

Military Expenditure

(PPT 1)

Elisabeth Sköns, The Stockholm International Peace Research Institute (SIPRI)
Presentation at the 24th Annual International Women's Day Disarmament Seminar of
the Women's International League for Peace and Freedom, Geneva, 7 March 2007.
"Military expenditure vs Human Security: what are the realities, what are the options"

Introduction

(PPT 2: Outline of my talk)

The topic I have been asked to talk about is military expenditure, to provide an overview of recent trends and explain our work on this topic at SIPRI.

So, I will begin with a short introduction of Sipri.

Second, I will run through the pattern and trends in military expenditure, with the help of some graphs and figures.

Third, since the theme of this seminar is military expenditures vs. human security, I will provide a historic account of the political contexts within which data on military expenditure have been used during the past 40 years, since this can provide a useful background to the topic of today on military expenditure versus human security.

Fourth, I will finish by touching on some of the challenges involved in the use of the concept human security and mention some suggestions that have been made on how to deal with this.

I have been asked to speak for 45 minutes and will aim to be on target.

1.Presentation of SIPRI,

(PPT 3: SIPRI)

The Stockholm International Peace Research Institute (SIPRI) was established 40 years ago, in 1966. The initiative to create SIPRI was a result of experiences made here in Geneva by Alva Myrdal, who was Sweden's chief delegate to the UN Disarmament negotiations in the 1960s. She saw the disarmament negotiations as crippled by the lack of reliable information, with the result that slogans took the place of serious negotiations. She therefore proposed to bring into the negotiations a stress on objective research as a baseline on which governments might more easily agree. She put this idea to the Swedish government and was then asked by our prime minister to plan for the creation of what was to become SIPRI. She also served as the first Chair of the Governing Board of SIPRI. So SIPRI has in a way its first roots here in Geneva. We have continued to follow the tracks laid out by Alva Myrdal, that is to focus on empirical research and to try to be as impartial and transparent as possible in that research, as well as to serve the international community engaged in issues of importance for understanding of the conditions for peaceful solutions and for a stable peace not only by publications and presentations but also by responding to direct requests for data and other information.

The project on military expenditure has been an on-going project since the foundation of Sipri 40 years ago. The SIPRI Military Expenditure Database currently covers 166 countries. The SIPRI data are based on open sources and reflect information reported by governments. The data is presented on our web site and can also be requested from SIPRI via our website www.sipri.org for the time period since 1988, and are normally sent the same week. The SIPRI data are also presented in the publications of the World Bank (World Development Indicators), the UNDPs Human Development Report, and

other publications.

At the time when the data collection began, there was little information available on military expenditure. Today, it is easier to access data, but it is still difficult to find reliable, detailed and comparable data. For many reasons, data on military expenditure should be interpreted with great caution. Nevertheless, they serve the purpose of identifying broad trends and patterns in world and regional military expenditure.

2. Trends in military expenditure

2.1. The global trend and the biggest spenders

(PPT 4: Three phases of growth in world milex)

During the first few years after the end of the cold war, there was an initial period of disarmament, reflected in a significant reduction in world military spending. Between 1988 and 1996, world military spending declined by about 28 per cent in real terms, corresponding to an average annual reduction of 4.5 per cent in real terms.

Then followed a period of moderate growth (averaging 1.5 per cent per year) between 1996 and 2001. Since then, there has been a much higher growth rate.

(PPT 5: Graph: World milex 1988-2005)

During the past 5 years since 2001, world military expenditure has been increasing at a rapid pace. Between 2001 and 2005 world military spending increased by 25 per cent in real terms, which corresponds to an average increase of 6 per cent per year. By 2005 it was close to the level in 1988, one of the peak years of military spending during the cold war, and in 2006 there was a further growth in world military spending, not yet available but most likely resulting in a higher level than during the peak of the cold war.

(PPT 6: World milex in 2005)

In 2005 total world military expenditure exceeded one trillion dollars. At the level of \$1,118 billion in current dollars, it corresponded to 2.5 per cent of world gross domestic product and 173 dollars per capita. ¹

The global trend is strongly influenced by the trends in the military expenditure of the 15 biggest spenders in the world, because global military expenditure is highly concentrated to these countries.

(PPT 7: pie: Shares by country)

In 2005, the top 5 spenders accounted for 65 per cent of world military expenditure, with the USA as the by far biggest spender, accounting for 48 per cent of the world total.

The next 10 major spenders accounted for 19 per cent of the world total. Thus together the top 15 spenders accounted for 84 per cent of world military spending in 2005, and all the remaining countries in the world (or rather the other 151 countries in the SIPRI Military Expenditure Database) accounted for only 16 per cent of world military spending.

The impact of the major spender countries on the global trend is shown by comparing the increase in their military spending with the increase in the world total.

(PPT 8: The impact of the biggest spenders)

During the period of rapid growth 2001-2005, world military spending has increased by

¹ Stalenheim, P. et al., 'Military expenditure', *SIPRI Yearbook 2006*. Oxford: OUP 2006. p. 295.

201 billion dollars.

The combined military spending of the top 5 spenders increased by 177 billion dollars, accounting for 88 per cent of the total increase in world military spending, And the United States alone accounted for 76 per cent of the increase, or an increase of 153 billion dollars.

Altogether the 15 biggest spenders accounted for 95 per cent of the increase in the world total while the remaining 151 countries accounted for 5 per cent of the world increase.

2.2. The 15 biggest spenders

(PPT 9: The 15 biggest spenders)

The group of 15 countries with the highest military expenditures in 2005 includes countries from North America, Europe, Asia, Oceania and the Middle East but does not include any country from Africa and Latin America. By far the largest spender is the United States, with 48 per cent of the world total. The next four in size are the UK, France, Japan and China, each accounting for 4–5 per cent of the world total. The next five are Germany, Italy, Saudi Arabia, Russia and India, each accounting for 2–3 per cent of the world total, followed by South Korea, Canada, Australia, Spain and Israel, with 1–2 per cent each of the world total.

While the USA has had the greatest impact on world military spending in terms of total spending, China is the country with the highest growth rate in its military expenditure, followed by Saudi Arabia and India. Over the 10-year period 1996–2005, Chinese military spending increased by 165 per cent in real terms, Saudi Arabia's by 95 per cent and India's by 83 per cent.

And last week China announced a record increase of 17.8 per cent in their military budget for 2007. While the SIPRI estimate of Chinese military spending is roughly 65 per cent higher than the official figures, since the official figure leaves out several items of military related expenditure, China nevertheless spends much less per capita than several other of the major spenders. In 2005 per capita military spending of China was 31 dollars according to SIPRI estimate, while that of the USA was 1604 dollars, Israel was 1430 dollars, Japan was 1,163 dollars, Saudi Arabia was 1025 dollars, the UK was 809 dollars and France spent 763 dollars per capita.

In the lower end of the growth spectrum over the most recent 10-year period are Japan and France, with 2–3 per cent increases, followed by Canada (9 per cent) and the UK (13 per cent). The only country that reduced its military expenditure over the 10-year period is Germany.

2.3. US military expenditure

Since the United States accounts for almost half of world military spending, I will give a brief account of its trends.

(PPT 10: Graph: US military spending)

US military expenditure increased by 55 per cent in real terms between 1998, when the post-cold war decline in US military spending ended, and 2005. Most of this increase has occurred since 2001, since when the increase has been 47 per cent in real terms. The level of US military spending is now higher than the peak spending levels during the cold war.

(PPT 11: US military expenditure text)

The main reason for this strong increase in US military spending is the massive supplementary appropriations under the heading of the 'global war on terrorism' (GWOT)—which includes military operations in Iraq ("Operation Iraqi Freedom"), Afghanistan ("Operation Enduring Freedom") and elsewhere, and are on top of regular US military expenditure. Between September 2001 and December 2005 the total supplementary sum appropriated for military and intelligence operations in support of the GWOT amounted to \$401 billion, of which \$323 billion was for the Department of Defense (DOD) and the remaining \$78 billion for other government departments, such as State, Energy and Homeland Security.²

In February 2006, the President requested another \$72 billion,³ which brought the total supplemental GWOT spending to \$473 billion over 6 years, including \$388 billion for the DOD. In order to set this sum in perspective, it can be compared with the combined military spending of all 120 low- and middle-income countries in 2005, amounting to 238 billion dollars.

Or the external debt of all 59 low-income countries in 2004 (amounting to \$414 billion), or the total national income of all 48 countries in Sub-Saharan Africa in 2004 (amounting to \$432 billion).⁴

The major part of US military expenditure for the GWOT is for military operations in Iraq. The US Congressional Budget Office has estimated the total spending for military operations in Iraq alone at \$493 - \$622 billion up until year 2016, depending on different assumed scenarios of the war.

The massive increase in US military spending takes place in the context of rising budget deficits, increasing federal debt and increasing outlays to service this debt. According to the US Office of Management of Budget, this increase has also been one of the factors contributing to the deterioration of the US economy. During the period 2001-2006 the US federal budget has changed from a surplus to a deficit of 424 billion dollars, corresponding to 3.2 per cent of GDP and the federal debt has increased by 2.84 trillion dollars to 9.3 trillion dollars in 2006, corresponding to 67.5 per cent of GDP and interest payments on this debt have increased to 220 billion dollars per year.

Furthermore, in the longer term, US military operations in Iraq, Afghanistan and elsewhere will have an economic impact far beyond the direct effect of military expenditure. The indirect costs of armed conflict include a range of costs to the parties themselves, as well as to neighbouring countries, and the negative macro-economic impact of disturbances caused by the conflict.⁵ Among the categories to include in the indirect costs to the parties are the cost of lives lost, of treatment for those wounded, and the economic impact of the destruction of infrastructure, productive capacity and

² US Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2007 to 2016* (US Congress: Washington DC, Jan. 2006), URL<<http://www.cbo.gov/ftpdoc.cfm?index=7127>>, Box 1-1, p. 7

³ US Office of Management and Budget (OMB), 'FY 2006 Emergency Supplemental (various agencies): Ongoing Military, Diplomatic and Intelligence Operations in the Global War on Terror; Stabilization and Counter-Insurgency Activities in Iraq and Afghanistan; and Other Humanitarian Assistance.' White House, Wash. DC, 16 Feb. 2006. URL<http://whitehouse.gov/omb/budget/amendments/supplemental1_2_16_06.pdf>.

⁴ These figures are calculated based on data in World Bank, *World Development Report 2006* (Oxford: OUP 2005), appendix tables 1 and 4, pp. 293 and 299.

⁵ See, e.g. Hartley, K., 'Iraq and the Costs of Conflict', University of York, 2006, URL<http://www.york.ac.uk/depts/econ/documents/research/iraq_costs_socrev_aug2006.pdf>; and Sköns, E., 'The costs of armed conflict', in *Expert Paper Five: Peace and Security* (Stockholm: International Task Force of Global Public Goods, 2006), pp. 169-190.

other capital, and lack of investment in the country of conflict. Some of these, may incur further budgetary costs, for example to the extent that the government provide care for injured soldiers, while other types of costs affect the national economy. In addition, major armed conflicts often have global macro-economic implications, in the case of the Iraq war primarily due to the impact on the oil market.

When some of these factors are taken into account, the costs to the USA of the Iraq war become much higher than the increased level of military expenditure. In an assessment produced in late 2006 by Linda Bilmes and Joseph Stiglitz, based on the same two scenarios of troop deployment as used by the Congressional Budget Office, the sum of current and future budgetary costs for military operations, ex-combatants' health care and disability compensation and demobilization was estimated at \$1,012 billion.⁶ In addition, the economic impact of lives lost, jobs interrupted and increased oil prices as a result of political uncertainty in the Middle East was estimated at \$1,255 billion, resulting in a total cost of \$2,267 billion.

Thus, even for a major power such as the USA, a major war like that in Iraq involves a significant economic burden, with severe future economic and political implications.

2.4. Military expenditure by region and income group

(PPT 12: Regional shares of military spending)

Looking at the distribution of world military spending by region, the regions with the largest shares of the global total apart from North America are Western Europe with 22 per cent and Asia with 15 per cent, while all other regions account for shares smaller than 10 per cent. Africa accounts for 1 per cent of world military spending and Latin America for 2 per cent.

(PPT 13: Regional trends)

There are great variations in the trends in military spending between regions and subregions and also between income groups. While the region with the greatest increase has been the Americas, due to the strong increase in the United States, other regions have also been increasing their military spending.

Over the 10-year period 1996–2005, when world military spending increased by 34 per cent in real terms, other regions than the Americas with increases above this world average are Africa and the Middle East, while Asia and Oceania increased at roughly the same rate as the world total and Europe increased more moderately at 8 per cent in real terms.

Over the period 2001–2005, when world military spending increased by 25 per cent, the only region with a clearly above-average increase is the Americas, while all other regions increased by less than the world average. Europe, with an increase of 5 per cent, is the region with the slowest growth rate also during this period.

On the subregional level, the regions with the most rapid increases in 1996–2005, apart from North America, are Central Asia, South Asia, and North Africa, all of which had military expenditure increases exceeding 50 per cent over the 10-year period. There were also significant increases in the military spending in Sub-Saharan Africa and Central and Eastern Europe.

⁶ Bilmes, L. and Stiglitz, J. E., 'Encore: Iraq hemorrhage', *Milken Institute Review*, fourth quarter, 2006, pp. 76-83, URL<<http://www.milkeninstitute.org/mitrack.taf?UID>>.

The only subregion with decreasing military expenditure over the entire 10-year period 1996–2005 is Central America, with a reduction of 2 per cent in real terms, and an even stronger reduction since 2001 (by 14 per cent). Since Mexico accounts for over 80 per cent of Central American military spending, its 2 per cent reduction over the period has a great impact on the subregional trend, but most of the other countries in the region have also reduced their military spending.

2.5. Military expenditure by income group **(PPT 14: Shares by income group)**

Another interesting pie chart on world shares shows the distribution of world military spending by income group. This shows that 35 high-income countries accounted for 80 per cent of world military spending in 2005, while 49 low-income countries accounted for 3 per cent.

Over the 10-year period 1996–2005, the low-income countries had the highest growth rate in their military spending, at 64 per cent, while the high-income countries had the lowest growth rate, at 29 per cent in real terms. During the period since 2001 this relationship changed: the high-income countries had the highest growth rate, at 27 per cent, but this was due only to the sharp rise in US military spending.

2.6. The economic burden of military expenditure **(PPT 15: military burden by income group)**

Military expenditure imposes a considerable economic burden in many countries. As mentioned above, world military expenditure in 2005 corresponded to an average of 2.5 per cent of world gross domestic product (GDP) or \$173 per capita. This table shows how these measures vary between income groups for the year 2004, the most recent year with available data for most countries.

The best indicator of the economic burden of military expenditure is its share of gross domestic product (GDP), since this sets military expenditure in relation to the country's overall economic activity. Military expenditure per capita indicates merely the average cost of each inhabitant of national military expenditure.

There is a strong correlation between income group and per capita spending, which confirms that affordability is an important determinant of the level of military spending. The opposite correlation seems to apply for the share of military expenditure in GDP, which is inversely correlated with the level of income, except for the high-income group. However, these aggregate figures are highly sensitive to the figures for the biggest spenders. In particular, the USA, with a 4.0 per cent share of GDP spent on the military in 2004, has a great impact on the figure for the high-income group. In contrast, the major high-income countries in Europe have military-GDP ratios within the range of 1.4 per cent (Germany) to 2.8 per cent (UK).

Among the 15 biggest spenders, the military burden expressed as share of GDP is highest in the two countries in the Middle East—Israel and Saudi Arabia, with 8.7 and 8.3 per cent of GDP respectively. Other big spenders with a military burden above the world average of 2.5 per cent are the USA, Russia, India, the UK and France, with GDP shares of 2.6–4.0 per cent. The big spenders with the lowest military burden are Japan, Canada and Spain, with one per cent of GDP spent on the military.

Most of the top 15 spenders have per capita spending above the world average of \$173 per capita. The main exceptions are China and India, with \$31 and \$19 respectively, but Russia also has a per capita figure slightly less than the world average.

(PPT 16: Military and social expenditure)

While it would be interesting to examine the relationship between military and social expenditures in different types of countries, this is difficult to do because of lack of data, and because of poor comparability in the data that are available. Preliminary data comparing the shares of GDP spent on military and social expenditures for countries in different income groups show that several low-income countries give higher priority to military expenditure than to education and/or health, while most countries in the other income groups devote a higher share of GDP to education and health than for military purposes. The main exceptions are countries in the Middle East, where the military burden is high in most countries. However, several of the Middle East countries are nevertheless able to spend more on education and health than the low-income countries, simply because of their higher incomes.

2.7. The interpretation of military expenditure data

(PPT 17: Interpretation of millex data)

Having provided a survey of the broad trends in world military spending, I want to add a word of caution in using such data for more detailed comparisons.

The use of data on military expenditure is in many ways limited. The sources of these limitations are of three major types of problems: the quality of the data, their meaning and their relevance for different types of analysis. These limitations need to be considered when interpreting data on military expenditure.

The quality of military expenditure data

All international series of military expenditure are based on data provided by national governments. In many cases, such data are underreported. Some military-related expenditure can be financed under other budget headings than defence, e.g. arms imports or some military research and development. Other military items can even be financed entirely outside the government budget (so-called off-budget expenditures). One type of off-budget military spending is expenditure originating from the revenues of commercial activities of the armed forces. The reasons for underreporting vary. Some military-related expenditure is deliberately concealed, while in other cases underreporting is merely the result of historic accounting practices or lack of capacity in accounting.

It is often impossible for SIPRI as well as for anyone else to check the quality of military expenditure data, due to the lack of transparency and accountability in the processes of defence policy, planning, programming and budgeting. Thus, in order to have an insight into the actual military expenditure for individual countries, rather than analysing the data reported by governments, it may be more productive to examine the decision-making processes for determining the level of military expenditure and in particular the arms procurement component of these. SIPRI has conducted two major projects on such processes, the first in the late 1990s looking at arms procurement

processes in 12 countries,⁷ and the second in the early 2000s studying the military budgeting processes in eight Sub-Saharan African countries.⁸

Aggregating military expenditure for regions and international comparisons are problematic also because there is no international standard definition of military expenditure. Furthermore, military expenditure data are not openly available or accessible for all countries and spending by non-government actors is never included. There are also methodological problems, stemming from the difficulty of converting local currency figures into dollars. As previously mentioned, there exists no ideal currency conversion method for data on military expenditure, and cross-country comparisons are extremely sensitive to the choice of currency conversion method.

The meaning of military expenditure data

Military expenditure is a measure of government monetary resources going into the military sector and it is therefore an input measure. This fact is crucial to assessments of the utility of military expenditure data. It means that these are useful primarily to assess the economic burden of military activities, or to measure government priorities between military and non-military purposes. However, military expenditure data are often used to assess military capability or even military security. This is problematic because there is no direct link between the input of financial resources and the output in terms of military capability and even less to security. Military capability depends not only on the level of expenditure but also on how it is spent and on the existing military assets. Thus, the input–output ratio for military expenditure depends on a range of factors, including (a) the inventory of military equipment at the time of spending; (b) the composition of expenditures, e.g. the shares of personnel and arms procurement; (c) the system of recruitment of military personnel (conscription or employment of professional soldiers); (d) the technological level and performance of acquired weapon systems; and (e) the method of arms procurement (imports or domestic production). For these reasons, data on military expenditure are not good indicators of military capability.

⁷ Singh, R. P. (ed), *Arms Procurement Decision Making, volume I: China, India, Israel, Japan, South Korea and Thailand* (Oxford: OUP, 1998); and Singh, R. P. (ed), *Arms Procurement Decision Making, volume II: Chile, Greece, Malaysia, Poland, South Africa and Taiwan* (Oxford: OUP, 2000).

⁸ Omitoogun, W. and Hutchful, E. (eds), *Budgeting for the Military Sector in Africa: The Processes and Mechanisms of Control* (Oxford: OUP, 2006).

The relevance of military expenditure data

Changes in the global security environment since the end of the cold war have resulted in a number of questions concerning the relevance of military expenditure data for purposes of security analysis. Not only has the actual security environment changed but so too has the conceptualization of security.

While there is still a lack of consensus on the exact nature and scope of the new security picture and, in particular, on the causes of insecurity and how to address them, there is an emerging common understanding of two basic elements: the ineffectiveness and growing irrelevance of military means to address many of the contemporary threats to global and individual security, and the increasingly global nature of security. This change in the conceptualization of security has resulted in recognition of the growing need to adopt non-military policies and for global action to address security threats.⁹

The reconceptualization of security requires not only new policy instruments but also new indicators to assess monetary contributions to the provision of security and the balance between military and non-military means for this purpose. While military expenditure has never been a good indicator of security provision, it has been the objective of the spending and governments have perceived it as such. The new concept of human security, with its focus on the individual, and the increased relevance of the internal security sector to addressing many security threats, means that military expenditure data is losing relevance also for national policies. While still important as one factor in the security calculation, they need to be complemented by and compared with other types of data in order to capture the new security dimensions. Which indicators these should be will depend on the identification of feasible and productive policy instruments to address these security threats.

⁹ See, for example, United Nations, 'A more secure world: our shared responsibility', Report of the High-level Panel on Threats, Challenges and Change, UN documents A/59/565, 4 Dec. 2004, and A/59/565/Corr. 1, 6 Dec. 2004, URL <<http://www.un.org/ga/59/documentation/list5.html>>.

3. The use of data on military expenditure

(PPT 18: The use of military expenditure data)

During different periods data on military expenditure have been used in different ways and for different objectives. These uses often reflect the prevailing security environment.

Since the end of WW II, one can see three major phases in the security environment and therefore also in the use of data on military expenditure. These are the cold war period, the first 12 years of the post-cold war period, and the period since 11 September 2001.

I will run through four ways in which data on military expenditure have been used during these three periods: for threat assessments; in disarmament approaches; as a measure of transparency; and for assessing military spending in developing countries.

3.1. Threat assessments

During the cold war period, the two military alliances used military expenditure data for assessments of the threats posed by the adversary as well as of the military balance between them. In particular, highly questionable estimates of Soviet military expenditure had a prominent role in justifying massive increases in US military spending from the mid-1970s to the mid-1980s. They were also used to convince other members of NATO to increase their military spending, and led to the NATO decision in 1977 to call for a 3 per cent annual increase in military expenditure in all NATO member states, a target which NATO retained throughout the 1980s.

After the end of the cold war, and especially since September 11, the use of milex data for threats assessments has been less common. The arms race between two super powers is over. Military expenditure data can neither indicate the level of threat posed by terrorism nor a country's real capacity to respond to that threat, since military means are not very useful for combating terrorism.

The one instance in which military expenditure continues to be used as a threat assessment tool is in the measurement of Chinese military expenditure. In the same way as exaggerated estimates of Soviet military expenditure were produced during the cold war, such estimates are now produced for China by governments and analysts in the West. At the same time it is difficult to know the real level of Chinese military expenditure due to the omission of some expenditure categories in the official Chinese military budget.

(ii) The use of military expenditure data for different disarmament approaches

During the cold war milex data were extensively used in the context of disarmament efforts or initiatives. In particular there was a proposal for a 10 per cent reduction in the milex of the permanent members of the UN Security Council, which was adopted by the UN General Assembly in 1973. This was never implemented and subsequently abandoned. In 1978 the UN General Assembly agreed on a softer formulation. As one of several approaches to disarmament in the comprehensive programme of action for disarmament, adopted in 1978, was to consider a gradual reduction of military budgets on a mutually agreed basis, particularly by nuclear-weapon States and other militarily significant States. The objectives of this approach was to contribute to curb the arms race and to increase the possibilities of reallocation of resources now being used for military purposes to economic and social development, particularly for the benefit of the developing countries. For this purpose the UN developed a **Reporting Instrument for Military Expenditure** and every year since 1981 all UN member states have been asked to report their military expenditure to the UN. These have been collected by the UN Department for Disarmament Affairs and are available on their web site.

After the end of the cold war there was a significant decline in military expenditure, in particular in the member states of the two military alliances, which had been the main participants in the cold war arms race. During the early years of the post-cold war period, military spending data were used to estimate the peace dividend that was expected, and to some degree also realized. For example, the UNDP estimated that, based on a reduction of military spending by 3 per cent per year, there would be a peace dividend of about \$460 billion in 1995-2000, which it recommended be spent on human development (HDR 1994, p. 59).

With the ending of super power rivalry, the reduction of military spending became an issue also in the developing world, and military expenditure data became a tool for those advocating a reduced level of spending in these countries.

Although the size of military budgets continues to be an issue after September 11, there have been few references to reductions in military budgets as a means of disarmament in international disarmament negotiations since September 11. The only UN initiative to try to restore the link between reductions in military expenditure and the release of resources for development was the 2002 request by the UN General Assembly to the UN Secretary-General to prepare a report reappraising the relationship between disarmament and development in the current international context. The report, submitted in 2004, 'reiterates the importance of exercising restraint in military expenditure, so that human and financial resources can be used for the ongoing effort to eradicate poverty and achieve the Millennium Development Goals'.¹⁰ This was the first review of this issue since the adoption of the Final Document by the International Conference on the Relationship between Disarmament and Development in 1987, and resulted in a General Assembly resolution from December 2004 requesting the Secretary-General to take action for the implementation of the action programme adopted at 1987 conference.¹¹

3.3. The use of military expenditure data as a transparency measure

During the cold war, military expenditure data were little used in the context of transparency, although transparency in military expenditure began to be seen as a confidence-building measure (CBM) with the objective to reduce tensions between adversaries and avert the possibility of military conflict.

The first rudimentary CBMs were contained in the 1975 Helsinki Final Act within the framework of the Conference for Security and Co-operation in Europe, CSCE (in 1995 renamed the Organization for Security and Co-operation in Europe, OSCE),¹² and the first major agreement on confidence- and security-building measures (CSBMs) was included in the 1986 Document of the Stockholm Conference on Disarmament in Europe, which focused on regulating the activities of military forces.¹³ However, initially CBM negotiations focused on prior notification of military manoeuvres and

¹⁰ United Nations, 'The relationship between disarmament and development in the current international context', Report of the Group of Governmental Experts on the Relationship between Disarmament and Development, UN General Assembly document A/59/119, New York, N.Y., 23 June 2004, URL <<http://www.un.org/ga/59/documentation/list1.html>>, p. 4.

¹¹ United Nations, General Assembly Resolution 59/78, 17 Dec. 2004. See also United Nations, 'Relationship between disarmament and development', Report of the Secretary-General, UN General Assembly document A/60/94, New York, N.Y., 5 July 2005, URL <<http://www.un.org/ga/60/documentation/list.html>>.

¹² Darilek, R. E., 'The future of conventional arms control in Europe, a tale of two cities: Stockholm, Vienna', *World Armaments and Disarmament: SIPRI Yearbook 1987* (Oxford University Press: Oxford, 1987), p. 340.

¹³ Darilek (note 12), p. 341.

movements and the occasional presence of military observers and did not make any reference to military expenditure.

During the post-cold war period, the UN Instrument for Reporting Military Expenditure was gradually transformed into a transparency instrument.

The annual UN General Assembly resolution asking the Secretary-General to request data on military expenditure now omits the goal of reducing the spending and includes reference only to 'promoting further openness and transparency in all military matters', with the conviction that such transparency 'is an essential element for building a climate of trust and confidence between States world-wide' and 'can help to relieve international tension and is therefore an important contribution to conflict prevention'.¹⁴

With the delinking of the UN reporting system from its original purpose—reduction of military expenditure as a measure of disarmament and with the ultimate objective to release resources for development— it also lost much of its political momentum.

Since 2001 the UN Department for Disarmament Affairs has been engaged in efforts to encourage and facilitate reporting by member states. It has held regional and sub-regional workshops to increase familiarity with the reporting instrument and to raise awareness regarding the transparency-building process. After this revival of the instrument as a transparency measure, the number of reporting countries increased to 76–82 per year in 2002–2005.¹⁵ A simplified reporting instrument has also been introduced, but few countries have chosen to report using this version.¹⁶

However, since transparency also constitutes a confidence-building measure, the UN reporting instrument can also be seen as a CBM or CSBM at the global level, and this is indeed one of the factors used today to justify the instrument in General Assembly resolutions. Similar initiatives to exchange information on military expenditure as a CBM have subsequently been initiated regionally, including in South America between Argentina and Chile.¹⁷ The exchange of military budget figures between members of the OSCE has been a CSBM since 1991.

Transparency in military budgeting is also used as an indicator of good governance in aid recipient countries. Donors call for military expenditure statistics to be produced as part of the routine government budget process for the use of parliament in its oversight function and for the general public.

¹⁴ United Nations, General Assembly Resolution 60/44, 6 Jan. 2006, URL <<http://www.un.org/Depts/dhl/resguide/r60.htm>>.

¹⁵ United Nations, Department for Disarmament Affairs, 'Participation graph: UN instrument for reporting military expenditures 1992–2005', 1 Jan. 2006, URL <<http://disarmament.un.org/cab/milex.html>>.

¹⁶ The simplified version is reproduced in Sköns, E. and Nazet, N., 'The reporting of military expenditure data', SIPRI Yearbook 2004 (OUP 2004), Appendix 10D, pp. 375-380. For statistics on reporting using the simplified version Sköns and Nazet, 'The reporting of military expenditure data', SIPRI Yearbook 2005, appendix 8C, p. 380.

¹⁷ For a review of CBMs in Latin America see Bromley, M. and Perdomo, C., 'CBMs in Latin America and the effect of arms acquisitions by Venezuela', Working Paper 41/2005, Real Instituto Elcano, Madrid, Sep. 2005, URL <<http://www.realinstitutoelcano.org/documentos/216.asp>>.

3.4. The use of military expenditure data for assessing conditions in developing countries

During the period 1960-1980 many developing countries began to build their military forces to reflect their new status as independent states from the 1960s and 1970s. Between 1960 and 1987 military exp in the developing countries grew at an average annual rate of 7.5 per cent compared with an average of 2.8 per cent for industrialized countries. Most of the money was believed to have been spent on arms bought from the major powers. Since the structure of the international economic order was believed to be the source of the developing world's problems, there were calls by developing countries and well-meaning individuals and groups in the industrialized world for a changed world order that paid attention to the needs of the developing countries. Milex statistics served to point out the increasing resources that developing countries were committing to the military at a time when they were faced with great developmental challenges and were calling for an increased resource flow from the developed world.

Towards the end of the cold war, the burden that military expenditure constituted for the developing countries had become obvious. The advocates for reductions in these countries included major multilateral and bilateral donor countries that began to raise the issue of excessive military spending in their dialogues with recipient countries. At issue was the crowding out of other categories of expenditures, especially for social objectives, as well as the fungibility of economic aid within the budget (i.e. the risk that money given for development might release funds that could be diverted to the military). The tying of development aid to low military expenditure was one major way to enforce a reduction in military spending.'

The decision to make development aid conditional on low military expenditure gave a new significance to military expenditure data for both donors and recipients. While donors sought data for developing countries when taking decisions on whether to grant economic aid or development programmes, recipient countries that were the primary producers of data, became politically alert to the importance of the data they produced. This had and continues to have implications for the quality of the data.

Military expenditure data continue to be used by donors of economic aid as a tool for assessing the seriousness with which governments in developing countries address critical issues of development. While donors now recognize that developing countries have genuine security needs, some still use reductions of military expenditure as a condition for providing assistance. However, this policy is no longer recommended by the OECD's Development Assistance Committee. The Security System Reform framework that DAC members have adopted as the basis of their development work in crisis states argues against donor pre-occupation with levels of spending in recipient countries.¹⁸ Instead, donor countries are encouraged to emphasize good governance in the security sector, through transparency, accountability and effective oversight, using the so-called process approach.¹⁹

At the same time, however, since September 11, the pressure to support the global war on terrorism is encouraging increased spending in areas such as intelligence and internal security and the USA has provided extra military aid in cash and kind to the states it

¹⁸ Organisation for Economic Co-operation and Development (OECD), Development Assistance Committee (DAC), *Security System Reform and Governance: Policy and Good Practice*, DAC Guidelines and Reference Series (OECD: Paris, 2005), URL <<http://www.oecd.org/dataoecd/8/39/31785288.pdf>>, p. 33.

¹⁹ See, e.g., Omitoogun, W. and Hutchful (note 8), E. (eds), SIPRI.

sees as bulwarks against terrorism in various regions.²⁰ These factors reintroduce the risk of truly disproportionate spending increases and make it harder for the outside world to track them because so many relatively unfamiliar kinds of data need to be compiled. If donors stick to the process approach when determining their aid policies for developing countries, then the political significance of military expenditure data might be reduced and the credibility of the data improved.

4. Military expenditure and human security

(PPT 19: millex vs human security)

The emergence of new security concepts, and in particular the concept of human security has in many ways the same implications as the debate on disarmament and development during the cold war period. It raises questions about the allocation of budgetary resources, and about government priorities. When state security against military threats no longer is the sole security concerns, when other issues become securitized, that is, raised to the same level of political urgency as military security, then there is a need to reallocate resources from military expenditure to other types of expenditures. The question remains however, to what?

Here the ambiguity of the human security concept is a problem. As has been pointed out by its critics, so far it has not been able neither to provide clear guidance to policy makers nor to offer practical guidance to academics as an analytical tool for the study of security problems.

However, I think we have to consider the concept as a concept under development. Among the suggestions for making the human security agenda more relevant for policy making and for research, there are two avenues, which seem promising. The first is about the scope of the definition of human security and the second is about the type of research needed to establish research on human security as a central component of security studies.

The definition of human security

Both the broad and the narrow definition of human security present severe challenges for its practical use. The broad definition is so comprehensive that it becomes almost meaningless. Making anything that could potentially harm an individual the focus of the security infrastructure would be both unproductive and impractical. The proponents of the narrow definition of human security are caught in the contradiction that they make the shift to the individual in theory but not in practice by subjectively limiting it to a few issues, such as small arms, criminal violence, etc.

A solution to this that has been proposed is to think of human security as a threshold of severity rather than as either a set of categories (health, economic, personal, political, food, etc) or a static list of threats. If human security is not thought of as including all potential threats in each category, but instead seen as a threshold of severity beyond which threats may be classified as human security threats, then the concept can be kept open to any type of source of threat, while at the same time limited to the very worst harms affecting individuals in a specific region or specific circumstances.

²⁰ E.g., US Department of State, 'Foreign operations, export financing and related programs (foreign operations)', *FY 2007 International Affairs (Function 150) Budget Request* (Department of State: Washington, DC, Feb. 2006), URL <<http://www.state.gov/s/d/rm/rls/iab/2007/>>, pp. 45-47.

Making human security a field of research

The other problem, that human security does not offer a useful framework of analysis, may also be possible to overcome. One possibility that has been suggested is to abandon, at least temporarily, the ambition to develop the concept of human security into a narrow and stringent concept that can be useful in generating specific research questions and instead perceive of human security as a label for a broad category of research that is primarily concerned with non-military threats to the safety of societies, groups and individuals in contrast to more traditional approaches to security studies that focus on protecting states from external threats.

This type of research would be concerned with questions such as

"Does poverty fuel violence within societies?"

"Is access to medical care associated with the occurrence of civil violence?"

Using the term human security to describe this type of studies has the advantage that researchers in the human security branch of security studies would not need to argue about the validity of the concept human security, but would rather focus on more specific questions that could be clearly defined.

Furthermore, there is no need to consider the traditional security concept and the human security concept as entirely contradictory. This is rather the traditional way to look at consider, according to which the enhancement of security for one type of actor in one security dimension, for example the state or regime, often decreases the security of an actor at another level, for example, a religious or ethnic minority in that state or just plain citizens in that state. So, security has been seen as a zero-sum game: if enhanced for one actor, it is decreased for another.

However, in the present situation, when human security as well as other sub-national security levels, are increasingly becoming a major concern in the international system at the expense of national security, and when new threats keep emerging, it appears that traditional security analysis is insufficient to correctly address the security puzzle, largely because it cannot really deal with the zero-sum dangers that such analysis seems to more or less invariably end up with. This would seem to hold for both neo-realist and liberalist-normative approaches to security studies.

Instead, new security concepts such as human security might open up for more of a trade-off, more of a potential win-win situation, between security concerns at different levels and thus mitigate the zero-sum dangers that pure traditional security theory often generates. If it can be demonstrated—based on data and empirical studies—that there are such interlinkages, this will most likely show that for many purposes the opportunity cost of military spending is very high, especially in terms of regime security lost through lack of social investments that would increase human/individual security and thus lead to higher levels of legitimacy accorded to the regime by both citizens and by the international community.

If so, the discussion could be extended from a normative approach to a more objective approach, using methodologies that could provide much more systematic evidence, that not only lead to normative recommendations, but which also may be able to identify policies that strengthen security at several levels simultaneously, and this would have a much broader appeal.

5. Summary and conclusions

World military expenditure is rapidly increasing. In 2005 it was close to the peak cold war level and in 2006 it is likely to have exceeded that level. The main reason for the higher growth rate since 2001 is the sharp increase in US military spending, motivated by the global war on terrorism, and due to its military operations in Afghanistan and Iraq. However, even though military expenditure is not accelerating in other countries, in most regions it is increasing. The main exceptions are Western Europe, with a relatively slow growth, and Central America, with a continuous reduction in military spending.

Over the most recent 10-year period, the strongest relative increases in military expenditure have taken place in the poorest countries and the lowest increases in the richer countries. While this has changed during the period since 2001, this change is due primarily to the trend in the USA. If the USA is excluded from the total military expenditure of high-income countries, their increase is much lower than that of the poor countries. The poorest countries are also those that have the highest military burden, give the lowest priority to social expenditures and have the greatest development needs.

The quality of military expenditure data is by no means satisfactory. There is a great need to improve transparency and accountability in the defence policy, planning, programming and budgeting processes. This would also most likely have an effect on the level and trend in military expenditure, since it would bring about a more informed public debate, and in those poor countries where the voters have some influence over policy, a redirection to other types of expenditure that would benefit the poor.

However, it is also true that improvement of the conditions of the conditions in poor countries cannot be significantly improved merely by a reallocation of resources within these countries, since their overall resources are insufficient for this. What is needed therefore is also a reallocation from the rich countries to the poor.

It is obvious that the reallocation of a rather small share of the military expenditure of the rich countries would go far to alleviate the conditions in the poor countries.

(PPT 20: Milex and MDG requirements)

For example, world military spending of 1 118 billion dollars or the combined military spending of the 35 high-income countries amounting to 895 billion dollars can be compared with the additional foreign aid required to reach the Millennium Development Goals by 2015, which has been estimated at \$40–60 billion per year, assuming simultaneous improvement in policies and institutions and relaxed trade barriers and more coordination in aid by developed countries.

The challenge is to develop a strategy for achieving these two types of reallocation, from military to non-military in the poor countries where this is possible, and from rich countries to the poor. The concept of human security could be one such strategy. However, it is also a concept that is troubled by several types of weaknesses. In order for it to be more useful as a vehicle for promoting the reallocation of resources in this way, there is a need to develop a more useful definition of the concept as well as to promote studies on the types of threats to human security, their causes and the mechanisms that could reduce the threats to human security.