

Will Japan Bail Out Lockheed Martin?

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Despite its role as the Pentagon's top contractor, Lockheed Martin is searching for some good news after a remarkable series of setbacks in recent months.

First came the cancellation of the company's contract to build a second "littoral combat ship" for the Navy after its first ship in the series was plagued by cost overruns and design problems.

Then the Coast Guard took over the management of its multi-billion "Deepwater" modernization plan from Lockheed Martin and Northrop Grumman. The decision was due in large part to dangerous flaws in the new Coast Guard cutters the firms were developing.

Last but not least, the company's most high profile product of all, the presidential helicopter, has generated widespread criticism based on high costs and poor performance.

With weapons procurement dollars likely to tighten up as the costs of replacing equipment damaged in Iraq come home to roost, these hits to the company's reputation could strengthen the hand of members of Congress seeking cuts in its two lucrative combat aircraft programs, the F-22 and the F-35.

The F-22-- the most expensive combat aircraft ever built at a total unit cost of over \$300 million per copy-- is particularly vulnerable. The Pentagon has already cut back its proposed buy of the aircraft from an original goal of 750 planes to current plans to purchase 183. Further cuts are not out of the question.

This is where the government of conservative Japanese Premier Shinzo Abe comes into play. He hopes to make Japan the first foreign purchaser of the F-22, in a deal that could be worth \$20 billion or more for 100 planes.

A deal on this scale would be a huge shot in the arm for Lockheed Martin's aircraft division. A foreign sale of 100 planes would be more than one-half of the U.S. government's proposed purchase of the F-22. It would keep Lockheed Martin's Georgia and Texas production lines for the plane open for years beyond the projected shutdown date of 2011, during which time legislators from those states could press for additional purchases by the Pentagon.

But there are a number of obstacles between Lockheed Martin and its "deal of the century." First, exports of the F-22 are currently barred by U.S. law. But industry analysts are convinced that Lockheed Martin boosters in Congress could get this provision lifted if the deal looks like a real prospect.

The most important set of concerns has to do with the danger of spurring an arms race in Asia. South Korean officials have expressed alarm at the prospect of Japan receiving F-22s, and have said that they would argue for their own buy of the planes if they are provided to Tokyo. And China would no doubt feel the need to upgrade its own air force in response, especially in light of a U.S. effort to push Taiwan to buy \$10 billion worth of U.S.-built submarines and aircraft.

The last thing the United States government should be doing is taking a step to undermine relations with China at a time when Beijing's help is needed to consolidate the deal to curb North Korea's nuclear program.

Japan already has highly capable F-15 combat aircraft from the United States, along with the technology to build significant components of them. This is more than adequate to deal with China's current capabilities, particularly considering that Japan is allied with the United States, whose military far outpaces Beijing's by every measure. If the time comes when Japan needs a next generation fighter, the less expensive F-35 - also built by Lockheed Martin - would be a reasonable alternative.

To a significant degree, Premier Abe's desire for F-22s is based on the alleged prestige that would flow from being the first country to receive the aircraft from the United States. This is not an adequate reason to increase tensions in Asia.

As for Lockheed Martin, it can look elsewhere for a big "win" to distract attention from its recent troubles. If the F-22 program is having a hard time making it here, it shouldn't be bailed out by making a questionable deal over there.

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