

# **Joint Statement on Defense Industry Cooperation between Japan and the United States**



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*Defense Production Committee, KEIDANREN  
Aerospace and Defense Committee,  
American Chamber of Commerce in Japan*

## Introduction

Japan and the United States have built a strong relationship based on the U.S.-Japan Security Treaty and, at present, have a historic opportunity to work together in the area of development and production of defense equipment. Joint operations during Operation Tomodachi after the Great East Japan Earthquake demonstrated the strength of the Alliance. The June 2011 "Two plus Two" statement acknowledged that closer cooperation in equipment and technology is a fundamental element of a strong alliance. Both governments are reforming their export control policies, while recognizing the pressure on defense budgets in Japan and the United States – despite the continued need to modernize defense capability. These factors and others open the door for increased cooperation and partnering between the Japanese and U.S. defense industries. In particular, the revision of the implementation policy of the Three Principles on Arms Exports, commonly known as the '3Ps,' in late 2011 represents significant progress in providing a more supportive environment for cooperation between U.S. and Japanese defense industries (For an explanation of the 3Ps, please visit: <http://www.mofa.go.jp/policy/un/disarmament/policy/index.html>).

In this changing environment, in late 2011 representatives of the Japanese and U.S. defense business groups in Japan, the Defense Production Committee of the Japan Business Federation (KEIDANREN) and the Aerospace and Defense (A&D) Committee of the American Chamber of Commerce in Japan (ACCJ) initiated a dialogue on strengthening and enhancing Japan-U.S. defense cooperation. Both groups agreed to summarize the issues for industrial cooperation from their viewpoints after the revision of the implementation of Three Principles on Arms Exports.

This joint statement aims to help both governments better understand our industries' perspectives on bilateral defense cooperation. The groups hope this will contribute to even closer defense collaboration between Japan and the United States, enhancing capability and more efficient procurement of defense equipment for both nations. We are committed to working tirelessly toward these objectives to the benefit of both countries.

### Background

KEIDANREN's Defense Production Committee (DPC) has long worked to strengthen Japan's defense technology and industrial base, including by researching domestic and overseas defense industries and issuing policy proposals regarding arms export controls, procurement systems and other relevant issues. The ACCJ's A&D Committee has long endeavored to enhance technology collaboration between U.S. and Japanese industries for the benefit of developing and producing more capable and affordable defense equipment for both countries.

Japan's December 2010 National Defense Program Guidelines direct Japan's Ministry of Defense (JMOD) to respond to the challenges of improving performance and controlling rising costs by emphasizing

international joint development and production. After one year, the Government of Japan released a policy statement on December 27, 2011: "The Guidelines for Overseas Transfer of Defense Equipment, etc." These revised guidelines permit the overseas transfer of defense equipment under certain conditions by allowing comprehensive exemption measures under the Three Principles on Arms Exports.

Specifically the new guidelines allow defense industrial cooperation, which had previously been limited to joint research of defense technologies and development and production of Ballistic Missile Defense (BMD) systems with the U.S. to be expanded to international joint development and production of defense equipment under three conditions: 1) each partner country is in a cooperating relationship with Japan in the security area; 2) the joint development and production with such country contributes to the security of Japan; and 3) the overseas transfer of defense equipment will be allowed as long as strict controls are in place, i.e., each country participating in the project is obliged to obtain prior consent of the GOJ when pursuing use of the equipment for other than the original intent or transfer of the equipment to a third party.

The KEIDANREN DPC and the ACCJ A&D Committee support the issuance of these new guidelines as a significant policy action. Both parties studied the relevant issues in order to build a concrete cooperation framework, based on four basic models of international defense cooperation, described as follows.

#### Framework for Japan-U.S. Defense Industry Cooperation

##### (1) Importance of joint development and production

Our Committees recognize the importance of cooperation in development and production of equipment and technology at the industry, as well as the government, level. There are many types of

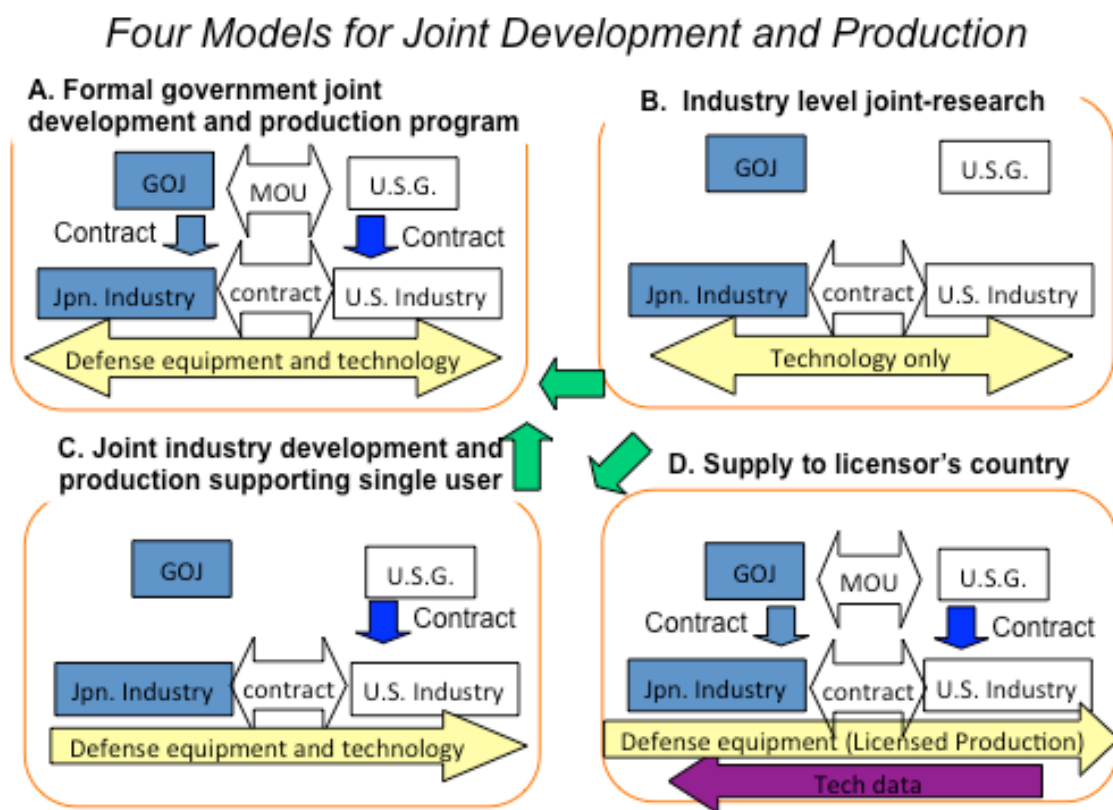
such cooperation, from the preliminary study of basic technology to the development and production of defense systems and equipment. In light of the broad scope of potential Japan-U.S. defense cooperation, our Committees have identified four basic models that we believe capture the industry's key perspectives and help to identify the major issues for both governments and industries. We propose that both governments take into account these four models (and consider the relevant issues associated with each) when planning for enhanced bilateral defense cooperation, and when designing policies for facilitating that cooperation.

**Model A** is a formal joint development and production program established between both governments, similar to the U.S./Japan BMD/SM-3 joint-development program. Equipment would be delivered with the intent to be offered for operational use by either or both nations. Both nations conclude a Memorandum of Understanding and follow it when promoting the program. Model A can be regarded as the ideal form of cooperation in equipment and technology.

**Model B** is early stage research collaboration between industries to study future defense technology. While the expectation would be that the research could lead to joint development and production, like Models C and A, it is not pre-determined that the technology resulting from such research collaboration will be applied to a specific future system. In Model B, no Memorandum of Understanding is needed because the contract relationships only involve the commercial companies.

**Model C** is industry collaboration in support of a single government program established by one national government. For example, Japanese industry might supply parts to U.S. company providing products in a U.S. government program. No Memorandum of Understanding is needed in Model C.

**Model D** is the case where a licensee supplies defense equipment in response to a request by the licensor's country. This includes the case, for example, in which the licensor's government has already ended the production line for certain defense equipment, but wishes to continue to procure such equipment. Both nations conclude a Memorandum of Understanding in the case of licensed production.



All four models are considered to contribute to enhancing defense technology development, sharing of costs, and strengthening of both countries' defense industries.

(2) Issues for joint development and production.

For each model of cooperation, the following concerns will require government policy determinations:

## 1. Strict control of use for other than the original intent and third-party transfer

In every Model from A to D, strict control of transferred Japanese defense equipment and technology is necessary, and the prior consent by GOJ is needed in the case of use for other than the original intent or a third-party transfer. Therefore, the following are necessary:

(i) Assurance of adequacy of technology control laws and enforcement practices by destination countries and an arrangement for prior consent by the GOJ in the case of use for other than the original intent or a third-party transfer. (U.S. policies already exist for export of U.S. technology)

(ii) Determining proper authorities and responsibilities of government agencies

Especially in Models B and C where no bilateral agreement exists, something like an exchange of notes (EON) may be necessary to formalize agreements when the prior consent by the Government of Japan is necessary in the case of use for other than the original intent or a third-party transfer

## 2. Defense equipment contributing to Japan's security

In Models B and C, the Japan Self-Defense Forces (JSDF) have not decided yet whether to adopt such item or technology, so it is not clear whether the condition of the comprehensive exemption "contributing to the security of Japan" has been satisfied.

It may be possible for GOJ to establish an exemption based upon potential use by JSDF in the future. Furthermore, GOJ may

interpret “Contributing to the security of allied countries or international community” as falling within “contributing to Japan’s security.”

Apart from the above issues, the members of both the Keidanren Defense Production Committee and the ACCJ A&D Committee intend to continue to look for ways to cooperate on future technologies or at the parts/sub-system level. Principles governing the export of defense equipment and technology, however, must be established by the clear, written policy of each government – taking into consideration the nation’s security policy, contribution to international security and diplomatic considerations, as well as how to strengthen such country’s defense industrial base. Except where the governments have established a formal co-development project (model A), or licensed production arrangement (model D), industry cooperation would naturally be limited to research (model B) or parts/sub systems production (model C). Because of the importance of controlling military technology, all models would be subject to government regulation.

We are looking forward to the release of the Japanese defense production and technological strategy which will indicate the basic policy concerning indigenous production and international joint development and production for each type of equipment. The Japanese and U.S. defense industries stand ready to assist in any way to create a policy path that will lead to greater opportunities for joint development and production of defense equipment, and for strengthening both countries’ defense technology and industrial base in a way that is consistent with sound information security, will enhance both industries’ competitiveness and is based on the guidance of both governments.