

TRENDS IN WORLD MILITARY EXPENDITURE, 2012

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Global military expenditure fell in 2012, to \$1753 billion, equivalent to 2.5 per cent of global gross domestic product (GDP). Although the fall was only 0.5 per cent in real terms, this was the first decrease since 1998. The small overall reduction is the result of falls in the West—spending fell in North America, in most of Western and Central Europe and in Australia—that were only partly offset by increases in much of the developing world and in Eastern Europe, especially Russia. This may indicate the beginning of a shift in the balance of world military spending away from the West, although it still accounts for a clear majority of global military spending.

From 15 April 2013 the SIPRI Military Expenditure Database includes newly released information on military expenditure in 2012. This Fact Sheet describes the global, regional and national trends in military expenditure that are revealed by the new data, with a special focus on security spending in Central America.

LONG-TERM GLOBAL TRENDS

Despite the fall in 2012 from the peak of 2010 and 2011, world military expenditure remained at historically high levels: spending in 2012 was still higher in real terms than the peak near the end of the cold war (see figure 1).

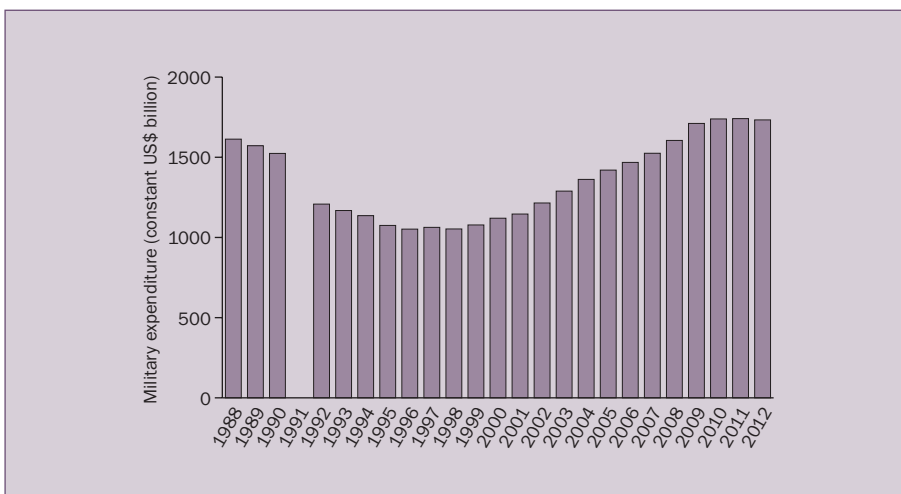


Figure 1. World military expenditure, 1988–2012

Note: The totals are based on the data on 172 states in the SIPRI Military Expenditure Database, <<http://www.sipri.org/databases/milex/>>. The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year.

KEY FACTS

- Total world military expenditure in 2012 was \$1.75 trillion. This is equivalent to 2.5 per cent of global GDP.
- Between 2011 and 2012, spending fell by 0.5 per cent in real terms. This was the first decrease since 1998. Spending in 2012 was still higher in real terms than the peak near the end of the cold war.
- Changes in 2012 may indicate the beginning of a shift in the balance of world military spending away from the West.
- The USA’s military expenditure fell by 6 per cent in real terms in 2012, but it was still 69 per cent higher than in 2001.
- Between 2008 and 2012, 20 of the 37 countries in Western and Central Europe reduced military spending by more than 10 per cent in real terms.
- Russian military expenditure rose 16 per cent in real terms in 2012. Further large rises are planned in 2013–15.
- Military spending continued increasing in Asia in 2012, although at a slower rate than in previous years. China’s military expenditure increased by 7.8 per cent in real terms.
- There were significant increases in military spending in 2012 in the Middle East and North Africa. It is too soon to assess the effects of the Arab Spring on spending levels.
- Military expenditure in sub-Saharan Africa fell for the first time since 2003.

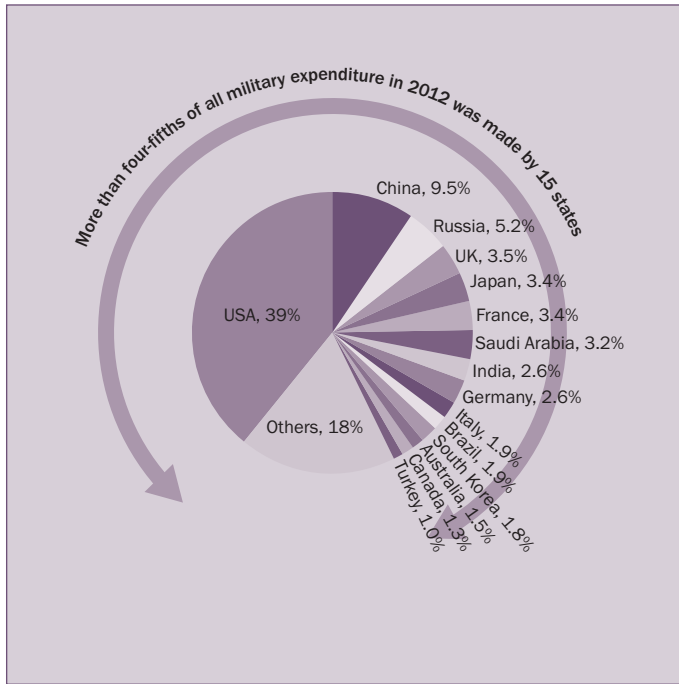


Figure 2. The share of world military expenditure of the 15 states with the highest expenditure in 2012

After the end of the cold war, world military expenditure fell significantly, mostly due to decreases by members of the North Atlantic Treaty Organization (NATO) and former members of the Warsaw Pact. Spending reached its nadir in the mid-to-late 1990s and then started to rise gradually.

The attacks on the United States of 11 September 2001 prompted 8 years of rapidly increasing spending. The increase was led by the USA, fuelled by the wars in Afghanistan and Iraq, but it was shared by most other countries, especially rising powers such as China, India and Russia.

As the effects of the 2008 global financial crisis began to have an impact on government budgets and as the USA began to wind down its wars in Afghanistan and Iraq, the world total levelled off after 2009 and has now begun to fall. Given the continuing drawdown from Afghanistan and ongoing efforts to reduce budget deficits in the USA and Europe, it is likely that the world total will continue to fall in the coming years, despite probable continued increases in other parts of the world.

Table 1. The 15 countries with the highest military expenditure in 2012

Spending figures are in US\$, at current prices and exchange rates. Figures for changes are calculated from spending figures in constant (2011) prices.

Rank			Spending, 2012 (\$ b.)	Change (%)		Spending as a share of GDP (%) ^a	
	2012	2011		2011–12	2003–12	2012	2003
1	1	USA	682	-6.0	32	4.4	3.7
2	2	China	[166]	7.8	175	[2.0]	[2.1]
3	3	Russia	[90.7]	16	113	[4.4]	[4.3]
4	4	UK	60.8	-0.8	4.9	2.5	2.5
5	6	Japan	59.3	-0.6	-3.6	1.0	1.0
6	5	France	58.9	-0.3	-3.3	2.3	2.6
7	8	Saudi Arabia	56.7	12	111	8.9	8.7
8	7	India	46.1	-0.8	65	2.5	2.8
9	9	Germany	[45.8]	0.9	-1.5	[1.4]	1.4
10	11	Italy	[34.0]	-5.2	-19	1.7	2.0
11	10	Brazil	33.1	-0.5	56	[1.5]	1.5
12	12	South Korea	31.7	1.9	44	2.7	2.5
13	13	Australia	26.2	-4.0	29	1.7	1.9
14	14	Canada	[22.5]	-3.9	36	[1.3]	1.1
15	15	Turkey ^b	[18.2]	1.2	-2.1	2.3	3.4
		World total	1 753	-0.5	35	2.5	2.4

[] = SIPRI estimate.

^a The figures for military expenditure as a share of GDP are based on data from the International Monetary Fund (IMF) World Economic Outlook database, Oct. 2012.

^b It is possible that the United Arab Emirates (UAE) would be in 15th position in place of Turkey, but data is not available for the UAE in 2012.

THE TOP 15 SPENDERS

The list of the top 15 military spenders in 2012 includes the same countries as in 2011, with some changes in order (see table 1). Collectively, the top 15 were responsible for more than four-fifths of all military expenditure in 2012 (see figure 2). The United States alone was responsible for nearly two-fifths.

Changes in the spending of the top 15 spenders reflect the shift in spending from the West to other parts of the world: while there were significant falls in the USA, Italy, Australia and Canada and only minor changes (less than 1 per cent) in Japan, the United Kingdom, France and Germany, there were significant increases in Russia, Saudi Arabia and China and smaller increases in South Korea and Turkey. However, there was only a small fall in India and almost no change in Brazil.



The effects of the 2008 global financial crisis can also be seen among the key emerging (or re-emerging) powers in the top 15 list (see figure 3). The rates of increase of military spending of Brazil, China, South Korea and Saudi Arabia all fell substantially after 2008, while India's formerly rapid growth actually reversed. The rate of increase in Russia in 2009–12 was only slightly down, however, while Turkey went from a small decrease to a small increase.

REGIONAL TRENDS

While military spending by states in North America and Western and Central Europe continued to account for a clear majority of the world total in 2012 (see figure 4), regional patterns of military expenditure in 2012 show, for the most part, a clear split between a downward trend in the developed world on the one hand, and increases in developing countries and former Soviet states on the other (see figures 5 and 6). The major exceptions to this pattern are sub-Saharan Africa, where military expenditure fell by 3.2 per cent in 2012, and Central and South Asia, where spending fell by 1.6 per cent.

The effects of the 2008 global financial crisis can also be seen in the regional trends. Even though military spending continued to increase in Africa, Asia Latin America and the Middle East, the indirect effects of the economic turmoil can be seen there. Weaker demand from the West has slowed rates of economic growth, leading in turn to slower rates of increase in military spending in many cases (see figure 7). While all regions increased spending over the period 2003–2009, there were falls in several regions over the period 2009–12 and reduced rates of growth in others. The exceptions are the Middle East and North Africa, where the rate of increase has actually accelerated; reasons for this may include higher oil prices, tensions between Gulf states and Iran, and possibly the effects of the Arab Spring.

The Americas

The United States

The USA's military expenditure fell by 6 per cent in real terms in 2012, but it was still 69 per cent higher than in 2001, when the 'global war on terrorism' began. While the USA remained by far the world's largest military spender, its share of the total decreased to 39 per cent, the first time it has fallen below 40 per

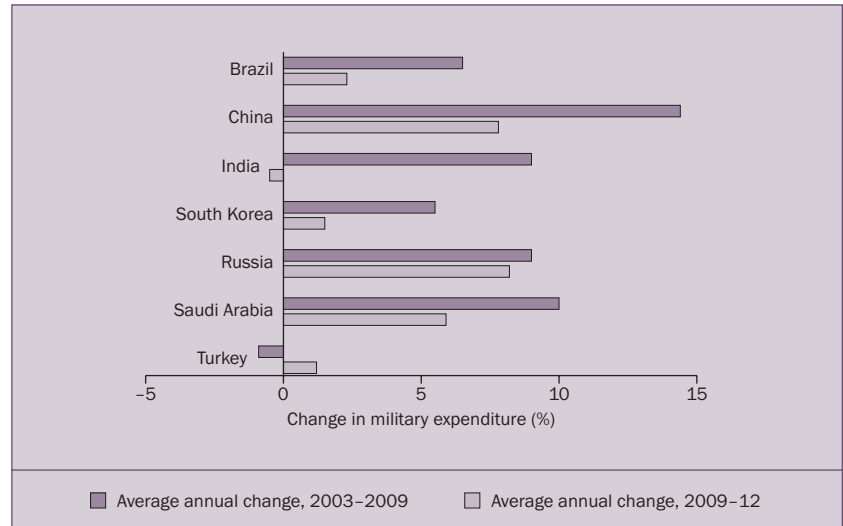


Figure 3. Average annual changes in military expenditure of emerging powers with the highest military spending, 2003–2009 and 2009–12

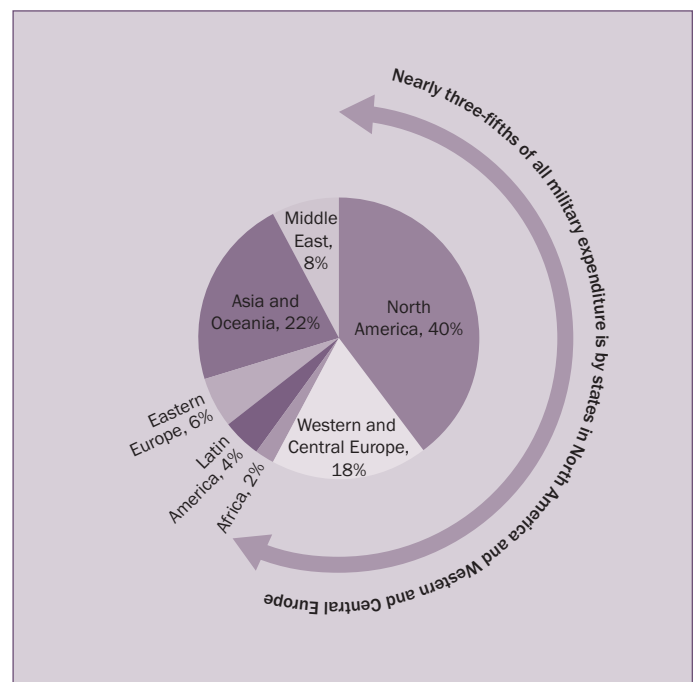


Figure 4. Regional shares of world military expenditure, 2012

cent since the collapse of the Soviet Union, in 1991. Nonetheless, US spending was still more than the combined spending of the next 10 countries.

The fall in 2012 is mostly the result of a reduction in spending on Overseas Contingency Operations (OCOs) in Afghanistan and Iraq, from \$159 billion in 2011 to \$115 billion in 2012. In addition, the expenditure ceilings imposed on all government departments by the 2011 Budget Control Act was projected to lead to a \$15 billion reduction in spending in 2012 compared to previous plans.

The majority of the cuts due to the Budget Control Act, however, will begin to take effect in 2013, including the automatic cuts required by 'sequestration', which will amount to around \$55 billion each year from military spending over the period 2013–21.

South America

Military expenditure in South America increased by 3.8 per cent in 2012. This is despite a small fall in Brazil, which accounted for just over half of the regional total.

Military spending in Paraguay increased by 43 per cent in 2012, following a plan to modernize the country's armed forces with new equipment such as tanks, aircraft and naval equipment. Venezuela also increased military expenditure by 42 per cent in 2012, after 3 years of sharp falls that almost halved its military spending. The government agreed a \$4 billion loan from Russia that is intended for investment in new equipment over 2 years (2012 and 2013).

Colombia increased its military spending by 11 per cent in real terms as it seeks to implement a 4-year investment plan. During 2012 the government allocated \$1 billion for the purchase of satellites, helicopters, communication equipment and armoured vehicles, among other things.

Argentina, Chile and Peru also made significant increases. Argentina has now increased its military spending by 132 per cent since 2003, despite having made few major arms purchases; according to SIPRI arms transfers data, Argentina was the 82nd largest importers of major conventional weapons for the period 2008–12. Personnel costs absorbed 78 per cent of its military spending in 2012.

Europe

Western and Central Europe

In Western and Central Europe, the decreasing trend since 2010 continued in 2012. The largest decreases were generally in Central Europe and the most debt-affected countries of Southern Europe, with the possible exception

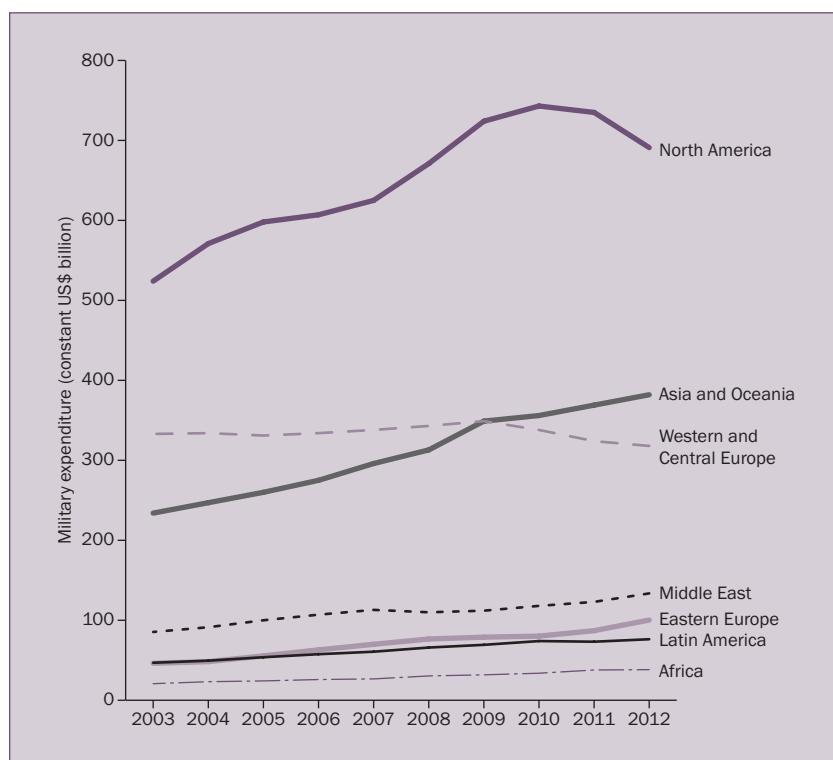


Figure 5. Military expenditure, by region, 2003–12



of Greece (whose budgeted increase in 2012 may not have resulted in an actual increase in spending).

Between 2008 and 2012, 20 of the 37 countries in the region reduced military spending by more than 10 per cent in real terms, including all but 3 countries in Central Europe. Cuts by the major spenders in Western Europe have been more modest: between 2008 and 2012 the UK cut spending by 5.2 per cent and France by 3.8 per cent, while Germany actually increased spending by 2.6 per cent. Spending in the UK and Germany is budgeted to fall over the next few years, however.

Overall, military spending in Western and Central Europe fell by 1.6 per cent between 2011 and 2012. The regional total was 6.9 per cent lower than when the crisis began, in 2008, while that of the 26 European countries that were NATO members in 2012 was 7.5 per cent lower.

Russia

Military expenditure rose by 16 per cent in real terms in Russia in 2012. Projected increases will take military spending from 4.4 per cent of GDP in 2012 to 4.8 per cent in 2015. Russia's recent increases follow the implementation of the ambitious 2011–20 State Armaments Plan, which aims to spend 20.7 trillion roubles (\$705 billion) on military equipment by 2020, of which 19 trillion (\$647 billion) is for the Ministry of Defence. The programme involves the replacement of 70 per cent of Russia's armaments with modern weapons and is part of a broader effort to reform and modernize the Russian armed forces.

Asia

Military spending continued to increase in Asia in 2012, although at a slower rate than in previous years. China's military expenditure increased by 7.8 per cent in real terms, to \$166 billion. Its military spending rose by 175 per cent in real terms between 2003 and 2012, the largest increase for the period among the top 15 spenders. Other countries with notable increases in military spending during the period 2003–12 were Viet Nam (130 per cent) and Indonesia (73 per cent). Both are investing heavily in naval equipment although they have different motivations for doing so: for Viet Nam, it is the perceived threat from China's increasing military assertiveness in the

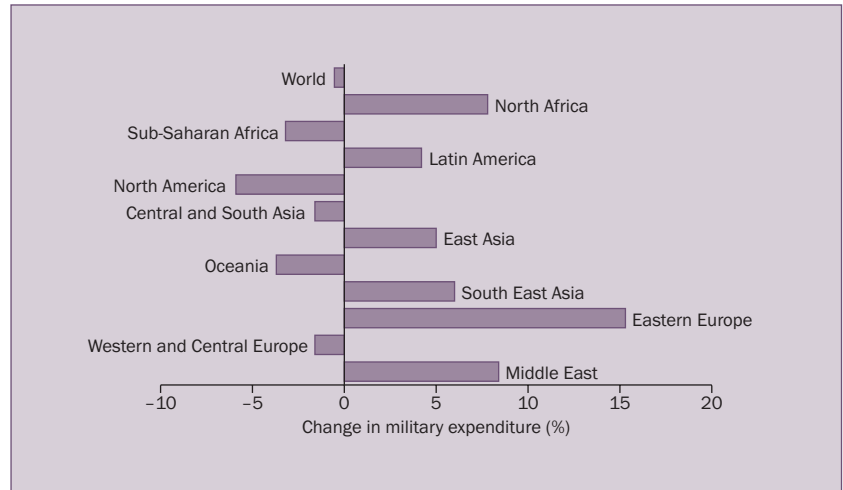


Figure 6. Changes in military expenditure, by region, 2011–12

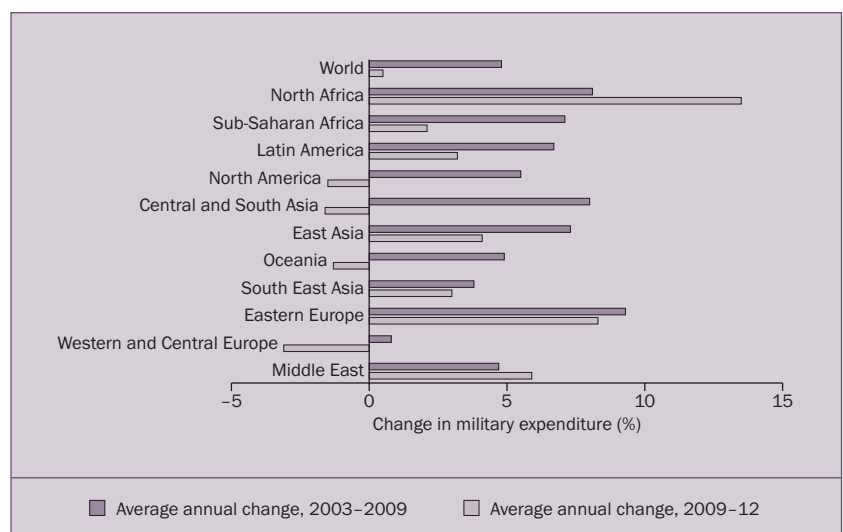


Figure 7. Average annual changes in military expenditure, by region, 2003–2009 and 2009–12



South China Sea, and for Indonesia it is a major military modernization programme to control its vast territory and territorial waters. India, in contrast, cut military spending in 2012 despite ongoing tensions on the China–India border.

The Middle East and Africa

The Middle East and North Africa

There were significant increases in military spending in 2012 in the Middle East (8.3 per cent) and North Africa (7.8 per cent).

The Middle Eastern countries with the largest increases were Oman (51 per cent), Saudi Arabia (12 per cent) and Kuwait (10 per cent). In Egypt, military spending fell by 2.6 per cent. The total for the Middle East is uncertain due to the lack of data for Iran, Qatar, Syria and the United Arab Emirates.

In North Africa, Algeria continued increasing its military expenditure during 2012, by 5.2 per cent in real terms. Over the period 2003–12, its spending increased by 189 per cent. The increase is related to an ongoing major arms-procurement programme and to the precarious security situation in the Sahel, which has led the Algerian Government to strengthen its borders with Libya and Mali. More troops were sent out to Algeria's southern border in 2012 and the government increased the number of checkpoints and surveillance flights that aim to track drug traffickers, arms traders and armed groups.

Sub-Saharan Africa

Military expenditure in sub-Saharan Africa had been increasing strongly for many years, but in 2012 it fell for the first time since 2003, by 3.2 per cent. Nonetheless, two-thirds of countries in sub-Saharan Africa for which data is available increased their military spending in 2012.

Most of the regional decrease was due to large falls in Uganda and South Sudan. Uganda completed major arms purchases in 2011 which had led to a spike in its military spending in 2010–11. The revenues of the South Sudanese Government were severely affected by the shutting of the pipeline to Sudan through which South Sudan's oil exports flow.

SECURITY SPENDING IN CENTRAL AMERICA

Central America—from Mexico to Panama—has traditionally had low levels of military spending, especially since the end of the region's civil wars in the 1990s. Recently, however, military spending has increased rapidly, linked to efforts to tackle the two most important security challenges in the region: drug trafficking and armed crime. The boundary between military security and internal security has become increasingly blurred in this context, and spending on both has risen rapidly in recent years in the region. The involvement of the military in public security functions has brought criticism for leading to human rights abuses while failing to bring down levels of violence.

Military expenditure in Central America increased by 8.1 per cent in real terms in 2012, to \$8.5 billion; between 2003 and 2012 it increased by 70 per cent (see table 2). The largest increases in military expenditure in Central America in 2012 were in Mexico (where spending increased by 10 per cent)

**Table 2.** Military spending in Central America, 2003–12

Figures are in US \$m. at constant (2011) prices and exchange rates.

Country	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Belize	10.1	10.9	11.8	13.0	14.2	18.2	17.0	15.0	15.7	[14.6]
Costa Rica	–	–	–	–	–	–	–	–	–	–
El Salvador	227	212	212	222	229	225	229	237	256	[233]
Guatemala	305	182	147	172	170	182	170	187	197	205
Honduras	[132]	[94.2]	[92.5]	106	126	156	175	182	201	192
Mexico	[3 941]	3 797	4 081	4 440	5 013	5 019	5 689	6 203	6 472	7 103
Nicaragua	48.6	43.7	43.7	46.0	46.0	43.6	43.1	45.6	51.5	65.4
Panama	–	–	–	–	–	–	–	–	–	–
Total	4 664	4 340	4 588	4 999	5 598	5 644	6 323	6 870	7 193	7 813

– = nil or a negligible value; [] = SIPRI estimate.

and Nicaragua (with an increase of 24 per cent). Belize, El Salvador and Honduras cut their expenditure. Mexico, the largest spender in the region, increased its spending by 81 per cent in real terms between 2003 and 2012. Honduras's military expenditure more than doubled between 2005 and 2012, while Guatemala's spending has increased steadily from 2009.

Internal security spending in Central America has also increased. Between 2006 and 2012, it rose by 131 per cent in real terms (see table 3). The largest increase was in Mexico, where expenditure by the Ministry of Security increased by 239 per cent, in line with the zero tolerance policy implemented by the administration of President Felipe Calderón. After Mexico, the countries with the largest increases in internal security spending were Costa Rica (123 per cent), Panama (72 per cent), Guatemala (42 per cent) and Honduras (40 per cent). The high increases in Costa Rica and Panama are perhaps explained by the fact that these countries have no regular armed forces, so that public security forces are their only means of response to violent crime.

Table 3. Internal security spending in Central America, 2006–12

Figures are in US \$m. at constant (2011) prices and exchange rates.

Country	2006	2007	2008	2009	2010	2011	2012	Change, 2006–12 (%)
Belize ^a
Costa Rica	148	168	170	205	234	281	331	123
El Salvador	265	237	337	299	345	336	328	24
Guatemala	346	377	372	464	447	421	490	42
Honduras	144	164	164	182	162	195	202	40
Mexico	925	1 311	1 799	2 854	2 700	2 859	3 133	239
Nicaragua	74.2	80.5	81.6	75.4	78.5	79.6	80.5	8.5
Panama	301	315	335	419	550	490	518	72
Total^a	2 206	2 654	3 261	4 499	4 518	4 664	5 084	131

^a No consistent data is available for Belize. The total excludes Belize.

Source: Solmirano, C., 'Security spending in Central America in the context of violent organized crime', *SIPRI Yearbook 2013: Armaments, Disarmament and International Security* (Oxford University Press: Oxford, forthcoming 2013)

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THE SIPRI MILITARY EXPENDITURE DATABASE

The SIPRI Military Expenditure Database provides military expenditure data by country for the years 1988–2012

- in local currency, at current prices,
- in US dollars, at constant (2011) prices and exchange rates, and
- as a share (%) of gross domestic product (GDP).

SIPRI military expenditure data is based on open sources only, including a SIPRI questionnaire that is sent out annually to governments. The collected data is processed to achieve consistent time series which are, as far as possible, in accordance with the SIPRI definition of military expenditure.

The database is available at <http://www.sipri.org/databases/milex/>.

The definition of military expenditure

Where possible, SIPRI military expenditure data includes all current and capital expenditure on

- the armed forces, including peacekeeping forces,
- defence ministries and other government agencies engaged in defence projects,
- paramilitary forces, when judged to be trained and equipped for military operations, and
- military space activities.

Such expenditure should include

- military and civil personnel, including retirement pensions of military personnel and social services for personnel,
- operations and maintenance,
- procurement,
- military research and development, and
- military aid (in the military expenditure of the donor country).

Civil defence and current expenditures on previous military activities, such as veterans' benefits, demobilization, conversion and weapon destruction, are excluded.