

BBL Seminar Handout

October 7, 2011

Looking Back at the FSX Dispute
- Lessons for the Future -

Hidehiro Konno

<http://www.rieti.go.jp/jp/index.html>



RIETI Special Seminar

Looking Back at the FSX Dispute —Lessons for the Future—

October 7, 2011

Hidehiro Konno

FSX

Fighter Support eXperimental

Interceptors : F-86 → F-104 → F-4 → F-15

Support Fighters : F-1 → FSX (F-2)






Twists and Turns on the FSX

- Phase-1: 10/1985~11/1987
Run-Up to the Co-Development Decision
- Phase-2: 11/1987~1/1989
MOU & LTAA Negotiation
- Phase-3: 1~9/1989
“Clarification” →

Phase-1 (The Co-Development Decision)

- '78. 4: Start of the "Control Configured Vehicle" research
- '84.12: JDA started feasibility study of successor to F-1.
- '85. 9: TRDI reports "the domestic development is feasible."
 - . 9: The Medium-Term Defense Program (Exploration of the successor approved.)
 - .10: ASDF starts the exploration with 3 options (domestic development, conversion of the existing F-4EJ, adoption of a foreign fighter)
- '86. 4: Weinberger- Kato (US willingness to provide information)
 - .12: NSC decision; "dmstc dvlpmnt" → "dvlpmnt"
(incl. joint dvlpmnt with US)
- '87. 3: Media reports of the COCOM violation by Toshiba Machinery.
 - . 3: US sanctions against Jpn on the semiconductor case
 - . 6: Weinberger- Kurihara (joint remodeling of a US fighter, vs. joint dvlpmnt of a new fighter)
 - .10: Weinberger- Kurihara (agree on co-dvlpmnt based on F-15 or F-16)
 - .10: JNSC decision; co-dvlpmnt based on F-16



Distinctive Features of the Phase-1 Process

— (1) Subtly of the Game

1. Contrary Starting Intentions

Jpn: domestic dvlpmnt

US: adoption of US aircraft

stated reasons: ① cost-efficiency

② interoperability

presumed motives:

① to maintain supremacy of US defense industry

② to prevent Jpn from gaining military self-sufficiency

③ commercial interests of US defense industry

2. Behaviors

Jpn: appearance of fair procurement process

US: avoidance of overt interference with Jpns decision

3. Plays between the Jpn-US Security Partners

US: DOD keeping off the trade people

**Jpn: Seeking to settle the matter with the US without
arousing domestic public emotion**



Distinct Features of the Phase-1 Process

— (2) Shadowy Linkage with Toshiba Machine Corp. Incident

**'87. 3: Defense A.S. Richard Perle's Congressional testimony
“investigating a case of serious COCOM violation “**

→ Media report that Toshiba exported a highly sophisticated machine tools enabling the Soviet Union to produce quieter submarine propellers

- . 7: Several Congressmen smashed a Toshiba radio outside the US Capitol with a sledgehammer**
- . 7. Senate resolution demanding Japan to purchase US fighters for the FSX project**
- . 7. Executives of Toshiba Corp. resigned**



Phase-2 (MOU · LTAA)

'87.11: Negotiation on the MOU started (G-to-G)

: Negotiation on the LTAA started (MHI-to-GD)

issues: the work-share (ratios and parts)

free transfer of derived technology back to the US

'88. 6: Kawara-Carlucci (agree on the basic conditions of co-development)

11: MOU signed

the work-share in development US 40%

the work-share in production undecided

'89. 1: LTAA signed

agree on the wing development work-share etc.

(US:Jpn 4:14)



Distinct Features of the Phase-2 Process (Devils are in the details)

1. Many unresolved issues
 - (1) the work-share in development
 - (2) transfer of derived technology
 - (3) the work-share in production

2. Protracted negotiation leading to;
 - the change of the US Presidency (Reagan to Bush)
 - the entanglement with trade issues



Phase-3 (“Clarification”)

- '89. 1.18: Senate hearing of the incoming DOS Sec. Jim Baker
 - Senator Helms requested a review of the FSX agreement
- . 1.29: C. Prestowitz on the WP “Giving Japan a Handout”
- . 2. 2: Takeshita visited the White House
 - The 12 Senators’ letter to Bush requesting the review
- . 3. 8: Media report of the Mitsubishi Heavy Industries’ suspected involvement in the Libyan chemical weapon plant construction
- . 3.15: NSC launched the “clarification” of the FSX agreement
 - .23: JDA V.M. Nishihiro visits Washington
- . 4.28: Matsunaga-Baker agreement
 - US production share: 40%
 - US not to provide the flight control source code
 - Jpn to provide its technologies
 - such as the phased-array radar
- . 5.16: The Senate passed the Byrd Resolution (72:27:1)
- . 6. 7: The House passed the Bruce Resolution (241:168)
- . 7.31: Bush vetoed the Byrd-Bruce Resolution
- . 9.13: The Senate failed to overturn the Bush’s Veto (66:34)



Distinct Features of the Phase-3 Process

1. Backlash by the trade bureaucracy

Turf battle

1988.10 The Defense Authorization Bill came into effect
(requires arms sales to be approved by the DOC)

DOC Sec. R. Mosbacker, Bush's old friend,

vs. Defense Sec. nominee J. Tower rejected by the Senate

R. Armitage, State A.S. nomination withdrawn

2. Techno-nationalism

coalition of the trade hawks and the national security hawks

3. The dubious accusation of the Libyan suspicion

intentional press leakage

4. Jpn-US relations brought to bay

American Trade Hawk's Argument

“Giving Japan a Handout” by C. Prestowitz, WP, Jan. 29, '89

- Japan's objective in developing the FSX, which is not cost-effective, is to obtain technology in pursuit of industrial leadership.
- The USG, neglecting the long-term American economic interest, is about to “donate” the leading-edge American technology through the FSX arrangement.
- The new administration and the Congress should propose;
 - ① Japan buy 50 F-16s or F-18s immediately
 - ② A substantial royalty be charged for provision of F-16 technology
 - ③ GD and MHI be co-prime contactors, rather than MHI being the sole prime contactor
 - ④ 50 % of eventual production be done in each country.

Japanese Nationalism Provoked

“The Setback of the FSX — The Unending Post –War Regime”

by Shintaro Ishihara, Chu-o-koron, July ‘89

- **The FSX is to fulfill unique requirements to counter the foreign invasion under the severe restraint given by the Constitution, thus needs to be developed domestically.**
- **It was a humiliating capitulation that the principle was quickly forsaken for co-development.**
- **It is outrageous that GOJ succumbed to the unjustifiable American demand to renegotiate the Exchange of Notes once signed between the sovereign governments.**
- **Behind Japan-US friction there lies racism by the white. Americans feel threatened by rising Japan.**
- **The Toshiba Machine incidence and the Libyan suspicion were trumped-up accusations by the US.**
- **The revised agreement is a one-sided treaty worse than the one concluded after the Opium War;**
 - ① **Transferring Japanese technology to US free of charge**
 - ② **High patent and license fees for American technology**
 - ③ **Restriction on transfer of advanced American technology to Japan**
 - ④ **Free diversion of Japanese technology by the Americans**
 - ⑤ **No application of acquired technology allowed to Japan**



The Relationship at bay

Containing Japan” by J. Fallows, The Atlantic Monthly, May ‘89

- **The one-sided and destructive expansion of Japanese economic power is the major threat to America’s ability to pay the cost of maintaining the international system.**
- **Japan has neither ability nor will to restrain the excesses of its own economy.**
 - * **The whole system is biased toward corporate profit and foreign investment rather than individual consumer welfare.**
 - * **Japan does not believe in reciprocity on which free-trade theory stands. It wants to be on top in every field. The FSX is an example.**
 - * **The Japanese government consists of nothing but competing “zoku” (special interest groups); hence is stifling changes.**
 - * **Japanese society lacks interest in universal principle and emotional connection to the rest of the world.**
 - * **Japanese political system and any other internal forces cannot save Japan from its own destructive course.**
- **Contain Japan, in order to protect American authority, its ideals, its citizens’ future prospects in business firms and the very system of free trade.**

History of Escalating Steps in the Trade Disputes

- Sectorial disputes
textile→steel/TV→automobile →semi-conductor
↓
- MOSS (1885~)
Section 301
↓
- SII (1989~)
↓
- Framework Talks (1993~)



The Outcome

- Roll-Out : January 1995 (delayed two years)
- Production Delivery Start: September 2000
- Deployment Start: March 2001

- Development Cost: 327 billion yen
(Original Estimate 165 billion yen)