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Summary Report

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Responses to Japan's New Arms Export Policy

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Acknowledgments

The Research Institute for Peace and Security (RIPS) held the tenth RIPS Public Seminar, "Responses to Japan's New Arms Export Policy," at Grand Hill Ichigaya, Tokyo, on October 4, 2012. Experts from U.S., European, and Japanese industries made the presentations and participated in the panel discussions, which were led by Junichi Nishiyama, a consultant with Mitsubishi Heavy Industries. RIPS wishes to thank all the panelists and the moderator for making the program such a success. This report was compiled by Yukari Kubota, Osaka University.

Announcement

Mr. James F. Armington (vice president, Boeing Japan), who was to attend as a panelist, was unable to do so because of a family emergency. Mr. Kevin Maher (senior adviser, NMV Consulting) kindly agreed to take his place.

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Welcoming Remarks

Masashi Nishihara

President, Research Institute for Peace and Security (RIPS)

This symposium is the last of the three- or four-part seminar on security issues that the Research Institute for Peace and Security holds each fall. Today's theme is "Responses to Japan's New Arms Export Policy." As you know, in December 2011 the Japanese government partially deregulated the Three Principles on Arms Export. Will the new guideline revitalize the Japanese defense industry? How will it affect the joint development and production of defense equipment? Today I hope we will discuss these issues.

Greetings

Masanori Nishi

Director General, Defense Policy Bureau, Ministry of Defense

The Japanese government partially amended the Three Principles on Arms Control on December 27, 2011, an amendment that paved the way for Japan to participate in the international joint development and production of defense equipment. In turn, this means that Japan must become more creative and forward looking.

Japanese companies have many sophisticated technologies, such as quality control systems and processing technologies, which are indispensable to developing and manufacturing precision defense equipment. We do not yet know,

however, whether Japan can use these technological capabilities in international co-production.

Another issue is which country Japan should work with on international joint projects in order to strengthen their relationship. Japan and the United States have been sharing defense equipment and its development and maintenance for many years. Through sometimes very direct and frank discussions, the two countries have a very good relationship regarding the ballistic missile defense (BMD) joint project now under way. Japan does not, however, have the same sort of relationship with European and other countries, although the government is investigating European technology and the possibility of joint development and production with European countries. Japan and Europe can establish a constructive relationship on the basis of consultation between their own military services.

Japan faces many challenges. For instance, the Japanese government included funds for the F-35 in the budget for fiscal year 2012. Because the production and maintenance of the F-35 project is so complicated—nine countries, including the United States, are involved—the Japanese government should take measures to avoid cost increases. In addition, if the Japanese government is to cooperate in preparing for the maintenance that the United States is planning, it should consider whether the new guideline of arms export control could meet the requirement (such as third-party transfer) that might be made by the United States.

Another issue is emerging for the Japanese government. At a ministerial meeting, the Australian government asked for cooperation in developing and maintaining defense equipment, and the Japanese government should respond accordingly. The Japanese government has just begun to cooperate with Southeast Asian countries on capacity building, which means that it should make

available to them the Japan Self-Defense Forces' expertise. In this way, governments can cooperate on the military services level and/or broaden their cooperation on a defense ministry level, which then could lead to the joint development of defense equipment.

I have instructed my staff not to work hastily, but work carefully. It is important that we take a step-by-step approach. First, the government should decide on the goal and then determine the shortest possible path to that goal. Second, it should decide how the government will cooperate with other governments, for what purpose it will use the defense equipment, and how it should carry out these tasks. The government also needs to think about how to establish a cooperative relationship with the defense industry. Furthermore, the Ministry of Defense must discuss its ideas about defense procurement with the relevant companies. Accordingly, today's symposium is a good opportunity for Japanese, U.S., and European company officials to exchange views and find where they agree or disagree.

Although no policy can be implemented overnight, I am sure that Japan can move forward. For example, in ten years, maintenance of the Asia Pacific F-35 fleet will be located in Japan. It will be difficult for the Japanese government to construct this base in this time frame. But it also is certain that having begun working toward that goal, the Japanese government will want to implement the appropriate policies, along with the new arms export control policy.

Opening Remarks

Junichi Nishiyama, Moderator

Consultant, Mitsubishi Heavy Industries

Before the panelists make their presentations, I want to briefly go over Japan's arms export policy. The Three Principles on Arms Exports were established at the National Diet in 1967 by Prime Minister Eisaku Sato. These principles are, first, no exports of arms to communist countries; second, no exports of arms to countries sanctioned by a United Nations resolution; and, third, no exports of arms to those countries that are or may be engaged in international conflicts. In 1976, Prime Minister Takeo Miki added arms-related facilities and technologies, to be treated in the same way as arms are. He also stated that Japan should be "prudent" in exporting arms overseas, thereby indicating the country's support of a general ban on arms exports.

In 1983, Prime Minister Yasuhiro Nakasone approved the export of defense technologies to the United States, Japan's ally. This exception to the Three Principles opened the door for joint Japanese-U.S. research on defense equipment technology. In 2004, Junichiro Koizumi's administration announced that the Three Principles on Arms Exports would not be applied to the joint development and production of a missile defense system with the United States. This policy also stipulated that exemptions might be made on a case-by-case basis for other joint projects and for the export of technologies and equipment to combat terrorism and piracy.

On December 27, 2011, the chief cabinet secretary of the Yoshihiko Noda administration issued guidelines stating that the government would take comprehensive exemption measures for the overseas transfer of defense equipment for cases related to peacekeeping and international cooperation, as well as for cases regarding the international joint development and production of defense equipment contributing to Japan's security.

Since then, however, there have been no programs of arms exports and

cooperative development and production. Why not? I hope each panelist will discuss the following three points from the viewpoint of an industrial official: (1) how he understands the partial deregulation of the Three Principles on Arms Exports, (2) what kinds of defense programs would be appropriate candidates for export and/or international joint development/production, and (3) what the difficulties with or obstacles to Japan's arms exports might be.

Presentations

Japan's New Arms Export Policy: Responses by Japanese, European, and U.S. Industries

Takashi Kobayashi, Representative Director, Executive Vice President, and General Manager, Aerospace Systems, Mitsubishi Heavy Industries

By partially amending the Three Principles on Arms Export, the Japanese government has changed the guidelines for exporting arms, from the 2004 decision allowing exemptions on a case-by-case basis to the 2011 decision allowing more comprehensive exemption measures. In this way, the Japanese government simplified the procedures for and judgments about the overseas transfer of defense equipment and reconfirmed its position on arms export control. How will these comprehensive exemption measures affect the Japanese defense industry? Their purpose is to strengthen Japan's defense industrial base while keeping within its limited defense budget. Accordingly, because reducing defense budgets has become a global trend, international joint development and production would benefit both Japan and its partner countries.

In July 2012, KEIDANREN (Japan Business Federation) and the American

Chamber of Commerce in Japan issued their Joint Statement on Defense Industry Cooperation, which outlined the following four scenarios for international joint development and production under the new arms export guidelines: (1) establishing a joint development and production program based on an intergovernmental agreement, (2) conducting joint research on a commercial level, (3) participating in foreign government programs, and (4) supplying the licenser's country.

Scenario 1 is a formal joint development and production program established by two governments. Because a large-scale defense program requires both a huge budget and highly advanced technologies, this sort of cooperation could benefit both countries. For example, Mitsubishi Heavy Industries (MHI) has been participating in the joint SM-3 Block IIA development program with the United States. As a candidate for a future program, MHI expects the government to agree to the BMDOAR (Ballistic Missile Defense Open Architecture) program, which was canceled because of a third-party transfer issue.

The second scenario assumes industries' early-stage research collaboration on studying future defense technologies. Although this scenario requires companies to make investments up front, this type of cooperation could lead to a comprehensive joint development and production program based on an intergovernmental agreement. An example is the WESTPAC (Western Pacific) Missile Defense Architecture Study in 1988–1993, which led to a 1999 Japanese-U.S. technological research program and the 2006 SM-3 bilateral co-development program. MHI is now seeking a similar, beneficial research subject with a foreign company.

Scenario 3 assumes industry collaboration in support of a single government program established by a single national government. In this case, a Japanese company might supply components to a U.S. company providing products under a

U.S. government program. Japanese companies' sophisticated defense equipment and advanced technologies are comparable to their foreign counterparts, so including MHI in such a program could contribute to the defense and security of Japan's allies and friendly nations.

In the fourth scenario, a licensee supplies defense equipment and technologies to the licenser's country. With its vast experience in the licensed production of fighter aircraft and missiles, MHI is prepared to meet the needs of Japan's allies and friendly nations. Such cooperation would benefit all the participating countries.

What are the potential difficulties? First, the Japanese government needs to establish controls for arms exports within the framework of the new guidelines, which currently refer only to "comprehensive exemption measures." The government also needs to establish a clear policy for the international joint development and production of defense equipment. Second, the Japanese defense industry needs not only to make additional investments but also to adopt new ways of manufacturing competitive, cost-effective products. What kinds of technologies does the overseas defense market want? How can Japan's defense industry meet this demand? Without carefully drawing up these marketing strategies, the industry will have difficulty competing in the global market.

Finally, the Japanese government's budget for defense R&D, which is relatively small compared with those of the largest defense powers, should be increased so that Japanese defense technology can become a major player in the global market. The Japanese defense industry also should use its highly sophisticated commercial technology for defense equipment. Without investing and nurturing the defense industry, Japan will not be able to participate in international joint development and production.

Japan's 3Ps Arms Export Policy: U.S. Industry View

Gerard P. Lawless, President, Raytheon Japan

Centering my presentation mostly on the Patriot Program, I will try to address a few of the questions that were stated as the purpose of the symposium. The first question is what the candidate to be exported from Japan will be. Several programs at Raytheon could provide an opportunity for further collaboration between the United States and Japan. The Standard Missile Cooperation Development (SCD) is an example of a joint program that will, I hope, result in a co-production program in which we collectively produce Standard Missiles and distribute them around the world to ensure peace and prosperity.

The third-party transfer issue, however, needs to be addressed before this can be successful. Raytheon Company is very interested in working together with the Japanese defense industry to help us deliver the Patriot system to many new customers worldwide that have expressed an interest in producing these systems. Several years ago, Raytheon asked the Japanese defense industry to manufacture parts of the Patriot to be exported to various customers; however, the Three Principles on Arms Export Control did not allow this, and Raytheon was compelled to find other international partners. Raytheon, however, has not given up on finding a way to have the Japanese defense industry involved and believes there are still many opportunities for it to do so. Co-producing the Patriot systems would provide many benefits, such as helping reduce the impact of obsolescence; reducing costs and meeting development and production schedules; providing an additional source of parts and/or assemblies for production, economies of scale, and logistics; and contributing to the U.S.-Japan alliance.

Implementing the comprehensive exemption measures for arms export could

dramatically impact the way that Raytheon conducts business in Japan, depending on the extent of the change. New business opportunity will start slowly but, in time, will grow. The logistics, maintenance, and training markets could substantially change, so that Japan could become a player in the United States, Europe, and neighboring countries. There would also be an increase in the co-development or co-production of systems in which the Japanese defense industry and foreign investors choose to work together.

The next question is what the role of the Japanese government will be. Although it modified the guidelines for exporting defense articles in December 2011, the Japanese government has neither fully implemented the policy nor established clear guidelines in how this should be accomplished. The Japanese government really needs to further define the process for implementing this policy change. For the first step, the Japanese government should establish clear policies and procedures for the industry to follow. The U.S. industry and its Japanese counterpart also need to move toward a "real partnership" through a program between licenser and licensee, which will eventually build themselves as "global partners."

Some concerns with regard to cost and scheduling remain. To start with, the complexity of Japanese defense export contracts—including inspection, paperwork, and personnel expenses—must be simplified and streamlined. As a result, the first attempt at international co-development and co-production is likely to take a considerable amount of time as arms export policy implementation and structure will, and should, be spelled out in detail. In this respect, various agencies and ministries—including the Ministry of Economy, Trade, and Industry; the Ministry of Defense; and the Ministry of Foreign Affairs—will need to be involved in the policy review and coordination, as well as MOU (memorandum of understanding) requirements.

By implementing the new guidelines for arms exports, Japan will become a member of the international community and thereby gain access to defense systems with cutting-edge technology at a cost and in a time frame that Japan cannot achieve by itself. Japan's defense technology would be enhanced by participating in the world's advanced defense programs. Japan needs to be interdependent and more involved in global security, as it has great technology that should be shared with friendly nations while maintaining its peace-loving policies. We need to take the focus away from Japan and toward the global market. Self-isolation is not practical; acquiring defense systems through international cooperation is more realistic and cost-effective.

The Benefits of Collaboration in Defense Programs

Anthony R. Ennis, President, North East Asia, Tokyo Office, BAE Systems International, Ltd.

First of all, let us look at BAE Systems International and some European companies' collaboration in defense programs. By forming partnerships, European countries have responded to the growing demands of their armed forces in the face of increasingly complex technologies and smaller budgets. Although each European nation has continued to cultivate individual centers of excellence, they all understand the benefits to be gained from pooling their resources. They therefore have learned to collaborate to develop products with other European nations as well as the United States. This joint collaboration has enabled more partners to bear the cost, as well as the risk, of production. It has also allowed for economies of scale through larger production runs. Sophisticated arrangements were developed to share technology in a secure manner while enabling the growth

of broad defense industries. All this was undertaken in an environment of common interests and mutual benefits. This is what I want to emphasize, that all parties in a collaboration must consider the benefits of a relationship.

Examples of successful collaborations are, first, the Tornado, a ground-attack jet aircraft, which was manufactured by a three-nation (United Kingdom, Germany, and Italy) fighter-jet collaboration between Panavia and Jaguar. The Eurofighter platform is built by a consortium of four leading European companies. The combined expertise of these companies has produced the most advance air-to-air fighter on the market today. EUROJET, a consortium of four companies, is responsible for the EJ200 engine system, installed in the Eurofighter. It is the latest-generation military turbofan engine in the 20,000-pound-force-thrust class, designed to fulfill the most demanding requirements of a fighter aircraft. Another example is the NH 90 helicopter, manufactured in a European program for a new-generation, multiple-role helicopter, established by France (Eurocopter), Germany (Eurocopter), Italy (AgustaWestland), and the Netherlands (Fokker). This helicopter has been purchased by fourteen nations. Finally, BAE Systems is cooperating with Lockheed Martin on the F35 program.

My second point is, how does Japan view collaborations like these? Only two companies have approached us to collaborate on dual-use products, which were very welcome approaches but for only low-tech products. In contrast, in 2012, Korean companies came to BAE Systems with many high-end, joint-venture opportunities, such as exports of T/A 50 fighters to Indonesia, K9 Howitzers, KT1 trainers, and Rotem Tanks to Turkey, APCs (armored personnel carriers) to Malaysia, Kangnam mine hunters to India, and oilers to the British Royal Navy.

Moreover, China's defense budget has increased fivefold over the last ten years, and according to the latest figures from the Center for Strategic and

International Studies, its official defense budget will be probably on a par with the United States' within fifteen to twenty years. China thus is becoming a major exporter of defense equipment and a serious competitor of BAE Systems.

What can we do here in Japan? Although the collaboration program for the Eurofighter Typhoon ended badly, BAE Systems assumes that it can obtain export licenses to support its engagement with Japan regarding such defense products as flight trainers, synthetic training, avionics, and electronic warfare. The Japanese government has relaxed its control over arms exports so slightly, however, that opportunities for joint development programs with Japan still are limited. Instead, the government needs to make the Japanese defense procurement environment more attractive and welcoming so that overseas partner companies can easily participate in cooperative programs. It could do this by using English, NATO standards, transparent and more comprehensible RFPs (requests for proposals), clearer statements of requirements, and better debriefings after contracts are awarded. The Japanese government also should broaden its security arrangements for industry-to-industry transfers of classified data and information, as well as using the U.S. ITAR (International Traffic in Arms Regulations) model for its export policy, the U.K. DESO (Defence Export Services Organization) model for the government's support of defense sales, and the U.S. FMS (foreign military sales) for the government's contracting. Moreover, the Japanese government may have to facilitate the collaboration by deciding what the core capability is and what the company can afford by itself and what should be co-developed.

Reaching the highest capability at the lowest price not only will contribute to national security but also will benefit taxpayers. Although Japan should proceed carefully, I do not recommend that it tiptoe while the rest of the world is sprinting.

Japan's New Arms Export Policy: Responses by Japanese Industries

Kunio Kondo, Associate Senior Vice President and Executive General Manager,
Aerospace and Defense Operations Unit, NEC Corporation

I will begin my presentation by describing the advantages and disadvantages of the partial deregulation of the Three Principles on Arms Export from the viewpoint of a Japanese industrial official. First, the partial deregulation will allow the Japanese defense industry to remain in business, as access to this larger overseas market will lead to lower costs and the long-term operation of defense equipment. Second, Japan's sophisticated technologies, such as high-precision instruments and components, are so greatly valued by the rest of the world that the defense industry can count on a demand for Japanese-made products for military purposes. Third, Japanese companies will be able to use the practical knowledge of defense production gained through international collaboration programs for Japanese-developed defense equipment, which would help improve its combat forces' operation.

In contrast, the Japanese defense industry will have difficulty taking the initiative in carrying out international co-development programs, as many companies in other countries already have much experience in defense production. Therefore, for the time being at least, Japanese companies might have to become subcontractors. Another possibility is that as the international co-development programs gain success, imports of global standard products would increase, forcing some companies without strong industrial and technological capabilities to leave the defense market. As a result, the Japanese defense industry would lose some of its own products. This means what is called Japan's Galapagos-like technological trend—technological isolation or deviation from global

standards—would be broken, making it difficult to provide end users with the careful service they would need. In addition, Japanese defense contracts with the Ministry of Defense and its unique budgeting system could discourage foreign companies from entering the Japanese defense market as a prime contractor.

Systematic approaches are needed in order to carry out defense business under the new guidelines for arms export control. Japan could use the existing dual-use technologies and develop some pilot projects in the overseas market, including joint research and development programs with the United States. Doing this would help make clear what is allowed under the new framework, which in turn would be important to joint commercial research and participation in foreign government programs in which the Japanese government's involvement is not needed.

The next step is to participate in bilateral development and production programs under the strict control of exports to third-party countries and to support peace-building and humanitarian measures. Currently, Japanese companies use their competitive defense equipment and cutting-edge commercial technologies, such as materials and devices, for international defense. This next step would lead to Japan's participation in multilateral co-development programs. In sum, Japan's defense industry should follow the government's involvement and initiatives, gradually determining what it will be able to do.

Finally are the concerns and issues in applying the comprehensive exemption measures to overseas transfers. The de facto deregulation of the Three Principles on Arms Export might have a huge impact on the Japanese defense industry. The market mechanism could force companies that are not internationally competitive to leave the defense market. Therefore, it is essential for the Japanese defense industry not only to streamline the structure of the industry as soon as possible in order to compete effectively in the world market

but also to develop its negotiating capability and systems engineering knowledge to enable Japan to take the initiative in international joint development programs.

The defense industrial base is one of Japan's most important sources of national power. In this regard, industry (manufacturing), the government (operation/politics/foreign policy), and academia (cutting-edge technology) should further discuss the criteria and procedures for arms exports that the chief cabinet secretary's December 2011 statement did not articulate. In this regard, NEC is willing to determine what it can do now and what it will be able to do in the future.

Comments

Kevin Maher

Senior Adviser, NMV Consulting

Having had some experience with the U.S.-Japan alliance and security issues as the former Director of the Office of Japan Affairs at the U.S. Department of State, and as the Director of Political-Military Affairs in Tokyo, I would like to make a brief comment on Japan's Three Principles on Arms Export, from the overall perspective of the U.S.-Japan security relationship. Under the U.S.-Japan Security Treaty the United States is obligated to contribute to the alliance by providing its military capability to defend Japan, and to contribute to the maintenance of the peace and security of the Far East region. Japan's fundamental obligation under the treaty is to provide "facilities and areas" (bases) for the U.S. Armed Forces in Japan. This asymmetric security relationship has led

both governments over the years to discuss to what extent Japan could contribute to the alliance, beyond just the provision of military bases.

How the Japanese defense industry could contribute to the alliance has long been a key part of this discussion, and has been particularly important to the United States. When the Japanese government approved the export of defense technologies to the United States by making an exception to the Three Principles on Arms Export in 1983, the United States anticipated that highly sophisticated Japanese technology with potential for military use would be transferred to the United States. The United States saw this potential technology transfer as part of Japan's responsibility sharing (or burden sharing as some called it) within the overall context of the bilateral security relationship.

Despite the new comprehensive exemption measures related to the Three Principles that were decided in December 2011, Japan's basic export control policy remains somewhat unclear; my understanding is that a case-by-case prior consent decision process is still required for potential third-country transfers. In light of the deregulation of the Three Principles on Arms Export, the Japanese government still needs to put in serious efforts to clarify its defense industrial policy with respect to arms exports.

To support both the Japanese defense industry and the alliance, the Japanese government should be flexible in its policy implementation to allow Japanese industry participation in joint development and production projects; this holds especially true for joint projects with the United States that assume global responsibility for international security. For instance, the case of the joint project of the F-35 might require that Japan decide on third country transfers such as sales to Israel and Taiwan. The U.S. Department of Defense could consider it difficult to conduct joint projects with Japan that involve export from Japan of components into the global supply chain unless it could flexibly deal with

the third party transfer issue. In this regard, the Japanese government should clarify the guidelines of its new arms export control policy.

In terms of shared alliance responsibilities, Japan also should urgently enhance its own defense and deterrence capabilities, in view of the dangerous nature of the surrounding security environment. Given China's attempt at hegemony over both the South China Sea and the East China Sea, Japan has come to a strategic crossroads. Despite the asymmetric security relationship between the United States and Japan, the real meaning of the alliance is not that the United States defends Japan, but that the United States and Japan together will deter such potential threats and together will defend Japan against possible attack. In this sense, the Japanese government should promptly take effective action to enhance Japan's defense capabilities, and the Japanese defense industry should assume a strategically important role in doing so. To strengthen its defense industrial base, the partial deregulation of the Three Principles on Arms Export was important; however, Japan's persistence in a case-by-case decision process on arms and technology transfer might hinder it in achieving the goal.

One of the most vital issues facing Japan is the urgent need to increase the defense budget. The small scale of the defense budget means a small scale Japanese defense industry, very limited in its ability to get economies of scale. In this respect, it was the right decision for the Japanese government to partially liberalize the Three Principles on Arms Export so that the Japanese defense industry can expand its base through exports. Increasing the defense budget is also important in coping with China's growing threat, by allowing Japan to quickly enhance its deterrence. The government needs to make decisions quickly to accelerate and expand its deterrent capabilities, particular in such programs as the F-35, Aegis, missile defense, and maritime and air surveillance, and needs quickly to appropriate the necessary defense budget to do so.

Japanese defense companies might welcome pressure on the government to increase the defense budget and increase the volume of defense acquisition. But beyond these industrial interests, changing the Three Principles on Arms Export and strengthening the Japanese defense industry are not really about business; in reality these are crucial issues of Japan's national security. The Japanese government should do what it needs to enhance Japan's defense capability with all due haste.

Panel Discussions

Speedy response or step-by-step approach?

- **Nishiyama:**

Although Mr. Nishi, of the Ministry of Defense, said that Japan should not rush but, instead, take a step-by-step approach to move ahead, the panelists from the U.S. and European defense industries argued that because the international security environment and technologies are changing very fast, Japan has no time to waste. Do you have any comments on this?

- **Kobayashi:**

A quick way for Japanese companies to expand their defense business overseas would be for a licensee to supply defense equipment in response to a request by the licenser's country. In this type of joint development and production, we might be able to accelerate the pace of our business. For instance, the component developed by the Japanese company in the joint SM-3 Block IIA project will be exported in 2014 to the United States, where it will be tested and assembled into the end product. Taking full advantage of this process might be able to help

Japanese companies reexport licensed products and, as a result, to ramp up their defense business.

- **Lawless:**

If I interpret Mr. Nishi's comments correctly, Japan would have to "be creative" and "need new technology" to move ahead. Mr. Nishi has also challenged us to consider how to move ahead. In reply, I would like to suggest that Japanese, U.S., and European industries work together to come up with some concrete examples of future defense business and to propose them to the Ministry of Defense; the Ministry of Economy, Trade, and Industry; and the Ministry of Foreign Affairs in the next six months. In this way, we might be able to get some pipelines into the system. This is a challenge Mr. Nishi has given to all of us.

Where can we start?

- **Ennis:**

Rather than manufacturing to export defense equipment for a broader market, I would encourage Japan to look at true collaboration programs like Tornado and Eurofighter, both of which were clean-sheet programs. The companies that started the Eurofighter program obtained their governments' support and grew from there. I would also encourage the Japanese industry and the government to visit European and other joint ventures to find out exactly how they started, what the challenges were, and what could be expected from them. A joint venture program would be a win-win scenario as a workable model. You have lived in a different defense environment in the last forty to fifty years. Not only U.S. and European industries but also Japan will benefit from joint-venture programs. The collaboration must start with a small or clean-sheet program, during which the participants could get to know one another and develop mutual trust.

- **Kondo:**

The Japanese industry should make proposals to the government that are highly likely to be approved; these would be the start for joint development and production with foreign companies. When conducting defense business overseas, it is important for the Japanese industry to have multipurpose technologies applicable to defense items. Japanese electric and communication companies are the most likely to be selected to participate in joint development projects. This would be a good way to start. In regard to highly advanced technologies, we need to begin by building a framework like the joint Japanese-U.S. technological research project so that interested parties, including the United States, could look at past joint projects and decide how to collaborate on future projects.

Laying down specific criteria

- **Maher:**

During my thirty-year tenure in office, I often heard Japanese government officials say that they had not done a particular thing before. They must create a precedent! The Japanese defense industry is highly competitive in technology, especially manufacturing technologies and quality control systems, considered from a global standard, and the U.S. defense industry will expect to apply these technologies to military production. Accordingly, the Japanese government should establish specific guidelines pertaining to the revised Three Principles on Arms Export. This would make business sense to the Japanese defense industry, and it would also convince the Japanese government that arms exports and joint collaboration on defense equipment are security and strategic issues.

- **Ennis:**

You can refer to the United States' ITAR (International Traffic in Arms Regulations), which clearly states the terms and conditions for exporting arms—and the procedures for applying to do so—as a model for new regulations.

ITAR also addresses issues of dual-use technology and lists the countries to which you are prohibited from exporting. The Japanese government's case-by-case decisions, however, will keep the Japanese defense industry from developing. Taking a fresh look at ITAR regulations, although they are not perfect one, would be a starting point.

- **Lawless:**

Almost two years ago, we met at the Swedish embassy to talk about the same subject as what we are discussing today. According to the people at the embassy, Sweden's arms export control policy is almost identical with Japan's Three Principles on Arms Export, but it interprets it differently from how Japan does. Also interesting is the Swedish way of doing defense business. In defense acquisition, the first thing Sweden does is upgrade its defense systems. When it cannot upgrade the system, it searches for new equipment overseas. And if it cannot find what it wants overseas, it manufactures what it needs at home. Japan may also want to consider this kind of priority sequence.

Summary

- **Nishiyama:**

To sum up the discussion, let me refer back to what Mr. Maher argued. First, because Japan has defense and technological capabilities that the United States is accounting on, Japan should increase its defense budget in order to ensure its own security as well as the U.S.-Japan alliance. Second, Japan should be more confident about developing its defense business overseas. When we discussed this matter in the past, some people contended that even if the Japanese defense industry tried to enter the overseas market, it would turn out badly. From the U.S. perspective, however, Japan is competitive enough to develop its defense business overseas. Now that the Three Principles on Arms Export have been revised, the

Japanese defense industry should immediately start working with its U.S. and European counterparts.

Closing Remarks

Masashi Nishihara

President, Research Institute for Peace and Security (RIPS)

As pointed out in the discussion, the revised Three Principles on Arms Export is one of Japan's most important national security issues, and I hope that the Japanese defense industry can develop its defense business to reach its goal. In order to strengthen not only the Japanese defense industry but also Japan's national security, we must tackle this issue as quickly as possible.

Profiles of Participants

Junichi Nishiyama is a consultant with Mitsubishi Heavy Industries (MHI). After obtaining his master's degree in mechanical engineering from Hokkaido University, he joined MHI Nagoya Aircraft Works in 1971. He later served as the general manager of the Guided Weapon Systems Department, as the deputy general manager at the Aerospace headquarters, and as a senior adviser. He retired from MHI in 2011.

Takashi Kobayashi is the representative director, executive vice president, and general manager of Aerospace Systems at Mitsubishi Heavy Industries (MHI). After obtaining his master's degree from University of Tokyo, he joined MHI in 1976. He served as senior vice president, head of Nagoya Guidance & Propulsion Systems Works, and then, in 2011, as executive vice president and general manager of Aerospace Systems. He has been the representative director since June 2011.

Anthony (Tony) R. Ennis is the president, North East Asia, in the Tokyo office of BAE Systems (International). Born in Australia and educated at Exeter University in England, he joined British Aerospace in 1978 and held many senior management positions in both the United States and Australia. In 1999 he was appointed senior vice president for exports and the regional managing director for BAE Systems.

Kunio Kondo has been the associate senior vice president and executive general manager of the Aerospace and Defense Operations Unit (ADOU) of NEC Corporation since April 2010. He joined NEC in 1982 and became the general

manager of ADOU's Radio Application Division in 2004. He then served as president of NEC TOSHIBA Space Systems in 2008 and returned to ADOU in the following year.

Gerard P. Lawless is the president, Raytheon Japan, for Raytheon's business development in Japan. Before taking this position in July 2010, he was the vice president of Japan Programs for Integrated Defense Systems. In this role over the past twenty years, he was the lead on a number of IDS Japanese programs, including Patriot, HAWK, JADGE, TPY-2, and MDA. Lawless earned his bachelor's degree in business management from Northeastern University in 1970.

Kevin Maher is a senior adviser for NMV Consulting in Washington, D.C. He obtained his bachelor's degree from LaGrange College, his master's degree from the University of Hawai'i, and his law degree from the University of Georgia School of Law. As an attorney, he joined the U.S. State Department's Foreign Service in 1981. He served in Japan for nineteen years, with various assignments in Tokyo, Fukuoka, and Naha. In 2009 Mr. Maher was appointed director of the State Department's Office of Japan Affairs and retired in April 2011.

Recent Publications

No.15（November 2012）

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No.14（2012年3月）

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