



Japan's policy shift: arms and transfers

by Eva Pejsova and Zoe Stanley-Lockman

Japan's re-emergence as a 'proactive contributor to peace', in line with Prime Minister Shinzo Abe's new foreign and security policy, is gradually acquiring a more concrete form. When Japan lifted its historic ban on arms exports in April 2014, many were pessimistic about its capacity to become a fully-fledged actor in the arms market, given its lack of experience, especially after Tokyo's failed bid to sell its Soryu-class submarines to Australia. Realising the bumpy road ahead, Japan is now targeting more realistic, near-term arms transfers in two ways: by strengthening military ties with countries in South and South-East Asia, and by deepening cooperation with the US and its allies through technology transfers. The current request of the Defence Ministry for a record-breaking budget for the 2017 fiscal year to boost investment in military technology, as well as the price concession made in the nearly completed sale of its US-2 amphibious aircraft to India, are the latest examples of Tokyo's determination and flexibility in this regard.

Arms exports and technology transfers are part of Tokyo's broader security policy for the region – aimed first and foremost at maintaining the *status quo*. The current strategic dynamic has been swayed by the military rise of China on the one hand, and the underwhelming US 'rebalance' to the Asia-Pacific on the other. In the current climate of heightened tensions, especially in the East and South China Seas, Japan – as is the case with various South-East Asian countries – is increasingly eager to develop its own defence capabilities and to increase regional

military cooperation. The fragile security environment leaves a power vacuum that Japan aims to fill, albeit cautiously, by strengthening its position as a regional security provider, while staying below the threshold of conflict.

Ploughshares and swords?

While the Japanese Constitution still limits military action to purely defensive purposes, building stronger security ties with like-minded democracies in the region through technology transfers is a way for Tokyo to achieve its primary goal of counterbalancing China. Indeed Prime Minister Abe has stated his intent to 'combine' Official Development Assistance (ODA) loans, capacity-building measures and defence technology cooperation in South-East Asia. The conflation of these three items in Japan's 'assistance menu' shows how arms transfers are utilised to 'proactively' contribute to peace.

A case in point is the Philippines, with which Tokyo signed a defence equipment transfer agreement in March 2016. But transfers began prior to that – not as foreign military sales, but as ODA loans. Already in December 2013, Japan committed to leasing five patrol aircraft to the Philippine Coast Guard (PCG) as part of its bilateral Maritime Safety Capability Improvement Project. In August of this year, Japan delivered the first of a ten-vessel donation to the PCG, to be used to defend its claims in the South China Sea after its victory in the Permanent Court of Arbitration (PCA) ruling. Despite the announced

shift by the Philippines' President Duterte away from the US and closer to China, the two parties reiterated their commitment to deepen defence ties during the recent vice-ministerial defence meeting in September. The Philippines is not the only recipient of Japanese military equipment: an August 2014 ODA package to Vietnam included six second-hand patrol vessels, and talks are allegedly currently taking place to sell Hanoi second-hand P-3C anti-submarine aircraft as an alternative to more expensive US equipment.

Such donations and loans constitute a creative way of transferring military equipment. Leasing and donating equipment under the guise of an ODA agreement allows the two countries to frame the transfer as development-related or capacity-building measures instead of a direct affront to China, with which both the Philippines and Vietnam are currently engaged in territorial disputes. ODA rules prohibit military use, but the loans – which can include training, maintenance and other assistance – seem a solid baseline for further transfers in the future. This allows Japan to present itself as a more even-footed partner, and therefore a more attractive candidate when other South-East Asian countries seek to procure new equipment down the road.

This said, South-East Asian countries will always weigh procurement of Japanese equipment against opportunities to cultivate their lasting ties with the US. Perhaps in the years to come this means that Japan will join the ranks of the few countries whose arms exports are based on more than just single deals or single customers. But the implicit irony is that in selling second-hand equipment, Japan does little to alleviate the original concerns that led Prime Minister Abe to lift the ban on arms exports: this will not generate cost reductions of newly designed and developed equipment, nor will it significantly increase demand for cutting-edge Japanese military technologies.

An ally of an ally is a customer

Becoming a more prominent player in the defence market – a long-awaited and welcome move in Washington – is also a way for Japan to contribute more substantively to its alliance with the US. Even before the ban was lifted, nearly all exceptions were made to strengthen the alliance between the two countries, including co-development and logistical assistance. The proposed defence budget of \$51 billion for 2017 (a rise of 2.3 % compared to the current fiscal year) should allow Japan to upgrade its PAC-3 missile defence system and to buy new F-35 stealth fighters from the US. Finally, Tokyo's recent decision to launch a major international tender for the construction of about 100 fighter jets to bolster

its air defence will offer Japan an opportunity to cooperate – or potentially even jointly procure – with key allies on fighter components to an even greater degree than was seen with the F-35 and F-2. If, as is suspected, Tokyo selects a US prime contractor, then defence industrial cooperation between the two allies may become more of a two-way street: already in June 2016, Japan became the first Asian country to sign a Reciprocal Defense Procurement Memorandum of Understanding with the US, which removes barriers to Japan entering the US market.

The long-term strategic ambition is to maintain military superiority over China among key US allies in the region, with India and Australia at the forefront. Security cooperation with India has been enhanced significantly since 2014. Tokyo's recent agreement to reduce the price of its US-2 amphibious aircraft destined for the Indian Navy is vital to Japan clinching its first major foreign military sale since the Second World War. When officially signed, the 12 Japanese maritime surveillance airplanes worth an estimated \$1.6 billion will be deployed by 2020 to patrol the Indian Ocean, and possibly even further east, as part of India's 'Act East' policy. The move is of strategic importance for bilateral ties, as well as for the broader security dynamic in the Indo-Pacific. Conceived as a direct response to China's construction of the world's largest amphibious airplane, the AG-600, it underlines the clear common goal of countering Beijing's military influence – both in East and in South Asian waters. Also, it highlights the growing strategic trust between Japan and the US' partners in the region, which goes well beyond trade and economic benefits.

A new policy for the *status quo*

Needless to say, Japan's new arms transfers raise important concerns in Beijing, which portrays its neighbour's rising ambitions as aggressive and destabilising for regional security. In addition to Japanese military equipment now being used in the East and South China Seas, international cooperation on key technologies – as will be the case with India and other allies in the years to come – is another way forward for Japanese defence technologies to come down on price. Both forms of transfers demonstrate that Tokyo, while treading a tightrope between asserting itself and not directly affronting the regional behemoth, has strategic – rather than purely economic – ambitions at heart: assuring its seat at the table as a key actor in maintaining the regional *status quo*.

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