



## Centre for Air Power Studies (CAPS)

Forum for National Security Studies (FNSS)

- Title:** **The Emergence of the Asian Defence Industry: Are China and Japan going to face a 'War' in 'Business of War'**
- Chairperson:** *Gp Capt Vivek Kapur, Research Fellow, CAPS*
- Speaker:** *Ms Prerna Gandhi, Research Associate, CAPS*
- Discussant:** *Mr Ankit Kumar, Research Associate, CAPS*
- Rapporteur:** *Tseyang Lhamo, Research Associate, CAPS*
- Date:** 27 February 2015
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East Asian region has witnessed several significant shifts which have changed the dynamics of the region. These are heightened role of US, China emerging as the influential player in the region and increased maritime disputes. Against this backdrop, the speaker addressed an interesting question that is whether China and Japan are going to face a war in the business of war, given the emergence of Asian defence industry.

She dealt with other general issues before addressing the key question posed by the title of the seminar. These general issues were: rising role of military instruments, where she underscored persistence of uncertain security environment in the region despite robust economic interdependence; military modernization that is underway; need for indigenous defence industry that is a priority of every nation and a strategic necessity; world defence market where she mainly brought out rise of dual use technologies and emerging economies acting as main defence markets. She highlighted the dilemma that defence companies are crucial for national security however they are also commercial ventures. The need of defence companies to be export oriented is at odds with restrictions on export of strategic technologies by defence companies.

She broadly divided Chinese defence companies into factors, structures and sales. She mentioned various factors that influenced Chinese defence companies and highlighted that Chinese military industry is dominated by different large state owned companies. She also spoke of steady growth of China's military budget. Furthermore, Chinese defence companies performed well in terms of sales.

She said that diverse and numerous factors have been influencing the Japanese Defence companies. Unlike China, structure of Japan's defence companies is dominated by privately owned group companies where defence and aerospace occupied a leading place.

Prior to answering the question about competition between two countries, the speaker mentioned that not only exchange of defence technologies forms a critical component of bilateral relations but also, it signals strategic relations between nations. She explained that while China is an older player than Japan in defence market, Japan still holds massive potential in technological capabilities given its edge in Information Communication and Technology (ICT) that can be translated into competitive defence products. She also brought out the fact that China is an active defence exporter to low and middle income nations. In addition she mentioned that high prices of technologies and constitutional limitations act as impediments to Japan's defence companies. However its experience as contractor or supplier of components with US and European aircraft manufacturers would give it an advantage. She concluded by stating that although there is no direct competition between the defence companies of the two countries but power rivalry between these two nations does exist, coupled with historical animosity.

The discussant endorsed the speaker's view over nonexistence of competition between China and Japan in the business of war. He envisioned the same in future too, attributing to a simple fact that there is enormous contrast in the nature of clients entertained by the duo: Japan's clients are high income nations while China caters to low and middle income nations. Taking India's bullet train project for instance, India exhibited interest in both Japan and China. Owing to advanced technology Japan's products are far more expensive against cheaper products of China.

Underscoring massive differences in defence budget of respective nations, he pointed out that such huge difference is well reflected in their markets as well as type of products they put up

for sale. The discussant also highlighted that Japan is moving towards global collaboration with other nations in the form of joint development besides its indigenous defence industry.

The discussant also brought out that China is losing some of its buyers to U.S. and its allies. Vietnam was cited as an example. Furthermore, he envisioned continuation of this trend as nations in South Asia and Southeast Asia may switch to U.S. and its allies for defence products in the foreseeable future. He further opined that negative perception of China by other countries, especially at a juncture when democracy is hailed as best form of government, as a factor behind it. During question and answer session, issues raised included aerospace industry as important area of competition, whether civilian technology gets translated into military use or the other way round and likelihood of U.S. hold over probable new institutions in the East Asia region.

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