The State and Impact of East Asia’s Arms Industries:  
A Comparative Study of Japan and China  

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As political tensions simmer in East Asia, recent military expansion initiatives by Japan and China attract considerable scrutiny. However, developments within each nation’s arms industry receive relatively little attention, despite their importance. Understanding the East Asian arms industries is crucial for building deeper comprehension of security issues, crafting effective responses, and predicting future challenges for the region. This paper intends to fill the research gap by undertaking a comparative study of the Japanese and Chinese arms industries. The state and direction of each industry is assessed via a framework of three broad categories - Background, Role of the State, and Extent of Globalization. The Chinese and Japanese arms industries are assessed criterion by criterion, allowing their similarities and differences to emerge. A wide array of resources, including government white papers, corporate publications, scholarly research papers, and news articles, provide vital quantitative data and qualitative information to paint a comprehensive picture of arms industry dynamics and trends.

Background provides a basic overview of industry histories and structures. Japan’s modern arms industry emerged with the outbreak of the Korean War and the creation of what would become the Japanese Self Defense Forces. The United States, wanting Japan to become a stable ally to check the spread of Communism across East Asia, provided substantial encouragement and support. The large industrial conglomerates who dominate arms production derive only a portion of their revenues from the defense sector, and produce a wide range of products. The Chinese arms industry took form after the Sino-Soviet split, which slowed the abundant supply of Soviet arms. Although the industry endured substantial restructuring in the 1980s, a few large State-Owned Enterprises still dominate.

The dynamics of arms production bear inextricable links to government practices and policies. The state sets the operating environment, including the processes by which the state procures weapons and regulations on sales to foreign customers. Japanese procurement practices have recently changed, with the creation of cabinet-level Ministry of Defense and the National Security Council and the formation of formal defense strategies. Procurement practices center upon the principle of Kokusanka, which emphasizes domestic involvement in development and production – although the interpretation of this principle is changing. Until recently, administrative policy in Japan prohibited arms and military technology exports, but the restrictions are now gone. China is notoriously opaque regarding military expenditures, so data on its arms procurement behavior is scarce. However, China has taken steps to make its procurement process more transparent and open to private industry. China possesses a comprehensive codified policy on arms export control, but there is evidence that regulation is not enforced consistently or meticulously.

Globalization, or the extent to which the production and sale of arms involved integration into global markets and international exchange, is a definitive factor in contemporary arms industries. Loosened export policies have opened the door for international co-development ventures, and shifting interpretations of Kokusanka emphasize enhancing domestic capabilities through co-
operative access to foreign innovations. In contrast, China intends to achieve full autonomy in arms development and manufacture, and expresses a distaste for global integration in its defense sector. Ironically, this rejection of globalization exacerbates the Chinese arms industry’s reliance on advanced foreign components and slows technological progress. However, China sells weapon systems overseas extensively; China has become the world’s 3rd largest arms exporter, and sales are increasing rapidly. ¹ Clients are mostly developing countries with limited military budgets. Unfortunately, recently-made Chinese arms have been found in illicit settings and in the hands of illicit users, meaning that the Chinese arms industry is a major supply source for arms trafficking.

The Japanese and Chinese arms industries could hardly appear more different, but underneath the visible differences they have a shared purpose: to maintain domestic military production capabilities. Security-related, political, and economic motivations drive the pursuit of this goal. Japan and China take different approaches, resulting in diverging industry models with distinct implications for future viability. Following shifts in defense policy and regulation, the Japanese arms industry is increasingly open to global partnerships, development, production, and sales. Embracing globalization will allow the Japanese industry to remain on the cutting-edge by exchanging technology and expertise with foreign firms and governments. It will also help resolve problems related to the Japanese arms industry’s small scale: co-development of new systems will reduce the burden of cost upon Japan, and sales overseas will help the industry to realize economies of scale. To realize these benefits, the Japanese government must establish a reliable procedure for approving international partnerships, so as to encourage Japanese firms who do not wholly embrace the vision of defense sector globalization. Although challenges remain, Japan has chosen a path which offers better prospects of achieving a sustainable and advanced arms industry than does China’s strategy of closing off its arms sector, rejecting reciprocal partnerships, and coopting foreign innovation through purchase, copying, and even espionage. Extensive export sales and high military spending may be sufficient to sustain arms production capacity, but China will have little flexibility to slim down its military budget. Moreover, isolating the arms industry will restrict China’s access to advanced technology and innovations, leaving China to fall behind other countries as new and increasingly sophisticated weapon systems emerge. If China wishes to cultivate and maintain a truly first-class arms industry, it should not attempt doing so alone.

¹ Wezeman and Wezeman. *Trends in International Arms Transfers, 2014*. 