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# Japan's new arms export policies: strategic aspirations and domestic constraints

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## ABSTRACT

This article examines the significance of the changes in Japan's arms export policy following Prime Minister Abe Shinzō's return to power in 2012—a topic which has so far received insufficient scholarly attention. Established in the 1960s and 1970s, Japan's 'virtual' ban on arms exports was an expression of the country's postwar anti-militarism. Yet, in keeping with Japan's increasingly active role in security affairs, Abe lifted the ban on weapons exports in 2014. Within the Ministry of Defense, a new agency was installed to oversee the arms industry and to promote military-related research and weapons transfers. We show that the Abe administration conceives of arms exports and related cooperation as an integral part of its national security strategy. Tokyo not only hopes to improve the competitiveness of its own defence industry, but also seeks to cement existing and new security partnerships while contributing to regional capacity building as a hedge against a rising China. The actual ramifications of this policy change are far from clear yet, however. A major constraint for policymaking is the reluctance of the defence sector to embrace arms export due to the associated business risks including the fear of tarnishing their corporate image.

## KEYWORDS

Japan; arms exports/transfers; security partnerships; proactive pacifism; Abe Shinzō

## Introduction

In contrast to the common depictions of Japan as a 'peace state' (*heiwa kokka*) or a maritime mercantile nation, the cover of the June 2016 issue of the liberal monthly magazine *Sekai* asked if Japan is developing into a 'merchant of death state' (*shi no shōninkokka*) (Sekai 2016). This headline drew attention to the changes in Japan's arms exports regulation following Abe Shinzō's comeback in late 2012—a topic that has so far received insufficient scholarly attention. Pledging to 'reclaim' Japan's strength in international affairs, the Abe government in April 2014 overturned Japan's long-standing 'virtual' ban on weapons exports by proclaiming the 'Three Principles on Transfer of Defense Equipment and Technology' (*bōeisōbiiten san-gensoku*). Japan has since pushed for joint research and export of arms technology. To facilitate this development, the Abe administration installed an Acquisition, Technology, and Logistics Agency (*Bōeisōbichō*,

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ATLA) within the Ministry of Defense (MOD) to oversee Japan's arms industry. The new agency is also meant to actively promote Japanese arms exports. Moreover, the Abe government introduced funding to promote university-based research on weapon technology.

This article examines the significance of these changes in the context of Japan's security policymaking. We are interested in the key factors behind and implications of this change for Japan's postwar security system. We argue that the policy changes instituted under Abe are driven by deepening concerns about Japan's shifting regional security environment and about the lack of international competitiveness of Japan's defence industry. In response to these trends, the Abe government has sought to craft new compromises on the parameters of acceptable state behaviour, including in the area of arms export policies. It views international cooperation in the arms sector as integral to an overall security policy strategy of a 'Realpolitik Japan' (Pugliese and Patalano, this issue). From this perspective, international arms cooperation helps to cement both old and new security partnerships and to hedge a rising China. However, our article also shows that efforts to overhaul the country's arms export restrictions began even before Abe and his Liberal Democratic Party (LDP)'s return to power under the preceding government led by the Democratic Party of Japan (DPJ), reflecting a longer term adjustment process in Japanese policies. We find that business interests did not play a significant role in pushing changes in this policy field. Rather, changes in the country's arms export policies under both DPJ and LDP administrations have been driven by perceived strategic needs amid regional security developments. However, we show that the Abe administration's strategic aspirations are met by domestic limitations. A major constraint for policymaking is the reluctance of the corporate defence sector to engage in major arms deals. Companies cite a number of business risks in international arms sales, including public opposition and anti-militarist sentiments in general.

A number of studies have examined Japan's security and defence production policy, touching upon the issue of arms exports. Earlier studies by social constructivists viewed Japan's enduring arms export ban as evidence for the resilience of the country's postwar anti-militarist institutions (Berger 1993; Katzenstein 1996). Structural and neo-classical realists, by contrast, consider the incremental deregulation of arms exports as evidence for Japan's shift towards 'normal state' status (Hughes 2017; Pyle 2018; Samuels 2008). More recent constructivist scholarship argues that both of these propositions are incomplete, finding that Japan has steadily moved towards assuming a greater military role in world affairs, but continues to be inhibited by anti-militarist norms and principles (Oros 2017; Sakaki *et al.* 2020). Others have illustrated how Japan's defence industry served as a critical base for postwar industrial growth (Drifte 1990; Chinworth 1992). Finally, nourished by a 'techno-nationalism', Japan specialists have argued that the country's cutting-edge dual-use technology and indigenous defence industry have provided Japan with some degree of autonomy vis-à-vis the US alliance partner, while at times also allowing Japan to function as a critical repository for new defence technology to the US, thereby contributing to burden sharing (Green 1995; Hughes 2011; Samuels 1994).

By focusing on the developments in arms export policies under the Abe administration while also briefly surveying historical developments, our article finds evidence to support the view of recent constructivist literature, highlighting policy evolution but also continued relevance of anti-militarist norms. Sombre assessments of Japan's regional security environment are driving policy change, but companies are reluctant to shift course due to business risks and anti-militarist convictions of the public. To develop our argument,

we first provide a brief overview of the formation, entrenchment and revisions of Japan's arms export policy. This serves to show that the Abe administration has sought to redefine the parameters of acceptable state behaviour through the changes in arms export policies, although moves to dismantle the previous 'virtual' export ban began already during DPJ-led government in 2010–2011. In a second step, with a focus on the 2013 established National Security Council (NSC) and the role of the new ATLA, we discuss the policymaking and screening mechanisms in place for governing Japan's new arms export policy. In a third step, we analyse government-business relations under the new arms export policy. Japanese enterprises have been reluctant to embrace arms exports as a corporate strategy, fearing a tarnished corporate image as well as difficulties on the competitive international market. In light of such risk-averse business sector, we focus on the Abe government's challenge to facilitate corporate embrace of arms export and weapons technology transfer. Here, it is important to note that changes in government-corporate relations rarely shift rapidly, but rather in an incremental fashion. Earlier studies on Japan's space industry have demonstrated that the 'militarization' of dual-use-technology can positively impact the investment outlook and competitiveness of corporations involved while stimulating innovation (Pekkanen and Kallender-Umezu 2010). A similar trend of 'militarization' may be observed in cyber-technology as Japan is moving forward to increase its defence capabilities in this sector (Kallender and Hughes 2017). Thus, we conclude that it seems unlikely that Japan will become a major player in the international arms market for the foreseeable future, given that Japanese companies are reluctant to pursue international arms deals actively in light of residual public anti-militarism and other business risks. Our analysis draws on interviews conducted with members of the defence policymaking community as well as a number of Japanese language articles and books.

### **Formation and entrenchment of Japan's 'virtual' arms export ban**

The consolidation of Japan's 'virtual' arms export ban during the Cold War was a multi-stage process, accompanied by intense domestic soul-searching. While the US occupation authorities initially sought to dismantle Japan's arms industry after 1945, Washington's strategic calculus changed with the emerging Cold War tensions and the outbreak of the Korean War in 1950 (Shibayama 2010). Japanese companies began to deliver some military-related equipment to US forces in the context of the Korean War, including shells for mortars and other artillery (Morimoto 2014, 75). Overall, Japanese exports remained relatively limited in the 1950s and 1960s and comprised mainly small arms, pistols and munition, supplied to countries in Southeast Asia as well as to US troops in the region (Yomiuri Shimbun 1975). Following the so-called Yoshida Doctrine, Japan's strategy was to concentrate on economic revival through commercial exports, while maintaining a minimal self-defence capability and relying on US extended deterrence. Debate on Japan's rearmament and development of an indigenous defence industry turned into a central cleavage in domestic politics (Ōtake 1988; Uemura 1995). In light of growing public protest against Japan's commitment to the US-Japan security alliance and pressure on Japan to remilitarise, the conservative LDP eventually incorporated core policy positions of the socialist opposition to ensure its sustained electoral victory within the compound of the so called '1955 system'. As a result, Tokyo refrained from actively promoting

defence exports, fearing entrapment in American regional strategies that might lead to direct military participation.<sup>1</sup>

Japan's restrictive arms export policy became institutionalised between 1967 and 1981. Public debates were triggered in the mid-1960s by revelations about controversial military-related exports to US forces involved in the Vietnam War as well as reports of the University of Tokyo's provision of rocket technology to Indonesia and Yugoslavia (Mochizuki 2016a; Morimoto 2014). Under Diet questioning, Prime Minister Satō Eisaku stated in 1967 that Japan would not export arms to (1) countries of the Communist bloc, (2) countries subject to embargoes under UN Security Council resolutions, and (3) countries engaged or likely to be engaged in international conflicts. These conditions became widely known as the 'Three Principles on Arms Exports' (*buki yushutsu san-gensoku*). However, debates re-emerged in the mid-1970s, when defence industry representatives voiced interest in expanding defence exports, seeing opportunity in the growing demand for military equipment by Arab states flushed with petrodollars from the oil crisis (Samuels 1994; Yomiuri Shimbun 1975). Prime Minister Miki Takeo—seeking to appeal to unaffiliated voters before the 1976 Lower House election—stated that Japan would not only abide by Satō's 'Three Principles', but also 'refrain' (*tsutsushimu*) from arms transfers in general (Sakurayabashi 2012, 91). This was widely interpreted as a pledge not to export weapons 'in principle'. However, in 1981, controversy re-emerged about an illegal arms sale to South Korea by a Japanese trading company. In the Diet, Minister of International Trade and Industry Tanaka Rokusuke declared that the term 'refrain' 'indeed means that [arms exports] in principle are not allowed', thereby confirming the widespread interpretation of Miki's statement as a blanket ban on arms exports (Sakurai 2014). Led by the opposition camp, both the Lower and Upper Houses of the Diet unanimously adopted a resolution in March 1981, thereby putting pressure on the government for a rigorous application of Miki's statement (Sakaki and Lukner 2017).

Until Abe's April 2014 policy shift, a total of 21 exemptions to the ban were announced through Cabinet-approved statements. The first exemption in 1983 allowed the provision of defence-related technologies to the US, thereby responding to US pressure for contributing to 'burden-sharing' in the alliance through such transfers (Green 1995; MOFA 1983; Samuels 1994). Most other exemptions focused on facilitating cooperation of Japanese forces on multilateral missions or permitting assistance to international efforts such as mine-clearance.<sup>2</sup> In fact, the exemptions testify to the rigorous application of the export ban, as Japan felt obliged to announce exceptions even when merely providing non-lethal equipment manufactured for Japanese forces such as bulldozers, hydraulic shovels or bulletproof vests to other troops in multilateral missions. In 2004, Japan further announced that its cooperation on developing and producing missile defence equipment with the US would be exempted from the ban.

Despite these case-by-case exceptions, Japan essentially stuck to its 'virtual' arms export ban over the coming three decades. Consequently, Japan's defence industry was almost exclusively manufacturing for the Japanese Self-Defense Forces (JSDF).<sup>3</sup> This is illustrated by data on global transfers of major conventional weapons collected by the Stockholm International Peace Research Institute. Between 1981 and 2011, Japan's share in the global arms trade business was minuscule at less than 0.13 percent.<sup>4</sup>

## Shifting Japan's arms export policy

At the same time, however, from around the mid- to late-1990s, representatives from Japan's policymaking and defence industry community began to debate more substantial changes in the country's defence production and export policies (Hughes 2011). They worried that Japanese companies were falling behind in international competitiveness, given trends towards increasingly complex weapons technology and the high risks associated with the development of such systems (Official at ATLA, MOD 2016). In contrast to their international peers, Japanese companies were limited to the domestic market and thus unable to take advantage of economies of scale or risk-sharing through multinational development projects. At the same time, Japan's procurement budget was decreasing due to the country's economic stagnation and the one percent GDP cap on defence spending (Morimoto 2014). Concerns were amplified by the perceived deterioration of the regional security environment with North Korea's advances in missile and nuclear technology as well as China's rise in military capacities. Japanese specialists on defence and arms industry issues concur that the industry itself was not the key driver behind Japan's changing policies (Nishiyama 2016; Sato 2016; Watanabe 2016). As a main characteristic of Japan's defence sector, military-related production constitutes only a small share of corporate revenue (see discussion below). Moreover, the vast portion of this industry is concentrated within a small group of companies, most importantly Mitsubishi Heavy Industries (MHI) and Kawasaki Heavy Industries (KHI). With powerful conglomerates such as Mitsubishi and Kawasaki steering the course of Japan's industry, the Japanese federation of industry, Keidanren, gradually became supportive of a revision of arms export restrictions (Jo 2016). In the late 1990s and early 2000s, Keidanren called on the government to make clarifications and improvements within the existing policy framework, but from around the mid-2000s it called for a revision of Satō's 'Three Principles' to allow Japanese companies to participate in international research and development (Ōkawa 2016, 7).

This shift was apparently caused by Keidanren's growing concerns over economic difficulties faced by small and medium-sized enterprises that supply to conglomerates. Given their specialisation on niche technologies in the arms sector, these businesses in Japan's vertically integrated production networks depend on the industrial output produced by MHI and KHI. Some players—including those already involved in cooperative projects with the US—saw advantages in improving technological knowhow through international collaboration. Moreover, while defence-related sales make up only a small share of revenues for the vast majority of companies, some small- and medium-sized subcontractors are more reliant on such sales (Kantei 2010a). At the dawn of historic government change, Keidanren in July 2009 called for the establishment of a 'defence industry policy' (*bōei sangyō seisaku*) to halt this tendency and to support these businesses (Keidanren 2009). Having been hit hard by cuts in the procurement budget in the 2000s and facing the risk of bankruptcy, they were more open to pursuing international cooperation (Yomiuri Shimbun 2014). Keidanren's shifting attitude is not indicative of a common stance among Japanese companies in support of arms exports, however, as many in the industry continue to exhibit reluctance to pursue such opportunities (Mochizuki 2016a, 46–70).



Moves towards dismantling the export ban began in 2010–2011 under the government led by the DPJ, and thus before Abe's 2012 return to power. In fact, the DPJ was at least as interested as the LDP in loosening the arms export ban, despite the party's image as being 'weak' on defence issues (Hughes 2017, 9). Like the LDP, the DPJ leadership was concerned about an erosion of the defence industrial base and the consequent loss of strategic autonomy, given the severe budgetary environment and growing technological complexity. The US also put pressure on Tokyo for a loosening the ban, fearing delays in the planned deployment in Europe of missile defence equipment jointly produced with Japan (Sakaki 2013, 92). Eager to demonstrate Japan's commitment to the alliance following severe bilateral frictions over basing issues, the DPJ government and especially Defense Minister Kitazawa Toshimi signalled support for changes (Sharp 2010). A government initiated expert panel proposed to lift the ban on arms exports in its August 2010 report to Prime Minister Kan Naoto (Kantei 2010b). The subsequently issued National Defense Program Guidelines (NDPG) of December 2010 indicated the potential need for policy revision stating that 'it has become mainstream among developed countries to improve the performance of defense equipment and to deal with rising costs of equipment by participating in international joint development and production projects' and Japan would consider its response to this trend (MOD 2010, 18–9). The guidelines furthermore called for 'selection and concentration' in developing Japan's defense capabilities (Berkofsky 2012, 274–8; Murayama 2012). As such, the making of the 2010 NDPG constituted a critical juncture, not only in transforming the JSDF into a 'dynamic defence force' that is rapidly deployable, mobile and flexible, but also in shifting the course of Japan's arms export policy.<sup>5</sup>

Although the DPJ's Socialist coalition partner initially opposed revising the arms export ban, Defense Minister Kitazawa later established an expert panel within the MOD to advance discussion on the 'Three Principles'. The Study Group on Defense Production and Technological Basis offered its report in July 2011 proposing deregulation to maintain and increase the competitiveness of Japan's defence industry (Murayama 2012). Thus, while the 2010 NDPG did not specifically propose revisions of the arms export ban, Kitazawa stated that he and the DPJ 'provided the launch pad for the revisions' (quoted in Shinoda 2013, 199).

In December 2011, the DPJ-led government under Prime Minister Noda Yoshihiko announced comprehensive exemption measures, according to which exports would be dealt with outside Satō's 'Three Principles', if they were 'related to peace contribution and international cooperation' (including international missions for peace, disaster relief or anti-terrorism) or in cases of 'joint development and production of defense equipment etc. that contributes to Japan's security' (Kantei 2011). The statement argued that international development and production projects would allow Japan to upgrade its defence industrial base by 'obtaining [the] latest defense technology and reduc[ing] the costs.' The decision to allow Japanese companies to enter into multinational defence projects was an important turning point, with Keidanren's chairman Yonekura Hiromasa praising it as 'historic' (Nihon Keizai Shimbun 2011). One specialist even argues that the 'virtual' arms export ban consequently 'lost its force and was waiting for the last push' when the Abe administration took over (Sato 2014).

Despite the comprehensive exemption measures of 2011, Japanese companies continued to call for revisions, arguing that standards for export and collaboration decisions were

ambiguous. For example, Nishiyama Junichi, a retired representative of Mitsubishi Heavy Industries, argued that it remained unclear how Japan would judge if joint development projects contribute to Japan's security (Nishiyama 2012, 12). Keidanren also criticized ambiguous rules regarding third party transfers (Ōkawa 2016, 8). The Abe administration clearly declared its goal of making further policy changes in the National Security Strategy (NSS) and National Defense Program Guidelines, both issued in December 2013. The NSS argued that Japan should contribute more actively to international cooperation 'including through utilising defense equipment, and to participate in joint development and production of defense equipment and other related items' (Cabinet Secretariat 2013, 19). Emphasising Japan's complex geostrategic environment, the 2013 NSS identified arms exports as a key instrument to bolster Japan's regional role through the construction of new security partnerships and the strengthening of the US-Japan security alliance. The NSS thus pledged to define specific cases under which the transfer of defence equipment and technology (DE&T) can be authorised (Cabinet Secretariat 2013). The NDPG also called for widening the scope of exports and international cooperation to strengthen 'Japan's defense production and technological bases' and charged the Ministry of Defense with drawing up a related strategy (MOD 2013, 27).

Followed by deliberations by yet another expert commission chaired by University of Tokyo Emeritus Professor Kitaoka Shin'ichi, the Abe administration officially announced the overturning of the 'virtual' arms export ban in April 2014, replacing the previous principles by new 'Three Principles on Transfer of Defense Equipment and Technology' (Kantei 2014) (for an in-depth discussion of Kitaoka's influence on policymaking, see Matsuoka in this issue). Issued by the cabinet with accompanying implementation guidelines adopted by the newly established NSS, the new arms export posture explicitly refers to the 'complex security challenges' which require Japan's 'commitment to international cooperation' while declaring that Japan cannot achieve security and peace on its own but must use its national resources to 'play a more active role in international society'.<sup>6</sup> The geostrategic imperative of Abe's arms export policy is clearly formulated:

Based on the Three Principles on Transfer of Defense Equipment and Technology, the Ministry of Defense and Self-Defense Forces, in addition to contributing even more to peace contribution and international cooperation, will also actively cooperate with Japan's ally the United States and other countries in the area of defense equipment and technologies, and more proactively advance the measures required to maintain regional peace and stability and ensure Japan's defense. (MOD 2014, 329)

The first principle states that Japan will not export arms in three cases, namely when it would violate obligations under international treaties or agreements, violate UNSC resolutions, or when the transfer would be to a country party to a conflict and against which the UNSC is taking measures to maintain or restore peace in the event of an armed attack. According to the second principle, other exports are allowed, provided they strengthen the country's 'active promotion of peace contribution and international cooperation' or 'Japan's security' (MOFA 2014). Finally, the third principle maintains that transfers to third-parties are allowed when the aforementioned criteria are fulfilled and end-user control is ensured.<sup>7</sup> While the new 'Three Principles' put an end to the growing set of export exemptions by principally allowing arms-related exports unless specifically forbidden, Japanese export regulations are still restrictive by international standards (Morimoto 2015).



Following the ‘lifting’ of Japan’s ban on arms exports, a move broadly opposed by the Japanese public (Sakurai 2014), the MOD issued its ‘Strategy for Defense Production and Technology’ pushing for a shift from procurement of indigenous weapons systems to international joint development in order to lower costs of Japan’s weapons systems. Former Defense Minister Morimoto Satoshi welcomed these shifts arguing that ‘We make some excellent parts and subsystems, but if we intend to produce whole systems, like next-generation fighters, it’s impossible to develop these things on our own’ (quoted in Soble 2015).

### **Arms exports as a tool in Abe’s ‘pivot to Asia’ strategy**

Above, we have illustrated how recent shifts in Japan’s arms export policy have evolved amid heightened concerns about the deteriorating regional security environment and the perceived need to ensure adequate defence capabilities. In announcing policy changes, the Abe administration strongly emphasised policy continuity, for example by preserving the number of principles (three) and emphasising Japan’s ‘basic philosophy as a peace-loving nation’ (MOFA 2014). Anticipating a possible public backlash, the government furthermore replaced the term *buki* (arms) with *bōeishetsubi* (defence equipment) in the new principles. Representatives of the Defense Ministry insisted that Japan was not pursuing profits by expanding overseas sales, but that it needed to join efforts with international partners in developing complex and costly equipment (Official at ATLA, MOD 2016). In general, scholars and practitioners interviewed in the course of our research rejected the idea that arms sales are pursued as part of Abe’s economic revitalisation policies, known as Abenomics. By cooperating in international development projects, Japan also hopes to gain a greater say in setting out the specifications and requirements for new equipment (McNeill 2014).

In addition, the idea of using arms exports as a foreign policy tool has gained prominence under the DPJ-led government and especially under the Abe administration (Hughes 2018; Mori 2018; Nishiyama 2012; Official at ATLA 2016). By that logic, Japan can promote closer relations with like-minded countries and foster interoperability by engaging in defence equipment cooperation (Nishiyama 2012; Official at ATLA, MOD 2016). Thus Prime Minister Abe stated that ‘We need to review the three principles [on arms exports] because cooperation in military equipment must be part of Japan’s proactive peace strategies’ (quoted in Tajima and Uesaka 2014). In particular, the Abe government has sought to strengthen security relations with Australia, India and several Southeast Asian countries in what has become known as Japan’s ‘pivot in Asia’ (Samuels and Wallace 2018). In practice, Abe’s pledge in 2013 to restore a ‘strong’ Japan entails measures to diversify security relations beyond the traditionally strong dependence on the US, thereby offsetting China’s rising clout in regional affairs (Hornung 2014; Wallace 2018; 2019; Wilkins 2018). Towards that end, arms exports can serve as a ‘bonding agent’ with like-minded countries, according to Koda Yoji, former Vice Admiral of the Maritime Self-Defense Forces (Koda 2016). Summarising Japan’s motivations in cooperating with these countries in the arms sector, security expert Michishita Narushige states: ‘By providing arms to these countries, we can make money, we can balance China, and strengthen and institutionalize our partnerships and empower these countries. It’s a win-win-win situation’ (quoted in Pollmann 2015).

Australia was one of the first targets of Japanese efforts to deepen arms cooperation, with the objective of cementing the Japan-Australia security relationship. Given shared concerns about Chinese attempts to change the status quo in the South China Sea, Tokyo viewed Canberra as an attractive partner to form a 'quasi-alliance' (*jun-dōmei*) and counter China's influence in the Asia-Pacific region (Asahi Shimbun 2015a). In July 2014, the two countries signed an agreement concerning the transfer of defence equipment and technology. As Prime Minister Abe commented, he hoped that joint cooperation in that field would 'make the first cut engraving the special relationship' between the two countries (Abe 2014). To facilitate cooperation, both countries further established a Japan-Australia Defense Cooperation Office in the same year. Immediately following the issuing of Tokyo's new arms export principles and just before the visit of Prime Minister Tony Abbott to Japan on 5 April 2014, Abe announced his plans to promote the export of Japan's submarines to Australia (Nihon Keizai Shimbun 2014a). In 2015, with the Abe government taking the lead, Japanese companies formally entered into a high-profile bid to replace Australia's fleet of Collins-class submarines, offering to sell its Sōryū diesel-electric submarines jointly produced by MHI and KHI.

Although the Japanese government was eager to secure the deal with Australia as the country's first big overseas defence contract, its hopes were dashed in April 2016. Under the government of the Liberal Party's Malcolm Turnbull Australia announced the awarding of the submarine deal to the French company Direction des Constructions Navales Services (DCNS). Experts attribute Japan's failure to a number of factors, including Tokyo's lack of experience in international bidding processes (as well as resulting inadequacies in bureaucratic support to MHI/KHI during the bidding process), a mismatch in operational requirements, and the conflation of national security and industry interests (Gady 2016; Sukita 2016). Japanese manufacturers only reluctantly agreed to local production of the submarine, prodded by the Turnbull government which worried about the importance of shipyards as employers in Australia in anticipation of fierce competition from the Labor Party during upcoming federal elections (Kotani 2016). In addition, as approximately 1,400 companies are involved in the production of the Sōryū-class submarine, Japanese observers expressed concerns about a lack of government measures in place to protect intellectual property of critical technology in the process of arms transfers to Australia (Mochizuki 2016a).<sup>8</sup>

Japan has also sought to promote security ties and capacity building with Southeast Asian countries and with India through defence-related exports. For example, in 2015 Japan agreed to transfer ten patrol vessels to the Philippines, donated through its Official Development Assistance program, thereby improving Manila's maritime capabilities. In 2017, Japan furthermore decided to donate five TC-90 trainer aircraft to the Philippines to help bolster the country's ability to conduct patrols of the South China Sea (Nikkei Asian Review 2017). In December 2018, Japan offered to sell an air defence radar system to Manila (Tajima 2018). As Raymond Yamamoto notes in this issue, Japan's provision of patrol vessels and other equipment to Southeast Asian states can be seen as a form of 'quasi-military' assistance due to the role of coast guards in maritime disputes in the South China Sea (Yamamoto, this issue). Tokyo has also engaged in talks on transferring defence equipment and promoting technological cooperation with Vietnam, Indonesia, Thailand and Malaysia. The Abe government's push for arms transfers to Southeast Asia is flanked by training programs regarding Japanese arms technology

offered to regional military officials. For example, in June 2017 the Ministry of Defense hosted seminars for Southeast Asian military representatives as part of the Maritime Air Systems and Technologies Asia (MAST) show in Tokyo (Soble 2015; Wallace 2018, 890–1). Japan has also pushed for closer defence cooperation with India. As part of the India-Japan Vision 2025 that elevated the bilateral relationship to the status of a ‘Special Strategic and Global Partnership’ (MOFA 2015), Tokyo and New Delhi signed in 2015 an Agreement on the Transfer of Defense Equipment and Technology as well as an Agreement Concerning Security Measures for the Protection of Classified Military Information (Gady 2017). While talks on the sale of the US-2 amphibian aircraft have been bogged down for years, Tokyo and New Delhi announced their intention to push cooperation on military equipment forward in 2018 by beginning joint research in the area of unmanned ground vehicles and robotics (Siddiqui 2018). This serves to deepen Japan’s strategic cooperation with India in the context of its ‘Free and Open Indo-Pacific’ framework (MOFA 2017a).

In order to strengthen its own defence production and technological base, Japan is also seeking to foster cooperation on military equipment and technology with major European countries, which are seen as having competitive defence industries (MOD 2018a, 426). Cooperation with the United Kingdom has progressed since 2013, when the two countries signed a bilateral Agreement on the Transfer of Defense Equipment and Technology. The two countries concluded a joint research project on biological and chemical protection equipment in June 2017. Furthermore, based on a joint feasibility study of a new air-to-air missile, Tokyo and London announced in December 2017 that they would pursue the production of a prototype and initiate test-launching (MOFA 2017b). France and Japan have initiated a research project on the feasibility of developing a new unmanned sea-mine removal system. Tokyo is also discussing possible cooperation in the defence area with countries such as Germany and Italy (MOD 2018a, 426–7).

### **Coordinating the new policy: the institutional setup**

The new arms export principles do not fundamentally change the regulatory framework for arms exports and maintain restrictive standards in international comparison.<sup>9</sup> The NSC is charged with examining arms export decisions, while METI holds final authority in authorising Japan’s arms deals (Fukushima and Samuels 2018; Liff 2018). The new arms export policy also requires the NSC to announce critical export decisions and to report all arms export-related decisions to METI, which are then made public in the form of annual reports. While no precise deadlines are stated for NSC announcements, the new requirements may be seen as a first step to ensure a degree of transparency and accountability in Japan’s arms export policy (Nihon Keizai Shimbun 2014b).<sup>10</sup> However, defence industry insiders also point out that the government has sought to avoid providing specifics on arms transfers in its annual reports, fearing public debates about arms exports (Sakaki and Lukner 2017, 154).

In an attempt to ensure efficient coordination and oversight of Japan’s arms industry in joint-development and exports, the Abe administration established on 1 October 2015 the Acquisition, Technology, and Logistics Agency located within the Ministry of Defense. The new agency is staffed with approximately 1,800 personnel, among which 1,400 are civilians and 400 military officials. As such, ATLA helps to elevate the influence of military

personnel in deliberations (see also Schwenke, this issue), while centralising decision-making in close coordination with the prime minister's office (see also Yamamoto, this issue). ATLA is designed to integrate the MOD and Self-Defense Forces' equipment related divisions and to oversee development, procurement and export of new weapons systems. The agency sees its key task as fostering a domestic industrial defence base and enhancing Japan's 'technological deterrence' - thus building on the US's 'Third Offset Strategy' - and thereby improving Japan's 'bargaining power' within established security partnerships (Tamura *et al.* 2016, 18). At the same, ATLA promotes arms technology innovation through 'spin off effects' from private sector and university research (Nikkei Asian Review 2015).

Thus, as an essential element of accelerating Japan's arms technology development and thus presence on the international arms market, ATLA has pushed for new networks incorporating private sector small-and-medium enterprises and university research institutes to harvest new technologies for joint-development and exports. Inspired by the US Defense Advanced Research Projects Agency (DARPA) to stimulate innovative research on dual-use technology, Japan already in 2013 introduced the 'Impulsing Paradigm Change through Disruptive Technologies Program' (ImPACT), spending 55 billion yen over the span of five years (Asahi Shimbun, 29 September 2018). Although the program is not explicitly defence-related, Keidanren welcomed it as critical in advancing Japan's defence industry and the Abe government promoted it in parliamentary debate as an important measure to foster dual-use technology (Keidanren 2015; Shugjin 2014). As such, ImPACT has triggered broad criticisms among Japan's science community, as many feared a decay of the long-standing restriction on military research (Japan Scientists Association 2014).

To address the reluctance particularly among Japanese universities to participate in military-related research, in July 2015 the Abe government started a funding scheme targeted at universities and research facilities with a budget of up to 30 million yen for one project (thus exceeding MEXT project funding) (Asahi Shimbun 2015b). Government funding for arms-related technology provided by ATLA has since increased significantly from 300 million yen in 2015, to 600 million yen in 2016 (Mochizuki 2016a, 158), and to 11 billion yen for fiscal years 2017 and 2018 (Mainichi Shimbun 2017). During the same period, the number of applications for ATLA funding increased from 44 in 2016 (with ten projects receiving funding from the budget) to 104 in 2017 (with 14 projects receiving funding). However, in 2018 the number of applications decreased to 73, suggesting that universities remain hesitant to embark on military-related research (Mainichi Shimbun 2018). Reflecting such reluctance, the executive board of the Science Council of Japan, an influential scientific group, in March 2017 upheld its previous policy of discouraging university research on military-related research, calling on universities to set up systems for screening the content of research projects (Ikeuchi 2017). The Council called for 'prudent judgement,' warning that research results could be diverted for military application, contrary to the original intentions of scientists (Johnston 2018). Notwithstanding such concerns, universities, including high-ranked national institutions such as the University of Tsukuba, have applied for large-scale research funding through ATLA. Approved by its president, the University of Tsukuba was granted funding in 2019 of up to 2 billion yen (Shoji 2019). Illustrating a lack of consensus within the Japanese academic community, however, the university's official decision has triggered internal backlash and fierce criticism from academic and civic groups.

## Obstacles: business risks and reluctant public

Despite changes in policy guidelines and institutional arrangements, the government's attempts to strengthen the country's defence industrial base by facilitating international cooperation have so far only had limited success. While Keidanren (2015) supported the revision of the former 'Three Principles', Japanese companies have generally shown little enthusiasm for seeking joint development or export opportunities following the 2014 policy change, according to observers (Nishiyama 2016; Ōkawa 2016, 9; Sato 2016; Watanabe 2016). The bidding for the Australian submarine deal is a case in point. The bid was largely government led, with the two companies involved, MHI and Kawasaki Shipbuilding, only following along reluctantly. Reflecting this stance, both companies declined an invitation to join a gathering of top Australian naval officials and politicians in March 2015, with a representative of Kawasaki Heavy Industries stating that the 'sub issue is in the hands of Japan's Defense Ministry' (Kelly and Kubo 2015).

Japanese companies see a number of business risks in pursuing arms exports. One is related to the still prevalent public anti-militarism. In contrast to other countries with companies that make their revenue exclusively or predominantly from defence-related sales, Japanese firms tend to earn only a small share of their overall business in the military sector. Even leading defence contractors such as Mitsubishi Heavy Industries or Kawasaki Heavy Industries make less than 10 percent of their revenue from defence-related sales. Consequently, Japanese companies are cautious about the reputational costs of arms-related business that could jeopardise the civilian sales side (Morimoto 2014, 67). Indeed, scepticism about arms exports is prevalent among the Japanese public. For example, according to an April 2014 poll, only 17% percent of respondents supported the Abe administration's export policy change, while 77% opposed it (Asahi Shimbun 2014a). Nevertheless, another survey conducted in late 2015 for the Japan Association of International Security and Trade (Nihon Anzen Hoshō Bōeki Gakkai), which is linked to an organisation that represents Japanese industry, finds that public opinion may be less rigid than suggested by this poll. Firstly, it indicates relatively low public awareness with a majority of 57% of Japanese respondents saying they do not know about the new policy principles at all, while 31% say they recognise the name, and only 13% responding they know some of the contents.<sup>11</sup> Secondly, the survey also suggests that the Japanese public tends to look more favourably upon non-lethal equipment exports. Still, observers believe that revelations about a controversial export deal or misappropriation of exported equipment could quickly rouse the public's anti-militarist sentiments (Watanabe 2016). This broad opposition to arms exports is also reflected in the formation of the Network Against Japan Arms Trade (NAJAT) in late 2015. Mainly composed of academics and public intellectuals, NAJAT emerged in direct response to Abe's plans to export Japanese submarines to Australia, which as we have seen, was at the time the flag ship project under Japan's new arms export policy (Ikeuchi 2017).

Other risks also affect companies' general reluctance to embrace arms exports or international development cooperation. Competition on the global arms market is severe, with established exporters such as the US, France, Britain, Germany or Russia vying for market shares, while China is also increasing its sales of complex combat systems. A number of Japanese specialists and insiders concede that Japanese defence equipment is for the most part not competitive by international standards and is also not battle-proven and

thus less attractive for potential buyers (Former SDF official 2016; Ōkawa 2016, 10; Sato 2016). Fearing international competition, some Japanese companies may thus even prefer to continue operating in a closed-off domestic market (Nishiyama 2016). The defence industry is aware that the price tag on Japan's weapons makes them hard to sell on the oversupplied world market. As one industry representative argued, 'If you are a third world country, good enough is good enough (...). For many of these customers, cheapness overcomes quality and Japan is just not cheap' (Financial Times, 7 October 2016). In fact, negotiations over the possible sale of the patrol aircraft US-2 to India have been stuck due mostly to pricing issues (Rajagopalan 2019). International arms deals also carry significant risks such as possible cancellations, technology transfer, foreign currency fluctuations and payment defaults (Ōkawa 2016, 12). The possible transfer of intellectual property was one major concern of the Japanese companies in the bidding for the Australian submarine deal (Mochizuki 2016b, 95ff.).

Japanese industry representatives also continue to perceive uncertainty in decision-making standards and processes by the Japanese government (Ōkawa 2016, 12). They feel that government regulations make it difficult for them to act on their own initiative. This view was expressed by KHI's Takao Toshihide, who complained that 'Basically, it's impossible for us to just go out and sell things (...) It's a question of what the government wants to do. If the government doesn't make a move, we can't either' (Bloomberg, 14 June 2017).

Finally, Japanese companies as well as government officials are still inexperienced in international bidding processes and arms sales negotiations (Kotani 2016). The director of the defence sales division at NEC Corporation, for example, reflected such concerns, stating that 'in order to be able to take the initiative in international joint development projects, it is indispensable to foster the human resources with such skills as in negotiation and in the engineering of weapon platforms' (Ōkawa 2016, 10–1).

To address these concerns, in 2015 the Abe administration established an expert panel on the Problems Related to Defense Equipment and Technology Transfer. The panel's final report included proposals for financial support for arms manufactures, financial support to developing countries seeking to import Japanese arms, legal measures to protect intellectual property rights, and trade insurance to offset the risks for Japanese manufactures involved in international arms export deals (MOD 2015). Overall, however, the unfolding dissent between corporate sector and the Abe government exposes the fact that the changing arms export policy is predominantly a response to perceived geostrategic challenges, while lacking a clear industrial strategy. In September 2015, the Keidanren executive committee released a statement arguing for a 'national strategy' in advancing arms exports (Keidanren 2015), reflecting companies' uncertainty with the Abe administration's approach.

### **Whither Japan: from 'peace state' to 'arms broker'?**

We have shown that the Abe administration conceives of arms exports and related cooperation as an important instrument of its national security strategy. Under the evolving doctrine of 'proactive contribution to peace', an emerging 'Realpolitik Japan' (Pugliese and Patalano, this issue) has sought to use arms exports and defence cooperation both to improve the competitiveness of its own defence sector and to build new and deepen



existing security partnerships. Abe has utilised arms-related cooperation to cement security ties with the US ally as well as with Australia, India, Southeast Asian countries and partners in Europe. Japan also seeks to assist in capacity building by supplying defence equipment and technology to countries in the Asia Pacific, thereby balancing China's rise. Furthermore, we have shown that moves to loosen Japan's virtual arms export ban already began during the DPJ government and thus before Abe's return to power. Nevertheless, the Abe government has pursued adjustments in arms export policies more vigorously and at a faster pace. As Raymond Yamamoto shows in this issue, changes under Abe in Japan's official development assistance policy similarly have built on reforms initiated by previous administrations, including the DPJ.

Seeking to concentrate and coordinate policymaking, the Abe administration has established ATLA as the central institution responsible for arms exports and technological cooperation. Given that various ministries remain involved in this policy field (MOF, MOD, METI), the role of the NSC as an actor in Japan's national security system is likely to increase to avoid inter-agency dispute. In line with the findings of other studies in this issue, Japan's policymaking is thus increasingly characterised by top-down processes (see in particular Oren and Brummer; Yamamoto in this issue). Under Japan's new arms export policy, the role of uniformed MOD and JSDF officials is likely to increase as decisions on arms exports, development and acquisition require high levels of expertise (see also Schwenke, this issue). Despite efforts to centralise policymaking and to use arms exports as a foreign policy instrument, Japan's defence companies complain about a lack of government support as well as continued uncertainty about decision-making standards, however. Given persistent fears of being branded as a 'merchant of death' as well as other business risks, companies have continued to show reluctance to pursue arms exports. At the same time, however, budgetary constraints will likely set limits for Japan's defence procurements in the coming years, and hence companies may increasingly feel compelled to seek opportunities beyond the Japanese market if they want to remain in the defence production business. ATLA's attempts to encourage academics to participate in dual-use technology research were also met with limited success, with several universities prohibiting military-related research.

The new National Defense Program Guidelines of December 2018 continue to emphasise the importance of fostering a domestic defence industrial base with international competitiveness as an 'essential foundation for the production, operation, and maintenance of defense equipment' (MOD 2018b, 25). They also pledge 'whole-of-government efforts to promote appropriate overseas transfer of defense equipment.' Nevertheless, the new defense guidelines and the accompanying procurement plan seem to signal a shift in Japanese policy towards greater emphasis on capability relative to industrial capacity. Deeply worried about the military balance in Northeast Asia, the Abe administration is opting for major off-the-shelf purchases in military equipment from the US, for example procuring an additional 105 F-35 fighters. Thus, while Japan's defence spending is rising, a large portion of the budget is allocated to procurement from the US, limiting the orders given to domestic companies. This may accelerate a recent trend among Japanese arms producers to scale down or even exit the defence business (Sakaki 2015, 20). For example, Komatsu decided in February 2019 to discontinue the development of light armed vehicles for the SDF due to a low volume of orders (Asada and Nishioka 2019).

Given the obstacles discussed in this article, it remains unlikely that a ‘Realpolitik Japan’ will become an exporter of major weapons systems. Rather, it is more likely to focus on less prominent deals to supply components of arms, which cause less public controversy. The export of non-lethal equipment, such as surveillance planes and patrol boats, is also likely to find more acceptance among the anti-militarist public. Moreover, Japan is likely to emphasise joint development of defence equipment by cooperating with the US and other partners.

## Notes

1. Nevertheless, many policymakers perceived value in maintaining an indigenous defence industry base to ensure some level of autonomy; see, for example, Samuels (1994), Green (1995), and Hughes (2018).
2. For a complete list of all exemptions, see Kutsutake (2015, 59–61).
3. The top Japanese defense contractors listed by SPRI’s top 100 arms-producing and military services companies are Mitsubishi Heavy Industries (MHI), Kawasaki Heavy Industries (KHI), and Mitsubishi Electric Group. In addition, among Japan’s largest defense contractors are Ishikawajima-Harima Heavy Industries (IHI), NEC Corporation, Toshiba, Fujitsu, and ShinMaywa.
4. Calculated based on data retrieved from SIPRI Arms Transfer Database, available at [http://armstrade.sipri.org/armstrade/html/export\\_toplist.php](http://armstrade.sipri.org/armstrade/html/export_toplist.php).
5. The authors are indebted to Tomohito Shinoda for drawing attention to the importance of the drafting process of the NDPG under the DPJ-led government.
6. See Ministry of Defense ‘Three Principles on Transfer of Defense Equipment and Technology’ (in Japanese) (1 April 2014), available at [http://www.mod.go.jp/j/press/news/2014/04/01a\\_1.pdf](http://www.mod.go.jp/j/press/news/2014/04/01a_1.pdf) (accessed 3 June 2020).
7. It is worth noting that in the initial draft of the new arms export principles the notion ‘parties to conflict’ (*kokusai funso no tojikoku*) was omitted in order to allow for the transfer of parts of the F-35 jet to Israel as part of the Automatic Logistics Global Sustainment (ALGS) technology supply chain. However, the phrase was reinserted as the Abe government’s coalition partner Komeito expressed concerns over ambiguous definitions and screening mechanisms of the arms export policy, see Asahi Shimbun 2014b.
8. Japan reiterated its willingness to sell its submarines to Australia in October 2018, when news emerged about difficulties in the Australian-French negotiations on a strategic partnering agreement, which is needed before detailed design contracts can be finalised and submarine construction begins (Gady 2018).
9. For a comprehensive account on the development of Japan’s arms export regulation see Morimoto 2011. The legal bases for Japan’s arms export control is the Foreign Exchange and Foreign Trade Act (*gaitame-hō*) enacted in 1949. Article 25 of the trade act covers the export of technologies and Article 48 the export of goods. The regulation of arms exports is substantiated by two cabinet orders, i.e. the Export Trade Control Order (ETCO) which refers to controlled goods used by military forces in combat, and the Foreign Exchange Order (FEO) which refers to controlled technologies used to produce weapons systems.
10. The annual reports are available at <http://www.meti.go.jp/press/2015/10/20151015007/20151015007.html>.
11. See Matsumura 2016. The survey distinguishes between surveyed adult company employees and university students. The numbers cited here are for the group of company employees.

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