

Military expenditure in 2003

Catalina Perdomo

In 2003 there was extraordinary growth in world military spending, an increase by 11 per cent in real terms. Since there was also a significant increase in 2002, world military spending has grown by 18 per cent over the past two years. The total amount of money spent on the military in 2003 amounted to \$956 billion, almost as high as during the peak spending period in 1987 and 1988 during the cold war.

These are the most recent SIPRI estimates on world military spending. This paper summarizes the main findings from the chapter on military expenditure in the SIPRI Yearbook 2004.¹ It puts the level of spending in a global resource perspective and shows how military spending has developed in different regions in the past decade as well as during the past two years. The trends in other major spender countries are dealt with separately in the paper by Sam Perlo-Freeman.

In 2003 world military spending corresponded to \$152 per capita and represented 2.7 per cent of world GDP.

However, the distribution of world military spending is uneven. 32 countries, defined as high- income countries by the World Bank,² currently account for 75 per cent of world military expenditure but for only 16 per cent of world population. Thus, military expenditure per capita is significantly higher in these countries than in the poorer countries. This is explained by the distribution of GDP- the high-income countries account for 81 per cent of world GDP.

The 32 high-income countries spend 10 times more on the military sector than on official development aid, and their military spending is roughly equal to the combined foreign debt of all 126 low- and middle-income countries. These lower income countries account for a small share of world military expenditure, but military spending still imposes a heavy burden on their economies.

There are significant regional variations in military spending trends. The decline in world military spending after the end of the cold war ceased in 1997. Since 1998 world military spending has been increasing, and in 2002

¹ Sköns, E., Perdomo, C., Stålenheim, P., 'Military expenditure', *SIPRI Yearbook 2004* (Oxford University Press: Oxford, 2004), chapter 10. This summary is based on the power point presentation by Elisabeth Sköns at the SIPRI Yearbook Press Conference in Stockholm on 9 June 2004.

² World Bank, *2003 World Development Indicators* (World Bank: Washington DC, 2003), 'Income Map: The world by income'.

and 2003 it has increased at high rates. Looking at the five major geographical regions in the world, over the past 10-year period 1994– 2003 there has been a continuous and gradual increase in Africa, the Middle East and Asia and Oceania, while military spending in Europe has been roughly stable. The strong increase in 2002 and 2003 is due to the increase in North America. This, of course, reflects the impact of US military spending since 11 September 2001.

World military spending closely follows the trend in US military spending, both because of the significant impact of the United States on the world total, and because of the steep rise in US military spending in the past two years. For example, in the global distribution of world military expenditure in 2003, the United States account for 47 per cent of world share. Four other major spenders each account for 4 or 5 per cent of world spending. The next 10 major spenders account for 18 per cent, and the remaining 143 countries account for 18 per cent of world military spending.

Four major peaks in US military expenditure can be identified for the period 1950 –2004. The first during the Korean War; the second during the Viet Nam War; the third during the presidency of Ronald Reagan, which includes the cold war peak; and, finally, the fourth is the current military build-up³. While the latest available data (from March 2004) show a peak in fiscal year 2004, it is likely that US military spending will be even higher in fiscal year 2005, due to supplementary allocations for the war in Iraq. In May 2004 the Bush Administration proposed a supplementary allocation of \$25 billion for this purpose and a second, much larger, supplementary allocation for fiscal year 2005 is expected in January 2005. Since the cost of the war is estimated at \$5 billion a month, the total supplementary allocations for 2005 are likely to rise to \$60 billion at least. This means that world military expenditure will continue to increase as a result of US military spending. How are other major spenders reacting to the trend in US military spending? The patten and plans in military spending of the seven other major regional and sub-regional powers– Brazil, China, France, India, Japan, Russia and the ÚK– are analyzed in the paper by Sam-Perlo Freeman.

³ Office of Management and Budget, *The Budget and Economic Outlook: An Update*, Aug. 2003, figure 1-1, ‘The Total Deficit or Surplus as a Share of GDP, 1965–2013’, URL<<http://www.cbo.gov/showdoc.cfm?index=4493&sequence=2>>.