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Japan: Sidestepping the Arms Export Ban?

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Synopsis

Japan's centre-left government may decide to loosen the country's decades-old ban on selling weapons overseas. While relaxing the ban is intended to aid the ailing domestic defence industry, it may end up having little real economic benefit.

Commentary

A CENTRE-LEFT government in Japan may soon do what 50 years of conservative rule never could: review and relax the country's stringent ban on arms exports. In late August, a government advisory panel recommended that Tokyo drastically rethink its defence policy – including loosening its decades-old prohibition on selling weapons overseas.

The Arms Ban and Japan's Collapsing Arms Industry

Why relax the arms export ban? The reason is simple: Japan's defence industry is in its biggest slump since the country began to rearm in the 1950s. Military expenditures have been declining for at least a decade – from 4939 billion yen in 2002 to 4701 billion yen (US\$50.4 billion or S\$70 billion) in 2010. At the same time, the share of the defence budget going to arms procurement has fallen more than a quarter over the same timeframe. Only 17.5 percent of all defence-related expenditures now goes to buying equipment.

As a result, Japan's Self-Defence Force (SDF) is cutting procurement everywhere. Originally, the SDF had planned to buy 22 F-2 fighter planes between 2005 and 2009; this was subsequently cut to 18 aircraft, and the last F-2 was ordered in 2007. Plans to acquire eight new transport aircraft were zeroed out, while purchases of combat helicopters went from seven to four, other types of helicopters from 38 to 29, armoured vehicles from 104 to 96, and ship construction from 20 vessels to 17.

The impact on the local arms industry has been nothing short of disastrous. Twenty Japanese companies engaged as subcontractors to the country's fighter jet industry have already withdrawn from the defence production or plan to do so, including Sumitomo Electric, the country's sole producer of nosecones for Japanese fighter aircraft. Thirteen firms that used to manufacture equipment or components for the ground forces have gone bankrupt since 2003, while another 35 companies have simply exited the defence business

altogether.

Are Arms Exports the Answer?

Defence industries believe in arms exports like a drowning man believes in life-preservers. Few of the largest arms-producing countries do *not* depend heavily on overseas sales to keep their factories open and their production lines hot. Britain, France, Russia, and Israel export the bulk – in some cases, up to three-quarters or more – of their defence industrial output. Even the US defence industry, despite its huge domestic market, now produces many of its best-known weapons systems, such as the F-15 and F-16 fighters, solely for foreign customers.

Obviously, Japan's defence industry would like to ride that gravy train. At the same time, arms exports would seem to be a no-lose proposition for Tokyo – it would provide a much-needed injection of revenue into its ailing domestic arms industry and likely reduce the cost of weapons systems bought by the SDF. In fact, Japan has exported military equipment before. Back in the 1970s, Kawasaki sold eight "civilianised" KV-107 helicopters (a licensed-produced version of the Boeing CH-47) to the Swedish navy; these aircraft were then converted into anti-submarine warfare platforms. More recently, Japan donated three patrol boats to Indonesia for use in anti-piracy and anti-terrorism operations in the Malacca Strait.

Additionally, the ban has been loosened in order to permit Japanese arms producers to cooperate with US defence firms when it comes to joint military R&D – for example, US-Japanese co-development of the SM-3 Block IIA antiballistic missile, which will be fitted onto both American and Japanese destroyers.

The Best-Laid Plans...

Japan's arms export ban goes back to the "Three Principles on Arms Exports," first promulgated in 1967. Technically, the ban is not law but rather a cabinet-level decision by the Japanese government not to sell arms overseas. A similar executive decision could conceivably overturn the embargo.

At the same time, the arms ban has become such a part of the Japanese political landscape and the national "pacifist psyche" of the Japanese people as to make its outright repeal a near-impossibility. As with altering Article 9 of Japan's constitution (which technically prohibits the country from possessing a military), there is little public interest – and, indeed, often much public and political opposition – in reconsidering the ban. Aside from the military and the defence industry itself, few in the country are willing to press this initiative.

Even if the government does decide to loosen the arms embargo, the benefits are not automatically assured. Currently, Tokyo talks only of selling "non-lethal" equipment like the new P-1 maritime patrol aircraft or the C-2 cargo plane. This action already restricts Japanese efforts to sell military equipment; in particular, it does little to help the country's beleaguered ground ordnance industry.

Secondly, there are no guarantees of making any sales. Japanese military systems will be competing in a global arms market that is saturated with products and inundated with motivated sellers. Japan will be going up against long-standing suppliers like the United States, Britain, or Israel, who can offer battle-tested equipment with proven reliability. The Japanese will also be pressured when it comes to price, after-service support, and industrial incentives (such as offsets) – all areas where their competitors have much more experience.

One area where the local industry *may* benefit is in the easing of defence industrial cooperation with the United States – such as in missile defence – and the subsequent re-export of any jointly developed weapons systems to third-party countries, most likely with the US taking the lead as the seller.

Nevertheless, any future arms sales, should they materialise, could still be pretty thin gruel for Japan's defence industry. Overall, the arms industry faces long-term challenges, both structural and financial, and a handful of arms exports are unlikely to fix these.

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