



ADVERTISEMENT

Japan Strives To Overcome Defense Industrial Base 'Crisis'

Jun. 24, 2012 - 12:04PM | By PAUL KALLENDER-UMEZU | [Comments](#)

[Recommend](#) Confirm [7](#) [Tweet](#) [4](#) [+1](#) [0](#) [Email](#) [Print](#) [Share](#) [A A +](#)

FILED UNDER

[World News](#)
[Asia & Pacific Rim](#)

TOKYO — Japan's defense industrial base, facing years of declining spending and export restrictions, faces a "crisis" and must urgently restructure in conjunction with Defense Ministry leadership, according to results of a six-month study.

The report, "Towards Formulation of a Strategy for Survival," released by the MoD's Defense Production and Technology Base Research Committee, notes that damage done by a half-century ban on weapon exports combined with decreased annual defense spending have left Japan's defense industry in a parlous state.

Japan's defense budget has sagged to 4.64 trillion yen (\$58.7 billion) this year from 4.87 trillion yen in 2004, and helped force 102 small- and medium-sized companies out of Japan's defense market.

Adding to the problems is the plight of internationally recognized major contractors, who were sheltered by the arms export ban that was only lifted in December and accustomed to dealing with piecemeal procurement by their sole customer, the MoD. These companies are unable to compete in an international market dominated by global companies shaped through 20 years of megamergers and consolidation.

The report abuts Japan's 2010 Mid-Term Defense Program, Japan's latest five-year defense policy, which urges creation of a more dynamic and flexible military to support the U.S. as a more

ADVERTISEMENT

ADS BY PULSE 360

[AdChoices](#)

OVERSTOCK 52" TVs: \$49.53

Get a 52" LED TV for \$49.53. Limit One Per Customer. Grab Yours Now! www.bidcactus.com

Get Athena Pheromones For More Affection

Add to your fragrance-Biologist Winnifred Cutler's unscented formulas. www.athenainstitute.com

The New "Skinny" Pills

Transform your Body Fast with These 5 Proven New Fat Busters. www.DietRatings.org

Subscribe to Defense News e-Newsletter

Let us help you get caught up on the news. Sign up for the [Early Bird Brief](#) and/or [Daily News Roundup](#). Delivered daily, via email.

More Headlines from Asia

[Report: Taiwan, U.S. to Ink Fighter Radar Deal in July](#)

June 25, 2012



[Missteps Plague South Korean Fighter Jet Contest](#)

June 23, 2012

[Japan Passes Law Permitting Military Space Development](#)

June 22, 2012

assertive China and unpredictable North Korea potentially raise tensions in East Asia.

"I have been saying that we needed to reform for the last 20 years. I think there is general agreement among the MoD and defense industry people that the industry is in crisis and without reform it will be impossible to establish the kind of dynamic defense forces envisaged in the [2010] Defense Guidelines," said Yuzo Murayama, a professor at Doshinsha University's Business School. He was one of nine outside experts from business, academia and industry the MoD included on the investigative panel.

The report recommends the MoD work with industry to focus research, development and production in areas where Japan has a technological edge or can leverage its capabilities for international sales, while restructuring its business practices.

Working with the MoD, conglomerates such as Mitsubishi Heavy Industries, Mitsubishi Electric, IHI, NEC, Toshiba and Fujitsu — for whom defense production is a fraction of their global business — should consider alliances or mergers of business units to improve efficiencies, stop overlaps, and pool production and R&D resources, the report said.

Industry, in consultation with the MoD, also should focus on what specific technologies and products it should produce domestically and those they should license, using non-defense product commercial know-how. A similar selection and refocus should occur to boost international research and development with partner companies, countries and consortiums, according to the report.

"Japan is suffering from what is often called the 'Galapagos syndrome' of isolation from global markets," said Christopher Hughes, professor of International Politics and Japanese Studies, University of Warwick.

"Japan has to do something or else they will lose their defense industrial base, and especially the smaller SMEs [small and medium enterprises], and will lose their vaunted autonomy in defense production [or at least breakout capability for autonomy] and thus strategic leverage on the U.S. and any independence left in the destiny of their own security policy," Hughes said.

The report recommends the MoD establish and lead an evaluation committee of independent experts to begin the process of consultation with industry, Murayama said.

The report is vague on specifics, leaving key decisions to the MoD and industry, leading to concerns about implementation, particularly regarding industry mergers and consolidation.

"We could not reach the agreement on this point," Murayama said. "I personally think that restructuring is necessary since the number

Taiwan Helo Buy Still Raises Political Questions

June 21, 2012

S. Korea 'Could Delay' \$6.9B Fighter Competition

June 20, 2012



ADVERTISEMENT

of companies is simply too many compared with the market size [in comparison with the U.S. and European situation]. However, industry has different opinions sometimes," he said. Since defense industry profitability is low, it does not make sense to gather those low-profit companies and establish mega-companies, he said.

MoD press officer Takaaki Ohno said the MoD has prioritized the issue, but the timing and specifics of implementing the recommendations have yet to be ironed out.

Satoshi Tsuzukibashi, director of the Office of Defense Production Committee at Nippon Keidanren, Japan's most powerful industrial lobby, which was represented on the committee, said Keidanren looked forward to working with the MoD but that business decisions, not industrial strategy, would guide future actions.

"Some insist that mergers are necessary for companies in the defense industry, but others say that individual companies should be able to utilize their own synergies with non-defense products better," Tsuzukibashi said. "We expect the [next committee] to reflect our opinions."

"The most interesting question is what options Japan has," Hughes said.

"Some [companies] are just going for more work with the U.S. and accepting a perceived inevitability of acting as subcontractors for the larger U.S. conglomerates. Others are talking about withdrawing and just concentrating on one or two sectors with some collaboration. Others yet seem to think that Japan can more or less go on as it is with more international collaboration with the U.S. but also to counterbalance this with working with the Europeans, especially the British and French," Hughes said.

f Recommend Confirm 7 Tweet 4 +1 0 [Email] [Print] [Share]

[View Comments](#) | [Share your thoughts](#) »

SUBSCRIBE!



[Login](#) to This Week's Digital Edition

[Subscribe](#) for Print or Digital delivery today!

EXCLUSIVE EVENTS COVERAGE

In-depth news and multimedia coverage of industry trade shows and conferences.

TRADE SHOWS:

- [Eurosatory 2012](#)
- [Farnborough 2012](#)
- [Paris Air Show 2011](#)

CONFERENCES:

- [11th Annual C4ISR](#)



[Sign-up](#) to receive weekly email updates about Vago's guests and the topics they will discuss.



The Industry Hub from Gannett Government Media provides comprehensive coverage of sourcing strategies for government, defense and military. Get access to latest research, reporting and analysis of topics from the industry's leading providers.

[Sign up](#) for complimentary access anytime, anywhere.



ADVERTISEMENT

DefenseNews

[Site Map](#) | [Back to Top](#) ^

[HOME](#)

[WORLD NEWS](#)

- [Americas](#)
- [Asia & Pacific Rim](#)
- [Europe](#)
- [Middle East & Africa](#)

[C4ISR](#)

[News](#)

[Features](#)

[Conferences](#)

[TOPICS](#)

[Air](#)

[Land](#)

[Sea](#)

[Budget](#)

[Policy](#)

[Business](#)

[Technology](#)

[Commentary](#)

[Logistics](#)

[TRAINING & SIMULATION](#)

[News](#)

[Features](#)

[VIDEO](#)

[Video Network](#)

[Defense News TV](#)

[AFJ](#)

[FOLLOW US](#)

 [Twitter](#)

 [Facebook](#)

 [RSS](#)

Services: [Customer Service](#) | [About](#) | [Contact Us](#) | [Site Map](#) | [E-Newsletters](#) | [Register](#) | [Subscribe](#) | [Renew](#) | [Advertising](#)

Users of this site agree to the [Terms of Service](#), [Privacy Notice/Your California Privacy Rights](#), and [Ad Choices](#)

GANNETT

All content © 2012, Gannett Government Media Corporation