

Little lift from end to Japanese arms ban

By David Isenberg
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This past December, Japan's chief cabinet secretary Osamu Fujimura announced a new rule that relaxes the nation's almost half-century of obstacles to arms exports.

Government officials said Japan planned to relax its ban on arms exports so it could join other countries in developing and producing weapons and in providing equipment for humanitarian purposes.

Although there have been some exceptions in the past, the drastic changes will be the first to the nation's long-standing arms export ban. The rule was introduced in 1967 by then-prime minister Eisaku Sato and tightened into a virtual blanket ban in 1976.

Under the so-called Three Principles related to arms export, Japan bans weapons sales to communist states, countries subject to embargoes under United Nations resolutions, and countries involved in international conflicts. Past exceptions included the supply of weapons technology to the United States in 1983, followed by the joint development and production of missile shields, also with the US.

The government plans to stick to the three principles but will make possible the joint development and production of arms with friendly nations. It will also allow Japan to offer other countries heavy equipment used by the Self-Defense Forces for UN peacekeeping operations and other overseas activities with humanitarian or peace-building objectives.

According to the Japanese Ministry of Foreign Affairs:

The Ministry of Economy, Trade and Industry (METI) controls Japan's "arms" exports, based on the Foreign Exchange and Foreign Trade Law. The exports of "arms" and equipment for arms production listed in the Export Trade Control Order (see Annex) require export licenses to all destinations, since those transactions could be obstructive to the maintenance of international peace and security. In addition, "arms" trades mediated between foreign countries by Japanese agent need METI's permission.

The term "arms" as referred to in the Three Principles is defined as "goods which are listed in Item 1 of Annexed List 1 of the Export Trade Control Order of Japan, and which are to be used by military forces and directly employed in combat." Such "arms" include specially-designed parts and accessories as well as finished products. The question of whether each item falls under such "arms" or not will be judged objectively based on its shape, feature and other technical aspects, and regardless of its end-use. On the other hand, so-called dual-use items do not fall under such "arms".

The relaxation of the ban is not entirely new. It resurrects a proposal made under a previous prime minister last year. Discussions over the relaxation of arms exports were started last year by the ruling Democratic Party of Japan-led government when it was revising defense policy for the next 10 years.

"It has become the mainstream among developed countries to improve the performance of defense equipment and to deal with rising costs of equipment by participation in international joint development and production projects," according to a section of Japan's defense policy guidelines from last year. "Japan will study measures to respond to such major changes."

However, then-prime Minister Naoto Kan gave up easing the ban after strong opposition from the Social Democratic Party, whose support was necessary to pass bills through the divided Diet (parliament).

Thus, by deciding to relax the ban, the Japanese administration of Yoshihiko Noda has done something that local defense industry and the country's security experts have for many years been pushing for. Japan's most powerful business lobby, Keidanren, which has spent decades lobbying for the relaxation, quickly issued a statement praising the move.

Some government officials have downplayed the potential impact of the relaxation. A government official in the Cabinet Secretariat explained that while in principle the new rule will enable exports of guns and other weapons, he said the government doesn't consider this likely since the aim itself is to assist in peace-building and disaster relief.

Rather, Japan will now be able to provide patrol boats, bullet-proof vests and heavy machinery that are used by Self-Defense Forces abroad.

To prevent this equipment from being used for other purposes or rerouted to third countries, Japan will establish a framework with related countries to demand prior consent.

Yet from a viewpoint of economic self-interest the move could allow companies such as Mitsubishi Heavy to possibly join the development of Lockheed Martin's F-35 Lightning II Joint Strike Fighter, which Tokyo picked in late December as its next frontline fighter, planning to buy 42 planes at an estimated cost of more than US\$7 billion.

But the government's decision came too late for Japanese industry to participate meaningfully in this project: as it is, none of the systems in the F-35 will be Japanese, and Japan's own F-35s will merely be assembled in Japanese plants.

There is also an economy of scale factor at work. Although Japan is the world's sixth-biggest military spender, it often pays more than double other nations pay for the same equipment because local export-restricted manufacturers can only fill small orders at a high cost.

Also, at least in the short term, the relaxation of the ban could also be a boon for Japanese manufacturers as the strong yen constrains their civilian exports and weak domestic demand and budget constraints restricts growth at home.

Removing the ban would stretch its military budget further as military spending in China expands.

The move was welcomed in Washington as it allows Japan to take part in joint development projects on everything from fighter jets to missile defense systems.

But caveats attached to the decision will slow the recovery of the country's military-industrial production base. For example, it is not clear what kinds of equipment can be exported and under what stipulations.

Another problem is that Japan has too many domestic players fighting over small slices of pie. Some 10 major Japanese electronics companies supply defense electronics, but defense sales are small business units that make up only marginal percentages of total sales of electronics conglomerates such as NEC, Toshiba, Mitsubishi Electric and Oki.

For instance, Mitsubishi Heavy Industries, far and away Japan's biggest defense company with revenues of about \$3 billion in 2010, saw its defense business account for 8.7% of revenue that year.

Global electronics and IT communications supplier NEC Corp did \$1 billion in defense business in 2010, just 2.8 percent of its revenue.

Such companies are not used to international competition and they may find securing foreign sales against established competitors from other countries a hard slog.

If Japanese industry can consolidate domestically it could compete faster than, say, India in foreign arms markets, particularly in price. An ability to export will help Japanese industry gain autonomy and reduce dependence on the US.

Currently Japan cooperates with the US on development of the sea-based Raytheon Standard Missile-3 (SM-3) and has long worked on fighter aircraft, building the F-15 under license and an F-16 derivative under the FS-X program.

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