

3. Military expenditure

Overview

World military expenditure in 2012 is estimated to have been \$1756 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 of this chapter). The total is about 0.4 per cent lower in real terms than in 2011, the first fall since 1998. Nonetheless, the total is higher than in any year between the end of World War II and 2010. The distribution of global spending in 2012 shows what may be the beginnings of a shift from the West—the United States, Western and Central Europe, and other developed countries—to other parts of the world, in particular Eastern Europe and the developing world.

US spending is falling from its peaks from the Afghanistan and Iraq wars and the build-up during the presidency of George W. Bush, as the wars wind down and budget cuts—and disruption from disputes over budget cuts—take effect (see section II). In Western and Central Europe, austerity measures continued to reduce military spending. In Asia and Oceania, while military spending still increased in 2012, it did so at a slower pace, partly as a result of weaker economic growth in the wake of the 2008 global financial crisis.

The rapid growth in Russia's military spending continued, indeed accelerated, in 2012 (see section III). The government is reforming, modernizing and re-equipping its armed forces, after two decades with largely unreformed Soviet-era structures and unmodernized Soviet-era armaments. However, these efforts face major industrial, demographic and economic challenges, and most experts believe that the modernization goals will only be partially met.

In most other regions, military spending continued to grow, but unevenly (see section I). In Asia, increases in China, Indonesia and Viet Nam continued, but formerly rapid increases in India reversed. There were substantial increases in the Middle East and North Africa, but military spending in sub-Saharan Africa appears to have fallen.

In Central America, where military spending has traditionally been very low, there have been rapid increases in both military and non-military security expenditure as governments from Mexico to Panama struggle to combat extreme levels of violent crime from drug cartels and criminal gangs (see section IV). However, these efforts have not reduced levels of violence, while the blurring of military and internal security roles has created human rights problems and may threaten democratic civilian control of the armed forces.

Military expenditure is an area in which, even in democratic countries, there is frequently a severe gap in transparency and accountability, owing to

the sensitivity and confidentiality surrounding the military sector and the special status of the military in many countries (see section V). Lack of transparency and accountability means that the public lacks a voice in the choice of whether to allocate resources to the military or other priorities, and lacks a means of assessing how its money is being spent. Moreover, poor transparency can frequently lead to waste and corruption, especially in the case of off-budget spending that often falls outside the remit of governmental monitoring and control. The examples of Colombia and Indonesia illustrate many of the challenges for transparency that states face.

Indonesia, having emerged from a long period of dictatorship, has undergone extensive security sector reform, including in the financial management of the military; however, civilian control of the military remains ambiguous. Efforts to disengage the military from its widespread business interests—a major source of corruption and human rights abuses—have fallen short of a complete withdrawal from such activities, and corruption remains a major problem, especially in arms procurement. However, significant progress has been made in some areas, and the issues remain a subject of fervent debate in Indonesia.

Colombia presents a contrasting case. It has no recent history of military rule and its military is more clearly subordinate to civilian authority. However, the parliament plays little role in monitoring military activities, including financial matters, due to a tradition of the military and civilian sectors avoiding involvement in what is seen as each other's domain. However, improving transparency in military spending and arms procurement has been the subject of considerable efforts in recent years, including the introduction of 'defence integrity pacts' to oversee arms procurement, and the establishment of democratic mechanisms to oversee the expenditure of extraordinary funds from a special 'wealth tax' to support the military's war against insurgents. A problematic area, however, is the presence of off-budget spending, some of which is a consequence of the internal conflict, funding from local authorities to support military operations in their areas, and direct payments by oil companies to the military for protection. The use of these funds lacks proper monitoring, and it is not clear if they are included in overall budget and expenditure reporting.

As a mechanism for interstate transparency at the global level, each year the United Nations requests that its member states report their levels of military spending. There were signs in 2012 that reporting levels had fallen substantially, to approximately a quarter of states (see section VI). While this is discouraging, it may in part reflect the fact that more countries increasingly make their data available through other means.