



Defence spending 2014: the big picture

by Antonio Missiroli and Katharina Wolf

According to the 2015 Military Balance, published recently by the International Institute for Strategic Studies (IISS), global defence expenditure hit historic highs in 2014. With a total of \$1.604 trillion spent, the overall increase is largely attributable to three regions: Asia, the Middle East and North Africa (MENA), and Russia and the post-Soviet space. This growth has been accompanied by more assertive, if not overtly belligerent actions by some states in their respective environments, in turn triggering military build-ups at regional level.

Asia's rise

In recent years, Asia has (again) become a new focal point for strategic competition and rivalry between great powers. Although the Chinese leadership continues to stress that its military policies are 'purely defensive in nature', Beijing's actions in the South and East China Seas seem, at least to its neighbours, to indicate otherwise. Defence investments have increased at an annual average rate of 8.2% over the past four years and continue to outpace those of its regional rivals. China's government also recently announced that these levels are to be maintained, even as economic growth slows down.

Fears concerning Beijing's underlying intentions have already triggered a region-wide rise in defence spending. After decade-long cuts, the Japanese government under Prime Minister Abe has now

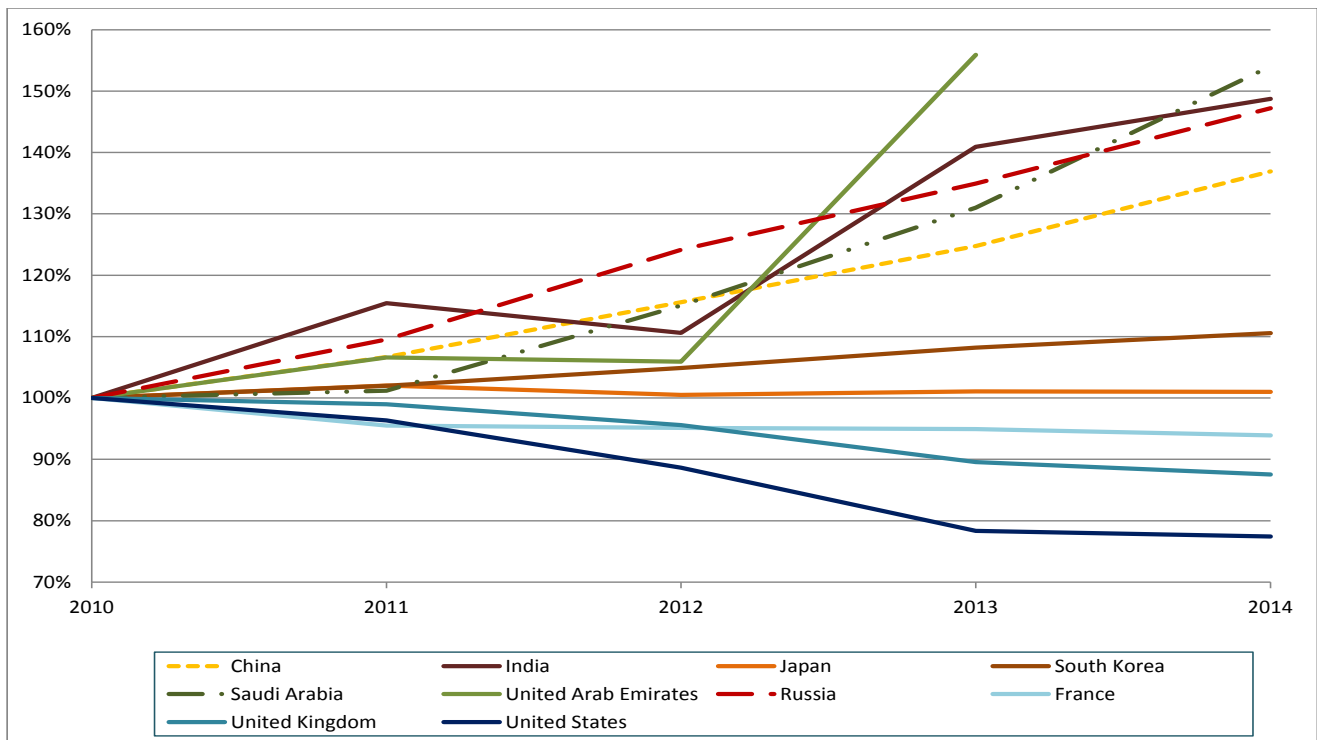
approved a record \$42 billion defence budget for 2015. Likewise, India has increased spending by 34% over the last two years, while South Korea is also boosting its defensive capabilities. China, Japan, India and South Korea now rank among the world's top ten defence spenders. According to the IISS, Asia and Australasia has now become the second biggest global spending bloc after the US, surpassing NATO's European members for the first time with 21.4% of the world's total.

Arab uprising

In the MENA, a similar interplay between increased militarisation and growing state assertiveness can be found. Defence spending in the region was already increasing over the last decade, but current events have given it an additional push. In 2014 it was higher than anywhere else in the world, with an average growth rate of over 10.7%. A combined \$197.6 billion was spent on defence last year in the MENA: 12.6% of the world's total. Tellingly, after Saudi Arabia (which increased its defence budget by 17.6% in 2014), the largest spenders are Israel, Iraq, and Iran.

Saudi Arabia and the United Arab Emirates (UAE) have been building up their military forces significantly since 2003; and now they are displaying their readiness to resort to force if needed. In 2014, both states participated in air strikes against the Islamic State of Iraq and the Levant (ISIL) and

Global defence expenditure dynamics 2010-2014 (as % of 2010)



Source: International Institute for Strategic Studies (IISS)

*Calculations are based on constant 2010 \$ prices

are now bombing Houthi rebels in neighbouring Yemen (along with other Arab states such as Bahrain, Qatar, Kuwait, Jordan, Morocco, Sudan and Egypt). In addition, Egypt and the UAE were rumoured to have struck targets in Libya, too. The escalatory cycle of military spending and violence across the region is not new, unfortunately – rooted as it is in mutual threat perceptions that reinforce one another.

Russian bull – not bear

Back in Europe, the security environment is deteriorating due to rising tensions with Russia. If the 2008 conflict with Georgia was meant to demonstrate the Kremlin's displeasure at the prospect of further NATO enlargement, Moscow's massive defence investments over the last four years – with annual growth rates hovering around 10% and \$70 billion (4.4% of GDP) spent in 2014 alone – have now given Russia the capacity to act should its warnings go unheeded. Most of the defence budget is being channelled into the so-called State Armaments Programme, which aims to modernise 70% of the Russian military equipment within a decade and focuses on strategic nuclear weapons, missile defence and combat aircraft.

Much as Russia's intervention in the Ukraine has alarmed neighbouring Baltic and Central Asian states in a manner comparable to China's actions

in Asia, the possibility of a similar arms race emerging in Europe is, however, relatively low. The overwhelming majority of EU countries have not displayed any significant change in their posture, and have maintained the downward trend in defence spending which has been evident since 2007. The Baltic States and Poland (along with neutral Sweden) have indeed allocated more resources to their militaries, and are also covered by NATO's security umbrella. By contrast, Moldova and Kazakhstan have not raised defence spending despite being much more exposed – perhaps because they recognise that, even if they did, any direct military confrontation with Moscow would be an exercise in futility.

Although changes in patterns and trends in defence spending do not occur overnight or as an immediate reaction to crises, it is quite clear that there is a direct correlation between medium-term investment in defence and foreign policy behaviour. To different degrees, China, Russia and Saudi Arabia have all contributed to raising political tensions (and military expenditure) in their respective regions. This chain reaction – and the ensuing security dilemma – is less evident only in Europe, where other factors and constraints still play a key role, at least for now.

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