

Defense Industrial Cooperation: Improving the Foreign Military Sales Process

Background Notes for the
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Evolution of US-Japan Defense Programs



Transfers to Japan through Sales and LP continued without change to traditional policy framework.

Armaments cooperation required only marginal policy changes (but limited by concerns over sensitive technologies and information security).

Cooperative acquisition depends on major policy revisions and broader US-Japan Alliance engagement.

Terms of engagement on Sales and LP must also evolve.

Challenge for Defense Acquisition in Japan

Japan's traditional model for defense business:

- Imports
- One-way coproduction arrangements
- Indigenous development/production

Has become an outdated approach that cannot support “efficient and effective” acquisition.

Cooperative acquisition – joint development and production based on shared requirements. Would enable mutually beneficial partnerships and a stronger Japanese defense industrial base. Progress depends on:

- Smooth implementation of export control processes
- Urgent attention to upgraded industrial security measures
- Joint management structures for cooperative projects
- Japanese industry participation in international programs

Other procurement channels must also become more efficient and cost-effective – especially FMS.

Continued Need For FMS (1)

Increased FMS procurement by Japan:

- Major buys of advanced US systems (F-35, Global Hawk, MV-22, Aegis Ashore) have increased the FMS share of Japan's defense procurement budget.
- JMoD objects to high prices; Japanese industry objects to loss of business.

However, continued reliance on FMS seems unavoidable for the foreseeable future:

- Sometimes FMS is the only alternative for access to the latest US systems (commercial sales and technical assistance agreements cannot by themselves replace FMS)
- Dialogue through FMS channels can offer access to sensitive and critical data not otherwise available.

Continued Need For FMS (2)

How to make FMS more acceptable?

Understand the difference between –

- 1) Problems that can be solved;
- 2) Conditions (differing legal frameworks, budget processes, etc.) that must be managed.

Some measures for improving FMS programs:

- More use of “hybrid” FMS/DCS program structures with greater Japanese industrial participation (two-way flows of goods/services).
- Provision for joint development/production arrangements based on:
 - common requirements,
 - government policy support,
 - business cases for industry.
- Shift the traditional supplier/customer framework for US/Japan programs toward partnerships.
- Japanese industry (with GoJ support) must engage internationally – not just through exports, but through overseas presence.

Measures to Improve FMS – US

Build “exportability” into future US defense systems (per recent DoD Defense Trade Modernization policy)

- Save time/cost of modifying US systems for use by allies/partners; allow more foreign industry workshare.

Prioritize attention to alliance-building Japan defense programs.

- Seen in recent DoD “tiger team” approach to addressing important FMS cases.

Provide more transparent pricing and availability (P&A) data.

- Reduce risk of unexpected costs that impact program funding.

Expand (when possible) Japanese industry workshare in FMS programs.

- Assembly, testing, support; closer to hybrid FMS/DCS model

Allow industry engagement earlier in the FMS process to enable hybrid cases and plan realistic levels for Japanese industry participation.

- 100% FMS introduction delays Japanese industry entry into program life cycles; limits potential for real workshare.

Measures to Improve FMS – Japan (1)

Budgeting: Make more use of multi-year procurement (MYP) arrangements; ensure full funding of FMS cases.

- Lack of timely funding for major FMS cases delays deliveries, increases cost.
- MYP also encourages more efficient staffing processes.

More timely communication of JMoD acquisition interests and program planning/management problems.

- Sustained dialogue on operational requirements are essential to making cases for access to advanced US systems, especially for desired levels of technology release.
- P&A data requests are estimates – not terms for procurement; P&A data always changes over time.
- Make more use of requests for contracts (Letters of Offer and Acceptance) to ensure firm cost estimates.

Measures to Improve FMS – Japan (2)

Expand/upgrade US-based JMoD procurement representation.

- Reliance on small Japanese Embassy staff and a few liaison officers cannot provide effective support.
- Raise level of JMoD/ATLA representation in Washington.
- Use local US staff to enable contact with DoD/Service offices.
- Fund more Japan-dedicated support positions in US security cooperation and equipment program offices.

“Exportability” is also an issue for Japan. Japan is unlikely to expand its share of FMS work as long Japan’s defense trade remains one-way in access to goods and services.

- Revised defense export policy must be enabled by export strategies to promote work with international partners.
- Build in potential for participation in FMS programs: promote inclusion of Japanese industry in the US industrial base.
- Design defense systems to internationally compatible rather than “unique” Japanese standards; allow for use of foreign as well as Japan-developed subsystems.