. The TGN-IA2 cable significantly improves data transmission capacity, helping Singapore stay ahead in the race for regional digital leadership. Strategically, the investment complements Singapore's Smart Nation initiative and national efforts to attract technology companies, while also strengthening economic linkages with key East Asian partners. By building the digital backbone for future economies, Singapore continues to position itself for long-term competitiveness in the global knowledge and innovation economy.¹⁹

Weak GCB sales reflect economic uncertainty leading to luxury property stalls

In Q1 2025, Singapore's luxury property segment known as "Good Class Bungalows" (GCBs) experienced a significant decline, with only two transactions recorded, the lowest since 2019. This sharp drop is attributed to a combination of factors, including high interest rates, tighter financial regulations, and a wait-and-see attitude among potential buyers amid global economic uncertainty, particularly related to U.S. tax policies. Meanwhile, other luxury homes in Singapore's central region, priced at SGD 5 million and above, continued to perform steadily, with 143 units sold during the same period. GCBs are a rare and prestigious asset class, with only around 2,800 units

¹⁹ ET Bureau, "Tata Communications Announces TGN-IA2 Subsea Cable Linking Singapore, Hong Kong, Japan to Enhance Connecti," *The Economic Times*, June 3, 2025, <https://economictimes.indiatimes.com/industry/telecom/telecom-news/tata-communications-announces-tgn-ia2-subsea-cable-linking-singapore-hong-kong-japan-to-enhance-connectivity/articleshow/121602804>

nationwide. They are subject to strict regulations regarding land size and ownership, typically limited to Singaporean citizens.²⁰

Experts suggest that the GCB market may recover in the second half of 2025, driven by potential interest rate cuts and renewed demand from wealthy investors seeking safe-haven assets in an uncertain global economy.²¹

Foreign Affairs

Singapore's diplomatic response to the escalating humanitarian crisis in Gaza

On May 20, 2025, Singapore called for an immediate humanitarian ceasefire and full restoration of aid access in Gaza, following Israeli airstrikes that resulted in significant civilian casualties. The Ministry of Foreign Affairs (MFA) urged all parties to uphold international humanitarian law and protect civilians and critical infrastructure. Singapore also warned against mass civilian evacuations that could worsen the humanitarian crisis.²²

In line with its long-standing support for a negotiated two-state solution, Singapore expressed concern over any unilateral actions that would undermine peace efforts. The MFA emphasized that the forced transfer of Palestinians cannot be treated as a viable long-term resolution.²³

U.S. education policy disrupts singaporean students at Harvard

Following the Trump administration's May 22 directive to revoke Harvard University's Student and Exchange Visitor Programme (SEVP) certification, Singapore's embassy in Washington has been actively engaging the U.S. State Department and Department

²⁰ Xinghui Kok, "Sales of Multi-Million Dollar Bungalows in Singapore Shrink in First Quarter, Figures Show," *Reuters*, June 4, 2025, sec. Asia Pacific, <https://www.reuters.com/world/asia-pacific/sales-multi-million-dollar-bungalows-singapore-shrink-first-quarter-figures-show-2025-06-04/>.

²¹ *Ibid*,

²² "Singapore Calls for Immediate Ceasefire, Resumption of Aid as Gaza Violence Escalates," *CNA*, May 20, 2025, <https://www.channelnewsasia.com/singapore/singapore-calls-immediate-ceasefire-gaza-resumption-palestinian-humanitarian-aid-israel-hamas-5142236>.

²³ *Ibid*.

of Homeland Security to seek urgent clarification. The policy, which would bar Harvard from enrolling international students and revoke existing student visas, had put 151 Singaporean students, including 12 Public Service Commission scholars, in limbo.²⁴ Foreign Minister Vivian Balakrishnan confirmed during a June 7 media briefing that many concerned students had contacted the Ministry of Foreign Affairs about potential visa delays. He assured that contingency plans were in place, including offers from Singapore's six autonomous universities to support returning students who may need to resume their studies at home. During a virtual town hall on May 30, Singapore's Ambassador also advised students to prepare backup options. While a U.S. federal judge has temporarily blocked the policy and given Harvard 30 days to contest the revocation, Dr. Balakrishnan noted that international students have become collateral damage in a politically charged environment and emphasized Singapore's continued diplomatic efforts to safeguard its students' academic and professional futures in the U.S.²⁵

Strengthening regional ties: Australian PM Albanese to visit Singapore after re-election

On May 20, 2025, Australian Prime Minister Anthony Albanese visited Singapore, his first official trip after securing a second term. He met with Singaporean Prime Minister Lawrence Wong to renew the Comprehensive Strategic Partnership (CSP) and celebrate the 60th anniversary of bilateral diplomatic relations. Discussions centered on regional stability, economic cooperation, and future-oriented strategies in trade and diplomacy.²⁶

²⁴ Min Ang Hwee, "Singapore Embassy in Washington DC Engaging US Authorities on Harvard International Student Ban," *CNA*, May 28, 2025, <https://www.channelnewsasia.com/singapore/donald-trump-harvard-singapore-students-mfa-support-5154956>.

²⁵ Shermaine Ang, "Singapore Embassy in Washington Seeking US Clarification on Harvard's Visa Ban," *The Straits Times*, June 7, 2025, <https://www.straitstimes.com/singapore/spore-embassy-in-washington-seeking-us-clarification-on-harvards-visa-ban>.

²⁶ Clement Tan, "Australian PM Albanese to Visit Singapore on May 20 in First Overseas Trip After Winning Election," *The Straits Times*, May 14, 2025, <https://www.straitstimes.com/asia/australianz/australian-pm-albanese-to-visit-singapore-may-20-in-first-overseas-trip-after-winning-election>.

Singapore–U.S. trade talks: Securing tariff relief and technology access to protect strategic sectors

Singapore continues to negotiate tariff relief and expanded access to advanced U.S. technologies amid ongoing trade tensions. The U.S. currently imposes a 10% tariff on Singapore’s pharmaceuticals, impacting an industry that employed over 9,000 people and generated SGD 19 billion in 2023. Singapore also seeks access to high-performance U.S. processors vital to its National AI Strategy 2.0. High-level talks involving DPM Gan Kim Yong and U.S. Commerce Secretary Gina Raimondo are underway to address both tariff concerns and strategic tech cooperation.²⁷

Macron’s visit underscores Singapore’s strategic role in France’s Indo-Pacific vision

President Emmanuel Macron’s May 2025 visit underscored Singapore’s importance in France’s Indo-Pacific strategy. The leaders announced the upgrade of bilateral ties to a Comprehensive Strategic Partnership (CSP) and signed 13 agreements covering AI, civil nuclear energy, transport, education, and security. Singapore’s neutrality, robust legal framework, and innovation credentials continue to position it as a trusted regional partner.²⁸

India-Pakistan tensions highlight Singapore’s crucial role in regional security dialogue

From May 30 to June 1, 2025, tensions between India and Pakistan took center stage at the 2025 Shangri-La Dialogue in Singapore, highlighting the forum’s vital role in facilitating transparent communication between nuclear-armed neighbors. From military strikes to disputes over the Indus Waters Treaty, recent developments raised the risk of escalation with implications for both regional and global security.²⁹

²⁷ “Singapore Negotiating for US Concessions on Pharmaceuticals, Chips,” *Reuters*, April 28, 2025. Accessed May 30, 2025, <https://www.reuters.com/business/healthcare-pharmaceuticals/singapore-negotiating-us-concessions-pharmaceuticals-chips-2025-04-28/>.

²⁸ Charmaine Jacob, “French President Macron to Make State Visit to Singapore,” *CNA*, May 30, 2025, <https://www.channelnewsasia.com/singapore/french-president-emmanuel-macron-make-state-visit-5157011>.

²⁹ Craig Dale, “Duelling Diplomacies: India and Pakistan Offer Competing Narratives at Defence Forum in Singapore,” *CNA*, June 1, 2025, <https://www.channelnewsasia.com/singapore/india-pakistan-offer-competing-narratives-iiss-shangri-la-dialogue-defence-forum-singapore-5161766>.

Singapore's neutral standing and strategic position allowed both sides to engage in high-level exchanges, amid broader discussions involving powers like the U.S. and China. As conflict now spans cyber warfare, water security, and disinformation, the city-state's diplomatic relevance continues to grow. Pakistan's view of the treaty suspension as an existential threat underscored the need for preventive diplomacy and reliable dialogue platforms. In hosting these conversations, Singapore reinforced its value as a stabilizing force in the Indo-Pacific, one capable of bridging divides and supporting the rules-based international order in an increasingly complex security environment.³⁰

Strengthening Japan–Singapore strategic partnership for a secure and digital future

During the Shangri-La Dialogue, Japan's Minister of Defense, Gen. Nakatani, met with Singapore's Defence Minister, Chan Chun Sing, to reaffirm their long-standing security ties and explore deeper cooperation in areas such as cybersecurity and defence technology. As ASEAN's country coordinator for Japan, Singapore emphasized the importance of frameworks like the ADMM-Plus in promoting regional peace and shared security.³¹

Looking ahead to the 60th anniversary of diplomatic relations in 2026, both countries signaled a renewed geostrategic partnership focused on digital transformation and future technologies. Japan and Singapore are proactively aligning efforts in post-quantum cryptography, AI, and digital governance, areas where Singapore's leadership as a "smart nation" provides valuable insights for Japan's modernization agenda. This deepening collaboration not only strengthens bilateral ties but also enhances regional stability and technological resilience in an increasingly digital and uncertain global landscape.³²

Singapore and the Philippines strengthen strategic partnership for a sustainable and resilient Future

³⁰ Ibid.

³¹ "Singapore, Japan Defence Ministers Discuss Strengthening Cooperation," CNA, May 31, 2025, <https://www.channelnewsasia.com/singapore/japan-singapore-defence-ministers-discuss-strengthening-cooperation-5161056>.

³² Ibid.

On June 4, 2025, Prime Minister Lawrence Wong's introductory visit to Manila marked a key milestone in the growing Singapore-Philippines partnership, which both leaders described as entering a "never been better" phase. Wong and Philippine President Ferdinand Marcos Jr. reaffirmed cooperation in civil service development, healthcare, sustainability, and renewable energy. Singaporean businesses expressed strong interest in solar and wind energy projects that align with the Philippines' green transition goals.³³

The two countries are finalizing a legally binding agreement on cross-border carbon credit transfers under Article 6 of the Paris Agreement to facilitate green investment and job creation. Initiatives are also underway to support the reintegration of Filipino healthcare professionals and promote digital leadership through a joint program between the National University of Singapore and the Philippine Civil Service Commission.³⁴

Additionally, a revised air service agreement, signed in May 2024, expanded code-share flights to 150 per week, enhancing people-to-people connectivity. Singapore also reiterated its support for the Philippines' 2026 ASEAN chairmanship. These developments reflect a future-facing partnership grounded in mutual trust, inclusive development, and shared commitment to regional integration.³⁵

Conclusion

As Singapore closes the second quarter of 2025, it does so with a steady hand on both domestic reform and foreign policy navigation. The transition to a new prime ministerial era under Lawrence Wong has emphasized continuity, institutional resilience, and future readiness. Amid external headwinds, from shifting U.S. trade dynamics to global geopolitical tensions, Singapore's calibrated economic policies, active diplomacy, and strategic partnerships underscore its commitment to stability

³³ Ng Wei Kai, "Singapore and Philippines to Expand Collaboration in Renewable Energy, Sustainability and Healthcare," *The Straits Times*, June 5, 2025, <https://www.straitstimes.com/singapore/politics/singapore-and-the-philippines-to-expand-collaboration-in-renewable-energy-sustainability-and>.

³⁴ Ibid.

³⁵ Ibid.

and innovation. Whether through advancing digital infrastructure, modernizing legislation, or reinforcing ASEAN ties, Singapore's actions this quarter reflect a small state's agility in shaping global conversations while safeguarding national interests.

Thailand

Long Sovitou, Khim Sotheara, and Hol Theaneth

Introduction

Thailand is moving toward a period of intensifying political turbulence, economic uncertainty, and rising diplomatic friction. What began as a fragile coalition under Prime Minister Paetongtarn Shinawatra has turned into a multi-front crisis, entailing legal battles, cabinet infighting, and growing public disillusionment. Simultaneously, the country faces economic challenges, ranging from global trade tensions to domestic policy backlash. Additionally, tensions with Cambodia further exacerbate the pressure being felt by the ruling government. This second quarter could be considered as a pivotal point, one with far-reaching consequences.

Domestic Politics

Thailand is entering a deepening political crisis, involving legal battles, inter-party strife, and potential institutional collapse. Tensions surrounding a cabinet reshuffle between the ruling Pheu Thai Party, led by Prime Minister Paetongtarn Shinawatra, and the Bhumjaithai Party have reached a breaking point.¹ Former Prime Minister Thaksin Shinawatra, the real power behind Pheu Thai, faces renewed legal threats, including a reopened Supreme Court case and a lese majeste investigation. Simultaneously, Bhumjaithai is under fire for alleged Senate election interference, involving a vote-rigging and money laundering probe.² The Department of Special Investigation (DSI), seen as targeting Bhumjaithai, has been accused of selective enforcement by Bhumjaithai leader Anutin Charnvirakul, who demands action against critics tied to older scandals.³ Moreover, the proposed cabinet reshuffle by Pheu Thai

¹ "Pheu Thai vs Bhumjaithai: Split premiership, shift in power.," *The Nation Thailand*, 19 May 2025, <https://www.nationthailand.com/blogs/news/politics/40050160>

² "Thailand's political war heads toward a no-return showdown.," *The Nation Thailand*, 13 May 2025, <https://www.nationthailand.com/news/politics/40049916>

³ Bangprapa, Mongkol, "Bhumjaithai Hits Back at Critic Seeking Its Dissolution.," *Bangkok Post*, 28 May 2025, <https://www.bangkokpost.com/thailand/politics/3036655/bhumjaithai-hits-back-at-critic-seeking-its-dissolution>

seeks to seize control of the Interior Ministry from Anutin, indicating deteriorating trust in the ruling coalition.⁴ Cabinet meetings are experienced with division, as ministers avoided interaction.

Three possible outcomes can be foreseen: a cabinet reshuffle, Paetongtarn's resignation, or full parliamentary dissolution.⁵ As legal warfare replaces mass protests, the country faces both political paralysis and economic stagnation, with ordinary citizens caught in the fallout. Additionally, it is likely that decisive confrontation between rival camps appears.

These escalating tensions within the ruling coalition are not occurring in isolation. At the same time, Thailand's Senate is heading towards another headwind, as allegations of vote-rigging and institutional manipulation put more layers on an unstable political landscape. These allegations of vote-rigging from the 2024 Senate election trigger legal and political fallout. At the center of the storm is a petition filed by Nathaporn Toprayoon, a former adviser to the Ombudsman, urging the Election Commission (EC) to request the Constitutional Court to suspend and terminate the membership of 138 senators.⁶ The petition is based on findings from a joint EC and Department of Special Investigation (DSI) probe, which uncovered evidence of systemic vote collusion, illicit financial flows, and potential political party interference in the Senate selection process, which violates Sections 82 and 113 of the Constitution.⁷

Tensions escalated as the Senate prepared to vote on appointments to key independent agencies, including the Election Commission, Constitutional Court, National Anti-Corruption Commission (NACC), and Attorney General's Office.⁸ Critics, notably the "New Generation" and minority senators like Nantana Nantavaropas and Premsak Piayura, argue that allowing allegedly compromised senators to vote on

⁴ "Pheu Thai to take control of Interior Ministry, Anutin to be Deputy PM and Commerce Minister.," *The Nation Thailand*, 12 June 2025, <https://www.nationthailand.com/news/politics/40051148>

⁵ Ibid.

⁶ "Senate vote collusion scandal sparks legal battle amid political rift.," *The Nation Thailand*, 21 May 2025, <https://www.nationthailand.com/news/politics/40050243>

⁷ Ibid

⁸ "Senate showdown: Two factions clash over selection of Independent Agency members.," *The Nation Thailand*, 22 May 2025, <https://www.nationthailand.com/blogs/news/politics/40050294>

these appointments risks undermining the legitimacy of independent bodies. They are mobilizing to gather at least 20 signatures to petition the Constitutional Court for a suspension or removal of accused senators, although logistical and procedural obstacles remain. This is critical as Senate Speaker Mongkol Surasajja is also among the 55 senators under investigation for alleged vote rigging.

Additionally, 22 “Blue Network” senators launched a counter-offensive, petitioning the National Anti-Corruption Commission (NACC) to suspend the DSI director and EC officials overseeing the investigation.⁹ Despite this, Senate leaders insist accused senators are presumed innocent until proven guilty and must continue performing their duties. With more than 140 individuals summoned and fresh legal maneuvers underway, the legitimacy of the Senate and its role in shaping independent institutions hangs in the balance, threatening deeper political and institutional instability.

What’s more, a string of recent opinion polls paints a bleak picture of public sentiment toward Thailand’s political landscape. According to Super Poll, 51.7% of respondents have little or no confidence in the government’s stability over the next three months, with 29.1% fearing a political “accident” such as party dissolution.¹⁰ Suan Dusit Poll’s Thai Political Index fell to 4.70 in May, down from 4.82 in April, reflecting declining public confidence.¹¹ While Paetongtarn Shinawatra remains the most recognized government figure, opposition leader Nattapong Ruangpanyawut scored higher in public visibility.

This public skepticism is not confined to questions of stability; it is also reshaping the reception of major policy proposals. One of the most contentious is Thailand’s proposed Entertainment Complex Bill, which includes legalizing casinos and has caused widespread controversy. Approved by the Cabinet in March, the bill aims to establish casino-inclusive entertainment zones to attract foreign tourists and generate

⁹ “Senate vote collusion scandal sparks legal battle amid political rift,” *Bangkok Post*, 22 May 2025, <https://www.nationthailand.com/news/politics/40050243>

¹⁰ “Super Poll reveals 51.7% of people do not trust the stability of the government.,” *Thai PBS*, 27 April 2025, <https://www.thaipbs.or.th/news/content/351606>

¹¹ “Thai Political Index for May decreased to 4.70, with the opposition party receiving the highest score.,” *Thai PBS*, 1 June 2025, <https://www.thaipbs.or.th/news/content/352751>

up to 100 billion baht in investment.¹² The plan imposes tight restrictions on locals, including a 5,000-baht entry fee and proof of 50 million baht in bank deposits, effectively excluding most Thai citizens. However, public backlash has intensified. Former constitution drafters, doctors, and academics warn the bill could fuel crime, money laundering, and social breakdown. Activists plan demonstrations, while critics argue the bill reflects Thaksin's personal vision, not official party policy.¹³

Despite backing from the ruling Pheu Thai Party and coalition partner Bhumjaithai, internal tensions surfaced after Bhumjaithai's secretary-general Chaichanok Chidchob publicly opposed the bill in Parliament.¹⁴ Party leader Anutin Charnvirakul later clarified that Chaichanok's comments were personal and reaffirmed party support. Former Prime Minister Thaksin Shinawatra also downplayed any coalition rift, asserting the bill would benefit the economy and boost tourism.¹⁵

Nevertheless, in June, Deputy Finance Minister Julapun Amornvivat confirmed the government's intention to move forward.¹⁶ He stated the bill would be deliberated in the next session and finalized within the current government's term, insisting that a comprehensive law would mitigate negative impacts and attract much needed foreign investments into the country.

Economic Affairs

In the month of April, Thailand's tourism authorities have begun implementing new strategies to sustain international visitor numbers following the launch of "Trump's

¹² Theppumpanat, Panarat, and Sriring, Orathai, "Thai cabinet approves draft law for casinos, with limits for local gamblers.," *Reuters*, 27 March 2025, <https://www.reuters.com/world/asia-pacific/thai-cabinet-approves-draft-law-casinos-with-limits-local-gamblers-2025-03-27/>

¹³ "Campaigns mount against Thai govt's casino bill.," *Bangkok Post*, 6 April 2025, <https://www.bangkokpost.com/thailand/politics/2996854/campaigns-mount-against-thai-govts-casino-bill>

¹⁴ "Pheu Thai, Bhumjaithai leaders downplay rift over casino bill opposition.," *The Nation Thailand*, 10 April 2025, <https://www.nationthailand.com/news/politics/40048597>

¹⁵ "Thaksin downplays rift with Bhumjaithai, backs 'casino' bill.," *The Nation Thailand*, 13 April 2025, <https://www.nationthailand.com/news/politics/40048735>

¹⁶ "Thai parliament to deliberate casino bill in July, minister says.," *Reuters*, 4 June 2025, <https://www.reuters.com/en/thai-parliament-deliberate-casino-bill-july-minister-says-2025-06-04/>

Reciprocal Tariffs" while tackling continuing difficulties in the Chinese market. The Tourism Authority of Thailand (TAT) plans to highlight the country's distinctive appeal to mitigate potential negative impacts on American tourists, while developing efforts in ensuring European markets to make up for the decline from China.¹⁷

Meanwhile, Vietnam's National Assembly Chairman, Trần Thanh Mẫn, has stated that the legislature will keep working to improve its legal framework to attract Thai businesses and investors, especially in key areas like the digital economy, green transition, and sustainability. He highlighted that these measures seek to help Vietnam and Thailand reach their agreed objective of US\$25 billion in bilateral commerce by 2030.¹⁸

It was reported that, to address concerns that may affect Thailand's trade and investment, especially the impact of US tariffs, Prime Minister Paetongtarn Shinawatra has directed all ministries to work on a number of guidelines.¹⁹ Key measures include promoting tourism, accelerating public investment, reallocating unused budgets for earthquake recovery, and tightening oversight of foreign businesses and product certifications. The government aims to support Thai agriculture, enhance the Thai SELECT export program, and encourage the use of domestic inputs. Paetongtarn also emphasized preparing for new trade negotiations, leveraging free trade agreements, and strengthening the domestic market to reduce reliance on single markets and cushion against external shocks.²⁰

In another development, The Department of Livestock Development and the Nakhon Phanom Provincial Administration will hold talks with Laos and Vietnam to persuade them to remove the ban on Thai cattle imports, following the prevention of an anthrax outbreak in Thailand. Officials intend to reassure both countries that the situation is

¹⁷ "Thailand Shifts Tourism Strategy Amid US Tariffs and Chinese Market Challenges," *The Nation Thailand*, 10 April 2025, <https://www.nationthailand.com/business/economy/40048577>

¹⁸ "Vietnam, Thailand pledge stronger strategic ties and economic cooperation," *Asia News Network*, 16 May 2025, <https://asianews.network/vietnam-thailand-pledge-stronger-strategic-ties-and-economic-cooperation/>

¹⁹ "Paetongtarn orders ministries to address trade and investment risks," *The Nation Thailand*, 7 May 2025, <https://www.nationthailand.com/business/economy/40049686>

²⁰ Ibid.

under control and the disease has been wiped out. The import blockade was established when Thailand confirmed an anthrax epidemic in Mukdahan. In response, Vietnam and Laos suspended imports of Thai cattle to prevent the possible spread of the disease.²¹

Meanwhile, Thailand's Deputy Prime Minister and Finance Minister, established a bold economic plan focused on revitalizing development and restoring investor confidence, while defending the government's proposed 3.78 trillion-baht national budget for fiscal year 2026.²²

In addition, Prime Minister Paetongtarn Shinawatra addressed the government's decision to reallocate 1.57 billion baht from the delayed third phase of the Digital Wallet program. The reallocated funds will now be utilized in critical infrastructure projects that are expected to provide benefits during the current fiscal year, which ends September 30. Water management is a primary concern, with goals to reduce the impact of flooding and drought, provide access to safe drinking water, and provide a sustainable supply for agriculture and industry.²³

Furthermore, the Thai government has reiterated that its universal 30-baht healthcare initiative will keep developing, as the House of Representatives has approved the Fiscal Year 2026 budget, which includes a record 265.295-billion-baht allocation to the National Health Security Office (NHSO), the highest since the scheme's launch.²⁴

In addition, the Deputy Prime Minister and Minister of Energy, has announced a series of government initiatives aimed at assisting oil palm growers, stabilizing energy prices, and lowering family energy expenditures in the face of mounting economic pressures.

²¹ "Thailand's livestock department to negotiate with Laos, Vietnam to lift ban on Thai cattle," *Asia News Network*, 20 May 2025, <https://asianews.network/thailands-livestock-department-to-negotiate-with-laos-vietnam-to-lift-ban-on-thai-cattle/>

²² "Thailand pushes for foreign confidence with bold investment-driven budget aimed at economic restructuring," *Pattaya Mail*, 2 June 2025, <https://www.pattayamail.com/thailandnews/thailand-pushes-for-foreign-confidence-with-bold-investment-driven-budget-aimed-at-economic-restructuring-503254>

²³ "Thai PM redirects digital wallet funds to urgent infrastructure projects, citing economic," *Pattaya Mail*, 2 June 2025, <https://www.pattayamail.com/thailandnews/thai-pm-redirects-digital-wallet-funds-to-urgent-infrastructure-projects-citing-economic-503234>

²⁴ "Thai PM redirects digital wallet funds to urgent infrastructure projects, citing economic," *Pattaya Mail*, 3 June 2025, <https://www.pattayamail.com/thailandnews/thailand-boosts-30-baht-healthcare-scheme-with-record-budget-to-expand-services-and-cut-medical-costs-503345>

Furthermore, while palm oil pricing is not directly under the Ministry of Energy's purview, the agency has helped absorb excess supply by including palm oil into diesel fuel blends and is currently collaborating with the Ministry of Industry to designate a lead agency to address the issue more completely. Officials are exploring a method; such that was used to regulate sugar and sugarcane prices.²⁵

Foreign Affairs

In April, it was reported that the Thai and Malaysian Prime Ministers saw the signing of an agreement to build a parallel bridge over the Golok River on the southern border, with the goal of improving cross-border transportation and tourism. The project is scheduled to be completed within three years.²⁶

Prime Minister Hun Manet and Thai Prime Minister Paetongtarn Shinawatra enhanced their 75-year diplomatic ties by signing seven cooperation agreements on labor, infrastructure, and border development, as well as addressing challenges like online scams, migrant workers, and security. The agreements addressed employment, cross-border pollution control, maintenance of the Cambodia-Thailand Friendship Bridge, construction of a new border bridge at Phsar Prum-Ban Pakard, road development design support for National Road No. 57, and capacity building for Cambodian Thai Skills Development Centers.²⁷

Meanwhile, Thai Prime Minister Paetongtarn Shinawatra and Indonesian President Prabowo Subianto conducted a joint press conference to promote bilateral relations and ASEAN cooperation. The two presidents attended the signing of a health cooperation Memorandum of Understanding (MoU), that aims to strengthen bilateral relations and develop collaboration in a variety of public health areas. Key areas of

²⁵ "Thailand unveils energy measures to support farmers, cut costs, and diversify LNG imports," *Pattaya Mail*, 5 June 2025, <https://www.pattayamail.com/thailandnews/thailand-unveils-energy-measures-to-support-farmers-cut-costs-and-diversify-lng-imports-503673>

²⁶ "Thailand, Malaysia to build Golok River Bridge to enhance connectivity," *The Nation Thailand*, 18 April 2025, <https://www.nationthailand.com/news/general/40048948>

²⁷ "Thailand, Malaysia to build Golok River Bridge to enhance connectivity," *Camboja News*, 23 April 2025, <https://cambojanews.com/thailand-cambodia-deepen-cooperation-address-cybercrime-and-labor-issues/>

attention include strengthening health systems and primary healthcare services, preventing and managing infectious illnesses, guaranteeing pharmaceutical and medical supply security, increasing health funding, and boosting health tourism.²⁸

Regarding the Cambodia and Thailand's border dispute, Prime Minister Paetongtarn Shinawatra revealed that she had communicated with the Ministry of Defence and Cambodian Prime Minister Hun Manet, emphasizing that both countries acknowledge the situation and are working together to resolve it swiftly. "We don't want this to escalate," she said.²⁹

A Cambodian soldier was killed during a brief exchange of gunfire with Thai soldiers near a disputed border location. Thailand stated its soldiers were attempting to negotiate with Cambodian troops to withdraw from a disputed area when they were fired upon.³⁰ In a later development, Thailand has formally submitted a protest letter to Cambodia with the Foreign Minister also directing authorities to acquire all required data, including legal documents and images, in preparation for negotiations under the Joint Boundary Committee (JBC), the official procedure for settling border issues.³¹ Afterward, Thailand's Defence Minister restated the country's stance of refusing to recognize the International Court of Justice's (ICJ) jurisdiction in order to protect its sovereignty. "The government is proceeding based on facts and established protocols — not emotions or pressure from any particular group," he added.³² Subsequently, the Royal Thai Government reiterated the necessity of fully protecting Thailand's sovereignty and territorial integrity in accordance with international legal norms. Thailand claimed that it is dedicated to resolving the dispute peacefully, using international law, relevant treaties and agreements, such as the MOU on the Survey

²⁸ "Thailand and Indonesia strengthen ties on all fronts to boost ASEAN," *Asia News Network*, 20 May 2025, <https://asianews.network/thailand-and-indonesia-strengthen-ties-on-all-fronts-to-boost-asean/>

²⁹ "Paetongtarn discusses with Hun Manet after Thai-Cambodian border clash," *The Nation Thailand*, 29 May 2025, <https://www.nationthailand.com/news/asean/40050588>

³⁰ "Cambodia says soldier killed in brief border skirmish with Thai troops," *Reuters*, 28 May 2025, <https://www.reuters.com/world/asia-pacific/cambodia-says-soldier-killed-brief-border-skirmish-with-thai-troops-2025-05-28/>

³¹ "Thailand files formal protest to Cambodia, pushes for JBC meeting to ease tensions," *The Nation Thailand*, 3 June 2025, <https://www.nationthailand.com/news/asean/40050764>

³² "Thailand rejects ICJ jurisdiction, reaffirms national sovereignty: Phumtham," *The Nation Thailand*, 4 June 2025, <https://www.nationthailand.com/news/politics/40050805>

and Demarcation of Land Boundary (MOU 2000) and supporting data, including satellite imagery.³³

The Thai government also urged for bilateral discussions to resolve the border disputes with Cambodia, recommending that existing procedures such as the Joint Boundary Commission (JBC), the General Border Committee (GBC), and the Regional Border Committee (RBC) be employed. The Thai government reported that Cambodia has agreed to a meeting in Cambodia on June 14 to discuss the matter. The Ministry of Foreign Affairs and International Cooperation has confirmed that Cambodia will have a meeting on the specified day.³⁴ Then it is reported that Thailand's Deputy Prime Minister and Defense Minister have had urgent meetings with Cambodia's General to defuse tensions at the shared border. Both sides agreed to use current bilateral processes as the primary avenue for resolving unresolved concerns and pledged to restore troop deployments to the status quo in 2024.³⁵ However tensions still remained as Thailand has increased its military presence near a disputed border with Cambodia, following a troop deployment on the opposing side. "These provocations, and the buildup of military forces, indicate a clear intent to use force," the Thai army stated, adding that it will seize control of all Thai checkpoints along the border.³⁶ It is estimated that Businesses in Thailand's border provinces are facing substantial financial setbacks, with losses estimated at approximately 10 billion baht (around \$300 million), as a result of the ongoing closure of the Thailand-Cambodia border.³⁷

³³ "Thailand reaffirms commitment to peaceful resolution with Cambodia over Chong Bok border clash," *Pattaya Mail*, 5 June 2025, <https://www.pattayamail.com/thailandnews/thailand-reaffirms-commitment-to-peaceful-resolution-with-cambodia-over-chong-bok-border-clash-503642>

³⁴ "Anwar, Paetongtarn propel Malaysia-Thailand ties to new heights," *Asia News Network*, 3 June 2025, https://www.thestar.com.my/aseanplus/aseanplus-news/2025/06/03/anwar-paetongtarn-propel-malaysia-thailand-ties-to-new-heights#goog_rewarded

³⁵ "Thailand, Cambodia hold emergency talks to defuse border tensions using existing mechanisms," *Asia News Network*, 6 June 2025, <https://www.pattayamail.com/thailandnews/thailand-cambodia-hold-emergency-talks-to-defuse-border-tensions-using-existing-mechanisms-503896>

³⁶ "Thailand and Cambodia reinforcing troops on disputed border after May skirmish," *The Nation Thailand*, 7 June 2025, <https://www.nationthailand.com/news/asean/40050944>

³⁷ Niem Cheng, "ពាណិជ្ជករថៃបន្តដាក់សម្ពាធនៅលើរដ្ឋាភិបាលនិងអាជ្ញាធរថៃឱ្យរកដំណោះស្រាយរឿងបិទព្រំដែន," 7 July 2025, https://www.postkhmer.com/national/2025-7-7-1415-262577?fbclid=IwY2xjawLcGVVleHRuA2FibQlXMAbicmlkETFkNzBrbkJMZzVRVnhLU3U3AR6PANdKA7AA-zRg99mrHi2al9wF-TkC9qzZmWdqizGbWlh16YJUfiZplmt92A_aem_exjXNsJN0HyIU7-xj1KRgw

In other news, The Tourism Authority of Thailand (TAT) has launched "Sawasdee Nihao" a series of events marking 50 years of Thai-Chinese diplomatic ties. The program acts as a strategic platform for repositioning Thailand's tourism image in the Chinese market, strengthening relationships, and driving demand through targeted interaction that is matched with Chinese people's preferences.³⁸

In another development, Thailand and Malaysia's bilateral relationship is reaching a new height, with both countries' prime ministers expressing strong commitment to improving ties and mapping a course for greater cooperation with economic links between the two neighbors remaining solid. Between January and February of this year, bilateral trade between the two countries totaled US\$3.96 billion.³⁹

Conclusion

Thailand is entering a stretch where political fragmentation, legal brinkmanship, and institutional crises threaten to overwhelm the government. As the ruling coalition wobble and Senate legitimacy erodes, public trust continues to deteriorate, which is exposing cracks in both elite alliances and state machinery. While the government presses ahead with ambitious economic and foreign policy moves, these efforts might be undercut by persistent instability at home. Border tensions, especially with Cambodia, further raise the stakes. With legal rulings and potential realignments likely to occur, Thailand's trajectory depends not just on policy, but on whether its fractured political class can avoid a full-blown systemic split.

³⁸ "Thailand reinforces Thai–Chinese relations with 'Sawasdee Nihao' tourism initiative," *Pattaya Mail*, 31 May 2025, <https://www.pattayamail.com/thailandnews/thailand-reinforces-thai-chinese-relations-with-sawasdee-nihao-tourism-initiative-503018>

³⁹ "Thailand calls for bilateral talks on border issue, as Cambodia prepares ICJ case," *Asia News Network*, 5 June 2025, <https://asianews.network/thailand-calls-for-bilateral-talks-on-border-issue-as-cambodia-prepares-icj-case/>

Vietnam

Mogn Sereysovathana

Introduction

This report presents a comprehensive overview of Vietnam's key political, economic, and diplomatic developments during the second quarter of 2025. Domestically, the government undertook sweeping structural reforms, including major constitutional amendments and administrative streamlining, as part of an ongoing drive to improve governance and efficiency. Socioeconomic conditions showed mixed signals: while growth remained stable and inflation under control, export pressures and global trade tensions created new headwinds. Still, Vietnam recorded a sharp rise in foreign direct investment and continued expanding its social welfare programs. On the international front, Vietnam deepened its strategic engagements with China, the United States, and ASEAN partners, while reinforcing ties with the European Union through high-level summits and cooperation agreements. Against a backdrop of shifting regional dynamics, Vietnam also maintained a firm stance on maritime sovereignty, demonstrating both diplomatic agility and strategic assertiveness.

Domestic Politics

Government restructuring and constitutional amendments

In early 2025, the Party and National Assembly approved a plan to restructure the state apparatus by merging ministries, cutting bureaucracy, and amending the Constitution. The number of cabinet ministries was reduced from 18 to 14, with five ministry mergers taking effect from March 1.¹ The Transport Ministry was merged into the Construction Ministry, with driver licensing responsibilities shifted to the Public Security Ministry. The Agriculture Ministry merged with Natural Resources and

¹ Kha, Huynh. "Vietnam's Political Landscape After Mergers and Restructuring." *The Vietnamese Magazine*, April 23, 2025. <https://www.thevietnamese.org/2025/03/vietnams-political-landscape-after-mergers-and-restructuring/>.

Environment to form a new Ministry of Agriculture and Environment. The Planning and Investment Ministry was merged into the Finance Ministry, reducing the central government by 15–20% of its bodies.² Dozens of state agencies and Party Commissions were abolished or consolidated, with the government estimating around 100,000 public-sector jobs will be eliminated. Authorities stated the reform will improve efficiency in governance while maintaining investment momentum.³

Administrative reforms

In April, the Communist Party of Vietnam adopted an ambitious plan to overhaul the country's administrative system by removing the district level of government, which includes nearly 700 district authorities. This reform marks a major shift toward a simpler two-level structure, with responsibilities redistributed between provincial and communal governments.⁴ To support this transition, the National Assembly convened its Constitutional Drafting Committee on May 6 and submitted a package of proposed amendments to revise eight articles of the 2013 Constitution, five of which focus specifically on local governance. These changes would formally remove the district level from Vietnam's constitutional framework. The process has involved rapid and widespread public consultation. By mid-May, more than 4.3 million responses were submitted via the VNeID app, with an overwhelming 99.9% in favour, providing the government with digitally-sourced public support that guided constitutional changes and strengthened the legitimacy of abolishing the district level.⁵ Although some National Assembly members voiced concerns, particularly about removing the authority of

² Quek, Gerard, Paul Papon Charoenpao, and Thao-Nguyen Nguyen. "Navigating Vietnam's Government Restructuring: Implications for Investors and Businesses." Lexology, April 14, 2025. <https://www.lexology.com/library/detail.aspx?q=3b359fe3-e758-453b-8d23-e5edb633b1dc>.

³ Magazine, Vietnamese. "Communist Party of Việt Nam Restructures Internal Organization Ahead of 2026 National Congress." The Vietnamese Magazine, June 9, 2025. <https://www.thevietnamese.org/2025/06/communist-party-of-viet-nam-restructures-internal-organization-ahead-of-2026-national-congress/>.

⁴ ConstitutionNet. "Vietnam's 2025 Constitutional Reform: Reconstructing Local Governments," n.d. <https://constitutionnet.org/news/voices/vietnams-2025-constitutional-reform-reconstructing-local-governments>.

⁵ "Vietnam's National Assembly Debates Reforms to Constitution and Local Governance." The Vietnamese Magazine, May 19, 2025. <https://www.thevietnamese.org/2025/05/vietnams-national-assembly-debates-reforms-to-constitution-and-local-governance>.

People's Councils to question local courts, there is strong overall agreement on the benefits of the reform. Supporters argue it will improve efficiency, cut unnecessary bureaucracy, eliminate overlapping responsibilities, and help strengthen institutional accountability. If approved by June 30 as expected, the amendments will take effect on July 1, setting in motion the restructuring of more than 10,000 communes, eliminating public sector jobs, and reorganizing the court and prosecution systems in line with the new administrative setup.⁶

Two-child policy abolishment

In early June, Vietnam's National Assembly made a bold move to address the country's declining birth rate. The national fertility rate had dropped to 1.91 children per woman in 2024, with rates in places like Ho Chi Minh City falling even lower to around 1.39.⁷ In response, lawmakers decided to scrap the long-standing two-child policy, giving families the freedom to decide how many children they want. To encourage more births, the government has introduced practical measures, from rolling out dating shows and putting up posters promoting parenthood, to offering support such as longer parental leave, childcare subsidies, and financial bonuses. Women who have two children before age 35 in Ho Chi Minh City can receive a one-time grant of approximately \$120 (₫3 million) in financial support.⁸ To deal with the ongoing issue of gender imbalance, the Health Ministry also proposed significantly higher penalties of up to 3,800\$ for anyone involved in prenatal sex selection or sex-

⁶ Agence France-Presse. "Vietnam Parliament Approves Radical Government Cost-cutting Drive." *Voice of America*, February 18, 2025. <https://www.voanews.com/a/vietnam-parliament-approves-radical-govt-cost-cutting-drive-/7978965.html>.

⁷ Nga, Le. "Vietnam's Birth Rate Among Lowest in Southeast Asia." *VnExpress International – Latest News, Business, Travel and Analysis From Vietnam*, March 15, 2025. <https://e.vnexpress.net/news/news/vietnam-s-birth-rate-among-lowest-in-southeast-asia-4852684.html>.

⁸ Panda, Rajaram. "Vietnam Abandons Two-Child Policy Amid Demographic Challenge – Analysis." *Eurasia Review*, June 11, 2025. <https://www.eurasiareview.com/11062025-vietnam-abandons-two-child-policy-amid-demographic-challenge-analysis/>.

selective abortion.⁹ Together, these measures aim to bring Vietnam's population dynamics back in line with its economic and social ambitions.

Cabinet reshuffle and anti-corruption campaign

The government's broader restructuring of the state apparatus was accompanied by a notable cabinet reshuffle in early 2025. On February 18, the National Assembly approved four new ministers to lead the restructured ministries. Nguyễn Mạnh Hùng, formerly Minister of Information, was appointed to head the Ministry of Science and Technology, which now also oversees the communications sector. Trần Hồng Minh, who previously led the Transport Ministry, took over as Minister of Construction.

Meanwhile, Đỗ Đức Duy, formerly responsible for Natural Resources and Environment, was tapped to lead the newly combined Ministry of Agriculture and Environment. Đào Ngọc Dung, who had served as Labor Minister, was reassigned to lead the newly established Ministry of Ethnic and Religious Affairs.¹⁰

Two existing ministers retained their posts but took on broader mandates. Phạm Thị Thanh Trà continued as Minister of Home Affairs, now also supervising labor and social policy, while Nguyễn Văn Thắng remained as Minister of Finance, with additional responsibilities for investment planning and managing state capital. Alongside these changes, the National Assembly also appointed two more deputy prime ministers, Mai Văn Chính and Nguyễn Chí Dũng, the former Minister of Planning and Investment, bringing the number of deputies in Prime Minister Phạm Minh Chính's cabinet to seven.¹⁰

⁹ Ratcliffe, Rebecca. "Vietnam Scraps Two-child Policy as It Tackles Falling Birthrate." *The Guardian*, June 5, 2025. <https://www.theguardian.com/world/2025/jun/04/vietnam-two-child-policy-end-falling-birthrate?>

¹⁰ "Vietnam's Political Landscape After Mergers and Restructuring." *The Vietnamese Magazine*, April 23, 2025. <https://www.thevietnamese.org/2025/03/vietnams-political-landscape-after-mergers-and-restructuring/>.

These personnel shifts took place against the backdrop of a renewed wave in the Party's anti-corruption campaign, widely known as the "blazing furnace."¹¹ Under the leadership of General Secretary Tô Lâm, the Party has intensified its efforts to clean up internal misconduct.

Throughout the second quarter of 2025, disciplinary actions and high-profile corruption trials continued, underscoring that even with a leadership transition and the 2026 Party Congress approaching, the anti-graft momentum is still going strong.

Socio-Economic Developments

GDP & inflation

Vietnam's economy showed steady performance in the first quarter of 2025, although signs of slowing were visible. GDP grew by 6.9% compared to the same period last year, which was the strongest Q1 growth since 2020.¹² However, this was slightly lower than the 7.6% recorded at the end of 2024, mainly due to weaker industrial output. Agriculture performed well, growing by about 3.7% thanks to improved harvests.¹³ Growth in manufacturing and services remained solid, ranging between 7.4% and 7.7%.¹⁴ The government has kept its target of 8% GDP growth for the year, but many analysts expect this to be difficult due to global uncertainty and lower external demand. Inflation has been under control. In May 2025, consumer prices rose by 3.2% compared to a year earlier, slightly up from 3.1% in April, but still below the National Assembly's ceiling of 4.5%.¹² This price stability was supported by lower food costs and cautious monetary policy. The State Bank of Vietnam continued to support credit growth, with total lending rising nearly 4% in the first quarter, while keeping core

¹¹ Abuza, A Commentary by Zachary. "Ouster of Parliament Chief Bares Vietnam Corruption, Power Struggle." *Radio Free Asia*, June 4, 2025. <https://www.rfa.org/english/commentaries/vietnam-politics-hue-04262024150439.html>.

¹² Vu, Khanh, and Phuong Nguyen. "Vietnam GDP Growth Slowed in First Quarter Ahead of Trump's Tariffs." *Reuters*, April 6, 2025. <https://www.reuters.com/markets/asia/vietnam-gdp-slowed-first-quarter-ahead-trumps-tariffs-2025-04-06/>.

¹³ General Statistics Office of Vietnam. "Press Release: Socio-Economic Situation in the First Quarter of 2025." *General Statistics Office*. April 2025. <https://www.nso.gov.vn/en/data-and-statistics/2025/04/press-release-socio-economic-situation-in-the-first-quarter-of-2025/>.

¹⁴ Rsatax. "Vietnam GDP Q1 2025 +6.9%." *Rsa-Tax* (blog), April 7, 2025. <https://www.rsa-tax.com/single-post/vietnam-gdp-q1-2025-6-9>.

inflation around 3%. Although Vietnam's economy remains in a stable position, officials have admitted that reaching the 8% growth target will be challenging.¹⁵

Trade & investment

Vietnam's export sector is facing mounting pressure amid rising global trade tensions. In April, the United States imposed a 10% blanket tariff on imports, putting Vietnam—its largest Southeast Asian trading partner—at risk. Another 46% reciprocal tariff looms if ongoing negotiations fail.¹⁶

Although Vietnam recorded a \$123 billion trade surplus with the U.S. in 2024, this now increases its vulnerability to protectionist measures. Export growth slowed considerably in early 2025, especially in key sectors like textiles and electronics, due to weaker global demand.

Despite these external headwinds, foreign direct investment (FDI) surged. In the first five months of 2025, Vietnam attracted nearly \$18.4 billion in FDI, marking a 51% year-on-year increase. This total includes \$7.02 billion in newly registered projects and \$8.51 billion in additional capital for existing ventures.¹⁷ Manufacturing remained the top FDI magnet, accounting for 56.5% of total inflows, or around \$10.4 billion, while real estate came second, drawing in \$5 billion, double last year's figure.¹⁸

Trade results for Q2 were mixed. A modest trade deficit emerged as electronics exports weakened. However, stronger agricultural shipments and continued market diversification helped cushion the impact. Vietnamese officials are now closely watching developments in U.S. trade policy and China's economic slowdown, both of which could undermine efforts to achieve double-digit export growth in 2025.

¹⁵ Reuters. "Vietnam to Raise 2025 GDP Growth Target to at Least 8% Despite U.S. Tariff Risks." *Reuters*, February 12, 2025. <https://www.reuters.com/markets/asia/vietnam-says-revise-up-2025-gdp-growth-target-80-65-70-2025-02-12>

¹⁶ Lawder, David, and Trevor Hunnicutt. "US Starts Collecting Trump's 10% Tariff, Smashing Global Trade Norms." *Reuters*, April 6, 2025. <https://www.reuters.com/markets/us-starts-collecting-trumps-new-10-tariff-smashing-global-trade-norms-2025-04-05/>.

¹⁷ Vietnamnews.vn. "Foreign Investment in Việt Nam Surges in Five Months," n.d. <https://vietnamnews.vn/economy/1718935/foreign-investment-in-viet-nam-surges-in-five-months.html>.

¹⁸ Vietnam Investment Review. "FDI Jumps More Than 50 per Cent in the First Five Months of 2025." *Vietnam Investment Review - VIR*, June 6, 2025. <https://vir.com.vn/fdi-jumps-more-than-50-per-cent-in-the-first-five-months-of-2025-129983.html>.

Employment and social welfare

Vietnam's labour market continues to rebound as the economy recovers. In the first quarter of 2025, the unemployment rate dropped to 2.2%, the lowest since 2020, with about 1.04 million people jobless, 14,400 fewer than in Q1 2024.¹⁹ The working-age population also increased to approximately 52.9 million, up more than half a million from the previous year, driven by expanded employment in manufacturing and services.²⁰

Average monthly income rose to \$320, up 9.5% year-on-year, reflecting wage gains across sectors. Service workers, especially in finance and IT, saw some of the highest increases, and rural incomes climbed about 11%. To support low-income families and vulnerable groups, the government has launched new social programs this year. Prime Minister Phạm Minh Chính has pledged a strong effort to build 100,000 affordable social housing units by the end of 2025 and one million by 2030.²¹

As of June, officials had allocated land for 1,309 social housing projects covering nearly 9,737 hectares and begun 686 projects totalling about 628,000 units, roughly 51% of the 2025 goal, though 18 provinces are still waiting to start. In healthcare, a new decree effective January 1, 2025, expanded insurance coverage and reduced out-of-pocket costs, and the Health Ministry has outlined a roadmap to pilot universal basic healthcare by 2030.²² In education, Vietnam completed the first phase of curriculum reform for grades 1 to 12 and launched a Development Strategy through 2045 aimed at modernizing teaching and boosting the country's competitiveness.²³

¹⁹ Staffing Industry Analysts. "Vietnam Employment on the Rise in Q1." Staffing Industry Analysts (SIA), n.d. <https://www.staffingindustry.com/news/global-daily-news/vietnam-employment-on-the-rise-in-q1>.

²⁰ The-Shiv. "Vietnam Average Income up 9.5 Percent Year-on-year in Q1 2025." The-shiv, April 15, 2025. <https://the-shiv.com/vietnam-average-income-up-9-5-percent-year-on-year-in-q1-2025/>

²¹ Vietnamlawmagazine.vn. "PM Demands Strong Determination to Secure 100,000 Social Housing Units in 2025," July 9, 2025. <https://vietnamlawmagazine.vn/pm-demands-strong-determination-to-secure-100000-social-housing-units-in-2025-74350.html>.

²² Tre, Tuoi. "Vietnam's Health Ministry Reveals Roadmap Toward Free Universal Healthcare." *Tuoi Tre News*, May 8, 2025. <https://news.tuoitre.vn/vietnams-health-ministry-reveals-roadmap-toward-free-universal-healthcare-10325050814544845.htm>.

²³ Vietnam+. "The Year 2025 Sees New Education Development Strategy: Minister." *Vietnam+ (VietnamPlus)*, February 26, 2025. <https://en.vietnamplus.vn/the-year-2025-sees-new-education-development-strategy-minister-post310606.vnp>.

Foreign Relations

China–Vietnam Strategic Engagement

On April 14, 2025, Chinese President Xi Jinping visited Hanoi for the second time in 18 months, where he was welcomed by General Secretary Tô Lâm in a display of strong diplomatic ties. The visit led to the signing of 45 cooperation agreements, covering supply chains, infrastructure, artificial intelligence, defence, and customs, with both sides stressing their “comprehensive strategic cooperative partnership” amid rising U.S. trade protectionism.²⁴ As part of these accords, Vietnam agreed to strengthen north–south railway links with China and to foster joint efforts in manufacturing and AI. In a notable move, Hanoi also approved the trial leasing of two Chinese-made COMAC C919 jetliners operated by Chinese crew, allowing VietJet to deploy them on domestic flights and marking a breakthrough for Chinese aviation in Vietnam. Xi used the visit to draw a sharp contrast with Washington’s approach, stating that “there are no winners in a trade war” and urging cooperation in AI and the green economy. The state visit featured moments such as Xi and Tô Lâm reviewing a ceremonial guard of honour. However, Vietnam quietly continued to raise concerns about China’s actions in the South China Sea through diplomatic notes.²⁵ Vietnam denounced the coast guard activities at Sandy Cay as violations of its sovereignty and called on all parties to respect international law and maintain regional stability.²⁶

U.S.–Vietnam Trade Talks

In April, tensions escalated when the Trump administration announced a new reciprocal tariff regime, including a proposed 46% duty on Vietnamese exports starting in July, raising serious alarm in Hanoi given its heavy reliance on the U.S. market.

²⁴ Guarascio, Francesco, Khanh Vu, and Phuong Nguyen. “China, Vietnam Sign Deals as Xi Visits Hanoi Amid US Tariff Tensions.” *Reuters*, April 14, 2025. <https://www.reuters.com/world/asia-pacific/chinas-xi-meet-vietnam-leaders-kick-off-southeast-asia-tour-amid-us-tariffs-2025-04-14/>.

²⁵ The Straits Times. “Vietnam Opposes China, Philippines Acts on Disputed South China Sea Reef,” May 3, 2025. <https://www.straitstimes.com/asia/vietnam-opposes-china-philippines-acts-on-disputed-south-china-sea-reef>.

²⁶ Reuters. “Vietnam Opposes China, Philippines Acts on Disputed South China Sea Reef.” *Reuters*, May 3, 2025. <https://www.reuters.com/world/asia-pacific/vietnam-opposes-china-philippines-acts-disputed-south-china-sea-reef-2025-05-03/>.

After urgent diplomacy, this steep tariff was paused on April 10 in exchange for negotiations on a comprehensive bilateral trade agreement. Deputy Prime Minister Hồ Đức Phúc met U.S. Trade Representative Jamieson Greer in Washington and jointly announced a plan to remove non-tariff barriers, enhance U.S. market access, and strengthen Vietnam's commitment to cracking down on the transshipment of Chinese goods, ensuring that products labelled "Made in Vietnam" meet U.S. standards.²⁷ The U.S. retained a blanket 10% tariff on most imports under its new trade policy, but held off on the additional 36-point increase against Vietnam.

Hanoi welcomed the pause, with officials noting that "there are no winners in trade wars," echoing Xi's recent comment during his visit. This statement reflects Vietnam's diplomatic approach—emphasizing dialogue over confrontation and signalling a desire to avoid further escalation that could hurt its export-driven economy. By June, the two sides had completed a second technical round and agreed to hold a third before early July when the tariff pause was set to expire.²⁸ This sequence has improved Vietnam's export outlook and opened the door to a potential free trade pact, showcasing Hanoi's skilful balancing between deepening its ties with both Washington and Beijing.

Strengthening regional partnerships

Vietnam's regional diplomacy took a major step forward during Prime Minister Pham Minh Chính's official visit to Malaysia from May 24 to 28, his first visit in a decade since the two nations elevated their relationship to a Comprehensive Strategic Partnership in late 2024. In Kuala Lumpur, he met with Prime Minister Anwar Ibrahim, and together they signed three key agreements. The first was an energy MoU between Vietnam Electricity (EVN) and Malaysia's Tenaga Nasional Berhad to strengthen connections via the ASEAN Power Grid.²⁹ The second agreement focused on education partnerships between Vietnam's National Universities and Malaysia's UKM to support

²⁷ Reuters. "US, Vietnam Agree to Start Trade Deal Talks as Tariffs Paused, Hanoi Says." *Reuters*, April 10, 2025. <https://www.reuters.com/world/asia-pacific/us-vietnam-agree-launch-trade-deal-talks-tariffs-paused-2025-04-10/>.

²⁸ Lakshmi, A. Anantha. "US Companies Push for Lower Vietnamese Tariffs as China Hedge." *Financial Times*, June 10, 2025. <https://www.ft.com/content/6ff299ab-0254-415a-929d-eea7b1ca24f4>.

²⁹ Mail, Malay. "Malaysia and Vietnam Seal New Ties in Energy, Education and Asean Unity." *Malay Mail*, May 25, 2025. <https://www.malaymail.com/news/malaysia/2025/05/25/malaysia-and-vietnam-seal-new-ties-in-energy-education-and-asean-unity/178151>.

joint research and student exchanges. The third aimed to bolster regional integration through think-tank cooperation on ASEAN policy. On May 26- 27, PM Chính joined fellow leaders at the 46th ASEAN Summit under the banner “Inclusivity and Sustainability,” hosted by Malaysia in its capacity as ASEAN Chair. He voiced strong support for the “ASEAN Vision 2045 – Our Shared Future” roadmap and proposed three priorities: building a more inclusive regional economy, accelerating digital and green transformations, and reinforcing ASEAN’s central role in regional security.³⁰ A highlight of the event was a ground-breaking green energy pact signed on the sidelines by Vietnam, Malaysia, and Singapore. It will enable Vietnam to export renewable power across borders, helping build a fully integrated ASEAN power grid. By the end of the visit, Vietnam-Malaysia relations had reached a new high, with an action plan in place to implement their CSP through 2028 and Vietnam reaffirming its leadership in ASEAN’s collective initiatives.

Deepening Vietnam–EU partnership

In early June, Prime Minister Phạm Minh Chính attended the 3rd UN Ocean Conference (UNOC-3) in Nice, France, and held key sideline meetings with European leaders to strengthen Vietnam–EU ties. On June 9, he met European Council President Charles Michel and European Commission President Ursula von der Leyen, who both emphasized the EU’s strong regard for its partnership with Vietnam and indicated support for upgrading it to a Comprehensive Strategic Partnership.³¹ During these discussions, PM Chính urged the EU to expedite ratification of the Investment Protection Agreement (EVIPA) and to lift its “yellow card” on Vietnamese seafood. The two sides also agreed to a roadmap for cooperation in green technology, supply-chain resilience, and public health, building on lessons from the COVID-19 crisis. European officials lauded Vietnam’s constructive diplomatic stance, particularly its consistent support for upholding international law in maritime disputes, including in the South China Sea.³² Vietnam positioned itself as an ASEAN bridge for deeper EU

³⁰ Vietnam+. “Vietnamese Prime Minister Proposes Three Priorities at 46th ASEAN Summit.” *Vietnam+ (VietnamPlus)*, May 26, 2025. <https://en.vietnamplus.vn/vietnamese-prime-minister-proposes-three-priorities-at-46th-asean-summit-post319864.vnp>.

³¹ Vietnamnews.vn. “PM Meets With Leaders of European Union,” n.d. <https://vietnamnews.vn/politics-laws/1719251/pm-meets-with-leaders-of-european-union.html>.

³² “PM Meets with Leaders of European Union,” en.qdnd.vn, n.d.,

engagement with Southeast Asia. On the sidelines of the conference, PM Chính also met other leaders, such as France and Peru, to discuss maritime cooperation and climate action, reinforcing Vietnam's practice of leveraging global platforms to build diverse partnerships

Maritime security and the South China Sea

Vietnam took firm action on territorial disputes in the South China Sea while maintaining friendly diplomacy. On May 3, Hanoi's Foreign Ministry filed formal protests with both China and the Philippines over a standoff at Sandy Cay in the Spratly Islands. The protests objected to a Chinese coast guard vessel landing on the sandbank and a Philippine team visiting the same disputed feature, reaffirming Vietnam's claim over Sandy Cay. Vietnam demanded that both countries respect its sovereignty and avoid activities that could destabilize the situation.³³ This rare dual protest against two neighbours highlights Hanoi's determination to defend its claims, even as it pursues broader regional engagement.

Throughout the quarter, Vietnam increased patrols around its Exclusive Economic Zone amid reports that Chinese survey vessels entered areas near Vietnamese oil blocks. At the same time, Vietnam participated in the 29th joint Gulf of Tonkin coast guard patrol with China as a confidence-building measure, even while publicly rejecting Beijing's unilateral fishing bans in its waters. This dual approach reflects Vietnam's calibrated strategy: asserting its maritime claims and resisting Chinese incursions, while maintaining selective cooperation to prevent escalation. It signals a complex Sino-Vietnamese relationship, defined by both competition and cautious engagement in the South China Sea. During ASEAN meetings in April and May, Hanoi

<https://en.qdnd.vn/foreign-affairs/bilateral-relations/pm-meets-with-leaders-of-european-union-579211>.

³³ Siow, Maria. "South China Sea: Vietnam Protests Against Sandy Cay Moves, Raising Flashpoint Fears." *South China Morning Post*, May 6, 2025. <https://www.scmp.com/week-asia/politics/article/3309217/south-china-sea-vietnam-protests-against-sandy-cay-moves-raising-flashpoint-fears>

also strongly backed efforts to finalize a binding Code of Conduct for the South China Sea based on UNCLOS.³⁴

Conclusion

The second quarter of 2025 reinforced Vietnam's strategic trajectory of institutional reform, economic resilience, and proactive diplomacy. Domestically, the implementation of deep structural changes, from constitutional amendments to administrative streamlining, underscored the government's resolve to modernize its governance model and improve public sector efficiency. Despite external trade pressures and an increasingly complex global economic environment, Vietnam maintained macroeconomic stability, attracted record levels of foreign direct investment, and advanced key priorities in social welfare and human capital development.

On the international front, Vietnam's diplomacy reflected both balance and ambition. High level engagements with China, the United States, and the European Union, alongside robust participation in ASEAN initiatives, showcased its commitment to multilateralism and regional integration. Vietnam also took a principled stance on maritime issues, defending its sovereignty while supporting regional rulemaking. As Vietnam navigates the rest of the year, its ability to sustain internal reform while adapting to shifting global dynamics will remain central to its efforts to secure growth, stability, and strategic influence.

³⁴ Gamboa Principe, Florence. "Truth in Troubled Waters: The Philippines' Transparency Initiative and ASEAN's Dilemma," accessed June 12, 2025, <https://pacforum.org/publications/yl-blog-131-truth-in-troubled-waters-the-philippines-transparency-initiative-and-aseans-dilemma/>.



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