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## **Sweden-Japan defence cooperation could open up for aerospace industry collaboration.**

Last December, the Japanese ambassador and Sweden's defence minister signed a new defence cooperation agreement. This comes at a time of deteriorating global security situation and should also be seen in the light of the fact that Sweden is now in the process of becoming a full member of NATO. Enhanced cooperation in defence materials industry is particularly emphasised by both parties. Sweden's relations with Japan have long been very good, both in terms of security policy, and in the economic and business-related area, with large Japanese investments in Sweden in recent years. One of the biggest investments being the acquisition of ABB Power Grids in 2018, now fully integrated in Hitachi Energy. Through SAAB, Sweden also has leading-edge expertise in several areas of the defence industry, including the production of military aircraft in the form of the *JAS39 Gripen*, but also as an important subcontractor to the aerospace industry in more general terms. There is already a project in which SAAB, together with leading companies such as BEA in the UK and Leonardo in Italy, is collaborating in the development of the next generation of fighter aircraft under the project name *Tempest*.

While Japan and Sweden are now deepening their cooperation through the recently signed defence cooperation agreement, Japan will also join as a partner in the project to develop the next generation of fighter aircraft with the UK and Italy. In effect, the Japanese *F-X project* will be merged with the *Tempest* work already underway, where Mitsubishi Heavy Industries likely will be one of the leading Japanese partner companies.

For reasons that are somewhat unclear, unfortunately, it now looks as if SAAB has become a more marginalised player, or at worst will not be part of the newly formed collaboration. This would of course be a very unfortunate development when there would seem to be very good grounds for deepening industrial cooperation. Developing fighter aircraft has always been a complicated and costly process, especially if future export earnings are not materialising. Considering the new global security situation and the good relations with Japan, Sweden should now take the opportunity to actively support participation in this new joint project, to create one of the most advanced military fighter aircraft of the future, often referred to as the 6<sup>th</sup> generation. There are several reasons for this.

Japan has opted for a more active role in the field of security policy and increased cooperation with NATO in order to secure, what it calls the *Free and Open Indo-Pacific (FOIP)*, which is crucial for maintaining trade relations and industrial global and regional value chains between Europe and Asia. Japan has a leading industry in several advanced fields, including aerospace. By forging a partnership with the UK and Italy, there is great potential for industrial cooperation, but also, in the future, for the new aircraft to be sold both in Europe and Asia. There are good examples of successful cooperation in the past in the aerospace industry where the UK and Italy have been the driving forces. This is particularly true of *Panavia*, which developed the *Tornado* aircraft, in which West Germany also participated. This aircraft was

used by several countries and was available in several versions. The *Panavia Tornado* was an integral part of the backbone of European air defence for much of the Cold War and is still flying with the German air force.

The US has also stated that it has no problem with partner countries developing new systems together, even without direct US involvement. There is therefore an opportunity for Japan to broaden its interaction beyond US defence industrial cooperation and hence develop closer security and economic ties with European partner countries. This development can also be seen in the light of the recent *Economic Partnership Agreement (EPA)* and the *Strategic Partnership Agreement (SPA)*, that Japan has concluded with the EU. The post-Brexit agreement with the UK, the so-called *UK-Japan Comprehensive Economic Partnership Agreement*, is within the same domain.

The cooperation for developing the 6<sup>th</sup> generation of fighter aircraft would, thus provide a unique opportunity both to lead in technological development, but also to share costs. That Sweden alone would have the capability and economic capacity to develop another domestically produced fighter aircraft does not seem realistic, not least if Sweden becomes a member of NATO. Seeking partnership with other NATO members and like-minded partners with the strong belief in the *rule-based world order*, like Japan will be paramount. Similar possibilities could also be explored in the future regarding collaboration with Korea.

Against this background, it is a suitable time for the Swedish government to actively explore this area and take the opportunity to further strengthen security policy cooperation with partners in Europe and with Japan. Not least by ensuring that SAAB and the Swedish capability to develop the next generation of fighter aircraft is not marginalised, but on the contrary, enhanced in collaboration with other partners. It is important to create favourable conditions for SAAB and other Swedish defence industry companies to continue to be active partners and contribute to stability and defence capability not only in Europe, but also through cooperation with Japan.

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