

Part II The Basics of Japan's Defense Policy, New National Defense Program Guidelines (NDPG), and New Mid-Term Defense Program, etc.

Chapter 3 Toward a New Defense System

In order to proceed with a systematic transfer toward the system indicated in the National Defense Program Guidelines for FY2011 and Beyond (New NDPG), the Government decided the Mid-Term Defense Program (FY2011-FY2015) (New MTDP), which was approved by the Security Council and the Cabinet in December 2010. As the first MTDP to have been formulated under the New NDPG, the New MTDP outlines the path toward realizing new national defense capabilities in accordance with the vision contained in the New NDPG.

Moreover, the Ministry of Defense is conducting vigorous studies toward the aim of building up the dynamic defense indicated in the New NDPG and the New MTDP, in order to promote structural reform for improving the effectiveness of Japan's national defense.

This chapter will describe the New MTDP, the structural reforms for improving the effectiveness of national defense capabilities, and the national defense program for FY2011, etc.

See Reference 8 (pxx)

Section 1. The New Mid-Term Defense Program

1. Process of Formulating the New Mid-Term Defense Program

The Mid-Term Defense Program (FY2005-FY2009)¹ (Previous MTDP), which was formulated in 2004, set out the improvement of Japan's defense capabilities until FY2009. Following the change of administration in 2009, it was decided that the next MDTP would be decided based on the conclusions of the review of the 2004 National Defense Program Guidelines. In response to this decision, a study of the New MTDP and a study of the New NDPG were conducted in parallel, and after two rounds of discussions were held on the issue at the Security Council, the New MTDP was approved by the Security Council and the Cabinet on December 17, 2010.

2. Significance of the New Mid-Term Defense Program

Ultimately, the building up of defense capabilities is realized in accordance with the budget for each fiscal year. However, in consideration of the fact that national defense is vital to the country's existence, defense capabilities need to be built up continuously and systematically in line with a concrete medium-term outlook, because research, development, and adoption of defense equipment, improvement of facilities, education of defense personnel, and training of SDF units cannot be realized in the short term.

Accordingly, since FY1986 the Government of Japan has formulated mid-term defense programs, each covering five years, and has built up the nation's defense capabilities each fiscal year based on these programs².

As the first medium-term defense program to have been formulated under the New NDPG, the New MTDP is a plan that defines Japan's policy regarding the build-up of its defense capabilities and the main projects over a five-year period.

3. Policy of the New MTDP

The New MTDP represents an attempt to build up an appropriate national defense by making the following six points the basis of the program.

(1) Development of Posture

In order to carry out various activities rapidly and seamlessly for the purpose of achieving the three defense roles³ as set forth in the New NDPG, while paying close attention in response to complex situations, Japan will develop a readiness posture, a posture for joint operations, and a posture to participate actively in international peace cooperation activities in international peace cooperation activities. From this standpoint, emphasis will be placed on strengthening of Joint function, strengthening the capability to respond if offshore islands are invaded, strengthening the response capability for international peace cooperation activities, strengthening information functions, and responding to scientific and technological developments.

(2) Appropriate Resource Allocation

For the development of defense capabilities, based on the improvement of the effectiveness of integrated operations, Japan will place a priority on developing functions that can be utilized for diverse activities, functions that embody asymmetric response capabilities, and non-alternate functions⁴. At the same time, Japan will securely maintain a minimum of specialized knowledge and skills in order to prepare for the possibility of a full-scale invasion.

(3) Efficient Development of High-Quality Defense

In conjunction with introduction of equipment, etc., Japan will efficiently develop a high-quality defense that combines the introduction of new highly capable equipment with the extension of the working life and improvement of the capabilities of existing equipment.

(4) Promotion of Measures concerning a Basis for Exercising Defense Capabilities

By implementing a fundamental review of the SDF personnel management system, Japan will seek to curb and make efficient personnel costs as well as increase the strength of SDF personnel by lowering its average age. In addition, Japan will try to improve the operating level of individual units by further promoting a reform of equipment acquisition and attempting to strengthen their cooperation with related institutions and local communities.

(5) Further Strengthening of the Japan-U.S. Security Arrangements

In order to deepen and develop the Japan-U.S. alliance in a form that matches the new security environment, Japan will promote various measures with the objective of further strengthening the Japan-U.S. Security Arrangements.

(6) Efforts to Improve Efficiency and Rationalization, Selection, and Concentration

In consideration of the increasing severity of the financial situation, Japan will hold down expenses by attempting to achieve further improvements in efficiency and rationalization while trying to maintain harmony with the government's other measures. On this occasion, Japan will conduct a drastic review of the budget allocations of each of the three Self-Defense Forces. Moreover, better results with limited resources will be achieved by trying to carry out defense structural reform by selectively concentrating resources on truly essential functions.

4. Reorganization of Major Units, etc.

1. Ground Self-Defense Force (GSDF)

While reviewing the organization and personnel structure of individual units and thoroughly pursuing efficiency and rationalization, in order to further improve readiness and mobility, five divisions and one brigade will be reformed, and the numbers of the tanks and artillery units will be reduced. Also, one anti-aircraft artillery group will be abolished and, in accordance with this, an anti-aircraft artillery regiment will be newly established in one brigade, and this brigade will be reformed in order to further improve its readiness and air transport capacity.

Furthermore, in order to develop the kind of system required for gathering information, issuing warnings and conducting surveillance under normal circumstances and mounting a rapid response in the event of an

emergency situation occurring, a coastal monitoring unit will be newly established and deployed in the offshore islands of the southwestern region with the task of monitoring the movement of ships and aircraft from the coast, and a second unit will be newly established for the purpose of mounting an initial response to contingencies. It is assumed that in the event of an emergency situation, the unit charged with responding would carry out intelligence gathering, protect major facilities, respond to disasters, etc.

In addition, from the standpoint of the promotion of integrated operations and the construction of a Japan-U.S. joint handling system, while attention is paid to enhancing the efficiency of command and management functions, necessary measures will be taken after giving consideration to the modality of the basic combat units (divisions and brigades) and army corps.

2. Maritime Self-Defense Force (MSDF)

The operation of escort flotillas (area deployment) will be made more mobile in order to enable a more effective response to ensure the defense of surrounding marine areas and the security of marine traffic through the effective execution of various kinds of missions, including intelligence gathering, warning and surveillance, anti-submarine warfare, etc., and also to allow the MDSF to participate flexibly in international peace cooperation activities. In this regard, the MDSF will move from escort flotillas with five destroyer units (area deployment) to four destroyer units. Also, five new submarines will be constructed in order to increase the number of submarines from 15 to 22, and in addition to extending the operating life of existing submarines, necessary measures such as personnel training and beginning preparations for mooring docks, etc., will be undertaken.

3. Air Self-Defense Force (ASDF)

In order to improve preparedness in the Southwestern Air Defense Sector, an additional fighter aircraft squadron will be transferred to Naha Air Base to raise the number of fighter aircraft squadrons at the base to two, and at the same time, one aircraft squadron will be newly established and one existing aircraft squadron will be abolished in accordance with this. Moreover, for the purpose of improving interoperability with the U.S. forces, Yokota Air Base will be newly constructed and the ADC (Air Defense Command) Headquarters, etc. will be transferred⁵.

4. Authorized Number of SDF Personnel

The authorized number of SDF personnel will be reduced by approximately 2,000 from the level at the end of FY2010 (approximately 248,000) to approximately 246,000 by the end of the period of the New MTDP in FY2015⁶

Of these, the targeted number of GSDF personnel at the end of the period of the MTDP is approximately 157,000, comprising approximately 150,000 regular personnel and 7,000 reserve personnel.

The targeted numbers of MSFG and ASDF personnel at the end of the period of the MTDP are at the same levels as at the end of FY2010 (approximately 46,000 and 47,000, respectively)⁷.

In addition, during the period of the MTDP, the SDF will proceed with further rationalization of personnel by carrying out fundamental rationalization and increasing the efficiency of logistical operations. In this context, the effective strength of frontline units will be fulfilled to enhance the strength of the forces within a range that does not incur additional personnel expenses through curbing personnel expenses by the introduction of a new personnel appointment system for those engaged in logistical operations and relocating personnel.

(See Fig. II-3-1-1)

5. Major Operations concerning the Abilities of the Self-Defense Forces

1. Effective Deterrence and Action

Various operations such as the improvement of the equipment used by each of the three Self-Defense Forces, etc., are carried out in response to situations that are important considerations as indicated as the role of defense capabilities in the New NDPG.

(See Fig. II-3-1-2)

(1) Ensuring Security in Sea Areas and Airspace Surrounding Japan

Japan will strengthen its preparedness to detect early signs of diverse threats and contingencies by constantly and continuously carrying out intelligence gathering, warning, and surveillance activities both on land and in the sea areas and airspace surrounding the country.

(2) Responding to Invasions to Japan's Offshore Islands

a. Responding to development of intelligence gathering, warning, and surveillance

In addition to developing intelligence gathering, warning, and surveillance systems, etc., and carrying out intelligence gathering, warning, and surveillance activities under normal circumstances, Japan will also develop the necessary system for responding swiftly in emergency situations.

b. Improvement of Rapid Deployment and Response Capabilities

Japan will secure rapid deployment capabilities and attempt to improve the response capabilities of its forces.

c. Improvement of Air Defense Capabilities

Japan will attempt to improve its air defense capabilities including the ability to counter cruise missile attacks.

d. Ensuring the Security of Marine Traffic

Japan will develop a system capable of securing the safety of marine traffic by improving its intelligence gathering, warning, and surveillance activities in the Southwestern Marine Sector, etc., and carrying out diverse missions including anti-submarine combat.

(3) Responding to Cyber Attacks

The Ministry of Defense and the SDF will improve the functions for protecting the SDF's information and communication networks and the SDF will also make a contribution to the responses to cyber attacks conducted by the government as a whole.

(4) Responding to Attacks by Guerillas or Special Operations Forces

Japan will enhance the readiness and mobility of defense force units so that it can swiftly and effectively deal with attacks by guerillas or special operations forces.

(5) Responding to Ballistic Missile Attacks

Japan will strengthen its ability to deal with ballistic missile attacks.

Moreover, in order to take all possible measures to ensure its national defense and steadily improve the capabilities of ballistic missiles, Japan will continuously promote joint development with the U.S. on advanced interceptor missiles, as well as take necessary measures after studying the transfer of the missiles to the production and deployment stages.

(6) Responding to Complex Situations

Japan will develop its preparedness, including with respect to command and control, logistics, etc., in order to maintain the capability to respond swiftly and appropriately even in the event of multiple emergency situations occurring consecutively or simultaneously.

(7) Responding to Large-Scale and Special Disasters

In the event of a large-scale natural disaster or a special disaster, such as a nuclear disaster, Japan will

utilize the SDF to respond rapidly and appropriately in order to protect human life and property.

2. Further Stabilization of the Asia-Pacific Region's Security Environment

Japan is aiming to further stabilizing the surrounding region by carrying out unit operations such as carrying out intelligence gathering, warning, and surveillance activities, and training and tactical exercises under normal circumstances.

Japan will promote bilateral and multilateral security dialogues, defense cooperation and exchanges, and various kinds of joint training and exercises at all levels, in addition to accelerating the establishment and strengthening of an interregional cooperation framework. Moreover, in the non-traditional security fields such as providing humanitarian assistance and disaster relief, etc., Japan will make effective use of the knowledge and experience accumulated by the SDF in such areas as medical science, disposal of landmines and unexpected ordances, etc. Through this, Japan will provide other countries in the region with support for capacity building⁸ in this field such as improvement of response capability and human resource development.

3. Improvement of the Global Security Environment

Japan will positively participate in international peace cooperation activities. Based on the actual conditions of U.N. peacekeeping activities, Japan will study its five principles for participation in U.N. peacekeeping operations based on the current actual situations of U.N. PKOs.

Also, Japan will positively promote support for capacity building, international anti-terrorism activities, maintaining maritime transport security and maritime order, etc. Moreover, Japan will take necessary measures, including conducting studies concerning the influence of climate change and resource restrictions on the security environment and the mission environment, promoting necessary research, etc.

Education on international peace cooperation activities, etc., will be carried out at the Japan Peacekeeping Training and Research Center, and, in conjunction with this, necessary measures will be taken to expand this education beyond the SDF to the officials of other ministries, etc.

Japan will continue to cooperate positively in the arms control and arms reduction fields with the various activities carried out by international organizations such as the United Nations.

4. Important Items in Capability Development

In the New MTDP, a number of important items in capability development are classified under the following categories: 1) strengthening of integration, 2) strengthening capabilities for international peace cooperation activities, 3) strengthening of intelligence functions, 4) responding to scientific and

technological development, and 5) strengthening of sanitary functions. Also, a number of concrete measures are being advocated as shown in Fig. II-3-1-3 (Outline of Important Items in Capability Development).

5. A Basis for Demonstrating Defense Capabilities

(1) Effective Utilization of Human Resources

a. Securing and developing of Human Resources

The SDF will secure and develop high quality human resources and provide necessary education and training as well as enhance the training base. In addition, reform of the National Defense Academy will be steadily promoted.

b. Personnel System Reform Including Reviewing Personnel Policy

While giving consideration to the balance among the missions of the SDF and the physical strength, experiences and skills of personnel,, the Ministry of Defense will increase the number of privates, reduce the proportion of officers, warrant officers and sergeants, and review the rank and age structure of SDF so as to further pursue the vigor of the forces. In order to achieve this, a basic principle such as rank-based personnel quota management will be established pertaining to authorized and actual numbers of SDF personnel, and then a system for carrying out its systematic management will be constructed.

On that basis, the SDF will preferentially allocate young personnel to frontline units, while carrying out personnel system reforms which include designing and introducing a system of applying optimized salaries and other terms to those engaged in other duties so as to secure the required numbers of personnel within a range that does not incur additional personnel expenses.

The SDF will study and introduce measures to invigorate all ranks such as officers, warrant officers, sergeants and privates and will also steadily carry out measures to promote the effective utilization of SDF personnel in civilian society, and will promote measures to support the re-employment of retired SDF personnel including employment in public sector and those regarding post-retirement treatment, etc. Moreover, in unison with the above measures, an early retirement system for SDF personnel, etc., will be studied and then introduced.

c. Promotion of Logistic Operations Rationalization and Efficiency

An attempt will be made to improve the quality of logistic operations such as garrison and base services by making effective use of private sector vitality, while at the same time promoting rationalization and efficiency, proceeding with further personnel rationalization, containing personnel expenses, and securing necessary personnel particularly for frontline units, etc.

d. Utilizing the Research and Education Functions of the National Institute for Defense Studies

The National Institute for Defense Studies will pursue ways of achieving more organized and effective

operations that answer the needs of internal subdivisions and of each of the three Self-Defense Forces, and attempts will be made to make use of its research concerning security and the history of warfare, as well as of its educational functions.

(2) Maintenance and Cultivation of the Defense Production and Technology Base

The important defense production and technology base that Japan should maintain domestically will be specified and the Government will mount a concentrated effort to maintain and cultivate the fields in question. Moreover, based on a standpoint of efficiently realizing workable development of defense capabilities, an overall strategy will be formulated for the defense production and technology base.

(3) Study of Policy Toward the Changing International Environment Surrounding Defense Equipment

In the context of contributing to peace and cooperating with the international community, there is an increasing number of opportunities for the SDF to achieve even more effective cooperation by utilizing heavy equipment and other specialized machinery that it retains or by providing equipment to countries affected by disasters, etc. Moreover, for the developed countries, responding to cost escalation while improving the performance of equipment by means of participation in international joint development and production has become a mainstream activity. Accordingly, Japan will study the potential measures required to deal with this major change.

(4) Promotion of the Acquisition of More Effective and Efficient Equipment

In order to obtain necessary equipment at an appropriate price from a unified standpoint encompassing performance, price, etc., the Ministry of Defense will establish a cost management technique, and improve and strengthen the system for its implementation.

Along with effectively introducing the vitality of the private sector, the Ministry of Defense will address improving the system concerning contracts in order to effectively and efficiently procure equipment such as short-term intensive procurement and package procurement.

(5) Enhancement of the Operation Base for Equipment, etc.

Regarding equipment maintenance and upgrading, while paying attention to securing essentials such as fuel and parts, etc., in order to maintain high equipment operating levels at low cost, using advanced cases both from Japan and overseas as reference, the Ministry of Defense will try to introduce a new contract method (Performance Based Logistics) in which payments for equipment maintenance and upgrading are

made in accordance with the contractor's actual performance achievement, in conjunction with the start of a fundamental effort to maintain and improve overall quality of operation and raise its efficiency.

Through this approach, the Ministry of Defense will substantively control the total expenses required for maintaining the equipment of each of the three Self-Defense Forces over the period between FY2011 and FY2015 to the potential major operation maintenance levels indicated in 5. "Major Operations concerning SDF Capabilities, etc." Moreover, in order to realize the continuous and steady development of Japan's national defense, the effort to contain expenses will be further intensified in the period from FY2016 onwards. The results of the expense control efforts made by each of the three Self-Defense Forces will be made public in a timely manner.

(6)Promotion of Cooperation with Relevant Organizations and Local Community

The SDF will strengthen its cooperation with the police, firefighting organizations, the Japan National Coast Guard, and other relevant organizations, and promote cooperation with the local government and local community. Also, the SDF will verify the functions and systems related to government decision-making and handling, such as carrying out simulations of various situations and integrated training and practice under normal circumstances, and it will undertake studies concerning necessary responses including legal aspects.

The MOD will continue to promote measures in areas surrounding bases to reconcile interests between defense facilities and the surrounding local communities, in close cooperation with relevant local governments, while conducting efficient maintenance and improvement of defense facilities.

See Part III, Chapter 4

6. Measures for Strengthening the Japan-U.S. Security Arrangements

1. Strategic Dialogue and Policy Adjustment

While evaluating security environment, Japan and the United States will continuously engage in strategic dialogue and jointly study common strategic goals, roles, missions, and capabilities.

2. Strengthening Japan-U.S. Defense Cooperation

(1)Further Promotion of Cooperation in Each Field

Japan and the United States will proceed with cooperation in traditional fields such as intelligence cooperation, deepening of planning study work, cooperation with diverse operations including

cooperation in peripheral situations, and cooperation on ballistic missile defense (BMD). Also, a Japan-U.S. conference for improving the reliability of expanded deterrence and information preservation will be held. In addition, measures for improving Japan-U.S. cooperation are being studied with the aim of strengthening the U.S. forces' power to deter and handle contingencies in the region.

(2) Deepening Japan-U.S Defense Cooperation

Japan and the United States will strengthen their cooperation through joint consultation concerning the promotion of Japan-U.S. cooperation in a host of regional and global activities such as Japan-U.S. cooperation in warning and surveillance activities, expansion of joint training (bilaterally between Japan and the United States; trilaterally between Japan, the United States, and the Republic of Korea, and between Japan, the United States, and Australia, etc.; and multilaterally), strengthening of various forms of cooperation under normal circumstances by expanding the joint use of SDF facilities and U.S. military facilities and zones both in Japan and in the United States, international cooperation activities, international disaster relief activities, anti-piracy activities, etc.

In addition, concerning global issues such as space, cyberspace, securing the safety of maritime traffic, climate change, etc., Japan and the U.S. will carry out joint consultation in partnership with relevant ministries and proceed with cooperation.

3. Measures for the smooth and effective stationing of U.S. Forces in Japan

From the viewpoint of securing smooth and effective stationing of U.S. Forces in Japan, Japan will ensure a stable Host Nation Support, while further promoting its efficiency and transparency.

See Part III, Chapter 2

7. Scale of Deployment

Among the equipment indicated in 5 above, the concrete scale of deployment of the major items is as shown in Fig. II-3-1-4.

8. Required Expenditures

The maximum total defense-related expenditures required for the implementation of this program are expected to be 23,490 billion yen at 2010 prices, which represents an average rate of increase of 0.1% when compared to the FY2010 budget figure.

In the drafting of the budget for each fiscal year, while trying to harmonize with the government's other

measures and pursuing even greater efficiency and rationalization, defense-related expenditures are decided within a framework of approximately 23,390 billion yen. In addition, when particularly essential needs are recognized in respect of responses to unforeseeable future events, or responses to regional or global security issues, measures to conduct the operations in question may be taken by drawing on a maximum of 100 billion yen in additional funds.

Also, in three years' time, this program will be reviewed according to necessity within the range of 23,490 billion yen in consideration of the international situation at that point in time, trends in the level of technology including communications technology, and the situation both domestically and internationally including the financial situation, etc.

(See Fig. II-3-1-5)

9. Others

1) In order to conduct consistent studies concerning the modality of defense, the Ministry of Defense is developing a system that can consolidate and evaluate information relating to the SDF's equipment and personnel allocation and operational situation together with a system to formulate defense-related plans.

2) While maintaining the deterrence of the U.S. forces, Japan will steadily review and implement concrete measures such as force posture review of U.S. forces in Japan, etc., as well as SACO (Special Action Committee on Okinawa)⁹ related programs to reduce the burdens on local communities, including those in Okinawa.

Section 2. Structural Reform for Improving the Effectiveness of Defense Capabilities

1. Background

The new National Defense Program Guidelines stipulate the development of a dynamic defense force which possesses readiness, mobility, flexibility, sustainability, and versatility supported by intelligence and advanced technology based on the trend of military technology. In order to develop this dynamic defense force, it is necessary to fundamentally streamline and rationalize equipment, personnel, organization, deployment, etc. across all of the Self-Defense Forces from a comprehensive and cross-sectional perspective, selectively concentrate resources on the functions that are genuinely needed, and carry out structural reforms of the defense force.

For these reasons, the Ministry of Defense set up a committee for the promotion of structural reform for improving the effectiveness of defense capabilities based on a ministerial directive of December 27, 2010. The committee chairman is the senior vice minister of defense, and the committee is conducting investigative studies into the above issues.

2. Specific Matters under Investigation

(1) Matters under Investigation

The matters to be investigated that were indicated in the ministerial directive referred to in section 1 above are as follows.

1) Exploring Approaches to Troops, etc. and the Enhancement of Functions through Integration

These are investigative studies about how to improve the mobility, transportation capability, and ability to respond effectively in each Self-Defense Force and the approaches and command and control functions of the troops from an integrated perspective, in order to ensure that each of the Self-Defense Forces responds organically as a unit to ensure the safety of the citizens. These studies are investigating the cross-sectional functions of each Self-Defense Force including warning and surveillance, transportation, information and communications, hygiene, air defense, etc., in order to build effective and efficient systems.

2) Exploring the Optimization and Unification of Resource Allocation from a Cross-Sectional Perspective

These are investigative studies that aim to ascertain the deployment of equipment and personnel and the operational status and to appropriately evaluate the current capability of the Self-Defense Force, fundamentally streamline and rationalize it, and investigate the building of mechanisms for administration, budget allocations, and research and development, and mechanisms for the unification and optimization of backup operations, information and communications networks, etc. to ensure the budget can be allocated effectively to functions and areas that are genuinely needed from a cross-sectional perspective.

3) Promotion of Fundamental Systemic Reforms Relating to the Human Resources Base

From the standpoint of enhancing the strength of the SDF forces, these studies further develop the previous studies about human aspects of the Self-Defense Force, establish rank-based quota management for Self-Defense Force personnel, review the rank and age structures in accordance with the characteristics of each Self-Defense Force, for example by increasing the number of enlisted personnel, and investigate a new appointment system, policies for the revitalization of all ranks of SDF personnel (officers, warrant officers, sergeants and privates), and policies related to the early retirement system, recruitment, and re-employment support, etc.

Note that measures to deal with the changing international environment surrounding self-defense equipment, formulation of strategies for defense production and technology infrastructure, systems related to contracts for acquisition of equipment, etc., and the best approach to maintenance and upgrading operations for equipment, etc. have been investigated under the framework of the Comprehensive Acquisition Reform Committee, so these studies are to be promoted further.

(2) Framework of the Investigative Studies

The investigative studies in the Committee for the Promotion of Structural Reform for Improving the Effectiveness of Defense Capabilities are being carried out in close cooperation with the investigative studies in the existing Human Resources Base Reform Committee, Comprehensive Acquisition Reform Project Team, and Council for Reforming the Ministry of Defense already established in the Ministry of Defense, and with the investigative studies of the Investigative Committee for the Strengthening of Hygiene Functions newly established on February 10, 2011. The overall framework is as shown in Figure II-3-2-1.

3. Current Status of Investigative Studies

The current status of investigative studies of individual issues is as follows.

(1) Exploring Approaches to Troops, etc. and the Enhancement of Functions through Integration

- a. Mobile deployment systems
- b. Command and control, functions, core troops
- c. Information gathering, warning and surveillance, reconnaissance activities (ISR)
- d. Air defense readiness, systems of air defense troops
- e. Integrated communications, cyber warfare
- f. Tactical exercises, drills, education
- g. Integrated transportation, integrated hygiene

(2) Exploring the Optimization and Unification of Resource Allocation from a Cross-Sectional Perspective

- a. Review of plans, instructions, and structures
- b. Troop capability visualization and evaluation
- c. Information and communications program management
- d. Research and development program management
- e. Backup operations streamlining
- f. Budget and program structure optimization

(3) Promotion of Fundamental Systemic Reforms Relating to the Human Resources Base

- a. Review of personnel management systems, and the rank and age structures

- b. New appointment system for non-frontline personnel
- c. Early retirement system
- d. Revitalization of officers, sergeants and privates
- e. Review of recruitment and re-employment support

(4) Promotion of Comprehensive Acquisition Reform

- a. Measures to respond to the changing international environment
- b. Defense production and technology infrastructure strategy
- c. Contract system, etc.
- d. PBL

Section 3. Building Up the Defense Force in FY2011

1. Major Matters Related to Building Up the Defense Force in FY2011

FY2011 is the first fiscal year of the new Mid-Term Defense Program which stipulates a move to the new defense force indicated in the new National Defense Program Guidelines, so Japan will steadily build up the defense forces as we work toward creating a dynamic defense force in accordance with the program.

In doing so, we will tackle the new roles of the defense force: 1) effectively deter and respond to contingencies, 2) further stabilize the security environment of the Asia-Pacific, and 3) improve the global security environment. To fulfill these roles, we will give emphasis to versatile functions applicable to a wide range of operations, functions that have asymmetric response capability, and irreplaceable functions, and we will give priority to building up functions such as warning and surveillance, maritime patrols, air defense, response to ballistic missiles, transportation, and command control communications, including in southwestern areas of Japan. Furthermore, amidst growing fiscal austerity, detailed assessments will be made of the contents of each program, and then resources will be selectively concentrated only on truly necessary functions, and an effective defense force will be effectively developed.

(See Fig. II-3-3-1)

The Ministry of Defense is working on further rationalization and streamlining across all aspects of equipment acquisition, etc., and we have set a goal of reducing¹⁰ costs related to the research and development, procurement, and maintenance and management of equipment by 15% from their FY2006 level by FY2011. The cost reduction sum in FY2011 is expected to come to approximately 121.0 billion yen, a reduction ratio of approximately 6.7% (provisional figure).

See Part III, Chapter 4, Section 2. (pxx)

2. Background to the Formulation of the Budget

Since FY2010, with a view to improving the policy effect of defense administration, the Ministry of Defense has also implemented the Administrative Project Review¹¹ that is carried out in other government ministries and agencies and it has reflected the results of the review appropriately in budget requests.

The third round of the scrutinizing of public projects¹² that was carried out by the Government Revitalization Unit in the process of formulating the budget for FY2010 took place in the middle of November 2010 to confirm whether or not the results of earlier scrutinizing of public projects and the Administrative Project Review had been reflected in the FY2010 budget and the FY2011 budget requests. The Ministry of Defense also received remarks about several of its programs in the third round. Based on these remarks, The Ministry of Defense will reflect several points in the FY2011 budget and continue to work on further streamlining the budget further based on the criticisms.

(See Fig. II-3-3-2, 3)

Moreover, regarding the FY2011 budget, “special funding to bring vigor back to Japan” was established in the Guidelines for FY2011 Budget Requests Reformulation (Cabinet decision on July 27, 2010). In the framework of “special funding to bring vigor back to Japan,” the Ministry of Defense requested such project as cost sharing for the stationing of U.S. forces in Japan, expenses related to ballistic missile defense (BMD), and lease of satellite communication functions necessary for the operating of the Self-Defense Forces. The Evaluation Council on Requests for the Special Funding to Bring Vigor Back to Japan assigned an order of priorities to the policies related to the requests from each government agency and we conclude that in the end their allocations largely met our requests overall, although there were some programs for which the allocation was not approved fully or in part. The Ministry of Defense will endeavor to ensure that there is no problems to implementing the projects for which the allocation was not approved by raising the funds through a review of existing expenditure and the reduction and rationalization of costs, etc.

(See Fig. II-3-3-4)

Section 4. Defense-Related Expenditures

1. Defense-Related Expenditures and Changes

Defense-related expenditures include spending for maintaining and managing the SDF, improving living conditions in the neighborhoods of defense facilities, and supporting U.S. forces in Japan.

Regarding defense-related expenditures in FY2011, amidst even more severe financial circumstances,

excluding the reduction of burden on local communities in the expenditures related to SACO¹³ and realignment of U.S. forces, there has been a decrease in budget expenditure compared to the previous fiscal year for the ninth consecutive year, at 4.6625 trillion yen, a reduction of 20.1 billion yen (0.4%). However, as the first fiscal year in which the budget was formulated based on the new National Defense Program Guidelines and the new Mid-Term Defense Program, the Ministry of Defense has ensured the expenditure that is genuinely needed, under the notion of concentratedly investing resources in the functions that should be of good priority, and steadily promoting a move to new systems, in order to build up an effective defense force that can respond appropriately to the new security environment, including the increasingly complex circumstances in the neighborhood of Japan, while maintaining fiscal discipline. Including 10.1 billion yen in SACO-related expenses (decreased 6.8 billion yen (40.2%) from the preceding fiscal year) and 102.7 billion yen in expenses for reducing the burden on local communities (increased 11.8 billion yen (12.9%) from the preceding fiscal year), which is a part of the U.S. forces' realignment-related costs, Japan's total defense-related expenditures for FY2011 amount to 4.7752 trillion yen, representing a decrease of 0.3% or 15.1 billion yen from the preceding fiscal year.

(See Figs. II-3-4-1, 2)

See Special Feature-1 (pxx), Reference Special Feature-2 (pxx), References 19 (pxx), 20 (pxx)

2. Breakdown of Defense-Related Expenditures

Defense-related expenditures are broadly classified into "personnel and food provisions expenses," which cover such items as pay and meals for SDF personnel, and "material expenses," which finance the repair and maintenance of equipment, purchase of fuel, education and training of SDF personnel, procurement of equipment, and others. Material expenses are further classified into "obligatory outlay expenses¹⁴," which are paid under contracts concluded in previous fiscal years, and "general material expenses," which are paid under current-year contracts. Material expenses are also referred to as "operating expenses," and since general material expenses include repair costs for equipment, education and training expenses for personnel, and the purchase of oil, they are referred to also as "activity expenses." The Ministry of Defense terms this classification method as "classification by expenses."

(See Figs. II-3-4-3, 4)

Personnel and food provisions expenses and obligatory outlay expenses, both of which are mandatory expenses, account for 80% of the total defense-related budget. A breakdown of general material expenses shows that mandatory costs account for a significant portion of the total, including cost-sharing for the stationing of U.S. forces in Japan, and expenses related to measures to alleviate the burden on local communities hosting U.S. bases in Japan¹⁵.

Personnel and food provisions expenses increased by 6.6 billion yen (0.3%) from the previous fiscal year.

Obligatory outlay expenses for the year decreased by 42.9 billion yen or 2.6% from the previous year while general material expenses increased by 16.3 billion yen or 1.8% from the previous year¹⁶.

The breakdown of FY2011 defense-related expenditures classified by organization, such as the GSDF, MSDF, and ASDF, and also by use, such as maintenance costs and equipment and material purchase expenses is shown in Fig. II-3-4-5 [Breakdown of Defense-Related Expenditures].

In addition to the budget expenditure, the amount of new future obligation also indicates payments for the following year and beyond. In the improvement of defense capabilities, it is common for multiple years to be required from contract to delivery or completion, in areas such as the procurement of vessels, aircraft, and other primary equipment, as well as the construction of buildings such as aircraft hangars and barracks. However, the budget of Japan must meet with Cabinet approval each fiscal year, and therefore, as a general rule, the spending of national expenditures prescribed in the budget is limited to the applicable year. Consequently, for the things which require multiple years between contract and delivery or completion, a procedure is undertaken whereby a contract that extends for multiple years is arranged, and it is promised in advance at the time of the agreement that payment will be made at a fixed time in the future (within five years in principle). The sum of money to be paid in the following year and beyond based on such contracts as extend for multiple years, is called future obligation. The amount of future obligation that newly came to be borne in FY2011 (future obligation concerning new contracts) was reduced from FY2010 by 8.3 billion yen or 0.5 %.

Furthermore, if looked at on a contract basis which shows the scale of operations, then there is a reduction from FY2010 of 7.9 billion yen or 0.3%¹⁷.

See Special Feature-1 (pxx), Reference Special Feature-2 (pxx), 21 (pxx)

3. Comparison with Other Countries

Understanding the defense expenditures of each country using a single standard is not possible in view of differences in the socioeconomic and budgetary systems. There is not an internationally unified definition of defense expenditures, and breakdowns of defense expenditures are often unclear even in many countries where such data is publicly disclosed.

See Reference 22 (pxx)

Furthermore, though there exists the method of converting defense expenditures into a dollar-termed value for comparison, defense spending based on this method does not necessarily reflect the precise value resulted from counting each country's price levels.

Thus, there are limits to how far a comparison can be significant simply by comparing Japan's defense-related expenditures with those of other countries in dollar terms. For reference, Fig. 3-4-6 displays the defense expenditures of each country shown in dollar terms using the purchasing power

parity¹⁸ of each country as published by the Organisation for Economic Co-operation and Development (OECD)¹⁹.

Section 5. New Efforts Based on Recent Trends

1. Efforts for Development and Use of Space

For Japan, a country which has an exclusively defense-oriented policy, the use of space, which does not belong to the national territory of any country and is not constrained by conditions such as surface topography, is extremely important for strengthening information gathering functions for detecting signs of various contingencies in advance, for strengthening warning and surveillance functions for use in sea and air zones in the neighborhood of Japan, and for ensuring means of communication in the international peace cooperation activities of the SDF.

The enactment of the Basic Space Law²⁰, passed by the Diet in May 2008, has made it clearer that the development and use of space by Japan shall be carried out under the pacifism enshrined in the Constitution of Japan in compliance with international commitments. The law also stipulates that the Government of Japan shall take necessary measures to promote the development and use of space that contributes to ensuring the peace and security of the international community, as well as to the security of Japan. Furthermore, the Strategic Headquarters for Space Policy was formed within the Cabinet in order to promote measures for the development and utilization of space in a comprehensive and systematic manner.

On June 2, 2009, the Basic Plan for Space Policy was formulated based on the Basic Space Law by the Strategic Headquarters for Space Policy. The six key elements of the plan include the realization of a secure, pleasant, and affluent society utilizing space, as well as the enhancement of national security utilizing space.

Furthermore, the new National Defense Program Guidelines decided by the Cabinet on December 17, 2010 stipulated promotion of the development and use of space with a view to strengthening information gathering and information and communications functions, etc.

Meanwhile, on January 15, 2009, the Committee on Promotion of Space Development and Use formulated the “Basic Guidelines for Space Development and Use of Space,” the Ministry of Defense of Japan (Basic Guidelines). The development and use of space is a particularly effective tool for strengthening functions of C4ISR²¹ in light of the emphasis on building up of defense capabilities on realization of sophisticated situational awareness, information sharing, and command and control systems by organically linking individual equipment and systems, and thus maximizing the capacity of the equipment as a whole.

In the future, the Ministry of Defense intends to vigorously conduct examinations on specific measures, in

coordination with related ministries, including the Cabinet Secretariat, based on the Basic Guidelines and the Basic Plan for Space Policy in order to promote new development and use of space in the security field. In FY2011, it will address projects such as 1) research for enhancement of C4ISR utilizing space, 2) enhance space-based communication capability, and 3) expanded use of imagery from commercial satellites.

2. Initiatives Related to the Stable Use of Cyberspace

Information and communications technology has developed and been widely adopted at great speed and, as a result, it is now essential as the infrastructure for socioeconomic activities. On the other hand, this means there is a possibility that people's lives and economic activities will be severely affected if the computer systems or networks are compromised. Based on this awareness, the Information Security Policy Council, which decides the basic strategy for Japan's information security measures, and its implementation agency, the National Information Security Center, were established in 2005, and since then a variety of initiatives related to the information security problems of Japan have been undertaken by public and private sector entities with the Center playing the leading role²².

In May 2010, the Information Security Policy Council formulated the Information Security Strategy for Protecting the Nation as a comprehensive strategy for the period from FY2010 to FY2013²³. This strategy document incorporated extremely important policies with respect to the security of Japan, including preparation of the government's initial response to a large-scale cyber attack, reinforcement of protection against cyber attacks, and reinforcement of international alliances against cyber attacks, etc.

Along with the National Police Agency, the Ministry of Internal Affairs and Communications, and the Ministry of Economy, Trade and Industry, the Ministry of Defense is designated one of the government agencies which must cooperate particularly closely with the National Information Security Center. Therefore, the Ministry contributes to the cross-sector initiatives led by the center by providing it with the knowledge and skills possessed by the Ministry of Defense and the SDF. For example, the Ministry participates in cyber attack response drills and personnel exchanges, and provides information about cyber attacks, etc.

3. Efforts Relating to the Environment

1. Effects Exerted by Climate Change on the Security Environment

With the mounting concern for climate change caused by global warming, there has been a growing tendency in recent years to give thought to the effects exerted by climate change on security. For example, in the Quadrennial Defense Review (QDR) published by the U.S. Department of Defense on February 1

this year, climate change is positioned as one of the factors which exert an important effect on the shape of the security environment of the future.

In this way, there is increasingly shared understanding of the fact that a range of effects may be brought about by climate change even on the security environment. For Japan too, it is necessary to pay attention to the effects that climate change will exert on the security environment.

2. Efforts for Environmental Conservation

As part of the government, the Ministry of Defense is developing action plans based on various government programs, and actively promoting a variety of efforts for the environment²⁴.

In 2001, the Ministry of Defense “Environment Month” and “Environment Week” were established. Garrisons nationwide also took part, performing diverse activities for the purpose of environmental conservation in areas such as preventing global warming. Their objective was to raise consciousness among troops and personnel in relation to environmental conservation.

In managing and maintaining its facilities and equipment, the SDF is promoting a range of efforts²⁵ to ensure thorough environmental conservation and to reduce the environmental burden. Specifically, in March 2010, the facilities at Camp Kochi (in Konan, Kochi Prefecture) adopted for the first time an all-electric system in which everything is covered by electricity, including the kitchen, air conditioning, and hot water system which had used gas and boilers. Furthermore, progress is being made in areas such as the installation of energy conservation equipment at SDF buildings, and the replacement of worn out vehicles with eco-cars, which are compatible with exhaust gas regulations, and which have excellent mileage. Thanks to efforts like these, great results can be expected in environmental conservation, such as reduced exhaust CO₂, not to mention the substantial economic benefits.

Moreover, the Ministry of Defense is working on environmental conservation initiatives for the facilities and areas of the U.S. forces in Japan as well. The result of the comprehensive revision of the Ministry of Defense’s portion of the costs for the stationing of U.S. forces in Japan in December 2010 stipulated that, as part of the Japan-U.S. cooperation under the Green Alliance in the “2+2” joint statement issued in May that year, the two countries would endeavor to develop facilities that take the environment into account, for example by introducing designs that are environmentally-friendly because they are more energy-efficient.

See Part III, Chapter 2, Section 1-4 (pxx)

4. Efforts for Ocean Policy

Under various circumstances regarding the ocean, including the sea areas surrounding Japan, the Basic Act on Ocean Policy²⁶ was put into force in July 2007 with the aim of the sound development of the

economic society and the stability and improvement of the lives of the people in Japan as well as our contribution to the coexistence of the ocean and human beings, recognizing that it is critical for Japan, as a maritime nation, to establish a new Oceanic State which harmonizes peaceful and proactive development and use of the sea with the preservation of the marine environment. Then, the Headquarters for Ocean Policy was established within the Cabinet as a system to promote ocean policy intensively and comprehensively.

Based on this act, a cabinet decision was made in March 2008 to adopt the Basic Plan on Ocean Policy²⁷, which stipulates the basic policy of various measures with regard to the oceans in order to promote such measures comprehensively and systematically.

The Basic Plan on Ocean Policy includes extremely important measures in terms of the security of our country: for example, maintaining order at sea carried out from the viewpoint of securing maritime safety, efforts for maritime transport safety, countermeasures against marine-derived natural disasters, and securing maritime transport.

The Headquarters for Ocean Policy has been discussing coordination between ministries on the integration of marine survey data and the preservation and management of islands²⁸. The Ministry of Defense participates in these discussions so that works in the related fields can be performed in closer coordination with other ministries.

The Basic Plan on Ocean Policy stipulates: the systematic development of ships and aircraft for the purpose of ensuring maritime safety; and the conducting of exercises based on the manuals on joint response to suspicious boats. Accordingly, the Ministry of Defense is engaged in a number of efforts in FY2011, including 1) to improve equipment for ensuring maritime transport safety, such as construction of a submarine and a minesweeper, acquisition of minesweeping and transport aircrafts, and extension of the operating life of destroyers and fixed-wing and rotary-wing patrol aircrafts, 2) to strengthen cooperation with the Japan Coast Guard through events such as joint maritime exercises in dealing with suspicious ships, and 3) to deal with pirates off the Coast of Somalia and in the Gulf of Aden.

See Part III, Chapter 1, Section 3 (pxx)

¹ See <http://www.mod.go.jp/j/approach/agenda/guideline/2005/chuuki.html>

² Except for FY2010. See Chapter 2, Section 2.

³ 1) Effective deterrence and action, 2) further stabilization of the Asia- Pacific regional security environment, and 3) improvement of the global security environment (See Chapter 3, Section 4).

⁴ See Note 1 of Chapter 2, Section 3-5.

⁵ Relocate Air Defense Command (ADC) and relevant units to Yokota Air Base where the 5th Air Force Headquarters reside
See Part III, Chapter 2, Section 3-2.

⁶ Unlike in the GSDF, in which “people” form the basis of the unit organization, in the MSDF and the ASDF, the unit organization is based on “equipment” such as ships, aircraft, etc., so the numbers of personnel are decided in accordance with the equipment employed. Accordingly, the planned numbers of personnel for the MSDF and the ASDF were not specified in the NDPG or the MTDP. On the other hand, 1) in the MSDF and ASDF too, it is necessary to secure an optimum balance between the amount

of equipment and the number of personnel; 2) from the standpoint of containing increases in personnel expenditure, it is necessary to keep the total number of Self-Defense Forces personnel, including those of the MSDF and ASDF, at an appropriate level; and 3) the numbers of MSDF and ASDF personnel are decided in accordance with the equipment employed, but there is a need for control over the scale of personnel to be conducted based on the scale on which equipment is deployed. In keeping with the situation described above, the numbers of regular personnel employed by the MSDF and ASDF as well as the total number of regular SDF personnel have been newly listed in the MTDP, which also lists decisions regarding the specific development scale of major equipment.

⁷ As above.

⁸ See Part III, Chapter 3, Section 1-5

⁹ These measures need to be carried out steadily, but Japan and the United States are engaged in continuous consultation concerning their details. Also, it is necessary to formulate an operational plan based on reaching accommodation with local communities, so it is difficult to forecast the size of the budget accurately over the five-year period. Accordingly, the expenditures required for these items is not included in the required expenditures for the New MTDP.

¹⁰ Cost reduction sum = initial necessities (theoretical value prior to implementation of efficiency measures) – actual sum

Cost reduction ratio = cost reduction sum/(equipment related costs + cost reduction sum)

¹¹ The process by which government agencies ascertain the facts on the ground regarding the recipients of budget expenditure and the uses of the funds, etc., inspect their own programs, including through a public process with external experts, and reflect the results in the implementation of the programs, budget requests, etc.

¹² In scrutinizing of public projects, issues such as “What are the points?” in the formulation of the budget and “What is the order of priorities of the budget?” are put under public scrutiny through the holding of debates in public forums regarding the necessity of the current budget and the current state of budget implementation. For more details about the scrutinizing of public projects by the Government Revitalization Unit, please see the following link:

<http://www.cao.go.jp/gyouseisashin/contents/01/shiwake.html>

¹³ “Special Action Committee on Okinawa”. See Part III, Chapter 2, Section 4-1.

¹⁴ In the improvement of defense capabilities, some things span multiple years. In these cases, the fiscal year in which the contract is concluded is different from the fiscal year in which the payment to the contractor is made. Therefore, first of all, the maximum future payment amount is appropriated in the budget as an act of bearing liabilities with national treasury funds (budget authority only to incur obligations is granted, i.e., the Ministry of Defense is able to conclude a contract but not to make payment). Then, based on such budgeting, in principle, in the fiscal year that construction is completed or that equipment is procured, expenses necessary for payment are allocated as budget expenditure (budget authority to incur obligations and make payment is granted, i.e., the Ministry of Defense is able to conclude contracts and allocate budget expenditure). Budget expenditure for payments incurred under contracts concluded in previous fiscal years is called “obligatory outlay expenses,” while expenditure for which the payment period has yet to come is termed “future obligation.”

¹⁵ A typical cost under this category is expenses for installation of a soundproof system in residences located near U.S. bases. (See Part 4, Section 3-3).

¹⁶ The comparison with the previous year does not account for SACO-related expenses and the U.S. forces realignment-related expenses (portion meant to reduce the burden on the local community).

¹⁷ The sum total of general material expenses and future obligation concerning new contracts based on the act of bearing liabilities with national treasury funds. The contract is concluded in the applicable year. It is the scale of the material expenses (operating expenses) that are to be contracted in particular fiscal year and, to be paid in the same fiscal year and the following year.

¹⁸ A gauge that measures each country’s ability to purchase assets or services by taking into account their respective price levels.

¹⁹ The Fig.II-3-4-6 excludes Russia and China, for which no OECD data on purchasing power parity exist. For changes in defense expenditures of each country in its local currency, see Part I, Chapter 2, Fig.II-3-4-7 and Reference 22 (Changes in Defense Expenditures of Each Country).

²⁰ See <http://www.kantei.go.jp/jp/singi/utyuu/about2.html>

²¹ Abbreviation “Command, Control, Communication, Computer, Intelligence, Surveillance and Reconnaissance” which is the collective term of each function.

-
- ²² For more details about the activities, etc. of the National Information Security Center, see <http://www.nisc.go.jp>.
- ²³ See <http://www.nisc.go.jp/active/kihon/pdf/senryaku.pdf>
- ²⁴ The action plan of the Ministry of Defense which was devised in October 2007 on the back of the “Action Plan for Greenhouse Gas Emission Reduction in Government Operations” (Cabinet decision made in the same year), the “Defense Agency Guidelines on Environmental Consideration ” enacted in 2003 based on the government’s Basic Environment Plan, and a review of those guidelines carried out in January 2005, etc. For details on Ministry of Defense guidelines for environmental consideration, see <http://www.mod.go.jp/j/approach/chouwa/index.html>.
- ²⁵ Specifically, this includes measures for the purpose of conservation of the atmospheric environment, water quality conservation, recycling and waste disposal, improvement of environmental conservation facilities, and environmental surveys.
- ²⁶ See <http://www.kantei.go.jp/jp/singi/kaiyou/about2.html>
- ²⁷ See <http://www.kantei.go.jp/jp/singi/kaiyou/kihonkeikaku/index.html>
- ²⁸ In order to appropriately manage the sea under jurisdiction, the area of which (approximately 4.47 million km²) includes exclusive economic zones extending to roughly 12 times the land area (of approximately 380,000 km²), in December 2009, the Headquarters for Ocean Policy formulated the “Basic Policy concerning Preservation Management of Islands for Management of the Sea.” Then, on May 26, 2010, a bill was passed that pertained to the conservation of exclusive economic zones and the continental shelf, and to improvement of base facilities.