

4. Military expenditure

Overview

World military expenditure did not increase in 2011, for the first time since 1998. The world total for 2011 is estimated to have been \$1738 billion, representing 2.5 per cent of global gross domestic product or \$249 for each person (see section I and the tables in section VII in this chapter). Compared with the total in 2010, military spending remained virtually unchanged in real terms. However, it is still too early to say whether this means that world military expenditure has finally peaked.

The main cause of the halt in military spending growth was the economic policies adopted in most Western countries in the aftermath of the global financial and economic crisis that started in 2008. These policies prioritized the swift reduction of budget deficits that increased sharply following the crisis. In Western and Central Europe in particular, governments enacted austerity measures, including military spending cuts (see section V). In countries such as Greece, Italy and Spain, deficit reduction was given added urgency by acute debt crises where these countries faced being unable to meet their debt obligations, and in some cases required bailouts from the European Union and the International Monetary Fund. The falls in military expenditure brought other policy debates into focus, including long-standing accusations from both sides of the Atlantic that European countries are failing to ‘pull their weight’ in military affairs, and renewed efforts to promote greater European military cooperation as a way to reduce costs while preserving capabilities.

However, in the United States the administration and the Congress also attempted to agree measures to reduce the soaring US budget deficit, which resulted from tax cuts and the wars in Afghanistan and Iraq, and so preceded the crisis. While these attempts did not lead to substantive cuts in military expenditure, delays in agreeing a budget for 2011 contributed to spending being lower than planned and resulted in a small real-terms fall in US military expenditure (see section III). Alongside these falls, there were increases in military spending in Africa, Asia and Eastern Europe—in Russia in particular. However, even in Asia, where economic growth was still strong, the rate of increase in military spending slowed, which may be partly due to concerns over the impact of the European budget crisis on future economic growth.

One of the dominating factors of the global security environment over the past 10 years, and a key factor influencing military spending in many countries, was the ‘global war on terrorism’ following the terrorist attacks on the USA of 11 September 2001. The highly militarized policy response to these

attacks chosen by the USA, which included invasions of Afghanistan and Iraq, had cost the USA over \$1.2 trillion in additional military expenditure alone by the end of 2011, and may result in total long-term costs of as much as \$4 trillion. Much lower, although still substantial, costs had also been incurred by other participants in these wars (see section II). The rapid decade-long increase in US military spending, fuelled by the wars in Afghanistan and Iraq as well as by major ongoing military modernization programmes, appears to be ending. This is the result both of the ending of the Iraq War and the winding down of the Afghanistan War and of budget deficit reduction measures. The exact future direction of US military spending will depend on the outcome of continuing budget discussions between the administration and the Congress. At the same time, the administration has announced plans for reorienting forces and military strategy in the light of tighter budgetary conditions (see section III).

Africa was the region with the largest increase in military spending in 2011 (see section IV). This was dominated by a massive 44 per cent increase by Algeria, the continent's largest spender. Algeria's continuous increases in recent years were fuelled by increasing oil revenues, and were provided a ready justification by the activities of al-Qaeda in the Islamic Maghreb (AQIM), although regional ambitions may be a more important driver. The terrorist activities of Boko Haram were also a major security concern for Nigeria and the military-led response to these appears to have been one factor in Nigeria's military spending increases. However, the role of oil revenues and other factors should not be ignored.

Against this backdrop, the rate of reporting of military expenditure to the United Nations through its standardized reporting instrument continued to fall, as it has in recent years (see section VI). A UN Group of Governmental Experts reviewed the instrument in 2011, partly with a view to considering ways to improve reporting rates.

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