



Delhi Policy Group

Advancing India's Rise as a Leading Power

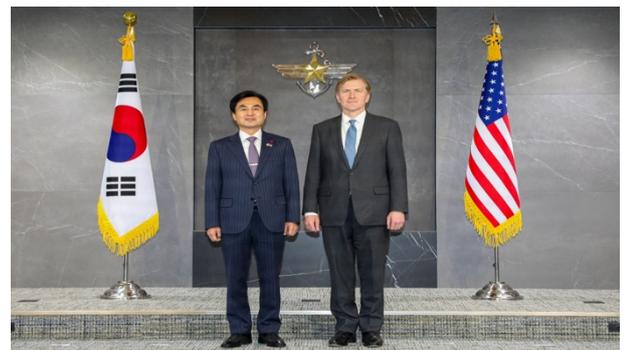


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Cover Images:

President of Indonesia, Prabowo Subianto delivered a special address at the World Economic Forum's Annual Meeting 2026 in Davos, on January 22, 2026. Source: [World Economic Forum](#)

Republic of Korea Minister of National Defense, Ahn Gyu-back, met with United States Under Secretary of War for Policy, Elbridge Colby at the Ministry of National Defense in Seoul, South Korea, January 26, 2026. Source: [Defense Visual Information Distribution Service](#)

Japanese Prime Minister Takaichi Sanae held a press conference at the Prime Minister's Office to mark the launch of the Second Takaichi Cabinet, on February 18, 2026. Source: [Prime Minister's Office of Japan](#)

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President Prabowo Subianto at The World Economic Forum 2026: *Indonesia Shining in a Multi-Polar World*

by

Satish Chandra Mishra

Introduction

Prabowo Subianto, the “Cuddly Grandpa” of the Presidential campaign, Indonesia’s eighth President, was sworn in office on October 20, 2024. Since then, he has travelled the world recounting Indonesia’s unique political, social and economic achievements. He has been busy signing trade, tariff and technology agreements among others. He has reached out to an international audience, with the verve and panache not typical of any of his predecessors. Perhaps the notable exception was President Sukarno, Indonesia’s Founding Father at the Bandung Conference in 1955.

His visited Delhi as the Chief Guest at the Republic Day celebrations on January 26, 2025, just a year ago, barely three months after taking office. The defining photograph of that occasion; Prime Minister Modi and President Prabowo with locked hands, with all the affection of familiar friends, said it all. During his India visit, he affectionately announced that he has “Indian DNA”, a gesture that has touched the hearts of both government and people in these two Asian Giants. It has reverberated across India’s almost 1.5 billion ever since. Added to Indonesia’s 280 million Citizens, his simple but direct statement has triggered a remarkable, unexpected diplomatic coup.

His whirlwind tours of the last 12 months: Moscow to Beijing, Delhi to New York, Riyadh to London, Peru to Brazil, Malaysia to United Arab Emirates, a total of 25 countries in less than 15 months, is no mean achievement; especially so the Age of Trump, with its sharp edge, unremitting bluster and unfathomable confusion. While the retreat of globalism, the cacophony of tariffs and the unpredictability of international agreements and institutions, spells, the decline of America; Prabowo’s Delhi visit and Modi’s response has opened up a fountain of good will that signals the remaking of Asia in a new multi-polar political universe.

In a world dominated by daily news about Ukraine, Gaza, Iran, Greenland, the Panama Canal, Canada (as a coveted 51st State of the US), the dance of love and hate with China, and by some strange quirk: bitterness towards Europe and

side-lining of NATO, Indonesia has quietly gone along its own development path, “below the radar” and with little or no hint of flamboyance or arrogance. That was the message so evident in Prabowo Subianto’s address to the World Economic Forum on January 22 this year.

Prabowo Subianto’s speech on January 22 at the World Economic Forum at Davos, was thus the culmination of 15 months of international engagement. It signalled a growing conviction that in today’s muddled-up world, Indonesia was indeed ‘shining’. With a number of critical social, governance and economic reforms, since the advent of democracy in 1999 in Indonesia had also come the belief in President Prabowo’s mind that the time had come to be more ambitious. The 8% annual GDP growth, on which he had set his mind, and through which Indonesia may well escape the Middle-Income Trap, may not be just an idealist’s dream. The time had indeed come for Indonesia, the world’s fourth populous nation and its largest Islamic Democracy, to be not so much a passive spectator of global economic crises and shocks, a mere recipient of international, often outmoded, text bookish, policy advice. The new evolving world demanded an Indonesia at centre stage, recounting its own systemic transition; to show what was possible.

Perhaps Indonesia’s many achievements since 1999, might be taken as too good to be true. But true they indeed were. The time had come for the world to both recognise this and to learn from the Indonesia’s extraordinary economic, social, religious and political journey. It was time for the Indonesian Nusantara or archipelago to emerge as a powerful force in the fast-evolving multipolar geography of a new Asia. That was the central and supremely confident message of Prabowo Subianto in Davos on January 22.

His speech was not that of a one-time general who summoned his Cabinet to a Boot Camp meeting in uniform, or one who recently mobilised soldiers to help clean up polluted beaches in Bali or to support the archipelago wide, school feeding program, or one who faced down the Zen Z riots of last August. It was the speech of the old styled ardent Indonesian nationalist, chastened by past failures and defeat, who had set his mind to explain and account for Indonesia’s journey so far. The Indonesian story was woven not along indices and economic trends alone. There was much more. Its unique social tolerance, its low key, non-flamboyant approach to public policy and past achievements. He would not brag. He would let facts speak for themselves.

It was also the speech of an intellectual, the son of one of Indonesia's most renowned economists and statesmen: Sumitro Djojohadikusomo (1917-2001). Prabowo Subianto is a reader of books, fluent in English and a nationalist who wanted to put Indonesia indelibly on the evolving multipolar global map. Unfettered from a symbiotic bond with ASEAN, speaking like the leader of one of the World's rising Middle Powers, on its way to becoming one of four or five leading nations of the 21st Century; he reached out to his audience at Davos with all the skill and intelligence of an elder statesman. The once young, ambitious general, and yesterday's cuddly Grandpa was transformed into a resonating voice of the rising Global South. If you think this is taking things too far, let us look at what he actually said in Davos and why it matters?

Prabowo Subianto at the 2026 World Economic Forum:

What we might have expected: unremarkable statements, nods and handshakes

President Prabowo's address at the World Economic Forum could have been, as many would have expected, merely a parade of economic statistics: annual GDP growth, inflation rates, trade and investment flows, budget deficits, debt to GDP ratios, falling unemployment rates, indices of "the ease of doing business". Extolling the virtues of open capital markets and an 'open' economy would be an added bonus.

After all, it would have been the perfect place for a new, highly popular President, in near complete political command, at the end of his first year of office, to use a major, high profile, international address to win over investors, to cement new trade deals, explore further technological and defence initiatives in the pipeline.

For a new President it might also have been, merely, a place to rub shoulders with the world's great and the good; to be counted as a rising Middle Income Power, to look in the eye the entire leadership of Europe, carrying the guilt of centuries of colonial occupation and economic extortion. It was the place where one could do some bragging, indulge in much self-congratulation, voice an odd complaint or two against unfair treatment by foreign governments and by global corporations.

This was also the occasion to recount the efficiency with which Indonesia had chaired the G20 meeting in 2022 and had joined the BRICS on January 7, 2025. If nothing else his appearance at Davos was a chance to show that the almost reclusive Indonesia of the past had been transmuted into the roaring Tiger of

South East Asia. This more vigorous Indonesia could increasingly provide a critical bridge between India and China and be a beacon of religious tolerance, economic hope, maritime and trade security through the Malacca Straits.

What we received: Prabowo Subianto bringing a Shining Indonesia to the World

What we received instead at Davos was an extraordinary *tour de force* of Indonesian strategic priorities, its cultural preference for social harmony and tolerance, its ambition to eradicate absolute poverty throughout the Archipelago in the coming 5 years, its quiet determination to reach developed country status in the next two decades, its affirmation of Indonesia's long-time openness to international trade and open capital markets.

But it was not all exuberance. In the economically unequal world of today, for the Indonesian government, the market alone could not be trusted to solve Indonesia's age old social, ethnic and logistical problems. Even less could the market be relied on to navigate the world's complex unpredictable future. The time had come to combat "greed-economics" practised by runaway, international corporations, who often manipulated the market and broke the law. By creating a new Indonesian Sovereign Wealth Fund, targeted to reach a total fund of around 900 billion USD, Indonesia announced a twin track strategy.

First, the need to work in partnership with the both the domestic and international private sector in a range of priority areas such as energy, manufacturing and commodities down-streaming; to accept the need for skilled foreign managers and technologists.

Second, Danantara could be a countervailing power to unscrupulous, fly by night, largely speculative investors.

As many leading economic and social thinkers of the day like to say: 'Capitalism needs to be saved from the Capitalists'. In association, with a number of new regional regulatory bodies and legal frameworks, and policy conventions, Indonesia could well make a start in just this direction. The ongoing melt-down of globalism, Indonesia's two-pronged strategy to limit the ravages of greed-economics has some merit.

Of course, Danantara, Indonesia's new Sovereign Wealth Fund, now the depository of Indonesia's over 2000 public enterprise assets, would need much reworking before it could realise its future role as a countervailing force in Indonesia's international investment and sub-contracting markets. It could fulfil

this new responsibility by being leaner, more skilled, motivated and less trapped in a web of overlapping and intertwined web of regulations and laws. Hence, the government envisaged the reduction of the total number of BUMN (BUMN: Badan Usaha Milik Negara or state-owned enterprises) to less than 300. Bureaucratic red-tape, defunct laws and regulations, and almost endemic corruption, for which Indonesia had been chastised in numerous reports of Transparency International in the past, would have to be convincingly curtailed. The result was simple. The birth of a more modern, developmentalist Indonesia from the uncertainties and shocks of the current political, financial and security upheavals unleashed with the decline of globalism and the rise of inward-looking populism.

Prabowo also emphasised his government's determination to build Indonesia's human capital, to ensure that digital technology could reach out and connect the lives of all people, both children and adults, to modern technological advances sweeping the Globe. Such digital connectivity was not only a social and educational necessity in a diverse nation of islands, characterised by over 100,000 kilometres of coastline, it was also an essential component of Nation Building, a persistent priority of successive Indonesian governments since Indonesia's formal independence in 1949. This was a far cry from seeing Indonesia merely a supplier of cheap, usually female labour, TKW (Tenaga Kerja Wanita), migrating to neighbouring countries and the Middle East to work as housemaids, with few rights and much humiliation.

The Economic Arithmetic of Democracy in Indonesia's Cultural Setting

Prabowo Subianto's address at the WEF was wide ranging, directed and full of self-confidence. This was evident not only in what he said but also in what he avoided saying. It was also evident in the chosen sequence in which particular issues were raised. It was clear from the outset that it was his overarching development vision rather than economic growth that mattered. As some old-fashioned economists like to say: it is not the *'rate'* of GDP growth but its *'quality'* that really matters.

For President Prabowo, peace and security come first. Without it there can be no development; a point made by numerous studies, such as those by Peter Collier, of the conflict trap in Africa. In case you think this to be another line spun by a former man of arms; think again. The peace that he talks about is not about raising military budgets and shiny uniforms. Indonesia's defence budget to GDP has been consistently less than 1% over several decades. It is the peace

underpinned by social tolerance, economic justice and inclusion. It is a peace and social cohesion glued together by *universal* provision of basic goods and services; from rice to education, from health insurance to medical check-ups, from digital infrastructure to job opportunities for the young. It also consists of a different approach to poverty eradication and women's empowerment.

The case of Indonesia's state enterprise subsidiary: the Permodalan National Madani (PNM), illustrates the point. The PNM inspired by the Grameen Bank in Bangladesh, created in 1999, the first year of democratic Indonesia, launched its Mekkar programme in 2015: a micro finance facility for the tiniest enterprises and most vulnerable women. Today, it has over 16 million customers, employs nearly 80,000 personnel, (mostly women and millennials), has a presence in 34 Provinces, 513 regencies and 5640 sub-districts as of 2025. Today it is over twice the size of Grameen Bank and has an asset base of 3 to 3.1 billion USD. What is more, it encourages new approaches, (a la Bannerjee and Duflo; joint winners of the Nobel Prize in Economics) of *permanent poverty eradication*; by empowering poor women to become self-sufficient entrepreneurs to begin with and to graduate to small enterprises that can unlock bank credit or non-bank, commercial micro-finance as they grow.

What connects Indonesia's education system, its health and social insurance facilities, its child school meals and the women entrepreneurs that the PMN supports, is that they have moved away from a targeted to a universal rights approach to basic goods and essential social services. Such services in the new Democratic Indonesia are a human right and not a special favour. The principle of right over budget is as evident in Indonesia's government social programmes as the example of the marginal voter; not left behind simply due to cost and distance. It is also similar to public goods like defence or maritime or border security. The citizen's right to public goods like defence are governed by a notion of citizenship and universal right, not by finance and budgets.

Prabowo rightly emphasised such principles of Indonesian development, its sense of community, the common understanding across competing political parties and social movements. Summarised by the phrase that "For Indonesia one enemy is too many; thousand friends are not enough", Prabowo Subianto brought out the unique cultural influences on its political stability, its philosophy of 'gotong royong' or mutual-cooperation and communal work, and the common practice following quite intense electoral competition to participate in coalition government.

Today's world, caught up in a spiral of military violence and competing super-egos has much to learn from Indonesia. It is to the immense credit of President Prabowo that he lays out the Indonesian case with calm, conviction and interconnected development vision. His Davos address is not that of an academic, some doctrinaire finance minister or an investment rock star. It is the voice of a new Indonesia under a new administration: politically stable, peaceful, less fragmented and economically solid present.

The technocrats wade in: Indonesia's Stock Market Plunge

Of course, such stories do not end on the plush carpets and fancy suits of international discussion forums. Indonesia is currently mired in rancorous mini crisis unleashed by the resignation of five senior officials at the Indonesian Stock Exchange and (IDX) and the Financial Services Authority (OJK) on January 29, 2026. This was quickly followed by a downgrading of Indonesian credit risk by Standard and Poor and Moodys, following the push of the panic button on Indonesia by Morgan and Stanley. The Indonesian rupiah slid against the dollar hovering around 17,000. True to form, Indonesian media and conservative talking heads came back with more arithmetic, textbook macroeconomics and warnings about the threat to future foreign investment programmes. All this is standard Davos material, reminiscent of technical upmanship at the IMF/World Bank annual meetings.

Time to write new books on the political economy of new democracies: Indonesia can lead the way

It fails to answer, however, the fundamental question of how to establish and implement budget priorities in open democracies where human rights matter and where honouring them costs money. The answer should be simple: reduce wastage, rollback both public and private corruption, confront monopolies in health, education and key public utilities including the provision of digital access. Above all governments need to convince the public that their enhanced taxes will deliver something of value: more reliable high quality public services.

Arguably the problem faced by Prabowo's Indonesia is not that the public expenditure to GDP ratio is too high but that given its many competing priorities it is too low. Its share stands at 40-43% in OECD countries. In Indonesia it was around 16.5% in 2024-2025. For large countries in the Global South the figures stood as follows: India:28%, South Africa 30% and Brazil 48%. Despite this, Indonesia has an effective, trustworthy and more diverse set of public services. It still retains its faith in an open economy, as Prabowo Subianto reminded us at

Davos. Indonesia is historically a trading nation and open trade, and open markets are part of the national psyche.

Prabowo's Indonesia is still a country where much of its population work outside the formal economy. The richest entrepreneurs remain traders not makers or industrialists. Its people live in a country of 17000 islands and are divided across language, ethnicity, occupation and skills. It has had over four decades of military rule. The memory of hundreds of thousands killed during the ideological ferocity of the Cold War in 1965 and foreign military support. Despite it all, Indonesia has laid down convincing roots of an open democracy, kept dogmatic Islam at under check, weathered a series of the most daunting of physical and financial shocks: 1997/98 Asian Economic Crisis, the 2004 Tsunami, the 2007/08 Global Economic recession, the ravages of Covid and now the catastrophe of Donald Trump. European democracies are falling like dominoes.

The rules of the game are changing beyond recognition: in domestic politics as much as in international affairs. This new world emerging in front of our eyes can neither be understood nor navigated by textbook 19th/20th Century economic doctrines. Vision, imagination, principles and a duty of care owed by democratic governments to its people and not arithmetic and budget envelopes will carry the day.

It is in that context, combined with Indonesia's own unique development journey over the last two decades, that the remarkable speech of Prabowo Subianto at Davos should be interpreted. In today's world, global corporations have a heft greater than entire nations. Megacities trade and deal with each other only loosely controlled by national governments. In a world where only Collective Action can succeed in the regulation of pandemics, Artificial Intelligence, genetic engineering and curb the uncontrolled competition for natural resource that lie under-oceans and in outer-space, it is time to move away from old textbooks and find ways to navigate this new unfolding global economic and power architecture.

President Prabowo's speech at Davos will find many sympathetic ears, especially in the Global South. It will generate new debate as will the latest in the Jakarta Post article, written by Joseph Stiglitz and Jyoti Ghosh. It will undermine old certainties, being demolished with the fading power of International Finance Institutions.

Not bad for a new President, an ex-general from an intellectual family and a not-native English speaker, from a reticent and humble country, in his first address to perhaps the most high-profile stage in the World. His speech will convince many, if there was any doubt by now, that Indonesia really is shining.

The Trump approach to dealing with Asian allies needs rethinking

by

Dr. Pradeep Taneja

In a recent [article](#) in *Foreign Affairs*, Zack Cooper, a Senior Fellow at the American Enterprise Institute, argues that the US strategy to rebalance or pivot to Asia, launched by Barack Obama in 2011 and sustained, with minor differences in phrasing and tactical details, by subsequent administrations, has failed.

American promises to make significant investments in the region's diplomatic, economic and strategic stability have not materialised. Cooper says that the US commitments to the region "have lost credibility".

In January, in a [speech](#) to Sejong Institute in South Korea, the US Under Secretary of War, Elbridge Colby, seemed to concur with Cooper's argument, suggesting that the previous American administrations had made "vague promises and unfocused commitments" in the post-Cold War period. He also said that the US policy during this period was "shaped by abstractions, assumptions of permanent unipolarity, and ambitions that were untethered from geopolitical reality."

The goal of the pivot was always deterrence or, to be precise, preventing China from dominating East Asia. Instead, as President Donald Trump prepares to visit China in April, it is America's allies in the region, not China, who are under pressure from the United States.

In the name of a hard-nosed assessment of US interests and realities of power, the Trump administration is shifting the burden on its allies and partners in the region. It has set a new "global standard" of defence spending for its allies of 3.5 per cent of GDP on core military functions.

At the same time, it has piled pressure on its allies in the region by imposing unreasonable tariffs on their products and demanding investment commitments worth hundreds of billions of dollars from countries like Japan and South Korea. The Trump administration's erratic and unpredictable negotiating behaviour has affected supply chains and made production planning difficult for both American companies in Asia as well as their local counterparts.

On China, the current administration has adopted a much more accommodating approach when compared with the first Trump administration. With President Trump frequently referring to President Xi Jinping as a friend and saying that he has a “great relationship” with the Chinese leader, the tone of his administration toward China has been moderate and deferential.

Colby told his audience in Seoul, “we are not seeking a hostile relationship with Beijing. We are seeking a stable one: a decent peace.” He said his department will pursue “respectful, professional communication with China” and that they have engaged with their Chinese interlocutors with “respect and openness” to reduce “the risk of miscalculation and miscommunication”.

While America’s Asian allies have so far been spared the [tongue-lashing](#) delivered to their European counterparts by the Trump administration officials, President Trump’s unilateral, erratic, transactional and sometimes threatening style of international diplomacy runs counter to the Asian way of doing things.

Much of the regional diplomatic and security architecture in East Asia is built around the idea of ASEAN centrality – the notion that the Association of Southeast Asian Nations should be the primary driving force and the central point in the regional diplomatic, economic and security architecture. In other words, the ASEAN members wish to stay in the driver’s seat when it comes to developments in their region, unwilling to allow the great powers to dictate the agenda.

From ASEAN Regional Forum to the East Asia Summit, most regional institutions are built around ASEAN, and the non-ASEAN members of these organisations, including the United States and China, formally accept and support the principle of ASEAN centrality. These institutions generally abide by the “ASEAN Way” of doing things – a distinctive, consensus-based approach to international diplomacy that prioritises mutual respect, quiet negotiation and respectful, non-binding commitments.

The [ASEAN Way](#) also privileges harmony over confrontation and informal consultations over legalistic agreements. In contrast, the over-confident, bombastic approach adopted by the Trump administration in negotiations relies on carrots and sticks, with a constant threat of tariffs or economic sanctions hanging over the heads of the other side.

America's allies in Asia have been respectful in responding to the pressure being applied on them by the Trump administration. South Korea, for example, has been [praised](#) by the US Department of War officials, such as Colby, as a "model ally" for committing to increase its defence spending to 3.5 per cent of GDP, but the road to 3 per cent is likely to be difficult in the tough economic conditions that the country faces, not the least because of the rising energy costs as a result of the instability created by the war on Iran. Japan, too, faces constitutional and economic hurdles in raising its defence spending.

In conclusion, the United States will do well to adopt an Asia strategy that is compatible with Asian sensibilities and addresses the economic and security interests of Asian countries more directly and fully instead of one-sidedly pursuing its America-first agenda.

Japan's New Prime Minister Sanae Takaichi

by

Biren Nanda

Japanese Prime Minister Sanae Takaichi led the ruling LDP to a two thirds majority (310 seats) in the parliamentary elections held on February 8, 2026. In practical terms this means that in the event the upper house votes down a bill, it can be overridden by the LDP majority in the lower house. The opposition Centrist Reform Alliance saw its seats decline from 172 to 49.

Japan's External Relations

On October 20, 2025, in her first policy speech Takaichi listed her foreign policy priorities in this order – the US-Japan Alliance, Japan's Asia Pacific allies – South Korea, the Philippines and Australia, the Quad, the FOIP, the ASEAN and the Global South. There was no mention of Europe. According to media reports, the FOIP is likely to be revised – it will likely have three pillars- strengthening the economy, promoting growth and increasing security cooperation.

Japan-US Relations

Former Prime Minister Shinzo Abe was the political mentor of Prime Minister Sanae Takaichi. Much like her mentor Takaichi has invested in building a rapport with Trump. While leaders from other countries flinched away from reaching out to Trump for fear of facing new tariffs and demands, Takaichi has reached out to Trump. She is of the view that the substantial financial interest of Japan in the US as well as economic and security threats from China make it imperative for Japan to work for closer ties with the US. Prior to her taking up the office of Prime Minister, Japan had pledged US\$ 500 billion in new investment in the US. Projects under consideration include power generation for data centers and oil storage facilities.

Japan has been disconcerted by Trump's actions in his second term. These include the imposition of tariffs on allies and Trumps' aggressive dealings with China. While Trump relaxed restrictions on the sale of advanced chips to China, he announced the sales of weapons to Taiwan. Trump threatened tariffs on China and then retreated when China imposed an embargo on the sale of rare earths to the US.

There are fears that US commitments to regional security are no longer credible. Ryoichi Oriki former chief of staff of the Joint Staff of Japan's Self-Defense Forces

explained to Reuters last summer that the U.S. has become a variable, not a constant, which affects trust. Notwithstanding these reservations, under pressure from Trump, Japan has agreed to increase defense spending.

China

In November 2025, Takaichi said that a Chinese military attack or blockade of Taiwan would constitute “a life-threatening situation” for Japan. The remarks suggested that Japan could in such situations exercise the right of collective self-defense. Despite intense pressure from China Takaichi refused to withdraw her statements.

Chinese coercive actions on Japan included restricting travel, cutting off seafood imports, and limiting exports of rare earth materials to Japan. On December 6, 2025, Chinese J-15 fighter jets took off from China’s aircraft carrier – the Liaoning stationed near southern Okinawa and locked their radar on Japanese military aircraft.

The Chinese actions failed to pressure Takaichi into changing her position. Refusing to back down Takaichi added:

“When something serious happens there we have to go and rescue Japanese and Americans in Taiwan.”

On the other hand, coercive Chinese actions and words, boosted the Japanese Prime Minister’s popularity amongst the Japanese public.

The Nuclear Issue

During his 2016 campaign Trump had suggested China and South Korea consider the acquisition of nuclear weapons. Former Deputy Defense Minister Matzukawa member of the LDP’s national security policy council said

“you cant really take US presence for granted, We have to always think of Plan B. Plan B is maybe go independent and then go nukes”

Prime Minister Takaichi has indicated a willingness to reconsider the “Three Non-nuclear Principles.” – Japan will not possess produce or allow nuclear weapons on its soil. The third principle is regarded as the most likely candidate for revision since US vessels carrying nuclear weapons and regularly call on Japanese ports on a “don’t ask-don’t tell basis.

A National Security official¹ in the Japanese Prime Minister's Office asserted during an off the record briefing on December 18, 2025, that Japan should possess nuclear weapons. It was later clarified that it was his personal opinion.

The Japanese Economy

Takaichi's efforts at revitalizing the Japanese economy will be constrained by Japan's ageing work force and China's domination of global manufacturing. Takaichi has already passed a fiscal stimulus of US\$ 117 billion. Long term interest rates in Japan rose sharply after Takaichi announced her plans for fiscal expansion. The Yen had fallen by 3% until it was talked up by the monetary authorities in both countries. Investors are concerned that higher borrowing by the government could fuel inflation and lead to higher interest rates and a weaker yen in the future. In the short run the anticipation of a stable leadership caused stocks to rally, the yen strengthened and bond yields were stable.

Takaichi has announced that she will seek a two-year moratorium on the 8% consumption tax on food items. She has also called for a sharp increase in government spending.

Japan will diversify supply chains, seek joint development of Artificial Intelligence address the issue of access to critical minerals.

What does Sanae Takachi's landslide win mean for India?

Sanae Takaichi² regards Shinzo Abe as her political mentor. She is a China hawk. She would likely strengthen the strategic partnership between India and Japan. She would also support enhanced connectivity, technological and supply chain cooperation with India. The LDP's two third majority means continuity of Japanese policy towards India including the realization of targets for trade and investment. The longer-term trend in Japanese policy in areas like defense cooperation and trade is likely to be positive from India's perspective. Japanese security policy will focus on the western pacific and the South China Sea, while India's attention will be on her continental threats and the Indian Ocean. ODA will continue to be the glue that binds the two countries who will continue building strategic infrastructure that will accelerate India's rise.

¹ Brad Glosserman (February 5, 2026) The Unthinkable is on the List of Options. Japan Times. <https://www.japantimes.co.jp/commentary/2026/02/05/japan/the-list-of-japanese-security-options/>

² (February,9,2006) Takaichi's new mandate upends Asia's power math: What it means for China, India and the US.

<https://timesofindia.indiatimes.com/world/rest-of-world/japans-prime-minister-sanae-takaichi-iron-lady-takaichi-liberal-democratic-party-japan-china-india-us-quad-donald-trump/articleshow/128117261.cms>

Conclusion

Sanae Takaichi's landslide victory in Japan's election solidifies her position as Prime Minister, granting her a two-thirds majority in the lower house. This victory strengthens her hand in pursuing aggressive fiscal policies, including tax breaks and increased defence spending, despite concerns about Japan's already high debt. Takaichi's pro-American stance and focus on strengthening ties with the US, particularly in light of China's growing influence, are key aspects of her leadership.

Japan is strengthening its security relationships in the Indo-Pacific region due to concerns about the reliability of US security commitments. This includes increasing defence spending, modernising capabilities, and engaging in more regional security initiatives. Prime Minister Sanae Takaichi has emphasised the importance of the US-Japan alliance but has also suggested Japan might consider a change in its stance towards adherence to the three non-nuclear principles. Takaichi has also taken a more assertive stance on Taiwan, straining relations with China.

Japan's diplomacy faces challenges in strategic signalling, particularly in relations with China. Tensions escalated after a statement about Taiwan, highlighting the need for refined communication. Japan plans to update its "Free and Open Indo-Pacific Strategy" to address new challenges, including economic security and emerging technologies, while maintaining its stance on non-proliferation and strengthening partnerships.



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