

The major spenders in 2003

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Figures are in US \$b., at constant (2000) prices and exchange rates. Figures in italics are percentages.

Military expenditure: in MER dollar terms					in PPP dollar terms ^a		
Rank	Country	Level (\$b.)	Per capita (\$)	World share (%)	Rank ^b	Country	Level (\$b.)
1	USA	417.4	1419	<i>47</i>	1	USA	417.4
2	Japan	46.9	367	<i>5</i>	2	China	[151.0]
3	UK	37.1	627	<i>4</i>	3	India	64.0
4	France	35.0	583	<i>4</i>	4	Russia	[63.2]
5	China	[32.8]	25	<i>4</i>	5	France	38.4
Sub-total top 5		569.1		64	Sub-total top 5		734.0
6	Germany	27.2	329	<i>3</i>	6	UK	35.0
7	Italy	20.8	362	<i>2</i>	7	Japan	32.8
8	Iran ^c	[19.2]	279	[<i>2</i>]	8	Germany	30.4
9	S. Arabia	19.1	789	[<i>2</i>]	9	Italy	26.4
10	South Korea	13.9	292	<i>2</i>	10	Saudi Arabia ^c	25.6
Sub-total top 10		669.3		76	Sub-total top 10		884.2
11	Russia	[13.0]	91	<i>1</i>	11	South Korea	25.0
12	India	12.4	12	<i>1</i>	12	Iran ^c	[23.7]
13	Israel	10.0	1551	<i>1</i>	13	Turkey	22.5
14	Turkey	9.9	139	<i>1</i>	14	Brazil	[21.0]
15	Brazil	9.2	51	<i>1</i>	15	Pakistan	15.0
Sub-total top 15		723.8		82	Sub-total top 15		991.4
World		879		100	World		..

[] = SIPRI estimates.

MER = market exchange rate; PPP = purchasing power parity.

^a The figures in PPP dollar terms are converted at PPP rates (for 2000), calculated by the World Bank, based on comparisons of gross national product (GNP).

^b The top 15 list in PPP terms would probably include Myanmar, if data were available.

^c Data for Iran includes expenditure for public order and safety and is a slight overestimate.

Sources: **Military expenditure:** *SIPRI Yearbook 2004 – Armaments, Disarmament and International Security* (Oxford University Press: Oxford, 2004), appendix 10A; **PPP rates:** World Bank, *World Development Indicators 2002* (World Bank: Washington, DC, 2002), table 5.6, Relative prices and exchange rates.

The 15 countries with the highest military expenditure in 2003 are listed in rank order in the table above: first, when the comparison is made at market exchange rates (the left-hand columns); and second, compared at purchasing power parity (PPP) rates (the right-hand columns). The table shows that the major spenders accounted for 82 per cent of world total military expenditure in 2003, when calculated at market exchange rates (for the base year 2000). The USA alone accounted for 47 per cent, taking into consideration the supplementary budget allocated for the war on terrorism, which by itself is over 25 per cent higher than the total military expenditures of each of the next four in order: Japan, the UK, France and China. These four each account for a 4–5 per cent share of the world total.

Military expenditure per capita varies widely between the major spenders. While Israel and the United States spend roughly \$1500 per citizen and year, some of the poorer major spenders—Brazil, China and India—spend less than \$100 per capita.

The alternative series based on PPP rates is provided because of an acknowledged problem in international comparisons of economic data: market exchange rates tend to understate the purchasing power of expenditures in developing countries and

countries in transition, thus distorting international comparisons.¹ As shown in the table, the use of PPP rates for conversion has a significant impact on the figures for China, India and Russia. These figures better reflect how much the military budget could buy in terms of a standardized basket of national output. On the other hand, they overstate the purchasing power on the international arms market and do not reflect appropriately the technological level of the military equipment.

¹ For more information on the relative merits of using market exchange rates and PPP rates see Sköns, E. *et al.*, 'Military expenditure', *SIPRI Yearbook 2003* (note 7), pp. 304–306.