



**STOCKHOLM INTERNATIONAL
PEACE RESEARCH INSTITUTE**

**Media Background—Military expenditure
SIPRI Yearbook 2010
Embargo: 2 June 2010, 00:00 AM CET**

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SIPRI YEARBOOK 2010 —MILITARY EXPENDITURE

The financial crisis and economic recession that have affected most of the globe appeared to have little effect on levels of military expenditure, arms production or arms transfers. On the other hand, the crisis probably did undermine the willingness and ability of major governments and multilateral institutions to invest other, non-military resources to address the challenges and instabilities that threaten societies and individuals around the world.

In this cross-cutting background material for media, SIPRI offers several aspects of the SIPRI Yearbook dealing with military expenditure from various perspectives.

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Global economic crisis yet to slow world military expenditure growth

■ SAM PERLO-FREEMAN, OLAWALE ISMAIL AND CARINA SOLMIRANO, from chapter 5, 'MILITARY EXPENDITURE'

The global financial crisis and subsequent economic recession, triggered by the United States banking collapse in September 2008, have seen the worst falls in Gross Domestic Product since the 1930s, rapidly rising unemployment and soaring public sector deficits. In the face of this, the continuing rise of world military expenditure—up 5.9% in real terms in 2009—may appear to be something of a paradox—some might say an outrage.

The USA led the rise, but it was not alone. Of those countries for which data was available, 65% increased their military spending in real terms in 2009. The increase was particularly pronounced among larger economies, both developing and developed: 16 of the 19 states in the G20 saw real-terms increases in military spending in 2009.

How can governments continue to spend so heavily on the military in such economic circumstances? First, some countries did not experience an economic downturn. China's



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growth rate of 8% was lower than in recent years, but still strong. India also enjoyed continuing economic growth.

Second, most developed and some larger developing countries have, far from cutting back, been boosting public spending to tackle the recession, through large economic stimulus packages. Typically, military spending has played a small role in such packages, if any—dollar for dollar, it is an inefficient way of creating jobs, especially when it comes to highly capital-intensive arms production. However, at the same time, the desire to boost demand has meant that public spending in general—military or otherwise—has been increased or at least maintained.

Third, rising military spending for the USA, as the only superpower, and for other major or intermediate powers, such as Brazil, China, Russia and India, appears to represent a strategic choice in their long-term quest for global and regional influence; one that they may be loath to go without, even in hard economic times.

On the other hand, when it comes to smaller countries—with no such power ambitions and, more importantly, lacking the resources and credit-worthiness to sustain such large budget deficits—many have cut back their military spending in 2009, especially in Central and Eastern Europe. Countries that made big crisis-related cuts in 2009 include Bulgaria (down 7.6% in real terms), Croatia (8.3%), Estonia (9.1%), Lithuania (11%), Romania (13%), Serbia (5.8%), Slovakia (6.7%) and Ukraine (11%). The largest cuts in Europe were in Moldova (25%) and Montenegro (19%).

In some countries that are highly dependent on commodity exports, the fall in the price of oil and other commodities resulting from the crisis has led to cuts, or at least slower rises than before, in military spending.

For many countries, the need to cut deficits will mean a reckoning in 2010 or 2011, in which military spending will likely be one area that comes under scrutiny for potential cuts. Not surprisingly, Greece has announced a substantial cut in its military budget in 2010. For others, however, this reckoning may be delayed, or may not come at all. In the USA, the Obama Administration's budgets for financial years 2010 and 2011 show US military spending—boosted by the escalating conflict in Afghanistan—continuing its seemingly inexorable rise—crisis or no.

No let-up in US spending growth under Obama

Obama's election created hopes among many for a more consensual and multilateral approach to foreign policy than that of his predecessor. In the area of military spending, however, the Obama Administration has shown little sign of a change of direction, with the Nobel Peace Prize winner presiding over record levels of spending since World War II.

US military expenditure rose by 63% in real terms between 2000, just before George W. Bush took office as president, to 2008, his last full year in office. Although much of this was due to the conflicts in Afghanistan and Iraq, the continuing efforts to maintain and extend



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US global military dominance through the development of advanced weapon systems also played a major role. Outlays for 'National Defense' increased a further 7.7% in real terms in Financial Year (FY) 2009 over FY2008, reaching \$661 billion. This is still mostly the result of decisions taken under the Bush Administration.

For FY 2010 Obama's first defence budget proposal requested a more or less unchanged level of budgetary authority, but this was still projected to lead to another significant increase in actual spending, as spending continues on existing programmes. This was true even before the December 2009 announcement of a further troop 'surge' in Afghanistan.

The Obama 2010 budget did bring some changes: one reform was to end the practice of mid-year 'emergency' war supplemental appropriations, much-criticized for reducing opportunity for congressional scrutiny. Instead, a single Overseas Contingency Operations budget was put to the Congress alongside the main defence budget—but as it turned out, the Afghanistan surge has led to Obama asking the Congress for a supplemental after all. Meanwhile, some major weapon programmes were cancelled in the main budget, such as the F-22 stealth fighter, with increased spending on some current priorities such as increased troop strength, unmanned aerial vehicles (UAVs), cyberwarfare, and other current priorities. There were also increases in some traditional major weapon programmes such as the F-35 Joint Strike Fighter.

As a result of the budget and the congressional changes, US military spending is now projected to reach \$719 billion in 2010. Overall, the budget involved some 'rebalancing' of priorities, but no major strategic shift.

The FY2011 budget was announced in February 2010, and shows yet another increase both in the budget and in projected outlays, expected to rise to \$739 billion in 2011. Despite the administration's urgency to begin reducing the budget deficit, security-related expenditure was excluded by Obama from a planned three-year squeeze in discretionary expenditure.

How is it that US military spending, already far exceeding that of any other country and at record real-terms levels since World War II, is continuing to increase in the face of a dire economic crisis and a president committed to a more multilateral foreign policy approach? One factor remains the conflict in Afghanistan, to which Obama is committed and where the US troop presence is increasing, even as the conflict in Iraq winds down. Another is that reducing the military budget can be like turning round the proverbial supertanker—weapon programmes have long lead times, and may be hard to cancel. Members of the Congress may also be resistant to terminating programmes bringing jobs to their states; some programmes, such as the C-17 transport aircraft, which Obama wanted to end in the FY 2010 budget, were restored by the Congress. However, the fact that military expenditure is continuing to increase even as other areas are cut suggests a clear strategic choice: the fundamental goal of ensuring continued US dominance across the spectrum of military capabilities, for both conventional and 'asymmetric' warfare, has not changed.



It's about the oil: natural resources help drive military spending and arms imports in the developing world

The Middle East has for a long time been the region with the highest level of military expenditure relative to GDP (the 'military burden') in the world. This is a factor of the high level of conflict in the region and the low level of democracy but also, arguably, the vast oil revenues enjoyed by many countries in the region. However, in recent years increasing oil revenues in other parts of the developing world have also been accompanied, in many cases, by rapid increases in military spending and arms imports. Rising prices and new oil and gas exploitation have given governments in parts of Africa, South America, East Asia, the Caucasus and Central Asia windfall revenues, some of which have found their way into military spending (see sidebar).

In recent years, the 'resource curse'—the cycle of conflict and poor governance that can be created when resource revenues are not managed in the interests of the population as a whole—has been widely noticed by academics, non-governmental organizations and policymakers. There are many reasons also to believe that high levels of resource revenue dependency may also lead to high levels of military spending and arms purchases:

- Natural resource revenues provide a direct source of income to a government, in the form of foreign currency that can be used to fund imports. New resource discoveries or rising prices produce 'windfall' revenues that can be more easily spent on potentially controversial expenditures such as large foreign arms purchases, unlike tax revenues taken from the general population which therefore carry a much higher political cost.
- Natural resources can be a source of international tension and conflict, as in the Middle East, or domestic conflict, as in Nigeria where the massive environmental damage caused by oil extraction and the lack of benefit to oil-producing regions has generated grievances. Such conflict inevitably leads to higher military spending.
- Likewise, the desire to protect oil and gas infrastructure from internal or external enemies, real or imagined, can be a motive for military spending. Brazil has justified its planned purchase of submarines in terms of the need to protect newly discovered underwater oil fields.
- Resource revenues are often managed non-transparently and without proper accountability, which may lead to large off-budget military spending and corrupt arms purchases.

Oil- and gas-producing states with large military spending increases

Country	Increase, 2000–2009
Algeria	105%
Chad	663%
Nigeria	101%
Ecuador	241%
Timor-Leste ^a	255%
Viet Nam ^b	55%
Azerbaijan	471%
Kazakhstan	360%

^a Increase 2003–2009

^b Increase 2005–2009



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The downturn in oil and commodity prices in 2009 somewhat slowed the rising trend in military spending in some countries with a high level of resource dependence. Some countries, such as Iraq and Venezuela, reduced their spending in 2009 as a result of lower revenues; others, such as Nigeria and Russia, increased spending, but at a much slower rate than in recent years. But the long-term trend of oil and other natural resource revenues driving increased military spending in many developing countries seems set to continue.

**Key trends in world and regional military expenditure, 2009
(Africa, the Americas, Asia, Europe and the Middle East)**

World trends in military expenditure

- Estimated total world military expenditure in 2009 was \$1531 billion (at current prices).
- Spending increased by 5.9 % in real terms over 2008 and by 49 % compared to 2000.
- The USA's real-terms increase of \$47 billion accounts for 54 % of the world increase.
- Significant increases also by regional powers such as China, India and Brazil.
- Spending increased in all regions and subregions except in the Middle East.
- The region with the fastest real-terms increase in 2009 was Asia and Oceania, at 8.9 %.
- The subregion with the fastest real-terms increase in 2009 was South Asia, at 10.9 %.
- The global financial crisis and economic recession had little impact on world military expenditure.

Trends in military spending in Africa

- Estimated total military expenditure in Africa in 2009 was \$27.4 billion (\$10.0 billion in North Africa and \$17.4 billion in sub-Saharan Africa).
- Spending increased by 6.5 % in real terms over 2008 (7.7 % in North Africa and 5.1 % in sub-Saharan Africa) and by 62 % compared to 2000 (107 % in North Africa and 42 % in sub-Saharan Africa).
- The regional increase was partially offset by a substantial fall in Chad, from an unprecedented high level of spending in 2008, due to oil revenues.
- The trend in Africa is overwhelmingly determined by five major-spending countries: Algeria, Angola, Morocco, Nigeria and South Africa.
- Increases in 2009 by these major spenders continue longer-term trends: over the decade 2000–2009 military spending rose in real terms by 127 % in Morocco, 105 % in Algeria, 101 % in Nigeria, 53 % in South Africa and 40 % in Angola.
- Oil and gas revenues are a significant factor behind the military spending in many countries.

Note: Estimates for Africa and its subregions in 2009 are uncertain due to missing data for some countries.



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Trends in military spending in the Americas

- Estimated total military expenditure in the Americas in 2009 was \$738 billion (\$5.6 billion in Central America and the Caribbean, \$680 billion in North America and \$51.8 billion in South America).
- Spending increased by 7.6% in real terms over 2008 (9.7% in Central America and the Caribbean, 7.6% in North America and 7.6% in South America) and by 72% compared to 2000 (28% in Central America and the Caribbean, 75% in North America and 48% in South America).
- In North America, the USA spent \$661 billion (an increase of 7.7%) and Canada \$19.2 billion (an increase of 6.6%).
- Expenditure in South America increased despite a fall in GDP due to the economic crisis.
- Almost all of the increase in Central America and the Caribbean was due to the 11% rise by Mexico, the result of increasing drug-related violence.
- The largest absolute real-terms increase in South America was in Brazil (\$3.8 billion), and the largest relative increases were in Uruguay (24%), Ecuador (18%), Brazil (16%) and Colombia (11%).
- The largest percentage decrease in military spending was by Venezuela (25 %).

Trends in military spending in Asia and Oceania

- Estimated total military expenditure in Asia and Oceania in 2009 was \$276 billion (\$210 billion in East Asia, \$20.4 billion in Oceania and \$44.0 billion in South Asia).
- Spending increased by 8.9 % in real terms over 2008 (8.6 % in East Asia, 11 % in South Asia and 8.2 % in Oceania) and by 67 % compared to 2000 (71 % in East Asia, 57 % in South Asia and 47 % in Oceania).
- China accounted for most of the Asian and East Asian increases in 2009, with an increase of 15 %.
- The largest relative real increases in East Asia in 2009 were in Taiwan (19 %), Thailand (19 %) and Timor-Leste (54 %).
- The increase in Oceania in 2009 was almost all due to Australia.
- Most of the increase in South Asia was due to India, with a \$4.3 billion (13 %) real increase, but Afghanistan had the largest relative increase (19 %).
- Afghanistan's increase is due to attempts to increase the size of the Afghan National Army—but external military aid still accounts for 94% of the country's security spending.

Trends in military spending in Europe

- Estimated total military expenditure in Europe in 2009 was \$386 billion (\$60 billion in Eastern Europe and \$326 billion in Western and Central Europe).
- Spending increased by 2.7% in real terms over 2008 (2.6% in Eastern Europe and 2.8% in Western and Central Europe), and by 16% compared to 2000 (108% in Eastern Europe and 6.6% in Western and Central Europe).
- The increase in Eastern Europe was much smaller than in previous years, largely due to the economic crisis.
- The largest absolute increases (in constant 2008 prices) were in the United Kingdom (\$3.7 billion), Turkey (\$2.9 billion) and Russia (\$2.7 billion).
- The largest relative increases in real terms were in Cyprus (21%), Turkey (18%), the Former Yugoslav Republic of Macedonia (18%) and Belarus (17%).
- The largest relative real decrease was in Georgia (39%), from exceptionally high levels in 2008 due to the conflict with Russia in South Ossetia. There were also large falls in Moldova (25%) and Montenegro (19%).

Trends in military spending in the Middle East

- Estimated total military expenditure in the Middle East in 2009 was \$103 billion.
- The lack of data for some countries makes the figures for Middle East highly uncertain; it is not possible to conclude with certainty if total spending increased or decreased in 2009.
- Between 2000 and 2009 spending increased by 40% in real terms.
- The largest relative real increases in 2009 were in Lebanon (20%), Bahrain (11%), Jordan (11%) and Syria (8.7%).
- The largest relative decreases were in Iraq (28%) and Oman (16%).
- The fall in oil prices in 2009 severely affected the revenues of regional oil producers.

Military expenditure by region 2000–2009

Figures are in US \$b. at constant 2008 prices and exchange rates for 2000–2009. After the vertical bar, the first column gives the percentage increase for each region in real terms from 2000–2009, and the right-most column, marked *, gives the regional total for 2009 in current US\$ b., that is at 2009 exchange rates. Figures do not always add up to totals because of the conventions of rounding.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	%change 2000-09	2009* (current)
World total	1 053	1 078	1 142	1 213	1 279	1 329	1 371	1 418	1 484	1 572	49	1 531
Africa	17.1	17.6	18.6	18.5	20.8	21.6	22.6	(23.6)	(26.0)	(27.7)	62	(27.4)
North Africa	5.1	6.5	6.5	6.8	7.4	7.7	7.7	8.3	9.8	(10.5)	107	(10.0)
Sub-Saharan Africa	12.0	11.1	12.1	11.7	13.4	14.0	14.9	(15.3)	(16.3)	(17.1)	42	(17.4)
Americas	432	439	485	541	587	617	630	649	690	743	72	738
Central American and the Caribbean	4.9	5.0	4.8	4.7	4.4	4.7	5.1	5.7	5.8	6.3	28	5.6
North America	391	394	441	500	545	571	580	596	635	684	75	680
South America	35.6	39.1	39.1	35.7	37.9	41.4	45.2	46.8	49.2	53.0	48	51.8
Asia and Oceania	166	177	185	193	204	214	226	241	254	277	67	276
Central Asia	0.8	0.9	1.0	1.1	1.2	1.4	1.6	2.2	2.2
East Asia	122	131	139	146	152	159	170	183	192	209	71	210
Oceania	14.7	15.3	15.8	16.3	16.9	17.5	18.5	19.5	20.0	21.6	57	20.4
South Asia	28.3	29.1	29.2	29.9	33.9	35.6	36.0	36.8	40.0	44.4	47	44.0
Europe	367	368	381	385	387	389	397	403	413	424	16	386
Eastern Europe	33.1	36.1	40.0	42.8	44.8	49.6	55.3	61.0	67.1	68.8	108	60.0
Western and Central Europe	333	332	341	342	342	339	342	342	346	355	6.7	326
Middle East	71.3	77.2	73.4	75.4	80.2	87.9	95.5	101	(101)	(100)	40	(103)



The 15 countries with the highest military expenditure in 2009

Spending figures are in US\$, at current prices and exchange rates.

Rank	Country	Spending (\$ b.)	Change, 2000–2009 (%)	Spending per capita (\$)	Share of GDP, 2008 (%) ^a	World share (%)
1	USA	661	75.8	2 100	4.3	43
2	China	[100]	217	[74.6]	[2.0]	[6.6]
3	France	63.9	7.4	1 026	2.3	4.2
4	UK	58.3	28.1	946	2.5	3.8
5	Russia	[53.3]	105	[378]	[3.5]	[3.5]
Sub-total top 5		937				61
6	Japan	51.0	-1.3	401	0.9	3.3
7	Germany	45.6	-6.7	555	1.3	3.0
8	Saudi Arabia ^b	41.2	66.9	1 603	8.2	2.7
9	India	36.3	67.3	30.4	2.6	2.4
10	Italy	35.8	-13.3	598	1.7	2.3
Sub-total top 10		1 147				75
11	Brazil	26.1	38.7	135	1.5	1.7
12	South Korea	24.1	48.2	499	2.8	1.6
13	Canada	19.2	48.8	568	1.3	1.3
14	Australia	19.0	50.2	892	1.8	1.2
15	Spain	18.3	34.4	408	1.2	1.2
Sub-total top 15		1 254				82
World		1 531	49.2	224	2.7	100

[] = estimated figure; GDP = gross domestic product.

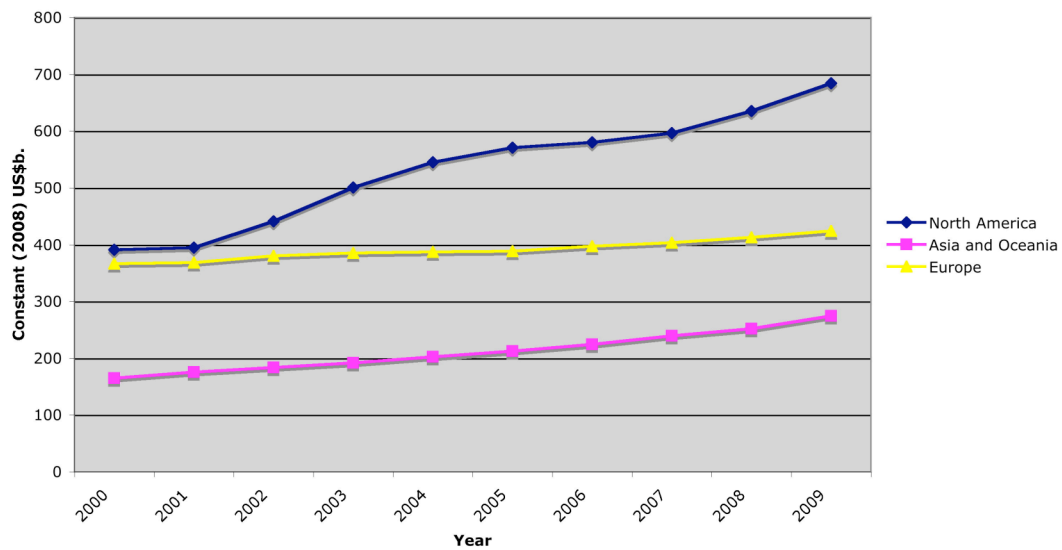
^a The figures for national military expenditure as a share of GDP are for 2008, the most recent year for which GDP data is available.

^b The figures for Saudi Arabia include expenditure for public order and safety and might be slight overestimates.

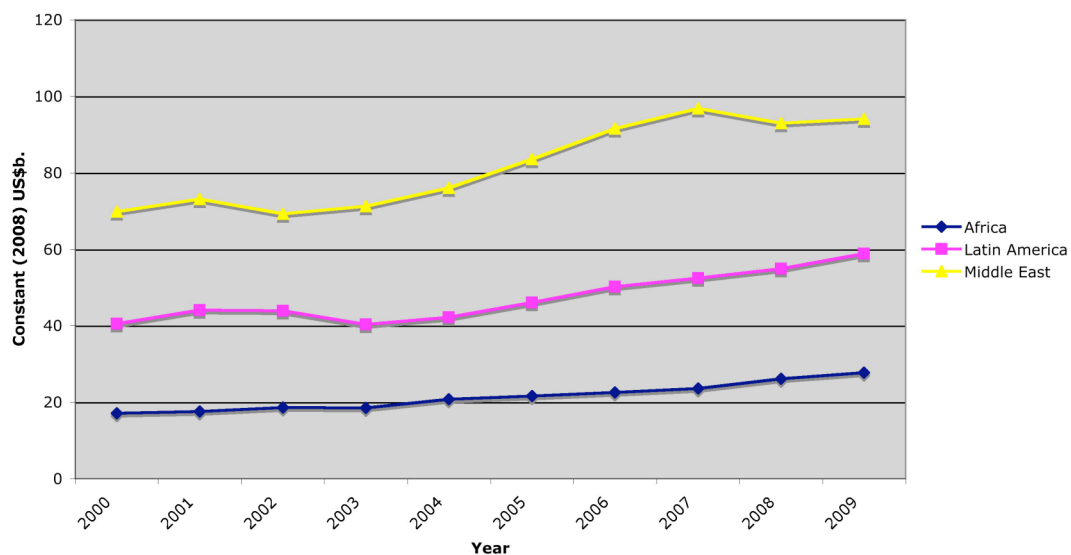
Sources: SIPRI Military Expenditure Database, <<http://www.sipri.org/databases/milex/>>; and United Nations Population Fund (UNFPA), *State of World Population 2009: Facing a Changing World—Women, Climate and Population* (UNFPA: New York, 2009), p. 91.

Visuals on military expenditure

Regional military spending 2000-2009 in constant (2008) US\$ b.
Major spending regions

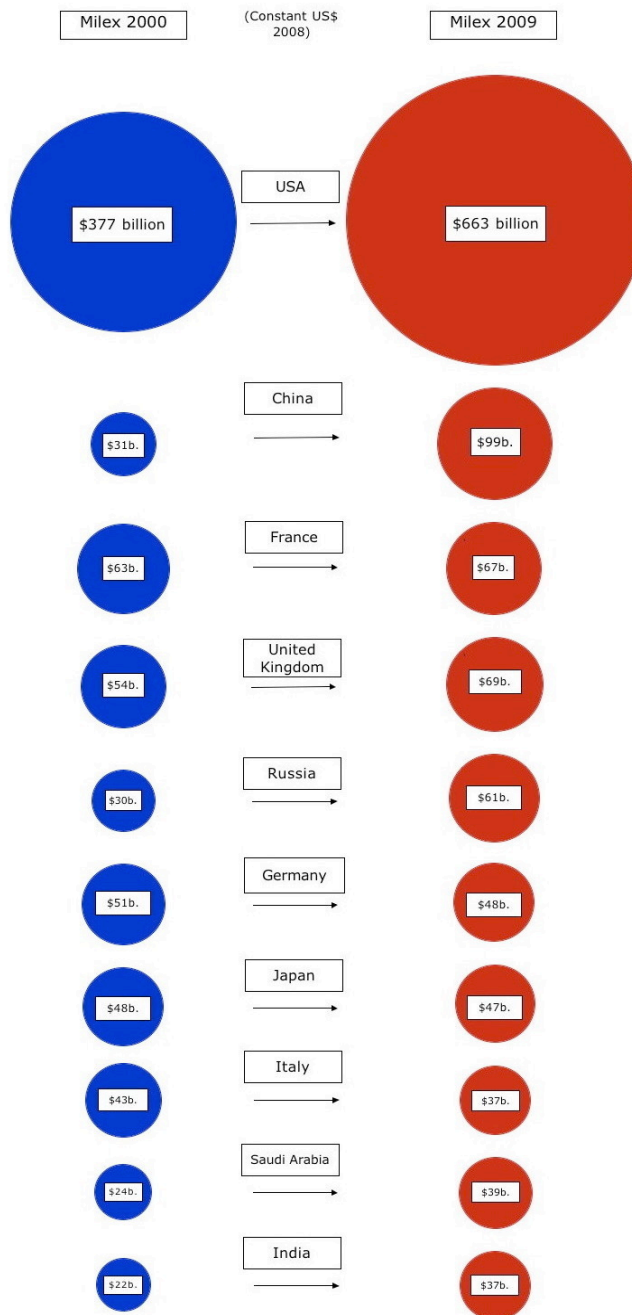


Regional military expenditure 2000-2009 in constant (2008) US\$ b.
Minor spending regions

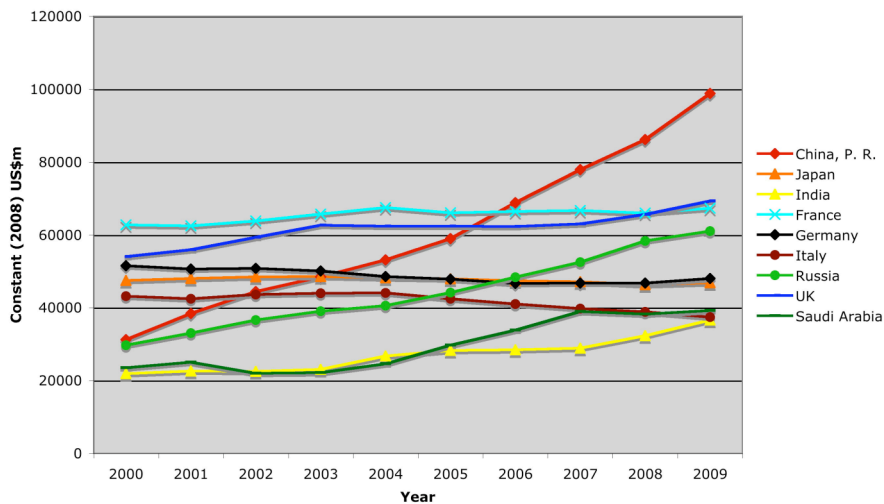


**The change in military expenditure from 2000 to 2009 for the
top 10 largest military spenders, in constant (2008) US\$**

The area of the circle is proportional to level of spending

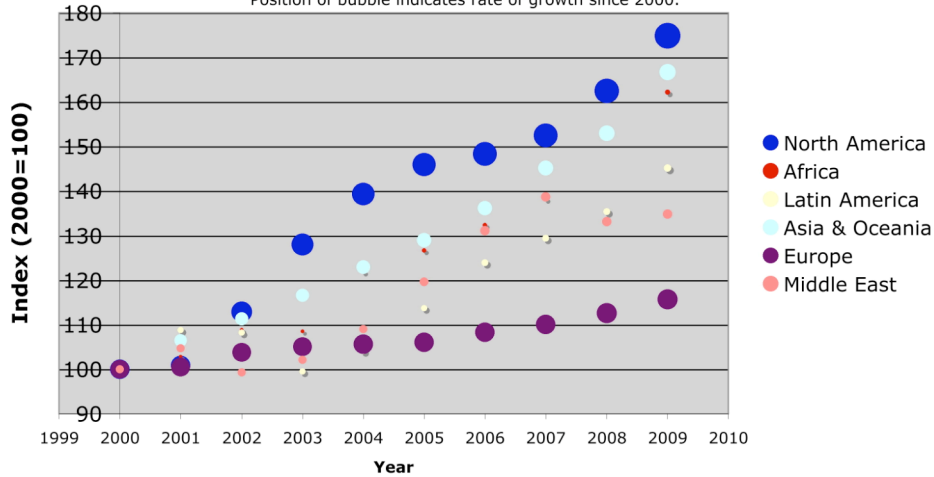


The nine largest spenders after the USA,
 in constant (2008) US\$ m., 2000-2009



Regional growth in military spending 2000-2009

Area of bubble indicates relative level of millex (constant US\$2008).
 Position of bubble indicates rate of growth since 2000.



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