

7 April 2026

Takaichi prepares for battles over “divisive” agenda

Key takeaways

- The passage of the 2026 budget on 7 April clears the way for a crowded second half of the legislative session.
- Prime Minister Takaichi Sanae is preparing to advance controversial national security policies and lay the groundwork for her expansionary fiscal program, all while managing the impact of the Hormuz crisis.
- However, the resistance to the government’s budget blitz suggests that the government could still face more hurdles than the prime minister’s popularity and lower house majority would suggest.

The House of Councillors voted on Tuesday, 7 April to pass the Takaichi government’s JPY 122.3tn general budget for FY2026. The budget’s passage concludes the first half of the legislative session, enabling Prime Minister Takaichi Sanae to pivot to other priorities through the end on 17 July.

Over the next three months, while continuing to manage the Hormuz crisis and its implications, **the Takaichi government is ramping up for significant initiatives as part of the prime minister’s ambitions to make Japan more autonomous and self-reliant in an increasingly insecure world.** In acknowledging that she is pursuing “divisive” policies, Takaichi knows that her agenda could face opposition, including from within the LDP. Accordingly, even if she ultimately is able to achieve her goals, the lesson of the budgetary debate is that even with the Takaichi government firmly in control of the lower house and with the public behind the prime minister, **the prime minister could still encounter resistance that increases the political cost of implementing her agenda.**

Crisis management

The most immediate challenge facing the prime minister is managing the ongoing Hormuz crisis. While Takaichi had recently been suggesting that her government was leaving all options on the table to manage the potential disruptions to Japan's energy supplies, on Tuesday she struck a new tone. **She and members of her government denied that it will be necessary for the government to move quickly to pass a supplemental budget;** emphasized that **Japan has prospects of securing alternate sources of crude oil less dependent on the Strait of Hormuz;** and **downplayed the need for measures to promote conservation by the public.** In short, the government may be settling on a more **patient approach to the energy situation,** perhaps hoping for a diplomatic breakthrough in the near term that makes more drastic measures unnecessary. This stance may reflect the government's interest in reassuring investors amidst rising bond yields – by temporarily shelving the idea of a supplemental budget that could increase debt issuance – but the prime minister also wants to avoid cooling the economy by encouraging restraint by consumers and businesses. However, this issue is fraught for the prime minister as polls show **the public is already concerned about potential disruptions and skeptical of the government's response.**

National security

Beyond the Takaichi government's efforts at navigating the impact of the US-led war on Iran, **the prime minister will be highly preoccupied with national security issues through the remainder of the legislative session.**

The House of Representatives has already begun deliberating on a **legislative package that will reform Japan's intelligence community,** creating a cabinet-level national intelligence bureau and national intelligence council headed by the prime minister that will be tasked with assembling and analyzing intelligence from across the government in a structure that will parallel (redundantly, according to some critics) the existing national security secretariat and council. More controversially, the new apparatus may have some role in domestic counterintelligence, particularly foreign influence operations in Japan. **The latter has already prompted concerns that the intelligence reforms could pose a risk to civil liberties and the right to privacy.** While the government may have little difficulty moving this legislation through the lower house, it will need to secure the support from other parties in the upper house, where some of the concerns about the reforms are likely to be aired more widely.

At the same time, **the prime minister is currently mulling a proposal from the Liberal Democratic Party (LDP) and Ishin no Kai that would relax arms transfer rules,** regrouping defense equipment into lethal and non-lethal categories and allowing the government to permit exports of the former on a case-by-case basis. **This would be a significant departure from longstanding practices and is not necessarily a popular measure.** The most controversial part of this plan could be the government's proposal that it will only have to notify the Diet of a decision to export weaponry after the decision has been made. Meanwhile, as part of the review of Japan's arms export rules, the government is also considering an LDP proposal to nationalize certain dual-use

manufacturing facilities – drones and other high-tech components – to ensure that Japan could produce these products in the event of a crisis. The facilities would be owned by the government but leased to private operators. The government’s arms export policies will not be decided by legislation, but the issue could still attract attention in the Diet and the media.

Finally, over the next several months **the Takaichi government will ramp up its review of the three national security documents** – the national security strategy, national defense strategy, and its medium term defense program – that will shape the defense budgeting process for 2027 and beyond. The LDP is currently in the process of drafting its own proposals for these documents but will not submit them until May; the government’s own deliberations will take the LDP’s proposals into consideration over the following months. There is not a precise timetable for finalizing these documents. **The government has not suggested how it will fund increasing defense spending, a debate looming behind the strategy debate.**

Economic programs

The Takaichi government’s economic policymaking through the end of the Diet session will be centered not on the Diet, but rather in non-parliamentary organizations. Over the next two or three months:

- The Council on Economic and Fiscal Policy (CEFP) will draft **the “big-boned” budget outline for FY2027**, expected by June;
- The government’s growth strategy council will draw up a **new growth strategy embodying the prime minister’s “strategic investment”-led approach to industrial policy**, also expected in June;
- And the extra-parliamentary **national conference on social security, which is debating cutting the consumption tax and introducing a refundable tax credit, will produce an interim report** sometime during the summer.

The debate around these documents, which will determine **the shape of Takaichi’s commitment to “responsible fiscal expansion,”** will play out less in parliamentary deliberations than in the council chambers, intra-party discussions, and in the media. Naturally this debate will intersect with both the Hormuz crisis – depending on the need for fiscal stimulus – and the aforementioned national security debates.

Other legislative issues

In addition to these fundamental issues, **the government may also take up several issues that are especially important to junior coalition partner Ishin no Kai**, including a bill that would establish an **auxiliary capital** to distribute some governmental functions away from Tokyo; a legislative proposal to **reduce the number of lower house seats** in the event that the government and opposition parties cannot agree on other electoral reforms; and a bill to **criminalize flag desecration**. However, the LDP’s enthusiasm for these proposals is mixed and may depend on the details of

each. These proposals, at least the former two (the latter could attract support from small right-wing parties), may also attract greater resistance in the upper house.

The political environment after the budget

While the prime minister may feel some relief at the budget's passage – she marked the occasion with an evening gathering with her closest supporters, her first evening out in two months – **she may be bracing for a challenging second half of the Diet session.** To some extent the prime minister is prepared for this: she has talked about these “divisive” policies, tacitly **acknowledging that she may be spending some of her political capital to deliver these changes.** But the government's budget blitz has revealed that, notwithstanding her supermajority in the lower house, **she does not have overwhelming control over the political system.** The passage of the budget frayed ties between Takaichi and the upper house LDP, which is acutely aware of the need to work with opposition parties in light of the government's lack of a majority in the chamber. **The prime minister's isolation from her own party** – there has been reporting that she is increasingly cocooned in the prime minister's residence – and **her small circle of trusted advisers** could suggest that the pattern that characterized the budgetary process could repeat itself over the coming months. In other words, much as the prime minister decided to press ahead with overriding parliamentary norms in an unsuccessful bid to pass the budget by 31 March over the advice of LDP lawmakers, **she could push headlong on some of the issues outlined above over the opposition of her own party, with significant consequences for her government.** To be sure, it is premature to put much stock in magazine reporting that some LDP lawmakers are beginning to look to the post-Takaichi landscape, but this reporting reveals that **the prime minister's position is more fragile than the size of her majority and her still-robust approval ratings would suggest.**

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