Pacific alliance: US military trade ties in Asia Pacific

Despite differing views about the success of US President Donald Trump's administration in engaging with US allies in the Asia-Pacific region, US military trade and technology ties in the region seem to be gaining in strength. Jon Grevatt reports

North Korea's acceleration of missile tests this year has been met with repeated messages from the United States that its support for regional allies in the Asia-Pacific region is unwavering.

“Our commitment to the defence of the Republic of Korea and Japan, to include the employment of our most advanced capabilities, is ironclad," US Defense Secretary Jim Mattis said at the Shangri-La Dialogue in Singapore in June.

US Defense Secretary Jim Mattis said at the Shangri-La Dialogue in June that the US commitment to the defence of Japan and South Korea is "ironclad". (ROSLAN RAHMAN/AFP/Getty Images)

While the statement was made before Pyongyang added to its list of provocative actions, the inference has since been repeated by other senior US officials, whether in relation to the threat from North Korea or to concerns about China's regional assertiveness.

“We will co-operate to advance trilateral and multilateral security and defence co-operation with other partners in the region, notably the Republic of Korea, Australia, India, and Southeast Asian countries,” US Secretary of State Rex Tillerson said at a press conference alongside Japanese Foreign Minister Taro Kono in August.
These pledges confirming Washington's support for its Asia-Pacific allies are notable given previous concerns about the current US administration's stated 'America First' policy, which put a number of regional countries on edge when President Donald Trump took office in January.

Since then the US commitment to its allies in the Asia-Pacific region has been repeated by US officials keen to provide reassurance that the United States remains a strong and reliable partner. However, while the messages have been relatively constant, concerns in the Asia-Pacific region about the commitment from Washington remain.

Speaking to Jane’s in September, Tim Huxley, executive director of the International Institute for Strategic Studies (Asia) in Singapore, said US allies in Asia Pacific are cautious about the Trump administration, despite the positive soundbites from senior government officials.

"The key point – and I think this is one that came out at the Shangri-La Dialogue – is that this extraordinary administration has seriously affected, or even undermined, the US' relations with its regional allies and security partners," said Huxley, adding, “From the US one hears a lot of positive commentary, but that's only one part of the story."

**Trade ties**

Despite the varying viewpoints about the perceived effectiveness of US engagement with its Asia-Pacific allies, it seems likely, given comments made by Mattis and Tillerson and the recent increase in threats, that the United States will ramp up a range of defence co-operation activities in the region. These activities are certain to include military exercises, joint patrols, training and education programmes, and the deployment of military assets in allied countries (specifically in South Korea).

Another sphere of collaboration being prioritised by Trump is defence trade, with the signs being that military sales will be strong under this administration. Drivers include the US government's strategy to boost US exports and regional requirements in the Asia-Pacific region to uphold ties with the United States and acquire the most sophisticated military technologies.

"Defence trade relations will remain – and the US will be keen to sell a lot of kit to Asia-Pacific countries," said Huxley. “Of course, regional countries will factor in a number of decisions on what to buy and countries that are in defence and security alliances with the US will feel obliged to buy American in order to maintain the partnership. That has always been the case."

During the first nine months of the Trump administration the US Defense Security Co-operation Agency (DSCA) announced about 16 potential Foreign Military Sales (FMS) programmes with Asia-Pacific countries totalling about USD6.48 billion. These programmes include a USD1.4 billion package of equipment for Taiwan: the first military sales to the country since 2015. During the preceding 12 months – the last year of the Obama administration – 11 potential contracts were announced with a combined value of USD5.7 billion.

During both periods primary customers comprised key US allies: Australia, India, Japan, South Korea, Taiwan, and major countries in Southeast Asia, mainly Singapore. This trend is in line with historical statistics sourced from the DCSA, which show Australia and Taiwan are the US' biggest defence customers in the region with both having secured 22% of the value of total FMS deliveries.
during 2008–15. Japan (16%), South Korea (15%), Pakistan (10%), Singapore (5%), and India (5%) all follow.

It may also be the case that under Trump US defence sales with regional countries will be boosted as a result of the administration’s apparent easing of concerns about human rights issues in the context of defence sales. This may have been demonstrated by a pledge from Trump in early October to support the military modernisation underway in Thailand. In the past few years US defence engagement with Thailand, which witnessed a military coup in 2014 and is still led by a military government, had been limited.

“If anything, restrictions on arms sales will be weaker under Trump,” said Huxley. “For example, the previous administration was very tough on Thailand over human rights. Trump’s administration has de-emphasised human rights in relations with a number of countries.”

The degree to which US defence sales can be applied to support collaboration between the United States and regional countries in the Asia-Pacific region may also be affected by a proposed reduction in funding for the US State Department and its associated aid packages.

Trump has given some indication that funding for Foreign Military Financing (FMF) could be cut from 2018 and, if this happens, it is likely to affect the defence purchasing power of several poorer Asia-Pacific countries.

Zack Cooper, senior fellow for Asian security at the Center for Strategic and International Studies (CSIS), told Jane’s in September, “I think the Trump administration may be interested in more arms sales to [the Asia-Pacific region], particularly if these are supported by Congress, since they can be good for US business. That said, it may be difficult for the administration to support US funding for weapon systems, given that the administration has decreased the State Department’s funding level.”

Analysis by Jane’s indicates that US sales to its allies in the Asia-Pacific region will continue to be dominated by exports to five countries: Australia, Taiwan, South Korea, Japan, and India. Data sourced from Jane’s Balance of Trade, which tracks deliveries and scheduled deliveries of defence goods (apart from small arms and ammunition), shows that these five countries will account for 85% of all US exports to the region during the 2012-19 timeframe. Australia and Taiwan will account for 20% and 19% of US exports respectively, followed by South Korea (18%), Japan (15%), and India (13%). The remaining sales are dominated by Singapore (6%), Pakistan (4%), Thailand, and the Philippines (both 2%).

In terms of platforms and technologies, US sales to the region during 2012-19 are dominated by military aircraft, which account for about half of exports in terms of value. The majority of the remaining exports are attributed to radar systems (15%), missiles (11%), and military communication systems (9%).

Huxley said that existing levels of US defence exports to the Asia-Pacific region are unlikely to be affected by any unease about Trump. However, he added that the Trump administration’s commitment to renegotiate trade and commerce agreements with regional countries in line with the ‘America First’ foreign policy could represent something of a risk. “I don’t see this administration posing a major challenge to defence sales with Asia-Pacific countries except in the sense that could it be affected by broader disputes over trade,” Huxley said. “If the relationship in terms of trade became hostile, that might affect the choices that these countries make.”
Cooper made reference to other challenges that the United States could face in sustaining and building defence trade ties with Asia-Pacific countries. These relate to the price of US systems, US export controls of technologies, and the cumbersome administrative processes that govern US military sales.

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**Technology ties**

With defence trade ties likely to remain solid under Trump, the prospects for military-technological collaboration between the United States and its Asia-Pacific allies also seem reasonably strong.

Reflecting the importance that all regional countries are now placing on developing their defence-industrial capabilities, military-technology co-operation was a priority under the Obama administration and resulted in agreements – all signed in the last few years of his tenure – to expand related collaboration with countries including India, Indonesia, South Korea, and Vietnam, with the announcement about the latter coming one year before Obama’s decision in May 2016 to fully lift the ban on military trade.

However, despite a lack of declared progression towards expanding military-technological co-operation with Asia-Pacific countries, it seems unlikely that the Trump administration will abandon this aspect of engagement with its allies in the region. Indeed, it seems more likely that the Trump administration might seek to intensify such collaboration, especially if it leads to US exports. This was indicated in September when the US and Indian governments announced an intention to re-engage their partnership on the Defence Technology and Trade Initiative (DTTI), under which the two countries are seeking to develop a range of military systems. This initiative started in 2012, although previous Jane’s news reports suggest that its progress has been stunted due to factors including slow Indian decision making; cumbersome US administrative processes and export rules; and concerns that the United States has been offering low-grade technologies to India.

Cooper said that, while technology co-operation programmes such as the DTTI are likely to be supported by Trump, the progression of such projects continues to face a number of barriers, some of which are hindering the DTTI. “I do think that the administration will support DTTI, in part because [the United States] sees India as an important partner and will want to work with US companies to encourage potential business opportunities. One could make similar arguments about Japan and a couple [of] other regional partners as well,” he said.

“My guess is that the administration will broadly support co-operative efforts on military technology, but I think that’s easier said than done. There are a large number of political, legal, procedural, and cultural barriers that these types of joint efforts must overcome. My sense is that there isn’t a high priority in the administration or in Congress on revamping these processes, so I think we’ll see more of the same rather than a fundamentally new approach.”

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**Australia**

In the past decade Australia, one of the biggest US defence customers in the region, has ordered several major platforms through the US FMS mechanism. These include Lockheed Martin F-35A Lightning II Joint Strike Fighters and Boeing aircraft such as F/A-18F Super Hornets, EA-18G Growlers, P-8A maritime patrol aircraft, C-17 transport aircraft, and CH-47D/F Chinook helicopters.
Australia and India have both ordered 12 Boeing P-8 Poseidon multimission maritime aircraft. (IHS Markit/Patrick Allen)

These sales have supported strong corporate-level partnerships, which are framed around the Australian Industry Capability (AIC) programme that commits foreign contractors to engage with local companies on a range of levels including technology transfers to support localised production as well as providing opportunities to enter their international supply chains. Supported by the high levels of defence trade, military science and technology (S&T) collaboration at a government level is strongly positioned to expand.

A spokesperson from Australia’s Department of Defence (DoD) told Jane’s in September that the S&T relationship is intended to benefit both countries. It is also regarded as a key enabler of interoperability. “Access to the most advanced technology and equipment from the US and maintaining interoperability with the US is central to maintaining the Australian Defence Force’s potency,” he noted.

The spokesperson pointed to the work undertaken by Australia and the United States on BAE Systems’ Nulka active missile decoy system, which was conceived by the DoD’s Defence Science and Technology (DST) group and built under an Australian-US collaboration programme. “Nulka was the first joint project in the electronic warfare domain between Australia and the US and has since developed into a collaborative, successful programme for both countries,” said the DoD spokesperson.

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Taiwan

The United States is Taiwan’s only major military supplier, with trade framed by the Taiwan Relations Act, under which the United States is committed to supporting the defence of the country. US exports to Taiwan are announced periodically as ‘batches’ as opposed to case-by-
case acquisitions. The approach is intended to placate China, although critics of the approach say it has the opposite effect.

Before the DCSA announced the USD1.4 billion package in June, the most recent was a USD1.8 billion package in 2015 and before that it was a USD5.8 billion package in 2011. Through these programmes during the past decade, Taiwan has ordered Lockheed Martin P-3 Orion maritime patrol aircraft (MPAs), Boeing AH-64D Apache attack helicopters, Sikorsky S-70 Black Hawk medium transport/utility helicopters, Lockheed Martin Patriot Advanced Capability-3 surface-to-air missiles, and an array of other missile systems.

US defence deals with Taiwan, including the ongoing project to upgrade Taiwan’s F-16A/B fighters, are processed in batches as opposed to case-by-case acquisitions. The approach is intended to placate China, although critics of the approach say it has the opposite effect. (PATRICK LIN/AFP/Getty Images)

Lockheed Martin is also upgrading the country’s fleet of F-16 multirole fighters. These programmes have supported major opportunities for industrial collaboration through offsets, not just for US Tier 1 companies but also their US Tier 2 suppliers.

Despite strong US exports to Taiwan and linked offset-related collaboration, no government-led platform for military-technology collaboration currently exists. However, Taiwan is keen to expand its defence-industrial ties with the United States as it pursues a number of major indigenous programmes, including the development of diesel-electric submarines, next-generation advanced jet trainers, and main battle tanks.

The United States is also open to expanding its collaboration with Taiwan, although a number of barriers exist, mainly in relation to concerns about the influence of China.

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South Korea

Despite its ambition to wean itself off of US military hardware, South Korea continues to acquire most of the equipment that it cannot produce domestically through the US FMS route. In the past decade major orders have included Boeing F-15E Strike Eagle fighters, CH-47D Chinook heavylift helicopters, and AH-64D attack helicopters, Lockheed Martin F-35 fighters, and C-130J-30 Hercules transport aircraft, as well as Northrop Grumman RQ-4A Global Hawk unmanned aerial vehicles (UAVs).

US sales to the Asia-Pacific region are dominated by military aircraft, including the Lockheed Martin F-35 Joint Strike Fighter, which has been ordered by Australia, Japan, and South Korea. (Lockheed Martin)

Through these orders the defence-industrial alliance between South Korean and the United States is strong. Testament to this was the joint development, under an offset programme linked to South Korea’s acquisition of F-16s in the 1990s, of the Korea Aerospace Industries (KAI) T-50 Golden Eagle advanced jet trainer aircraft.

More recently, in 2015, Seoul leveraged its acquisition of 40 F-35 fighters to secure US military technologies to support its programme to develop the next-generation Korean Fighter Experimental (KFX) aircraft, which is scheduled to enter service with the Republic of Korea Air Force from about 2026. Through an F-35 offset programme South Korea acquired 21 technologies from the United States that included avionics, system integration enablers, advanced materials, and unspecified weaponry. However, the United States refused the transfer of four F-35 advanced technologies related to active electronically scanned-array radar systems, electro-optical targeting pods, infrared search-and-track systems, and radio frequency jammers.
US technologies transferred through a defence offset package linked to South Korea’s F-35 programme are being directed into Seoul’s development of the KFX fighter, seen here as a model at Indo Defence 2016 exhibition. (IHS Markit/Patrick Allen)

Following this refusal the governments of the United States and South Korea have sought to strengthen military-technological ties through the creation in 2016 of the joint Defense Technology Strategy and Co-operation Group. Jane’s understands that one specific area of co-operation relates to US technologies to support the KFX programme.

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Japan

Japan has a long history of producing US platforms, including P-3 Orion MPAs, SH-60 Seahawk naval helicopters, F-15J/DJ fighters, and CH-47 Chinook heavylift helicopters. Collaboration has continued in support of Japan’s 2011 order of 42 F-35 fighters, for which local companies are producing engine and avionics components and Mitsubishi is operating a final assembly and checkout facility.

Other major Japanese orders in the past decade have procured Boeing KC-46A tanker/transport aircraft, Sikorsky UH-60J helicopters, Northrop Grumman RQ-4 Global Hawk UAVs, and Bell-Boeing V-22 Osprey tilt-rotor aircraft. Additionally, Subaru is collaborating with Bell on Japan’s ‘UH-X’ multipurpose helicopter requirement based on a modified version of the Bell 412 twin-engine utility platform.
Japanese group Subaru and Bell Helicopter are jointly developing the ‘UH-X’ multipurpose helicopter, based on a modified version of the twin-engine Bell 412, to replace the Japan Self-Defense Force's Fuji Bell UH-1J utility helicopters (example shown). (Japanese Ground Self-Defense Force)

At a government level the US-Japan defence relationship is underpinned by long-established agreements to jointly develop military technologies. Since the early 1990s the two countries have completed more than 20 joint projects, with input from the US Defense Advanced Research Projects Agency, the US Missile Defense Agency, and Japan’s Technical Research and Development Institute, which is now part of the Japanese Ministry of Defense's Acquisition, Technology, and Logistics Agency (ATLA).

The two countries are progressing several joint programmes and officials have told Jane’s that there are strong prospects for expansion. Current joint US-Japanese projects include: the development of hybrid-electric propulsion technologies; a comparison of operational jet fuel and noise exposures; the development of CBRN detector kits; and a ‘high-speed multi-hull vessel optimisation’ programme, with the latter seeking to develop trimarans for military applications. Additionally, the two countries are collaborating on the development of the Standard Missile-3 Block IIA (RIM-161D) interceptor.

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India

The US-Indian defence technology and trade partnership has blossomed in the past decade as strategic ties between the two countries have deepened. With sales in the past decade valued at about USD13 billion – including Lockheed Martin C-130J-30 transport aircraft and P-8I MPAs – the United States is now one of India’s most important defence-trade partners alongside Russia, Israel, and France.

However, in a bid to shift this defence trade away from a ‘buyer-seller’ relationship to a deeper industrial partnership, the two governments established the DTTI. Industry sources have told Jane’s that Indian and US scientists discuss DTTI projects every month in addition to meeting twice a year: a level of engagement that has continued under the Trump administration.
Under the DTTI the United States and India have established a number of joint working groups exploring defence-industrial projects across areas including aircraft carriers, jet engines, ISR systems, chemical-biological protection, naval systems, and air systems. Other projects facilitated by the DTTI include collaboration on US firm AeroVironment's RQ-11 Raven UAV, ISR modules for India's C-130J-30 aircraft, digital helmet-mounted display systems, a biological tactical detection system, tactical ground combat vehicles, and next-generation helicopters.

In meetings in New Delhi in September between India's defence minister, Nirmala Sitharaman, and Secretary Mattis – whose trip marked the first time a Trump administration cabinet member had visited India – the two officials outlined an intention to expand the DTTI. Jane's understands that potential areas of new collaboration include land systems and additional opportunities for ISR systems.

The talks also covered proposed US sales of combat aircraft to India, namely bids to supply the F-16 to meet the air force's single-engine fighter requirement and the F/A-18 to fulfil the navy's need for a carrier-borne fighter. Both are supported by local production packages.
Jane’s Defence Industry and Markets Intelligence Centre

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