

8. Military expenditure and developments in arms production

Overview

Global military expenditure rose for the seventh consecutive year in 2021 to reach US\$2113 billion. This was the highest level since SIPRI started estimating total world military expenditure and the first time that it has exceed \$2 trillion (see section I). Military spending accounted for 2.2 per cent of global gross domestic product (GDP), equivalent to \$268 per person. World spending was 0.7 per cent higher than in 2020 and 12 per cent higher than in 2012.

A striking observation from two years of the Covid-19 pandemic is that the upward trajectory of military spending remained unchanged despite pandemic-induced economic fluctuations. However, while the world allocated more to the military in absolute terms, overall government budgets grew faster than military budgets. In 2021 countries appropriated an average of 6.0 per cent of their total government spending for their militaries. This was down from 6.1 per cent in 2020 and from 6.6 per cent in 2012. Thus, it seems that governments have not been prioritizing the military over other public policy initiatives. Instead, they appear to be investing more funds in the military while simultaneously allocating even more to non-military expenditure.

The urgency of meeting the Sustainable Development Goals (SDGs) of Agenda 2030 and the targets of the 2015 Paris Agreement on climate change highlights the lost opportunity that military spending represents. Diverting a small fraction of the \$2 trillion to these goals could do much to improve security in the broader sense and contribute towards achieving the SDGs. During 2021 the United Nations reaffirmed various initiatives to reverse the upward trend of military expenditure within its disarmament efforts. These included a call by the UN secretary-general in his report on the Women and Peace and Security Agenda for the urgent reduction of excessive military spending and greater investment in social infrastructure and human security.

Spending rose in 2021 in three of the five geographical regions: by 3.5 per cent in Asia and Oceania, 3.0 per cent in Europe and 1.2 per cent in Africa (see section II). The increase in Africa was the third consecutive year of growth. Nigeria had a particularly high rate of growth: the 56 per cent increase to \$4.5 billion was its highest annual increase since 1975. Interstate tensions, intrastate conflicts and the fight against violent Islamist extremism remain key security considerations in the region. The increase in military spending in Asia and Oceania continued an uninterrupted upward trend dating back to at least 1989. China allocated an estimated \$293 billion to its military in 2021, a

4.7 per cent increased since 2020. The 2021 Chinese budget forms the first year of the 14th five-year plan, which includes goals for military modernization and reform. Spending also rose in other major spenders in Asia and Oceania: by 0.9 per cent in India, 7.3 per cent in Japan and 4.7 per cent in South Korea. In Europe, heightened geopolitical tensions were a significant factor in the increase in military spending by Central and West European states. They prioritized the recapitalization of their armed forces' equipment. In Eastern Europe, Russia's military spending grew for the third consecutive year in 2021—up by 2.9 per cent to reach \$65.9 billion. Russian military spending was revised upwards several times over the course of the year. The top-up allocations were probably spent on operational activities as Russia built up its forces on the borders of Ukraine.

Military spending fell in the Middle East by 3.3 per cent and in the Americas by 1.2 per cent. Military spending trends in the Americas are driven primarily by changes in spending by the United States, which spent \$801 billion in 2021. This represented a nominal increase of 2.9 per cent but a real-terms decrease of 1.4 per cent. This discrepancy is attributable to the highest rate of inflation since 1982. In 2021 the USA ended its nearly two-decade long military presence in Afghanistan. Between 2001 and 2021, the US government spent more than \$2.3 trillion on the war there, including investing \$85 billion to bolster the Afghan security forces. The decrease in spending in the Middle East was mainly due to the 17 per cent fall in the spending of Saudi Arabia, which accounted for 30 per cent of the regional total. Part of the decrease was offset by a 11 per cent increase in Iranian military expenditure. This made Iran the 14th biggest military spender in 2021, the first time since 1992 that it had ranked among the top 15.

A further indication of the health of the military sector amid the pandemic can be found in the arms sales of the world's largest arms-producing and military services companies (section III). The arms sales of the 100 largest of these companies (the SIPRI Top 100) totalled \$531 billion in 2020. Arms production around the world was largely resilient to the shock of the Covid-19 pandemic and the resulting economic downturn: while the global economy contracted by 3.1 per cent in 2020, the aggregated arms sales of the Top 100 increased. The USA hosted the highest number of companies ranked in the Top 100 of any country worldwide, with 41 arms companies. Together, their arms sales amounted to \$285 billion. This was followed by the combined arms sales of \$66.8 billion of the five Chinese companies ranked in the Top 100.