Delhi Policy Group

Advancing India's Rise as a Leading Power

EAST ASIA EXPLORER

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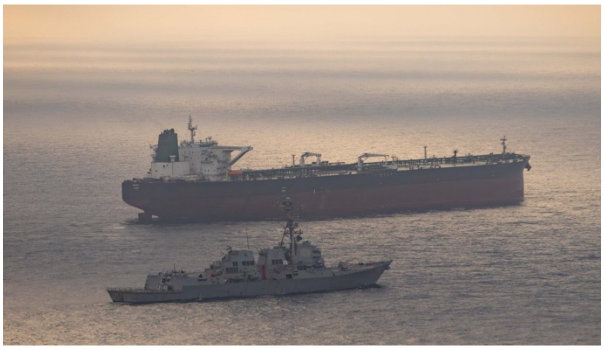

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Cover Images:

1. *Richard Marles MP, Deputy Prime Minister of Australia, addressed the National Press Club of Australia on the "Launch of the 2026 National Defence Strategy and Integrated Investment Program" on April 16, 2026. Source: Richard Marles*
2. *USS Rafael Peralta enforces the U.S. blockade in the Strait of Hormuz against an Iranian-flagged ship attempting to sail to a port in Iran, April 24, 2026. Source: X/@CENTCOM*
3. *PM Takaichi delivered a foreign policy speech, including the evolution of the Free and Open Indo-Pacific (FOIP), at Vietnam National University, Hanoi, on May 2, 2026. Source: X/@MofaJapan_en*

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Australia's 2026 National Defence Strategy and Investment Program

by

Pradeep Taneja

In April, the Australian government released its 2026 National Defence Strategy, which declares that Australia's security and prosperity are "inextricably linked" to developments in the Indo-Pacific region.

In his foreword to the strategy, Australia's defence minister, Richard Marles, identifies intense competition between the United States and China as an "enduring feature" of Australia's security environment. He decries the lack of transparency or "strategic reassurance" from China as the East Asian giant engages in "the largest military build-up in the world today".

The 2026 NDS – only the second of its kind (in the past Australia has issued occasional defence white papers) – is an evolutionary document, not a revolutionary one, especially as it builds on the 2023 Defence Strategic Review and the 2024 NDS. It also draws on the lessons learnt from the Ukraine War and even the US and Israel's war on Iran.

The key elements of this strategy include: a focus on denial-based posture to deter regional coercion, reinforcement of sovereign defence capabilities and safeguarding supply chains and, in line with the strategic imperatives behind the AUKUS partnership, developing Australia's long-range strike capabilities, which includes nuclear-powered submarines and autonomous and uncrewed systems, including the MQ-28 Ghost Bat – an Australian-developed autonomous military aircraft to be built by Boeing Corporation in Australia.

Significantly, the 2026 NDS also comes with a separate Integrated Investment Program, which provides an extra 14 billion Australian dollars in funding for defence over the next four years and 53 billion dollars over the next decade on top of what has already been committed in previous plans. In keeping with Australia's long-standing practice of providing a 10-year funding model for national defence, the 2026 NDS and the accompanying investment program allocate a total of 887 billion Australian dollars in defence funding over the next decade.

The funding boost is designed to considerably enhance Australia's defence capabilities and to strengthen its ability to work with the United States and its other allies and partners in the face of a 'faster-than-expected' deterioration in the regional security environment. Australia has also changed the way it calculates its defence spending in accordance with NATO standards, which would allow it to report higher figures aimed at reaching 3 per cent of GDP by 2033. The new methodology includes things like military housing and pensions in the defence budget.

The new defence strategy describes the Quad as a "vital diplomatic partnership" and says that Australia will seek to strengthen cooperation with its Quad partners to "advance regional peace, security and prosperity", including strengthening "maritime domain awareness, operational interoperability and humanitarian assistance and emergency response cooperation." It flags India-Pakistan and India-China borders alongside other flashpoints in the South China Sea, the Korean peninsula and the Taiwan Strait, where there is a "risk of miscalculation that could lead to conflict".

It describes India as a "top-tier" security partner and Australia's most important defence partner in the Northeast Indian Ocean, with which the Australian government will continue to prioritise "practical and tangible" cooperation that directly contributes to Indo-Pacific stability. The 2026 NDS also says that "Australia will continue to support India's key role in the region and build interoperability by increasing the depth, complexity and frequency of our defence cooperation." It also declares that Australian defence forces will strengthen engagement with other Indian Ocean states, namely Bangladesh, Sri Lanka and the Maldives, to strengthen regional security and maritime domain awareness.

While the 2026 NDS focuses on Indo-Pacific security and Australia's enhanced role within the region, it seems to downplay the role of the Quad, which gets only one brief mention in the over 100-page document. Interestingly, as mentioned above, it describes the Quad as a "diplomatic", not a security grouping.

The significant boost to defence spending that the 2026 NDS envisages, especially for the expansion of Australia's naval capabilities, is good news for India and Australia-India Comprehensive Strategic Partnership. With the eventual induction of nuclear submarines and the introduction of uncrewed underwater and surface vessels and the other new technologies being brought in, the Royal Australian Navy's significantly enhanced capabilities will make it a strong partner for the other like-minded naval forces in the Indian Ocean.

These technological advances and additional capabilities of RAN combined with the modernisation efforts and the rapidly growing new capabilities of the Indian Navy, would create suitable conditions for Australia and India to elevate their defence cooperation to a new level. From maritime domain awareness to joint patrols and maritime exercises, the 2026 NDS will significantly increase the potential for the Australian and Indian navies to strengthen joint deterrence and help secure the Indo-Pacific. It would also allow them to boost military support for humanitarian assistance and disaster relief operations in the Indian Ocean and the Pacific.

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The Political and Economic Implications of a Strait of Hormuz Blockage for Indonesia: a Strategic Perspective

by

Satish Chandra Mishra

Introduction

The Strait of Hormuz is the jugular vein of the global oil system. Lying between Oman and Iran at its narrowest point of approximately 33 kilometres, it is the passage through which roughly one-fifth of the world's crude oil — and a larger share of the liquefied natural gas (LNG) consumed in Asia, transits each year.[1] For Indonesia, the world's fourth-largest country by population and Southeast Asia's largest economy, the Strait is not an abstraction. It is the conduit for roughly 300,000 barrels per day of crude oil that sustains domestic refinery capacity and, through it, the fuel that powers transport, industry, and electricity generation across the archipelago.

Indonesia's energy profile changed fundamentally when the country became a net oil importer in 2004 — a structural shift that ended three decades of OPEC membership and redirected the country's strategic anxieties from export revenue management to import supply security.[2] Since then, the Middle East, Gulf Cooperation Council states above all, has supplied between sixty and sixty-eight percent of Indonesia's crude oil by volume, virtually all of which transits the Strait of Hormuz. The escalation of regional tensions involving Iran in 2024–25 has therefore elevated Hormuz from a background geopolitical risk to an active policy concern in Jakarta.

The dominant Indonesian policy discourse has responded with measured anxiety. But this paper argues that a closer examination of Indonesia's institutional, diplomatic, and structural position yields a more optimistic assessment than media headlines might suggest. The pessimist case rests on a single channel of vulnerability: the crude oil import route. The optimist case rests on an architecture of resilience that spans emergency reserves, diplomatic

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[1] US Energy Information Administration (EIA), "World Oil Transit Chokepoints," July 2024. Available at: www.eia.gov/special/chokepoints. The EIA estimates approximately 20.5 million barrels per day transited the Strait of Hormuz in 2023.

[2] Kementerian Energi dan Sumber Daya Mineral (ESDM) Republik Indonesia, "Rencana Umum Energi Nasional (RUEN)," Peraturan Presiden No. 22 Tahun 2017. Updated projections published in Handbook of Energy and Economic Statistics of Indonesia 2023, pp. 14–31.

relationships, alternative supply routing, accelerating renewable energy deployment, and a foreign policy tradition uniquely suited to navigating great-power conflict without becoming its casualty.

The Hormuz Chokepoint: Indonesia's Exposure

Indonesia's crude oil import profile is concentrated but not undiversified. As Table 1 illustrates, Middle Eastern suppliers account for approximately 62–68 percent of imported crude volumes in 2022–24, all of which is Hormuz-routed. The balance is sourced from West Africa (Nigeria and Angola), intra-ASEAN producers (Malaysia and Brunei)[3], and a growing share from Russia following European sanctions-driven market reorientation.

Table 1: Indonesia's Oil Import Profile and Hormuz Exposure (Annual Average, 2022–2024)

Source Region	Avg. Volume (kbd)	Share of Crude Imports (%)	Hormuz-Routed?	Trend 2022–24
Middle East (Gulf states)	420–480	62–68%	Yes (100%)	Stable
Africa (Nigeria, Angola)	80–110	14–16%	No	Rising
Intra-ASEAN (Malaysia, Brunei)	50–70	9–11%	No	Declining
Russia / Caspian	30–45	5–7%	Partial	Rising (post-2022)
Domestic production (Pertamina)	580–620	—	N/A	Slow decline
Total Import Exposure to Hormuz		**~65%**	**≈ 300,000 kbd at risk**	

Sources: Badan Pusat Statistik (BPS), Statistik Indonesia 2024; IEA Indonesia Energy Policy Review 2023; Kementerian ESDM, Handbook of Energy and Economic Statistics of Indonesia 2023. kbd = thousand barrels per day.

Domestic production of 580,000–620,000 barrels per day, maintained by Pertamina and its upstream subsidiaries, provides a partial buffer. Indonesian crudes are predominantly light and sweet, while the country's refineries are configured for heavier Gulf grades. Hence, domestic production and imported crude are not immediately interchangeable.[4] This refinery-configuration

[3] US Energy Information Administration (EIA). "World Oil Transit Chokepoints." Washington D.C.: EIA, July 2024.

[4] Badan Pusat Statistik (BPS) Indonesia, "Statistik Indonesia 2024," Jakarta: BPS, 2024, Table 8.1.4 ("Impor Minyak Mentah Menurut Negara Asal"). BPS data confirms the Middle East accounted for 63.4% of crude oil imports by volume in 2023.

mismatch is the deepest structural vulnerability. It is one that a Hormuz disruption would expose acutely in the short term.

Historical Precedents: Indonesia's Resilience Record[5]

Indonesia's historical engagement with Gulf oil disruptions provides the essential baseline for an optimistic assessment. The record, summarised in Table 2, is one of adaptive resilience rather than systemic collapse. Three episodes merit particular attention.

Table 2: Historical Oil Price Shocks and Indonesia's Macroeconomic Response

Episode	Oil Price Spike	Indonesia's Position	GDP Impact	Policy Response	Recovery
1973–74 Arab Embargo	+267%	Net exporter / OPEC	+7.5% GDP (windfall)	Export revenue surge	Rapid
1980–88 Tanker War	+40–60%	Net exporter (peak)	Mixed — fell with price collapse (1986)	OPEC quota mgmt.	Moderate
1990–91 Gulf War	+120%	Net exporter (declining)	+2.1% (net positive)	Subsidy adjustment	Rapid
2004 (net importer transition)	Gradual rise to $100+	Net importer (new)	Subsidy burden: 20% of budget	IMF structural reform	Slow
2019–20 Aramco attacks / COVID	+15% then collapse	Net importer	-2.1% (2020, COVID dominant)	BI rate cuts; APBN stimulus	Strong (+3.7% 2021)

Sources: World Bank, Indonesia Country Economic Memoranda (various years); BP Statistical Review of World Energy 2024; Thee Kian Wie, 'Indonesia's Economic Development' (2012). GDP impacts are approximate and reflect multiple concurrent factors.

The 1973 Arab Embargo and the Tanker War (1980–88)

During the 1973 Arab oil embargo, Indonesia occupied a categorically different strategic position. It was then an OPEC member and a net oil exporter, recording GDP growth of 7.5 percent on the windfall of rising crude prices. The episode is instructive not for its direct replicability, but for the lesson it embedded in Indonesian technocratic memory: that oil price shocks can be managed, and that the country's institutional capacity to respond was built precisely during that period of revenue abundance through Pertamina's expansion and the development of the national refinery network.

[5] International Energy Agency (IEA). Indonesia 2023 Energy Policy Review. Paris: OECD/IEA, 2023.

The Iran-Iraq War's tanker attacks of 1984–88, which brought Hormuz closest to an actual closure in the modern era, were navigated largely without an economic crisis in Indonesia. Indonesia remained a net exporter, and the global rerouting of tankers around the Cape of Good Hope, combined with the activation of Saudi Arabia's Petroline pipeline, demonstrated that the global oil system was flexible. Asian buyers, including Japan, successfully sourced alternative crude during the most acute period of tanker attacks.

The 2019–2020 Gulf Tensions

The September 2019 drone and missile attacks on Saudi Aramco's Abqaiq and Khurais facilities, the most serious disruption to Gulf oil infrastructure in decades,provided the most relevant modern test. Global oil prices spiked fifteen percent in a single trading session. Indonesian markets absorbed this with a transient rupiah depreciation and a minor widening of the current account deficit.[6] Pertamina activated a partial emergency procurement protocol, sourcing spot crude from West Africa and pre-drawing on bonded storage, while Bank Indonesia undertook pre-emptive intervention in currency markets. The episode passed without material impact on domestic fuel availability.

Domestic Response: Media, Government, And Civil Society

The Indonesian domestic debate on Hormuz risk has been characterised by a productive tension between journalistic alarm and governmental reassurance. Table 3 catalogues the principal bilingual media and official sources that have shaped the discourse in 2024–25. Two features of this discourse are analytically significant for the optimist case.

[6] Tempo.co, "Ketahanan Energi RI di Tengah Eskalasi Teluk Persia: Antara Risiko dan Peluang," 22 October 2024. The article cited Badan Kebijakan Fiskal analysis estimating that a $20/barrel oil price increase would reduce Indonesia's primary balance by approximately 0.4% of GDP.

Table 3: Indonesian Domestic Media and Government Framing of Hormuz Risk (2024–2025)

Source / Sumber	Headline / Judul (Representatif)	Framing / Penjabaran	Language	Tone
Kompas.com	"Selat Hormuz Memanas, Pertamina Pastikan Stok BBM Aman"	Government reassurance; Pertamina confirmed 30-day buffer stock and activated emergency procurement protocols.	Bahasa Indonesia	Cautiously optimistic
Tempo.co	"Ketahanan Energi RI di Tengah Eskalasi Teluk Persia"	Analytical; argued Indonesia's coal and geothermal self-sufficiency buffer the external shock.	Bahasa Indonesia	Analytical / Optimistic
Antara News Agency	"RI Siap Aktifkan Cadangan Minyak Strategis Jika Hormuz Terganggu"	Breaking news: Kementerian ESDM confirmed activation readiness of emergency crude reserves.	Bahasa Indonesia	Factual / Neutral
Kementerian ESDM Official Statement	"Strategi Diversifikasi Impor Minyak untuk Menjaga Stabilitas Energi Nasional"	Policy document outlining route diversification and supplier switching toward West African and ASEAN sources.	Bahasa Indonesia	Proactive / Optimistic
Jakarta Post	"Indonesia Eyes Energy Security Amid Hormuz Tensions"	English-language analysis of Indonesia's renewable push and bilateral LNG agreements as Hormuz hedge.	English	Optimistic
Kontan.co.id	"Harga BBM Terancam Naik jika Selat Hormuz Diblokade Dua Minggu"	Economic modelling: 2-week closure = Rp 500–800/litre BBM price pressure. Government pre-emption seen as sufficient.	Bahasa Indonesia	Cautionary / Managed

Sources: As cited. Headline translations are the author's. Tone classification is the author's analytical assessment based on content analysis of published articles. Antara is Indonesia's state wire agency; Kompas and Tempo are Indonesia's principal independent national newspapers.

First, the Bahasa Indonesia-language media — Kompas, Tempo, Antara, and the financial daily Kontan — has generally framed the Hormuz risk through the lens of government preparedness rather than system failure. Kompas.com's April

2024 coverage of Pertamina's fuel stock assurance[7] reflected a widely shared editorial judgment that Indonesia's institutional buffers were credible. Tempo's analytical long-read on 'ketahanan energi' (energy resilience) amid Gulf escalation offered the most rigorous domestic economic modelling, estimating that a $20/barrel oil price increase would reduce Indonesia's primary fiscal balance by approximately 0.4 percent of GDP, significant, but manageable within the APBN, the national budget framework.

Second, the government's own communications have been more proactive than reactive. The Kementerian ESDM's published supply diversification strategy; directing Pertamina to expand West African and ASEAN crude procurement, preceded the 2025 escalation reflecting institutional learning from 2019. The Jakarta Post's English-language coverage bridged this domestic discourse to the international investor community, correctly identifying Indonesia's Just Energy Transition Partnership (JETP) commitments and renewable expansion targets as structural Hormuz hedges rather than merely climate initiatives.[8]

Indonesia's International Diplomatic Initiatives

Indonesia's foreign policy tradition, the doctrine of bebas-aktif (free and active), articulated by Mohammad Hatta and embedded in the constitution, has historically insulated the country from the geopolitical weaponisation of energy supply. No state has imposed an oil embargo on Indonesia in its five decades as an energy-importing nation. This is not accidental. It reflects the strategic premium of Indonesia's neutrality and its value to all parties as an interlocutor. Table 4 maps Indonesia's multilateral energy security diplomatic engagement across the relevant fora.[9]

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[7]Kompas.com, "Selat Hormuz Memanas, Pertamina Pastikan Stok BBM Aman," 14 April 2024. Pertamina's Director of Logistics confirmed a 30-day operational buffer maintained at refineries in Balongan, Cilacap, and Balikpapan.

[8] Bank Indonesia, "Laporan Perekonomian Indonesia 2023," Jakarta: Bank Indonesia, 2024, Chapter 4 ("Komoditas dan Neraca Pembayaran"), pp. 89–112. The report notes Indonesia's current account moved to a deficit in Q3 2023 as oil import costs rose, but was offset by palm oil and coal export revenues.

Table 4: Indonesia's Multilateral Energy Security Diplomacy — Principal Frameworks

Forum / Initiative	Indonesia's Role	Energy Security Outcome	Period	Relevance to Hormuz
G20 Presidency 2022	Host and agenda-setter	Bali Compact on Energy Transitions; Just Energy Transition Partnerships (JETPs); IEA collaboration formalised.	2022	High
ASEAN Plan of Action for Energy Cooperation (APAEC) 2021–2025	Co-architect; ASEAN Centre for Energy host	Regional grid, cross-border natural gas pipeline network, coordinated SPR protocols among ASEAN-10.	2021–25	High
OIC Energy Working Group	Active member; proposed mediator in Gulf disputes	Indonesia has repeatedly advocated for energy supply security dialogues between Gulf producers and Asian consumers.	Ongoing	Medium-High
IEA-Indonesia bilateral cooperation	Associate member (since 2015)	Data sharing, emergency stock protocols, demand-side management standards; IEA SPR activation mechanism.	2015–pres.	High
Indonesia–Saudi Arabia Strategic Partnership	Upstream investment MoUs; Pertamina–Aramco JV	Preferential offtake agreements; Saudi commitment to supply continuity even under force majeure scenarios.	2022–pres.	Direct
Non-Aligned Movement / ASEAN Centrality	Foundational architect; active convenor	Indonesia's bebas-aktif doctrine has insulated it from geopolitical oil weaponisation — no state has embargoed Indonesia in its history as a net importer.	1961–pres.	Structural

Sources: ASEAN Centre for Energy, APAEC Phase II Mid-Term Review 2024; IEA, Indonesia 2023 Energy Policy Review; Kementerian Luar Negeri press releases (various); G20 Indonesia 2022 Presidency Secretariat, Bali Compact on Energy Transitions.

Three diplomatic achievements are particularly relevant to the Hormuz scenario. First, Indonesia's G20 Presidency in 2022, conducted under the motto 'Recover Together, Recover Stronger', placed energy security at the centre of the multilateral agenda. The Bali Compact formalised a set of principles on 'just energy' transitions and supply security that Indonesia has deployed bilaterally with Gulf producers, positioning Jakarta as a credible energy security partner rather than a passive consumer.[10]

Second, Indonesia's status as an IEA Association country, formalised in 2015, grants access to the Agency's emergency oil-sharing mechanisms, a critical backstop in the event of a supply disruption[11]. Under IEA protocols, member and associate countries with emergency reserves equivalent to ninety days of net imports can draw on coordinated stock releases. Indonesia's participation in this framework, while its domestic reserve levels remain below the ninety-day threshold, provides both material and signalling value.[12]

Third, the Indonesia-UAE Comprehensive Economic Partnership Agreement (CEPA) signed in July 2023 included energy security annexes that secure Indonesia preferential access to the Abu Dhabi ADCOP Fujairah pipeline, the most cost-efficient bypass route for Gulf crude that circumvents the Strait of Hormuz entirely.[13] This provision means that a proportion of Indonesia's UAE-sourced crude could bypass Hormuz regardless of the Strait's status, a structural advantage not available to most Asian importers.

The Optimistic Case: Structural Resilience and Strategic Opportunity

The Energy Transition as a Hormuz Hedge

Indonesia's most durable response to the Hormuz risk is structural, not tactical. The country's National General Energy Plan (Rencana Umum Energi Nasional, or RUEN), updated under Presidential Regulation 22/2017, envisages a trajectory that systematically reduces the economy's dependence on imported crude oil. Table 5 maps the projected shift in Indonesia's energy mix through 2035.

[10]ASEAN Centre for Energy, "ASEAN Plan of Action for Energy Cooperation (APAEC) 2021–2025: Phase II Mid-Term Review," Jakarta: ACE, 2024. Indonesia hosts the ACE Secretariat and has co-led the Emergency Oil Sharing sub-committee since 2021.

[11] ASEAN Centre for Energy. ASEAN Plan of Action for Energy Cooperation (APAEC) 2021–2025: Phase II Mid-Term Review. Jakarta: ACE, 2024.

[12] International Energy Agency (IEA), "Indonesia 2023 Energy Policy Review," OECD/IEA, Paris, 2023, p. 47. Indonesia joined the IEA as an Association country in 2015 and has access to emergency oil stocks sharing mechanisms under the IEA Treaty framework.

[13] Indonesia-UAE Comprehensive Economic Partnership Agreement (CEPA), signed 1 July 2023. Under the CEPA, Indonesia secured preferential access to UAE's ADCOP Fujairah pipeline capacity as part of energy security annexes. See Kementerian Perdagangan press release, Jakarta, 1 July 2023.

Table 5: Indonesia's Energy Mix — Actual (2023) and Projected Transition Targets to 2035 (RUEN/RUPTL Framework)

Energy Source	2023 Share (%)	2025 Target (%)	2030 Target (%)	2035 Target (%)	Hormuz Sensitivity
Oil (imported crude)	31%	28%	22%	17%	Very High
Coal (domestic)	39%	36%	31%	24%	Zero
Natural Gas (domestic + LNG)	18%	20%	22%	22%	Low
Geothermal (2nd largest globally)	5%	7%	10%	13%	Zero
Solar, Wind, Hydro	7%	9%	15%	24%	Zero
Non-Hormuz-exposed energy share	69%	72%	78%	83%	Rising

Sources: Kementerian ESDM, Rencana Umum Energi Nasional (RUEN) 2017; PLN, Rencana Usaha Penyediaan Tenaga Listrik (RUPTL) 2021–2030; IEA, Indonesia 2023 Energy Policy Review, p. 89.

The optimist reading of Table 5 is structural: even without any deliberate Hormuz-shock response, Indonesia's non-Hormuz-exposed energy share rises from 69 percent in 2023 to a projected 83 percent by 2035. The country possesses the world's second-largest geothermal resource — entirely domestic, entirely immune to Gulf disruption, and substantial untapped solar and wind potential. Its coal reserves, while politically contested as a climate asset, are domestically abundant and provide a complete Hormuz-independent power generation backstop. A shock of the Strait would, paradoxically, provide the impetus to accelerate precisely these transitions.

Alternative Routing and Supply Switching

A Hormuz closure is not a crude oil disappearance. It is a logistical rerouting challenge. Table 6 assesses the five principal alternative routing and supply-switching options available to Indonesia, drawing on tanker economics and existing bilateral agreements.[14]

[14] Antara News Agency, "RI Siap Aktifkan Cadangan Minyak Strategis Jika Hormuz Terganggu, Kata Menteri ESDM," 18 April 2025. Minister Bahlil Lahadalia confirmed Indonesia's emergency

Table 6: Alternative Maritime Routing and Supply-Switching Options in the Event of Hormuz Closure

Alternative Route	Add. Transit Days	Extra Cost / Barrel (est.)	Feasibility (GCC capacity)	Indonesia Advantage / Note
Cape of Good Hope (Africa)	+18–22 days	\$3.50–5.20	High (unlimited)	Historically proven; used by Japan during 1987 tanker crisis. Indonesia's position on route is advantageous.
Saudi Petroline (East-West Pipeline)	0 (pipeline, no sea route)	\$1.20–2.00 (pipeline tariff)	Medium (5 Mbpd capacity)	Requires Saudi-Indonesia offtake agreement — partially in place via Pertamina-Aramco MoU.
UAE–Fujairah Export Pipeline (ADCOP)	0–2 days (bypasses Strait)	\$0.80–1.40	High (1.5 Mbpd capacity)	Most cost-efficient bypass. Indonesia-UAE bilateral partnership (CEPA 2023) enhances access priority.
Iraq–Turkey Kirkuk–Ceyhan Pipeline	+4–6 days (Mediterranean)	\$2.00–3.00	Low–Medium (political)	Longer route to Asia. Less relevant for Indonesia but provides market price relief globally.
West Africa (Nigeria, Angola) Spot Market	N/A (alternative origin)	\$0.50–1.80 premium	High (Indonesia already a buyer)	Fastest supply switch option. Pertamina pre-qualified these crudes; 2023 contracts expand volume.

Sources: S&P Global Commodity Insights, 'Hormuz Closure Scenario Analysis,' March 2025; Kementerian ESDM, 'Strategi Diversifikasi Impor Minyak,' 2024; Indonesia-UAE CEPA Energy Annexes, 2023; Pertamina International Shipping, Annual Report 2023.

The critical insight from Table 6 is that Indonesia is better positioned than most Asian importers across all five scenarios. The UAE-ADCOP Fujairah pipeline option, the most cost-efficient bypass, is accessible through the Indonesia-UAE CEPA. The West African spot-market option exploits existing Pertamina procurement relationships. The Cape of Good Hope routing, while expensive, is a proven pathway tested repeatedly during the 1987 reflagging crisis. The aggregate cost of a three-month Hormuz disruption, under a composite routing strategy, would likely add \$4–7/barrel to Indonesia's effective crude cost,

reserve activation readiness and noted ongoing negotiations for a government-to-government (G2G) crude oil supply agreement with Abu Dhabi ADNOC.

significant for the domestic subsidy budget, but manageable through the combination of emergency reserves, fiscal adjustment, and targeted APBN reallocation.

The Fiscal and Monetary Buffer

Indonesia enters any potential Hormuz shock with a substantially stronger macroeconomic position than in previous episodes. Foreign exchange reserves exceeded $140 billion as of early 2025, providing a currency intervention buffer of approximately eight months of import cover. The fiscal deficit has been held within the three-percent-of-GDP constitutional ceiling. Bank Indonesia's credibility, earned through the managed volatility of the 2018 and 2022 rupiah episodes, provides the monetary anchor that was absent during the 1998 Asian financial crisis. The combination of these buffers means that the transmission mechanism from higher oil prices to fiscal and monetary crisis — which was direct and devastating in 1998 — is now significantly attenuated.

From Hormuz to Malacca: India–Indonesia Strategic Convergence

The Hormuz crisis carries a second-order lesson that extends beyond the Gulf and speaks directly to the bilateral relationship between Indonesia and India. If a blockage of a 33-kilometre strait can threaten the energy security of a 130-million-person archipelago, the question that follows almost immediately is: what would a sustained disruption of the Strait of Malacca, through which roughly 80,000 vessels transit annually, carrying more than one-quarter of global seaborne trade, mean for both nations simultaneously? India and Indonesia share a structural vulnerability here that neither can fully manage unilaterally, and the Hormuz episode creates precisely the political-economy context in which a serious bilateral conversation about Malacca contingency planning has become not merely desirable but strategically urgent.

India's exposure to Malacca is, if anything, more acute than Indonesia's exposure to Hormuz. Approximately 55 percent of India's trade by value transits the Strait, including the majority of its crude oil imports from the Gulf that survive any Hormuz bypass routing via the Cape of Good Hope or the UAE's Fujairah pipeline. Indonesia, as the sovereign littoral state on both the southern approach to Malacca and the alternative Lombok and Sunda Straits, both of which lie entirely within Indonesian territorial waters, occupies a position of unique strategic value in any Malacca contingency architecture. This asymmetry is the foundation of a natural partnership: India brings deepwater naval capacity, satellite surveillance infrastructure through its Indian Ocean

Region (IOR) monitoring network. In addition it carries financing depth. Indonesia also brings sovereign jurisdiction over the alternative straits, archipelagic geographic depth, and the diplomatic legitimacy of ASEAN centrality.

The institutional groundwork for this partnership already exists, though it has yet to be operationalised at the level the Hormuz lesson demands. The India–Indonesia Comprehensive Strategic Partnership, elevated in 2018, includes a defence and maritime cooperation pillar that encompasses joint naval exercises, hydrographic data sharing, and white-shipping information exchange under the IONS (Indian Ocean Naval Symposium) framework. What is as yet absent is the energy-security dimension: a joint strategic petroleum reserve protocol analogous to the IEA emergency sharing mechanism. Such a coordinated demand-side management agreement that could be triggered in the event of either Malacca or Hormuz disruption, combined with a bilateral investment corridor for renewable energy that reduces both nations' dependence on imported hydrocarbons over the medium term is an effective strategy fit for current global uncertainty.

The Hormuz episode should serve as a persuasive argument for urgent and forceful dialogue between India and Indonesia. India's Ministry of Petroleum and Natural Gas and Indonesia's Kementerian ESDM have the institutional capacity to design a bilateral emergency crude oil sharing protocol, modelled on but independent of the IEA framework, that would allow Pertamina and Indian Oil Corporation to draw on each other's bonded storage in the event of a chokepoint crisis affecting either nation. The lesson is relevant not only for energy security. The same principles also hold in the context of mutual food security mechanisms. In these days of retreating globalism regional cooperation on energy and food are an obvious strategic response.

The optimistic reading of this bilateral potential is reinforced by the trajectory of India–Indonesia economic relations more broadly. Bilateral trade has grown from USD 14 billion in 2015 to over USD 38 billion in 2023–24, with Indonesian coal, palm oil, and minerals playing a central role in India's industrial supply chain. This economic interdependence creates the strategic incentive for both governments to promote the energy security coordination that has so far remained aspirational. There is also a further case which goes something like this. Countries that share a chokepoint vulnerability have a natural interest in transforming that shared exposure into a shared strategic asset. For India and

Indonesia, the Malacca Strait is simultaneously a risk and an opportunity, a potential point of leverage, a locus of strategic cooperation, and, if managed well, the foundation of the most consequential bilateral energy security partnership in the Indo-Pacific.

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The Grammar of Japanese Politics

Sanae Takaichi and the Logic of Incremental Change

by

Ashok Chawla

Japan does not announce transformation. It prepares for it.

For decades, external observers have described Japan as cautious, incremental, even resistant to change. Yet such descriptions often overlook a deeper structural logic: Japan does not avoid change - it engineers the change quietly, patiently and often invisibly. Political, economic, and strategic shifts are layered through processes, calibrated within institutions, and socialized into public conditioning and acceptance long before they are formally articulated.

The rise of Sanae Takaichi must be understood within this context. Her emergence is not a rupture in Japan's political trajectory; it is its logical extension. Takaichi has risen in this ecosystem, where credibility is built through consistency rather than spectacle.

The Logic of Japanese Politics: Harmony, Process, and Kaizen

Japanese society is anchored in a triad of principles - procedural discipline, social harmony (wa), and continuous incremental improvement (kaizen). These principles extend beyond culture into governance. Policy change in Japan is rarely abrupt. It is iterative, consensus-driven, and institutionally absorbed before public execution.

Even seemingly bold decisions often reflect years of internal preparation. Japan's economic signalling to the United States in recent years illustrates this pattern. What appeared externally as a large-scale investment commitment ($550 billion) pledge was, in practice, a structured aggregation of pipeline projects, corporate expansions, and strategic buffers designed for negotiation flexibility. When uncertainties arose in Washington, Japan did not react impulsively; it recalibrated within a pre-existing framework with built-in flexibility and stretchability. This ensured type of tacit advance approval back home.

Politics follows the same logic. It is cultivated, tested, and gradually legitimised.

The Cost of Disruption: Lessons from the DPJ Interlude

Japan's brief experiment with rapid political change under the Democratic Party of Japan (DPJ; 2009–2012) continues to serve as a cautionary episode. The DPJ sought sweeping changes – curbing bureaucratic influence, restructuring administrative structures and governance, and swift policy transformation.

However, the pace of change exceeded institutional absorption capacity. The result was policy inconsistency, administrative friction, and declining public confidence. By the time Yoshihiko Noda led the government into elections, the electorate decisively rejected the experiment, restoring the Liberal Democratic Party (LDP) to power.

This episode reinforced a fundamental principle of Japanese politics: change is acceptable only when it is systemically digestible.

It is within this framework that Takaichi's political trajectory must be evaluated.

The Making of Sanae Takaichi: Structured Emergence

Takaichi's rise reflects a distinctly Japanese model of leadership formation, which is incremental, system-mediated, and performance-based. Her political trajectory is closely linked to former Prime Minister Shinzo Abe, whose leadership style emphasized long-term positioning over immediate visibility, and combining commanded authority with sustained institutional respect.

Abe's endorsement of Takaichi during the 2021 LDP leadership race was both unusual and strategically significant, positioning her as a credible contender within established factional currents. Her 2021 platform reflected clear continuity with Abe-era priorities. She advocated expansionary macroeconomic policy, often referred to as "Sanaenomics", combining monetary easing, fiscal stimulus, and growth-oriented strategy. She argued that fiscal consolidation should remain secondary until a stable 2 percent inflation target is achieved. Constitutional revision was identified as a core priority, alongside support for pre-emptive strike capabilities and a more assertive national posture.

These positions established her ideological clarity but were framed largely at the level of intent.

While Fumio Kishida emerged victorious, Takaichi's candidacy marked her subtle transition into the national leadership space.

Subsequently, under Kishida, though as part of the balancing act, she was appointed Minister of State for Economic Security, a newly created and strategically significant portfolio. This was not merely a cabinet position; it was an institutional platform that allowed her to develop policy depth in areas central to Japan's future - supply chains, technology, and national resilience.

Her continued relevance under subsequent leadership phases, including the Shigeru Ishiba administration, reflects her ability to operate across factional and political shifts, an essential attribute in Japan's internal political landscape.

The internal structure of the Liberal Democratic Party (LDP) remains central to these dynamics. Its factions (habatsu) often function as mechanisms of coordination and policy continuity, but they also generate leadership competition. The 2023–24 political funding scandal, which led to the side-lining of senior Abe-aligned figures, briefly disrupted this balance. Yet it ultimately reinforced the system's preference for recalibration within institutional boundaries rather than disruptive change.

From Ideological Clarity to Policy Maturity

Takaichi's policy evolution between the 2021 and 2024 leadership contests illustrates a transition from declaratory positioning to governance-ready articulation.

2021: Ideological Positioning

Her platform was defined by clear, declaratory positions aligned with Abe-era priorities, expansionary economic policy, delayed fiscal consolidation, constitutional revision, and a proactive defence posture.

2024: Policy Structuring

By 2024, her articulation had matured significantly:

- economic policy framed as strategic fiscal deployment
- central focus on economic security, including semiconductors, AI, supply chains with focus on domestic capability building, reduced external vulnerability and strategic industrial policy.
- national security embedded within broader geopolitical realities
- emphasis on implementation mechanisms rather than intent

Her performance in the 2024 leadership race, leading in the first round before losing narrowly in the runoff, demonstrated growing acceptance within both party structures and the wider political system.

This evolution reflects a broader pattern: Takaichi did not change her ideology; she refined its delivery.

Strategic Continuity: Defence, Exports, and Constitutional Reform

Japan's evolving defence posture provides a critical lens for understanding continuity through change.

Changes in defence exports policy, for instance, appear significant in outcome but remain incremental in design. It is visibly moving towards increased defense spending, expanded security partnerships and enhanced deterrence capabilities. Expanded strategic flexibility is balanced by institutional oversight and conditional frameworks. This reflects continuity in governance logic even as policy scope evolves.

This evolution is occurring alongside deeper cooperation with like-minded partners and increased participation in multilateral security frameworks, reflecting a shift toward a more networked, alliance-supporting role in the Indo-Pacific. Importantly, this does not replace the U.S.–Japan alliance; it reinforces it.

Takaichi's stance aligns with this trajectory, framing such developments as recalibration rather than departure from pacifist principles.

Japan's constitutional debate too reflects a similar pattern. While often associated with Abe, the process predates his tenure and continues through successive administrations.

Takaichi's role has been to consolidate and accelerate rather than initiate this trajectory. Her advocacy for formal recognition of the Self-Defense Forces and provisions for national emergencies aligns with shifting public sentiment shaped by evolving geopolitical conditions. The approach remains phased, prioritising elements more likely to gain acceptance. The process continues to be dependent on societal legitimacy and not merely the parliamentary arithmetic.

In both domains, her approach reinforces a central theme of Japanese politics: transformation through continuity and adaptation.

Japan in a Changing Strategic Environment

Takaichi's leadership profile must also be understood in the context of Japan's evolving external environment.

China: Firmness within Stability

China's reactions to Japan's evolving security posture - including criticism of positions related to Taiwan - have been consistent. However, such external pressure has reinforced domestic support for a more confident Japan. Takaichi's stance reflects firmness without escalation, aligning with a broader national recalibration.

United States: Alliance with Autonomy

While the alliance remains foundational, Japan has increasingly adopted a hedging strategy - maintaining alignment while expanding strategic autonomy. Takaichi's emphasis on economic security and technological sovereignty fits within this approach.

Rules-Based Order in an "Era of Power"

Japan's external posture under Takaichi has increasingly been framed against an emerging "era of power," where geopolitical competition places pressure on rule-based systems. Her approach emphasises reinforcing the rule of law through structured cooperation with like-minded countries,recognising that durable order depends on coordinated institutional action rather than declaratory commitment.

Economic Security as Foreign Policy

Within this framework, economic security is positioned not only as a domestic stabilisation tool but as a central pillar of foreign policy. The focus lies on building functional cooperation architectures, linking supply chains, critical technologies, and industrial ecosystems with trusted partners.

India and the Indo-Pacific: Convergence and towards Execution

Marking a decade since the articulation of the Free and Open Indo-Pacific (FOIP) vision, Japan's approach has evolved toward a more operational framework integrating economic security, technological cooperation, and coordinated responses to systemic risks.

In this context, India emerges as a key node in Japan's strategic and economic architecture. Expanding collaboration in digital infrastructure, advanced technologies such as AI, and resilient supply chains reflects a convergence that is increasingly functional rather than merely declaratory.

Takaichi's approach has been notably proactive as viable under the current geopolitical scenario - advancing cooperation in a manner that is assertive in intent but measured in tone. This reflects Japan's broader diplomatic style: quietly strategic, yet forward-looking.

Leadership in a Time of Internal Flux

Japanese politics often appears stable externally, but remains internally dynamic. The political environment leading up to the 2024 leadership contest, including the slush fund scandal and declining approval ratings under Kishida, created conditions of uncertainty.

In such contexts, leadership selection becomes less about disruption and more about restoring trust. Takaichi's emphasis on discipline, execution, and governance credibility positioned her as a stabilizing candidate.

Her political approach reflects calculated judgment rather than risk-taking. Even decisions such as seeking a fresh electoral mandate, where applicable, align with Japan's broader culture of incremental, system-sensitive decision-making.

From Contender to Enduring Force

Takaichi's trajectory, from a relatively under-recognized contender in 2021 to a leading candidate by 2024 and eventual consolidation phase thereafter, illustrates a broader structural truth:

Japanese leadership is not produced - it is accumulated.

Her strengths are not rooted in charisma or disruption, but in:

- ideological consistency
- administrative competence
- policy depth
- alignment with institutional processes
- growing public confidence

Her oft-emphasized work ethic, captured in her repeated emphasis on working hard and sustained efforts, resonates within a society that values persistence over spectacle.

Conclusion

Japan's Return, Structured and Sustained.

Japan's re-emergence as a confident strategic actor is not the result of a single leader or policy shift. It is the culmination of years of calibrated adaptation within a system designed to absorb and refine change.

Sanae Takaichi represents a new phase in this evolution, not as a disruptor, but as a consolidator of accumulated shifts.

Her leadership reflects a Japan that is:

- more self-assured
- more strategically aware
- more willing to articulate its interests
- more focussed on reforming and evolving

Yet it does so without abandoning its foundational principles of harmony, process, and incrementalism.

In this sense, Takaichi is not an exception. She is a product of the system, and increasingly, one of its defining expressions.

Or, more simply in strategic terms: she is a long-distance runner in a political system that rewards endurance.

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