

Highlights By Indicator

Military Expenditures

World military expenditures in real terms* rose 2% in 1999 to \$852 billion. Although this level is only a modest 4% above the 10-year low in 1996, it may signal the end of the post-Cold War downturn and may possibly presage the beginning of an upward trend in world military spending. The 1999 level was 35% less than the \$1,310 billion spent in 1989.

Developed countries' military spending of \$607 billion in 1999 also rose 2% from the decade-low in the previous year. However, this slight rebound followed a near continuous decade-long decline averaging 6.2% annually. After an especially sharp drop in the first half-decade, the trend remained nearly level since 1996. In 1999, these countries accounted for 71% of world military spending, a significant decline from their 1989 share of 85%.

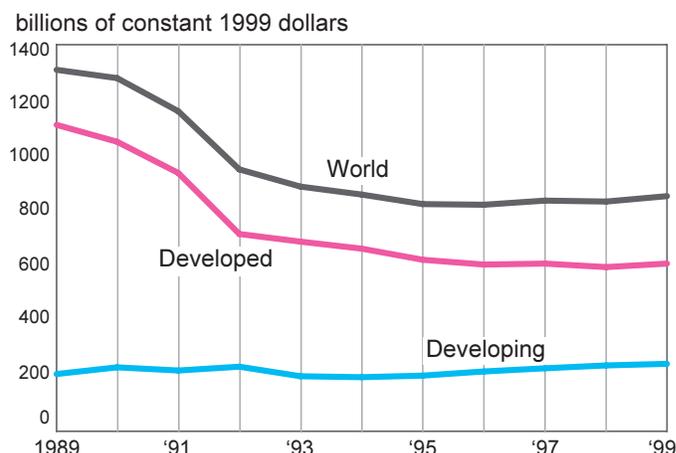
Military spending in the developing countries increased 3% in 1999 to \$245 billion, the all-time high. After fluctuating throughout the first half of the decade, this spending underwent a steady 5-year climb at a 5% average annual rate. The developing nations' share of world military spending reached 29% in 1999, from only 16% a decade earlier, due mainly to the drop in developed countries' spending during the decade.

North America accounted for the largest portion, or 34%, of world military expenditures in 1999. Although this was up from 30% in 1989, the region's military spending actually declined at an average annual rate of 3% during the decade, slowing to a 1% decline in the latter half. **The United States accounted for 96% of North American and 33% of world spending in 1999.**

	Bil.\$	Growth rate (%)	
	1999	89-99	95-99
North America	292.0	-3.1	-1.3
United States	281.0	-3.2	-1.3
Canada	8.3	-1.7	-0.7
Mexico	2.7	4.4	2.6

*All values here are in constant 1999 dollars.

Figure 1. World Military Expenditures: 1989-1999



Western Europe had the second largest share of world military spending, with 22%. Its spending declined over the past decade at a rate of 1.7% per year. The top five spenders in 1999—**France, United Kingdom, Germany, Italy, and Turkey**—had percentage shares of regional spending of 21, 19, 17, 13, and 5%, respectively. France, U.K., and Germany had declining rates, and Italy's was nearly level. Turkey was the main exception, with an 8% average growth rate over the decade and 11% over the last five years. The top spenders in the region were:

	Bil.\$	Growth rate (%)	
	1999	89-99	95-99
Western Europe	188.0	-1.7	0.5
France	38.9	-1.4	-1.0
United Kingdom	36.5	-3.2	-1.8
Germany	32.6	-3.6	-0.7
Italy	23.7	0.1	4.7
Turkey	10.0	7.8	11.1

There have been two major shifts in regional shares of world military spending over the past decade. The most significant shift was in Eastern Europe, where the collapse of the former Soviet Union and the Warsaw Pact reduced the region's share from 34% in 1989 to 7% in 1999, and its rank

Table 1
Military Expenditures: Shares and Growth
(in percent)

	World Share		Real Growth Rate*	
	1989	1999	Decade 89-99	2nd Half 95-99
World	100.0	100.0	-4.6	0.8
Developed	84.2	71.2	-6.2	-0.6
Developing	15.8	28.8	0.8	5.0
Region				
North America	30.0	34.3	-3.1	-1.3
Western Europe	16.2	22.1	-1.7	0.5
East Asia	10.0	21.4	3.4	5.0
Eastern Europe	34.4	7.3	-19.3	-3.4
Middle East	5.4	6.5	-5.4	0.8
South America	1.3	2.6	4.3	3.9
South Asia	0.8	2.0	4.7	6.8
Southern Africa	0.7	1.3	0.5	16.2
Oceania	0.5	0.9	1.1	0.0
North Africa	0.4	0.7	1.9	8.4
Central Africa	0.2	0.5	1.2	18.2
Central Asia & Cauc.	—	0.5	—	2.9
Central Amer. & Car.	0.2	0.1	-6.3	-12.9
Europe, all	50.5	29.2	-9.9	-0.5
Africa, all	1.4	2.4	0.4	11.1
Organization / Reference Group				
OECD	49.3	64.9	-1.8	0.7
OPEC	4.5	5.2	-6.4	2.2
NATO, all	45.0	55.8	-2.6	-0.2
Warsaw Pact (fmr)	34.1	7.3	-19.4	-2.7
NATO Europe	15.0	21.8	-1.4	1.8
Latin America	1.7	3.2	3.3	4.1
CIS	—	5.3	—	-3.4

* Average annual rate, calculated as a compound rate curve fitted to all points (see Statistical Notes for details).

from first place to fourth. The region's average annual rate of decline in 1989-1999 was 19.3%. After the terminal Soviet Union's sharp drop, **Russia*** reduced its real military spending by about half, from an estimated \$73 billion in 1992 to \$35 billion in 1999, when it still accounted for over half of the region's total.

Other top East European countries have also made drastic cuts. **Poland's** expenditures fell from \$19.4 billion in 1989 to \$6.7 billion in 1999. **Romania's** fell from \$6.6 to \$2.2 billion in the same period. **Ukraine's** spending declined from \$6.8 in 1992 to \$5.1 billion in 1999, while the **Czech Republic's** was nearly level at about \$3 billion from 1993 to 1999, after an initial drop and a 2.4% growth rate since 1995.

The five largest spenders in the region were:

	Bil. \$	Growth rate (%)	
	1999	89-99	95-99
Eastern Europe	62.0	-19.3	-3.4
Russia*	35.0	--	-5.0
Poland	6.7	-6.5	-0.7
Ukraine	5.1	--	-0.7
Czech Republic	3.0	--	2.4
Romania	2.2	-8.5	-9.4

The second largest shift occurred in East Asia, whose share of world military spending more than doubled over the decade, from 10% to 21%, with an annual growth rate of 3.4%. This moved the region up from fourth to third largest in spending.

The primary cause was a significant increase in military spending by China*, which accounted for nearly half of the region's total, had an average annual growth rate of 5%, and rose from an estimated \$54 billion in 1989 to \$89 billion in 1999.

Significant spending increases by other top East Asian militaries also contributed to the region's rising world share. **Japan's** real expenditures in 1999 were 20% higher than a decade earlier, **Taiwan's** were 80% higher, and **South Korea's,** 25%. High annual growth rates in the latter half of the decade were registered by **China** (10%), **Taiwan** (7%), and **Singapore** (10%), while **North Korea** had an estimated declining rate of 11%. The largest military spenders in this region were:

	Bil.\$	Growth rate (%)	
	1999	89-99	95-99
East Asia	182.0	3.4	5.0
China-Mainland*	88.9	5.1	10.1
Japan	43.2	1.8	1.3
China-Taiwan	15.2	6.1	7.1
South Korea	11.6	2.4	2.0
Burma*	4.7	6.8	1.6
Singapore	4.4	8.4	9.7
North Korea*	4.3	-4.1	-11.1

The Middle East had the fifth largest share of world military spending in 1999. Regional spending declined substantially in the first half of the decade and was 23% lower in 1999 than in 1989. Over the entire decade, the region declined by over 5% annually, and the top five regional spenders all had declining rates except for **Israel,** whose spending grew at a 2% average. In the latter half-decade, **Saudi Arabia** and **Iran** also increased their spending. Iran's spending

* Data for some or all years are rough estimates (see Main Table I).

changed sharply—after severe cuts throughout the first half-decade, spending increased 30% from 1995 to 1999, from \$5.3 to \$6.9 billion. The largest Middle East military spenders were:

	Bil. \$ 1999	Growth rate (%)	
		89-99	95-99
Middle East	55.0	-5.4	0.8
Saudi Arabia	21.2	-3.4	1.7
Israel	8.7	1.9	-0.5
Iran*	6.9	-3.9	8.3
Syria	4.5	-4.3	-1.1
Kuwait	2.7	-13.0	-9.4

South Asia had the highest average annual growth of any region over the decade, nearly 5%. Its share of military expenditures more than doubled, from 0.8% to 2%. This reflected the military build-up in **India** and **Pakistan**. India's real expenditures were 46% higher in 1999 than in 1989, and Pakistan's, 34% higher. **Sri Lanka** and **Bangladesh** also had high growth rates over the decade, and especially Bangladesh in the second half-decade. The top military spenders in South Asia were:

	Bil. \$ 1999	Growth rate (%)	
		89-99	95-99
South Asia	17.0	4.7	6.8
India	11.3	5.2	8.8
Pakistan	3.5	2.3	2.9
Afghanistan*	NA	6.9	-1.3
Sri Lanka	.7	10.6	1.0
Bangladesh	.6	5.9	7.9

South America had the second highest annual average growth rate over the past decade, 4.3%. Its share of the world total doubled, from 1.3% to 2.6%. **Brazil's** spending, by far the largest in the region, jumped 39% from 1989 to 1999. The largest spenders except **Argentina** had high growth rates in the latter half of the decade, and all except **Venezuela** grew over the full decade, with **Brazil, Chile, Colombia, Colombia,** and **Peru** rising at average rates well over 5%. South American nations with the highest level of military spending were:

	Bil. \$ 1999	Growth rate (%)	
		89-99	95-99
South America	22.0	4.3	3.9
Brazil	9.9	5.6	6.0
Argentina	4.3	1.1	-2.7
Colombia	2.7	8.3	7.2
Chile	2.0	9.4	4.9
Venezuela	1.4	-3.1	4.4
Peru	1.2	6.4	10.1

Regionally, Central Africa, Southern Africa, and North Africa had the world's rapidest growth

in military spending in 1995-1999, with average growth rates of 18, 16, and 8%, respectively. Spending in all three regions turned down in the early to mid-90's, but then surged to reach decade highs by 1999, producing positive rates for the whole decade.

Southern Africa's largest military spender, **Congo (Kinshasa)**, increased its estimated spending sharply from the early to late 1990's, reaching extremely high rates in the latter half-decade. **Angola's** expenditures, second highest in the region, declined significantly in the early 1990's, but by 1999 reached their highest level of the decade. **South Africa**, the region's third largest spender, was the main exception with declining expenditures throughout the decade, which by 1999 fell to a level less than half that in 1989.

In North Africa, three of the four countries—Libya, Morocco, and Tunisia—had spending declines in the early 90's, but recovered by a decade later to about the starting levels. **Algeria**, after a sharp initial drop, nearly doubled its initial level by the end of the decade. In the latter half-decade, Algeria's spending was growing at over 11% annually, and Libya's, at an estimated 5%.

In Central Africa, the two largest spenders - Nigeria and Ethiopia - followed a similar pattern, with significant spending declines to the mid-90's, followed by increased spending to levels higher than those a decade earlier. **Eritrea's** spending also increased rapidly in the latter half-decade.

The largest military spenders in Africa were:

	Bil.\$ 1999	Growth rate (%)	
		89-99	95-99
Southern Africa	11.0	0.5	16.2
Congo (Kinshasa)	5.2	13.1	47.0
Angola	2.5	0.5	4.9
South Africa	2.0	-8.5	-8.6
Zimbabwe	.3	1.8	11.4
Botswana	.2	4.9	9.5
North Africa	6.0	1.9	8.4
Libya	NA	-1.6	5.1
Algeria	1.8	9.2	11.3
Morocco	1.5	-0.1	3.6
Tunisia	.3	-0.3	2.3
Central Africa	4.0	1.2	18.2
Nigeria*	1.6	-1.9	26.8
Ethiopia	.5	-4.8	50.4
Sudan	.4	4.7	-1.8
Eritrea	.2	--	18.6
Kenya	.2	-2.6	0.3

Oceania's share of world military expenditures nearly doubled (from 0.5 to 0.9%), despite its modest 1% decade average growth rate, because the rest of the world's spending declined. **Australia** accounted for the overwhelming majority of spending in this region and had its highest real growth rate (2%). Countries in order of their spending were:

	Bil \$ 1999	Growth Rate (%)	
		89-99	95-99
Oceania	8.0	1.1	0
Australia	7.1	1.9	-1.6
New Zealand	.6	-3.4	-0.1
Papua New Guinea	.04	1.1	-9.6
Fiji	.04	1.5	-4.0

Central Asia and the Caucasus, accounting for one-half of one percent of world military expenditures in 1999, had a 2.9% growth rate from 1995-1999. After the initial adjustments made with the dissolution of the former Soviet Union, most countries in the region, with the exception of **Kazakhstan** and **Georgia**, increased their military expenditures throughout 1995-1999. The five largest spenders in 1999 were:

	Bil.\$ 1999	Growth Rate (%)	
		92-99	95-99
Central Asia & Cauc.	4.0	-6.7	2.9
Uzbekistan	.9	-6.8	16.2
Azerbaijan	.9	2.7	11.9
Kazakhstan	.7	-20.7	-15.6
Armenia	.6	14.5	17.6
Turkmenistan	.5	10.8	13.2

Central America and the Caribbean, with a decade-average annual rate of decline of 6.3%, joined the four other regions having average rates of decline (Eastern Europe, 19.3%; the Middle East, 5.4%; North America, 3.1%; and Western Europe, 1.7%). The decline was primarily due to Cuba, where spending fell by just under two-thirds from 1989 to 1999, while remaining the largest in Central America.

The main military spenders in Central America and the Caribbean were:

	Bil.\$ 1999	Growth Rate (%)	
		89-99	95-99
Cent. Am. & Carib.	1.0	-6.3	-12.9
Cuba	.6	-9.3	-0.6
Panama	.1	2.1	5.4
Dominican Republic	.1	6.4	-6.3
Guatemala	.1	-4.6	-6.9
El Salvador	.1	-11.7	-1.0

The world's top military spenders in 1999 were:

	Billions of dollars
1. United States	281.0
2. China - Mainland*	88.9
3. Japan	43.2
4. France	38.9
5. United Kingdom	36.5
6. Russia*	35.0
7. Germany	32.6
8. Italy	23.7
9. Saudi Arabia	21.2
10. China - Taiwan	15.2
11. South Korea	11.6
12. India	11.3
13. Turkey	10.0
14. Brazil	9.9
15. Israel	8.7

Countries with especially large reductions in their military spending over the decade, in either absolute or relative terms, included the following:

	1989	1999	Diff., '89-'99	Ratio, '99/'89
	(Million constant 1999 dollars)			(%)
Albania	206 ('91)	72	134	35
Cuba*	1,730	630	1,100	36
Hungary*	5,110	1,880	3,230	37
Iran*	9,660	6,880	2,780	71
Iraq*	15,100	1,250	13,850	8
Kazakhstan	2,840 ('92)	671	2,169	24
North Korea*	7,540	4,260	3,280	56
Mongolia*	76	18	58	24
Nicaragua	289 ('90)	24	265	8
Poland	19,400	6,690	12,710	34
Romania	6,600	2,190	4,410	33
Russia*	72,900 ('92)	35,000	37,900	48
South Africa	4,570	1,960	2,610	43
Untd Kngdm	48,300	36,500	11,800	76
United States	382,000	281,000	101,000	74
Zambia	128	31	97	24