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The Takaichi Administration's Diplomatic Strategy and New Developments in Asian Regional Cooperation

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1. The Rise of the Takaichi Administration and the Transformation of Japanese Politics

For many years, Japan had been grappling with a shrinking population, declining birthrate, and an aging society, compounded by a prolonged period of deflation, which had led to a widespread sense of stagnation and pessimism nationwide. Moreover, compounded by China's rapid rise and shifts in the international landscape, Japan was forced to undergo a major transformation in the political, economic, and security spheres. The Takaichi administration was formed against this backdrop. I believe that the election of the Liberal Democratic Party's first female president, coupled with the dissolution of the coalition with the Komeito Party and formation of a coalition government with the Japan Innovation Party, marked a major turning point in Japanese politics. The coalition agreement finalized by the Liberal Democratic Party and the Japan Innovation Party includes a wide range of policy issues that have not been fully addressed to date, such as constitutional revision, revisions to the three security-related documents, the establishment of a National Intelligence Agency, enactment of an anti-espionage law, a review of defense equipment transfers, and the strengthening of immigration policies. These are not merely political slogans; they have been reflected in subsequent policy statements, comprehensive economic measures, and budget formulations, and are being implemented as concrete policies. Furthermore, the Takaichi administration has adopted "responsible expansionary fiscal policy" as its fundamental principle. Unlike the conventional approach focused solely on fiscal consolidation, this administration aims to revitalize the Japanese economy and strengthen the nation's competitiveness by comprehensively advancing support for citizens' livelihoods, investment in crisis management and growth sectors, and the strengthening of defense and diplomatic capabilities.

2. "Responsible Expansionary Fiscal Policy" and Security Policy

A cornerstone of the Takaichi administration's policies is "responsible expansionary fiscal policy." This approach is based on the idea that economic growth and fiscal consolidation are not mutually exclusive, and that fostering economic growth can enhance fiscal sustainability. Specifically, in addition to growth investments in cutting-edge technologies such as AI, semiconductors, and shipbuilding, the administration places a strong emphasis on investments in crisis management areas such as food, energy, and economic security. This vision involves collaboration between the government and private sector to advance investments totaling 340 trillion yen across 17 sectors and 62 product technologies by fiscal year 2040, to enhance the competitiveness of the Japanese economy over the medium to long term. Furthermore, creating an environment in which private companies can invest with confidence is crucial.

Implement policies that boost private investment by enhancing the predictability of the government budget and advancing administrative and social security system reforms is necessary. Regarding fiscal management, we are shifting away from the traditional approach that focused solely on achieving a primary balance surplus and are instead adopting a new approach that emphasizes the trend in government debt as a percentage of GDP. Ensuring fiscal sustainability by achieving economic growth is essential. Regarding national security, the administration is increasing defense spending to more than 2% of GDP and implementing policies that reflect changes in the security environment, including revising the three security-related documents, establishing the National Intelligence Agency, enacting the Anti-Espionage Act, and developing unmanned aerial vehicles and long-range strike capabilities. The Takaichi administration's fundamental approach is to strengthen both diplomatic and defense capabilities in an integrated manner, building on a strong economy.

3. Prime Minister Takaichi's Diplomatic Strategy and Japan's Role in the International Community

In the realm of diplomacy, Prime Minister Takaichi has actively attended major international conferences, including the ASEAN Summit, Japan-U.S. Summit, APEC Summit, and G20 Summit, since shortly after assuming office, and has built relationships of trust with world leaders in a short period of time. In particular, I believe her close relationship with Italian Prime Minister Meloni and her efforts to improve Japan-South Korea relations have received a certain degree of recognition from the international community. Regarding diplomacy toward China, Japan has adopted a stance of clearly asserting its position on key issues, including the Taiwan question, while maintaining channels for dialogue. This pragmatic diplomatic approach, which avoids an exclusively confrontational stance and instead promotes cooperation in areas where it is possible, has fostered trust in Japan both domestically and internationally. Furthermore, the Liberal Democratic Party's stable majority in the House of Representatives general election held after the administration took office has brought continuity and stability to Japan's diplomacy. Moreover, it has become easier for other countries to envision medium- to long-term cooperative relationships with the Japanese government, and Japan's influence and presence are growing more than ever before. Diplomacy cannot be considered in isolation from the economy and national security. Diplomatic power stems from economic strength, and diplomatic negotiations gain persuasiveness only when backed by defense capabilities. The Takaichi administration's basic policy is to advance Japan's national interests by coordinating its economic, security, and foreign policies.

4. Response to the Strait of Hormuz Crisis and Regional Cooperation in Asia

During the recent Strait of Hormuz crisis, Japan was able to minimize the impact on its domestic economy because, in addition to having secured approximately 240 days' worth of oil reserves, it had also established a procurement system using routes that bypassed the Strait of Hormuz, such as those from Saudi Arabia and the UAE. However, the key point is not simply for Japan alone to avoid the crisis. Energy shortages is an acute issue for the entire Asian region, and it is vital for Japan to contribute to the stability of the region as a whole by coordinating with its neighboring countries. As part of this effort, the "Power Asia" initiative

is being pursued. Using measures such as establishing oil reserves and procurement systems for countries such as the Philippines and Vietnam, as well as providing financial support, Japan aims to strengthen energy security across Asia as a whole and further strengthen the bonds of trust between Japan and countries in the region. Furthermore, within the G7, Japan has advocated for international cooperation to ensure a stable supply of critical minerals and energy resources. I believe that demonstrating a commitment to contributing to the stability of the entire region, rather than merely protecting our own country, in the event of a crisis, will foster trust in Japan's diplomacy.

5. The Increasingly Unstable International Situation and the Future of Japanese Diplomacy

The international community is becoming increasingly unstable against the backdrop of the situation in Iran, protracted war in Ukraine, and stagnation of the Chinese economy. Japan has maintained a relatively stable political foundation, and it is important for the country to leverage this strength to play its role in the international community. The most critical priority for Japan going forward is to achieve sustainable economic growth. Therefore, it is not only essential to promote government investment, but also encourage private companies to make proactive capital investments and expand overseas, thereby boosting the vitality of the Japanese economy as a whole. In its international relations, Japanese companies have focused not only on exporting products, but also on local production, technical cooperation, and human resource development. Moreover, regarding Official Development Assistance (ODA), Japan has consistently maintained a stance of supporting the development of partner countries, and these cumulative efforts have fostered trust in Japan. Regarding the transfer of defense equipment, Japan does not merely export weapons but supports the capacity-building of partner countries by combining technology transfer with local production. I believe these efforts are recognized as a uniquely Japanese approach to international cooperation. Japan is a country that is welcomed, not one that is viewed with suspicion. By leveraging this strength and promoting economic, diplomatic, and security policies as an integrated whole, I believe we can contribute more than ever to the stability and prosperity of the Asian region. Going forward, the achievements of the Takaichi administration will depend not only on diplomacy, but also on its ability to steadily implement economic policies, and I intend to continue closely monitoring these developments.

(This is an English translation of an outline of the lecture delivered by Dr. SAKAMOTO Masahiro, Distinguished Research Fellow of JFIR and former Vice Minister for Economic Planning at the Economic Planning Agency, at the 112th Policy Plenary Meeting of CEAC on July 13, 2026.)