MANOHAR PARRIKAR INSTITUTE FOR DEFENCE STUDIES AND ANALYSES
मनोहर पर्रिकर रक्षा अध्ययन एवं विश्लेषण संस्थान

East Asia Economic Monitor

Vol I | Issue 2 | September 2026

CHINA

- China's State Council Pledges Economic Stimulus
- China Defence Companies at 13th Africa Aerospace and Defense (AAD) Exhibition

TAIWAN

- Taiwan banks' credit balance to New Southbound countries booms
- Taiwan to become US' third-largest trade deficit partner
- Taiwan's Proposal for Economic Corridor with Philippines

JAPAN

- Fujitsu announces plans to sell Japan-made AI chip
- Business leaders push for deeper cooperation with ASEAN

KOREA

- South Korea Deepens Economic Ties with Central Asian Countries
- Opening of the North Korea-Russia Bridge

CHINA

China's State Council Pledges Economic Stimulus

China's State Council, chaired by Premier Li Qiang, announced in a press statement on 28 September that the government will introduce new measures to support the economy as well as discuss policies to stabilise the real estate market. The statement informed that Beijing will "put in place a package of practical and effective additional policies" to "strengthen counter-cyclical adjustments" and for achieving the socio-economic development goals of 2026. The statement also added that the central government will tap into the local government's unused bond quotas and would also increase the central bank's re-drawing facility to encourage more credit advances for tech innovation and loans for local companies and the agriculture sector. Observers have noted that urgent promulgation of these financial measures signal Beijing's increasing concern over subdued economic activity and weak domestic consumption.

China Defence Companies at 13th Africa Aerospace and Defense (AAD) Exhibition

Chinese weapons and equipment were displayed at the 13th edition of the Africa Aerospace and Defense (AAD) exhibition concluded on September 20 in South Africa. The AAD is Africa's largest aerospace and defence show. This edition of AAD was held from September 16 to 20 at Air Force Base Waterkloof near South Africa's administrative capital, Pretoria. More than 250 companies from 33 countries across Africa, Europe, Asia, and the Americas took part in the show. Chinese defence companies maintained a strong presence at the expo, with industry heavyweights the Aviation Industry Corporation of China (AVIC, China State Shipbuilding Corporation (CSSC), and China North Industries Group Corporation (NORINCO) seeking to deepen international defence exchanges and expand mutually beneficial cooperation.

At the expo, the AVIC showcased multiple aircraft types, such as the J-10CE and JF-17 Thunder fighters as well as the Y-20 large transport aircraft to deepen international defence exchanges and expand mutually beneficial cooperation. Besides AVIC, the China North Industries Group Corporation (NORINCO) displayed multiple products focused on African countries' security needs such as armoured assault, air defence and anti-missile systems. According to the SIPRI Trends in International Arms Transfers 2025 report, China accounts for 13% of African nations' arms purchases, second only to Asia and Oceania.

TAIWAN

Taiwan banks' credit balance to New Southbound countries booms

With an addition of NTD 464.8 billion USD (USD 14.56 billion) in the first eight months of this year, Taiwanese banks cumulative outstanding credit to New Southbound countries touched NTD 2.46 trillion (USD77.27 billion). In fact, the target for 2026 was NT$80 billion (USD 2.51 billion). Thus, the increase in the first eight months delivered 5.8 times more than the target.

The largest recipients of credit were Australia at NTD 168.5 billion (USD 5.28 billion), Vietnam at NTD 90.4 billion (USD 2.83 billion), Singapore at NTD 81.6 billion (USD 2.56 billion), and India at NTD 76.6 billion (USD 2.39 billion). Strong economic activity leading to higher corporate demand drove this credit expansion. Taiwan government launched its New Southbound policy in 2016 to deepen Taiwan's engagement with Southeast and South Asia.

Taiwan to become US' third-largest trade deficit partner

Taiwan may become the US' third-largest trade deficit partner in 2026, displacing China. The US trade deficit with Taiwan is likely to rise to NTD 6.96 trillion (USD 219.2 billion) whereas with China it is expected to reach NTD 4.96 trillion (USD 155.36 billion). The increase in trade deficit is attributed to the rising demand for Taiwanese AI hardware in the US. Separately, Taiwan's overall trade surplus may remain at NTD 6.52 trillion (USD 204.20 billion).

Taiwan's Proposal for Economic Corridor with Philippines

In an interview with Nikkei Asia on 15 September, Taiwan's Foreign Minister Lin Chia-lung informed that Taipei has proposed a Taiwan-Philippines Economic Corridor which will allow Taiwan to connect to the US-Japan-Philippines backed Luzon Economic Corridor and strengthen regional supply chain resilience. Reportedly, this proposal comes after a Taiwanese trade delegation visited Philippines in August 2026 to explore investment opportunities in the field of semiconductors, electronics, energy and agriculture. In a separate development, Taiwan Artificial Intelligence Association and the Singapore Artificial Intelligence Association signed a Memorandum of Understanding (MoU) that will cover AI consulting, professional advisory services, exchange of technical, market and industrial information. According to news reports, specific commercial ventures on AI will be chalked out later under separate arrangements.

JAPAN

Fujitsu announces plans to sell Japan-made AI chip

Computing giant Fujitsu announced on 14 September that it would begin selling its domestically-produced central processing unit (CPU) to domestic and international clients from November. The CPU, called Monaka, was hailed by the company as an alternative to the graphical processing units (GPUs) currently dominating the artificial intelligence hardware ecosystem. According to the company, while GPUs require considerable amounts of data as well as electricity to run, Fujitsu's CPU can run AI software with reduced data and power needs. It said that the efficiency was achieved through the use of a process called inference, which uses trained AI models to make predictions based on data it has been fed, allowing it to anticipate plausible responses well before data input is complete.

Business leaders push for deeper collaboration with ASEAN

The head of the leading Japanese business confederation in Southeast Asia met the

head of the Association for Southeast Asian Nations (ASEAN) on 18 September in Manila to discuss ways to improve the business environment of the region for Japanese investors and companies. The head of Japan's international trade promotion agency, the Japan External Trade Organisation (JETRO), was also present.

During the meeting, Shigeru Shimoda, Chairman of the Federation of Japanese Chambers of Commerce and Industry in Asean (FJCCIA) met Dr Kao Kim Hourn, Secretary-General of ASEAN, accompanied by JETRO President Susumu Kataoka. The two sides discussed ways to improve cooperation between the two sides through a set of recommendations from the Japanese side, drawn from a survey of over 1,000 companies operating in the region. Shimoda said the recommendations were aimed at improving the investment environment for Japanese investors, who he urged should be seen as 'ASEAN citizens' contributing to the region's development. Shimoda presented an overview of the recommendations that focused on four pillars: resilient supply chains and connectivity; green economy; digital economy, innovation and AI; and inclusive growth and community.

Kao appreciated the role of Japanese businesses in regional development, calling them 'part of the community', and welcomed the desire of a majority of companies surveyed to expand their business footprint in the region. He pointed out steps that the ASEAN community has already taken to improve the ease of doing business, and said he looked forward to working with organisations such as the FJCCIA to 'ensure that regional initiatives deliver tangible benefits for businesses and, of course, our people'. The meeting was the 18th edition of an annual dialogue between the business confederation and ASEAN.

KOREA

South Korea Deepens Economic Ties with Central Asian Countries

The inaugural edition of the South Korea-Central Asia Summit was held in September 2026. The meeting of leaders of all five Central Asian states with the South Korean government in Seoul signified the deepening economic partnership among them. During the summit a total of 74 bilateral agreements and MOUs were signed and a Seoul Declaration was adopted. This was the first such event hosted by South Korea with the five Central Asian nations. As per media reports, South Korea had contributed about USD 6.4 billion in foreign direct investment (FDI) to the Central Asian region.

Opening of the North Korea-Russia Bridge

In September, North Korea and Russia inaugurated a bridge over the Tumen River bordering both countries. Pyongyang and Moscow have been deepening their bilateral economic cooperation, and this newly constructed road bridge is expected to further deepen the movement of goods, energy and people. Reportedly, the development of this infrastructure project could revitalise several other economic projects between North Korea and Russia, such as tourism, human exchanges and circulation of goods.