U.S. DEFENSE ACQUISITION COMMUNITY COOPERATES WITH PACRIM NATIONS

A Surprising International Success Story

Richard Kwatnoski

In 1992 the Defense Systems Management College (DSMC) began a study of international cooperative defense acquisition projects with the U.S. and countries in the Pacific Rim (PACRIM). This was the third of three related research studies of cooperative acquisition projects conducted during the past 10 years. The first and second were studies of U.S./NATO-Europe projects completed in 1985 and 1990.[1,2] Responding to increasing student demand for information on PACRIM projects, DSMC took the lead for the third research study. Our research objectives follow:

- Describe the current reality of cooperative projects in the PACRIM.
- Determine the prescription for success by identifying barriers to and facilitators of cooperation.
- Examine similarities and differences between PACRIM and NATO-Europe Projects.

The complete results of the study have been submitted as a potential article for a future issue of *Acquisition Review Quarterly*. The purpose of this article is to report on the country notes that we developed during the study.

Notes on Cooperation

First and foremost, there is no equivalent to NATO in the PACRIM. No vast NATO-type infrastructure is in place to support cooperative activities with PACRIM nations. With few exceptions,[3] we conduct our cooperative acquisition projects with Australia, Japan and South Korea bilaterally, and will continue to do so for the foreseeable future. The U.S. enjoys favorable defense trade balances with the three nations, and is therefore pressured to extend generous terms in cooperation. However, any assumptions or stereotypical thinking regarding the PACRIM nations should be closely examined.

Each nation is different — Japan is not like Korea; Australia is different in many ways from the U.S. There can be enormous cultural differences between each nation as well as management styles and motivations for cooperative acquisition. We must also be keenly aware of "European Strings," which may tie our hands in the PACRIM because of prior commitments made in European projects.

Interestingly, the U.S. staff personnel interviewed perceived that our system was the most problematic in successful cooperative acquisition. This was especially pronounced in our legal system (e.g., treatment of intellectual property rights) and acquisition system (e.g., competition policies).

Australia

Australia is geographically a PACRIM nation, but is populated primarily with transplanted Europeans. For the U.S., Australia is culturally

---

Mr. Kwatnoski is a Professor of Engineering Management and Director of International Acquisition Courses, DSMC.

the easiest nation to work with in the PACRIM, if not in the world. Further smoothing relations, Australia is not viewed as a competitor to the United States, whether economically or in the defense export market. The Australian defense budget is small in comparison with that of the U.S., but they maintain a relatively large portion for research. Therefore, Australia can be viewed as strong on research, but weaker on development.

They seek more cooperative projects with the U.S. to develop outlets for their research technology, and to attain rational production quantities. Their rationale for cooperation is to access technology, promote their technology, realize economics of scale, promote interoperability, and encourage industrial participation with "residual" capability. Residual capability refers to an Australian motivation to further build their industrial base, and to examine every potential cooperative project for the industrial capability retained in Australia after project completion. All, except the last, are identical to U.S. motivations for cooperation.

Australia explores cooperative project opportunities through a variety of ways. These include the structural process (attaches, exchange officers, etc.); multilateral forums — American-British-Canadian-Australian or ABCA; The Technical Cooperation Program (TTCP); 5 Nations, etc.; senior national representative meetings; and project teams specially formed to examine the pros and cons of the cooperative project.

Australia cooperates with many nations beside the U.S: New Zealand to attain rational production quantities for many types of defense material; and the United Kingdom, primarily on naval projects. Australia desires to strengthen local ties and has enjoyed successes in joint exercises, logistics and sales; however, they have no active armaments cooperation projects as of this writing.

Each nation is different — Japan is not like Korea; Australia is different in many ways from the U.S. There can be enormous cultural differences between each nation as well as management styles and motivations for cooperative acquisition.

Australians cite the following as difficulties in cooperating with the U.S. There often seems to be an issue on release of technical information. They complain of being "ambushed by the many" — a reference to the large number of players in the U.S. approval process. They acknowledge commitment at the working level, but lacking in the staff and financial community. The "not in service or NIS syndrome" was mentioned. This is an Australian perception that if the defense article is "NIS" in Australia, then the U.S. is not interested. Also mentioned as difficulties were the great distance between the two nations, the 12-hour time difference, differing national priorities, and the size mismatch on production rates and quantities.

Due to our long history of military cooperation, lack of economic competition and common motivations for armaments cooperation, few difficult cooperation issues exist from the U.S. perspective. Access to software source codes is an issue, but the U.S. historically does not release these to any nation. Australia seems like a natural candidate for expanded cooperation.

Japan

An understanding of the potential for cooperative acquisition projects with Japan must begin with a review and understanding of Japanese policies regarding their defense relationship with the United States. These policies include the Japanese "No War" Constitution (post World War II), the Mutual Defense Assistance Agreement (1954), the Japan-U.S. Security Treaty (1960), the Three Principles on Arms Export (1967), Government Policy Guidelines on Arms Export (1976), and the Agreement on Technology Exchange (1983). Basically these policies preclude Japan from exporting armaments, and from sharing defense technology with any nation other than the U.S.

An anti-military sentiment permeates Japan, and to further confound cooperation an anti-Japanese military sentiment in neighboring Far Eastern nations is prevalent. Deep cultural differences lie between us. The economic difficulties between the U.S. and Japan are reported almost daily in the American press. In summary, many external factors hinder the formation of cooperative acquisition projects with Japan.

The Japanese Defense Agency (JDA) conducts very little in-home research, but cooperation in research is the most feasible area. This is because the JDA does not purchase unlimited rights to intellectual property associated with defense articles, unlike the U.S. practice. The Japanese favor classified agreements, which further complicates cooperation. In examining the possibility of cooperation, they explore the following four "merits":

- Appropriate for the Japanese environment.
- Improvements after procurement

possible using Japanese technology.
- Long-term logistics support available.
- Enhances the growth of the Japanese defense industrial base and technology.

While Japanese indigenous Research, Development, Test and Evaluation is of paramount importance, the Japanese view some cooperation with the U.S. as "necessary." Japan responds to U.S. initiatives in cooperation, seldom if ever initiating cooperative acquisition projects.

Issues that may arise in cooperation with Japan include technology transfer and control (especially software), differing capability of two defense industrial bases, joint ownership of intellectual property rights, and technology flowback. The last issue was persistent due to disagreement over the meaning of native Japanese technology and the requirements to provide this, or flow this technology back to the U.S.

Real cooperation in defense acquisition is only possible with the United States. Japan favors the Data Exchange Agreements and the Systems and Technology Forum for identifying cooperative opportunities. The future of cooperative acquisition projects will be on a case-by-case basis, with clear and complementary motivations often lacking.

South Korea

Recent moves toward democracy in South Korea reduced the influence of the military. However, defense industry still responds to government direction. High-technology transfers to South Korea are considered in the context of potential conflict or reunification with North Korea. South Korea does little pure research, and therefore favors coproduction. All cooperative projects must have application.

As with Japan, deep cultural differences exist between the U.S. and Korea. To an American, Korean progress from point A to point B is never a straight line. Anticipate the Koreans to pay great attention to detail, and to put almost everything in writing. Saving face and avoiding fault are vitally important to the South Koreans. Cooperation with the Koreans can be personality-dependent. Anticipate changes to the project with changes in key personnel. South Koreans place emphasis on social activities, often at the expense of administrative support. Anticipate the need to provide administrative support, even in the translation of English to Korean. Also anticipate a strong emphasis on adhering to schedules.

South Koreans view cooperative projects with the U.S. as easy to start, but difficult to continue. They also view the U.S. as reluctant to make cooperative projects with South Korea work. Therefore, they speak of "turning our eyes" — a euphemism for more government and industrial defense cooperation with other nations, primarily France and Germany. However they still claim to be actively seeking cooperation with the U.S.

The issues which typically arise in U.S.-South Korean cooperative projects include technology transfer and control, third-party sales, intellectual property rights, total project cost and Korean cost share, and the transfer of research work to a defined project. The Koreans favor Data Exchange Agreements and the Engineer Scientist Exchange Program for identifying cooperative projects.

PACRIM's Potential

Each nation merits a special remark. Japan is unique. Japan is most difficult to work with because of managerial differences and their pacifist policies. However, Japan is technologically mature, and therefore offers the potential for significant mutual benefit from cooperation. The conundrum of cooperation with Japan in acquisition is that it is simultaneously politically driven and politically opposed.

Cooperation with South Korea will be clouded for the near future due to our difficulties with North Korea and the uncertainties associated with reunification.

With respect to cooperation in acquisition with Australia, it remains difficult to understand why there is not more. While some difficulties exist, we found no clear reason for the minimal amount of cooperative projects.

DSMC's International Courses

On October 1, 1994, all of DSMC's three international acquisition courses were officially identified as "assignment-specific Defense Acquisition University courses" by the Under Secretary of Defense for Acquisition and Technology. It remains to be seen how this will be implemented within the acquisition workforce. The Services have already expressed a desire to send nearly 10,000 acquisition workforce personnel to our international courses. We believe this will bring about a grass-roots revolution in our ability to engage in international projects. The ultimate solution will be to have certified international acquisition corps personnel managing all of DoD's international projects and related activities.

Endnotes

1. C. Michael Farr, "An Investigation of Issues Related to Success or Failure in the Management of International Cooperative Projects," Ph.D. dissertation, University of North Carolina, Chapel Hill, 1985.

2. C. Michael Farr, *Managing International Cooperative Projects: Rx for Success*, Chapter 6, "Global Arms Production," University Press of America, Inc., Lanham, Md., 1992.

3. The exception is Australia, which participates both bilaterally and multilaterally with the U.S., United Kingdom, Canada and New Zealand.