5. Japan

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I. Introduction

In spite of the relatively high value of Japan's arms procurement, very few comprehensive analyses of its arms procurement decision making have been published by Japanese scholars or experts, mainly because of a political culture of 'defence allergy' that is particular to Japan.[1] This was the first barrier that this study of Japanese arms procurement decision making had to overcome. The SIPRI project is the first ambitious attempt to mobilize Japanese experts, particularly from the Japan Defense Agency (JDA), its think-tanks and the defence industry, to provide information on the Japanese arms procurement decision-making process.

The post-World War II period witnessed a political and ideological controversy in Japan over the legality of the Self-Defense Forces (SDF). Left-wing parties such as the Japan Socialist Party (now renamed the Social Democratic Party) and the Communist Party claimed that the SDF were fully-fledged military forces and therefore against the spirit of Article 9 of the Japanese Constitution, according to which Japan renounced wars and recourse to armed force to resolve conflicts. For decades the dispatch of the SDF abroad was prohibited because it could have led to a revival of Japanese militarist sentiment.[2]

Domestic controversy over these issues led to a highly charged ideological debate between the conservative Liberal Democratic Party (LDP)-led governments of the years 1955–93 and the parties in opposition. Since security issues were so controversial, there was no forum for discussion of such matters in the Japanese Diet until 1991, when the House of Representatives finally established

[1] Two of the few works on Japanese defence decision making by Japanese scholars are: Hirose, K., *Kanryo to Gunjin* [Bureaucrats and military men] (Iwanami: Tokyo, 1989); and Muroyama, Y., *Nichibei Anpo Taisei* [Japanese–US security cooperation] (Yuhikaku: Tokyo, 1992).

[2] Under a coalition government, however, even former Prime Minister Tomiichi Murayama of the SDP clearly stated in 1994 that the SDF were constitutionally legal. Furthermore, the government did not regard the SDF's participation in UN peacekeeping operations as 'military actions'.

[*] The author wishes to thank Professor Hisao Iwashima for supervising the study in Japan. She would also like to thank the experts who contributed the papers which formed the basis of the chapter and source material. See annexe C for the biographical details of the contributors. This chapter is based largely on the papers presented at the workshop held in Tokyo in October 1994. The author also held follow-up interviews with some of the contributors in Tokyo in September 1995 and interviewed Kensuke Ebata in Stockholm in November 1995. The interviews were carried out with the support of the Grant-in-Aid for Scientific Research, the Japanese Ministry of Education and the Toyota Foundation.

the Standing Committee on Security. These circumstances led the JDA to develop a defensive and introvert posture in order to avoid being drawn into ideological conflicts, which in turn contributed to an attitude of excessive secrecy.

The JDA, which was established in 1954, does not have the status of an autonomous ministry. Its position is that of a secondary-level state agency in the overall national security bureaucracy. Many senior officials are seconded to the JDA from the Ministries of Foreign Affairs (MoFA), Finance (MoF), and International Trade and Industry (MITI) in key decision areas such as policy planning and arms procurement.[3] This organizational feature, derived from a legacy of militarism and foreign military occupation (1945–52),[4] has reduced the JDA's autonomy. Various political, ideological and bureaucratic constraints limit the JDA's influence in overall national security policy making.

In general, arms procurement decision making in Japan is well formulated, well organized, and run smoothly and precisely by a well-established bureaucracy. However, rationality and efficiency are only evident within a limited range of administrative procedures.[5] Just as sociologists distinguish between formal/informal or rational/irrational aspects of the same phenomenon, this chapter shows that Japanese arms procurement decision making has another side. It identifies some of its less well-known and less rational aspects.

The administrative aspects of defence planning (arms procurement and budgeting) and industrial activities (defence research and development (R&D) and production) are functionally coherent and thus conducive to creating an error-free system that can be called 'functionally rational'.[6] The Japanese arms procurement decision-making process appears to be so predictable, consistent and routine that it can take years for the defence structure to respond to significant changes in the politico-strategic environment. However, there are many factors in Japanese defence planning and procurement that could be described as irrational in terms of 'goal rationality'.[7] If goal rationality is taken as a

[3] Chinworth, M. W., *Inside Japan's Defense: Technology, Economics and Strategy* (Brassey's: Oxford, 1992), p. 2.

[4] During the period of occupation by the Allied powers (1945–52) Japan was totally demilitarized. During the Korean War (1950–53) the National Police Reserve Force was set up and then developed into the National Safety Force, a predecessor of the present SDF. The National Police Agency therefore took the top positions within the JDA until the 1970s. Johnson, C., *MITI and the Japanese Miracle: The Growth of Industrial Policy, 1925–1975* (Stanford University Press: Stanford, Calif., 1982).

[5] Here 'rationality' refers to being logical and to consistency of methods with goals.

[6] 'Functional rationality' is a sociological term deriving from Karl Mannheim. It describes actions functionally organized for a certain goal and a regularity in the system which makes it possible for an observer outside the system to predict how things will work. 'Rightness rationality' (*Richtigkeitsrationalität*), used by the sociologist Max Weber, also means logical coherence and predictability of a series of organized actions. This functional regularity and the predictability of organized actions are supposed to be peculiar to the modern era. In the pre-modern era the personal decisions of power holders, such as kings, directed a series of actions and there was no objective predictability in the decision-making process.

[7] The term 'goal rationality' derives from Max Weber's sociological notion that various actions and methods are organized in such a way as to achieve certain goals/values efficiently. In a modern nation-state, defence of the nation is supposed to be the responsibility 'of the nation (people), for the nation (people)': the legitimacy of the defence policy is thus based on public support and should therefore be controlled by the people through their elected representatives. Its instruments, such as the defence forces, should be responsible for guaranteeing the nation's/people's security.

paradigm, the methods of application of a nation's security policies should be monitored by elected representatives, and some aspects of Japanese arms procurement do not stand up to scrutiny in the broader context of the interests of society.

After the end of the cold war, Japan gradually started to re-examine its defence build-up in order to cope with the new international security circumstances. In August 1994 the Advisory Group on Defense Issues (an informal advisory group to the Prime Minister) presented a report proposing a new defence policy for the post-cold war era.[8] In December 1995 the cabinet of the coalition government (comprising the LDP, the Social Democratic Party and the Sakigake-Forerunner) approved a revised National Defense Program Outline (NDPO),[9] 20 years after the original NDPO was formulated. In the mid-1990s, Japan and the USA worked to reaffirm the 1960 Japanese–US Treaty of Mutual Cooperation and Security.[10] This means that some of the basic premises of the Japanese defence build-up are in transition.

Section II of this chapter describes the arms procurement decision-making processes within the JDA and deals with such issues as threat assessment and procurement planning. The way in which procurement and budget planning are coordinated within the JDA and the MoF and the nature of legislative oversight and public audit are presented in section III. In section IV the official procedures and the features of defence R&D and production and the competing options of domestic development and import are outlined. Section V identifies the political–social factors that undermine goal rationality and the professionalism of arms procurement decision-making, such as the lack of transparency of administrative procedures, the socio-cultural attitudes of the decision-making élite and low levels of public accountability. Section VI proposes some ideas as to how transparency and public accountability can be promoted in an effort to bridge the gap between functional rationality and goal irrationality in arms procurement in Japan.

II. The arms procurement decision-making process

The background to defence policy

In the post-war era, Japan's defence policy framework has been based on Article 9 of the Japanese Constitution, which stipulates that Japan renounces war as a sovereign right and the use of armed force as a means of settling disputes,[11] and the 1960 Japanese–US Treaty of Mutual Cooperation and Security.[12]

[8] *Boei Mondai Kondankai* (the Advisory Group on Defense Issues) is an advisory body attached to the Office of the Prime Minister. It was set up in Feb. 1992 and consists of 9 members, including former senior government officials (including former JDA top officials), scholars and industrialists.

[9] 'National Defense Program Outline in and after FY 1996', *Defense of Japan 1996* (Japan Defense Agency: Tokyo, 1996), pp. 276–84.

[10] See section II in this chapter.

[11] 'Aspiring sincerely to an international peace based on justice and order, the Japanese people forever renounce war as a sovereign right of the nation and the threat or use of force as means of settling inter-

The constitution implies that Japan should not become a military power and that its defence capacity is strictly limited to self-defence (*senshu-boei,* 'exclusively defence-oriented policy'), which means that the military force option cannot be exercised until an armed attack is initiated and that the scope and level of use of defence forces are to be kept to the minimum required for self-defence. This passive defence strategy thus prohibits first-strike capabilities in the form of strategic weapons such as intercontinental ballistic missiles (ICBMs) and long-range strategic bombers.

Given these strategic and operational constraints on the scale of its military forces, Japan's defence aims to build capabilities for deterring aggression.[13] The existence of US military bases and the 1960 security treaty are regarded as vital in maintaining such military deterrence.[14]

The Japanese Government considers that the constitution and the 1960 security treaty complement each other. According to the treaty, the SDF, consisting of three services—the Ground Self-Defense Force (GSDF), the Maritime Self-Defense Force (MSDF) and the Air Self-Defense Force (ASDF)—are to ensure security on the territory of Japan and on its sea lines of communication (SLOCs) while, for wider-area security, the SDF will cooperate with US forces by providing support such as military bases and logistic supply in Japan.[15] The USA consequently urged Japan to strengthen its military capabilities, which led to a rapid increase in Japan's defence budget, particularly in the 1980s.

Peacetime troop and equipment levels are determined in the NDPO. Japan's defence is based on maintaining a 'basic and standard defence capability' (*kibanteki boeiryoku*). In the event of large-scale aggression against which this capability is inadequate, Japan counts on the support of the US forces based in

national disputes. In order to accomplish the aim of the preceding paragraph, land, sea, and air forces, as well as other war potential, will never be maintained. The right of belligerency of the state will not be recognized.' Article 9 of the Japanese Constitution.

[12] In Sep. 1951 the Treaty of Peace with Japan (the San Francisco Treaty) and the Treaty of Security between Japan and the United States of America (the 'old security treaty') were signed, and both treaties took effect on 1 Apr. 1952. The 1951 security treaty was renewed in 1960. *Defense of Japan 1988* (Japan Defense Agency: Tokyo, 1988), p. 83.

[13] *Boei Handobukku 1994* [Defence handbook 1994] (Asakumo-shimbun: Tokyo, 1994), p. 439.

[14] Should Japan be attacked, the most feasible operational doctrine would involve a 'denial operation', i.e., joint efforts by the MSDF and the ASDF to deter aggression at sea and in the air. Shikata, T., 'Threat assessment in the Japanese arms procurement process', SIPRI Arms Procurement Decision Making Project, Working Paper no. 33 (1995).

[15] On the one hand, the 1960 Japanese–US Treaty of Mutual Cooperation and Security states that 'each party recognizes that an armed attack against either party in the territories under the administration of Japan would be dangerous to its own peace and safety and declares that it would act to meet the common danger in accordance with its constitutional provisions and processes' (Article 5) and that 'For the purpose of contributing to the security of Japan and the maintenance of international peace and security in the Far East, the USA is granted the use of its land, air and naval forces of facilities and areas in Japan' (Article 6). On the other hand, Japan's *Basic Policy for National Defense,* adopted by the National Defense Council and approved by the cabinet in 1957, stipulates that the Japanese Government establishes the principles 'to develop progressively the effective defence capabilities necessary for self-defence, with regard to the nation's resources and the prevailing domestic situation'. *Defense of Japan 1988* (note 12), p. 76. Thus Japan has increased its own self-defence capability and simultaneously increased its burden sharing both financially and strategically. Some analysts suspect the actual function of the security treaty to be, paradoxically, 'Japan's unilateral obligation of supporting the US', because Japan supports a US military presence in the Far East, while basically having to defend its territory by itself. See, e.g., Muroyama (note 1).

Japan. It continues to provide host nation support to US forces on the assumption that its interests are best served by regional stability.

In 1981 then Japanese Prime Minister Zenko Suzuki stated at a summit meeting with US President Ronald Reagan that Japan would increase its defence capabilities, ensuring the security of its SLOCs from 200 to 1000 nautical miles. Since then the primary focus of Japanese–US security cooperation has been seen to shift from the defence of Japan's home territory to stability in the East Asian region.[16]

Another framework that defines Japan's strategic role is the relationship with the USA. At the Japanese–US summit meeting in April 1996, then Japanese Prime Minister Ryutaro Hashimoto and US President Bill Clinton issued the Japan–US Joint Declaration on a Security Alliance for the 21st Century, reaffirming their security cooperation as the cornerstone for maintaining stability for Asia–Pacific.[17] In September 1997, the US–Japan Subcommittee for Defense Cooperation presented a review of the 1978 Guidelines for US–Japan Defense Cooperation which superseded them.[18] The two governments set up a consultative machinery to study their defence cooperation in operations, intelligence and logistics.[19] The 1997 guidelines describe the arrangements for cooperation not only in the event of an armed attack against Japan but also in areas surrounding Japan. This implies that the 1960 security treaty, despite its bilateral nature, has gained a much broader function for security in the entire Asia–Pacific region.[20] This geopolitical broadening of Japanese–US cooperation has caused some concern that Japan may be drawn into third-country conflicts in the region. The new guidelines also deal with: intelligence sharing and cooperation in surveillance; minesweeping in Japanese and international waters; naval escort for inspection of foreign ships to enforce UN arms embargoes; search and rescue operations; provision of *matériel* (except arms and ammunition) and fuel to US forces; transport in Japan for personnel, *matériel* and fuel;

[16] Toshiyuki Shikata states clearly that there is little likelihood of aggression against Japanese territory itself in the short and intermediate term, and this signifies a 'giant step forward from the former concept of US–Japanese cooperation in Japan's territorial defence, to that of securing the stability of not only the Far East, but also the entire region of East Asia'. Shikata, T., *Japan's Security Strategy: Meeting the Needs of a New Era*, IIPS policy paper no. 145E (Institute for International Policy Studies: Tokyo, 1995). Shikata also states that, among Japanese strategists, a consensus seems to be emerging that 'the geographical coverage under Article 6 of the Japan–US security treaty will have to be expanded'. See also Sasae, K., International Institute for Strategic Studies, *Rethinking Japan–US Relations*, Adelphi Paper no. 292 (Brassey's: Oxford, 1994).

[17] *Defense of Japan 1996* (note 9), p. 67.

[18] US–Japan Subcommittee for Defense Cooperation, *Guidelines for US–Japan Defense Cooperation*, New York, 23 Sep. 1997, available at URL <http://www.defenselink.mil/>. Excerpts from the 1960 treaty are given in *Defense of Japan 1996* (note 9), pp. 260–61.

[19] *Defense of Japan 1988* (note 12), p. 267.

[20] Defence journalist Tetsuo Maeda points out that the 1978 guidelines essentially changed the character of Japanese–US security cooperation. In order to counter Soviet military expansion (particularly naval forces) in Asia–Pacific, the USA needed to level up the Japanese–US security treaty as a de facto military alliance to support US strategic operations in the region. This almost implied the 'revision of the 1960 Japan–US security treaty' from individual security to collective security. Maeda, T., *Jieitai ha Nani wo Shitekitaka?* [What has the SDF done?] (Chikuma-shobo: Tokyo, 1990), p. 228. This shift in focus is even clearer in the 1997 guidelines.

Table 5.1. The Japanese defence budget and its share of GNP, 1955–95
Figures are percentages.

Fiscal year	Ratio of defence budget to GNP	Ratio of defence budget to general account
1955	1.78	13.61
1965	1.07	8.24
1975	0.84	6.23
1985	0.997	5.98
1995	0.959	6.65

Note: Figures are based on original budgets in billion yen at current prices. Ratios of defence budgets are to gross national product (GNP) for fiscal years (FYs) 1955–95 and to gross domestic product (GDP) for FY 1995. All these figures are original estimates.

Source: Defense of Japan 1996 (Japan Defense Agency: Tokyo, 1996), p. 298.

and other rear area support, such as medical services, maintenance and communications support.[21]

International criticism, particularly from neighbouring Asian countries, has been directed at the inconsistencies between Japan's claim to have a primarily defensive posture, as expressed in its constitution, and its actual military capabilities in terms of the size of its defence budget and the scale of its modern weapon systems.

In November 1976 the Cabinet decided that 'for the time being the defence capability is to be based on the criterion that defence expenditures should not exceed 1 per cent of the GNP [gross national product] of each fiscal year'.[22] This ratio has not changed even after the end of the cold war (see table 5.1), implying that Japanese defence planning and budgeting may not necessarily relate to threat assessment. Even major weapon systems continue to be procured, particularly by the MSDF and ASDF, since Japan announced its commitment to defend its SLOCs out to 1000 nautical miles.

The basic framework for defence planning

The NDPO constitutes a very basic framework defining Japan's defence structure and provides guidelines for improving its defence capabilities. Its basic concept is that Japan should maintain a 'basic and standard defence force', which implies that it should possess a minimum defence capability as an independent country to avoid the development of a power vacuum in the region and to directly counter military threats to Japan.[23] This is interpreted to mean that

[21] Taoka, S., [New guidelines: what will happen to civil airports and hospitals], *AERA* (Tokyo), 6 Oct. 1997, p. 16 (in Japanese).

[22] *Defense of Japan 1988* (note 12), p. 151. The defence budget has remained at approximately 1% of GNP except in FYs 1987–89. *Boei Handobukku 1995* (note 13), p. 225.

[23] *Defense of Japan 1996* (note 9), p. 69.

Japan's defence forces should be of high quality, in order to function effectively in terms of the Japanese–US security cooperation.[24] The 1976 NDPO was formulated in the context of Japan's ratification of the 1968 Non-Proliferation Treaty (NPT), the limiting of the defence budget ceiling to 1 per cent of GNP and the strengthening of the Three Principles on Arms Export.[25]

In the past 20 years, Japan's security environment has undergone many changes. In the mid-1990s the Cabinet and the JDA started reviewing the previous NDPO with regard to: (*a*) changes in the international situation such as the end of the cold war, the outbreak of local conflicts rooted in religious and ethnic differences, and the proliferation of weapons of mass destruction; (*b*) increasing expectations of the SDF after the experience of national disasters such as the Kobe earthquake and the sarin gas attack on the Tokyo underground in 1995,[26] and participation in international peacekeeping operations in Cambodia, Mozambique and Zaire; and (*c*) other changes such as the rapid progress in technology, increasing financial constraints and a rapid decline of the proportion of young people in the population in Japan.[27]

The review work was mainly based on two reports: 'The modality of the security and defense capability of Japan: the outlook for the 21st century' and 'Basic idea of defense capability of Japan from now on'.[28] In August 1994 the Advisory Group on Defense Issues recommended that the JDA set up a Committee for National Defense Review under the JDA Director-General to draft the new NDPO. The JDA's draft NDPO progressed in consultation with the Security Council (SC), several ministries and the opposition parties, and was submitted to the Cabinet for approval in November 1995.[29] It basically follows the key concept of a basic defence force, acknowledging that unpredictability in the international situation and Japanese–US security cooperation will remain the core of its national and regional security planning. Nevertheless there were some significant changes in the 1995 NDPO. First, it gave even greater emphasis to the role of Japanese–US security cooperation, implying that the two countries' interests were inseparable in terms of regional security. Second, the

[24] The 1976 NDPO put greater emphasis on the quality and modernization of Japan's defence forces. Muroyama (note 1), pp. 338–39. For the text of the 1976 NDPO, see *Defense of Japan 1995* (Japan Defense Agency: Tokyo, 1995), pp. 265–70.

[25] The Three Principles on Arms Export were declared by then Prime Minister Eisaku Sato in 1967, prohibiting arms exports to: (*a*) communist-bloc countries; (*b*) countries to which arms exports are prohibited under UN resolutions; and (*c*) countries involved or likely to become involved in international conflicts. The government policy guidelines on arms control, which strengthened the Three Principles, were announced by then Prime Minister Takeo Miki in 1976. In addition to the terms of the Three Principles they (*a*) restrained arms exports to other areas, and (*b*) stipulated that equipment related to arms production and military technologies was to be treated in the same manner as arms. *Defense of Japan 1988* (note 12), p. 180.

[26] Japan's vulnerability to a state of emergency was disclosed at the time of the Kobe earthquake of Jan. 1995 when rescue work, including the dispatch of the SDF, was badly delayed. The experience called into question Japan's security capabilities.

[27] *Defense of Japan 1996* (note 9), pp. 69–71.

[28] Advisory Group on Defense Issues, 'The modality of the security and defense capability of Japan: the outlook for the 21st century', Unpublished paper, Tokyo, Aug. 1994 (in English); and Japan Defense Agency, Examining Committee on Defense Capability, 'Basic idea of defense capability of Japan from now on', Unpublished paper, Tokyo, 1994.

[29] *Asahi Shimbun*, 29 Nov. 1995.

role of Japan's defence capability was broadened to include response to large-scale disasters, such as natural disasters, terrorism, mass movements of refugees and 'contributions to a more stable security environment', such as UN peace-keeping operations and cooperation in arms control and disarmament.

The actors

The JDA is the main actor that initiates arms procurement planning. It consists of military staff from the SDF, who are primarily involved in military and strategic analysis, and civilian staff who coordinate with ministries such as the MoF, the MoFA and MITI from the early stages of arms procurement planning. The defence industry's involvement is particularly significant in defence R&D and production, in which the JDA and the industry collaborate both formally and informally. The Defense Production Committee (DPC) of Keidanren (the Japan Federation of Economic Organizations)[30] is one of the most influential industrial associations in Japan. Other important actors who have an informal influence on the arms procurement decision-making process are individual politicians and the USA through its diplomatic channels.

The JDA is not an autonomous actor in defence planning since it drafts the NDPO in consultation with the MoF, the MoFA and MITI. Based on the framework of the NDPO, details of defence planning are formulated by the Joint Staff Council of the JDA in the Joint Long-Term Defense Estimate (JLTDE). The assessment of the strength of the military forces of countries around Japan and their defence build-up provides the basic reference for planning and takes into account political, diplomatic, economic, military, societal and technological perspectives. This assessment includes two elements: (*a*) estimates of the quality of the future defence capability based on the emerging technologies and the weapon systems that will be most effective 20 years ahead; and (*b*) an outline of human and *matériel* resources.

On the basis of the JLTDE, the Joint Staff Council formulates the Joint Mid-Term Defense Estimate (JMTDE). Thereafter each service of the SDF formulates a Mid-Term Capability Estimate (MTCE) and a Mid-Term Defense Program (MTDP). The MTCE examines the present defence capability in each of their operational and logistic functions such as mobility, firepower and communications. It analyses the shortcomings and improvements required and assesses the various stages of defence capability to be achieved by the MTDP. The MTDP deals with specific operation doctrines, options and countermeasures in cases of emergency, budgetary outlines and procurement planning for major equipment during the five-year period under assessment. The stages of decision making for defence planning are shown in table 5.2.

[30] Founded in 1951, Keidanren is the largest business organization in Japan. The DPC has about 80 member companies, including all the major defence-related manufacturers, and it has been an influential lobbying group on defence procurement issues.

Table 5.2. Stages in the defence and arms procurement decision-making process in Japan

	Title of document	Body responsible for formulation	Focus of document
First stage	National Defense Program Outline (NDPO)	Formulated by the Japan Defense Agency (JDA), approved by the Security Council (SC) and the cabinet	• International situation • Defence concepts for preventing and countering aggression against Japan • Defence capabilities of the GSDF, ASDF and MSDF • Build-up of defence capabilities • Assessment of defence technology
Second stage	Joint Long-Term Defense Estimate (JLTDE)	Formulated by the JDA, approved by the SC and the cabinet Formulated every 5 years for a 10-year period. X+9 to X+19 years, X being the year the JLTDE is formulated. Reviewed if necessary	• Military considerations of the international security situation affecting Japan • Strategic situation around Japan • Military technology needs
Third stage	Joint Mid-Term Defense Estimate (JMTDE)	Formulated by the JDA, approved by the SC and the cabinet Formulated every 5 years for a 5-year period. X+3 to X+8 years, X being the year the JMTDE is formulated. Reviewed annually	• Assessment of new or emerging threats • Strategies in case of national emergencies • Force structure of the GSDF, ASDF and MSDF
Fourth stage	Mid-Term Capability Estimate (MTCE) Mid-Term Defense Program (MTDP)	Formulated by each Self Defense-Force (SDF), approved by the SC and the cabinet For a 5-year period	• Effectiveness of operational functions such as air defence, surveillance, communications etc. • Operational doctrine; procurement planning; budget outline; Responses to emergencies
Fifth stage	Annual Implementation Plan (AIP) Annual Contingency Plan (ACP)	Formulated by each SDF on approval of the MTCE and the MTDP	• Budgeting and allocation of resources • Training and operational readiness

Notes: GSDF = Ground Self-Defense Force; ASDF = Air Self-Defense Force; MSDF = Maritime Self-Defense Force.

Source: Compiled by the author, based on interviews with Gen. Toshiyuki Shikata.

Formerly the National Defense Council (NDC) was the top executive body for defence policy and decision making. Originally it was mainly responsible for defence budget planning and arms procurement, but in July 1986 it was reorganized into the SC. In addition to its previous tasks, the SC was charged with considering countermeasures in cases of serious emergencies.[31] It comprises the Prime Minister, the ministers of finance and foreign affairs, the Chief Cabinet Secretary, the Chairman of the National Public Safety Commission, and the Directors-General of the JDA and the Economic Planning Agency. Other relevant state ministers and the chairman of the Joint Staff Council are called in if necessary. The SC is called to discuss issues such as the basic principles of national defence, relevant industrial planning and SDF mobilization orders, and it has become more active following the post-cold war changes.

Together with the JDA, the MoFA is responsible for developing security policies in Japan. The MoFA is responsible for the assessment of the international environment and security policy in general, the JDA for formulating defence policies such as the NDPO. There is broadly based and institutionalized interaction between the two organizations. The MoFA Japan–US Security and National Security Policy Divisions cooperate closely with the JDA Defense Policy and International Policy Planning Divisions and a number of officials are cross-posted at various levels.[32] This helps to reduce perception and communication gaps between the two organizations. The organization of the relevant divisions of the JDA and the MoFA is shown in figure 5.1.

Once the MTDP has been approved by the Cabinet, each service of the SDF deliberates the arms procurement plan for a five-year period. It formulates an Annual Implementation Plan (AIP) for budgeting for each fiscal year as the Japanese budget is decided annually for one year at a time. Even when the five-year planning of the MTDP is approved by the Government, it is not always funded. Only when the fiscal budget has been approved by the Diet can each service of the SDF confirm its equipment and personnel holdings for the fiscal year.[33] Actual numbers of personnel and equipment are identified as the 'present defence capability actually possessed' (*genyu boeiryoku*), on the basis of which each SDF service formulates an Annual Contingency Plan (ACP) to deal with emergencies which may occur during the year. All training for defence readiness in the SDF is based on this ACP.

[31] Hirose (note 1), pp. 54–58; and *Defense of Japan 1988* (note 12), pp. 70–71. The NDC was reorganized into the SC after emergencies such as the MiG-25 incident in Sep. 1976 and the shooting down of Korean Air Lines flight 007 by a Soviet combat aircraft in Sep. 1983.

[32] As of June 1997, 14 JDA officials were posted in the MoFA and 4 MoFA officials in the JDA. Interview with Hideki Yamaji, Japanese Ministry of Foreign Affairs, June 1997.

[33] There may be a discrepancy between planned and actual defence capability. E.g., the SDF are rarely fully manned because of the difficulty of recruiting young people. Consequently, in FY 1995 the GSDF had only 84.0% of the permitted number of personnel, the MSDF 94.9% and the ASDF 93.7%. Total SDF forces numbered 239 637 in 1995, while the authorized number was 273 801, i.e., the number of personnel was 87.5% of full capacity. *Boei Hakusho 1995* [Defence of Japan 1995] (Japan Defense Agency: Tokyo, 1995), p. 360.

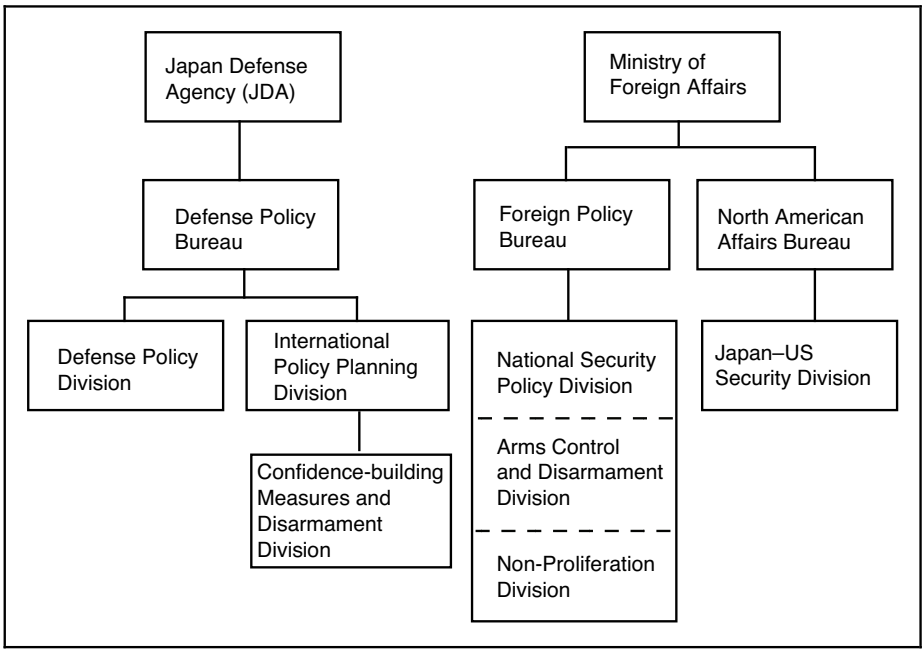

Figure 5.1. Coordination of foreign and security policy making in Japan

Source: The editor, on the basis of discussions at MoFA and the JDA in January 1996 and with MoFA staff in June 1997.

Threat assessment[34]

Although Japan was not directly threatened even during the cold war, threats to oil supplies are still a national security concern.[35] Japan's interests are so wide and its dependences so profound that its interests are best served by an international stability that cannot be maintained by the use of force. In this regard, threats to Japan continue to be potential (not actual) and multifaceted.

Interestingly, the absence of a specific military threat does not prevent Japan from modernizing its defence forces. The NDPO emphasizes the quality of defence capability in terms of equipment, and threat assessments by the JDA are based on estimations of the military forces of neighbouring countries in terms of weapon quantity and technological quality. Such information is collected through the intelligence division of the SDF and defence attachés abroad. Inevitably, arms procurement planning emphasizes advanced equipment.[36]

[34] This section is largely based on Kamata, S., 'Arms procurement procedures in Japan', SIPRI Arms Procurement Decision Making Project, Working Paper no. 39 (1995).

[35] Endicott, J. E., 'The defense policy of Japan', *The Defense Policies of Nations* (Johns Hopkins University Press: Baltimore, Md., 1982), p. 448.

[36] Some critics believe that Japanese defence programmes tend to concentrate on high-cost items of equipment without comparable logistical back-up, which would make the Japanese defence capability vul-

Endicott considers this to be an aspect of the Japanese Government's industrial policy issue rather than a defence issue *per se*.[37]

Arms procurement policy and planning

In July 1970 the JDA defined the Basic Policy for Development and Production of Defense Equipment, which provides a framework for arms procurement. It consists of five principles: (*a*) the national defence capacity is the nation's industrial and technological capacity; (*b*) arms procurement from domestic production should be promoted; (*c*) maximum use should be made of the developmental and technological capacity of civilian industry; (*d*) a long-term perspective provides a basis for good arms procurement planning; and (*e*) the principle of competition should be actively introduced.

The JDA emphasizes procurement through domestic R&D and production. This is based on three factors. First, it is possible to develop defence equipment which is optimized for the Japanese topography, physical characteristics and operational situation. Second, equipment that is produced by the domestic industry can be easily maintained and replaced. Third, improvements to the national defence technology potential will benefit industry and enhance the national defence potential.

Arms procurement in Japan has the following characteristics:

1. Although procedures are well managed by the JDA bureaucracy, the related decision making can be highly politicized. For example, arms of US origin are often preferred for political or economic reasons, such as reducing Japan's trade surplus with the USA.
2. The prohibition on arms exports (except to the USA) and low domestic demand mean that the unit costs of domestic defence production are high.
3. Since the value of defence production in Japan is low in comparison with its overall industrial production, Japanese industry has little interest in the defence sector.[38]
4. The ratios of the defence R&D budget to the total JDA budget and total R&D expenditure are both very low. Given the relatively limited defence R&D budget, indigenous weapon development increasingly relies on foreign imports (including licensed production).
5. Since inter-operability with US military equipment is regarded as vital, there is a strong preference for importing equipment and weapon systems of US origin.

nerable in a conflict of long duration. Endicott (note 35), p. 54. In the former MTDP (1991–95) more emphasis was put on the improvement of logistics in budget allocations.

[37] Endicott (note 35) presents such a view, also found in Johnson, C. *et al.*, *Politics and Productivity: How Japan's Development Strategy Works* (Harper Business: New York, 1989). On this view, development of the FS-X fighter aircraft was part of Japan's industrial (not defence) strategy to develop its aerospace industry in order to become competitive with the US aerospace industry. This view significantly influenced US decision makers during the FS-X controversy of the late 1980s.

[38] Defence production accounted for 0.61% of total industrial production in FY 1994. For a preliminary report see *Defense of Japan 1996* (note 9), p. 358.

6. Although arms procurement decision making functions well in peacetime, the low levels of equipment holdings could lead to problems during emergencies.

Arms procurement decision-making processes and procedures within the JDA

Six sub-bureaux of the JDA's Internal Bureau, Naikyoku, are directly concerned with arms procurement budget planning (see figure 5.2). The Bureau of Defense Policy is considered to be the most influential in JDA decision making. Other important JDA divisions with specific tasks are the Technical Research and Development Institute (TRDI), the National Institute for Defense Studies (NIDS), the Central Procurement Office (CPO) and the Fairness Examination Committee. The CPO is responsible for procuring arms and equipment, for which it is allocated about 20 per cent of the total JDA budget.[39]

The system of financial checks and balances within the JDA includes three institutions: the Bureau of Finance, which is responsible for the JDA's budget; the Chief of Staff of each SDF service, which requests specific defence equipment; and the CPO, which is in charge of procurement based on requirements from each Chief of Staff (see figure 5.3). Since these three are directly involved in arms procurement decision-making with different roles and competences, they also monitor and balance each other through consultation in the course of the process. For instance, in the case of relatively large procurement orders, the Director of the CPO consults an advisory group, comprising the directors of various divisions within the CPO and the section heads of each SDF service and the TRDI involved with procurement.[40] The advisory group examines the propriety of contracts (non-competitive or limited competition) and the competence of manufacturers who receive orders. Within the CPO the authority for monitoring arms procurement is divided into functional subdivisions such as cost accounting, contracting, supervision and inspection, and financing.

In addition to these horizontal (within the CPO) and vertical (within the JDA) divisions of the arms procurement functions, professional tension between the JDA civilian staff and SDF staff also contributes to build in checks and balances. Furthermore, since officials are seconded from the MoFA, the MoF and MITI to key positions in the JDA's Internal Bureau, these ministries exercise considerable influence over decision making.[41] Although this is an efficient method of control of and coordination with the military, it also provides considerable opportunities for JDA officials and uniformed staff to lobby influential ministries for their favoured projects.[42]

[39] 'Chotatsu Jisshi Honbu no Gaikyo' [Outline of the CPO], Unpublished paper, Japan Defense Agency, Tokyo, 1995.
[40] *Chuo Chotatsu* [CPO bulletin], no. 12 (1 Mar. 1992).
[41] Chinworth (note 3), p. 3; and various editions of *Boei Nenkan* [Defence yearbook] (Japan Defense Agency, Tokyo).
[42] Chinworth (note 3).

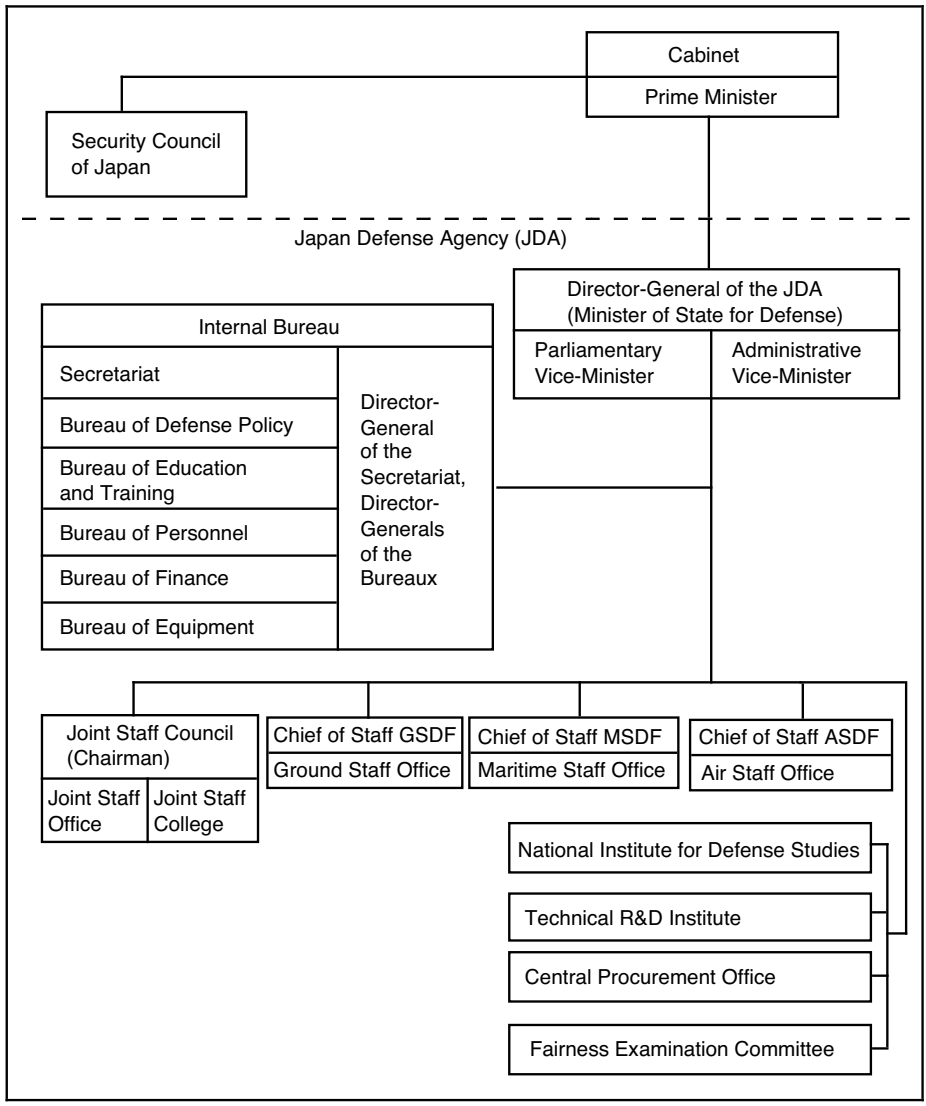

Figure 5.2. Actors involved in arms procurement decision making in the Japan Defense Agency and the Self-Defense Forces

Notes: GSDF = Ground Self-Defense Force; MSDF = Maritime Self-Defense Force; ASDF = Air Self-Defense Force.

Source: Defense of Japan 1996 (Japan Defense Agency: Tokyo, 1996), p. 337.

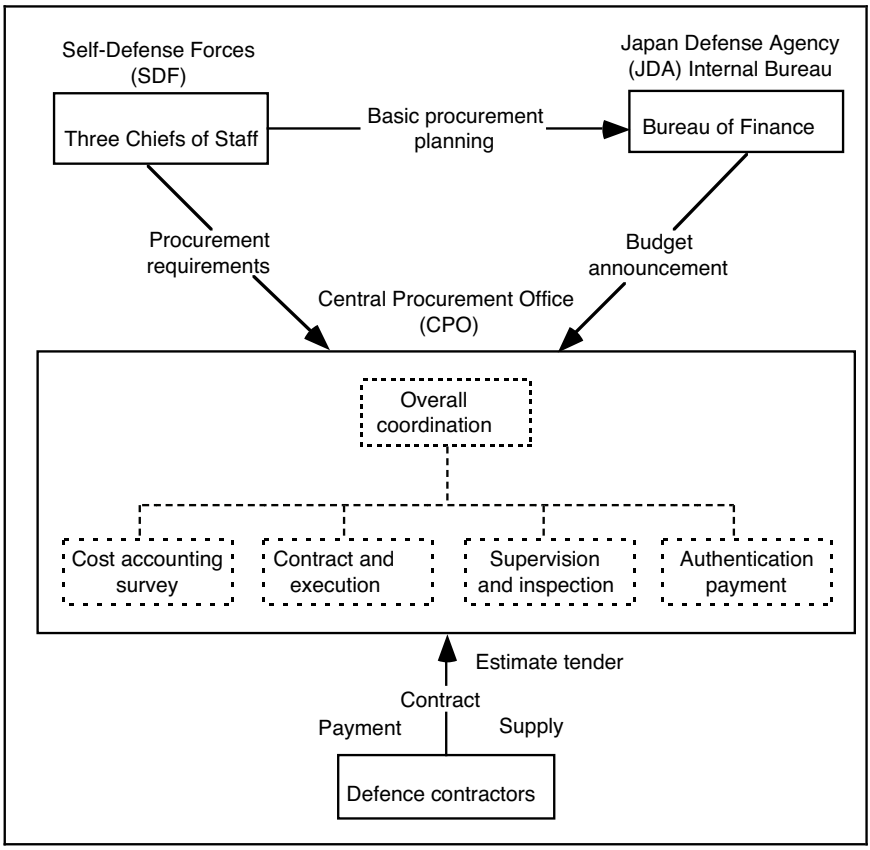

Figure 5.3. The role of the Japanese Central Procurement Office in the arms procurement decision-making process

Source: Summary of the Central Procurement Office 1995 (CPO: Tokyo, 1995).

III. Defence budgeting[43]

Features of the Japanese defence budget

During the period of rapid economic growth in the 1960s, Japan's defence budget increased by over 10 per cent annually, although it only accounted for approximately 1.2 per cent of GNP. The guideline of 1 per cent of GNP for defence expenditure introduced in 1976, initially based on financial rather than political considerations, has been retained and gained wider consensus.[44]

[43] This section is largely based on Shikata (note 14); Matsumoto, M. and Iwashima, H., 'Arms procurement budget planning process', SIPRI Arms Procurement Decision Making Project, Working Paper no. 36 (1995); and Hamada, Y., 'Building public competence and accountability in the national security arena', SIPRI Arms Procurement Decision Making Project, Working Paper no. 38 (1995).

[44] See section II in this chapter.

Table 5.3. Changes in the composition of Japanese defence expenditure (original budget), FYs 1992–96

Figures are percentages of the total defence budget. Because of the conventions of rounding they may not add up to totals.

Item	1992	1993	1994	1995	1996
Personnel provisions	41.3	41.8	42.6	43.9	42.8
Supplies	58.7	58.2	57.4	56.1	57.2
Equipment procurement[a]	25.1	23.3	21.3	18.4	18.9
R&D	2.5	2.7	2.7	3.0	3.1
Facility improvement	3.6	4.3	4.3	4.6	4.7
Maintenance[b]	16.4	16.3	16.9	17.6	18.0
Base countermeasures	9.9	10.4	10.8	11.2	11.0
Other	1.2	1.3	1.3	1.3	1.4
Total	**100.0**	**100.0**	**100.0**	**100.0**	**100.0**

[a] Includes expenditure for weapons, aircraft and vessels.

[b] Includes expenditure for housing, clothing and training.

Source: Defense of Japan 1996 (Japan Defense Agency: Tokyo, 1996), p. 300.

The defence budget, drafted by the MoF, is divided into two broad categories of expenditure: personnel provisions and 'supplies'. The former encompasses all expenditures related to personnel, such as the JDA's operating costs, housing, clothing, training, salaries for the SDF and the labour cost of maintaining the US defence bases in Japan.[45] 'Supplies' consist of arms and equipment procurement, R&D expenses, facility and maintenance expenses, and expenses for host nation support to the US military forces stationed in Japan, which account for over 10 per cent of the total defence budget.[46] On average, in fiscal years (FYs) 1992–96, 42.5 per cent of the defence budget was allocated for personnel provisions and 57.5 per cent for supplies, including 21.4 per cent for equipment procurement and 2.8 per cent for R&D. Changes in the composition of defence expenditures in FYs 1992–96 are presented in table 5.3.

Despite an increase in the share of capital expenditure (equipment procurement and R&D), the share of equipment procurement has decreased since FY 1992. On the other hand, the share of R&D has increased continuously, which is the budget allocated for the JDA's R&D institute (the TRDI) and its testing and evaluation costs. Japan's defence R&D also benefits from extensive Japanese investment in industrial R&D.

Obligatory outlays are a further feature of Japan's defence budget. The JDA makes payments to contractors for items of defence equipment using a system

[45] US Defense Budget Project, *Backgrounder: Japan's Defense Budget*, Rev. 26 (DBP: Washington, DC, July 1993), pp. 11–12.

[46] In 1991 the total value of Japan's contribution to the USA covered 40% of the total cost of maintaining the US forces in Japan. Embassy of Japan, *Japan's Host Nation Support* (Embassy of Japan: Washington, DC, 1991), cited in US Defense Budget Project (note 45).

Table 5.4. Budget allocations to the Japanese Self-Defense Forces, 1992–96
Figures are percentages.

	1992	1993	1994	1995	1996
GSDF	35.9	35.9	36.4	37.7	37.0
MSDF	24.2	23.4	23.7	22.4	23.1
ASDF	25.3	25.4	24.2	23.4	23.5
Other	14.6	15.3	15.8	16.5	16.5

Notes: GSDF = Ground Self-Defense Forces; MSDF = Marine Self-Defense Forces; ASDF = Air Self-Defense Forces.

Source: Boei Hakusho [Defence of Japan] (Japan Defense Agency: Tokyo), various editions.

of deferred payment (*saimu futan koi*):[47] the JDA usually pays a minimal sum to private companies for projects in the first year and then pays the rest over a period of between one and five years (maximum five years) depending on the lead time for procurement or production of the equipment. An increasing share of each year's budget tends to be absorbed by deferred payments for systems acquired in past years.[48] The total sum of money that the JDA owes to manufacturers constitutes a current-year obligatory outlay (*saishutuka keihi*) and is earmarked in any one fiscal year's defence budget to past expenses.[49] This causes rigidity in Japan's defence budget.

As indicated in table 5.4, budget allocations to the three SDF services have not changed much because a major part of the budget is for personnel and provisions.[50] The MSDF and ASDF receive heavy allocations for equipment procurement which, according to Muroyama, reflects the equipment intensity of these services since the 1976 NDPO.[51]

The budget planning process for procurement

The defence budgeting process[52]

Defence budget planning in the JDA is carried out concurrently with defence planning, in coordination with the MoF, the MoFA and MITI. The method of coordination is characterized not so much by formality and institutions as by compromise and consensus building in which *nemawashi* ('laying the groundwork') and *ringisei* (consultation or 'piling-up system') are essential concepts.

[47] *Boei Hakusho* (Japan Defense Agency: Tokyo, various editions); and US Defense Budget Project (note 45).

[48] Interview by the author with Naohiko Oshima, Defence Production Committee of Keidanren, May 1997.

[49] *Defense of Japan 1996* (note 9), p. 127; *Boei Hakusho 1995* (note 33), p. 115; *Boei Hakusho 1994* (Japan Defense Agency: Tokyo, 1994), p. 126; and US Defense Budget Project (note 45).

[50] Shikata (note 14).

[51] In FY 1990 the per capita cost of services personnel (in 10 000 yen) was 820 in the GSDF, 2121 in the MSDF and 2361 in the ASDF. Muroyama (note 1).

[52] This section is based on Kamata (note 34).

Table 5.5. Annual process of compiling the Japanese defence budget

Period	Action
April	Japan Defense Agency (JDA) drafts budget estimates for next fiscal year
June–July	Cabinet decides budgeting policy for approximate demands which are announced by Ministry of Finance (MoF)
End of August	JDA submits approximate budget requests
September	JDA gives MoF a detailed explanation of its approximate budget requests
October	MoF reviews and coordinates budget requests. Cabinet approves budget policy
December	MoF prepares draft which is submitted to the Cabinet. Cabinet approves this draft. JDA receives the draft
Late December	JDA liaises with MoF about rejected budgetary requests at the working and ministerial levels
	Government finalizes budget bill
January	Government submits budget bill to Diet

Source: Kamata, S., 'Arms procurement procedures in Japan', SIPRI Arms Procurement Decision Making Project, Working Paper no. 39 (1995).

The former involves talking with the parties concerned so as to prepare them to 'accept' a plan; the latter means that plans drawn up by lower-level officials circulate among officials at higher levels to win their approval.[53] These are traditional Japanese concepts emphasizing harmony, genuine agreement and solidarity rather than open debate and confrontation between institutions.

The MoF has great influence on the defence budget since the Director-General of the JDA's Defense Policy Bureau is usually a former MoF official. JDA officials from the Equipment and Finance Bureaux have discussions with MoF officials before formally submitting the budget proposal, usually around August. Based on MoF budget guidelines, a second round of negotiations usually continues until early December, when the MoF approves a level of defence funding which reflects a consensus among all the agencies involved. During this process, MITI exerts influence through the JDA's Equipment Bureau for defence R&D and production.[54] Other actors, such as the defence industry and influential politicians, use informal contacts to influence the JDA's draft plans. Once the MoF approves a budget plan, it is submitted to the Diet for approval. Table 5.5 outlines the Japanese defence budget process.

[53] van Wolferen, K., *The Enigma of Japanese Power: People and Politics in a Stateless Nation* (Macmillan: London, 1989), pp. 338–39. As van Wolferen indicates, the Japanese use the word 'consensus' to describe what is made to appear to be genuine agreement (but often is not) and 'to arrive at consensus' often means 'nobody concerned wants to take the risk or the trouble of resisting what a stronger person or group wants to happen'.

[54] The position of Director-General of the Equipment Bureau, who is in charge of procurement selection and the allocation of defence production contracts, is filled by a MITI official. Chinworth (note 3), p. 3. This has a historical background: MITI's predecessor before 1945 was the Ministry of Commerce and Industry (1931–43) and during the war period the Ministry of Ordnance, which achieved full state control of the economy. Johnson (note 4), p. 166.

The MoF checks the defence budget in accordance with the general principles of the national budget system—efficient distribution of funds, cost–benefit advantages and economic viability. The MoF Budget Bureau is responsible for compiling, supervising and controlling implementation of the budget, preparing statements of accounts and making allocations to each ministry and agency. Despite its strict budgeting principles, the MoF allows some exceptions such as deferred payments and the possibility to alter the initial budget as part of mid-term planning, for instance, for the MTDP or for special purposes. Types and quantity of equipment deemed necessary for procurement are fixed in the MTDP for a five-year period, but they become part of the budget with each new fiscal year. The MTDP budget is subject to change year by year depending on the national budget.[55]

Cost assessment, price negotiating and contracting procedures[56]

Calculations in defence budgeting are based on unit cost. The materials and equipment procured by the SDF fall into three categories: general materials, domestic equipment (including R&D) and imported equipment. There are also three types of contract: competitive, designated and specific. Domestic procurement includes indigenous and licensed production, while imported goods are purchased through government-to-government contracts (e.g., foreign military sales) as well as commercial contracts with arms-manufacturing companies.

Since the development and production of defence equipment require special design capabilities and the most advanced technologies, contracting on a competitive basis is often found to be an unsatisfactory solution. A large proportion of arms procurement is contracted on a non-competitive basis because the JDA requires special and complex designs and highly advanced technological capabilities, and companies are highly specialized.[57] MITI and the defence industry, represented by the DPC of Keidanren, prefer stability and consistency in arms procurement contracts.[58]

Foreign procurement can involve a combination of government, licensed and commercial contract. There is no fixed formula for contracting since procure-

[55] E.g., the MTDP for FYs 1991–95, approved in Dec. 1991, was budgeted at a total cost of 22.75 trillion yen (at 1990 prices). With the end of the cold war, the total cost was revised to 22.17 trillion yen in Dec. 1992, and further to 21.8 trillion yen in Dec. 1994. *Boei Nenkan 1995* [Defence yearbook] (Japan Defense Agency: Tokyo, 1995), pp. 460–63. On the other hand, for the FY 1996 budget, 4.85 trillion yen—an increase of 2.58%—was approved by the cabinet. The increase is partly because of deferred payments for major procurement in previous years. It is also believed that the new JDA administrative vice-minister, who is originally from the MoF, might have successfully persuaded his former MoF colleagues to approve it. *Asahi Shimbun*, 26 Dec. 1995.

[56] This section is based on Matsumoto and Iwashima (note 43).

[57] In FY 1995, 86% of defence contracts (in price terms) were awarded without competition and the remaining 14% of the JDA contracts had limited competition and competitive bidding. 'Chotatsu Jisshi Honbu no Gaikyo' (note 39). See also US Defense Budget Project (note 45), p. 15.

[58] In response to down-sizing after the cold war and tight fiscal conditions, the Defense Equipment Acquisition Advisory Group was set up in Mar. 1993 as a non-official advisory group of private experts under the initiative of the Director-General of the JDA Equipment Bureau. The group's report emphasizes the importance of cost reduction, rationalization and efficiency in defence procurement, such as standardization of specifications for defence equipment.

ment methods for certain critical equipment, such as aircraft, are complex.[59] Manufacturers are required to submit an estimate which is checked by CPO staff specializing in prime cost calculation. A detailed contract is then drawn up and exchanged, and delivery terms are set as well as penalties in case of disagreement. Prior to delivery, strict inspections are made by JDA specialists. For domestic production, on-site supervision is mandatory, with an attendant specialist permanently stationed at the production site.

Legislative oversight and budget auditing[60]

All defence plans, including arms procurement approved by the cabinet, must be examined by the SC and the Budget Committee of the Diet. The Diet is responsible for oversight of arms procurement decision making. However, the SC and the Diet seldom revise defence-related programmes prepared and processed by the bureaucrats.[61] Outlines of defence programmes are passed on to the public through the media only at the legislative stage, when all that remains is for them to be signed. Preliminary planning is seldom made known to the public.

In the Diet, the budget bill and overall security policies are examined at a plenary session of the Diet by the SC and the Budget Committee in the context of national priorities. Under the LDP-dominated governments, active debates occasionally occurred on defence issues, including the Diet's arms procurement decisions, but such debate has seldom had any substantial impact on defence programmes once they have been formulated by bureaucrats and approved by the Cabinet. The opposition parties have not had the knowledge or capacity to formulate and present to the Government alternative programmes or plans.

Although defence issues rarely catch public attention, comments of defence experts and scholars are occasionally presented in the media. Usually, however, the Japanese public do not have enough information to engage actively in a public debate on defence issues. Any controversy on defence issues is often the outcome of public opinion shaped by the media. Defence-related information is, however, available to the public to a certain extent: details of defence equipment procured, even the precise number of bullets, are listed in a budget bill. These data are also to a great extent available in the annual defence White Paper (*Boei Hakusho*) and defence yearbook (*Boei Nenkan*) issued by the JDA.

[59] The YS-11 medium transport aircraft was a domestic, specific contract. Although the E-2C early-warning aircraft and C-130 transport aircraft were ordered through government contracts, the completed aircraft were purchased through Japanese trade agencies. The F-15 combat aircraft and P-3C maritime patrol aircraft are also ordered through government contracts but are domestically produced under US licence. The F-1 combat aircraft, T-2 training aircraft and C-1 transport aircraft are mostly products of domestic R&D and production.

[60] This section is based on Hamada (note 43).

[61] Unlike the US National Security Council, the Japanese SC does not examine policies from the early stages. It plays a minor role in defence policy making since its members represent the same government bodies that negotiate the details of defence issues and during final deliberations choose to 'sign off' on major decisions. However, when there is a severe deadlock that cannot be resolved through routine processes (as was the case with procurement of the F-15), the SC's high-level decision may be important. Chinworth (note 3), p. 23.

In this sense, transparency in arms procurement is fairly well developed. Nevertheless, procurement planning and decision making are done behind closed doors and explanations of arms procurement decisions in official reports are superficial. The public only has access to snatches of prosaic figures without any understanding of the context.

Auditing for arms procurement is the same as that of other governmental agencies and special treatment is not extended to the defence sector. The Board of Audit[62] carries out a strict and fixed annual audit, pointing out illegal or irrational expenditure, and it often exposes details of misuse or incorrect use of national funds, such as overestimation of costs and under-utilization of facilities or equipment in public institutions. The JDA is not exempted from this scrutiny. In addition, a departmental audit is periodically carried out within the JDA to ensure that no errors occur and that there is an effective system of checks. The CPO has its own auditing section answering to the Board of Audit in the annual audit.[63] The CPO's internal audit sections, such as those for cost calculation and cost control, calculate the manufacturing costs of defence equipment and visit the JDA contractors to discuss aspects such as prices and costs of weapon programmes. The JDA and the CPO are organized so as to ensure maintenance of the principle of mutual surveillance and mutual checking of arms procurement among divisions of the JDA.[64] Although there have been scandals in the past, such as the Lockheed scandal,[65] very few corruption cases have been disclosed in connection with arms procurement in Japan.

IV. R&D and domestic production in arms procurement

Defence R&D in Japan[66]

R&D planning and the budget process

Generally in Japan both basic and applied research are actively undertaken by the civilian sector. According to data from 1995, total R&D expenditure (civilian and military) in Japan was 14 400 billion yen (*c*. 2.99 per cent of gross domestic product, GDP, or $153.1 billion[67]). The ratio of government-funded

[62] The Board of Audit is a public-sector authority whose duty is to monitor and audit government finances. It is independent of the Cabinet. Its Director is chosen by vote by the audit commissioners and appointed by the Cabinet on agreement of both houses of the Diet. It reports annually to the Diet.

[63] 'Chotatsu Jisshi Honbu no Gaikyo' (note 39).

[64] 'Chotatsu Jisshi Honbu no Gaikyo' (note 39), p. 19.

[65] The Lockheed scandal is said to be the biggest scandal concerning the Japanese Government and business circles in the post-war period. It was first disclosed in 1976 in testimony before the US Congress Committee on Foreign Affairs that Lockheed, in trying to sell commercial aircraft to Japan, had bribed some top Japanese politicians, including Prime Minister Tanaka, ministers of transport and leading business figures, to a total of 3 billion yen. The suspected top politicians were found guilty in 1987. Japan Association of Aerospace Industry, *Imidas 1996* (Shuei-sha: Tokyo, 1996) (in Japanese); and *Nihon no Koku-Uchu Kogyo Sengoshi* [Post-war history of the Japanese aerospace industry] (Japanese Aerospace Industry Association: Tokyo, 1987).

[66] This section is largely based on Suzuki, T., 'Defence R&D in Japan', SIPRI Arms Procurement Decision Making Project, Working Paper no. 37 (1996) and follow-up interviews with him.

[67] The figure is based on the 1995 IMF average exchange rate of 94.06 yen = $1.

Table 5.6. Government expenditure on defence R&D in select countries
Figures in italics are percentages.

Country	Year	Defence R&D expenditure (1995 US $m.)	% of total military expenditure
USA	1996	37 000	*14.0*
France	1996	4 900	*11.0*
UK	1996	3 200	*9.5*
Germany	1996	2 200	*5.5*
Japan	1996	1 800	*3.5*
China	1994	1 000	*<4.0*
Russia	1996	990	*5.1*
South Korea	1996	460	*3.0*
Taiwan	1994	350	*3.3*

Source: Arnett, E., 'Military research and development', *SIPRI Yearbook 1998: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 1998), p. 268.

R&D expenditure (civilian and military) to total R&D expenditure was 17.3 per cent. Defence-related R&D expenditure (the budget allocated to the JDA) comprised 6.2 per cent of total government-funded R&D expenditure in 1995.[68] Table 5.6 shows the figures for government expenditure on defence R&D in Japan in relation to those for other industrialized countries and some neighbouring countries. In relation to other advanced industrialized countries Japan's defence R&D expenditure may appear low, but in comparison with that of neighbouring states it is quite competitive.

The TRDI is the only body responsible for R&D within the JDA. Since its budget is limited, its principles are: (*a*) to focus on basic technologies for developing tactical weapon technologies; (*b*) to use dual-use technologies developed in civilian sectors; (*c*) to have no technical cooperation with other countries except the USA; and (*d*) to have no production capability within the JDA.

Of the TRDI staff of just under 1200, around 800 are engineers, and of these 265 are from the SDF. This ensures that the requirements of the users (the three services of the SDF) are well reflected in the TRDI's projects. SDF staff usually return to the parent service after a few years with the TRDI. It generally allocates civilian engineers for research work and SDF engineers for development work. While the TRDI is in charge of research, test and evaluation, and prototype/model manufacturing, the SDF carry out operational test and evaluation and operational research, thereby mobilizing expertise from both civilian and military backgrounds for maintaining defence R&D competitiveness. The organization of the TRDI is shown in figure 5.4.

[68] Organisation for Economic Co-operation and Development, *Main Science and Technology Indicators*, no. 1 (1997).

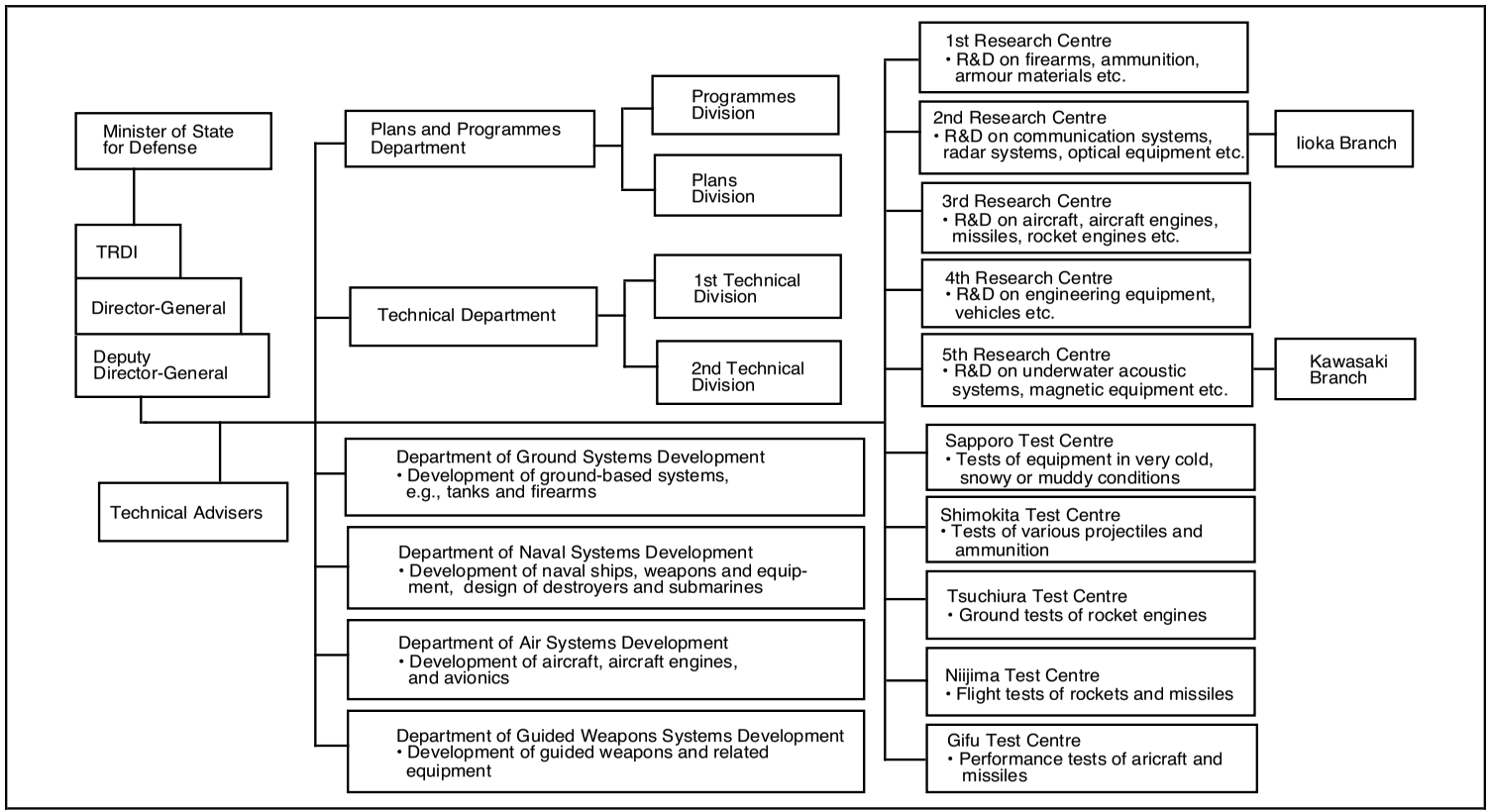

Figure 5.4. The organization of the Japanese Technical Research and Development Institute

Source: Information brochure about the Japanese Technical Research and Development Institute, Japan Defense Agency, 1990.

The TRDI is responsible for technology forecasting and for identifying civilian industrial technologies for possible applications in the defence sector. However, there is no established institutional channel for the transfer of technology from the civilian to the defence sector. Instead, transfer occurs on an ad hoc basis: the TRDI finds new ideas and technologies that could have possible applications in defence technologies through newspapers, conferences and workshops, and individual researchers in private companies occasionally present commercial technologies which could be applied to military use.[69]

There are 10 stages in the R&D process.

1. Long- and medium-term R&D planning, including research on key technologies and components. Each of the three SDF services provides forecasts of future operational requirements, technological feasibility, development costs and time-frames, international R&D trends, and so on.
2. The SDF and TRDI staff jointly carry out a concept exploration of the proposed equipment and possible technological trade-offs between the JDA's operational requirements and the TRDI's equipment development plans. The defence industrial entities are asked to present plans for manufacture.
3. The TRDI develops the concept design, estimates the necessary time-frame, costs and expected performance in the case of domestic development, and drafts an R&D plan. R&D planning and evaluation are basically carried out at the following levels. At the TRDI, an internal committee under its Director-General, consisting of engineers involved in the specific R&D programme, makes a draft for R&D planning and evaluation which is submitted to a JDA committee. This latter is chaired by the JDA administrative vice-minister and comprises the directors of the Finance, Equipment and Defense Policy Bureaux, the Chairman of the Joint Staff Council, the Chief of Staff of each SDF service, and the directors of the TRDI and the CPO. Other experts are invited as required. For major R&D projects, such as tanks or aircraft, the project has to be approved by the MoF, the Security Council, the Cabinet and finally the Diet.
4. The Government's decision to start development and the armed forces' request to proceed to development are received.
5. Equipment research and design follows, engineering models are developed and the models are tested against requirements.
6. A TRDI committee evaluates the prototype's draft design and a selected company develops the engineering prototype.
7. Prototype development is followed by engineering and operational tests.
8. The results are evaluated by the TRDI committee and then by a committee of the JDA's Internal Bureau.
9. If domestic development is chosen, this is first evaluated by the TRDI committee and then by the committee of the JDA's Internal Bureau.
10. The decision to continue to production is based on discussions between the TRDI and the defence equipment evaluation committee of the JDA, and

[69] Interview by the author with Teruo Suzuki, former TRDI Director, Sep. 1995.

finally the project's R&D budget is evaluated by the JDA's Internal Bureau and the MoF. The prototype manufacturing phase in Japan usually overlaps with the engineering development phase because R&D funds are limited.

Both domestically produced and imported equipment are tested operationally by the SDF, which then prepare an operation manual for the equipment. Afterwards the equipment is deployed to SDF units. Defence R&D planning in Japan is illustrated in a flow-chart in figure 5.5.

When an MTDP is formulated, the JDA's Internal Bureau examines the plan on the basis of the equipment requests of each SDF Chief of Staff. Large-scale development projects must be approved by the SC, which considers the following criteria: (*a*) how far it meets the military's operational requirements; (*b*) life-cycle costs; and (*c*) the maintenance of a defence manufacturing infrastructure and technology in Japan. Proposed domestic development projects are usually compared to similar products abroad in terms of performance, price, maintenance and supply. (There are limitations in such comparisons because of exchange-rate fluctuations and inflation.) When it is evident that domestic development is disadvantageous, plans are made to procure the equipment by import and/or licensed production (*donyu*, introduction of foreign goods).[70]

Problems and limitations of defence R&D in Japan

Five major factors constrain defence R&D in Japan.

1. The scale of production is small, and arms exports and defence technical cooperation with foreign countries are prohibited, except with the USA. Consequently, defence R&D is very dependent on civilian technology, and there have been many successful examples of spin-on.[71] On the other hand, there are very few examples of technology spin-offs.

2. Availability of advanced engineering skills is limited. There is no research collaboration between the JDA and the universities or national laboratories.[72] Although cooperation between the JDA and private industry does not particularly take the form of collaborative research projects, the JDA inevitably cooperates closely with industry during the prototype production phases.

3. Despite the importance attached to long-term basic R&D, no specific allocations in the R&D budget are given to important R&D projects in the mid- or long-term plans. In striking contrast with major civilian projects, such as nuclear power plants (e.g., plutonium breeder reactors) and rockets (e.g., the H-1 and H-2) which have been supported for decades by MITI and the Japanese Agency of Science and Technology, the current budgeting system based on

[70] A number of items of major equipment are procured from abroad in this way, for example, the F-15 fighter-interceptor, the Patriot surface-to-air missile, the Aegis naval air defence system and the M-110A2 203-mm howitzer.

[71] The charge-couple device system for the portable surface-to-air missile and the liquid crystal display system for the FS-X are examples of such spin-ons.

[72] In the light of Japan's pre-1945 history of militarism, most Japanese universities and academics have avoided military-related research.

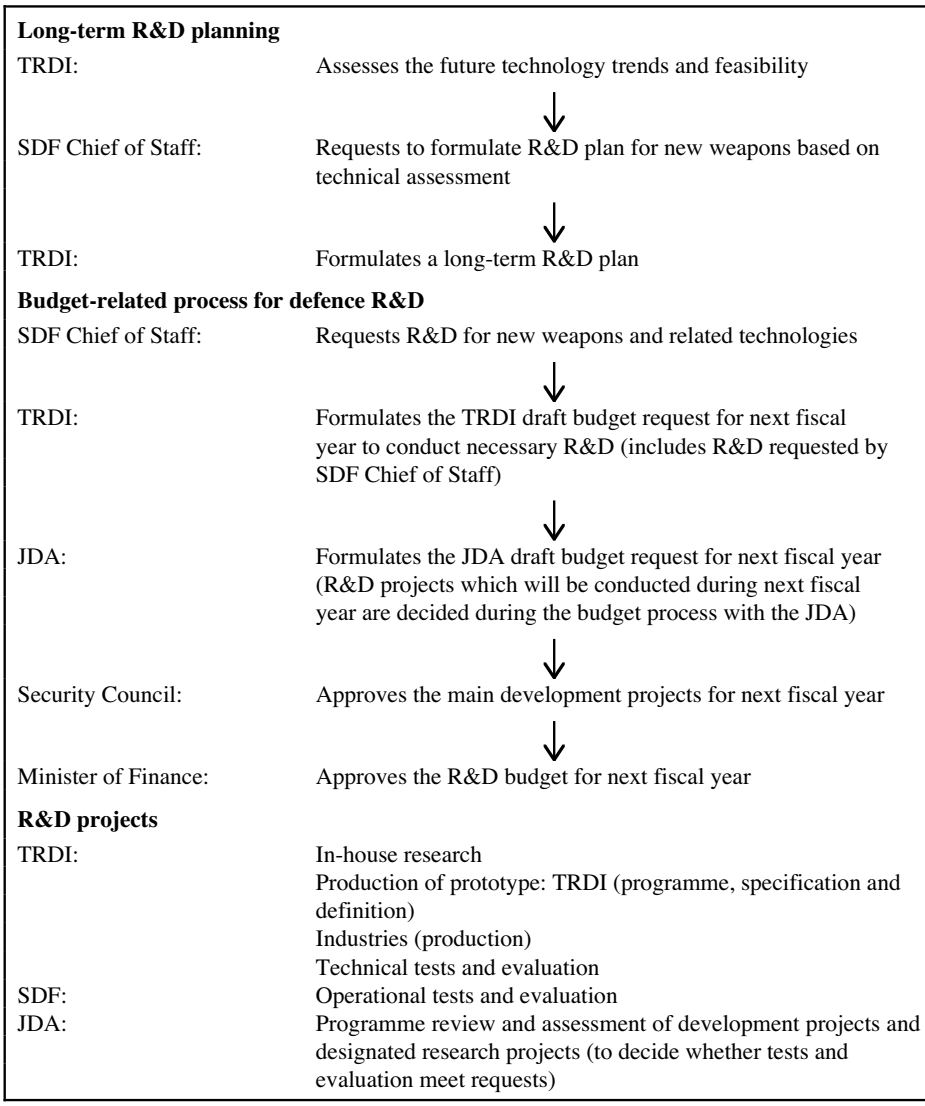

Figure 5.5. Flow-chart of defence R&D planning in Japan

Notes: TRDI = Technical Research and Development Institute; SDF = Self-Defense Forces; JDA = Japan Defense Agency.

Source: Suzuki, T., 'Policy decision for R&D efforts in weapon procurement', SIPRI Arms Procurement Decision Making Project, Working Paper no. 37 (1995).

single fiscal-year allocations makes long-term R&D planning difficult. It would require identification of financial allocations for specific defence R&D projects in the MTDP. In addition, major projects such as the FS-X fighter aircraft (now called the F-2) consume the TRDI's limited budget for basic R&D.

4. The number of large companies in the defence industry with an in-house R&D capacity is limited, except in the electronics industry. Competition in other fields is insignificant.

5. Maintenance of core technological capabilities is considered essential. For example, in the absence of large-scale ongoing R&D projects in the field of aircraft, missiles or electronics technologies the TRDI facilitates the setting up of research projects.[73] However, without a good definition of operational needs, defence R&D for the maintenance of core technologies is difficult. Prototype development and production planning are equally important to the maintenance of technological capacities. As the defence budget constraints make moving from the development to the production phase difficult, concepts like 'prototype plus' and 'experimental production for technological demonstration before moving into a full-scale production phase' are adopted.[74] As and when operational needs emerge, the prototype may be converted for full-scale production.

As a substantial part of the defence R&D effort is in private industry and the constraints on the defence budget have serious implications for the industry, initiatives are being taken to convert defence R&D to civilian R&D. These include rationalization and transferring defence-related engineers to civilian divisions.[75] The efforts to rationalize defence divisions in the industry include reductions of defence production lines, reallocation of manpower and restraining investment in defence-related plant and equipment.[76] Japanese defence R&D actors are also seeking a major multinational R&D project such as the theatre missile defence (TMD) system, closer access to R&D in the universities, the creation of an institution like the US Advanced Research Project Agency (ARPA), and opportunities to improve access to information on technology.

[73] According to Teruo Suzuki, the significance of TRDI funding is that it gives the Japanese Government ownership of patent rights. Under normal circumstances the government negotiates a royalty-free licence with firms which exploit its patents, allowing companies to profit from their programmes while enabling government agencies to fulfil their own ambitions as well. Chinworth (note 3), p. 199.

[74] 'Prototype plus' means a prototype which has the potential to be produced full-scale for actual use but is produced on a small scale mainly for studying its technology and operation because of budget shortfalls and imminent need. 'Experimental production for technological demonstration' means that there is no initial plan for full-scale production, which is undertaken mainly to provide a test-bed for developing new technologies. In Japan there is the example of the *Asuka*, completed in 1995—a ship with new technologies for radar, sonar and propulsion. Suzuki (note 66); and *Defense of Japan 1996* (note 9), p. 113.

[75] For instance, the shipbuilding divisions of Ishikawajima-Harima Heavy Industries and Sumitomo Heavy Industries cooperatively set up a new subsidiary in 1995—Marine United—with the specific purpose of designing ships, as an effort to rationalize defence R&D.

[76] *Boei Hakusho 1995* (note 33), p. 215. The number of defence-related personnel is being reduced through transfers to other divisions or branch companies and by restricting the recruitment of new personnel. As the current MTDP (1996–2000) continues to constrain the front-line equipment budget, the major defence firms will continue to reduce their defence divisions by about 5%. *Nihon Keizai Shimbun*, 5 Jan. 1996.

Table 5.7. Ratios of defence production to industrial production and of domestic procurement to total procurement in Japan, 1985–94

Figures are percentages.

Year	Defence production as % of industrial production	Domestic procurement as % of total JDA procurement[a]
1985	0.51	90.9
1988	0.54	91.3
1991	0.55	90.0
1994	0.61	88.5

[a] Includes licensed production.

Source: 'Survey on procurement contracts of equipment', *Defense of Japan 1996* (Japan Defense Agency: Tokyo, 1996), pp. 357–58.

Arms production in Japan[77]

Scale and features of arms production in Japan

The Three Principles on Arms Export[78] and the 1976 government guidelines on arms control policy prohibit arms exports (including defence co-production and co-development with foreign partners) except to the USA, and the JDA is virtually the only source of demand for the Japanese defence industry.[79] Consequently, the defence market and defence production in Japan are small. Some industries, such as aircraft and shipbuilding, are more dependent on defence production owing to the limited market for their commercial production.[80] Japanese defence equipment tends to be expensive compared to that of international competitors. In FY 1994 the ratio of total defence production to total industrial production by value was 0.61 per cent (see table 5.7).

The share of defence production in total industrial production by value of contracts in 1994 is shown in table 5.8. In general, defence and civilian production lines are collocated, since most of the production line and facilities for defence production are owned by private industry. Exceptions are made in cases requiring secrecy, when defence production maintains production lines for its exclusive use. In addition to being cost-effective, this method reduces dependence on defence production in Japanese companies. For instance, in the aircraft industry assembly work is carried out for both civilian and military aircraft in the same factory. When the workload is heavy on the civilian aircraft

[77] This section is mainly based on Oshima, N., 'Defence production in Japan', SIPRI Arms Procurement Decision Making Project, Working Paper no. 34 (1995).

[78] See note 25.

[79] Transfer of Japanese military technologies to the USA became an exception to the Three Principles on Arms Export and the 1976 government policy guidelines on arms control in 1985 when the Exchange of Notes on Transfer of Military Technologies to the US of 1983 and the Detailed Arrangements for Transfer of Military Technologies were signed by the 2 governments.

[80] For details, see, e.g., Ikegami-Andersson, M., 'Japan: latent but large supplier of dual-use technology', ed. H. Wulf, SIPRI, *Arms Industry Limited* (Oxford University Press: Oxford, 1993).

Table 5.8. Defence production by category as a percentage of total industrial production in Japan, 1994 (preliminary)

Figures are value of contracts in m. yen. Figures in italics are percentages.

Category	Production for the JDA (A)	Special demands, US forces in Japan (B)	Defence production (C) = (A+B)	Total industrial production (D)	Defence production as % of total production (C as % of D)
Ships	243 380	. .	243 380	2 763 221	*8.81*
Aircraft	551 346	1 501	552 847	754 897	*73.23*
Vehicles	25 139	. .	25 139	40 800 631	*0.06*
Ammunition	414 230	. .	414 230	414 759	*99.87*
Electronics	302 341	. .	302 341	51 672 133	*0.59*
Oil products	48 353	. .	48 353	7 491 700	*0.65*
Textiles	18 232	. .	18 232	9 886 999	*0.18*
Medical products	8 063	. .	8 063	5 723 105	*0.14*
Food	34 778	. .	34 778	34 647 102	*0.10*
Other	181 411	. .	181 411	143 840 606	*0.13*
Total	**1 827 273**	**1 501**	**1 828 774**	**297 995 153**	***0.61***

Source: Boei Handobukku 1997 [Defence handbook] (Asakumo-Shimbun: Tokyo, 1997).

assembly lines, workers and engineers from the military section can be flexibly allocated to the civilian line (and vice versa). Defence-related and civilian work are also combined for production of spare parts and for repairs. In overhaul work, the situation is similar, but on a limited scale. Since private industry maintains sophisticated machine tools and facilities for defence-related production and repair through its own investment, companies try to use them as efficiently as possible, which also leads to an interchange of engineers between civilian and defence R&D.

In spite of such efforts by the industry, the financial situation of defence production is becoming difficult. Within the procurement budget, the budget for combat equipment, which mostly means domestic defence production, is shrinking.[81] Although shrinking defence demand does not endanger the major defence-related companies themselves, which are less dependent on defence production, it affects many smaller subcontractors that are strongly dependent on defence contracts.[82]

[81] Since FY 1992 expenditure on front-line equipment has decreased annually: to 994 billion yen (– 6.0% from previous year) in 1992, 918 billion yen (– 7.6%) in 1993, 894 billion yen (– 2.6%) in 1994, and 758 billion yen (– 15.3%) in 1995. During the 1991–95 MTDP, the 5-year accumulated budget for front-line equipment was initially about 5 trillion yen (in 1990 prices) and was cut to 4.44 trillion yen in 1993. *Boei Nenkan 1995* (note 55), p. 476.

[82] Medium and small defence industries face serious problems of restructuring and conversion. E.g., the F-15J/DJ, which is licence-produced by Mitsubishi Heavy Industries (MHI), has 1136 subcontractors and the Asagiri Class 3500-ton destroyer has 1898. Some small subcontractors are more than 50% dependent on defence contracts. MITI launched a survey to investigate the business situation of medium and small

While modernization of defence equipment is necessary, the defence industrial capacity needs to achieve greater efficiency and a more compact structure in the future.[83] As a reduction in procurement budgets would directly affect the defence industrial infrastructure in private industry, the JDA is concerned that this might undermine the minimum critical levels of production and technological infrastructure.

The choice between domestic production and import

The JDA's Equipment Bureau decides whether to procure equipment through domestic production, licensed production or import, including the US Foreign Military Sales (FMS) programme. The basic policy for procurement is that domestic production is chosen when the type of equipment needs to be adapted to Japanese conditions or when the necessary technology for development and production is available in Japan. The choice between domestic production and import depends on: (*a*) meeting the SDF's operational requirements; (*b*) ensuring that the delivery date meets the SDF's needs; (*c*) the accumulated programme costs of development, procurement costs (allowing for number of items to be acquired and including reserve stocks) and life-cycle costs (for reserves, supply, maintenance, overhaul and repair of equipment); and (*d*) factors such as operational suitability.

Domestically produced equipment has advantages in terms of supply, maintenance, repair and technology upgrading. This makes it preferable even when domestic production will cost more than other modes of procurement. For example, the JDA has emphasized missile-related technology, which is critical for an exclusively defence-oriented posture. In such cases factors such as excessive costs for domestic production or urgency of requirements are not necessarily given priority. When the required number of units is small and the accumulated cost (development plus production and life-cycle costs) of domestic production or licensed production is much higher than for import, the JDA procures by means of imports (both FMS and commercial import).[84]

Self-sufficiency and import dependence

For the Japanese defence industry, domestic production (including licensed production) is preferable to importing the end-product since it facilitates the maintenance and improvement of the defence R&D and industrial infrastructure. The

defence industries in 1994, and will provide support by protecting their technology capacities and assisting their conversion to commercial production. Interview by the author with Kensuke Ebata, Nov. 1995.

[83] The current MTDP (1996–2000) also emphasizes 'rationalization, effectiveness and compactness' while paying attention to qualitative modernization and updating of equipment. 'On the Mid-Term Defense Program (1996–2000)', *Defense of Japan 1996* (note 9), p. 287.

[84] This was the case with the E-2C early-warning aircraft and C-130H transport aircraft, of which only 11 and 15 were required, respectively. However, even in such cases, the JDA and the industry usually keep the maintenance and repair infrastructure inside Japan.

share of domestic procurement (domestic and licensed production) between 1985 and 1994 is shown in table 5.7.[85]

Generally, the unit cost of domestically produced defence equipment tends to be very high in Japan, since its defence sales are constrained by the Three Principles on Arms Export. Nonetheless, Japan has been able to contain the rising costs of advanced weapon systems fairly well within the budget and thus to maintain a policy of 'self-sufficiency in defence equipment'. Except for a small decline of about 5 per cent in the numbers of combat aircraft, the JDA has been able to maintain its inventories with modernized weapon systems within the defence budget ceiling of 1 per cent of GNP since the late 1970s.[86]

Factors which may have benefited Japanese defence production are high and stable economic growth, close collaboration between government and industry, and the 'learning effects' of the production cycle. In this sense, there has been a rational consistency between the scale of the defence budget, the 1976 NDPO and the defence industrial structure.

Although the increase in the costs of modern weapon systems has been kept within GDP growth, they have escalated, largely as a result of high manpower costs and the incorporation of sophisticated technologies for detection, surveillance, information processing and weapon guidance functions. Nevertheless, the integration of civilian and defence R&D has meant that the costs of the sophisticated technologies used in such functions have remained manageable.

V. Factors constraining the rationality of arms procurement in Japan[87]

The arms procurement decision-making process in Japan has a degree of functional rationality in terms of its management of strategic concerns, operational concepts, the defence structure, financial allocations, and defence R&D and production. This section examines the factors that work against this rationality and concludes that, despite its functional rationality, arms procurement decision making is inadequate in terms of transparency and public accountability and in terms of the broader national security goals.

[85] The share of domestic procurement decreases when Japan imports expensive major weapon systems. In FY 1993, e.g., when it procured the Aegis naval air defence system for the Kongo Class destroyer and the Boeing 767 airborne warning and control system (AWACS), the share of domestic procurement was 84.8%. *Boei Nenkan 1995* (note 55).

[86] International Institute for Strategic Studies, *The Military Balance*, various editions (Oxford University Press: Oxford); and communication with Siemon Wezeman, SIPRI Arms Transfers Project, Mar. 1998. The 1976 NDPO stipulated that the maximum number of combat aircraft to be procured by the ASDF was 430. *Defense of Japan 1995* (note 24). In the past 2 decades the combat aircraft have been continuously updated, for instance, from the F-4 to the F-15. Modernization of equipment usually results in soaring development and production costs, often at a rate much higher than the rate of growth of GDP. For a discussion on the issue, see, e.g., Muroyama (note 1), pp. 403–25.

[87] This section is largely based on Taoka, S., 'Domestic considerations and élite motivation in arms procurement decision making', SIPRI Arms Procurement Decision Making Project, Working Paper no. 35 (1995); Ikegami-Andersson, M., 'Sociology of national decision making behaviour in Japan', SIPRI Arms Procurement Decision Making Project, Working Paper no. 40 (1995); and interviews by the author with defence experts and Yasukazu Hamada (LDP), Director, Standing Committee on Security.

The USA: a major external factor

Since the USA is the dominant supplier of major equipment to the SDF, a setback in relations with the USA could cause serious disruptions in the efficient routines for arms procurement in Japan. Of about 1600 aircraft, including the helicopters of the three armed services, over 1100 (among them the F-15, P-3C and AH-1 combat helicopters) are either imported from the USA or licence-produced with US components. Most of Japan's surface-to-air missiles, such as the Patriot, as well as naval missile systems are of US design.[88]

US influence is very strong and can even overcome Japanese bureaucratic conservatism. The dispute over the development of the FS-X fighter aircraft is illustrative of the significant influence wielded by the USA. According to Japanese experts involved in the FS-X project, the decision for co-development was imposed by the USA, and during the course of the project more problems than were anticipated occurred over technology transfer issues. The Japanese R&D officials were disappointed by the suspension of the transfer of US technologies, such as General Dynamics' source code, when Japanese technologies were being transferred to the USA free of charge. According to Keidanren, the USA identifies only four technologies as original Japanese (what the USA calls 'non-derived') out of about 12 technologies so classified by Japan. The USA insisted that Japan should provide it with the remaining technologies free of charge.[89] The FS-X project may well remain a bitter experience for the JDA, the Japanese defence industry and their US counterparts, who expected a greater degree of cooperation. Another incident which caused some controversy was the procurement of Lockheed's P-3C anti-submarine patrol aircraft in the 1970s instead of the PX-L, which was planned to be domestically developed.[90]

A small budget for feasibility studies of the TMD system has been approved by Japan following discussions with the USA. The USA expects a financial contribution from Japan and regards Japanese dual-use technology as valuable for the accuracy of the system.[91] The Japanese defence industry, however, believes that its technological contribution will be marginal, since it lacks ballistic missile technologies (prohibited by the spirit of the constitution).[92] The

[88] Taoka (note 87).

[89] Interview by the author with N. Oshima, adviser to the DPC, Keidanren, in Sep. 1995. See also US General Accounting Office (GAO), *US–Japan Fighter Aircraft: Agreement on F-2 Production* (GAO: Washington, DC, Feb. 1997), p. 5.

[90] Domestic development of the PX-L was cancelled in 1972, after Prime Minister Kakuei Tanaka discussed Japan's procurement of civilian aircraft with US President Richard Nixon at a summit meeting. Although the Japanese defence industry lobbied for domestic development, the JDA officially decided to procure the P-3C (for licensed production) in 1977. *Nihon no Koku-Uchu Kogyo Sengoshi* [Post-war history of the Japanese aerospace industry] (Japanese Aerospace Industry Association: Tokyo, 1987).

[91] 'The system requires very precise sensors, a great deal of processing and some exquisite control. Japanese industry possesses some very fine capabilities in each of those areas. That is why we believe Japan could be a valuable partner in the NTW [Navy Theater-Wide] system following THAAD [Theater High-Altitude Area Defense system].' 'The Hon. Paul G. Kaminski on US–Japan strive to expand joint efforts to develop military systems', *Japan Economic Survey*, Apr. 1997, p. 9.

[92] Although an official decision has not yet been made by the Japanese Government, what could happen in the case of 'co-development' is that Japan will provide high-technology, dual-use components at low

Japanese Government, on the other hand, assumes that to turn down the collaboration offer would jeopardize Japan's relationship with the USA.[93] On various issues such as technology transfer and financial and political constraints, the Government has postponed its final decision on the project to 1998.

Competitive civil–military relations

Competition between the views of its uniformed and civilian officials is evident in the JDA's decision-making structure. For example, during the formulation of the MTDP there are many reports in the media on disagreements between them regarding weapon systems. The drafting of the JDA's arms procurement plan also reveals hard bargaining and differences of opinion.

When each SDF submits its plan to the JDA's Internal Bureau, it is scrutinized by civilian officials in terms of need, estimated costs, technical problems, limitations imposed by Article 9 of the constitution, the NDPO, the defence budget ceiling, difficulties of recruitment, and so on. In these discussions the directors at the Defense Policy Bureau's Defense Policy Division, who are senior bureaucrats, play the most influential role.

If the SDF officers do not agree with the proposals of the civilian officials, the senior military in charge of planning in each SDF service negotiate with the Office of the Director at the Defense Policy Bureau and, occasionally, the Chiefs of Staff of the three armed services meet with the administrative vice-minister or with the Minister of Defence to renegotiate and revive some of the plans rejected by JDA civilian officials. As the civilian bureaucrats have the final say and responsibility for drafting the MTDP and the annual defence budget, military officials have to be satisfied if they gain some concessions.[94]

Bureaucratic conservatism

Each item in the budget requests is scrutinized by MoF officials. Although they are mostly law school graduates and not experts in military science, they can often point out problems in connection with the weapon systems requested and question their necessity.

However, even MoF bureaucrats are not free from typical bureaucratic conservatism. In Japan's budget process, precedents become the most important

cost to the USA and purchase the TMD systems at a very high price from the USA. Interview with Kensuke Ebata, Nov. 1995.

[93] Interview with Shuhei Takahashi, MoFA diplomat and later senior researcher at the National Institute for Research Advancement (NIRA), Tokyo, Sep. 1995.

[94] Traditionally, civilian personnel had greater influence than uniformed staff in the JDA. This is partly a consequence of the organizational structure of the JDA's predecessor, the National Police Reserve Force (note 4). The authority attached to the Supreme Council of the Joint Chiefs of Staff is also relatively weak compared with that of equivalent authorities in other countries. This makes it difficult for the 3 services of the SDF to coordinate their interests. Hirose (note 1), pp. 63–69. However, defence analyst Tetsuo Maeda notes that JDA uniformed staff started to increase their influence after the completion of the 1978 Guidelines for Japan–US Defense Cooperation, which define the SDF's strategic role in the context of Japanese–US security cooperation. Maeda (note 20).

determining factor because bureaucrats' positions are secured as long as they follow the examples of their predecessors, who are usually their current seniors. The procurement of the P-3C is an example of over-reliance on precedents. As a result, the sea around Japan now has the heaviest concentration of anti-submarine aircraft in the world.[95] Another precedent is the preference for equipment of US origin. Powerful MoF and MoFA bureaucrats, who sympathize with the LDP, follow a pro-USA policy in their budgets.

Pride in national R&D or preference for the state of the art

Preference for domestic R&D and production of defence equipment is based on arguments such as: (*a*) the need to retain a minimum defence industrial infrastructure for national security; (*b*) the advantages of quicker servicing, repairs and supply; (*c*) the fact that equipment of domestic design is better adapted to domestic conditions; and (*d*) that morale can be higher with domestic weapons. However, this reasoning is also questionable, for the following reasons:[96]

1. The risk of an arms embargo pales into insignificance beside that of an interruption of imports of oil and food, on which Japan is heavily dependent.
2. The reliability and quality of arms that have not been tested in combat and are developed only in small numbers can lead to uncertainties.
3. The basic technological characteristics of modern weapons are fairly similar, and Japanese weapons do not have many unique features.
4. Soldiers' morale and confidence can be equally high with the best imported weapons. Japanese tank crews would like to operate the German Leopard II in the same way as young people in Japan admire German or Swedish cars.

Just as R&D is constantly pushing at the scientific and technological frontiers, and is a driving force of development, defence system researchers also like to make full use of their capacities, skills and resources to develop competitive defence equipment. This phenomenon is universal, but Japan is one of the few countries that can still afford R&D funds and human resources to realize the defence engineer's 'dream'. The FS-X is one such example of the JDA's R&D personnel and the defence industry wanting to fully stretch their technological capacity. A basic principle of arms procurement in Japan is 'to primarily buy advanced equipment within the available budget', which is not very different from admiration of top-brand goods.[97] Procurement of weapon systems on the basis of such reasoning may not always be necessary for the achievement of the larger objectives of security and may well lead to overcapacity.

[95] The MoF approved the MSDF's request to replace the P-2Js with P-3Cs on a one-to-one basis, even though the P-3C—with a longer range and advanced surveillance systems—can cover an area 10 times larger than that covered by the P-2J. Taoka (note 87); and interview by the author with Kensuke Ebata, Nov. 1995.

[96] Taoka (note 87).

[97] Shunji Taoka explains this 'top-brand admiration' as an effort by the JDA to make up for quantity (limited by the NDPO) through quality. Taoka (note 87), p. 11.

Information flow in defence policies and arms procurement[98]

An important informal channel for the flow of defence-related information is the JDA Press Club, located in the Internal Bureau. Having a press club in every major ministry is unique to Japan, and it has both advantages and disadvantages in terms of building public awareness. Accredited journalists are allowed access to most of the JDA officials—except those in restricted areas—without prior appointment. Top-level JDA officials such as the Director-General, vice-ministers and the Chairman of the SDF Joint Staff Council give weekly press briefings on Cabinet meetings and developments in the JDA. In this manner accredited journalists become acquainted with senior JDA officials, which facilitates their coverage of major events.

Senior SDF officials also make use of this system to promote their preferred defence systems once their procurement request is sent to the Internal Bureau. However, in the early stages of arms procurement decision making, such as planning for the next R&D project, it is difficult to obtain information on such aspects or on issues such as the official US position or the position of the defence industry on arms procurement proposals. Occasionally, JDA officials confide such embryonic plans to their close contacts in the press club with a view to eliciting public reactions.

A press club system fosters specialist journalists who can efficiently collect and analyse information in their fields. Unlike many other countries where government officials give interviews to select journalists, government officials in Japan cannot refuse an interview once a journalist has been assigned to the press club. The press clubs have certain officials appointed to explain organizational issues, and press club members sometimes exert collective pressure on the Government to disclose information. However, this system also has disadvantages. First, such exclusive press club membership is usually not open to the minor or foreign media and the clubs become a 'closed society'. Consequently, only a limited number of the major media enjoy the advantage of access to information. Second, press club members tend to become semi-insiders. With similar educational and social backgrounds they tend to share the views of administrators rather than those of the general public. Third, press club members often become friends with each other and cease to compete, so that no one is hurt through aggressive reporting. Such an atmosphere tends to discourage investigative journalism.

The weakness of legislative oversight[99]

Although the Japanese Diet is responsible for appropriating the national budget, including the arms procurement budget, it is actually rather weak in profession-

[98] This section is based on Taoka (note 87).

[99] This section is based on an interview by Ian Anthony, SIPRI, with Yoshinori Oono, Chairman of the LDP National Defense Committee and Director of the Standing Committee on Security, House of Representatives, Dec. 1995.

ally checking and assessing the defence budget. This undermines the spirit of public accountability in oversight of the defence budget.

The Diet does not have a confrontational or adversarial relationship with the Government. As the system works on the basis of trust among Diet members, they are usually satisfied with an explanation from ministers and senior bureaucrats on budget questions, and very seldom raise intrusive questions or monitor action taken on their comments and observations. The high point of the budget process is the stage of formulation of the MoF's budget plan, when active bargaining occurs between MoF officials and those from other ministries and agencies. Once the MoF budget plan is formulated, it is invariably approved by the Cabinet and the Diet without major changes. In Japan, it is not the political representatives elected by the people but the MoF bureaucrats (who do not represent the public) who decide how much public money to spend and where.[100] When the JDA's budget draft is signed by the JDA Director-General and presented to the SC, it is also invariably approved by the Cabinet. After this the JDA has to negotiate with the MoF for the release of funding. Approval by the Cabinet gives a strong foundation to the JDA's annual budget requests, unless there is a drastic change in the political, financial or international environment.

The Diet has the Standing Committee on Security, but its main task is not the examination of the defence budget or arms procurement decisions; it is mainly involved in reviewing the strategy, roles and missions of the SDF. It is not considered necessary to conduct a full review every year on these issues, except when a new MTDP is discussed or when part of the defence framework—such as the NDPO—is revised. The committee then has a more intensive debate.

Only a few individual members of the committee keep themselves informed of technological, political or military issues concerning the defence of Japan. Their main sources of information are:

1. *Party contacts*. Each party holds informal seminars and meetings on important issues where the media, academics and officials are invited to give briefings.
2. *The media.*
3. *Briefings from government officials*. The Diet does not have a qualified research unit except for a few non-specialist researchers. There is a small research staff that serves all members, but it does not conduct research on security matters. There is a striking contrast with the level of competence available to the US Congress, which has a large and capable research unit and the General Accounting Office, and can develop an active debate in appropriate committees. In Japan information is often obtained on a personal basis, such as contacts with US congressmen and officials. Very few Japanese parliamentarians are fluent in English or other foreign languages, which is also a disadvantage in the collection and exchange of information with foreign sources.

[100] van Wolferen, K., *Tami ha Orokani Tamote* [Keeping the people ignorant: the hidden agenda of Japanese bureaucrats and newspapers] (Shogakukan: Tokyo, 1994).

If the JDA wants to procure an advanced weapon system which is not an item of routine procurement, it must present its rationale to the Standing Committee on Security in the budget discussion. The discussion often concerns more general questions but can concern specific equipment such as the B-767 airborne warning and control system (AWACS) or the Aegis naval air defence system. Questions are usually raised by members of the opposition parties and are often answered informally by JDA officials before the committee session begins. Committee hearings tend to involve perfunctory discussion. In general the committee relies heavily on JDA officials for clarification, expertise and advice.

Socio-cultural traits

Security policy and decision making in Japan are highly controversial because part of the decision making is often carried out on a personal and informal basis. A 'fixer' actively lobbies other decision makers to persuade them and to obtain their informal consent. Then, at a later, formal stage, there is little debate and decision makers reach consensus rather easily. The decision-making style called *nemawashi*[101] is often criticized for ambiguity. Other socio-cultural characteristics in Japan's decision-making behaviour are outlined below.

Informality among decision makers

In the Japanese arms procurement decision-making process, a significant part of the decisions are made at an early stage. Close, informal business–government interaction is one factor which contributes to the lack of open information on arms procurement in Japan. Such interaction begins long before final decisions are made. Most of the contracting arrangements between the JDA and individual companies have been finalized informally by the time particular systems are selected, implying that the Government relies heavily on the private sector for professional resources and expertise.[102] Generally, however, leaders of the major defence companies do not welcome public attention to their defence production for fear that it could harm their corporate image in this 'defence-allergic' nation. The defence industry refrains from making any overt political moves to obtain contracts and tends to lobby informally in a confidential manner.

Although a group of conservative politicians known as *Kokubo Zoku* ('the defence tribe') support increased defence capabilities,[103] their motivation seems

[101] van Wolferen (note 53).

[102] Chinworth notes that in Japan the defence industry plays an important role in guarding government policy interests while shielding the JDA from negative exposure. Chinworth (note 3), p. 165.

[103] Under the long succession of LDP-led governments (1955–93), senior bureaucrats and LDP politicians established a close collaborative relationship in policy making and practice. Through studying and working for a specific area (e.g., transport, construction, agriculture, medical care or defence) some LDP politicians—called *Zoku* parliamentarians—became specialists on certain issues and accordingly established close connections with certain ministries and senior bureaucrats. Their activities, based on each ministry, involve mediating and coordinating interests between industries, powerful interest groups and the administration. However, this system has resulted in a strong barrier against intervention from non-experts

to be electoral considerations, in terms of winning votes from SDF personnel and their families, rather than the interests of the defence industry. Retired senior JDA administrators often become *Kokubo Zoku* parliamentarians, trying to represent the interests of the JDA uniformed staff. *Kokubo Zoku* parliamentarians often lobby the MoF to increase the budget for purchases of major defence equipment.

At the same time, the US Government and major US defence companies are politically very influential, but the channel of their influence is often personal and informal via their contacts with Japanese politicians. *Kokubo Zoku* are keenly aware of the Japanese–US security relationship. This means that they are not necessarily working in the interests of the Japanese defence industry. Some *Kokubo Zoku* may be on good terms with the US defence industry because of their contacts among Japanese interests who advocate procurement of US weapon systems. The *Kokubo Zoku* parliamentarians were not active advocates of Japan's autonomous development of the FS-X during the Japanese–US controversy over the issue in the late 1980s.[104]

The procurement decision-making process is time-consuming: decisions require compromises that are acceptable to most of the actors involved.[105] These actors may begin to exert informal influence (*nemawashi*) at an early stage, which may well be the most significant stage of decision making. Because the process is not transparent, it remains a 'black box'.[106] The personal nature of the black box makes it extremely difficult to understand for outsiders, including journalists, who have limited access. Furthermore, Japanese political–social tradition discourages societal initiatives to improve the transparency of administrative decision making.

The amakudari *custom among senior bureaucrats*

'Personalism' among decision makers is another factor which erodes rationality in arms procurement decisions, undermining the very objectives of goal rationality in the arms procurement decision-making process. The custom of *amakudari* ('descent from heaven') is one such practice: retired senior JDA officials are customarily absorbed in the defence industry as 'advisers' without regular responsibility. *Amakudari* is advocated among Japanese bureaucrats as

within the LDP and opposition parties. See, e.g., Inoguchi, T. and Iwai, Y., *Zoku-Giin no Kenkyu* [A study on Zoku parliamentarians] (Nihon Keizai Shimbun-sha: Tokyo, 1978), pp. 209–10.

[104] Green, M. J., *Kokusanka: FS-X and Japan's Search for Autonomous Defense Production* (Massachusetts Institute of Technology, Center for International Studies, Japan Program: Boston, Mass., May 1990).

[105] Chinworth (note 3), p. 163.

[106] To give an example, in 1994 under the LDP–SDP coalition government the JDA was criticized for its unclear procurement decision making in the case of the UX executive jet. The JDA's decision of Aug. 1994 to procure the US Gulfstream instead of the UX was criticized even within the government by some ministers and the SDP. Reportedly, the initial JDA report presented to the cabinet contained no comparable data on the US Gulfstream and the 2 other candidate aircraft. The decision was re-examined by a committee specially organized within the JDA. However, the investigation did not reverse the initial JDA decision. *Asahi Shimbun*, 18 Dec. 1994 and 5 Jan. 1995.

one of the ways of encouraging earlier retirement and guaranteeing efficiency within the bureaucracy (avoiding too severe competition for promotion).

Amakudari is rather widely practised among Japanese career bureaucrats, particularly among the powerful MoF officials. As the JDA manages the arms procurement budget, the JDA *amakudari* officials are considered important in the defence industry. Large firms accept *amakudari* bureaucrats, expecting to win government contracts through these personal connections. Eventually, the *amakudari* mediate private firms' interests and government funds, which erodes fairness of public policies.[107] A number of serious scandals have been disclosed that were driven by the practices of *amakudari.*[108]

Amakudari is a channel which often brings personal factors into public decision making, thus eroding transparency. Although the government–industry connection through retired defence officials—rather like the 'revolving door' in the USA[109]—is fairly common in arms procurement decision making worldwide, the potential to lobby higher levels of government across the board is considerable if the new adviser has retired from a senior JDA position after having served in ministries such as the MoF or MITI.[110] Moreover, decisions driven by personal connections may not be noted by the Diet owing to the lack of public accountability and transparency in the Japanese bureaucracy.

Élitism and dominance of the bureaucracy

The Confucian teachings and tradition advise Japanese society to maintain a strong sense of hierarchy. This keen consciousness of hierarchy is maintained among the Japanese throughout the education system, in the workplace and in modes of socialization. National security decision-making behaviour cannot be free of such influences. The Japanese élite take advantage of the general awareness of hierarchy. Traditionally, the Japanese public does not question or criticize authority. Such attitudes allow the élite to enjoy significant autonomy and power without being concerned about public criticism, the absence of which makes it easier for Japanese administrators to monopolize information and data to which the public have a right of access,[111] although this situation is gradually changing. Emphasis on collectivism in Japanese society tends to give priority to 'harmony' within a group rather than to the innovative idea that

[107] Although there is a law prohibiting national public employees from taking a post in a private industry whose interests are closely related to those of their former ministry for 2 years, the application of the law has been rather flexible.

[108] E.g., in the monetary scandals and bank crisis of the mid-1990s, MoF officials' *amakudari* to private banks was blamed as a root of the corruption. Japanese bureaucrats usually keep strong senior–junior relations in mind even after their retirement. Thus MoF officials could not implement proper supervision and control against some problematic private banks because former MoF senior officials were presidents of those banks as a result of *amakudari*. Hoffman, S. A., 'Faction behaviour and cultural codes: India and Japan', *Journal of Asian Studies*, vol. 40, no. 2 (1981), pp. 231–54.

[109] Kennedy, G., *Defence Economics* (Duckworth: London, 1983). Chinworth notes that, if there is any difference, it is that Japanese relationships are the result of longer-term interaction than might be evident in the US experience. Chinworth (note 3), p. 25.

[110] Chinworth (note 3), p. 25.

[111] 'Japan has a clearly discernible ruling class. Its members—mainly bureaucrats, top businessmen and one section of the LDP—are all basically administrators.' van Wolferen (note 100), p. 109.

individuals could promote change—an attitude that maintains a conservative decision-making behaviour in the bureaucracy.

Socio-political analyses of the Japanese power structure have pointed to the 'bureaucrat's dominance in policy making'.[112] This dominance derives from the Confucian tradition and continued during the Meiji era modernization (1868–1912). The Meiji Government adapted a national slogan—'rich nation, strong army'—in trying to catch up with the Western imperial powers of the time. Challenged both domestically and by external threats, it needed to establish a 'bureaucratic nation' for the legitimacy of the regime, in which the bureaucracy functioned as a neutral and capable policy maker.[113] As a result, senior bureaucrats took the leading role in various important policies and decisions.

This socio-political structure of the Meiji regime still characterizes the organizational behaviour of Japanese decision making. The dominance of the bureaucracy expanded significantly in the 1930s and during World War II.[114] Even defeat in World War II and the ensuing occupation by the Allied powers did not change the system. On the contrary, the occupation authority—the General Headquarters of the Supreme Commander for the Allied powers—used the Japanese bureaucracy to carry out various forms of reform in Japan (such as land reform, demilitarization and dissolution of the *zaibatsu,* the large financial and industrial combines).[115] In the post-war period, when economic growth was defined as the top national priority, the bureaucracy continued to maintain its strong influence in implementing industrial policy. This historical background gives the Japanese bureaucracy a strong sense of pride, self-confidence and legitimacy.

In this way the Japanese bureaucracy enjoys not only extensive authority but also high social status and public support. Such socio-cultural norms encourage élitism as a barrier against transparency in government decision making. For example, a number of studies of arms procurement have been conducted by the ministries and agencies concerned, but they are not available to the public, although many of them need not be treated as confidential. However, Japanese administrators still like to believe that it is better not to provide too much information to the public. It is thus very difficult for the general public to access defence-related information and data. Ironically, Japanese researchers often have to rely on US Government documents for information on Japanese national defence issues at the same time as decision makers decry the Japanese public's general ignorance of and lack of interest in defence issues.[116]

[112] See, e.g., van Wolferen (note 100).
[113] Inoguchi and Iwai (note 103).
[114] Johnson (note 4), pp. 40–41.
[115] Johnson (note 4), pp. 40–41; and Inoguchi and Iwai (note 103), pp. 10–11.
[116] This deep distrust between decision makers and the public derives partly from the controversial post-war history of the JDA, for example, the debate on the legality of the SDF in terms of Article 9 of the constitution. Under these circumstances, the JDA has developed a self-defensive and introversive political posture in order not to be drawn into domestic ideological conflicts. Its secretiveness is one aspect of this posture.

Of late there has been strong public criticism of the domination of bureaucrats as a result of media disclosures of financial scandals involving senior bureaucrats, high-ranking politicians and prominent business circles. The public is slowly beginning to realize the importance of monitoring government decision-making processes. Increased public awareness may promote transparency and accountability in these processes, including that of arms procurement.

In spite of the rationality observed in the implementation phase of the arms procurement process, Japanese socio-political and cultural factors thus make the related decision making less rational and thereby not necessarily in keeping with the broader goals of national security.

VI. Conclusions

The administrative process of arms procurement planning in Japan may be described as functionally rational. Even the drafting of the defence budget, involving actors with diverse interests, progresses smoothly by an informal consensus-forming technique unique to Japanese tradition. Once a draft of the defence budget and planning is approved, bureaucrats work for its implementation in a precise and punctual manner, for which the Japanese bureaucracy is noted. The defence R&D and production phases also show this kind of functional rationality and efficiency.

Actors involved in the arms procurement decision-making process perceive it as being consistent and efficient in its administrative and industrial dimensions, referred to in this study as functional rationality. However, a limited framework of rationality does not guarantee rationality in the entire system. In other words, the outcome of a series of functionally rational actions such as long-term planning, timely and precise action by the bureaucracy and the high performance of the defence industry, which combine to constitute the defence structure, may not necessarily guarantee security in the best interests of the people—the real objectives of national security—that is, goal rationality.

Irrationality and inefficiency in Japan's arms procurement

As discussed above, the Japanese security perception is based on the constitution. Thus the country has focused on developing a military capability which creates 'basic and standard' structures for an 'exclusively defence-oriented policy'. Although in theory Japan's defence posture is not based on specific threats, in practice it is determined by the assessment of potential threats from surrounding countries, resulting in a significant military capability, which is enhanced by the terms of Japanese–US security cooperation. This is the root of the controversial 'double standard' attributed to Japan's defence posture. As Muroyama points out, the 'basic and standard defence capability regardless of specific threat' and the defence expenditure ceiling of 1 per cent of GNP were presented and accepted as a rhetoric of self-restraint by a 'peace-oriented'

nation. Nevertheless, in practice this framework has allowed for the build-up of highly modernized defence forces which, if combined with the US forces, could even deter the former Soviet forces in the Pacific.[117] Muroyama shows that, if defence expenditure of 1 per cent of GNP is maintained, Japan will become a significant military power comparable to the US forces in the Pacific in the 21st century. What is lacking is an internationally accepted institutional framework which admits and utilizes such an expansion of Japan's defence capability. In these circumstances the absence of a Japanese rationale for its defence build-up will become even more problematic for both Japan and the international community.

In trying to define logical consistency between the concept of an 'exclusively defence-oriented policy' and a military build-up based on assessment of threats from neighbouring countries, Japan has failed to develop a comprehensive strategy for mobilizing various means for achieving security (for example, political, economic, diplomatic and strategic). The Security Council, which is expected to formulate a comprehensive security policy, does not function as a policy-making organ but ritually authorizes defence programmes formulated by 'real decision makers'—senior bureaucrats and other influential players.

Given the lack of a grand strategy or a competent structure for formulating a comprehensive security policy, arms procurement decisions are the result of bargaining among the main actors. As the first drafts of arms procurement plans are formulated by JDA officials from the SDF, they are exclusively based on military factors of territorial defence and the relative potential of weapon systems, and do not consider the diplomatic, economic or political factors influencing the security milieu. Although the JDA drafts are modified by other ministries, they cannot exert influence on matters concerning technical aspects such as the military's relative operational capabilities or weapon technologies. Once arms procurement plans are drafted, they are invariably approved by the Cabinet and the Diet without substantive changes. Eventually, in spite of the functional rationality of a well-institutionalized arms procurement decision-making process, a substantial proportion of the decisions emerge from the black box in which influential actors make informal bargains and compromises.

In such a bargaining process, decisions may well be driven along the lines of power relations among the actors involved and not on the principles of the best interests of society. Such an outcome does not contribute to goal rationality. For example, even though the 1976 NDPO defined the maximum number of each type of major weapons, the Japanese defence capability has been significantly strengthened, as can be seen in the case of the P-3C Orion procurement. Such procurement actions may cause overcapacity in the armed forces. As such overcapacity without a threat rationale could provoke an arms race in the region, it could eventually adversely affect Japan's national security. However, Japan has no neutral institution outside the JDA or the ministries with the competence to assess its defence structure in terms of adequacy, force balance and efficiency.

[117] Muroyama (note 1), p. 432.

This also brings out the limitations of the lack of transparency and public accountability.

The changing security environment

Until recently, Japanese society's indifference to public accountability because of traditional perceptions of bureaucratic superiority, power and authority, a tendency to avoid controversial security issues, and the lack of public understanding of and information on defence issues did not seem to be very important since Japanese security during the cold war was closely linked to that of the USA. However, in the post-cold war era, when all countries are seeking to redefine their security priorities and policies, including threat assessment, the situation is changing, in Japan no less than anywhere else.

First, instead of searching for alternative regional security frameworks, Japan and the USA have confirmed a strengthening of their security cooperation, and the Japanese Government has responded positively towards a redefinition of US regional strategy. In September 1997, the two governments presented the new Guidelines for US–Japan Defense Cooperation in case of emergencies in the area surrounding Japan. These factors suggest that Japan has opted to support and maintain the hegemonic presence of US forces in the region, which could lead to increasing reliance of the two countries on each other in arms procurement, defence R&D and production. Inevitably, this will place the Japanese Government in a dilemma as the US Government expects a greater defence contribution from Japan, not only for the defence of Japan if it is attacked but also to support the US forces' strategy in the event of a conflict in the region surrounding Japan. This basic change could be inconsistent with the Japanese Constitution.[118]

Second, in the post-cold war uncertainties under which many countries are reviewing their threat assessments, Japan's defence build-up may well be perceived as a threat by neighbouring countries. Undeniably, Japan has been mainly dependent on the USA in building up its defence structure. During the cold war, Japan's 'remilitarization' was understood by other Asian countries in the context of its alliance with the USA, namely, as an appendix of the US presence in the region. However, its stable economic growth and very large GNP will make Japan a major military power in the region in its own right in terms of its military expenditure and the technological sophistication of its weapons and systems. The argument that the Japanese SDF are an appendix to the US forces will no longer provide a good rationale for Japan's large-scale defence build-up.

Third, the 1996 redefinition of the Japanese–US security cooperation may generate a kind of 'duo-hegemony' in the region, which might stimulate new competition with such other major military powers as China.[119]

[118] Taoka (note 21).

[119] Interview by the author with Professor Young Sun Ha, Department of International Relations, Seoul National University, conducted in Stockholm, Feb. 1997.

Fourth, Japanese society is becoming increasingly dissatisfied with the traditional role of its bureaucracy in the wake of disclosures of corruption and maladministration in the nexus between the Government, the bureaucracy and industry. Public demands for increased transparency and public accountability in government decision making will foster a sense of fairness in domestic administration and confidence and security building in the region.[120]

Final observations

In conclusion, some general suggestions are called for as to how transparency and public accountability in arms procurement decision making in Japan can be improved.

First, the Security Council or other competent bodies in the Government need to examine Japan's security policy more comprehensively. Although the government has discussed 'comprehensive security',[121] it lacks an integrated defence policy-making process to coordinate different perspectives and means for achieving security, not only through defence capacity but also through stabilizing social and economic infrastructures. Wide-ranging capacities for research and analysis of national security issues need to be developed by academic and research institutions to provide the Government and the public with qualified analyses of security options. So far only ad hoc groups are organized to advise the Government on security issues, such as the Advisory Group on Defense Issues. Japanese think-tanks still avoid conducting national security studies. The challenge is to build a process which involves capable experts and intellectuals in the public domain to make insightful analyses or propose innovative ideas for a new framework for Japanese defence policy. However, decision makers do not want to share their power and influence with intellectuals outside *Nagata-cho* and *Kasumigaseki*—symbols of the centre of Japanese politics and bureaucracy.

Second, the Diet, and particularly the Standing Committee on Security, has to strengthen its own capabilities and expertise and the range of its responsibilities in order to assess defence programmes formulated by JDA officials instead of according them perfunctory approval. The Diet also needs to strengthen its research unit on defence issues and set up qualified research institutes for security studies. The functions of the Board of Audit in terms of range of expertise and examination should also be strengthened.

Each time the Standing Committee on Security approves an important defence programme, such as the NDPO or the MTDP, it should issue a report

[120] Japan as yet has no freedom of information law, although some acts have been passed at the local community level. At the time of writing a bill was planned to be introduced in Mar. 1998, but it states that government information on defence, diplomacy and crime investigations can be withheld at the discretion of the ministers involved. Asahi Shimbun, English News, 21 Feb. 1998, URL <http://www.asahi.com/english/enews/enews.html>.

[121] After the oil crisis of the 1970s, government organizations such as the Economic Planning Agency proposed the concept of 'comprehensive security'. See, e.g., *Hanei no Tetsugaku* [Philosophy of prosperity] (Economic Planning Agency: Tokyo, 1989).

on the discussion and an explanation of why a specific programme has been approved from the viewpoint of representatives of the people and not of the JDA or other ministries. If such reports are issued regularly, the public's knowledge of defence issues will increase, which is ultimately important in creating a national consensus on defence policy. Establishing an independent evaluation committee on important issues consisting of experts and civilian representatives would be helpful in enhancing the public debate on defence issues and consequently public accountability.

Third, academics need to be encouraged to study national security issues with the purpose of informing the public. As in other democratic societies, it is in the general public's interest to be aware how their tax money is used, not only for arms procurement but for government expenditure as a whole. The media need to develop professional insight and provide objective analyses of defence policies and arms procurement and to stimulate public debate instead of trying to channel public opinion in specific political or ideological directions. By having access to accurate information, the public may gain a rational and balanced understanding of national security issues. Only under such conditions can Japan expect to develop democratic policy-making processes.

Fourth, a dynamic international exchange of information about security issues at various levels (governmental, political, business and academic) will enhance transparency in both the domestic and the international spheres, which would in time contribute to confidence building in the region. As for the Asia–Pacific region, entities such as the Asia–Pacific Economic Cooperation (APEC), the ASEAN Regional Forum (ARF) and the Council for Security Cooperation in the Asia Pacific (CSCAP) should arrange international cooperative projects to produce reports on the defence policies and processes of each member country.

Fifth, over-confidence in high-technology weapon systems could be a pitfall in the best of security structures. Japan is one of the few countries which have both the technological capability and the R&D resources to continuously procure high-technology weapons. The SDF would prefer and can afford to be equipped with advanced weapon systems, but this is not an enduring solution to meeting diverse national security threats.[122] Advanced weapon systems can be effective for military deterrence and defence of national territory, but if an excessive defence build-up provokes a new arms race in the region it could eventually erode national and regional security. Thus military deterrence must be carefully examined in terms of both positive and negative effects. When Japan procures advanced weapon systems, the Government must convince the international community through diplomatic, political or other channels that they are not for aggressive use.[123] In this area, work by independent Japanese analysts is conspicuously rare.

[122] M. van Crevald points out the pitfalls of such a strategy: 'In war, this advantage [technological efficiency] has to be balanced against the fact that putting all one's eggs in a single basket is dangerous, is likely to lead to a loss of flexibility'. van Creveld, M., *Technology and War: From 2000 B.C. to the Present,* revised edn (The Free Press: New York, 1991), pp. 318–20.

[123] In the view of the author, Japan's war responsibility and the compensation issue are obstacles to be overcome in the interests of future confidence building in the region.

A major finding of this study is that Japanese defence decision making is based on disguised consensus. In spite of a democratic framework and functional rationality in the administrative procedure, a substantial proportion of decisions are made by powerful administrators through *nemawashi*, which eventually represses alternative or critical opinion. Such decisions are seldom challenged by politicians or the public because of lack of interest and information. Indeed, the legacy of pre-1945 militarism left a serious problem in the post-1945 security decision-making system: the Japanese were eager to conceal any information concerning the military and the consequence is that they have failed to establish a credible means of civilian oversight and monitoring. The transfer of officials from other ministries, such as the MoF, the MoFA and MITI, who are seconded to the JDA, is an example of the Japanese bureaucrats' efforts to conceal military influence within the decision-making system. However, this effort only brought the ill effects of 'vertically divided administration' (known to be a general problem of the Japanese bureaucracy) into the arena of defence decision making: no political entity is ultimately responsible for its decisions.[124]

A key to solving these problems is a reform of the decision-making system based on the principles of democratic consensus formation, providing accurate and substantive information and explanations to the public, and thus increasing transparency and public accountability. Japan will become 'normalized' without militarization only when the Government develops transparency as a norm in its policy making,[125] and can thus foster confidence building and cooperative security in the regional and international arenas.

[124] This problem was revealed, e.g., in the lack of crisis management at the time of the 1995 Kobe earthquake. van Wolferen notes that, just as in the 1930s, Japan today lacks a distinct core of political responsibility in the line of command for defence, and thus the current system will not be able to control the military sector should it become powerful. van Wolferen (note 100). 'Study of how the SDF are to be utilized has been undertaken almost exclusively within the Defense Agency . . . Now that discussing security has become easier, constructive proposals for utilizing the SDF emanating from sources other than the Defense Agency would be welcome, partly because they would help establish true civilian control'. Tanaka, A., 'A model for Japanese security in the twenty-first century', *Japan Review of International Affairs,* vol. 10, no. 4 (fall 1996), p. 290.

[125] Recently there has been speculation in the international community that Japan may become more 'normal' in the sense of adapting a more independent defence posture, such as sending the SDF overseas on UN peacekeeping operations. The change in Japan's defence stance has provoked concern among academics and the civil society. Johnson, C., 'Japan in search of a "normal" role', IGCC Policy Paper, University of California, San Diego, July 1992.