

Japan, US: a golden age?

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When Sanae Takaichi was elected as Japan's first female prime minister on 21 October, many observers were quick to raise scepticism and criticism. But taking a step back from the usual negative-narrative lens reveals a number of real indicators that Japan might be entering a much more dynamic era; one in which strong leadership, a revived economic strategy, and a reinvigorated US/Japan alliance combine to deliver a genuine uplift.



Leadership and economic vision

Takaichi brings to the premiership a clear commitment to reviving economic momentum. “Sanaenomics” approach (as it is being called) consciously draws from the earlier Shinzo Abe-era policies but had been adjusted for today's challenges. Analysts note Takaichi favours high public spending, low borrowing costs and bold investment in growth sectors such as technology and semiconductors. At a time when Japan's economy has suffered from low growth, deflationary drag and stagnant wages, that kind of willing fiscal and policy activism is a constructive turn.

To her credit, Takaichi has emphasised that a strong economy is the foundation of all else, including Japan's ability to invest in national security and global competitiveness. In her first major policy address, she pledged to hit a defence-spending target of 2% of GDP by March 2026 (ahead of the previously planned 2027 deadline). This signals a willingness not simply to maintain the status quo, but to accelerate Japan's capabilities and, crucially, to support an economic environment in which businesses feel the country is going to begin moving forward.

Economic levers to unlock

What does this new leadership realistically need to do to lift the economy? Broadly speaking, the challenge lies in combining investment, monetary flexibility and structural reform into a coherent framework that drives sustainable growth.

First, Takaichi's government must stimulate growth through investment and innovation. She has placed particular emphasis on what she calls "crisis-management investment", a policy designed to channel public funds into critical future-growth sectors such as artificial intelligence, semiconductors, biotechnology and defence manufacturing. If Japan can successfully harness its existing industrial and technological base to re-ignite corporate dynamism and global competitiveness, it could move beyond its mature-economy stagnation and enter a new phase of innovation-led expansion.

At the same time, monetary and fiscal policy need to support risk-taking rather than mere preservation. The "Sanaenomics" approach advocates maintaining low interest rates, a loose monetary stance and a weaker yen that supports exports and manufacturing resilience. Combined with targeted fiscal stimulus rather than austerity, this approach has the potential to generate new investment cycles and lift consumer confidence. The risks of inflation or debt expansion remain, of course, but a well-balanced application of these measures could unlock long-term productivity gains.

Finally, policy action must go hand-in-hand with structural reform. Investment alone will not revive Japan's economic fortunes unless accompanied by changes to regulation, corporate governance, labour mobility and capital allocation. Takaichi's administration will need to push through reforms that increase competitiveness, reward innovation, and modernise outdated frameworks. This includes improving workforce participation, particularly among women and older workers, and ensuring that Japan's industrial infrastructure is aligned with global shifts in technology and green manufacturing.

In essence, the economic levers are not abstract concepts but concrete actions that, if implemented with discipline and consistency, could restore Japan's growth trajectory. The leadership is signalling energy, the policies are in motion, and the opportunity window is open. What's required now is effective execution.

Revived strategic relationship with the US

If Japan's economic prospects are to flourish, they will also benefit from a strong strategic backdrop and here the early signs are promising. Takaichi has made strengthening the US/Japan alliance front-and-centre, welcoming President Trump during his recent Asia trip and signing co-operation deals in areas such as rare-earth minerals, critical supplies and nuclear power. Notably, the two countries committed to securing rare-earth supply chains - a vital link between economic strength, technology and security.

Trump praised Takaichi as a great leader and emphasised the “golden age” of bilateral relations. Takaichi in turn used the meeting to signal Japan is back as an active global player and ally. That kind of personal rapport and alignment on key strategic industries creates favourable external conditions for Japan’s economy: increased foreign-investment interest, defence-industry engagement and global trade linkages. Practically speaking, Japan is stepping out of its passive posture of old and signalling a drive and desire for forward momentum. For a country whose past decade often felt tethered and cautious, that alone is a positive shift.

Why this could be a golden age

The convergence of new leadership with an economic growth mandate, ambitious investment policy and a strengthened US/Japan axis focused on high-tech, defence and critical resources, has certainly created a base for optimism. Japan has the industrial capacity, human capital and global connectivity to leverage this moment.

Moreover, global developments, such as supply-chain reconfigurations, decoupling trends from China, strategic resource realignment (e.g. rare earths) and demand for advanced manufacturing, all offer Japan the chance to re-take its previous leadership claim in high-tech beyond simply mature-economy maintenance.

The fact the new government is willing to reverse the country’s earlier stasis by pulling forward defence-spending timelines, signalling bold fiscal stance and stepping into global resource co-operation, suggests the country is focused on building momentum.

Realistic caveats

Of course, none of this will happen overnight. Takaichi’s government must manage inflation, currency weakness and the very real debt burden that Japan carries (its debt-to-GDP remains high). Analysts have warned that too aggressive stimuli could spook markets. Also, domestic political dynamics are fragile. Takaichi’s government was formed via a new coalition and faces electoral tests ahead. And structural reform is always the hardest part, which is why the promise remains positive, but not guaranteed.

Conclusion

Rather than viewing Japan's future through a lens of slow stagnation or inevitable decline, the emerging indicators suggest something different: with newly elected leadership under Takaichi, a revived economic policy toolkit and an energised alliance with the US, Japan may be on the cusp of a genuine upward phase. If the reforms are carried through, the investments made and the global repositioning leveraged, then a "golden age" for Japan is no longer just hopeful rhetoric, it is a realistic possibility.

We should watch closely but welcome this moment not with scepticism but with cautious optimism.

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