

(4) Measures to Strengthen the Japan-U.S. Security Arrangements

In consideration of new security environment, various measures to further strengthen the Japan-U.S. security arrangements and the close relationship with the United States based on the arrangements will be promoted as indicated below.

- i) Exchange of information and views regarding international situation will be enhanced, and strategic dialogues on the whole matters of security will be continued.
- ii) Efforts will be made to establish an effective cooperative structure in the field of operations. In addition, joint exercises and training will be enhanced.
- iii) Cooperation in the field of ballistic missile defense (BMD) will be further promoted.
- iv) Efforts will be made to enrich mutual exchanges in the fields of equipment and technology.
- v) Measures to facilitate smooth and efficient stationing of the U.S. forces in Japan will be promoted.
- vi) Japan will proactively participate in international security efforts, and measures to enable close collaboration between Japan and the United States will be promoted.

(5) Scale of Expansion or Improvement

The following table shows the scale of expansions or improvements for equipment needed for main projects to improve capabilities of the SDF. (See Fig. 2-2-15)

Build-up of Major Equipment

Branch	Descriptions	Scale of build-up
Ground Self-Defense Force	Tank	49
	Artillery (except mortar)	38
	Armored vehicle	104
	Combat helicopter (AH-64D)	7
	Transport helicopter (CH-47JA)	11
	Medium-range surface-to-air guided missile	8 companies
Maritime Self-Defense Force	Improvement of capabilities of Aegis-equipped destroyer	
	Destroyer	354
	Submarine	11
	Others	20
	Total self-defense fleet built (in tons)	(Approx. 59,000)
	New fixed-wing patrol aircraft	4
	Patrol helicopter (SH-60K)	23
Minesweeping and transport helicopter (MCH-101)	3	
Air Self-Defense Force	Improvement of capabilities of the ground-based surface-to air PATRIOT guided missile system	2 groups and education purpose
	Modernization of fighter interceptor (F-15)	26
	Fighter support (F-2)	22
	New fighter aircraft	7
	New transport aircraft	8
	Transport helicopter (CH-47J)	4
	Aerial refueling/transport aircraft (KC-767)	1

Note: In each of the previous MTDPs (1986-1990; 1991-1995; 1996-2000; 2001-2005), the number of new submarines to be built was 5. In the new MTDP, the number is reduced to 4.

Fig. 2-2-15

(6) Expenses Required

The total amount of defense-related expenditures required for the implementation of the MTDP shall not exceed about ¥24.24 trillion in FY2004 price. It is required that the annual budget be decided within the framework of the above-mentioned defense-related expenditures while further promoting efficiency and rationalization in harmony with other measures of the GOJ.

In addition, an additional budget not exceeding ¥100 billion may be used for implementing these projects subject to the approval of the Security Council of Japan in cases where extra spending is required to respond to unforeseen future events.

In three years, the MTDP will be reviewed within the total amount of the defense-related expenditures specified in the MTDP as the case may be in consideration of domestic and overseas circumstances, such as international situations, the trend of technology level and fiscal conditions²¹. (See Figs. 2-2-16 and 2-2-17)

Expenses Required

Classification	Previous MTDP (FY2001-FY2005) [FY2000 prices]	Mid-term defense program (FY2005-FY2009) [FY2004 prices]
Total value	¥25.01 trillion	¥24.24 trillion
Personnel and provisions expense	¥11.11 trillion	¥10.61 trillion
Nonpersonnel expense	¥13.90 trillion	¥13.63 trillion
Others*	¥150 billion*	¥100 billion*

Note: Aiming to illustrate the ceiling on the total value of defense-related expenses during the plan period, the MTDP declares expenses required using a method (annual expenditure base) of setting forth expenses budgeted during the appropriate mid-term period of defense program concerning amounts for established contracts and new contracts.

* Provisions for these expenses will be made on the approval of the Security Council of Japan in cases where it is deemed necessary to respond to unpredictable situation in the future.

Fig. 2-2-16

Contract Sum for Nonpersonnel Expenses

Previous MTDP (FY2001-FY2005) [FY2000 prices]	Mid-term defense program (FY2005-FY2009) [FY2004 prices]
¥14.19 trillion	¥13.65 trillion

Note: Contract sum denotes the expenses for the procurement of equipment to be developed in the current MTDP period.

Fig. 2-2-17

5. Defense Build-up Program for FY2006

As FY2006 is the second of year under the MTDP, further efforts shall be made to respond to new threats and diverse situations, to ensure peace and safety of citizens with focus on the engagement in international peace cooperation activities, and to further stabilize international security environment.

In these efforts, an emphasis will be made on the following points.

(1) Reorganization of Defense Agency (See Chapter 6, Section 1)

The Defense Councilor System will be reviewed, and internal bureaus, local organizations, acquisition systems, and medical related organizations will be reorganized.

(2) Effective Response to the New Threats and Diverse Situations

1) Promotion of Measures for BMD

Promotion of projects concerning the ability to respond to the ballistic missiles will be continued, and for future improvement of the capability, joint Japan-U.S. technical research for a sea-based upper-tier system will be shifted to joint development, based on the achievement of the research so far.

2) Response to Attacks by Guerillas or Special Operations Units

As for defense against guerillas or special forces attacks, various functions and facilities will be upgraded for the improvement of defense capabilities for vigilant monitoring in coastal areas, and for searching, catching, or destroying any special operations forces making an incursion into Japan, or for defending the country's major facilities.

3) Defense against Nuclear, Biological, and Chemical Attacks

For the ability to defend against attacks by nuclear, biological, and chemical weapons, necessary capabilities will be improved while preparing the functions for detection and identification, protection, and diagnosis and treatment.

4) Response to Submarines and Armed Special-Purpose Vessels in Sea Area Surrounding Japan

Japan will build and improve the capabilities for searching and contacting, investigating, and tracking submerged foreign submarines operating in Japan's territorial waters and for expressing Japan's will²², and also maintain and improve the ability to respond to submarines in the shallow sea region. In addition, the improvement of the response capability against armed special operation vessels will be continued.

5) Response to Large-Scale and/or Special-type Disasters

Preparations to appropriately respond to large scale or extraordinary disasters will be established.



E-767 early warning and control aircraft and F-15 fighter in US training



Type-90 tanks

(3) Activities to Maintain Peace and Stability in the International Community, including Japan

To implement international peace cooperation activities continuously and efficiently, education and training system will be improved. In addition, the security related dialogues and defense exchanges with other countries, and joint training will be promoted.

(4) Enhancement of Joint Operations Posture

For effective response to the new threats and diverse situations, joint operations posture will be enhanced.

(5) Establishment of More Advanced Information System and Infrastructure

Improvement will be made to the structure of information department for fast and accurate collection, analysis and sharing of information by detecting the signs of various events in early stage. In addition, advanced command and communication system and information communication network will be developed to

contribute to joint operations and smooth implementation of international peace cooperation activities.

(6) Response to Progress in Military Science and Technology

The Agency will make efforts for the implementation of effective and efficient research and development through focused resource allocation in view of progress in military science and technology.

(7) Enhancement of Personnel Measures, and Education and Training of SDF Units

In order to enhance joint operations system and to respond to the diversification and internationalization of the SDF's duties and the sophistication of military equipment, the Defense Agency will widely promote personnel education and training measures as well as various measures for securing and fostering high-quality human resources and units with high morale and discipline.

(8) Promotion of Measures regarding Bases

To maintain harmony between defense facilities and their surrounding areas, the promotion of measures regarding bases will be continued. In addition, the measures to facilitate harmonious and effective stationing of the U.S. forces in Japan will be promoted.

(9) Other Main Measures

Defense Agency will promote Comprehensive Acquisition Reforms for supply and other items, and also promote complete implementation of environmental measures and others at the military garrisons and training sites of the SDF as well as aircraft safety measures.

6. Defense-Related Expenditures

Defense-related expenditures include those for maintaining and managing the SDF, improving the living environment in the neighborhood of defense facilities, giving support to U.S. forces stationed in Japan, and managing the Security Council of Japan.

Under a policy of restraining public spending to pursue structural fiscal reforms, defense-related expenditures for FY2006 on an expenditure budget basis decreased for the fourth straight year, by ¥39.4 billion from the previous year (0.8% decrease), excluding costs related to the Special Action Committee on Okinawa (SACO). Despite severe fiscal constraints, sufficient resources are allocated to efficiently build up a multi-functional, flexible and effective defense force that will effectively respond to new threats and diverse situations and proactively participate in international peace cooperation missions, while maintaining basic capabilities to respond to a full-scale invasion.

The FY2006 budget includes ¥23.3 billion for SACO-related expenses. Including these expenses, the total defense-related expenditures amount to ¥4,813.9 billion, down ¥42.4 billion (0.9%) from the previous fiscal year level²³. (See Fig. 2-2-18)

Outline of Defense-Related Expenditures

Classification	FY2005 Defense-Related Expenditures
Defense-related expenditures (When including SACO-related expenditures)	¥4,790.6 billion (¥4,813.9 billion)
Growth from previous year	△0.8% (△ 0.9%)
Ratio to GDP	0.932% (0.937%)
Ratio to general ac count expenditures	6.0% (6.0%)
Expenses carried over to the following fiscal years	¥3,001.4 billion
(New)	¥1,770.8 billion
(Previously committed)	¥1,230.6 billion

Fig. 2-2-18

(1) Breakdown of Defense-Related Expenditures

1) Breakdown by Expenses

Defense-related expenditures are broadly classified into "personnel and provisions expenses," which cover such items as pay and meals for SDF personnel, and "material expenses," which cover the repair and maintenance of equipment, purchase of fuel, the education and training of SDF personnel, and the procurement of equipment, and others. Material expenses are further classified into "obligatory outlay expenses," which are paid under previously concluded contracts, and "general material expenses," which are paid under current-year contracts. (See Fig. 2-2-19 for the structure of defense-related expenditures.)

The Defense Agency terms this classification method as "classification by expenses." A breakdown of defense-related expenditures based on this method is shown in the diagram below.

The personnel and provisions expenses and the obligatory outlay expenses, which are both mandatory costs, account for 80% or more of the total budget. Regarding shares in the general material expenses, lasting or mandatory costs account for a major part, such as those required for the repair of equipment, education and training, sharing the cost of U.S. forces stationed in Japan, and for base countermeasures²⁵.

Personnel and provisions expenses have decreased by ¥22.5 billion (1.0%) from the previous fiscal year level, mainly due to decreases in wages of which structure was amended in FY2006. The obligatory outlay expenses have increased by ¥7.7 billion (0.4%) from the previous fiscal year. General material expenses decreased by ¥24.6 billion (2.6%) from the previous fiscal year, which is due to a reduction in the expenses to newly procure main equipment and others. (See Fig. 2-2-20)

2) Breakdown by Organization and by Use

Defense-related expenditures for FY 2006 classified by organization (i.e., the GSDF, MSDF, ASDF and Defense Facilities Administration Agency, and others) and also by use (i.e., personnel and provision expenses and equipment and materials purchasing expenses, and others) are shown in the diagrams below. (See Figs. 2-2-21 and 2-2-22)

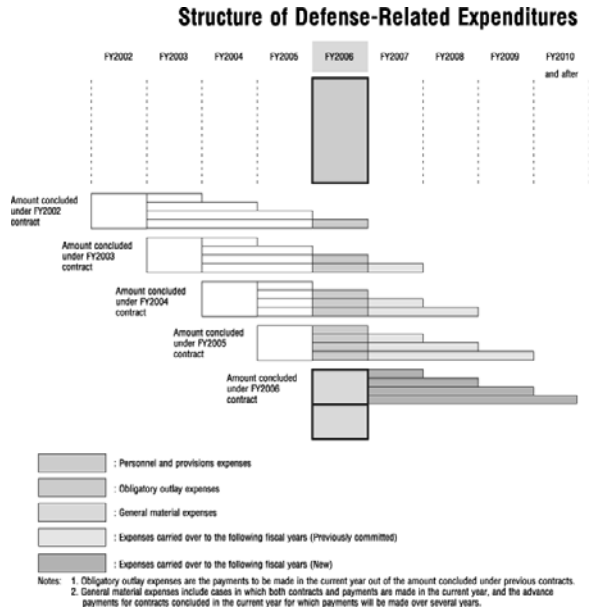
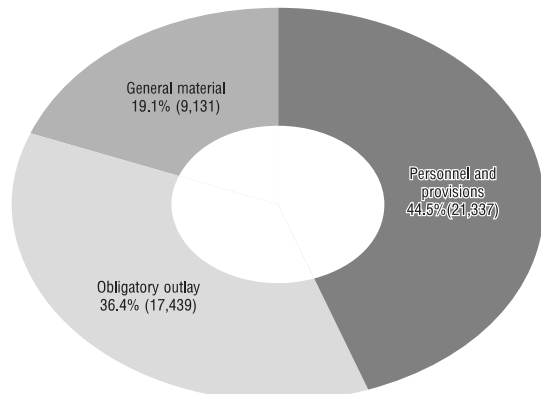


Fig. 2-2-19

Defense-Related Expenditures Classified by Expenses

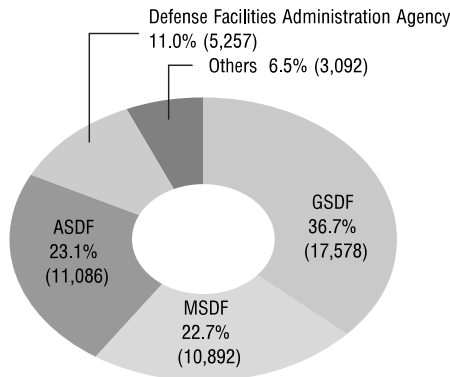


Notes:

- Figures in parentheses denote budgeted amounts. Unit: ¥100 million
- Diagram does not include ¥23.3 billion budgeted for SACO-related projects.

Fig. 2-2-20

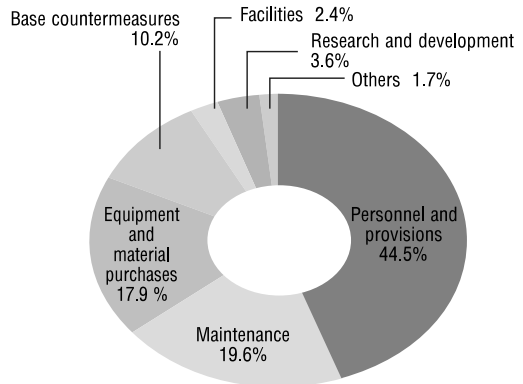
Defense-Related Expenditures Classified by Organization



Notes: 1. Figures in parentheses denote budgeted amounts. Unit: ¥100 million
 2. Diagram does not include ¥23.3 billion budgeted for SACO-related projects.

Fig. 2-2-21

Defense-Related Expenditures Classified by Use



Note: Diagram does not include budgeted for SACO-related projects.

Personnel and provisions expenses:	Pay for personnel, food expenses
Maintenance expenses:	Expenses for education and training, maintenance of equipment, etc.
Equipment and material purchase expenses:	Expenses for purchase of tanks, ships, aircraft, etc.
Base countermeasure expenses:	Expenses for measures around bases, stationing of USFJ, etc.
Facilities expenses:	Expenses for maintenance of airfields, barracks, etc.
Research and development expenses:	R&D expenses for equipment, etc.

Fig. 2-2-22

(2) Comparisons with Other Countries

The defense expenditures of each country vary due to differences in their socioeconomic systems, and difference in budget systems. In addition, it is difficult to articulate a unified international definition of defense expenditures, and in many cases the breakdowns of published defense expenditures are unclear.

Furthermore, when the amount is converted into U.S. dollar values using market foreign currency exchange rates, this does not always accurately reflect actual expenditures in relation to commodity prices in a given country.

It would, therefore, be of only limited use to make a simple comparison between Japan's defense-related expenditures and those of other countries simply calculated in dollar terms.

Thus, the Organization for Economic Co-operation and Development (OECD) publishes a comparison of the ability of countries to purchase goods and services based on purchasing-power parity that takes into account commodity prices in each country. The accompanying diagram lists the defense expenditures of each country converted into dollars using the OECD data (excluding Russia and China for which there are no OECD purchasing-power parity data). (See Fig. 2-2-23)

Defense Expenditures of Major Countries (FY2004)

Country	Defense Expenditures (million dollars)	Per Capita Defense Expenditures (dollars)	GDP Ratio to Defense Expenditures (%)
Japan	36,665	286	0.974
U.S.A.	436,521	1,470	3.8
U.K.	47,696	803	2.5
Germany	25,825	313	1.1
France	36,123	598	2.0

Notes: 1. Defense expenditures are based on the figures appeared in papers released by each country. Purchasing power parities published by OECD were used in accordance with the following dollar conversions [\$1= ¥133 = £0.619 = 0.939 Euros (Germany)= 0.897 Euros (France)]
 2. Population figures are based on reports such as the U.N. State of World Population. Sources of GDP figures include the Major World Indices published by the Ministry of Finance.

Fig. 2-2-23