

II. Regional developments in military expenditure, 2023

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Global military expenditure, which rose to an estimated \$2.4 trillion in 2023, is distributed unevenly around the world. States in the Americas accounted for the largest share of the total, 41 per cent, followed by Asia and Oceania with a 24 per cent share, Europe with 24 per cent, and the Middle East with an estimated 8.2 per cent share. Africa accounted for the smallest share, 2.1 per cent of world military spending.¹

This section reviews the main trends in military expenditure in 2023 and over the decade 2014–23 from a regional perspective. It describes how specific developments have affected national decision-making on military spending, as well as subregional and regional trends. For analysis of global trends see section I of this chapter.

Africa

Military expenditure in Africa totalled \$51.6 billion in 2023 (see table 5.3).² After a decrease in 2022, spending rose substantially in 2023, by 22 per cent in real terms, due to increases in Algeria, the Democratic Republic of the Congo (DRC) and South Sudan. However, regional spending in 2023 was only 1.5 per cent higher than in 2014. Spending increased in both North Africa and sub-Saharan Africa in 2023 (see figure 5.2). The 4 countries in North Africa accounted for 55 per cent of Africa's military spending, while the 44 countries in sub-Saharan Africa accounted for the remaining 45 per cent.

North Africa

At \$28.5 billion, military expenditure by North African countries in 2023 was 38 per cent higher than in 2022 and 41 per cent higher than in 2014. Algeria and Morocco make up most of the military spending in the subregion: together, they accounted for 82 per cent of the subregion's spending in 2023.

At 18.3 billion in 2023, the military spending of Algeria, the largest spender in North Africa—and in Africa—reached the highest level ever recorded after

¹ All figures for spending in 2023 are quoted in current (2023) US dollars. Except where otherwise stated, figures for increases or decreases in military spending are expressed in constant 2022 US dollars, often described as changes in 'real terms' or adjusted for inflation. On sources and methods, including the definition of military expenditure, see SIPRI Military Expenditure Database, 'Sources and methods', [n.d.].

² The totals for Africa and sub-Saharan Africa exclude Djibouti, Eritrea and Somalia, for which no figures are available.

Table 5.3. Key military expenditure statistics by region, 2023

Expenditure figures are in US\$, at current prices and exchange rates. Changes are in real terms, based on constant (2022) US dollars.

Region/subregion	Expenditure, 2023 (US\$ b.)	Change (%)		Major changes, 2023 (%) ^a			
		2022– 23	2014– 23	Increases		Decreases	
World	2 443	6.8	27				
<i>Africa</i> ^b	51.6	22	1.5	DRC	105	Zimbabwe	-30
North Africa	28.5	38	41	South Sudan	78	Togo	-24
Sub-Saharan Africa ^b	23.1	8.9	-22	Algeria	76	Gabon	-12
				Burundi	50	Kenya	-5.5
<i>Americas</i> ^c	1 009	2.2	10	Bolivia	46	Argentina	-34
Central America and the Caribbean ^c	14.7	-0.4	54	Domin. Rep.	14	Guatemala	-9.1
				Honduras	11	El Salvador	-5.2
North America	943	2.4	11	Canada	6.6	Peru	-1.7
South America	50.7	-0.3	-7.2				
<i>Asia and Oceania</i> ^{d,e,f}	595	4.4	46	Kyrgyzstan	23	Tajikistan	-35
Central Asia ^d	1.8	-5.3	-16	Mongolia	22	Pakistan	-13
East Asia ^e	411	6.2	52	Sri Lanka	14	Kazakhstan	-8.6
Oceania	35.5	-0.9	36	Taiwan	11	Indonesia	-7.4
South Asia	98.2	2.2	38				
South East Asia ^f	47.8	-1.6	24				
<i>Europe</i>	588	16	62	Poland	75	Greece	-17
Central and Western Europe	407	10	43	Finland	54	Italy	-5.9
				Ukraine	51	Cyprus	-4.9
Eastern Europe	181	31	118	Albania	49	Romania	-4.7
<i>Middle East</i> ^g	(200)	9.0	5.9	Türkiye	37	Egypt	-12
				Israel	24	Lebanon	-11
				Saudi Arabia	4.3	Kuwait	-8.8

() = uncertain estimate; DRC = Democratic Republic of the Congo.

^a These lists shows the countries with the largest increases or decreases for each region as a whole, rather than by subregion. Countries with a military expenditure in 2023 of less than \$100 million, or \$50 million in Africa, are excluded.

^b Figures exclude Djibouti, Eritrea and Somalia.

^c Figures exclude Cuba.

^d Figures exclude Turkmenistan and Uzbekistan.

^e Figures exclude North Korea.

^f Figures exclude Laos.

^g Figures exclude Syria and Yemen.

Source: SIPRI Military Expenditure Database, Apr. 2024.

an annual increase of 76 per cent, the largest since 1974. Over the decade 2014–23 spending rose by 59 per cent. A substantial increase in revenue from gas exports to Europe played a significant role in facilitating the rise in Algeria's public expenditure and, by extension, military spending in

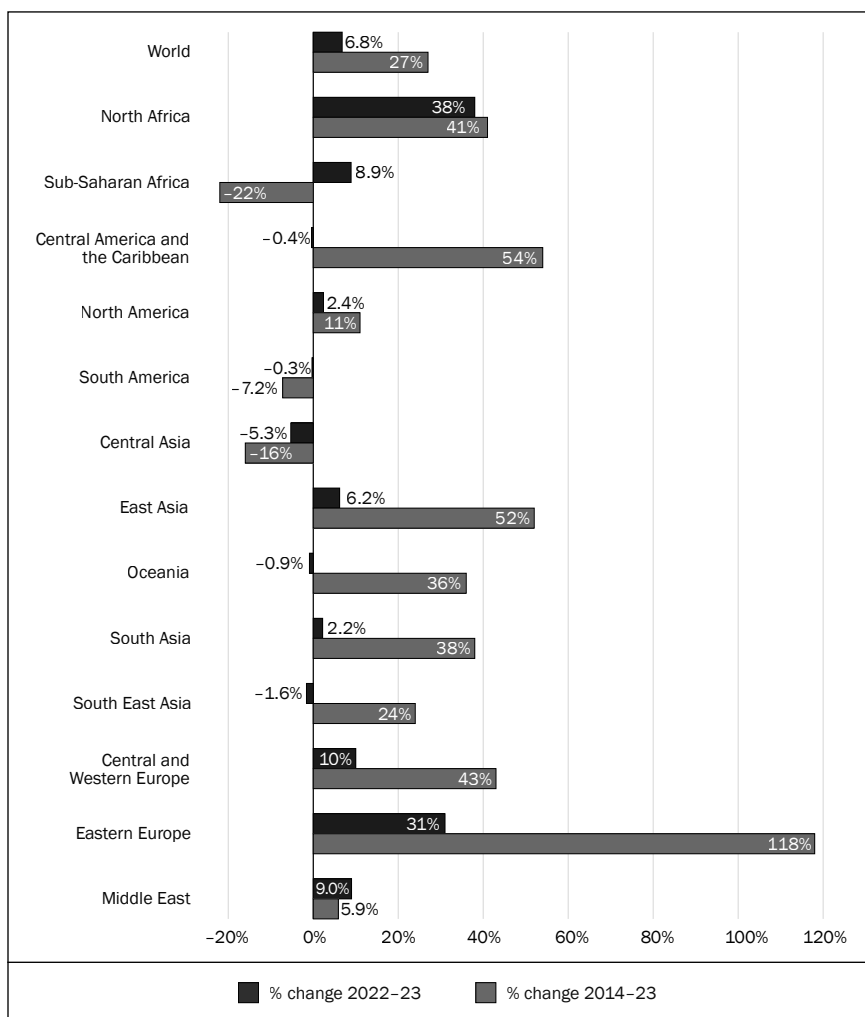


Figure 5.2. Changes in military expenditure by subregion, 2014–23 and 2022–23

Source: SIPRI Military Expenditure Database, Apr. 2024.

2023.³ This rise occurred in a year when Algeria deepened its military cooperation with China, including procurement of armaments from China and the local production of Chinese military equipment under licence.⁴

³ Saleh, H., 'Algeria struggles to meet rising demand for its gas after Russian invasion of Ukraine', *Financial Times*, 20 Apr. 2022; and Chikhi, L., 'Confident Algeria rides gas high', Reuters, 18 Aug. 2022.

⁴ Charouz, L., 'President Abdelmadjid Tebboune's visit signals tighter China–Algeria ties', *The Diplomat*, 22 July 2023; 'China to deepen security, defence cooperation with Algeria', Reuters, 18 July 2023; and 'Algeria embarks on manufacturing heavy Chinese weaponry', *Military Africa*, 28 June 2023.

The 2023 increase seems to be part of a planned increase in allocation to the military that is expected to continue into the coming years.⁵

In contrast, Morocco's military spending fell for the second consecutive year, down 2.5 per cent in 2023 to reach \$5.2 billion. However, this was still 26 per cent higher than in 2014.

Sub-Saharan Africa

Military expenditure in sub-Saharan Africa reached \$23.1 billion in 2023, up 8.9 per cent from 2022 but still 22 per cent lower than in 2014. The increase in 2023 can be attributed to spending rises in Nigeria, the subregion's largest military spender, and in Burkina Faso and South Sudan.

At \$3.2 billion, Nigeria's military spending was 20 per cent higher in 2023 than 2022 and 46 per cent more than in 2014. Nigeria's spending has fluctuated substantially in recent years. After increases of 29 per cent in 2020 and 56 per cent in 2021, spending dropped by 38 per cent in 2022. The volatility is caused by variations in allocations to the military from the annual supplementary budget, which went from three-quarters of the core defence budget in 2021 to zero in 2022. The 2023 supplementary budget allocated more to the military than to any other sector, equivalent to 34 per cent of the original military budget. Decisions on the total size of the supplementary budget each year seem to depend on revenue performance during the year (i.e. oil revenues) and expenditure plans.⁶ About half of the supplementary military budget was allocated to internal military operations and the procurement of equipment linked to these operations.⁷ Although the specific military operations are not identified, it is likely that they related to efforts to tackle the range of security challenges, such as farmer–herder conflict and secessionism, that have plagued Nigeria in recent years.⁸

The relative increase in the military expenditure of the Democratic Republic of the Congo in 2023 was the largest in the world. At \$794 million, the DRC's spending was 105 per cent higher than in 2022 and 92 per cent higher than in 2014. The spike in military spending in 2023 reflects the country's intentions to strengthen its armed forces, following the decision to gradually withdraw the United Nations Organization Stabilization Mission in the DRC (MONUSCO).⁹ For example, in 2023 the DRC procured Chinese uncrewed aerial vehicles (UAVs) to combat the long-lasting militia violence in the east

⁵ 'Algeria: Defense budget of 21.6 billion dollars expected in 2024', Agenzia Nova, 4 Nov. 2023.

⁶ 'FG may prepare supplementary budget, says Edun', *Punch* (Lagos), 12 Dec. 2023.

⁷ Nigerian Federal Budget Office, '2023 supplementary budget', [n.d.], pp. 1–3.

⁸ Nextier, *Nigeria's Security Situation Analysis Report* (Nextier: Abuja, 2022); and George, L., 'Nigeria's oil output at 32-year low as thieves hobble output', Reuters, 9 Sep. 2022. On armed conflict in Nigeria see chapter 2, section I, in this volume.

⁹ 'DRC: 2023 defense budget increased 300-fold amid confrontation with rebel groups', North Africa Post, 8 Nov. 2022. On the role of peace operations in the DRC and the phased closure of MONUSCO see chapter 3, sections I and II, in this volume.

of the country, most prominently associated with the 23 March Movement (Mouvement du 23 mars, M23).¹⁰ The increase also coincided with growing tensions between the DRC and Rwanda.¹¹

The second highest relative increase in military spending globally in 2023 was also in sub-Saharan Africa: South Sudan's military spending rose by 78 per cent in 2023 to reach \$1.1 billion, following a 108 per cent increase in 2022. At 6.3 per cent of GDP, South Sudan's military burden was the highest in the subregion. The recent growth in spending can be attributed to escalating internal violence and the insecurity that has spilled over from the civil war in Sudan.¹²

South Africa's military spending, the second largest in the subregion, continued to fall in 2023. At \$2.8 billion, spending was down for the third consecutive year, 4.9 per cent lower than 2022 and a 22 per cent decrease since 2014. South Africa's poor economic performance over the past decade was the primary contributor to declines in military expenditure in 8 of the 10 years.¹³

Military spending fell by 30 per cent in Zimbabwe and by 21 per cent in Sierra Leone. Both decreases can be linked to low economic growth, soaring costs and exchange rate depreciation.¹⁴ Togo's military spending fell by 24 per cent to \$276 million in 2023. This was the second biggest relative decrease in Africa and followed a record 76 per cent increase in 2022 as the military responded to violent Islamist militant attacks in the country's north.¹⁵

The Americas

At \$1009 billion, military spending by countries in the Americas in 2023 was 2.2 per cent higher than in 2022 and 10 per cent higher than 2014.¹⁶ The two North American countries (the USA and Canada) accounted for 94 per cent of the region's total spending in 2023, with 5.0 per cent in South America, and 1.5 per cent in Central America and the Caribbean (including Mexico).

¹⁰ 'Kinshasa receives first batch of three Chinese attack drones', Africa Intelligence, 22 May 2023; and 'M23 rebels force massive rise in DRC military spending', Africa Intelligence, 14 Feb. 2023. On the armed conflict in the DRC see chapter 2, section I, in this volume.

¹¹ Center for Preventive Action, 'Conflict in the Democratic Republic of Congo', Global Conflict Tracker, Council on Foreign Relations, 21 Feb. 2024.

¹² Machol, D., 'UN warns against losing sight of South Sudan peace process amid Sudan crisis', AP, 24 May 2023. On the war in Sudan see chapter 2, section I, in this volume.

¹³ Organisation for Economic Co-operation and Development (OECD), 'South Africa economic snapshot', Aug. 2022.

¹⁴ Adeoye A., '“We're suffering”: Soaring costs create opening for Sierra Leone's opposition', *Financial Times*, 21 June 2023; and Cotterill, J. and Musengi, K., 'Zimbabwe election offers regime a last chance to end financial isolation', *Financial Times*, 20 July 2023.

¹⁵ 'Togo Army says it was behind blast that killed several civilians', France 24, 15 July 2022. On the spread of Islamist violence to West African littoral states see chapter 2, section I, in this volume.

¹⁶ The totals for the Americas and for Central America and the Caribbean exclude Cuba, for which no figures are available.

Spending in two of the subregions—Central America and the Caribbean and South America—was roughly unchanged in 2023, while in the third—North America—spending rose by 2.4 per cent.

North America

North American military spending reached \$943 billion in 2023. This was 2.4 per cent higher than in 2022 and 11 per cent higher than 2014. At \$27.2 billion, Canada's military spending was 6.6 per cent higher than in 2022 and 49 per cent higher than 2014. Despite the recent increase in Canadian spending, the country's military burden was 1.3 per cent in 2023, well below the North Atlantic Treaty Organization (NATO) target of 2 per cent of GDP (see section I of this chapter).¹⁷

United States military spending. US military spending was \$916 billion in the 2023 fiscal year, up 2.3 per cent from 2022 and 9.9 per cent higher than in 2014. The USA remained by far the largest spender in the world; its spending was more than three times as large as that of the second biggest spender, China. Based on SIPRI methodology, US military expenditure includes spending by the departments of Defense (DOD), Energy and State, funding for the National Intelligence Program and supplemental allocations related to Ukraine (see table 5.4).

Breaking down the estimated outlays for the 2023 fiscal year into different spending categories offers insight into shifting priorities in US spending over time and across subfunctions. The DOD expenditure line with the biggest increase between 2022 and 2023 was that for research, development, testing and evaluation (RDT&E), 9.4 per cent higher in real terms, followed by a 4.8 per cent rise in operations and maintenance. Relative increases in categories such as procurement and personnel were much smaller, while spending on the 'other' category (which includes military housing and construction) fell slightly. In comparison, the biggest increase between 2021 and 2022 had been in military personnel, which rose by 0.6 per cent in real terms. Spending in real terms fell in all other categories between 2021 and 2022, with a particular large fall in procurement of 7.5 per cent.

The USA has prioritized RDT&E over procurement since around 2014: in 2014 the DOD's spending on procurement was 1.7 times as large as on RDT&E; in 2023 this lead had fallen to 1.2.¹⁸ The shift in priorities aligns with the DOD's change in focus away from procuring weapons for counterinsurgency operations and asymmetric warfare to developing new weapon systems for potential conflict with adversaries that have more advanced military

¹⁷ Scherer, S., 'Canada pressured by allies to up military spending', Reuters, 29 June 2023.

¹⁸ US Office of Management and Budget, 'Historical tables: Table 3.2—Outlays by function and subfunction 1962–2028', Mar. 2023.

Table 5.4. Components of United States military expenditure, fiscal years 2019–23

Figures are current US\$ b. unless otherwise stated. Figures may not add up to the given totals because of the conventions of rounding. US fiscal years run for the 12 months to 30 Sep. of the named year.

	2019	2020	2021	2022	2023
Department of Defense (DOD)	654	690	718	726	776
Military personnel	156	161	173	181	184
Operations and maintenance	272	279	286	291	318
Procurement	125	139	141	136	142
RDT&E	89	100	106	107	122
Other (construction, housing etc.)	11.7	11.1	11.7	11.2	10.7
Department of Energy, atomic energy military activities	22.8	24.5	25.8	28.3	32.6
National Intelligence Program, military-related activities	[45.2]	[47.0]	[45.6]	[49.3]	[53.3]
Department of State (DOS), international security assistance	6.8	6.7	6.7	6.7	6.6
Other military-related activities	9.3	9.7	10.5	10.9	11.8
Supplemental appropriations to the DOD	..	..	..	34.4	35.8
Supplemental appropriations to the DOS	..	..	..	4.7	..
Total	738	778	806	861	916
Military expenditure as share of GDP (%)	3.4	3.7	3.4	3.3	3.4

.. = not applicable; [] = estimated figure; GDP = gross domestic product; RDT&E = research, development, testing and evaluation.

Sources: SIPRI Military Expenditure Database, Apr. 2024; US Department of Defense (DOD), Office of the Under Secretary of Defense (Comptroller), various documents, various years; Federation of American Scientists (FAS), Intelligence Resource Program, 'Intelligence budget data', [n.d.]; US Department of State, *Congressional Budget Justification*, various years; and McGarry, B. W., 'Department of Defense supplemental funding for Ukraine: A summary', Congressional Research Service (CRS) Insight, US Congress, 13 Feb. 2023.

capabilities.¹⁹ However, spending on procurement is expected to pull ahead again in the coming years as the DOD plans to begin purchasing the weapon systems that have been under development.²⁰

Military aid to Ukraine, which accounted for 3.9 per cent of total US military spending in 2023, remained a highly debated topic between the Democratic and Republican parties.²¹ In general, Democrats, including President Joe Biden, have been in favour of continued support to Ukraine while an increasing number of Republicans, who control one chamber of the Congress, questioned the scale of the commitment and tied future military aid

¹⁹ US Congressional Budget Office, 'Long-term implications of the 2024 future years defense program', Oct. 2023.

²⁰ US Congressional Budget Office (note 19).

²¹ Nawaz, A. et al., 'The global implications of the US debate over Ukraine military assistance', *News Hour*, PBS, 5 Dec. 2023.

to Ukraine to other issues, most prominently the situation on the US border with Mexico.²²

In 2023 supplemental appropriations for the DOD related to Ukraine amounted to \$35.7 billion, of which \$25.4 billion was military aid to Ukraine.²³ Just over half of the military aid (\$13.4 billion, or 53 per cent) was for the replenishment of stocks of US equipment sent to Ukraine, while the other half (\$12.0 billion, or 47 per cent) was given more directly—in the form of money for training and logistics and to pay for procurement of weapons—through the Ukraine Security Assistance Initiative (USAI).²⁴ The remaining \$10.3 billion included spending to support US command operations in Europe, support to European allies, funding to increase production capacity of critical munitions and additional resources for DOD operations linked to Ukraine.²⁵ Unlike 2022, military aid to Ukraine in 2023 did not include any Foreign Military Finance (FMF) or International Military Education and Training (IMET) from the Department of State.²⁶

Divisions over military spending, which has historically been a bipartisan issue, continued in the debate over spending in the 2024 fiscal year. Democrats and Republicans disagreed over whether an agreed freeze in government spending should apply to military expenditure—Democrats supported its inclusion, which would result in modest cuts to military spending, while Republicans were opposed.²⁷ This disagreement underscores the growing ideological polarization in US politics that could have an impact on future budget negotiations as the country enters the 2024 election year.

Central America and the Caribbean

Total military spending in Central America and the Caribbean remained largely unchanged in 2023 at \$14.7 billion, a 0.4 per cent decrease compared to 2022. Over the decade 2014–23, however, spending grew by 54 per cent. Persistent levels of gang and criminal violence in the subregion have led to the armed forces being increasingly used to confront the gangs.²⁸

²² Cerda, A., 'About half of Republicans now say the US is providing too much aid to Ukraine', Pew Research Center, 8 Dec. 2023; and Mascaro, L., 'The debate over Ukraine aid was already complicated. Then it became tangled up in US border security', AP, 25 Nov. 2023.

²³ The remaining \$0.1 billion in the DOD supplemental relates to spending on natural disaster relief.

²⁴ US House of Representatives, Committee on Appropriations, 'Continuing appropriations and Ukraine supplemental appropriations act of 2023: Section-by-section summary', [n.d.]; and US House of Representatives, Committee on Appropriations, 'Division M—Additional Ukraine supplemental appropriations act 2023', [n.d.].

²⁵ US House of Representatives (note 24); and US House of Representatives (note 24).

²⁶ US Department of State, *Congressional Budget Justification: Department of State, Foreign Operations and Related Programs—Fiscal Year 2024* (Department of State: Washington, DC, 2023), pp. 215–18.

²⁷ Morgan, D., Holland, S. and Cowan, R., 'No signs of progress from White House, Republicans in "tough" debt ceiling talks', Reuters, 23 May 2023; and Tankersley, J., 'Military spending emerges as big dispute in debt-limit talks', *New York Times*, 25 May 2023.

²⁸ On gang violence in the region see chapter 2, section I, in this volume.

Mexico's military expenditure was \$11.8 billion in 2023, a 1.5 per cent decrease compared to 2022. Over the decade from 2014, Mexican military expenditure grew by 55 per cent. The creation of the National Guard in 2019 contributed to this rising trend. Whereas in 2019 it accounted for just 0.7 per cent of Mexico's total military expenditure, by 2023 the figure had risen to 11 per cent. In 2020 alone, total military spending increased by 31 per cent due to higher allocations to the National Guard. Although in 2022 the Congress had approved the transfer of the National Guard to the Secretariat of National Defence (the defence ministry), the Supreme Court invalidated the decision in 2023.²⁹ Instead, in a setback for President Andrés Manuel López Obrador's security policy, it was moved back to the Secretariat of Security and Civilian Protection. The court's decision highlighted concerns over the Guard's growing role in civilian policing.³⁰ Nonetheless, despite the ruling, operational control of the National Guard remained largely with the military.

While El Salvador's military expenditure fell in real terms in 2023—by 5.2 per cent to \$454 million—the initial budget for the year was revised upwards four times.³¹ Additional funds covered the costs of the Territorial Control Plan, a significant shift in security policy initiated in 2019 by President Nayib Bukele to curb gang violence and organized crime, which includes an increased role for the military in policing.³²

The Dominican Republic increased its military expenditure by 14 per cent in 2023 to \$893 million, continuing a steep upwards trend in place since 2021. Increases are related to the political crisis in neighbouring Haiti that started in 2021.³³ Protests in Haiti in 2023 against the surge in gang violence heightened tensions and compounded the effects of economic disarray within that country.³⁴

South America

South America's total military spending barely changed in 2023: a 0.3 per cent decrease left subregional expenditure at \$50.7 billion. The average growth

²⁹ Capital 21, 'SCJN declara inconstitucional que Guardia Nacional esté adscrita a la Sedena' [Supreme Court declares attaching the National Guard to the Secretariat of National Defence to be unconstitutional], 11 Apr. 2023.

³⁰ Human Rights Watch (HRW), 'México: La militarización de la seguridad pública amenaza los derechos humanos' [Mexico: Militarization of public security threatens human rights], 26 Aug. 2022.

³¹ Salvadorean Ministry of National Defence, 'Presupuesto actual' [Current budget], 2023.

³² Salvadorean Legislative Assembly, 'Refuerzan presupuesto 2023 para garantizar seguridad y financiar proyectos turísticos' [2023 budget reinforced to guarantee security and finance tourism projects], 13 Dec. 2023; and Nagovitch, P., 'Explainer: Nayib Bukele's Territorial Control Plan', Americas Society/Council of the Americas, 13 Feb. 2020.

³³ Cuevas, G., 'República Dominicana reitera que crisis en Haití "es una amenaza" para su seguridad nacional' [Dominican Republic reiterates that crisis in Haiti 'is a threat' to its national security], *Diario Libre* (Santo Domingo), 1 Feb. 2023.

³⁴ 'Miles de personas marchan en Haití ante auge de violencia de pandillas' [Thousands of people march in Haiti amid surge in gang violence], Voice of America, 7 Aug. 2023. On the situation in Haiti see chapter 2, section I, and chapter 3, section I, in this volume.

rate across countries in the region in 2023 was 1.6 per cent; but, while most countries had moderate changes, the average hides large variations.

At one extreme, Bolivia's spending jumped by 46 per cent. This was probably due to the payment of additions to military pensions that had been postponed in 2022.³⁵ Overall, Bolivia spent \$644 million in 2023. At the other extreme, Argentina's military spending decreased severely, by 34 per cent to \$3.1 billion. This was due to the conjunction of two main factors. First, funds from the budget of the Argentine Navy were reallocated to the Ministry of Social Development for social programmes.³⁶ Second, the decline was exacerbated by rampant inflation. The victory in the November 2023 presidential election of Javier Milei—who plans to drastically reduce public expenditure—created uncertainty about future funding levels for the military.³⁷

Brazil, the largest spender in South America, increased its military spending by 3.1 per cent to \$22.9 billion in 2023. Government initiatives under President Luís Inácio Lula da Silva, who took office at the start of the year, hint at a larger increase in Brazil's future military expenditure. In August 2023, for example, Lula launched the new Growth Acceleration Programme (Programa de Aceleração do Crescimento, PAC), earmarking \$10.6 billion for the military over 2024–27.³⁸ Furthermore, members of the Congress proposed a constitutional amendment that aims to increase Brazil's military burden to 2 per cent (from 1.1 per cent in 2023).³⁹ Similar proposals were submitted in 2004 and 2016; neither was successful.⁴⁰

Asia and Oceania

Total military spending in Asia and Oceania in 2023 amounted to \$595 billion, up by 4.4 per cent from 2022 and by 46 per cent from 2014. This continues an uninterrupted trend dating back to at least 1989.⁴¹ The regional increase was

³⁵ Bolivian Ministry of Economy and Public Finance, 'Ejecución presupuestaria' [Budget execution], [n.d.].

³⁶ Mary, G., 'Rossi explica reducción presupuesto Armada Argentina' [Rossi explains budget reduction for the Argentine Navy], Infodefensa, 15 June 2023.

³⁷ Higuera, J., 'Argentina's new president seeks stronger military amid fiscal troubles', *Defense News*, 15 Dec. 2023.

³⁸ Brazilian Ministry of Defence, 'Com novo PAC, Defesa investirá R\$ 53 bilhões em tecnologias estratégicas que garantem a soberania nacional' [With the new PAC, Defence will invest 53 billion reais in strategic technologies that guarantee national sovereignty], 11 Aug. 2023.

³⁹ Brazilian Senate, Proposed Constitutional Amendment no. 55 of 2023, 30 Oct. 2023 (in Portuguese).

⁴⁰ Brazilian Senate, Proposed Constitutional Amendment no. 49 of 2004, 19 Oct. 2004 (in Portuguese); and Brazilian Chamber of Deputies, Proposed Constitutional Amendment no. 197 of 2016, 23 Mar. 2016 (in Portuguese).

⁴¹ The totals for Asia and Oceania and for the respective subregions exclude North Korea (East Asia), Laos (South East Asia), Turkmenistan and Uzbekistan (both Central Asia), for which no figures are available for 2014–23. Data is not available for Viet Nam (South East Asia) for 2019–23 and for Afghanistan (South Asia) for 2022–23. Estimates for these two countries are included in totals for these years.

Table 5.5. Components of China's military expenditure, 2019–23

Figures are in b. yuan at current prices unless otherwise stated.

	2019	2020	2021	2022	2023
<i>Official Chinese figures</i>					
National defence (central and local)	1 213	1 292	1 378	1 475	1 581
<i>Additional items included in SIPRI's estimate of China's total military expenditure</i>					
People's Armed Police (central and local)	124	130	136	146	157
China Coast Guard	[11.1]	[11.8]	[12.7]	[13.8]	[14.8]
Payments to demobilized and retired soldiers	140	189	162	169	181
Additional military RDT&E ^a	[173]	[158]	[156]	[158]	[161]
Additional military construction ^a	0.1	0.1	0.1	1.2	1.2
Arms imports ^b	[0.5]	..	..	..	..
Total (yuan b.)	1 660	1 781	1 893	1 963	2 096
Total (US\$ b. at current prices)	240	258	286	292	296
Military expenditure as a share of GDP (%)	1.7	1.8	1.6	1.6	1.7

.. = not applicable; [] = estimated figure; GDP = gross domestic product; RDT&E = research, development, testing and evaluation.

^a Some spending on military RDT&E and military construction is also included in the main national defence budget.

^b From 2020, all arms imports are estimated to be paid for by the equipment expenditure reported in the official defence budget.

Sources: SIPRI Military Expenditure Database, Apr. 2024; and Tian, N. and Su, F., *A New Estimate of China's Military Expenditure* (SIPRI: Stockholm, Jan. 2021).

primarily driven by China and its neighbours: while military spending rose in all countries in East Asia as well as India, the subregional totals of Central Asia, South East Asia and Oceania all declined in 2023.

Central Asia

The total military spending by Kazakhstan, Kyrgyzstan and Tajikistan (the only three Central Asian countries with accessible data) declined for the second year in a row to reach \$1.8 billion, 5.3 per cent lower than in 2022 and 16 per cent lower than in 2014.

Kazakhstan's military spending, at \$1.1 billion, decreased for the fourth year, down by 8.6 per cent from 2022 and by 39 per cent from 2014. The decline was the result of inflation as spending rose in nominal terms.

Kyrgyzstan's spending increased by 23 per cent to \$465 million, the largest relative increase in Asia and Oceania. Spending in 2023 was also 246 per cent higher than in 2014. The country has taken significant steps to rearm itself since deadly clashes with neighbouring Tajikistan in 2021 and 2022.⁴²

⁴² Olmos, F., 'Kyrgyzstan's path to rearmament', *The Diplomat*, 12 Aug. 2023. On the earlier border clashes see Davis, D., 'Key general developments in the region', *SIPRI Yearbook 2022*, pp. 107–108; and Gowan, R., 'Global and regional trends and developments in armed conflicts', *SIPRI Yearbook 2023*, p. 37.

East Asia

Military expenditure in East Asia increased by 6.2 per cent in 2023, reaching \$411 billion and continuing the uninterrupted increases since 1995. Over the decade 2014–23 military spending in the subregion grew by 52 per cent. Spending grew in all five countries with available data in the subregion.

China, the world's second largest military spender, spent an estimated \$296 billion in 2023. SIPRI's military expenditure data for China differs from the official national defence budget: the SIPRI figure for 2023 is 33 per cent (\$73 billion) higher than the figure published in the official state budget (see table 5.5). China accounted for 12 per cent of global military spending and for 50 per cent of military spending in Asia and Oceania. It is not only the most important contributor to the regional trend, but perceptions among neighbouring countries of China's rising military power are also the main driver of their higher spending.

Indeed, China's military expenditure has increased for 29 consecutive years, the longest streak recorded for any country in the SIPRI Military Expenditure Database. It increased by 6.0 per cent in 2023 and by 60 per cent over the decade 2014–23. However, its military burden stayed relatively stable over the decade, ranging between 1.6 and 1.8 per cent; in 2023 it was 1.7 per cent of GDP.

Although the 60 per cent growth over the decade was the highest in East Asia, it is significantly lower than during China's rapid economic expansion in the 1990s and 2000s: between 1994 and 2003 Chinese military spending surged by 149 per cent, and again by 148 per cent between 2004 and 2013. China's military spending has grown largely in line with the country's economic growth, which has facilitated its steady pursuit of military modernization over the past three decades.⁴³

China's military modernization programme has continued despite the deceleration in the growth of military spending, with completion expected by 2035.⁴⁴ Against this backdrop, close to 40 per cent of China's military spending is allocated to procurement, with a focus on increasing military capabilities (including in the nuclear realm), boosting the domestic arms industry and promoting emerging military technologies (including military application of artificial intelligence).⁴⁵

⁴³ Maizland, L., 'China's modernizing military', Council on Foreign Relations, 5 Feb. 2020; and Bommakanti, K. and Amjad, H., *China's Military Modernisation: Recent Trends*, Observer Research Foundation (ORF) Occasional Paper no. 398 (ORF: New Delhi, Apr. 2023).

⁴⁴ Chinese Government, [Supporting the great revival of the Chinese nation with the modernization of national defence and the military], 31 July 2023 (in Chinese).

⁴⁵ UN Office for Disarmament Affairs, 'China', Military Expenditures database, accessed Feb. 2024; and Two Sessions, [Draft planning outline: Accelerate the modernization of national defence and the military to achieve unity of a prosperous country and a strong military], Xinhua, 3 May 2021 (in Chinese). On the modernization of China's nuclear forces see chapter 7, section V, in this volume. On developments in the Chinese arms industry see section III of this chapter.

In 2023 Japan allocated \$50.2 billion to its military, representing an 11 per cent increase from 2022 and a 31 per cent rise from 2014. The year-on-year increase in 2023 was the largest since 1972. At 1.2 per cent of GDP, Japan's military burden surpassed 1.0 per cent—an informal threshold that it has observed for decades—for the fourth consecutive year and was the highest since 1960.⁴⁶ Amid perceived security threats in East Asia, the 2023 budget also marked the first year of Japan's biggest military build-up programme since the end of World War II. In a shift from its post-war 'passive defence' strategy, the programme aims to bolster Japan's counterstrike capabilities by investing heavily in aircraft, ships and long-range missiles.⁴⁷ To finance the planned procurement, the latest defence white paper outlines military spending in 2023–27 at almost double, in nominal terms, the level of 2019–23.⁴⁸ Accordingly, the government also aims to bring spending on 'defence and other outlays' up to 2 per cent of GDP by 2027.

The military expenditure of the Republic of Korea (South Korea) in 2023 was \$47.9 billion. This was 1.1 per cent higher than in 2022, when spending had fallen in real terms for the first time since 1999. In 2023 South Korea unveiled a new spending plan outlining steady increases over 2023–27.⁴⁹ A significant proportion of the budget will be used to acquire weapons for pre-emptive, air defence and counterstrike capabilities, which together form the 'three-axis system' designed to counter the nuclear and missile capabilities of the Democratic People's Republic of Korea (DPRK, or North Korea).⁵⁰

Taiwan's military expenditure grew by 11 per cent to US\$16.6 billion in 2023, up by 56 per cent compared to 2014. Faced with perceived threats and deteriorating relations with China, its military burden reached the highest level since 2009 at 2.2 per cent of GDP.⁵¹ To build up its air and maritime combat capabilities, Taiwan has created two extra-budgetary funds since 2021 earmarked for procuring F-16 combat aircraft and naval systems; together these funds accounted for 21 per cent of total military spending in 2023.⁵²

⁴⁶ Nose, M., 'Japan defense spending isn't bound by 1% GDP cap, Suga says', *Nikkei Asia*, 13 Aug. 2021.

⁴⁷ Japanese Ministry of Defense, 'Other basic policies', [n.d.]; and Japanese Ministry of Defense, 'Defense Buildup Program', 16 Dec. 2022.

⁴⁸ Japanese Ministry of Defense (MOD), *Defense of Japan 2023* (MOD: Tokyo, 2023).

⁴⁹ South Korean Ministry of National Defense, '[23–27 Medium-Term Defence Plan: 331.4 trillion over the next five years]', Press release, 28 Dec. 2022 (in Korean).

⁵⁰ On North Korea's nuclear forces see chapter 7, section VIII, in this volume.

⁵¹ Taiwanese Ministry of National Defense (MND), *ROC National Defense Report 2023* (MND: Taipei, Sep. 2023).

⁵² Taiwanese Ministry of National Defense (MND), [Ministry of National Defense press release on the Executive Yuan's approval of the financial year 2023 budget for the Ministry of National Defense], 25 Aug. 2022 (in Chinese). On arms transfers to Taiwan see chapter 6, section III, in this volume.

Oceania

Total military expenditure in Oceania totalled \$35.5 billion in 2023. This was a 0.9 per cent decrease compared to 2022 but a 36 per cent increase since 2014.

Subregional changes are driven by Australia, which accounted for 91 per cent of the total; its spending has been driven primarily by threat perceptions of China.⁵³ The 1.5 per cent decline in its spending of US\$32.3 billion in 2023 was the result of inflation as spending rose in nominal terms. The total incorporated a share of US\$6.0 billion spread over four years on the initial steps for the procurement of nuclear-powered submarines under the Australia–UK–USA (AUKUS) partnership.⁵⁴ To keep its pledge that AUKUS will be ‘cost neutral’, the government’s prioritization of maritime and long-strike capabilities has led to cuts in other areas.⁵⁵ For example, it cut the planned procurement of infantry fighting vehicles from 450 to 129 vehicles.⁵⁶

South Asia

South Asia’s military expenditure rose to \$98.2 billion in 2023, representing a 2.2 per cent increase from 2022 and a 38 per cent increase over the decade from 2014. Apart from 2021, spending has gone up every year since 1993.

India, the largest spender in South Asia and the fourth biggest in the world, increased its military budget by 4.2 per cent to \$83.6 billion. This was 44 per cent higher than in 2014. In fact, spending has increase in every year since 2012 other than 2021. The most substantial increase in 2023 was in personnel and operational costs, which made up 78 per cent of India’s total military budget. In comparison, this proportion was an estimated 64 per cent for China, 62 per cent for Japan and an average of 66 per cent for NATO member countries.⁵⁷ This reflected the Indian government’s priority of ensuring the operational readiness of its armed forces amid ongoing tensions with China and Pakistan.⁵⁸

Uncertainties around imports from Russia—India’s biggest foreign supplier of weapons—also added to the operational costs of maintaining current

⁵³ E.g. Australian Department of Defence, *2020 Defence Strategic Update* (Australian Government: Canberra, 2020), p. 11.

⁵⁴ Watt, D. and Brangwein, N., ‘Defence: Budget resources’, Australian Parliament, May 2023.

⁵⁵ Australian Department of Defence, Press conference, 14 Mar. 2023.

⁵⁶ Hurst, D., ‘Australia to dramatically scale back spending on infantry fighting vehicles in major defence overhaul’, *The Guardian*, 21 Apr. 2023.

⁵⁷ UN Office for Disarmament Affairs (note 45); Japanese Ministry of Defense, ‘Defense programs and budget of Japan: Overview of FY2023 budget’, 30 Mar. 2023; and North Atlantic Treaty Organization, ‘Defence expenditure of NATO countries (2014–2023)’, 7 July 2023.

⁵⁸ Indian Ministry of Defence, ‘Defence gets Rs 5.94 lakh crore in Budget 2023–24, a jump of 13% over previous year’, Press release, 1 Feb 2023.

equipment.⁵⁹ In parallel, India continued to make steady progress towards greater self-reliance in development and production of arms.⁶⁰ It earmarked for domestic suppliers a record high of 75 per cent of its capital outlays to fund military procurement (which made up the remaining 22 per cent of India's budget in 2023). In 2022 the proportion was 68 per cent and in 2021 it was 61 per cent.

Pakistan's military spending in 2023 was \$8.5 billion, 13 per cent lower than in 2022. The decline was the result of an ongoing economic crisis and high inflation amid political unrest that began in 2022. Despite economic challenges, the Pakistani military has continued to modernize and to procure new weapons, mainly through growing military ties with China.⁶¹

South East Asia

Total military spending by countries in South East Asia decreased by 1.6 per cent in 2023 to \$47.8 billion. Over the decade 2014–23 spending increased by 24 per cent. South East Asia includes the two countries that dedicate the highest shares of total government spending to the military in Asia and Oceania: Myanmar (21 per cent) and Singapore (18 per cent).

Singapore, the subregion's largest spender, increased its military spending by 1.4 per cent in 2023 to reach \$13.2 billion. This was the third consecutive year of increased military spending, mainly driven by the ongoing modernization of the Singaporean armed forces, which in 2023 announced plans to purchase a new batch of F-35 combat aircraft.⁶² In comparison, Indonesia and Thailand, the subregion's second and third largest spenders, cut spending by 7.4 per cent and 6.5 per cent, respectively. The decreases in both cases were prompted by the need to delay procurement programmes due to lingering economic pressure following the Covid-19 pandemic.⁶³

Myanmar spent \$2.5 billion on its military in 2023. At 3.8 per cent of GDP, its military burden has been the highest in Asia and Oceania since 2021, when decades-old insurgencies escalated into a major armed conflict following a military coup in February of that year.⁶⁴

⁵⁹ Sen, S. R. and Chatterjee, A., 'Russian arms sales to India stall due to fears over US sanctions', *Economic Times*, 21 Apr. 2023. On arms supplies to India see chapter 6, sections II and III, in this volume.

⁶⁰ Indian Ministry of Defence, 'Self reliance in defence sector', Press release, 19 Dec. 2022.

⁶¹ 'China completes warship deliveries to Pakistan as military alliance grows', Reuters, 11 May 2023; and Lalwani, S. P., 'A threshold alliance: The China–Pakistan military relationship', Special Report no. 517, US Institute of Peace, Mar. 2023.

⁶² Tham, T., 'SAF must continue investing steadily to build its capabilities & people: Dr. Ng', Singaporean Ministry of Defence, 24 Feb. 2023.

⁶³ 'Indonesia delays buying used fighter jets, cites fiscal limits', Reuters, 3 Jan. 2024; and Nanuam, W., 'Jet purchases delayed as funds diverted', *Bangkok Post*, 4 Oct. 2023.

⁶⁴ On the armed conflict in Myanmar see chapter 2, section I, in this volume.

Europe

Total military spending in Europe rose by 16 per cent to \$588 billion in 2023, up by 62 per cent from 2014. The Russia–Ukraine war continued to drive massive increases in the military spending of both parties, spurring countries across Europe to also raise military spending. (See also the discussion on NATO in section I.)

Central and Western Europe

Military expenditure in Central and Western Europe increased by 10 per cent to \$407 billion in 2023, marking an increase of 43 per cent over the decade. Western Europe accounted for 86 per cent of the subregional total of military expenditure, although the Central European share increased from 12 to 14 per cent, its highest share since the end of the cold war.

The United Kingdom remained the largest military spender in Central and Western Europe with \$74.9 billion, up 7.9 per cent in 2023. Since 2014 British military expenditure has increased by 14 per cent, among the lowest rates in the whole of Europe. However, the UK's military burden still grew over the decade to reach 2.3 per cent of GDP in 2023. According to a 2023 review of the UK's defence strategy for 2021–25, the military burden will be raised to 2.5 per cent of GDP in the long term, with British defence spending projections being reviewed again after 2025.⁶⁵ In the short term, the British government announced the allocation of an additional \$6.2 billion in 2024–25 to increase ammunition stocks, modernize the nuclear arsenal and fund AUKUS.⁶⁶

Germany's military expenditure increased for the second consecutive year in 2023, up 9.0 per cent to \$66.8 billion. This was 48 per cent higher than in 2014. In 2022 the German government had established a \$108 billion extra-budgetary fund with the initial goal being to meet NATO's 2 per cent of GDP commitment 'as a multi-year average' by 2025.⁶⁷ In late 2023 the government switched to a policy of reaching the 2 per cent threshold in each year from 2024 onwards.⁶⁸ However, even though \$9.2 billion from the fund was allo-

⁶⁵ British Government, *Integrated Review Refresh 2023: Responding to a More Contested and Volatile World*, CP 811 (HM Stationery Office: London, Mar. 2023), p. 3.

⁶⁶ British Government (note 65), p. 3; and British Government, 'PM announces major defence investment in launch of Integrated Review Refresh', 13 Mar. 2023. On the modernization of British nuclear weapons see chapter 7, section III, in this volume.

⁶⁷ German Bundestag, Budget Committee, 'Entwurf eines Gesetzes zur Errichtung eines „Sondervermögens Bundeswehr“ (Bundeswehrondervermögensgesetz—BwSVermG)' [Draft law on the establishment of a 'Bundeswehr Special Fund' (Bundeswehr Special Assets Act—BwSVermG)], Recommended resolution and report, Drucksache no. 20/2090, 1 June 2022, p. 3 (author translation). See also von der Burchard, H., '5 things to know about Germany's historic military investment fund', Politico, 30 May 2022.

⁶⁸ Scholz, O., German chancellor, 'Zeitenwende gestalten' [Shaping the new era] conference, Speech, 10 Nov. 2023.

cated for spending in 2023, only \$6.3 billion was actually spent, leaving the military burden at 1.5 per cent of GDP.⁶⁹ When extrapolating the current plan to meet the 2 per cent commitment annually, the German Ministry of Defence anticipates a funding gap of \$59.4 billion in 2028, by when the extra-budgetary fund will be exhausted.⁷⁰ The core military budget would thus need to be substantially raised in order to meet the 2 per cent target in 2028.⁷¹

In 2023 France increased its military expenditure at the highest annual rate since 2009, with a 6.5 per cent rise. With military expenditure reaching \$61.3 billion (2.1 per cent of GDP), it was the third largest military spender in Central and Western Europe. In 2023 France placed orders for major procurement projects valued at \$21.9 billion.⁷² The 2023 Law on Military Planning (Loi de Programmation Militaire, LPM) describes the priorities for the total of \$432 billion military spending over the period 2024–30.⁷³ While the previous LPM, for 2019–25, intended to fill gaps within existing capabilities of the armed forces, the new law makes a ‘pivot towards high-intensity’ warfare.⁷⁴ It also raises expenditure on maintenance costs by 40 per cent and includes funding for the development of UAVs and emerging technologies for air defence, intelligence and cyber capabilities.⁷⁵

Italian military expenditure decreased for the second consecutive year, with a reduction of 5.9 per cent to \$35.5 billion in 2023. Most of the reductions were accounted for by real-terms decreases of 8.5 per cent in expenditure on personnel and of 15 per cent on procurement. This left the military burden at 1.6 per cent. After the previous government had delayed reaching NATO’s 2 per cent commitment from 2024 to 2028, the Italian defence minister warned the other NATO states in late 2023 that Italy would struggle to reach the threshold even by 2028.⁷⁶ Nonetheless, Italy announced a 43 per cent increase in the procurement budget by 2025 and initiated the procurement of more major weapon systems in 2023.⁷⁷

⁶⁹ German Government, *Integrated Security for Germany*, National Security Strategy (Federal Foreign Office: Berlin, June 2023), p. 33; and German Ministry of Defence, ‘Verteidigungshaushalt und Sondervermögen für 2023 weisen Weg in die Zukunft’ [The defense budget and special funds for 2023 point the way to the future], 11 Nov. 2022.

⁷⁰ Gebauer, M. and Korbaki, M., ‘Bundeswehr steuert auf 56-Milliarden-Euro-Loch zu’ [Bundeswehr heading for a €56 billion deficit], *Der Spiegel*, 31 Jan. 2024.

⁷¹ Hauck, U., ‘Die Milliarden suche’ [The search for billions], *Tagesschau*, 31 Jan. 2024.

⁷² French Ministry of Armed Forces, Directorate General of Armament (DGA), ‘Les commandes auprès de l’industrie de défense passées par la DGA atteignent un niveau historique en 2023’ [Defence industry orders by the DGA reach an all-time high in 2023], 24 Jan. 2024.

⁷³ Law no. 2023-703 of 1 Aug. 2023 on Military Planning for 2024–30 and on Various Provisions Relating to Defence, *Journal officiel de la République française*, 2 Aug. 2023 (in French).

⁷⁴ Tenenbaum, É., *High-Intensity Warfare: What Challenges for the French Armed Forces?*, Notes de l’Ifri (French Institute of International Relations (Ifri): Paris, July 2023), p. 6.

⁷⁵ Machi, V., ‘Macron sends \$438 billion military budget plan to French parliament’, *Defense News*, 4 Apr. 2023.

⁷⁶ ‘Italy to struggle to meet NATO 2% defence spending target—minister’, Reuters, 7 Nov. 2023.

⁷⁷ Domingo, J., ‘Italy’s budget outlines massive defense upgrades’, *Defence Post*, 20 Oct. 2023.

Poland continued to increase military spending in 2023, reaching \$31.6 billion. This was a 75 per cent year-on-year increase—the highest in Europe—and a 181 per cent increase over the decade 2014–23. Despite a doubling of the military burden, to 3.8 per cent of GDP, Poland fell short of its declared goal of reaching 4 per cent in 2023.⁷⁸ During the year the government continued to add to military expenditure through increases in the regular defence budget as well as through off-budget government funds. A year after its establishment, the main such fund, the Armed Forces Support Fund—which partly raises money by issuing government-backed bonds to investors—contributed 27 per cent of the country's total military spending in 2023.⁷⁹

Finland became NATO's 31st member in April 2023. The 54 per cent increase in military expenditure in 2023 was Finland's highest ever annual relative increase. With \$7.3 billion in military expenditure, the military burden reached 2.4 per cent of GDP—the country's highest since 1963—placing Finland above the 2 per cent NATO threshold. The increase was mainly due to a near tripling of expenditure on procurement to improve Finnish military capabilities. This included appropriations for the acquisition of new systems (e.g. F-35 combat aircraft and ground-based high-altitude air defence systems) and for replacement of weapon systems shipped to Ukraine.⁸⁰ The Finnish budget also listed NATO-related costs in the form of a contribution to the alliance and the development of compatible command and control systems.⁸¹

After multiple consecutive annual increases in military expenditure, in 2023 Greece made the biggest relative reductions in military spending and military burden in the whole of Europe. Military expenditure fell by 17 per cent to \$7.5 billion, while the military burden fell from 4.0 per cent to 3.2 per cent of GDP. Greece's military burden was still the second highest of all European NATO members, after Poland's. Over the decade 2014–23 Greece increased its military expenditure by 51 per cent, mainly due to procurement contracts that significantly raised spending in 2021 and 2022.⁸²

⁷⁸ 'Poland to ramp up defense budget to 4% of GDP', *Deutsche Welle*, 30 Jan. 2023.

⁷⁹ Ciślak, J., 'Poland to borrow billions for defence, beyond the budget', *Defence 24*, 4 Oct. 2023.

⁸⁰ Finnish Ministry of Defence, 'Defence capability improvements to continue', Press release, 5 Aug. 2022; and Finnish Ministry of Defence, 'Defence Forces receives additional funding to replace materiel provided to support Ukraine', Press release, 2 Feb. 2023.

⁸¹ Finnish Ministry of Defence, 'NATO membership fees to be included in General Government Fiscal Plan', Press release, 23 Mar. 2023.

⁸² Dean, S. E., 'Major Hellenic defence acquisition programmes', *European Security & Defence*, 24 May 2023. For a longer-term view of procurement by European members of NATO see Tian, N., Lopes da Silva, D. and Wezeman, P. D., 'Spending on military equipment by European members of the North Atlantic Treaty Organization', *SIPRI Yearbook 2020*.

Eastern Europe

Military spending in Eastern Europe increased by 31 per cent in 2023 to \$181 billion, the highest figure since the break-up of the Soviet Union. The upsurge was mostly due to the military expenditure of the Russian Federation and Ukraine during the second year of Russia's full-scale invasion of Ukraine. Compared to 2014, military spending in Eastern Europe grew by 118 per cent—by far the largest subregional increase.

Russian military expenditure. In 2023 Russia's military expenditure is estimated to have been \$109 billion, a 24 per cent increase on 2022 and 57 per cent more than 2014, when Russia annexed Crimea. The increases in Russian military spending were facilitated by the economy outperforming expectations and the government suspending budget deficit rules.⁸³ Russia's military burden at 5.9 per cent and military spending as a share of total government expenditure at 16 per cent both reached the highest levels since the dissolution of the Soviet Union.

Figures for Russia's military expenditure in 2023 are highly uncertain given the increasing opaqueness of Russian financial authorities since the full-scale invasion of Ukraine. While pre-2022 budget documents are broken down by subchapter (for e.g. the armed forces, mobilization, and research and development), the 2023 Russian budget lacks these divisions.⁸⁴ Another layer of complexity is added by the role of contributions from regional budgets and from businesses, organizations and individuals that are not captured by the federal budget. Although these are likely to be modest amounts, the existence of these extra-budgetary funds means that official Russian military expenditure figures are underestimates.

According to the 2023–25 budget, Russian military spending was expected to peak in 2023 and decline in the following years. However, Russia's three-year budget documents offer realistic insight only into the first of the years; indeed, the forecast outlay in 2024 and 2025 was increased in the budget for 2024–26.⁸⁵ Remarkably, the composition of military expenditure in the draft 2023 budget shifted spending from 'national defence' to the 'national security, law and order' chapter (which was 58 per cent higher than in 2022), possibly indicating an expectation that the war in Ukraine would have been

⁸³ International Monetary Fund (IMF), *World Economic Outlook: A Rocky Recovery* (IMF: Washington, DC, Apr. 2023); International Monetary Fund (IMF), *World Economic Outlook: Navigating Global Divergences* (IMF: Washington, DC, Oct. 2023); and International Monetary Fund (IMF), 'Moderating inflation and steady growth open path to soft landing', *World Economic Outlook Update*, Jan. 2024.

⁸⁴ Cooper, J., 'Another budget for a country at war: Military expenditure in Russia's federal budget for 2024 and beyond', SIPRI Insights on Peace and Security no. 2023/11, Dec. 2023.

⁸⁵ Russian Ministry of Finance (MOF), [Budget for citizens 2024–2026 for the Draft Federal Law on the Federal Budget for 2024 and for the planning period 2025 and 2026] (MOF: Moscow, Nov. 2023) (in Russian).

concluded, with the focus then transitioning towards territorial control.⁸⁶ In a possible reassessment of the state of the invasion, the amount was reduced by 19 per cent in the budget law. Part of the sum was rerouted to social policy, a chapter that increased substantially, in a sign that, despite the hike in military spending, the Russian government would not commit to a fully fledged war economy.

Indeed, in the year leading up to the 2024 presidential election, the Russian government was trying to shield Russian society from the impact of the war by pursuing a business-as-usual approach.⁸⁷ In 2023 oil price capping and sanctions forced Russia to reroute its production to countries in Asia such as China and India.⁸⁸ While this reduced Russian oil and gas export revenue, the reduction was entirely offset by growth in non-oil and -gas revenues.⁸⁹ This is likely to have been composed of exports of metals, petrochemicals and agricultural products.⁹⁰ While Russia faced challenges in redirecting its gas supply and stabilizing the rouble's exchange rate, the government could still rely in the short term on the country's sovereign wealth fund and state loans to finance its expenditure deficits.⁹¹

Given that Russia could conceivably have spent an even higher share of its GDP on its military and made deeper changes to its economy, it seems that it has managed, to a large extent, to limit the economic and budgetary impact of the war.⁹² This relatively limited economic engagement reflects the very refusal to publicly acknowledge the nature of the Russia–Ukraine war, employing instead the narrative of a ‘special military operation’.

Ukrainian military expenditure. In 2023 Ukraine's estimated military expenditure grew by 51 per cent to reach \$64.8 billion (equivalent to 59 per cent of Russia's spending). This accounted for 37 per cent of GDP, up from 26 per cent in 2022. Over the decade 2014–23 its spending rose by 1272 per cent, resulting in Ukraine becoming the world's eighth biggest spender. As a consequence of the war with Russia, funding for immediate operational necessity and the acquisition of military equipment rose substantially.⁹³

⁸⁶ Cooper, J., ‘Russia's military expenditure during its war against Ukraine’, SIPRI Insights on Peace and Security no. 2023/07, June 2023, p. 6.

⁸⁷ On the impact of the war in 2023 see chapter 2, section I, in this volume.

⁸⁸ Norstrand, E. V. and Morris, A., ‘Phase two of the price cap on Russian oil: Two years after Putin's invasion’, US Department of the Treasury, 23 Feb. 2024; and ‘Russia's oil and gas budget revenue down 24% in 2023’, Reuters, 11 Jan. 2024.

⁸⁹ ‘Russia's oil and gas budget revenue down 24% in 2023’ (note 88); and Yermakov, V., ‘Following the money: Understanding Russia's oil and gas revenues’, Oxford Institute for Energy Studies, Mar. 2024, pp. 8–10.

⁹⁰ Yermakov (note 89), pp. 8–10. On trade sanctions on Russia see chapter 12, section II, in this volume.

⁹¹ Cooper (note 86).

⁹² Cooper (note 86), p. 18; and Sonne, P., ‘Russia tries to bolster ruble as inflation adds to economic woes’, *New York Times*, 10 Aug. 2023.

⁹³ On demand for military equipment see section IV of this chapter.

During the year, Ukraine received financial and equipment-related military assistance from over 20 countries, primarily the United States, the United Kingdom, Germany and the European Union (EU). Most of the military assistance came in the form of bilateral arms transfers, training and other support.⁹⁴ Financial military assistance to Ukraine—which is accounted for in the expenditure of the donor country, not Ukraine—is estimated to have totalled at least \$35 billion in 2023 (equivalent to 54 per cent of Ukraine’s own spending). The largest component was the \$25.4 billion from the USA.

More than half (58 per cent) of Ukrainian government spending in 2023 was military expenditure, and this pattern is repeated in the budget for 2024 that was passed in late 2023.⁹⁵ Ukraine’s budget deficit—the gap between revenue and expenditure—rose by 30 per cent in 2023 and is expected to worsen in 2024: in December 2023 the Ukrainian government estimated a budget deficit of over \$40 billion in 2024.⁹⁶ Ukraine has maximized budget revenue through a combination of increased taxation, debt accumulation and international financial assistance.⁹⁷ As Ukraine continues on a war footing, non-military government spending has largely been covered by international financial assistance.⁹⁸ West European and US financial assistance packages in 2022 and 2023 were critical to freeing up resources for Ukraine to allocate to its military.⁹⁹ As the full-scale war continued into a third year, Ukraine remained heavily dependent on external support for both military and non-military spending.

The Middle East

Estimated military expenditure in the Middle East increased by 9.0 per cent to an estimated \$200 billion in 2023.¹⁰⁰ This was the region’s highest annual growth rate of the decade 2014–23. Israel and Türkiye—the second and third largest military spenders in the region—had major increases in 2023, causing most of the regional rise.

⁹⁴ On arms transfers to Ukraine see chapter 6, sections I and III, in this volume. On EU assistance see chapter 12, section IV, in this volume.

⁹⁵ ‘Ukraine plans big rise in defence spending in 2024 draft budget’, Reuters, 15 Sep. 2023.

⁹⁶ Markuts, Y. et al., ‘Fiscal digest 2023’, Kyiv School of Economics, Center of Public Finance and Governance, 2024; Harmash, O., ‘Ukraine approves 2024 wartime budget, aims to strengthen army’, Reuters, 9 Nov. 2023; and Harmash, O., ‘Will Western aid plug Ukraine’s gaping budget deficit in 2024?’, Reuters, 15 Dec. 2023.

⁹⁷ Coi, G. and Mackenzie, L., ‘Ukraine’s funding gap—By the numbers’, Politico, 25 Jan. 2024.

⁹⁸ Harmash, 15 Dec. 2023 (note 96).

⁹⁹ On the relationship between aid and military expenditure see Tian, N. and Lopes da Silva, D., ‘Military spending and official development assistance in recipient states: Is there a relationship?’, SIPRI Insights on Peace and Security no. 2020/8, Aug. 2020.

¹⁰⁰ The total for the Middle East excludes Syria and Yemen, for which no figures are available, and includes estimates for Qatar and the United Arab Emirates.

Saudi Arabia, the Middle East's largest military spender, also increased its military spending, but at a lower rate of 4.3 per cent, to reach an estimated \$75.8 billion. Since the start of its intervention against Houthi forces in Yemen in 2015, Saudi Arabian military expenditure has been relatively stable with the exception of a sharp decrease in 2016 due to lower oil revenues.¹⁰¹ Compared to 2014, Saudi military spending was 18 per cent lower in 2023. The country's military burden also fell, from 11 per cent of GDP in 2014 to 7.1 per cent in 2023. Clashes between Houthi forces and the Saudi-led coalition significantly decreased in 2023 after peace talks mediated by Oman.¹⁰²

Israel's war in Gaza following the attack by Hamas on 7 October was the main driver of the country's 24 per cent increase in military expenditure in 2023 to reach \$27.5 billion, or 5.3 per cent of GDP.¹⁰³ Israel provides budget-execution figures on a monthly basis, which make the financial costs of the military campaign in Gaza clear. Until September, budget execution averaged \$1.7 billion per month; actual expenditure began to rise in October; and it reached \$4.7 billion in December 2023. By the end of the year, the Israeli Ministry of Defence's executed budget was 21 per cent higher than the original budget.

Iran's military expenditure remained relatively stable in 2023, at \$10.3 billion after a minimal increase of 0.6 per cent. Over the years, the composition of Iranian military expenditure has shifted, reflecting Iran's strategic priorities and its expanding influence in the region. For example, spending on the Iranian Revolutionary Guard Corps (IRGC)—which plays a key role in the country's relationship with its proxies, most notably Hezbollah in Lebanon and the Houthis in Yemen—rose from 27 per cent of Iran's total military expenditure in 2019 to 37 per cent in 2023.¹⁰⁴ Elsewhere in the Iranian budget, spending linked to the procurement of aircraft from the Iran Aircraft Manufacturing Industrial Company (HESA)—which produces UAVs used by the IRGC—increased by 27 per cent between 2019 and 2023.¹⁰⁵

¹⁰¹ On the armed conflict in Yemen see chapter 2, section I, and chapter 4, section III, in this volume.

¹⁰² On the peace process in Yemen see chapter 2, section II, in this volume.

¹⁰³ Livni, E. and Gupta, G., 'What we know about the war between Israel and Hamas', *New York Times*, 21 Feb. 2024; and Al-Mughhrabi, N. and Barbakh, A., 'Hezbollah, Israel appear to signal no desire to spread Gaza war', Reuters, 3 Jan. 2024. On the Israel–Hamas war see chapter 1, chapter 2, section I, and chapter 10, section II, in this volume.

¹⁰⁴ 'Iran's Revolutionary Guards', Council on Foreign Relations, 8 Jan. 2024.

¹⁰⁵ On the supply of UAVs to the IRGC see US Department of the Treasury, 'Treasury sanctions multinational network supporting Iran's UAV and military aircraft production', 19 Sep. 2023.