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The World Defense Expenditure 2019 and trends in the Covid19 era¹

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Abstract

This paper focuses on the recent publication of the SIPRI Institute on global defense spending for 2019. The latter is on the rise for 5th consecutive year, climbing to the highest point since 1988, the Cold War era. This fact has multiple interpretations. The most important construe apropos the geopolitical competition, from hegemonic competition between the United States and China to regional ones, can constitute perils to international security with unpredictable and catastrophic consequences for global peace, economy and trade. The recent crisis over the Covid-19 pandemic has expanded the breach between the West and China, raising skepticism or even suspicious on both sides. Relations between the two powers, the United States and China, have deteriorated, threatening global stability while states are unable to find a commonplace for a successful and definitive fight against the pandemic.

The unstable geopolitical environment has experienced the burden of the pandemic crisis due to Covid-19. The restrictive measures taken by governments to intercept the pandemic may be the reasoning for restraining defense spending world widely. This prospect can be a future reality if we take into account the cost caused to national and global economy by the protracted lockdown. Therefore, governments may be compelled to increase spending on the welfare state (health infrastructure, support for the lower classes, support for sectors of the economy most affected by the pandemic such as transportation and tourism) by cutting the defense budget. The latter consists a critical indicator of national sovereignty and its fully understandable the fact that is exceptionally difficult for states to make unforced military budget cuts. However, because of the recent extremely critical situations experienced by humanity as a whole, governments should consider limiting their defense spending, which will be monitored closely by the United Nations for a limited time and focus on dealing with the economic and social effects of the lockdown.

Introduction and main issues

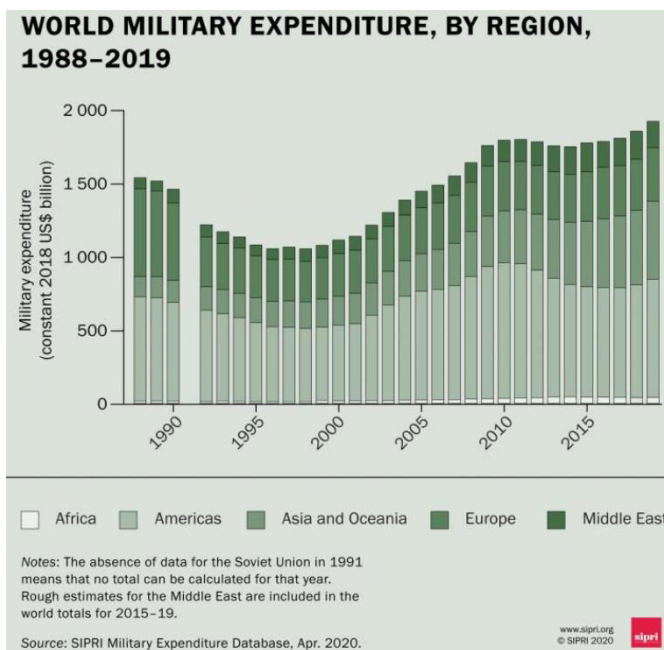
The recent publication (April 2020) on global defense expenditures for 2019 of the Stockholm-based SIPRI Institute (Stockholm International Peace Research Institute) entitled “*Global military expenditure sees largest annual increase in a decade—says SIPRI—reaching \$1917 billion in 2019*” is indicative of the current trends and leads to fruitful conclusions regarding military budgets in an erratic global environment. The purpose of this policy brief is to epitomize the most crucial points of the aforementioned publication.

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SIPRI is an independent international institute, which was founded in 1966 and was dedicated to the investigation of conflicts, military equipment, arms control and disarmament.³ It provides data and analysis from open sources to policy makers, researchers, media and stakeholders in order to promote dialogue and peaceful settlement of conflicts. During the recent years, the Institute has been consistently ranked among the world's top think tanks. Among other topics, SIPRI publishes annual bulletins on global military spending trends. These bulletins cover the period from 1949 to 2019. Finally, it is worth mentioning that the nature of military spending has restrictions, as such information is considered being critical to national defense⁴. As a result, free access to such sensitive

Figure 1.



Source: <https://www.sipri.org/research/armament-and-disarmament/arms-and-military-expenditure/military-expenditure>
 pensions) as well as expenses related to education, maintenance, supply, research/development and assistance to other states (SIPRI, 2020).

According to the newsletter, the total amount of defense spending worldwide for 2019 is estimated at \$ 1917 billion, which is the highest, recorded since 1988 (during the Cold War). In Figure 1 we notice a steady decline between 2011 and 2014, which concurs with the economic crisis. Since 2015 the rise is on an annual basis with the peak recorded last year. The escalation in defense spending is 3.6% since 2018. Accordingly, the escalation in defense spending compared to 2010 is 7.2%. In terms of

information is hard both for the public as well as for the researchers.

As such, there are discrepancies in some of the amounts quoted in the SIPRI newsletter from official government reports.⁵ However, all the data mentioned in the SIPRI newsletter refer to official state reports. Therefore, military budget data includes expenditures for the armed forces, ministries, and other defense-related government agencies and paramilitary forces, especially when performing military operations as well as expanding military space. This data is accompanied by expenses related to military and political personnel (payroll and

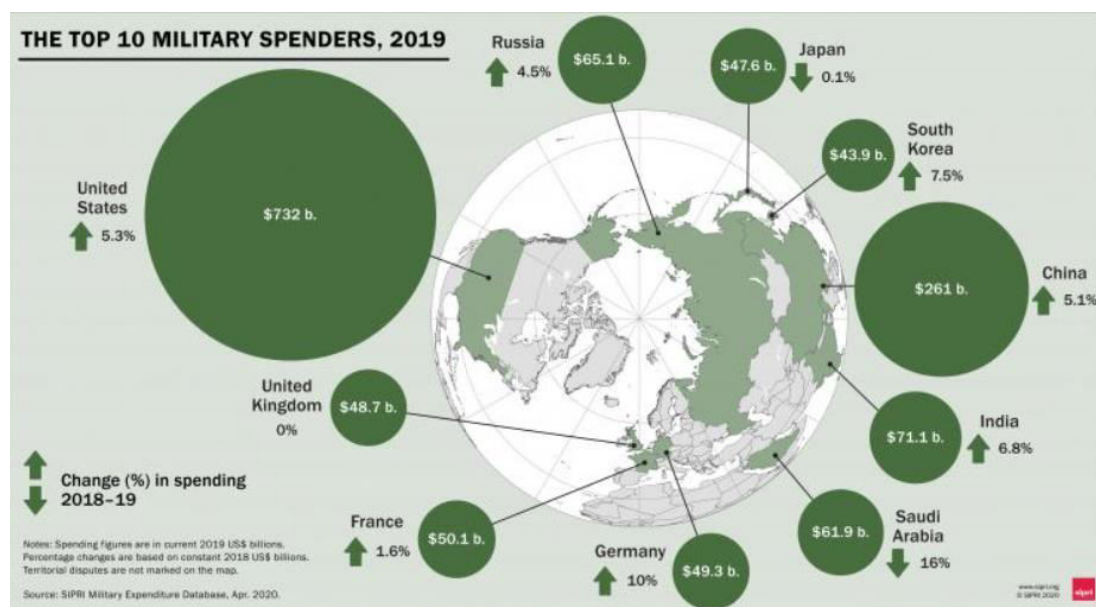
³ See more at: <https://www.sipri.org/about> (Accessed: May 6, 2020).

⁴ See more at: <https://www.sipri.org/research/armament-and-disarmament/arms-and-military-expenditure/military-expenditure> (Accessed: May 6, 2020).

⁵ See more at: https://www.sipri.org/sites/default/files/2020-04/fs_2020_04_milex_0.pdf, where at page 8 regarding the estimation of expenditures in UK and Germany.

the share of defense expenditure in relation to global Gross Domestic Product (GDP) it amounts to 2.2%. Of particular interest is the distribution of this amount as shown in Figure 2. The five countries with the largest military expenditure, covering 62% of global defense spending, are the United States, China, India, Russia and Saudi Arabia.

Figure 2.



Source : <https://www.sipri.org/research/armament-and-disarmament/arms-and-military-expenditure/military-expenditure>

The United States is at the top of the list as it spent \$732 billion to cover its defense spending. The aforementioned amount is up to 5.3% percent since 2018. Despite the spectacular rise in 2019, the country's defense spending is down 15% since 2010 which has been considered to be a record year. The United States maintain its dominance regarding the world's military strength as it accounts for 38% of total defense spending which equals to the next 10 largest spenders combined together. China ranks at the second place with approximately \$261 billion in military expenditure, almost 1/3 of the respective American. The interesting feature in the case of China is not the 2nd place but the fact that the country already owns 14% of the global share while it shows a steady increase since 2018, equal to 5.1%⁶ as well as the amazing 85% since 2010.

In addition, China's military budget has been steadily rising since 1994. The increase conforms to the country's economic growth, and shows that Beijing is converting its economic power into military in order to pursue its geopolitical ambitions. India ranks third globally with a share equal to 3.7%. This increase reaches 6.8% since 2018 while the amount spent by the country in 2019 is estimated at \$71.1 billion dollars. The Russian Federation is at the fourth place, spending \$65.1 billion in 2019, which translates into a share of 3.4%, with an increase amounting to 4.5% since 2018. The top five is

⁶However, the increase is lower than the US increase respectively.

completed by Saudi Arabia, which is estimated to have spent \$61.9 billion for the period under investigation, showing a significant decline of 16%⁷ since 2018. In the top five, it can be noted that only the United States is among the Western Powers, while the absence of European states is characteristic. In contrast, there are three Asian Powers (China, India, Russia) as the Asia-Ocean region, which accounts for 27% of global defense spending, surpassing Europe, which is limited to just 19%. America is at the top with 43%, while Africa is just 2.1%.

It is obvious that the distribution within such extensive regions is not unvarying. Indicatively, it should be mentioned that regarding the region of the Americas (share 43%), 39% concerns the North, 0.5% the Central and 2.8% the South. Accordingly, in the region of Europe (19% share), the West occupies the lion's share with 13% followed by the East (3.9%) and Central Europe (1.6%). Also, always at a regional level, Europe recorded the largest percentage increase which was 5%, followed by Asia-Oceania (4.8% rise), Americas (4.7% rise) and finally Africa (1.5 % rise).

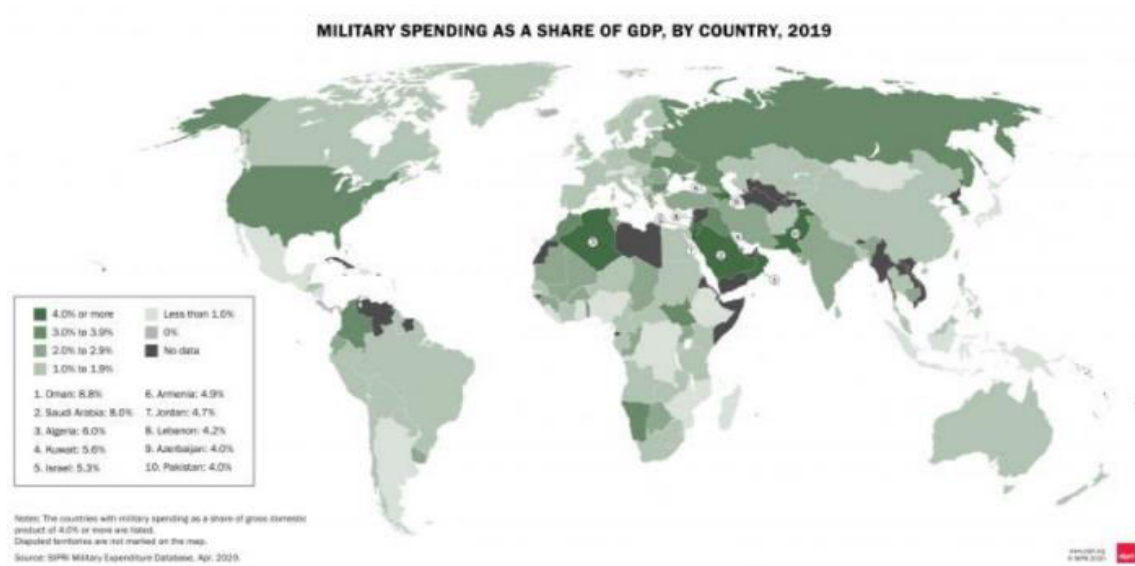
In the next five positions we will find the great European Powers, France, Germany, United Kingdom followed by Japan and South Korea. The adjustment between 2018-2019 is spectacular regarding Germany, which shows an increase of 10%, while in contrast, Japan shows a marginal decrease of 0.1%. The strongest European Power, in military terms, is France which has spent \$50.1 billion in 2019, accounting for 2.9% of total global spending. The next five places are occupied by Brazil, Italy, Australia, Canada and Israel. Those fifteen states account for 81% of global military expenditure, spending a total of \$1533 billion. Also, from the top fifteen states of the list, six are members of NATO⁸, accounting for 48% of global spending (\$929 billion). All NATO members, or 29 states, spent a total of \$ 1,035 billion. Figure 3 shows the map regarding military spending as a percentage of each country's GDP for the year 2019. It is noteworthy that China seems to spend a lower percentage of its GDP on defense than the United States. Similarly, Western European countries appear to be spending a small percentage of their GDP on defense as they are covered by the US protection umbrella through NATO. Only ten states allocated 4% or more of their total GDP to cover their defense spending. Of these countries, six are in the Middle East, namely Oman⁹, Saudi Arabia, Kuwait, Israel, Jordan and Lebanon.

⁷It's the only state, from the top-5, which actually reduced its defense expenditure between 2018-2019.

⁸ US, France, UK, Italy and Canada.

⁹ The country is spending 8,8% of GDP, top of the list, for its defense expenditure

Figure 3



Source : <https://www.sipri.org/research/armament-and-disarmament/arms-and-military-expenditure/military-expenditure>

Observing more carefully the list of the forty countries that spent the largest amounts on their defense expenditures in 2019, we will focus specifically on the 16th and 34th position as they are occupied by Turkey and Greece respectively. Turkey occupies the same position in the table for 2018 and 2019 as it spent \$20.4 billion, an increase equal to 5.8%. The Turkish increase compared to 2010 is equal to 86% and reflects the growth of the Turkish economy which translates into an extensive armaments program which comes largely from the domestic defense industry. Finally, Turkey accounts for 1.1% of global defense spending. Greece, on the other hand, is in 34th place for 2019, one place lower than the previous year. The country spent a total of \$5.5 billion¹⁰, down slightly by 0.4% since 2018. However, the Greek decline in military expenditure in 2019 compared to 2010 is equal to 23%. This is due to the economic crisis that has gripped the country for almost a decade, and which has left its mark on the military budget. However, the emerging regional environment in the Eastern Mediterranean, with an increasingly revisionist and assertive Turkey as well as the refugee crisis which puts pressure on Greece's eastern borders, makes it imperative that Greece should invest more funds in order to improve the deterrent capability of its Armed Forces.

In conclusion, the Greek government has to deal with the aggressive Turkey in the Aegean sea and Eastern Mediterranean, the refugee crisis which is used by the Turkish authorities to put pressure on EU and simultaneously has to mitigate the Covid19 outbreak, in the country, which is far from over yet. In order to achieve this demanding triple goal is obliged to invest great amount of money, either

¹⁰ The country has a share equal to 0,3% of Global Defense Expenditure

coming from EU funds or the country's means, in its armed and security forces as well as to improve its healthcare system.

Trends in Defense Expenditure during the Pandemic

The recent pandemic that has occurred and is still going on is able to halt the current trend in military expenditures globally. Indeed, the armed forces of numerous states were used by the governments to deal with covid-19 (Economist, 2020) break out. Due to the latter, the impact on the global economy by restrictive measures is expected to be severe, forcing states to reduce their extensive defense spending (IISS, 2020).

At the same time, the growth of the Chinese economy has led to extensive competition between the two Powers. In Europe, Russian aggression is leading to a gradual increase in the defense spending of Eastern European countries (Economist, 2020), especially Poland. Nevertheless, there is reasonable skepticism in the West about the sincerity of the public defense spending charts which are published by Chinese (ChinaPower, 2020) and Russian (SIPRI, 2020) authorities.

Returning to the present, the pandemic has deepened mistrust between the United States and China, while the rapid Chinese military expansion poses significant security dilemmas in neighboring countries of the region, which are leading to an increase in their defense spending (Japan, South Korea) (SIPRI, 2020: 7). The instability of the international environment and the development of geopolitical competition foretell the continuation of the upward trend in defense spending, which may ultimately not be verified. In parallel with the pandemic, the crisis of oil prices has occurred, which collapsed as the barrel price fell to historic low \$22 (BBC, 2020). This is expected to have a negative effect on the exports of countries such as Russia, Saudi Arabia, Qatar and the United Arab Emirates, which are important actors in the global defense industry.

The COVID-19 pandemic is a global health crisis without precedent in living memory causing serious economic recession (OECD, 2020). Restrictive measures to control the pandemic are estimated by IMF, World Bank, European Central Bank and the UN, will also have a negative impact on global and European economy. More specifically, the IMF argues that the Global growth is projected at -4.9% during 2020 (IMF, 2020). Furthermore, the Covid-19 pandemic has had a more negative impact of first half of 2020 while the recovery is projected to be more gradual than previously forecast (IMF, 2020). In addition to this, the Asian Development Bank (ADB) recently published a report which claims that the global economy will suffer losses between \$5.8 to \$8.8 trillion the equivalent to 6.4% to 9.7% of GDP due to the Covid-19 pandemic (ADB, 2020). The economic losses in Asia-Pacific

region could range between \$2.0 to \$4.1 trillion. Only the Chinese economy is predicted to experience losses up to \$1.6 trillion (Asian Development Bank, 2020).

The global economy is predicted by IMF, ADB, WB (World Bank, 2020) and ECB (N. Battistini – G. Stoevsky, 2020) to experience serious losses because the pandemic caused a real shock to tourism, investment, consumption, production, and mainly trade which faced increased costs due to the needed safety measures. Especially world trade will be reduced by \$2.6 trillion due to travel restrictions and border closures. Global employment is estimated to lose approximately 242 million jobs (Asia-Pacific region share will be up to 70% of global employment losses).

Governments are struggling to control the pandemic and simultaneously to launch policies that mitigate the effects of COVID-19 global economic impact. These measures are mostly about fiscal and monetary easing, increased health spending, and direct support to cover losses in incomes and are necessary because they can reduce the total cost of the pandemic to \$5.4 trillion (Asian Development Bank, 2020). Last but not least, the International Organizations such as OECD are focusing on two two equally probable scenarios – one in which a second wave of infections, with renewed lock-downs, hits before the end of 2020, and one in which another major outbreak is avoided (OECD, 2020). As expected, in the worst case

scenario (with another major outbreak which is upon us) global economy¹¹ will face additional decline up to -14,4% in Spain, -10% in Russia, -9,8% in Greece, -8,5% in US, -7.3% in India, -6.3% in Australia (OECD, 2020) (Figure 4).

Some of the countries that are expected to hit hardest by the pandemic are Italy, France, the United States, Germany and Canada, not to mention Greece. These states, except Greece, also spend the largest amounts of money, within NATO, for defense purposes. The need to tackle the impending economic crisis and strengthen the welfare state may force governments to cut defense budget, even the US government, which is by far the world's top military spender. States such as Indonesia and

Figure 4.



Source: <http://oecd.org/economic-outlook>

¹¹ The World economy in the one-hit scenario will reduced by 6% while in the double-hit scenario will experience loses up to 7.6%.

Thailand have already announced cuts in their defense spending for the current year of \$588 and \$555 million respectively (Defense News, 2020) while South Korea's cuts are up to \$733 million (Asian Military Review, 2020).

In conclusion, the international state system is experiencing a steady increase in defense spending in recent years as the international environment is characterized by intense instability. However, unpredictable developments and events, such as the outbreak of the pandemic, are able to slow down or even stop the increase in military expenditure as the impending economic crisis comes to the forefront, while no one is yet sure about the time of returning to normality. It is of highly importance, regarding the global economic stability and peace, that the total military expenditures be controlled by an International Organization at least for the pandemic period. The ideal Organization to fulfill this extremely crucial task is the United Nations which represents more efficiently the entire World Order of States. In addition to this, the UN Assembly provides a unique podium to every State, regardless its size and power, to present its perspective of global affairs during the Covid19 era. Simultaneously, the Great Powers can agree to defense expenditure control as well as the mechanism of this control within the Security Council.

It's understood that this is a tough political decision which no government has ever undertaken before. But the current situation is critical, due to the pandemic which causes further instability to the fragile global economy. As a consequence, the global arms control should be high in political agenda (a realistic option to governments) as more funds should be driven to the population's protection.

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