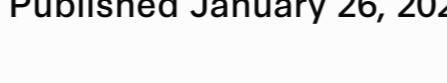


# Japan's New Defense Buildup Plan and Its Defense Industrial Base



Photo: Tomohiro Ohsumi/Getty Images



Commentary by **Gregg Rubinstein**  
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Japan's new Defense Buildup Plan (DBP) outlines the path to a paradigm shift in Self Defense Force (SDF) capabilities from potential deterrent to operational reality. A critical part of that evolution will depend on a restructured approach to defense acquisition as well as to Japan's defense industrial base. Japan's defense industry historically has been plagued by inefficiency and high costs—a product of postwar policies that effectively banned defense exports and limited industry to Japan's small domestic defense market. Although restrictions on exports were loosened in 2014 under former prime minister Shinzo Abe, little has changed, Japanese industry remains largely uncompetitive in the international marketplace. Japan's new [National Defense Strategy](#), and the accompanying DBP, set out ambitions to change that reality—but significant impediments stand in the way.

## What DBP Provisions Address

The DBP's treatment of acquisition and the defense industry begins with emphasizing an obvious but sometimes neglected point—that a strong and competitive industrial base is itself an essential defense capability. From there, the DBP addresses long-standing and increasingly serious challenges to Japan's defense industrial capabilities.

## Procurement Processes

The DBP sets out plans to develop more effective procurement practices and make defense business more stable and attractive to the private sector. Major points include improving procurement oversight of project management and costs as well as making procurement timelines on major programs more predictable to support long-term industry planning. The DBP also advocates for measures encouraging the use of commercial technologies in the defense sector, bringing new entrants into the defense industry, and continuing efforts to strengthen information and industrial security measures.

## Defense Technology Base

The DBP identifies a critical need to align defense policy, operations, and acquisition processes to more closely link research and development (R&D) to future operational requirements—and in so doing overcome embedded “stovepipe” approaches that have historically encumbered Japan's procurement. The DBP sets out measures needed to reach this goal, including

- a reduction in R&D timelines to accelerate equipment introduction and—as importantly—scrap unproductive research projects; and
- greater use of international standards for requirements—with less emphasis on “Japan-specific” requirements—to lower development and production costs, as well as support export potential for Japan-developed systems.

The DBP also emphasizes technology base needs raised in [earlier defense plans](#), such as broadening R&D activities through use of commercial technologies and promotion of R&D projects with international partners—and then goes further than any earlier policy statement in calling for the establishment of a new research institute that would build on existing R&D operations, but with closer links to domestic commercial and international counterparts.

## Transfers of Defense Equipment

Japan's revised [Three Principles on Transfer of Defense Equipment and Technology](#) announced in 2014 proved to be a modest adjustment of a long-standing ban on almost all defense-related exports. Government implementing measures were slow to follow and tangible defense transfers remain minimal to date. If anything, slow action on implementing transfers of defense items (such as supply of license-produced components of the F100 fighter aircraft engine) suggested a lingering perception among Japanese officials that defense exports are more a political problem to be avoided than a potentially valuable tool of foreign and national security policy.

Japan's latest [National Security](#) and [Defense](#) strategies indicate a substantial change in such views. Discussion of defense exports in the DBP goes beyond earlier policy statements in explicitly recognizing a role for defense equipment transfers in building international partnerships. The DBP also notes benefits for Japan's industrial base through increased production—and thus lowered procurement costs for Japan—of major defense items. Other recent Japanese government statements refer to promoting “appropriate” transfers of equipment through public-private partnerships, and the [provision of financial support](#) through foreign aid to offset procurement costs.

## Need for Further Evolution

Acquisition and industrial base measures listed in the DBP are all necessary to promote more timely and efficient acquisition of defense capabilities but may not prove sufficient to realize Japan's stated goal of a competitive defense industrial and technology base. In particular, the DPB falls short of recognizing that Japan's defense industry cannot develop effectively in isolation. Progress toward a more competitive defense industry will depend on closer integration with the international defense community—otherwise much of the planned increases in defense acquisition spending will likely be wasted.

It is important to note that the use of “competitive” in this context does not mean encouraging defense exports for their own sake, let alone promoting Japanese defense contractors as direct competitors to established industry leaders elsewhere. Competitiveness in defense industrial activities can best be pursued through closer integration with allied and partner industries in joint R&D, production and investment projects. Recent agreement to merge Japan's F-X and the UK/Italy Tempest [fighter aircraft programs](#) could become a defining precedent for [fighter aircraft programs](#). Implementing such programs to strengthen Japan's defense industry will require action on three crucial matters.

## 1. Facilitating International Defense Trade

The DBP discusses support for “appropriate transfers” of defense equipment with provision for possible financial offsets for some recipients—essentially government-led programs like the recent transfer of radars to the Philippines. While such exports are an important foreign and security policy tool, it is not clear they alone would provide substantially increased activity for Japan's defense industry. The same may prove true for greater Japanese industry participation in international supply chains (however important that work could become to further foreign and defense policy).

The Japanese government will need to do more than broaden the scope of permissible defense transfers—it should work with industry to facilitate partnerships in R&D and production seen throughout the defense industrial community. This includes the following measures:

- **There should be further efforts to build a more consistent and transparent export approval process.** While all responsible defense exporting countries consider license approvals on a case-by-case basis, they do so based on a framework of guidelines, precedents, and consultation procedures accessible to domestic industry as well as foreign customers/partners. This is another area where Japanese government measures need to reach “substantive equivalence” with practices in allied and partner countries.
- **Government-industry partnerships for equipment sales should also apply to support of industry initiatives to engage foreign partners.** Japan's defense industry remains a captive of Defense Ministry budgets, its activities limited to already established domestic programs. There is no equivalent of the “marketing licenses” (a different process from approving exports of defense products) used by other countries that allow their defense industry to explore opportunities for collaboration with potential partners and customers elsewhere—activities that could lead to developing technologies and systems of future interest to Japan (such as current work on uncrewed air systems).

## 2. Supporting International Investment

Similar to commercial industries, engaging overseas defense industry partners begin with sales, licensing, or joint R&D activities. However, as demonstrated by the growth of international partnerships elsewhere, Japanese industry—with government support—will need to invest in overseas production and support facilities. Equally, Japan should accommodate foreign investment in its defense industrial base. The international defense community offers ample precedents for how Japan may implement investment measures that will strengthen industrial base capabilities while protecting essential sovereignty concerns.

## 3. Undertaking Industry Restructuring

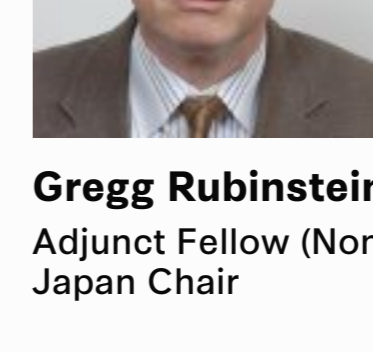
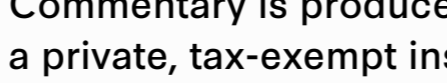
For more than 25 years successive government and private sector studies have expressed alarm over the impact of Japan's eroding defense industrial base on Defense Ministry procurements. Oft cited measures (including more efficient procurement processes, increased workshare for Japanese industry in foreign procurements, and promotion of new technologies) are all needed to address current problems but limited in facing a more basic concern—the fractured structure of a defense industry built on isolated divisions of corporations focused on commercial businesses.

Japan's major industrial and electronics manufacturers have had little incentive—either in terms of perceived business opportunities or public image—to promote defense activities. The resulting lack of “national champions” to undertake defense production in Japan impacts every aspect of internal Defense Ministry acquisition, as well as consistent failure to engage international partners beyond narrowly defined purchase and licensing agreements.

[Recent press reports](#) discuss Japanese government plans to subsidize required improvements in defense production capabilities, and even consider nationalizing some essential industry facilities. While such measures could prevent a further weakening of defense industrial capabilities, a more thorough restructuring of the industry may prove necessary for it to become a real national security asset—and an attractive international partner.

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