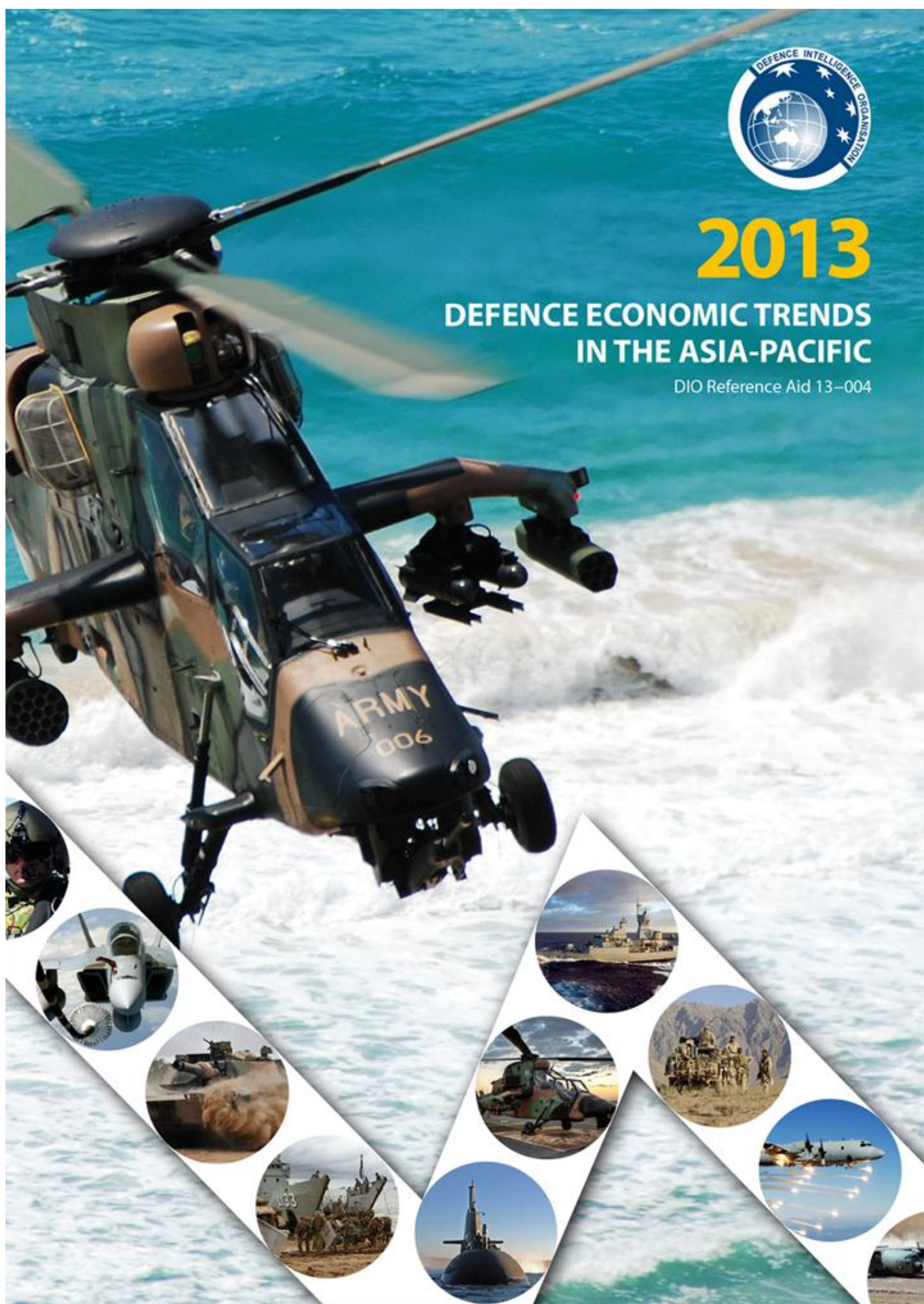




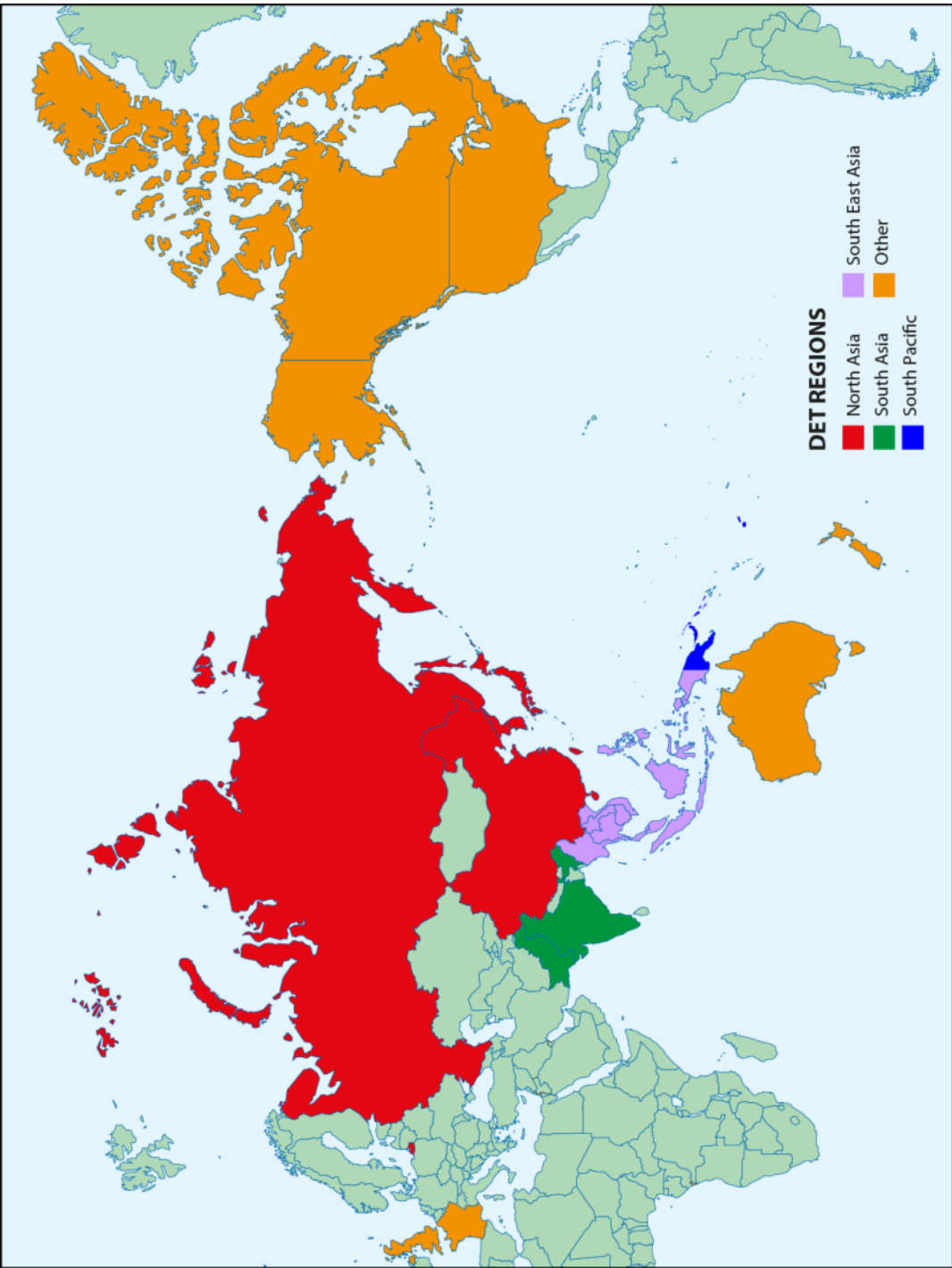
2013

DEFENCE ECONOMIC TRENDS IN THE ASIA-PACIFIC

DIO Reference Aid 13-004



**DEFENCE
ECONOMIC TRENDS
IN THE ASIA-PACIFIC
2013**



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Purpose

The *Defence Economic Trends* analyses significant trends in defence funding in the Asia-Pacific region. It draws together official defence budgets and national economic data to enable comparisons between countries and over time.

Abbreviations

bn	billion
EIU	Economist Intelligence Unit
GDP	gross domestic product
GEC	Global Economic Crisis
IMF	International Monetary Fund
IISS	International Institute for Strategic Studies
m	million
tr	trillion
UN	United Nations
US	United States

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We encourage readers to comment on this publication. Please email dio.customerrelations@defence.gov.au with your comments, so we can improve next year's edition.

If you have any questions in relation to Defence Economic Trends 2013 please contact us directly by phone or fax at:

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Facsimile: +61 2 6127 5086

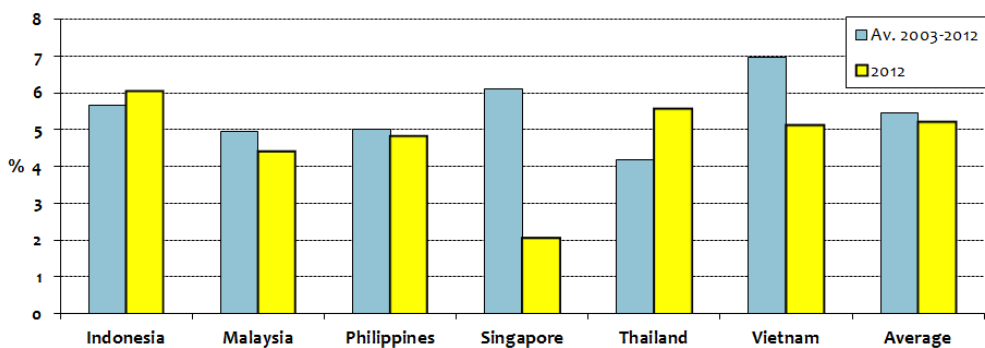
Regional economy

South-East Asia – particularly Indonesia, Malaysia, the Philippines and Thailand – had encouraging growth figures in 2012 due to growing demand in China, strong public investment and reconstruction spending following natural disasters. Private consumption and investment will be the drivers of economic growth for the region as uncertainty in the Euro zone negatively impacts regional exports to 2017.

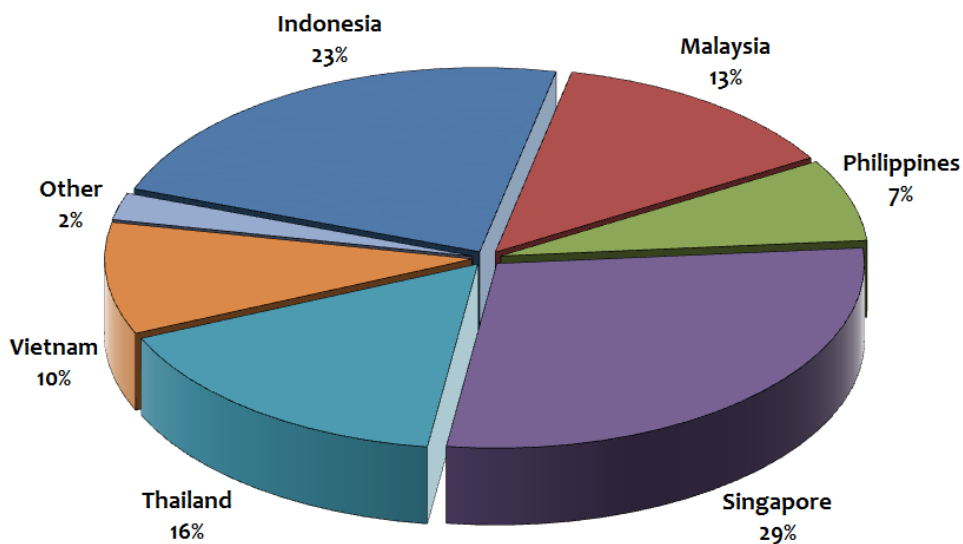
Defence spending

Regional defence spending varied substantially in 2012 as the global economic recovery slowed. Countries such as Indonesia and Vietnam continued to push strong growth in defence spending, while others such as Thailand and Malaysia reduced defence spending in 2012. Singapore and the Philippines have remained relatively stable. Defence modernisation efforts continue at different paces and South-East Asia remains an attractive arms market for defence companies.

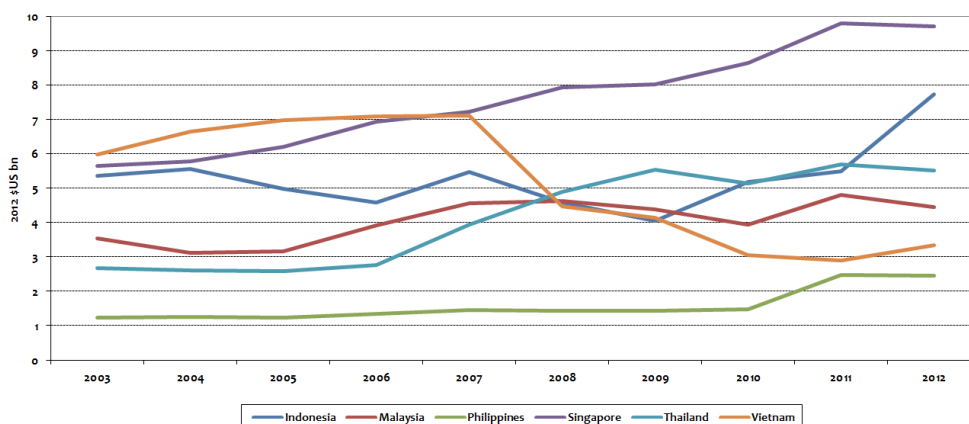
2012 GDP growth compared to average GDP growth



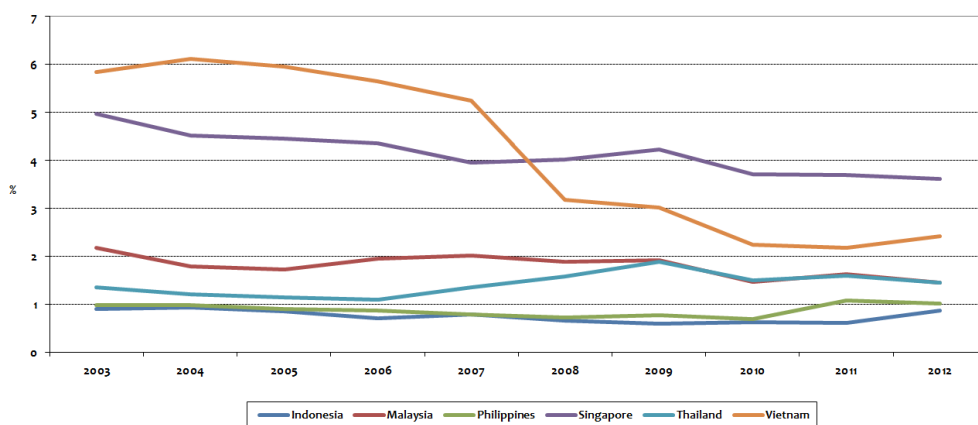
Contribution to South-East Asian defence spending in 2012 (2012 US\$)



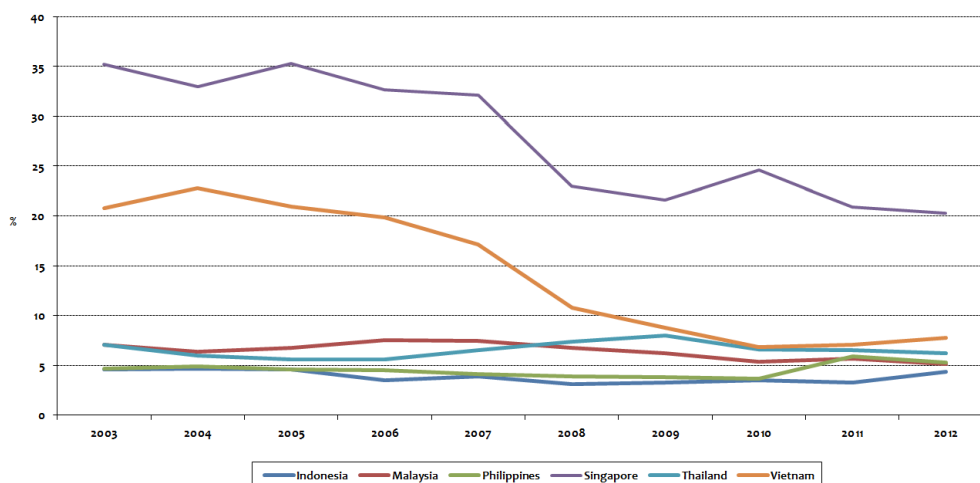
South-East Asian defence budgets 2003-2012

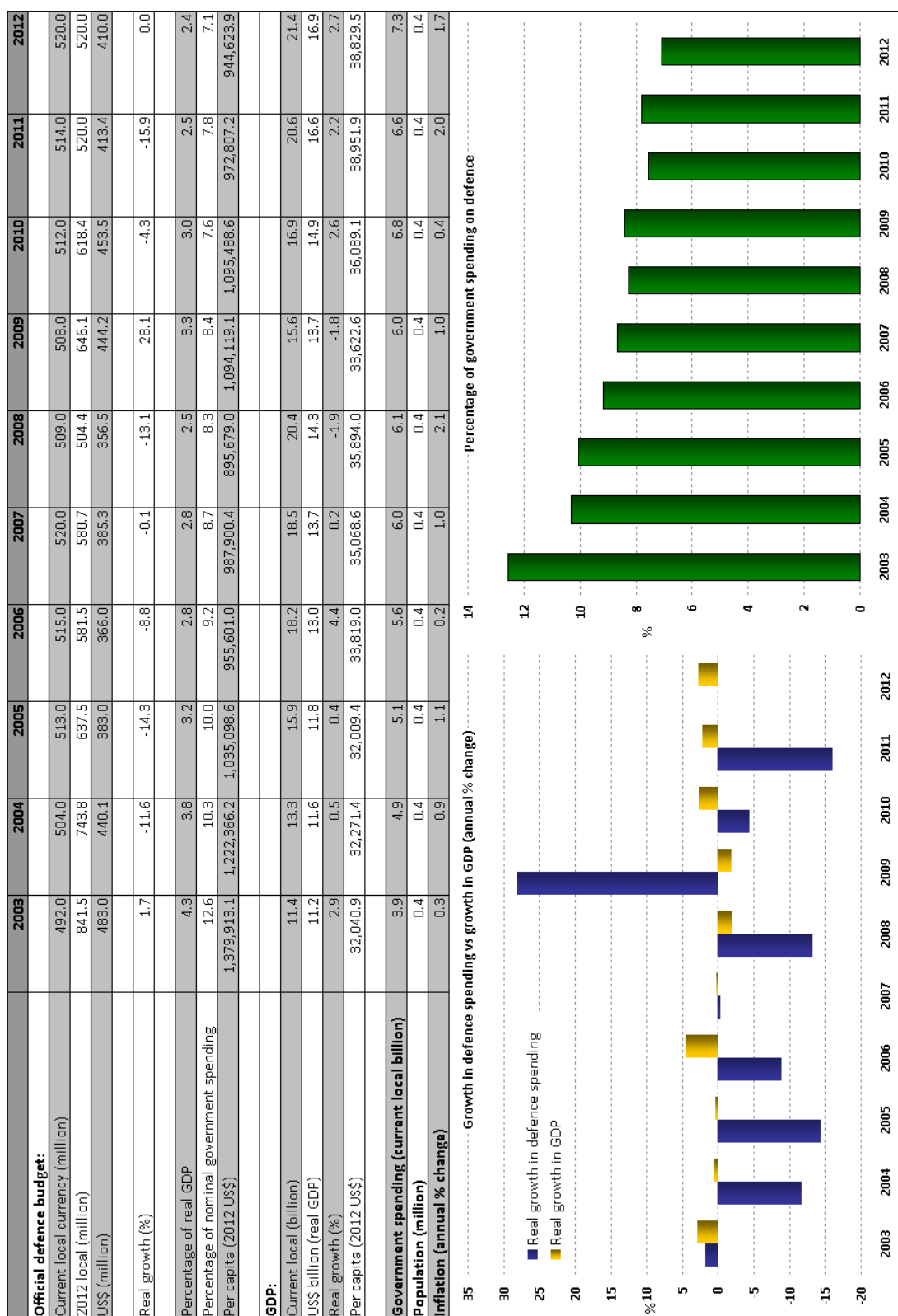


Proportion of GDP spent on defence



Proportion of government outlays spent on defence







Country Name Brunei
Capital City Bandar Seri Begawan

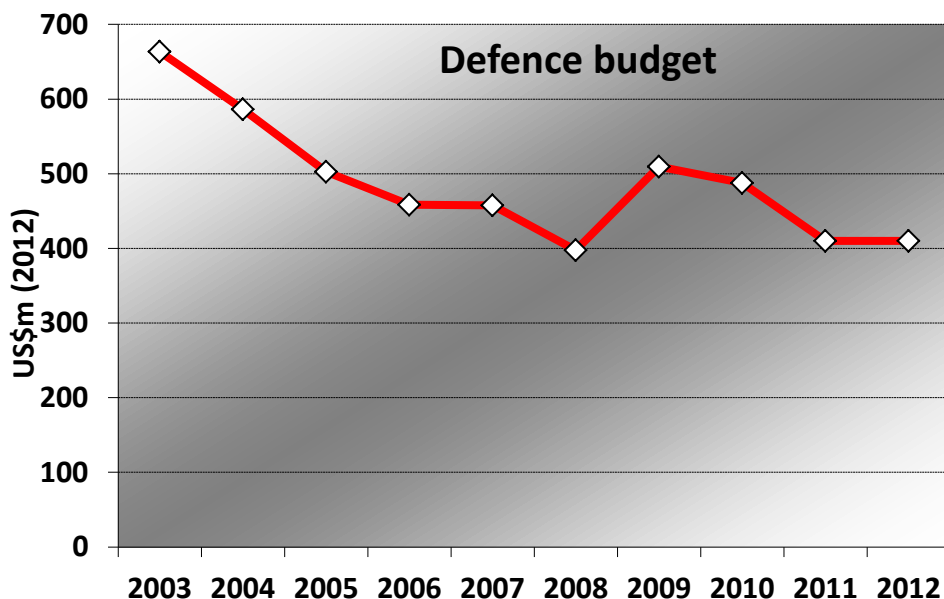
Population 434 000
Land Size 6000 sq km
Currency Brunei Dollar
Fiscal Year 1 April–31 March
Economy Market economy
Industries Oil, natural gas and tourism

Economy

Over the past 10 years, Brunei averaged 1.2 per cent annual real economic growth. The economy grew by 2.7 per cent in 2012, driven by commodity exports and the expansion of the capital's airport. Brunei's economy is forecast to average 3.5 per cent real growth to 2017, according to the IMF, despite the country's decision to limit the exploitation of the energy sector to diversify the economy.

Defence spending

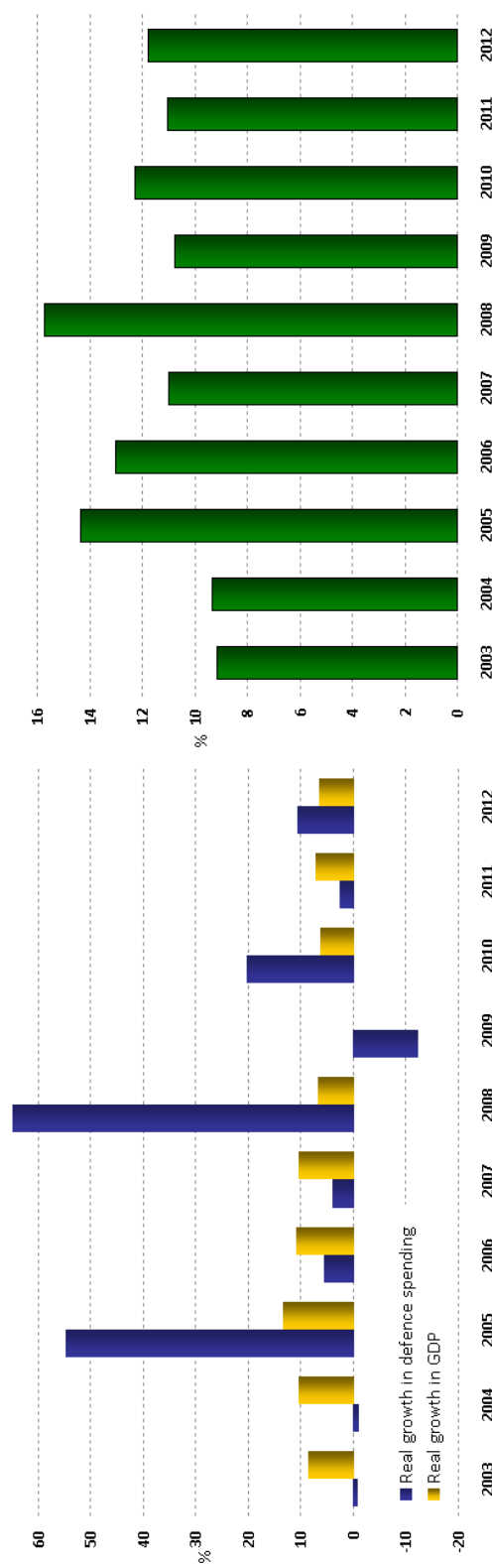
Brunei's 2012 defence budget was B\$520m, US\$410m in current terms, representing no real change on the 2011 defence budget. The 2012 budget will facilitate plans to procure 12 Sikorsky S-70i Black Hawk utility helicopters by 2015.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (million)	268,000.0	278,000.0	456,000.0	503,000.0	557,000.0	1,030,000.0	929,000.0	1,150,000.0	1,220,000.0	1,398,400.0
2012 local (million)	422,287.8	417,888.3	646,186.7	681,241.4	708,217.2	1,166,667.8	1,025,350.4	1,232,463.0	1,264,416.5	1,398,400.0
US\$ (million)	106.1	103.9	157.9	166.0	174.6	287.8	247.7	294.5	312.5	346.2
Real growth (%)	-0.7	-1.0	54.6	5.4	4.0	64.7	-12.1	20.2	2.6	10.6
Percentage of real GDP	1.4	1.3	1.8	1.7	1.6	2.5	2.2	2.4	2.3	2.4
Percentage of nominal government spending	9.2	9.4	14.4	13.0	11.0	15.7	10.8	12.3	11.0	11.8
Per capita (2012 US\$)	7,961.9	7,670.4	11,418.4	11,723.1	12,189.2	19,761.9	16,731.1	19,695.0	20,691.5	22,697.1
GDP:										
Current local (billion)	18,535.2	21,438.3	25,754.3	29,849.5	35,042.2	41,968.4	43,107.8	47,101.6	52,154.1	57,540.1
US\$ billion (real GDP)	7.3	8.0	8.9	9.9	11.0	11.7	11.5	12.1	13.4	14.2
Real growth (%)	8.5	10.3	13.2	10.8	10.2	6.7	0.1	6.1	7.1	6.5
Per capita (2012 US\$)	550.7	591.5	644.9	695.7	766.9	805.2	776.4	806.7	884.5	933.9
Government spending (current local billion)										
	2,919.1	2,972.4	3,176.0	3,866.2	5,066.4	6,551.1	8,633.8	9,363.4	11,051.0	11,864.8
Population (million)	13.3	13.6	13.8	14.2	14.3	14.6	14.8	15.0	15.1	15.3
Inflation (annual % change)	1.0	3.9	6.3	6.1	7.7	25.0	-0.7	4.0	5.5	3.6

Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence





Country Name Cambodia
Capital City Phnom Penh
Population 15.3 million
Land Size 181 035 sq km

Currency
Fiscal Year
Economy

Riel
 1 January–31 December
 Less-developed country with a market economy

Industries

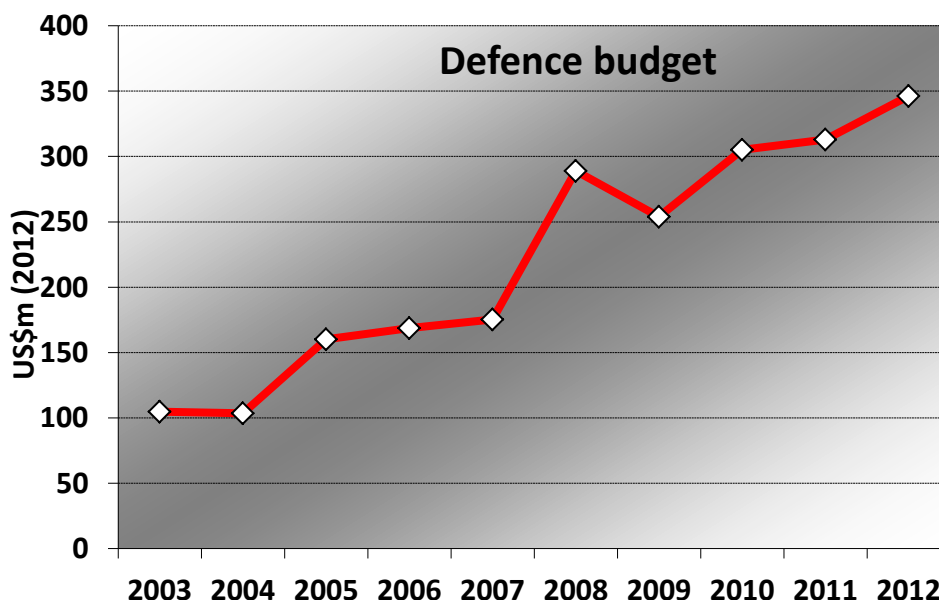
Gems, cement, forestry, rubber, food, tourism, textiles, apparel and footwear

Economy

Over the past 10 years, Cambodia has recorded an average of 7.9 per cent real economic growth, and in 2012 the economy grew 6.5 per cent. Economic growth in 2012 was supported by strong increases in garment exports, tourism and investment, despite the disruption caused by severe floods in 2011. Cambodia's economy is forecast to expand by 7.3 per cent annually to 2017, according to the IMF, despite tepid US and EU economic growth negatively affecting local manufacturing and merchandise sectors.

Defence spending

Cambodia's 2012 defence budget was 1.4tr Riel, US\$346m in current terms, representing a 10.6 per cent real increase on the 2011 defence budget. Cambodia relies heavily on China for military aid and donations to procure capabilities. The Royal Cambodian Air Force received two Xian MA60 twin-turbo military transport aircraft from China in May 2012.



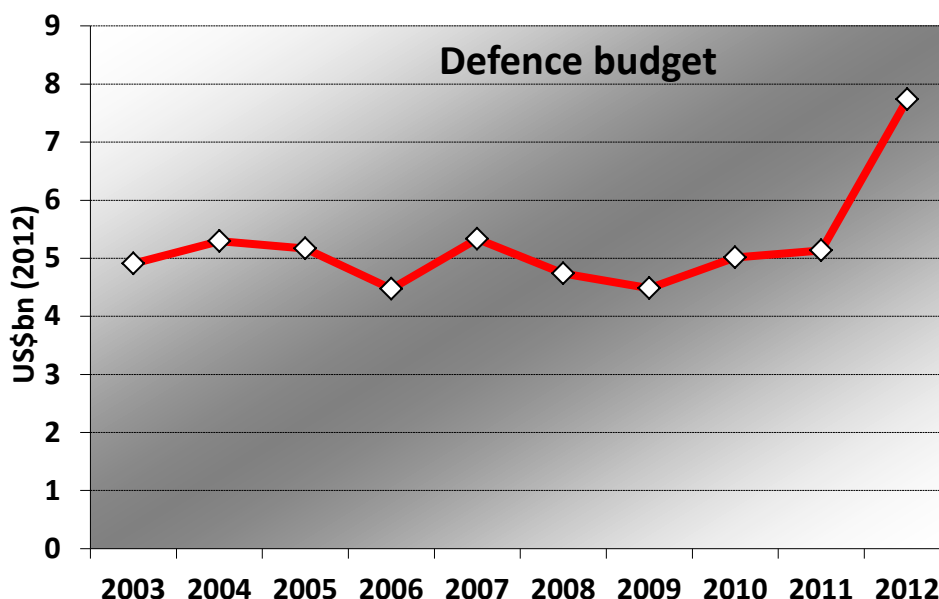
		Currency	Rupiah
		Fiscal Year	1 January–31 December
		Economy	Less-developed country with a market economy
Country Name	Indonesia	Industries	Petroleum, natural gas, mining, cement, chemical fertilisers, plywood, rubber, tourism, textiles and apparel
Capital City	Jakarta		
Population	244.5 million		
Land Size	1 905 000 sq km		

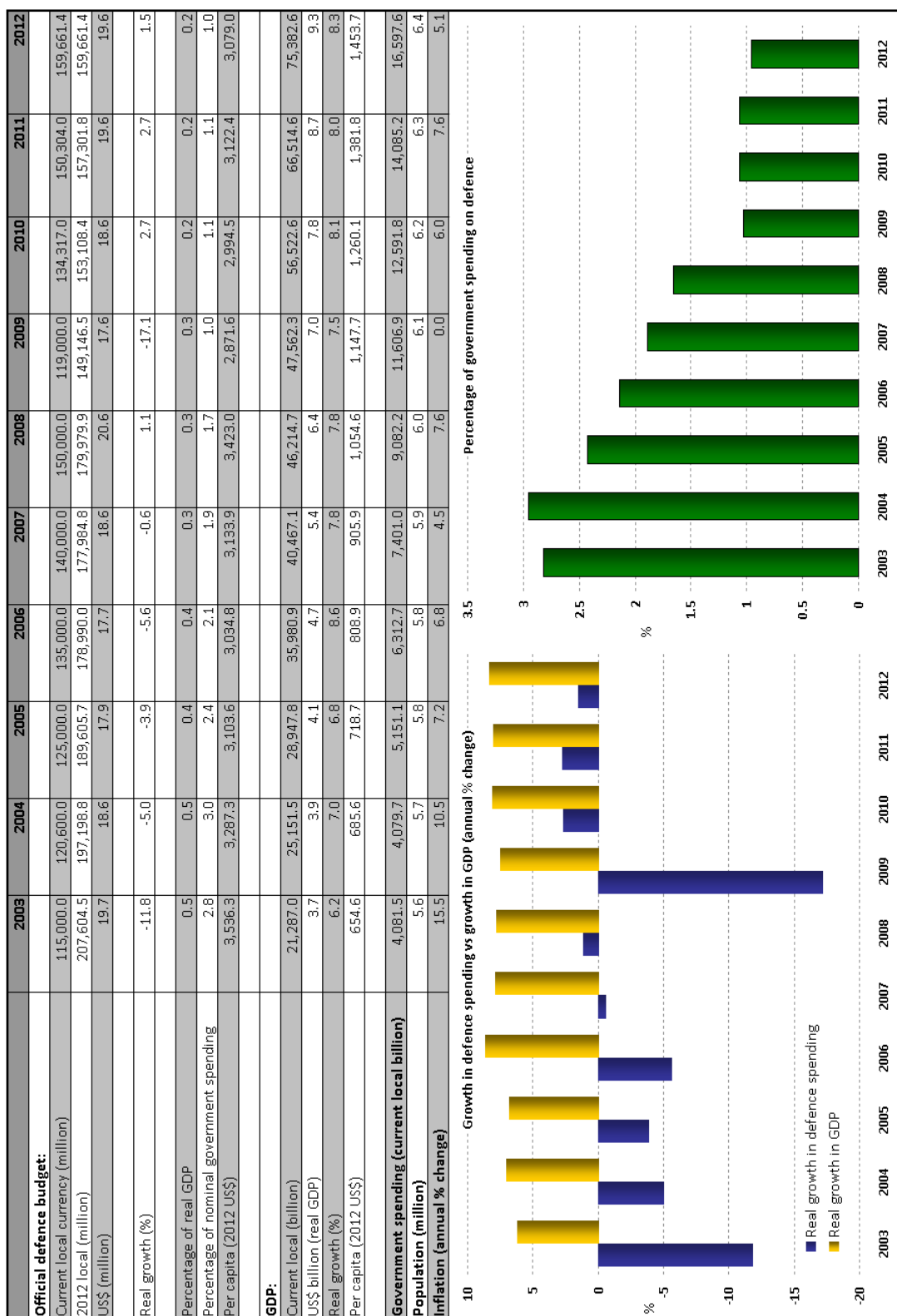
Economy

Over the past 10 years, Indonesia's economy has grown on average 5.7 per cent per annum in real terms. In 2012, the economy grew six per cent as cheaper food and commodity prices drove private consumption. A slow expansion of exports is expected as global economic growth recovers. Indonesia's economy is forecast to grow 6.6 per cent annually to 2017, according to the IMF, due to strong private consumption, sustained growth in fixed investment and increased amounts of foreign investment.

Defence spending

Indonesia's 2012 defence budget was IDR72.5tr, US\$7.7bn in current terms, representing a 50.7 per cent real increase on the 2011 defence budget. In 2012, the Indonesian Ministry of Defence signed a deal with South Korea to acquire three CHANG BOGO-class diesel attack submarines. It also announced it was planning to purchase 103 Leopard 2A6 tanks, 50 Marder 1A3 infantry fighting vehicles and 10 support vehicles from surplus German Army stocks. Indonesia is also planning to purchase eight Boeing AH-64D Apache Longbow attack helicopters and 24 surplus F-16C/D fighters from the US.







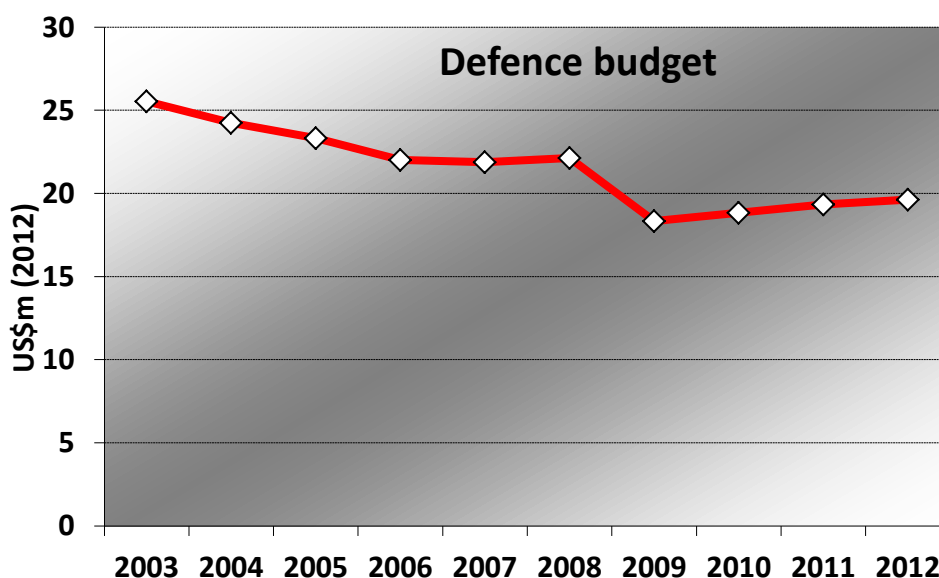
Country Name	Laos	Currency	Kip
Capital City	Vientiane	Fiscal Year	1 October–30 September
Population	6.4 million	Economy	Less-developed country with a centrally planned economy
Land Size	237 000 sq km	Industries	Copper, tin, timber, hydroelectricity, tourism, apparel, rice and cement

Economy

Over the past 10 years, Laos has sustained high real economic growth, averaging 7.6 per cent annually. Driven by growth in hydropower and mining, Laos' economy expanded by 8.3 per cent in 2012. The construction of the Laos–China railway, economic development of trading partners, tourism and government fixed investment will contribute to strong growth – forecast at almost eight per cent annually to 2017, according to the IMF.

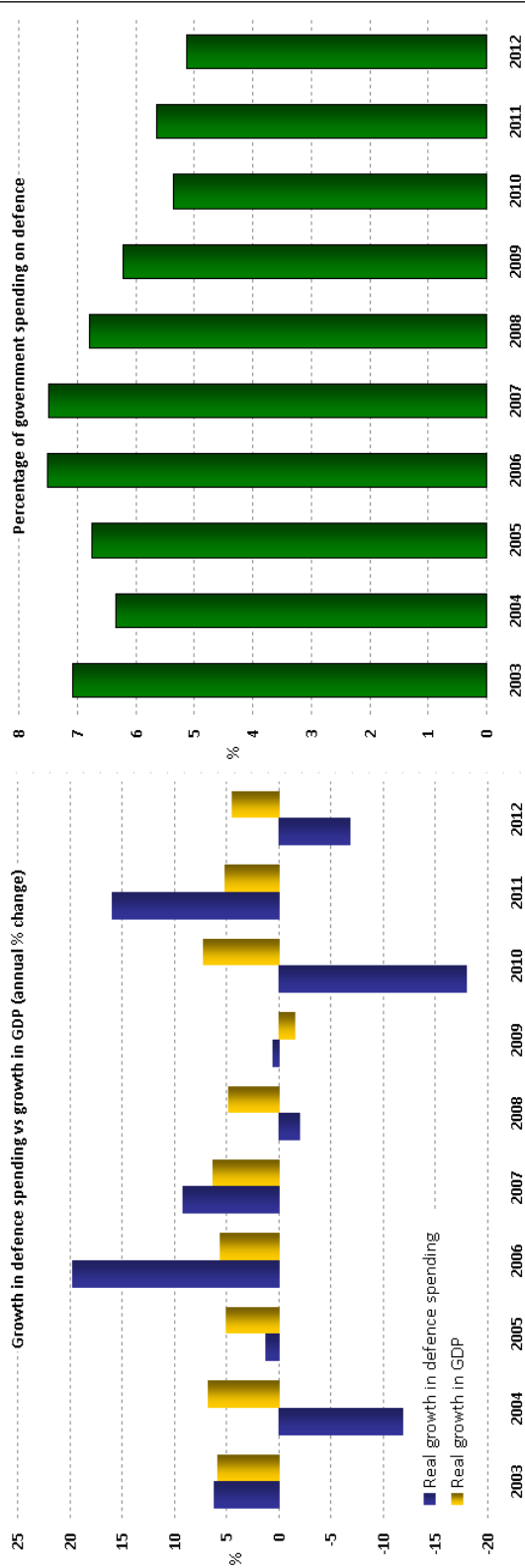
Defence spending

Laos' 2012 defence budget was about 160bn Kip, US\$19.6m in current terms, representing a 1.5 per cent real increase on the 2011 defence budget. The Lao People's Army is equipped with weapons originating from communist and former communist states, provided mainly by Moscow and, to a lesser extent, Hanoi. Since the end of the Cold War, China has replaced Russia and Vietnam as Laos' main supplier of military equipment. Laos has difficulty acquiring new equipment as the country is a large recipient of foreign aid. The armed forces are equipped to counter low-intensity insurgencies and maintain civil order.

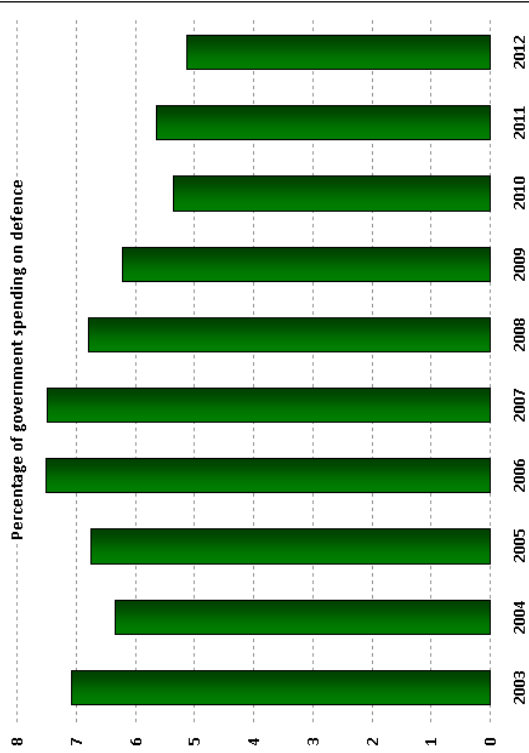


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (billion)	9.1	8.5	9.4	11.7	13.4	14.5	13.7	11.7	14.3	13.7
2012 local (billion)	13.5	11.9	12.0	14.4	15.7	15.4	15.5	12.7	14.7	13.7
US\$ (billion)	3.5	3.1	3.2	3.9	4.6	4.6	4.4	3.9	4.8	4.4
Real growth (%)	6.1	-11.9	1.2	19.7	9.2	-2.0	0.5	-17.9	15.9	-6.9
Percentage of real GDP	2.2	1.8	1.7	2.0	2.0	1.9	1.9	1.5	1.6	1.4
Percentage of nominal government spending	7.1	6.3	6.8	7.5	7.5	6.8	6.2	5.4	5.6	5.1
Per capita (2012 US\$)	139.9	120.5	119.8	146.1	168.0	167.7	157.3	139.5	168.3	153.2
GDP:										
Current local (billion)	418.8	474.0	543.6	596.8	665.3	770.0	712.9	795.0	881.1	946.1
US\$ billion (real GDP)	163.0	174.1	183.4	200.0	226.8	245.2	228.4	267.7	296.2	307.2
Real growth (%)	5.8	6.8	5.0	5.6	6.3	4.8	-1.5	7.2	5.1	4.4
Per capita (2012 US\$)	6,439.5	6,721.1	6,926.9	7,453.2	8,343.9	8,904.7	8,187.0	9,477.1	10,372.4	10,578.5
Government spending (current local billion)										
Population (million)	25.3	25.9	26.5	26.8	27.2	27.5	27.9	28.3	28.6	29.0
Inflation (annual % change)	1.1	1.4	3.0	3.6	2.0	5.4	0.6	1.7	3.2	2.0

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name Malaysia

Capital City Kuala Lumpur

Population 29 million

Land Size 330 000 sq km

Currency Ringgit

Fiscal Year 1 January–31 December

Economy Less-developed country with a market economy

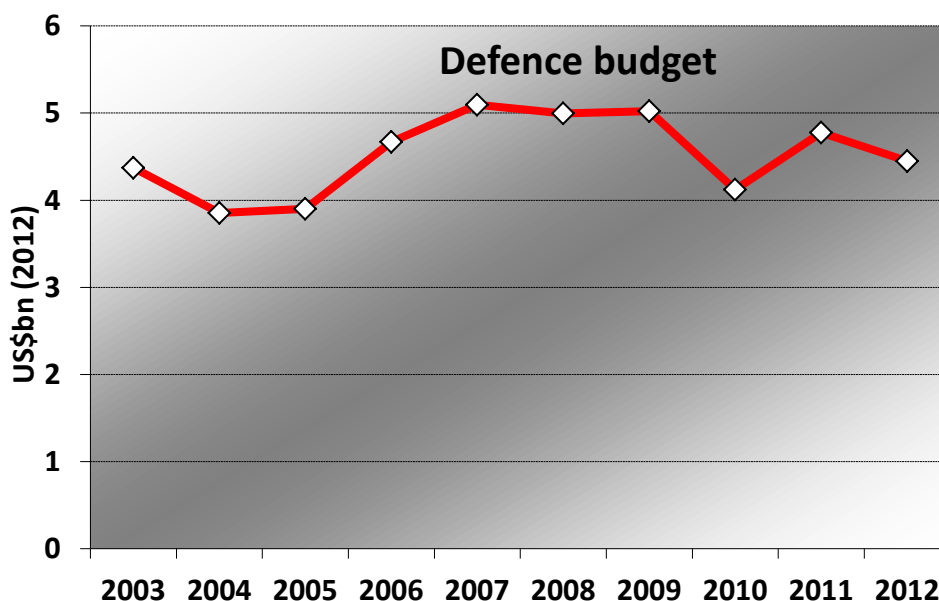
Industries Rubber, palm oil, electronics, tin, timber, agriculture and oil

Economy

Over the past 10 years, Malaysia has averaged 4.9 per cent real economic growth annually. Despite sluggish EU demand for Malaysia's exports, strong domestic consumption supported 4.4 per cent growth in 2012. Although the Ringgit is expected to appreciate, private consumption, a robust labour market and growth in investment spending will drive future economic growth – forecast to average five per cent annually to 2017, according to the IMF.

Defence spending

Malaysia's 2012 defence budget was MYR13.7bn, US\$4.4bn in current terms, representing a 6.9 per cent real decrease on the 2011 defence budget. Programs with significant local participation continue, despite funding cuts and curtailing of procurement. These include the Army's indigenous 8x8 AV-8 armoured fighting vehicle and the Royal Malaysian Navy's six-ship purchase of the second-generational patrol vessel – littoral combat ship. The Royal Malaysian Air Force is also proceeding with plans to choose a replacement fighter aircraft for its MiG-29 fleet, which is expected to be phased out in 2015.



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Country Name Myanmar
(Burma)

Capital City Nay Pyi Taw

Population 63.7 million

Land Size 677 000 sq km

Currency Kyat

Fiscal Year 1 April–31 March

Economy Less-developed country

Industries Timber, gems, oil, natural gas and rice

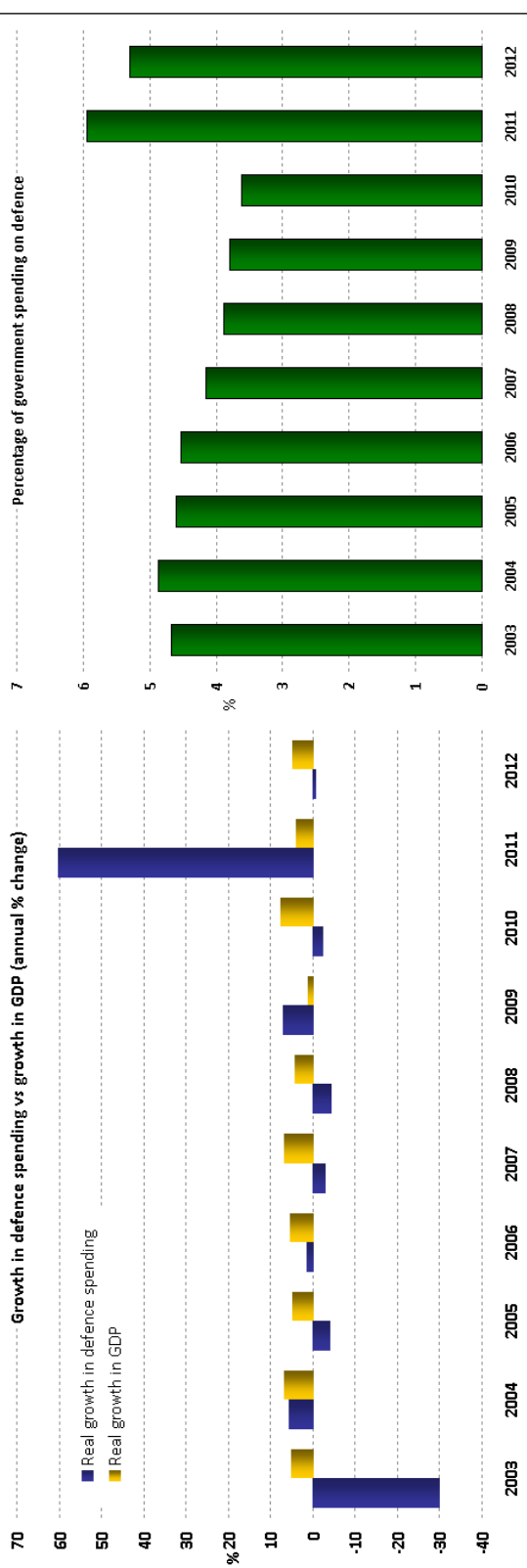
Economy

Over the past 10 years, Myanmar has averaged real annual economic growth of 9.2 per cent. Growth was slower over the last five years – only 5.1 per cent on average per annum. The economy expanded by 6.2 per cent in 2012, driven by investment in the power and petroleum sectors and in infrastructure. Recent forgiving of debt, removal of economic sanctions, sustained investment and economic liberalisation – including reforms in the telecommunications sector – will promote growth to 2017. However, high food, petrol and electricity prices – coupled with inadequate infrastructure – will prevent Myanmar's economy from growing at its full potential. Economic growth is forecast to remain around 6.5 per cent annually to 2017, according to the IMF.

Defence spending

Historical data on Myanmar's defence spending is not available. Myanmar published its first defence budget in 2012, spending MMK1.3tr, US\$1.4bn in current terms. Myanmar received two 103.2 m JIANGHU II-class frigates in early 2012 from the PLA Navy's surplus stock. Myanmar is also planning to build a 108 m frigate with extensive Chinese assistance.

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:											
Current local currency (billion)	62.3	45.0	50.2	51.0	54.3	54.3	55.9	61.5	62.7	104.5	106.9
2012 local (billion)	95.7	67.1	70.8	68.0	69.0	67.0	64.1	68.5	67.1	107.4	106.9
US\$ (billion)	1.9	1.2	1.3	1.2	1.3	1.5	1.4	1.4	1.5	2.5	2.5
Real growth (%)	27.8	-29.9	5.6	-3.9	1.4	-2.9	-4.3	7.0	-2.2	60.2	-0.5
Percentage of real GDP	1.5	1.0	1.0	0.9	0.9	0.8	0.7	0.8	0.7	1.1	1.0
Percentage of nominal government spending	7.0	4.7	4.9	4.6	4.5	4.2	3.9	3.8	3.6	5.9	5.3
Per capita (2012 US\$)	23.1	15.1	15.1	14.5	15.5	16.4	15.9	15.6	15.8	25.9	25.1
GDP:											
Current local (billion)	4,198.3	4,548.1	5,120.4	5,677.8	6,271.2	6,892.7	7,720.9	8,026.1	9,003.5	9,735.5	10,492.0
US\$ billion (real GDP)	125.0	124.9	128.9	137.4	155.3	184.1	198.9	187.8	213.5	231.1	240.7
Real growth (%)	3.6	5.0	6.7	4.8	5.2	6.6	4.2	1.1	7.6	3.9	4.8
Per capita (2012 US\$)	1,559.4	1,525.7	1,542.8	1,611.8	1,785.1	2,074.8	2,197.9	2,037.3	2,271.1	2,410.4	2,462.4
Government spending (current local billion)											
Population (million)	894.4	963.0	1,031.2	1,109.0	1,197.6	1,308.9	1,439.7	1,616.5	1,732.7	1,760.7	2,014.9
Inflation (annual % change)	80.2	81.9	83.6	85.3	87.0	88.7	90.5	92.2	94.0	95.9	97.7
	2.7	2.3	4.8	6.6	5.5	2.9	8.2	4.2	3.8	4.7	3.5





Country Name Philippines
Capital City Manila
Population 97.7 million
Land Size 300 000 sq km

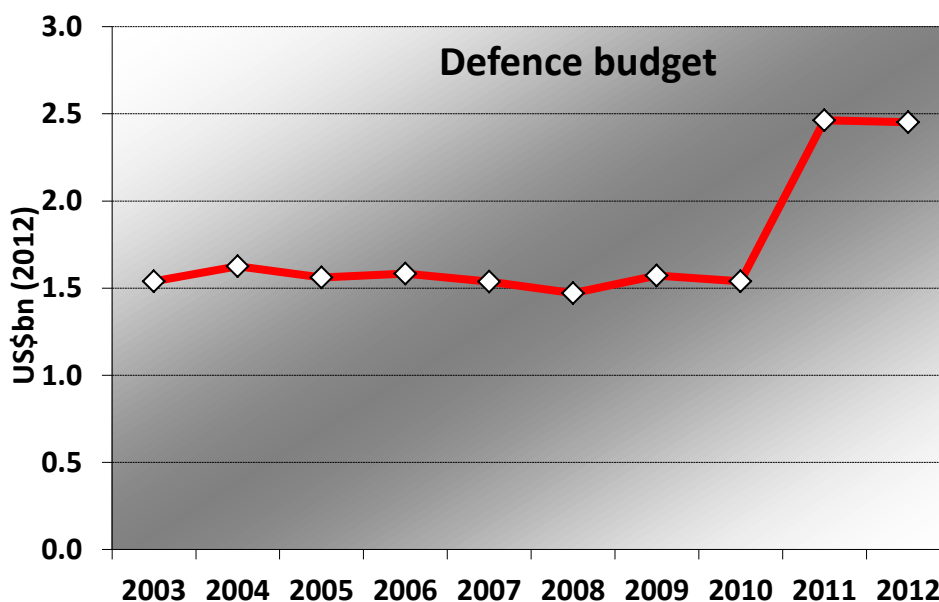
Currency Philippines Peso
Fiscal Year 1 January–31 December
Economy Less-developed country with a market economy
Industries Textiles, pharmaceuticals, chemicals, wood products, electronics, petroleum refining and fishing

Economy

Over the past 10 years, the Philippines averaged annual real economic growth of five per cent. This rate of growth is forecast to continue to 2017, according to the IMF, due in part to increased remittances driving private consumption and investment. Inadequate public investment in infrastructure will constrain the Philippines' economic potential.

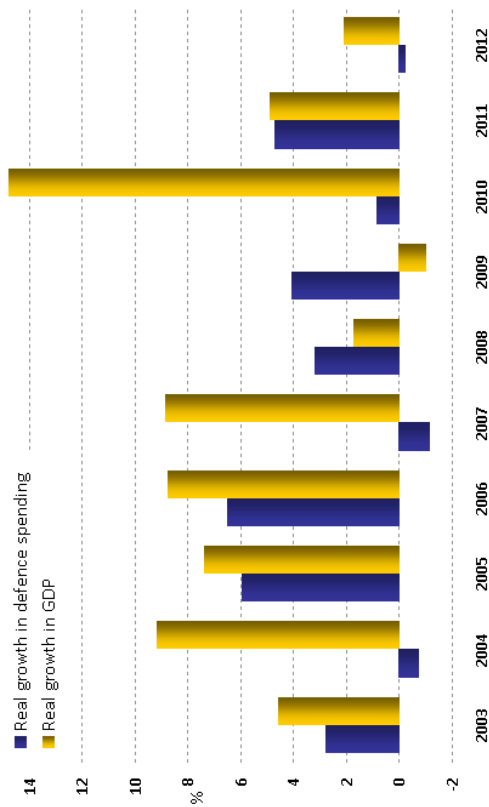
Defence spending

The Armed Forces of the Philippines' 2012 budget was 106.9bn Peso, US\$2.5bn in current terms, representing a 0.5 per cent real decrease on the 2011 defence budget. In May 2012, the Philippine Navy took delivery of a second HAMILTON-class cutter from the US Coast Guard and plans to purchase three AW-109 naval helicopters. The Navy is also seeking to purchase two Mestrale frigates from the Italian Navy. The Philippines Air Force plans to purchase 12 T/A50 Golden Eagle light attack aircraft from South Korea in 2013.

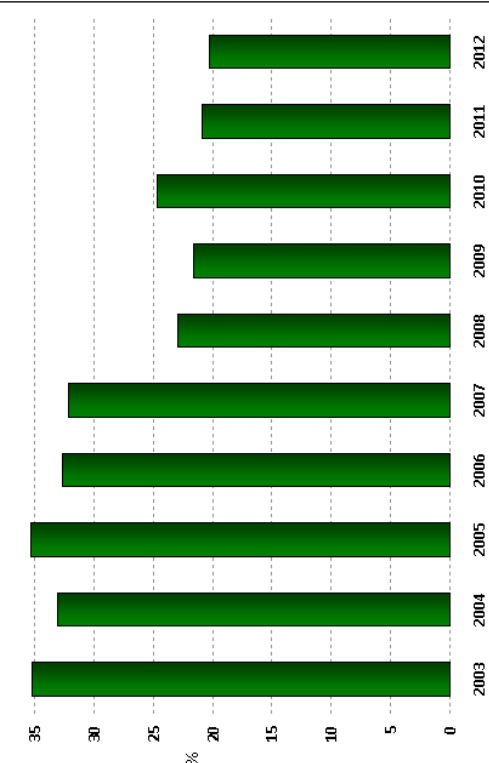


	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (billion)	8.3	8.6	9.3	10.1	10.6	10.8	11.4	11.5	12.1	12.3
2012 local (billion)	9.8	9.8	10.3	11.0	10.9	11.2	11.7	11.8	12.3	12.3
US\$ (billion)	5.6	5.8	6.2	6.9	7.2	7.9	8.0	8.6	9.8	9.7
Real growth (%)										
	2.8	-0.7	5.9	6.5	-1.1	3.2	4.0	0.8	4.7	-0.2
Percentage of real GDP	5.0	4.5	4.5	4.4	4.0	4.0	4.2	3.7	3.7	3.6
Percentage of nominal government spending	35.2	33.0	35.3	32.7	32.1	23.0	21.6	24.6	20.9	20.3
Per capita (2012 US\$)	1,353.6	1,352.8	1,410.8	1,509.2	1,491.7	1,590.5	1,581.4	1,665.7	1,858.2	1,807.1
GDP:										
Current local (billion)	167.2	190.5	208.8	231.6	267.6	268.8	270.0	310.0	326.8	339.9
US\$ billion (real GDP)	113.6	127.8	139.4	158.8	182.2	197.4	190.2	232.8	264.7	267.9
Real growth (%)	4.6	9.2	7.4	8.8	8.9	1.7	-1.0	14.8	4.9	2.1
Per capita (2012 US\$)	27,264.4	29,964.2	31,669.9	34,603.2	37,661.6	39,580.6	37,455.7	44,908.2	50,191.7	49,933.1
Government spending (current local billion)	23.6	26.1	26.3	30.9	33.0	47.1	52.9	46.7	58.0	60.6
Population (million)	4.2	4.3	4.4	4.6	4.8	5.0	5.1	5.2	5.3	5.4
Inflation (annual % change)	0.5	1.7	0.5	1.0	2.1	6.6	0.6	2.8	5.2	4.5

16 Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Country Name Singapore
Population 5.4 million
Land Size 1000 sq km

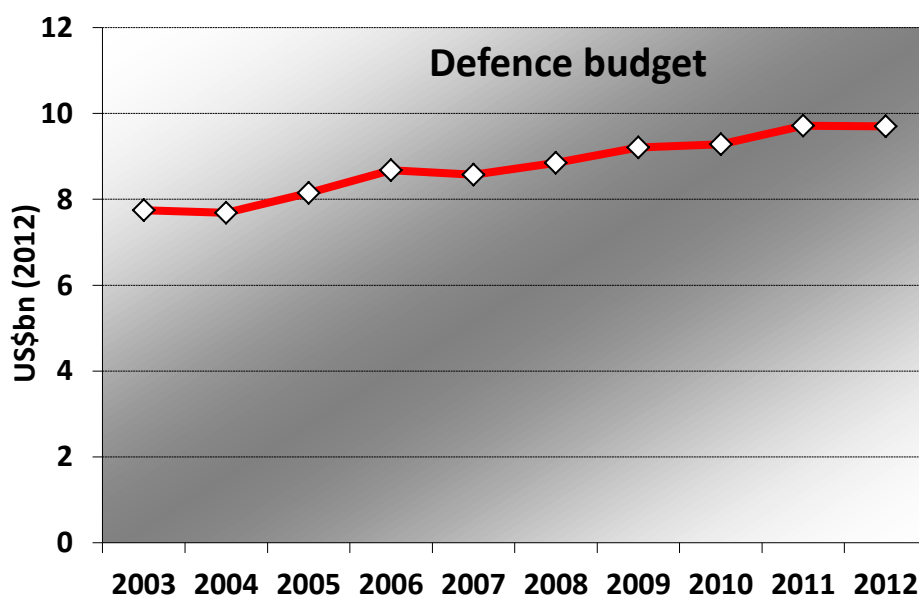
Currency Singapore Dollar
Fiscal Year 1 April–31 March
Economy Industrialised country with a market economy
Industries Electronics, financial services, petroleum refining, rubber, ship repair and biopharmaceuticals

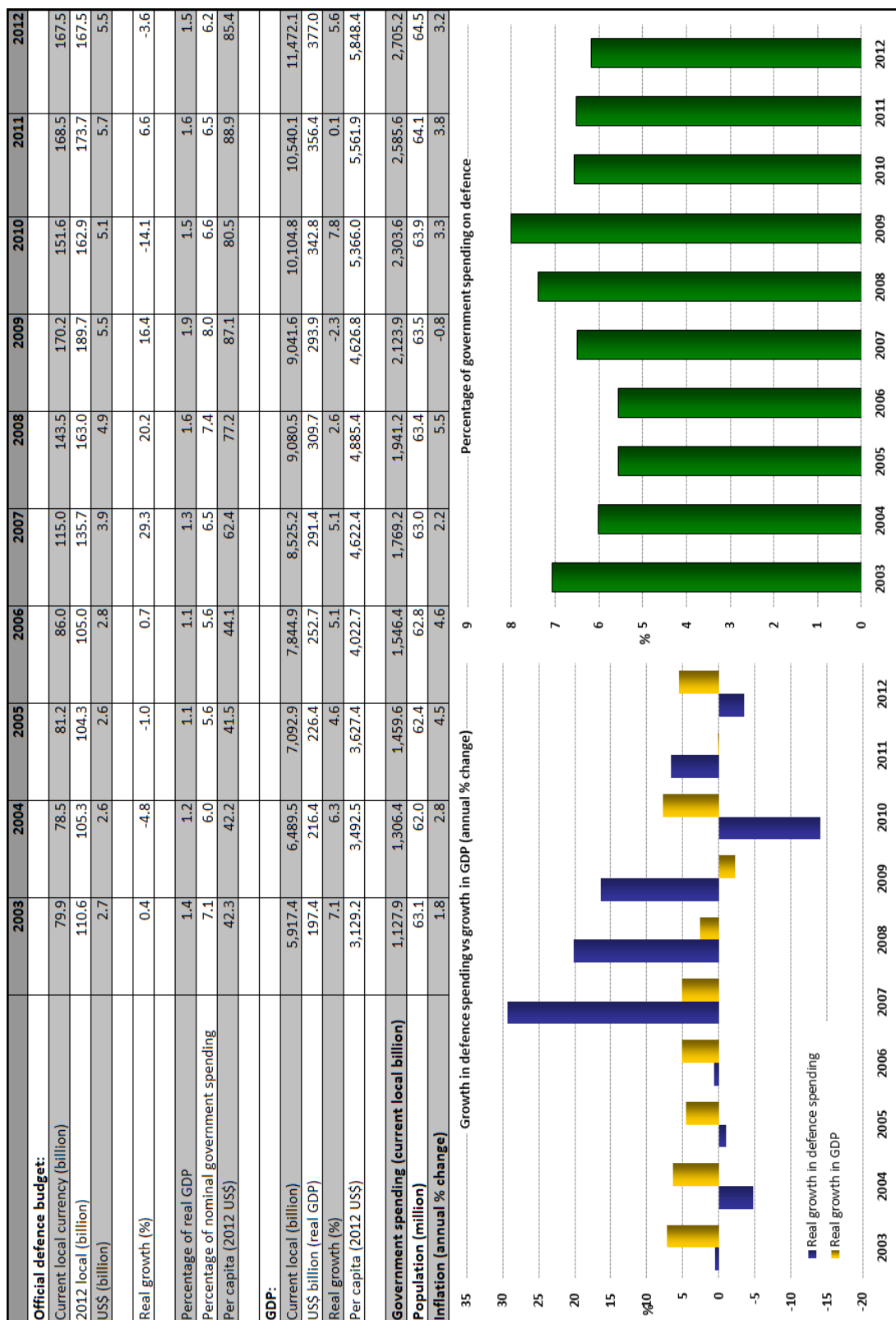
Economy

Over the past 10 years, Singapore's economy has grown at an average annual rate of 6.1 per cent in real terms. Economic growth was 2.1 per cent in 2012, reflecting Singapore's vulnerability to economic conditions in developed countries. Steady intra-Asian trade and strong domestic consumption will drive economic expansion of 3.6 per cent per annum to 2017, according to the IMF.

Defence spending

Singapore's 2012 defence budget was S\$12.3bn, US\$9.7bn in current terms, representing a 0.2 per cent real decrease on the 2011 defence budget. The Republic of Singapore issued a request for information in early 2012 for aerial refuelling tankers to replace its four KC-135R Stratotankers. The Air Force also received its first Aermacchie M-346 Master lead-in fighter/trainer in mid-2012. The Air Force's four Gulfstream 550 airborne early warning aircraft achieved full operational capability in April 2012. In late 2011, the Army received its second batch of Rheinmetall Buffel (Buffalo) armoured recovery vehicles to support the 66 Leopard 2A4 main battle tanks already in service.







Country Name Thailand
Capital City Bangkok
Population 64.5 million

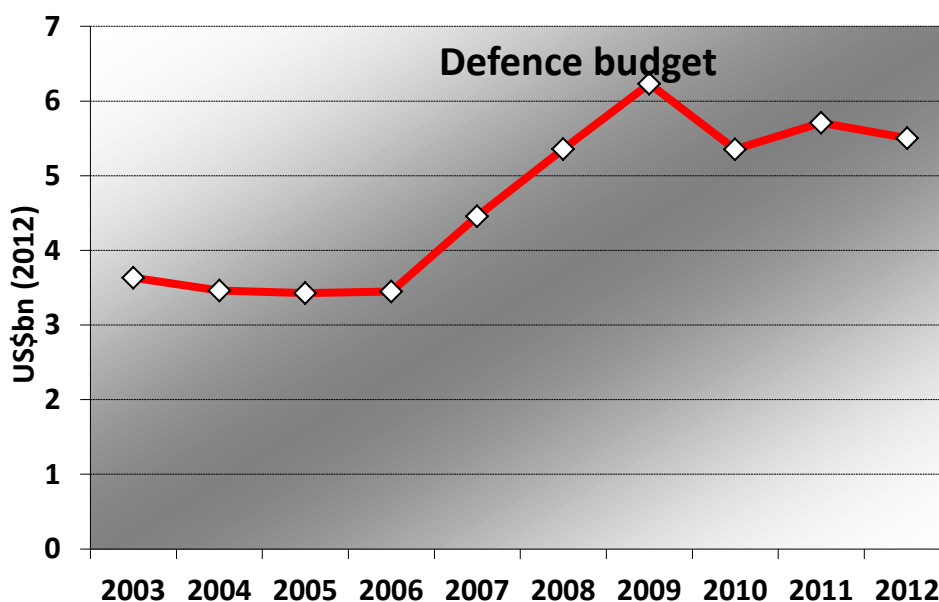
Land Size 513 000 sq km
Currency Baht
Fiscal Year 1 October–30 September
Economy Less-developed country with a market economy
Industries Tourism, apparel, agriculture, cement, electronics, furniture, plastics and tin

Economy

Over the past 10 years, Thailand's economy grew on average by 4.2 per cent annually in real terms. After almost zero real growth in 2011, Thailand's economy expanded by 5.6 per cent in 2012. Reconstruction spending following flooding in late 2011, strong private consumption and the fastest expansion of fixed investment in 20 years drove economic growth in 2012. Despite the end of reconstruction spending, Thailand's economy is forecast to grow five per cent annually to 2017, according to the IMF, based on an expanding export sector and strong private consumption resulting from increased disposable income.

Defence spending

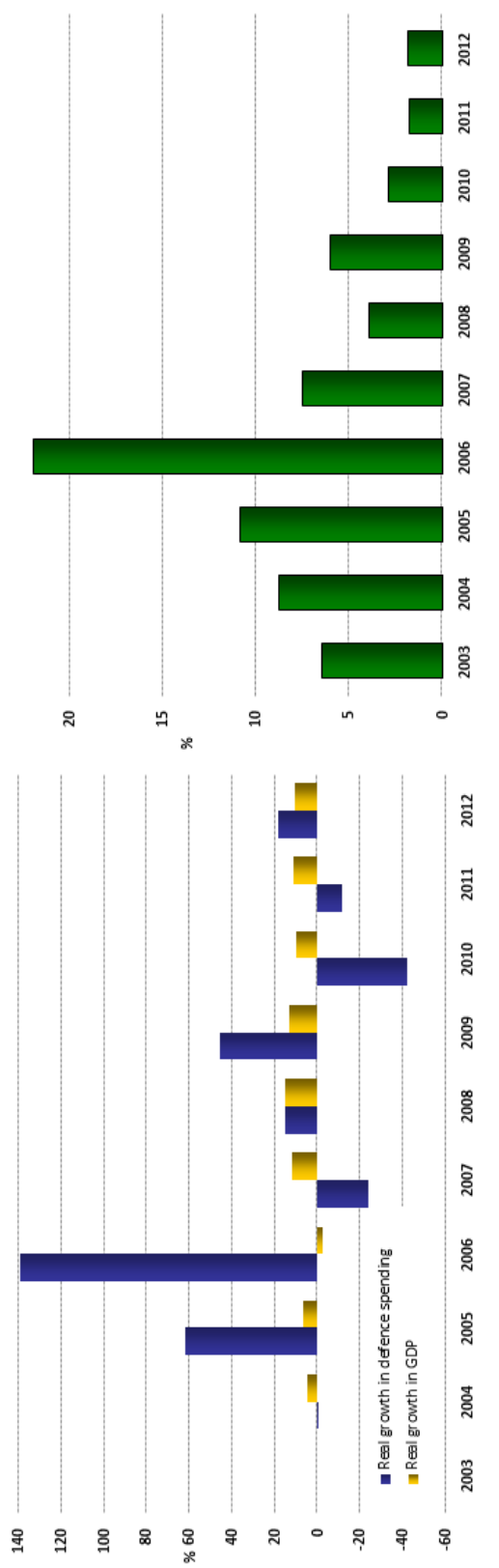
Thailand's 2012 defence budget was 167.5bn Baht, US\$5.5bn in current terms, representing a 3.6 per cent real decrease on the 2011 defence budget. In September 2012, the Royal Thai Air Force signed a contract with Eurocopter for the supply of four EC725 helicopters, with plans to purchase at least six more. The helicopters will be configured for search and rescue and are expected to be delivered in 2015. The Thai Army received cabinet approval in September 2012 to purchase eight Eurocopter AS 500 Fennec light attack/utility helicopters and the Royal Thai Navy will procure two multipurpose frigates, to be funded over the next three years.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (million)	6.1	6.0	9.8	24.4	18.4	23.7	38.0	23.2	21.5	26.6
2012 local (million)	9.3	9.2	14.9	35.6	26.8	30.8	44.7	25.5	22.6	26.6
US\$ (million)	9.3	9.2	14.9	35.6	26.8	30.8	44.7	25.5	22.6	26.6
Real growth (%)	n/a	-1.1	61.5	138.6	-24.7	14.7	45.2	-42.8	-11.7	17.8
Percentage of real GDP	1.8	1.7	2.6	6.4	4.3	4.3	5.6	2.9	2.3	2.5
Percentage of nominal government spending	6.5	8.8	10.9	22.0	7.6	4.0	6.1	2.9	1.8	1.9
Per capita (2012 US\$)	10.4	10.0	15.8	36.7	27.0	30.3	42.9	23.9	20.6	23.8
GDP:										
Current local (billion)	0.3	0.3	0.4	0.4	0.4	0.5	0.7	0.8	0.9	1.1
US\$ bn (real GDP)	0.5	0.5	0.6	0.6	0.6	0.7	0.8	0.9	1.0	1.1
Real growth (%)	0.0	4.3	6.5	-3.1	11.7	14.5	12.8	9.5	10.6	9.9
Per capita (2012 US\$)	571.6	581.8	604.7	571.7	624.0	697.1	768.5	821.0	886.6	951.7
Government spending (current local billion)	0.1	0.1	0.1	0.1	0.2	0.6	0.6	0.8	1.2	1.4
Population (million)	0.9	0.9	0.9	1.0	1.0	1.0	1.0	1.1	1.1	1.1
Inflation (annual % change)	7.2	3.2	1.1	3.9	10.3	9.0	0.7	6.8	13.5	12.0
	Growth in defence spending vs growth in GDP (annual % change)					Percentage of government spending on defence				

Percentage of government spending on defence

Growth in defence spending vs growth in GDP (annual % change)





Country Name Timor-Leste
Capital City Dili
Population 1.1 million
Land Size 14 874 sq km

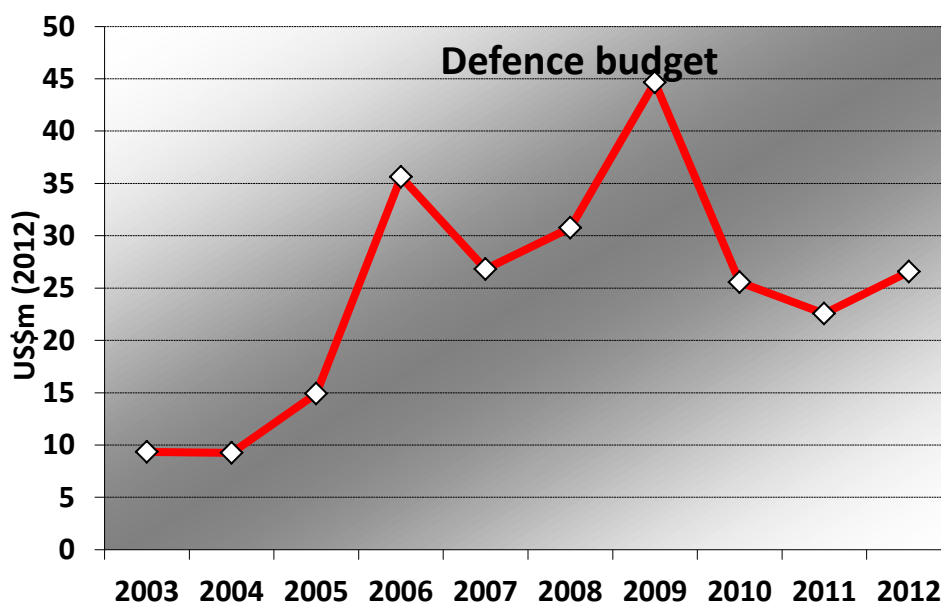
Currency US Dollar
Fiscal Year 1 January–31 December
Economy Less-developed country with a market economy
Industries Oil, coffee, fishing, cottage industries, rice and subsistence farming

Economy

Over the last 10 years, Timor-Leste's economy has grown at an average annual rate of 7.7 per cent in real terms. Since 2006, its average rate of real growth has increased to 11.5 per cent per annum. The economy grew almost 10 per cent in 2012 due to strong private consumption and an expansion in public expenditure, driven by increased oil revenues from high global commodity prices. Although the UN withdrawal from Timor-Leste will reduce private consumption and increase unemployment, the economy is forecast to grow 10 per cent annually to 2017, according to the IMF.

Defence spending

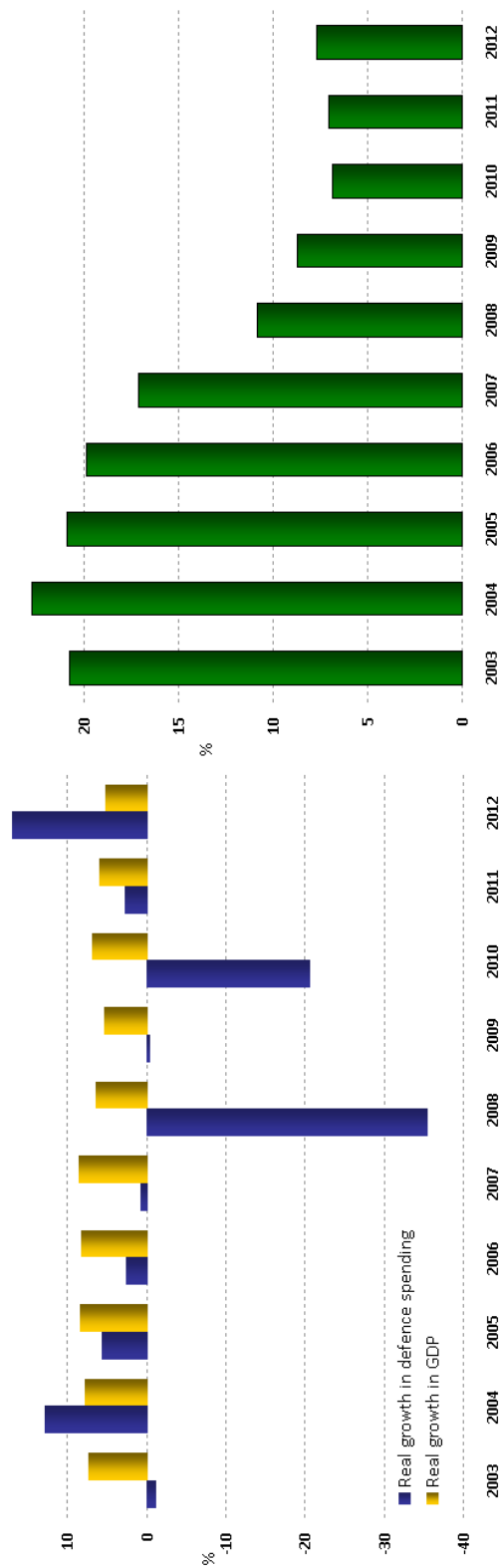
Timor-Leste's 2012 defence budget was US\$26.6m in current terms, representing a 17.8 per cent real increase on the 2011 defence budget. In late 2011, Timor-Leste commissioned three ex-South Korean Navy patrol vessels. The two smaller 21.3 m vessels were donated to the police force, and the third 37 m SEA DOLPHIN-class craft was fitted with armaments and operated by the Timor-Leste Navy. There has been little movement on Timor-Leste's Force 2020 development due to the focus on elections in 2012.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (billion)	35,880.0	43,763.0	50,000.0	55,000.0	60,000.0	47,300.0	50,000.0	44,400.0	55,100.0	70,000.0
2012 local (billion)	92,766.4	104,593.4	110,454.6	113,269.7	114,160.5	73,686.1	73,462.9	58,318.6	59,882.3	70,000.0
US\$ (billion)	6.0	6.6	7.0	7.1	7.1	4.5	4.1	3.0	2.9	3.3
Real growth (%)	-1.1	12.7	5.6	2.5	0.8	-35.5	-0.3	-20.6	2.7	16.9
Percentage of real GDP	5.8	6.1	6.0	5.6	5.2	3.2	3.0	2.2	2.2	2.4
Percentage of nominal government spending	20.8	22.8	20.9	19.9	17.1	10.8	8.7	6.9	7.0	7.7
Per capita (2012 US\$)	74.0	81.0	83.8	84.2	83.4	52.0	47.3	34.5	32.5	36.8
GDP:										
Current local (billion)	613,442.9	715,307.0	839,211.3	974,265.0	1,143,715.4	1,485,038.0	1,658,389.0	1,960,913.6	2,535,008.0	2,895,910.2
US\$ billion (real GDP)	102.3	108.6	116.9	125.5	135.3	140.7	136.9	136.0	133.4	137.7
Real growth (%)	7.3	7.8	8.4	8.2	8.5	6.3	5.3	6.8	5.9	5.1
Per capita (2012 US\$)	1,264.4	1,324.2	1,407.0	1,491.1	1,588.9	1,632.4	1,569.7	1,541.5	1,493.3	1,523.2
Government spending (current local billion)										
172,885.6	192,295.0	239,287.0	276,625.0	350,286.7	437,274.0	571,827.1	647,711.6	784,101.0	906,368.0	
Population (million)	80.9	82.0	83.1	84.2	85.2	86.2	87.2	88.3	89.3	90.4
Inflation (annual % change)	3.3	7.9	8.4	7.5	8.3	23.1	6.7	9.2	18.7	8.1

Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence





Country Name Vietnam
Capital City Hanoi
Population 90.4 million
Land Size 332 000 sq km

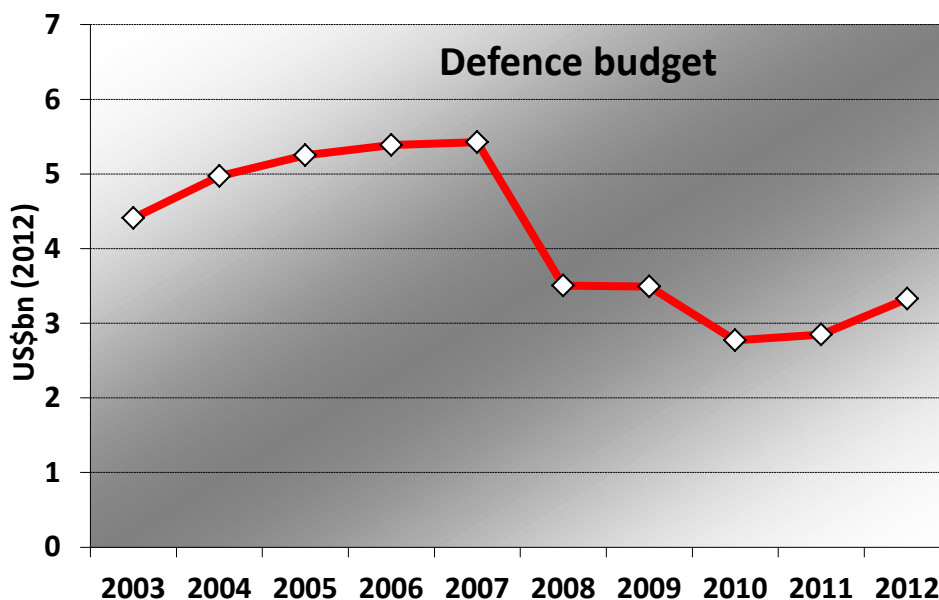
Currency Dong
Fiscal Year 1 January–31 December
Economy Less-developed country with a centrally planned economy
Industries Food processing, garments, shoes, mining, cement, fertiliser, glass, tyres, oil, coal, steel, paper, coffee and rice

Economy

Over the past 10 years, Vietnam averaged annual real economic growth of seven per cent. Slower growth in private consumption and foreign investment, coupled with high levels of inflation and associated contractionary policies, led to a drop in growth to 5.1 per cent in 2012. As inflation is expected to continue its decrease from 2011 highs, the economy is forecast to grow 5.8 per cent in 2013 and seven per cent annually from 2014 to 2017, according to the IMF.

Defence spending

Vietnam's 2012 defence budget was 70tr Dong, US\$3.3bn in current terms, representing a 16.9 per cent real increase on the 2011 defence budget. The Vietnam People's Navy awarded contracts to domestic naval shipbuilders to construct a patrol craft and Russian-designed TARANTUL-class missile corvette. In August 2012, Vietnam also took delivery of its first of three Airbus Military C-212 light transport aircraft, modified for maritime patrol missions.



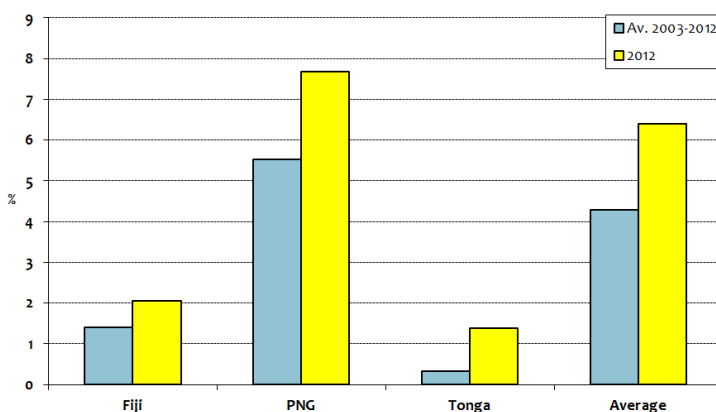
Regional economy

The South Pacific is characterised by small, narrow-based economies that are reliant on remittances, tourism and commodity exports, all of which are recovering as global economic conditions improve. These countries have limited prospects to diversify their economies, and therefore remain vulnerable to external conditions and fluctuations in commodity prices. Low food and commodity prices subdued regional inflation, contributing to growth in 2012.

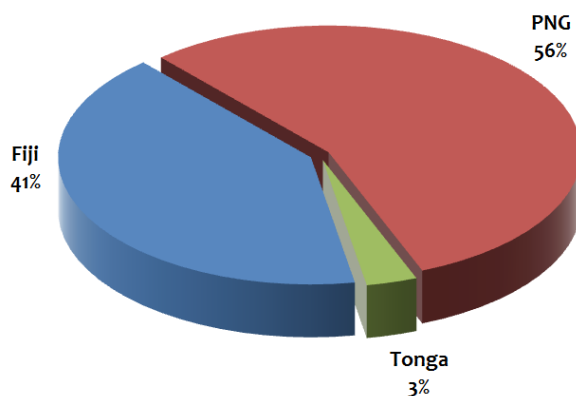
Defence spending

Defence spending remains a secondary priority to development in the region, with only an average of 1.1 per cent of GDP spent on defence over the last 10 years. South Pacific countries have very limited funds to spend on defence. For many of these countries, the armed forces gain operational experience through deploying small numbers to regional and global multilateral assistance missions, such as the Regional Assistance Mission to Solomon Islands (RAMSI) and UN-led missions, or alongside partner countries. These countries often rely on foreign partners for military acquisitions or overall improvements to their defence forces.

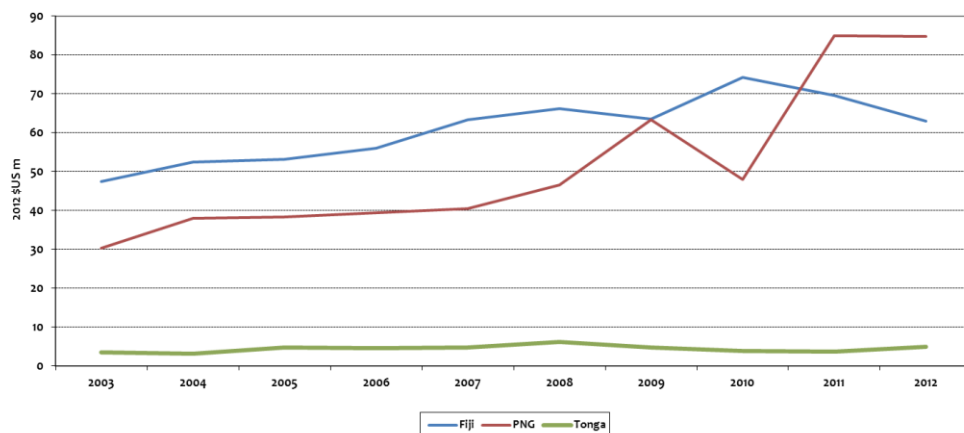
2012 GDP growth compared to average GDP growth



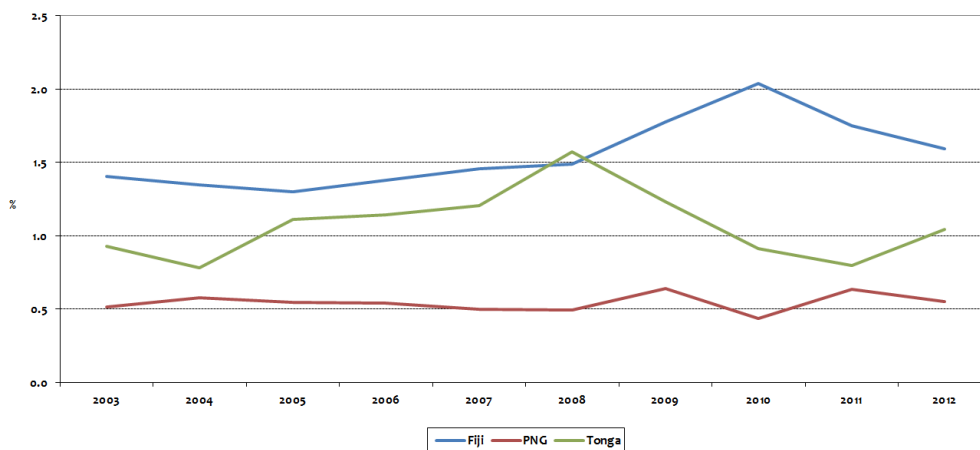
Contribution to South Pacific defence spending in 2012 (2012 US\$)



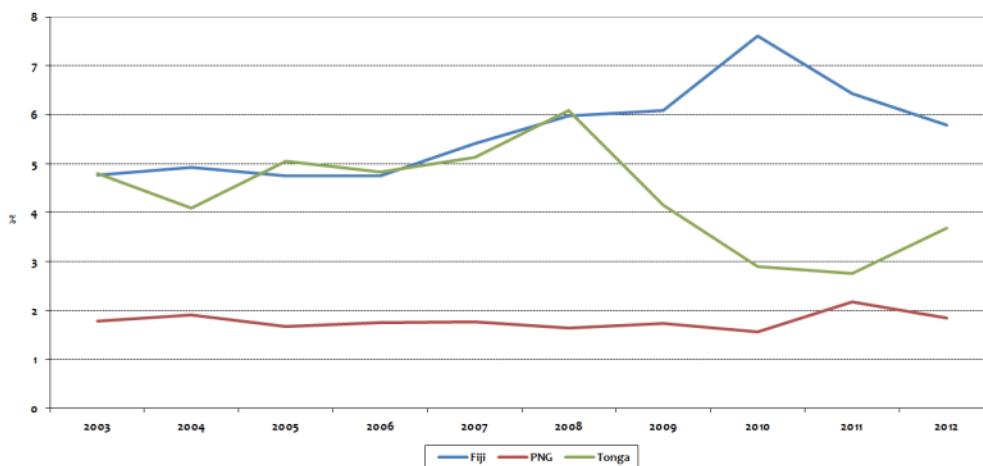
South Pacific defence budgets 2003-2012

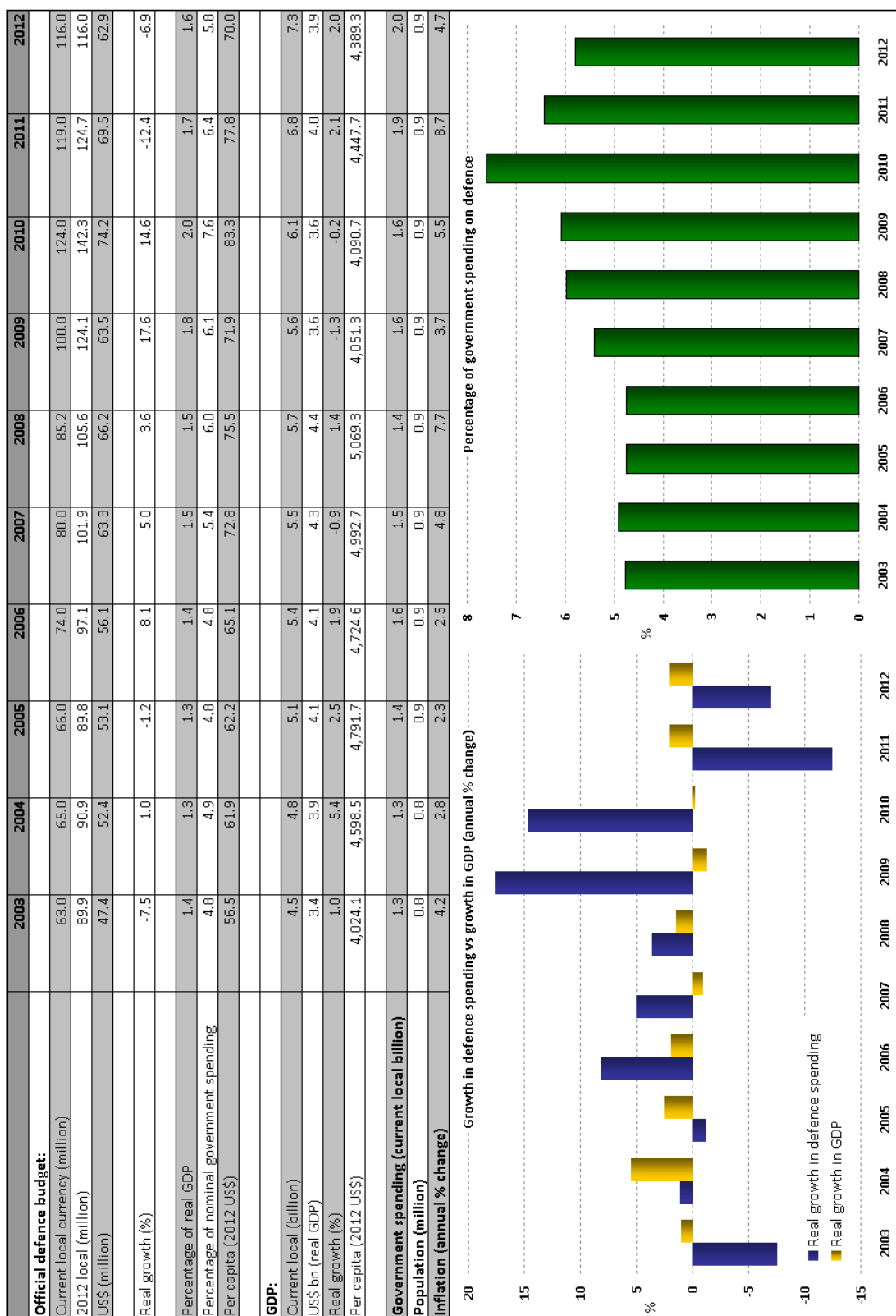


Proportion of GDP spent on defence



Proportion of government outlays spent on defence







Country Name Fiji
Capital City Suva
Population 899 000
Land Size 18 333 sq km

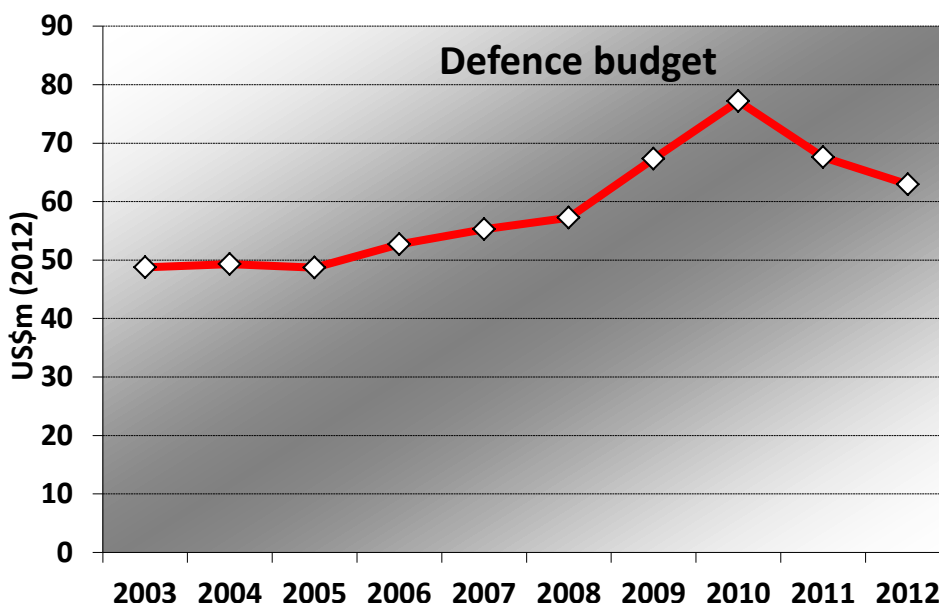
Currency Fiji Dollar
Fiscal Year 1 January–31 December
Economy Less-developed country with a market economy
Industries Tourism, sugar, clothing, copra, gold and silver mining, timber and cottage industries

Economy

Over the past 10 years, Fiji averaged real economic growth of 1.4 per cent per annum. Fiji's economy grew by two per cent in 2012. Growth in private consumption and government spending drove economic expansion in 2012. Weaknesses in Fiji's sugar industry remain. However, development of the tourist and mining sectors, and increased investment in infrastructure, will support future economic growth – forecast to remain at two per cent annually to 2017, according to the IMF.

Defence spending

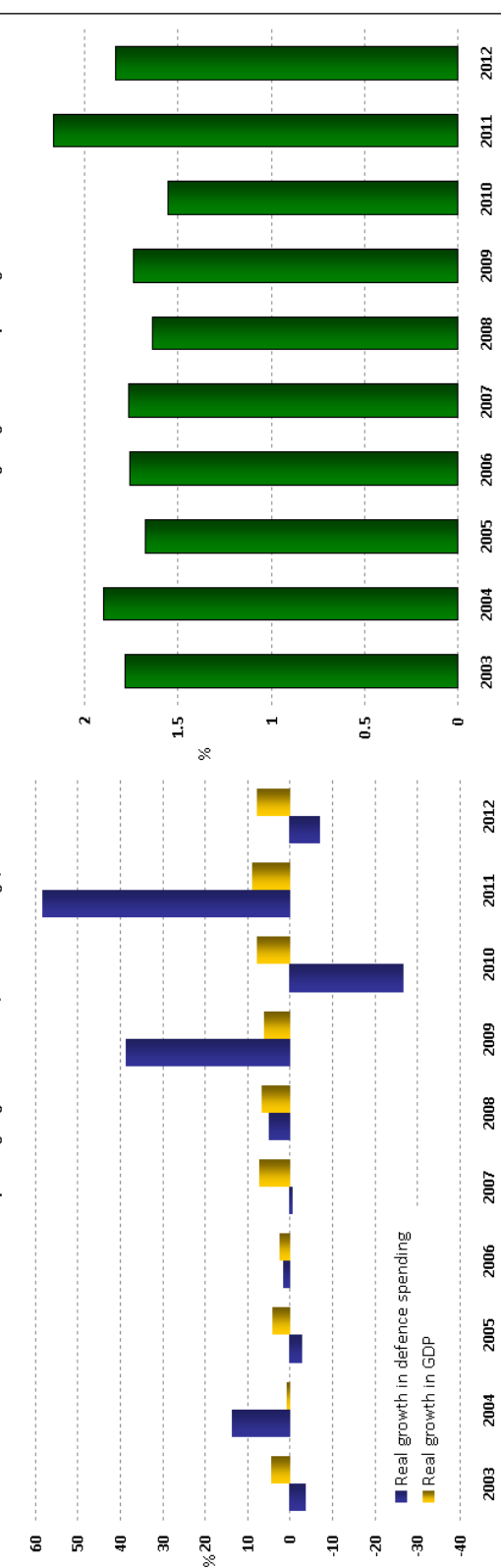
Fiji's 2012 defence budget was FJ\$116m, US\$62.9m in current terms, representing a 6.9 per cent real decrease on the 2011 defence budget. The 2006 military coup disrupted Fiji's relationships with its traditional military partners, Australia and New Zealand. However, the interim Fijian government continues to develop ties with China and other partners.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (million)	68.0	78.0	82.0	91.0	94.0	106.2	143.2	115.6	191.8	188.8
2012 local (million)	107.7	122.2	119.1	120.8	120.1	125.9	174.4	128.0	202.5	188.8
US\$ (million)	30.3	37.9	38.4	39.5	40.5	46.6	63.3	48.0	85.0	84.7
Real growth (%)	-3.6	13.5	-2.6	1.4	-0.5	4.8	38.5	-26.6	58.2	-6.8
Percentage of real GDP	0.5	0.6	0.5	0.5	0.5	0.5	0.6	0.4	0.6	0.6
Percentage of nominal government spending	1.8	1.9	1.7	1.8	1.8	1.6	1.7	1.6	2.2	1.8
Per capita (2012 US\$)	5.5	6.7	6.6	6.7	6.7	7.5	10.0	7.4	12.8	12.4
GDP:										
Current local (billion)	13.2	13.5	15.1	16.9	18.8	21.6	22.3	26.4	30.2	34.3
US\$ bn (real GDP)	5.9	6.5	7.1	7.3	8.1	9.5	9.9	11.0	13.4	15.4
Real growth (%)	4.4	0.6	3.9	2.3	7.1	6.6	6.1	7.6	8.9	7.7
Per capita (2012 US\$)	1,070.1	1,159.5	1,222.5	1,239.9	1,338.1	1,531.2	1,556.7	1,685.9	2,006.3	2,255.1
Government spending (current local billion)										
Population (million)	5.5	5.6	5.8	5.9	6.1	6.2	6.3	6.5	6.7	6.8
Inflation (annual % change)	14.7	2.1	1.8	2.4	0.9	10.8	6.9	6.0	8.4	6.8

Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence





Country Name Papua New Guinea

Capital City Port Moresby

Population 6.8 million

Land Size 462 840 sq km

Currency Kina

Fiscal Year 1 January–31 December

Economy Less-developed country with a market economy

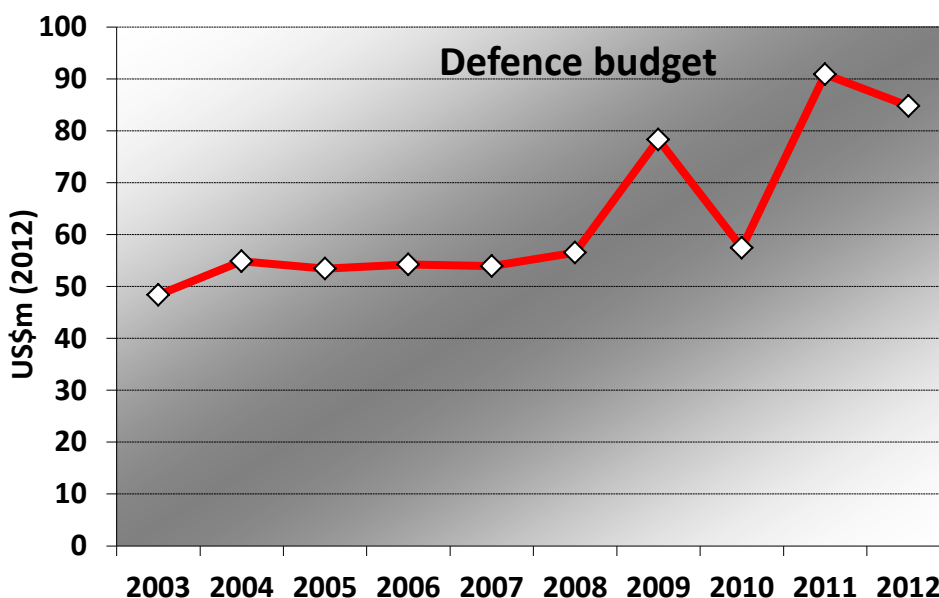
Industries Copra crushing, palm oil, timber, crude oil production, construction and gold, silver, copper and liquefied natural gas mining

Economy

Over the past 10 years, Papua New Guinea averaged annual real economic growth of 7.6 per cent. Papua New Guinea's economy grew by 7.7 per cent in 2012 – driven by investment in mining and petroleum sectors, domestic consumption and agricultural exports. Economic growth is forecast to dip in 2013 – reflecting the end of the construction phase of the country's newest resource project. But GDP growth is expected to recover to 9.5 per cent annually from 2014 to 2017, as liquefied natural gas production generates revenue and government receipts, according to the IMF.

Defence spending

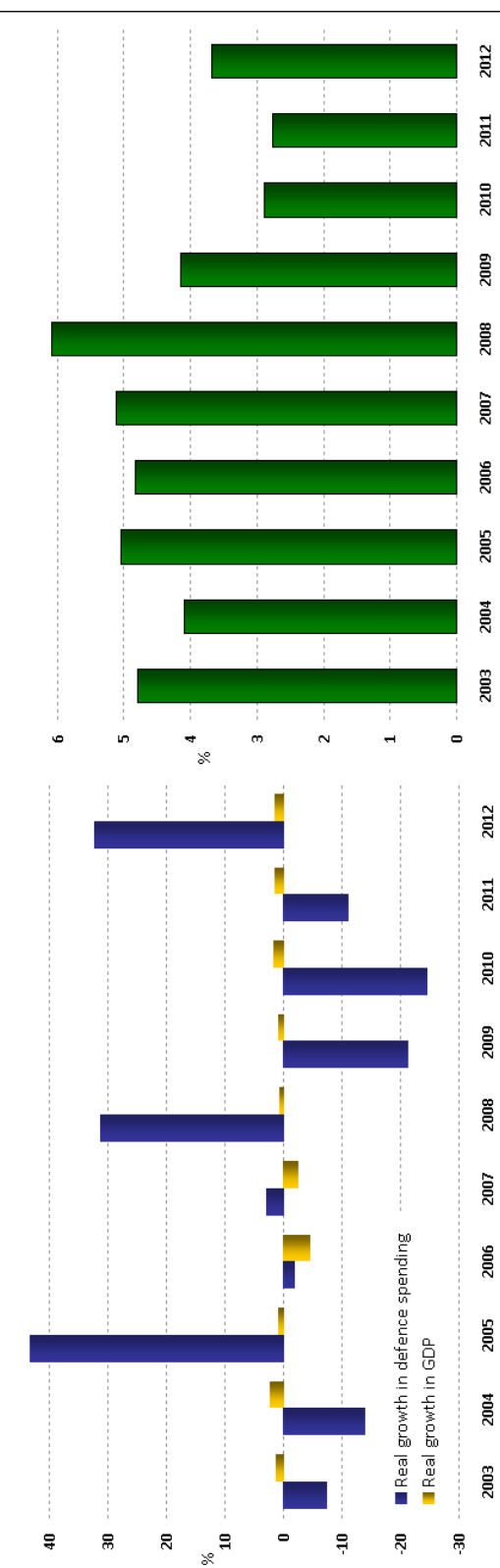
PNG's 2012 defence budget was K188.8m, US\$84.7m in current terms, representing a 6.8 per cent real decrease on the 2011 defence budget. The Papua New Guinea Defence Force (PNGDF) has become a more-compact force, including small air and naval elements. The PNGDF continues to receive substantial financial and training support from foreign partners – including Australia, New Zealand and China – and contributes personnel to RAMSI and other multilateral forces, such as the UN mission in South Sudan.



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (million)	4.3	3.9	6.3	7.0	7.7	10.4	8.3	6.6	6.2	8.6
2012 local (million)	7.6	6.5	9.3	9.2	9.4	12.4	9.7	7.3	6.5	8.6
US\$ (million)	3.6	3.3	4.7	4.6	4.8	6.2	4.9	3.9	3.7	5.0
Real growth (%)	-7.3	-14.0	43.3	-1.9	2.9	31.2	-21.2	-24.6	-11.1	32.2
Percentage of real GDP	0.9	0.8	1.1	1.1	1.2	1.6	1.2	0.9	0.8	1.0
Percentage of nominal government spending	4.8	4.1	5.0	4.8	5.1	6.1	4.2	2.9	2.8	3.7
Per capita (2012 US\$)	35.4	32.4	46.8	44.7	47.4	60.3	47.2	37.6	35.5	47.7
GDP:										
Current local (billion)	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.8
US\$ bn (real GDP)	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.5	0.5
Real growth (%)	1.2	2.2	0.8	-4.5	-2.5	0.6	0.8	1.7	1.5	1.4
Per capita (2012 US\$)	3,803.8	4,136.4	4,202.6	3,906.8	3,929.7	3,830.7	3,839.8	4,120.3	4,447.5	4,576.9
Government spending (current local billion)										
Population (million)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Inflation (annual % change)	11.2	10.8	8.5	6.1	7.4	7.4	3.5	3.9	5.3	4.5

Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence





Country Name Tonga
Capital City Nuku'alofa
Population 104 000

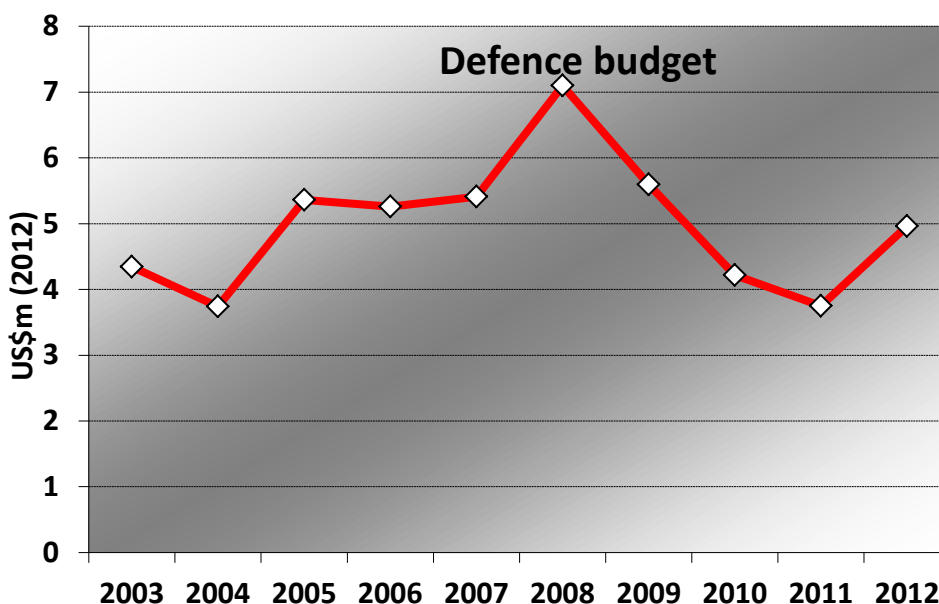
Land Size 748 sq km
Currency Pa'anga
Fiscal Year 1 July–30 June
Economy Less-developed country with a market economy
Industries Tourism, fish, squash and vanilla

Economy

Over the past 10 years, Tonga's real economic growth has averaged less than one per cent per annum. Real economic growth increased to 1.4 per cent in 2012, driven by diminished inflationary pressures, investment in infrastructure and steadily increasing remittances. The economy will continue to be exposed to international oil and food prices; however, increasing remittances from a stronger US economy, coupled with construction and infrastructure investment, will increase growth to a forecasted annual rate of 1.7 per cent to 2017, according to the IMF.

Defence spending

Tonga's 2012 defence budget was TOP8.6m, US\$5.0m in current terms, representing a 32.2 per cent real increase on the 2011 defence budget. The Tonga Defence Services have limited funding and rely on foreign assistance for new acquisitions. The Navy operates three patrol boats supported by Australia's Pacific Patrol Boat Program. In late 2012, the two countries discussed the prospect of a follow-on program. Tonga has also requested hydrographic equipment for its vessels from the US. Tongan contributes personnel to multilateral missions, including in Afghanistan.



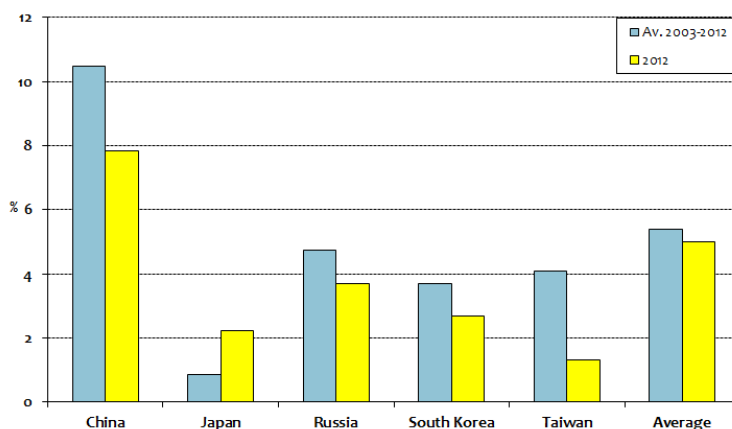
Regional economy

China's growth in 2012 dropped below its average over the last 10 years. However, China remains the main driver of economic activity in North Asia. Japan's growth was driven by reconstruction spending, while Taiwan's and South Korea's slower growth rates reflect tepid global conditions impacting their export-oriented economies. Russia's economy was bolstered by high oil prices and low unemployment. Its ascension to the World Trade Organization is expected to result in economic restructuring and growth.

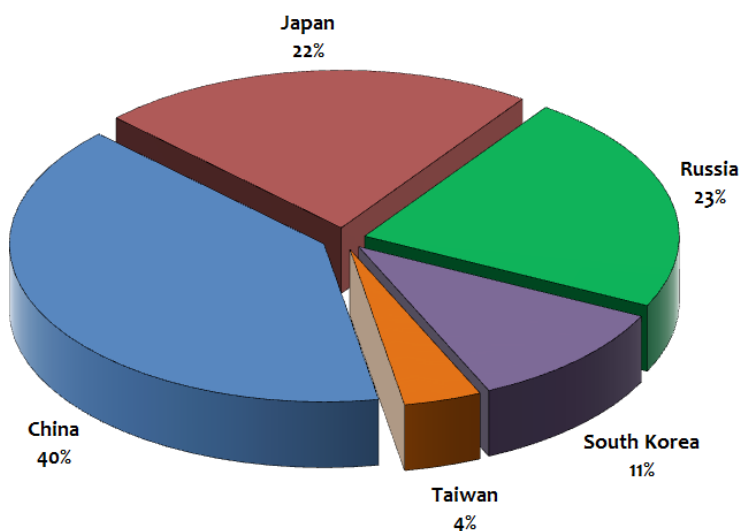
Defence spending

Increased regional defence spending in 2012 has sustained continued military modernisation, except in Japan. Across the region, major procurement programs continued to enhance military modernisation in the face of continued regional tension. North Korea has been excluded from the regional comparison charts below due to a lack of reliable data.

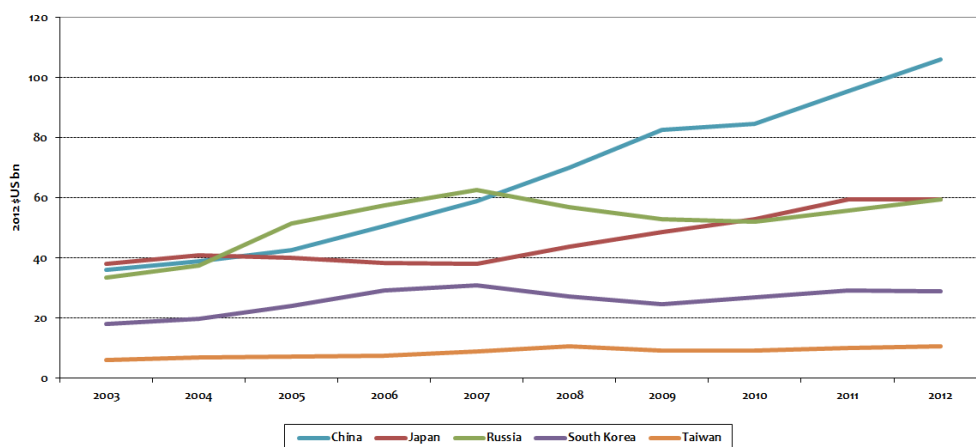
2012 GDP growth compared to average GDP growth



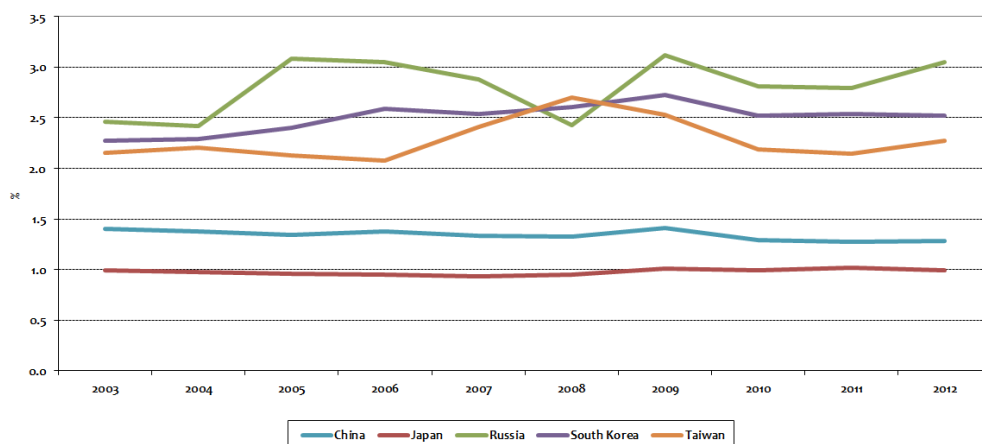
Contribution to North Asia defence spending in 2012 (2012 US\$)



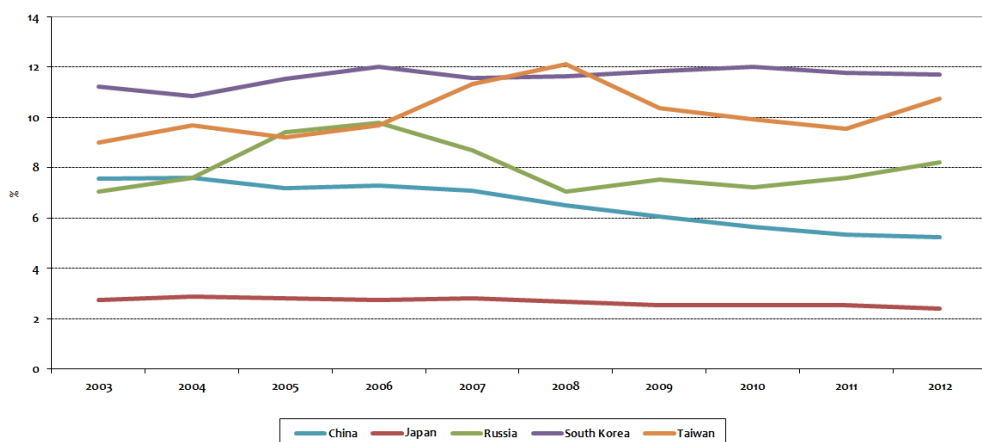
North Asian defence budgets 2003-2012

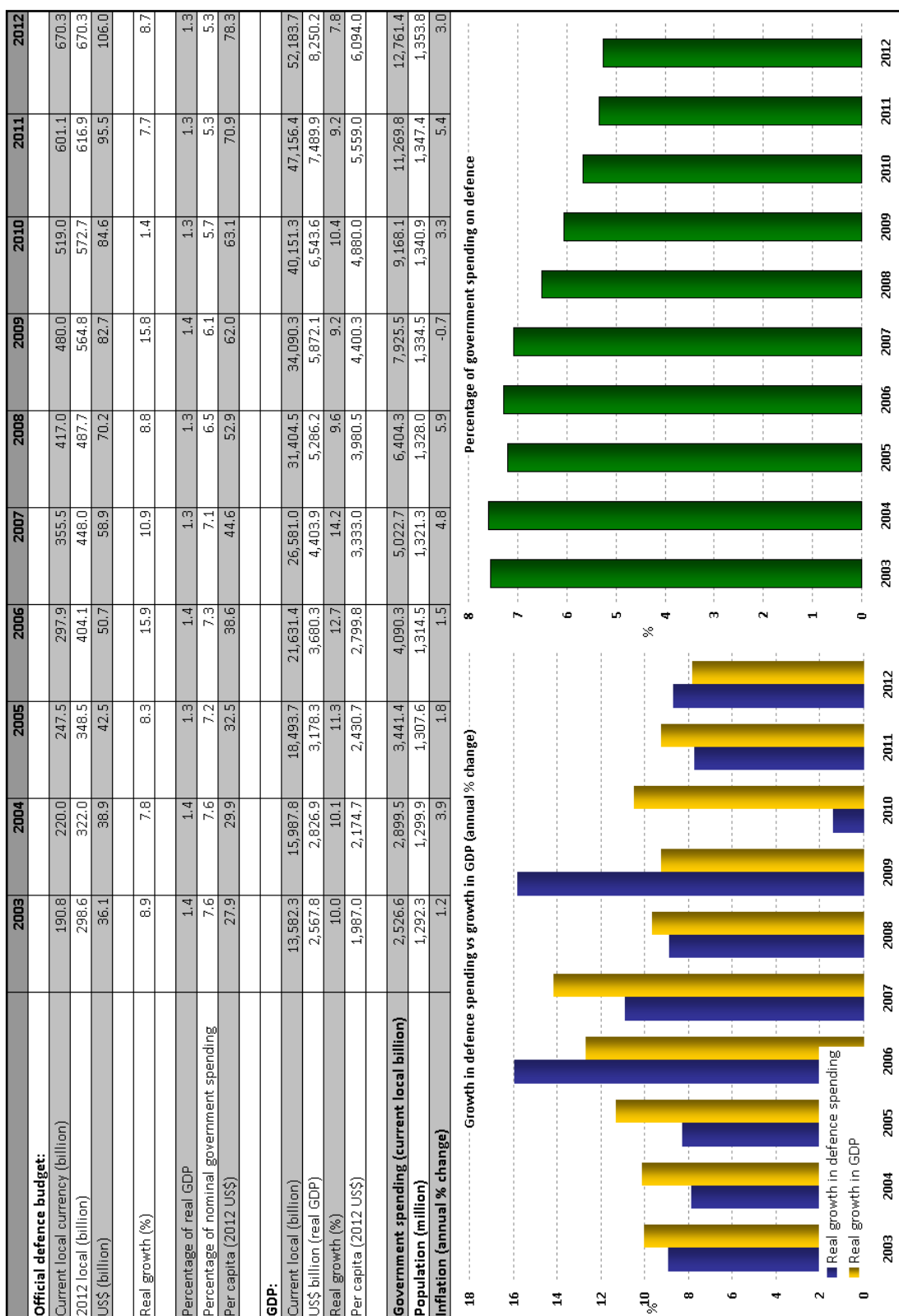


Proportion of GDP spent on defence



Proportion of government outlays spent on defence







Country Name China
Capital City Beijing
Population 1.35 billion
Land Size 9 561 000 sq km

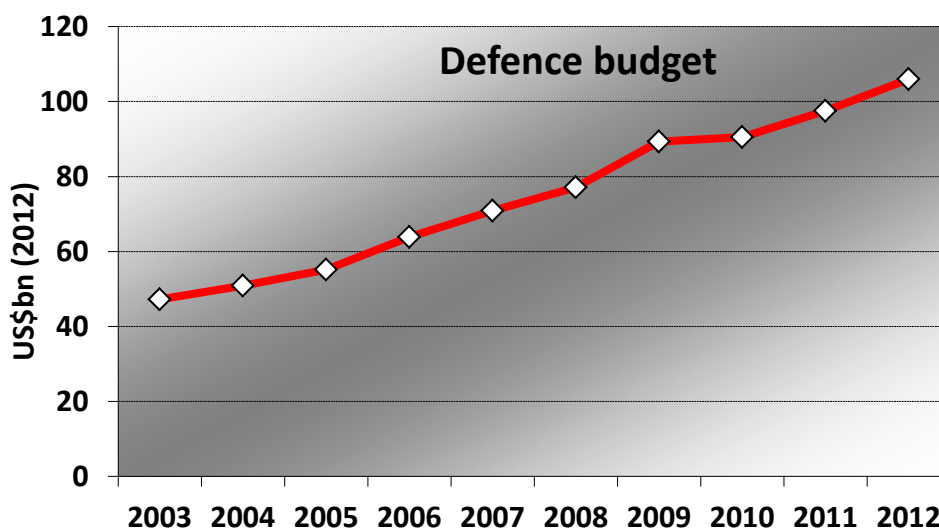
Currency Renminbi (unit of currency: Yuan)
Fiscal Year 1 January–31 December
Economy Socialist market economy
Industries Wide ranging, including iron, steel, petroleum, cement, chemical fertilisers, automobiles, electronics and telecommunications

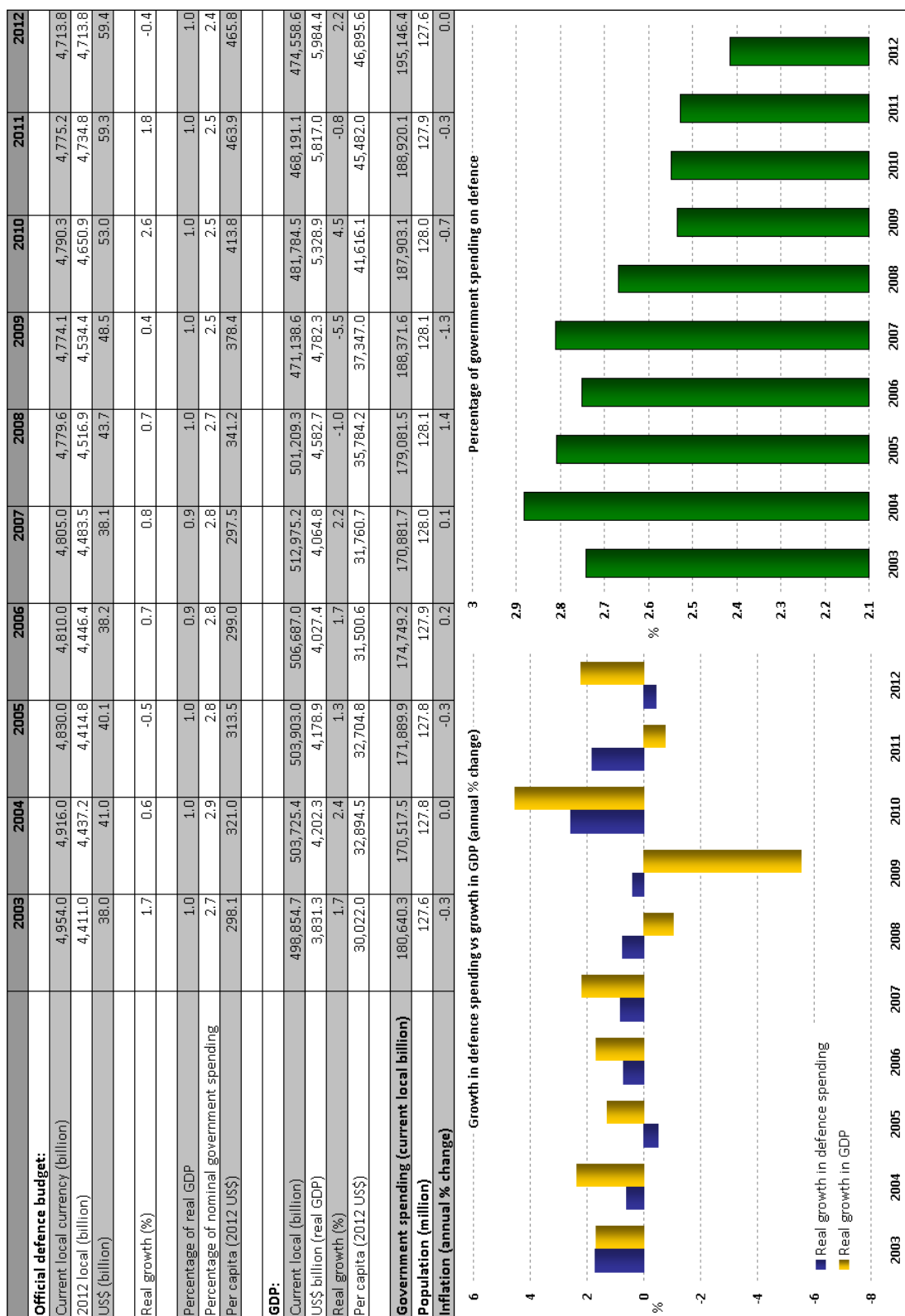
Economy

Over the past 10 years, China has averaged 10.5 per cent real GDP growth. China's economic growth softened to 7.8 per cent in 2012. This was driven by strong growth in private consumption, fixed investment and exports. China's transition to a consumption-led middle-income economy will accompany a decrease in net exports, continued inflation concerns and changing demographics. Private demand and fixed investment will continue to sustain high levels of economic growth. China's economy is forecast to expand at 8.5 per cent annually to 2017, according to the IMF.

Defence spending

Supported by strong economic growth, China's defence budget has averaged annual growth of nearly 10 per cent over the last 10 years. China's 2012 defence budget was 670.3bn Yuan, US\$106bn in current terms, representing an 8.7 per cent real increase on the 2011 defence budget. However, some commentators place China's real defence spending at a much higher figure. China is continuing its comprehensive program of military modernisation, domestically producing capable platforms, including fifth-generation fighters, heavy lift aircraft, amphibious transport docks (LPD) and modern naval combatants. In September 2012, China commissioned its first aircraft carrier, a rebuilt ex-Soviet Navy aircraft carrier, and will probably build multiple aircraft carriers over the next decade.







Country Name Japan
Capital City Tokyo
Population 127.6 million
Land Size 378 000 sq km

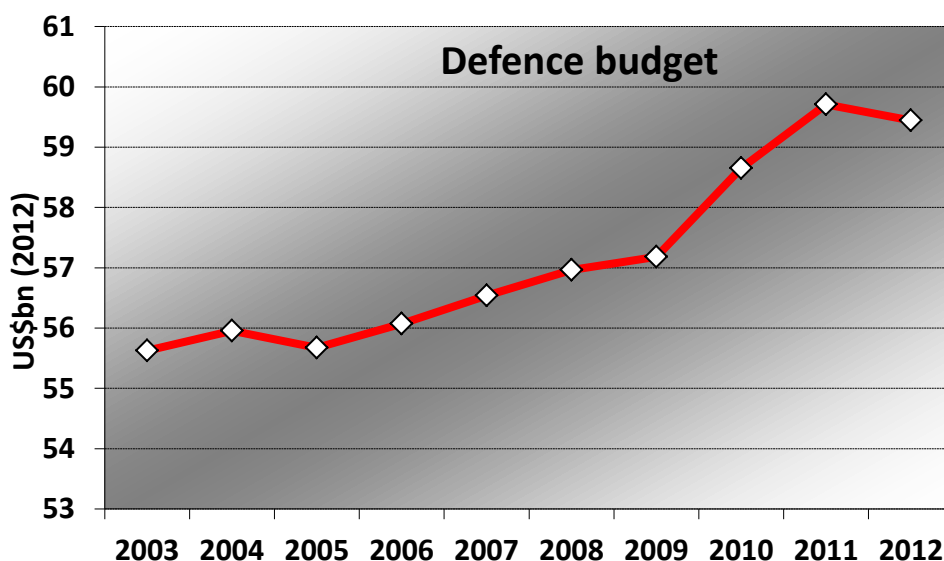
Currency Yen
Fiscal Year 1 April–31 March
Economy Advanced country with market economy
Industries Automobiles, electronics, machine tools, steel and non-ferrous metals, ships, chemicals and textiles

Economy

Over the past 10 years, Japan's real economic growth has averaged less than one per cent per annum. Real economic growth increased to 2.2 per cent in 2012, driven by reconstruction spending following the 2011 March earthquake and tsunami. As this spending comes to an end in 2013, Japan's economy is forecast to increase at a lower rate of 1.1 per cent annually to 2017, according to the IMF. Depressed consumer and business confidence, prolonged deflation and tepid global economic conditions will constrain economic growth over this period.

Defence spending

Japan's 2012 defence budget was ¥4.7tr, US\$59.4bn in current terms, representing a 0.4 per cent real decrease on the 2011 defence budget and one per cent of GDP. Japan has selected the Lockheed Martin F-35A Lightning II Joint Strike Fighter as its fighter replacement. It plans to acquire 42 F-35s, with the first four to be procured in FY2016. The Japan Air Self-Defence Force is also set to purchase six surplus Lockheed Martin KC-130R Hercules transport aircraft from the US. The Ground Self-Defence Force's new Type-10 main battle tank has entered service, with plans for 68 Type-10s to be acquired by the end of FY2015.



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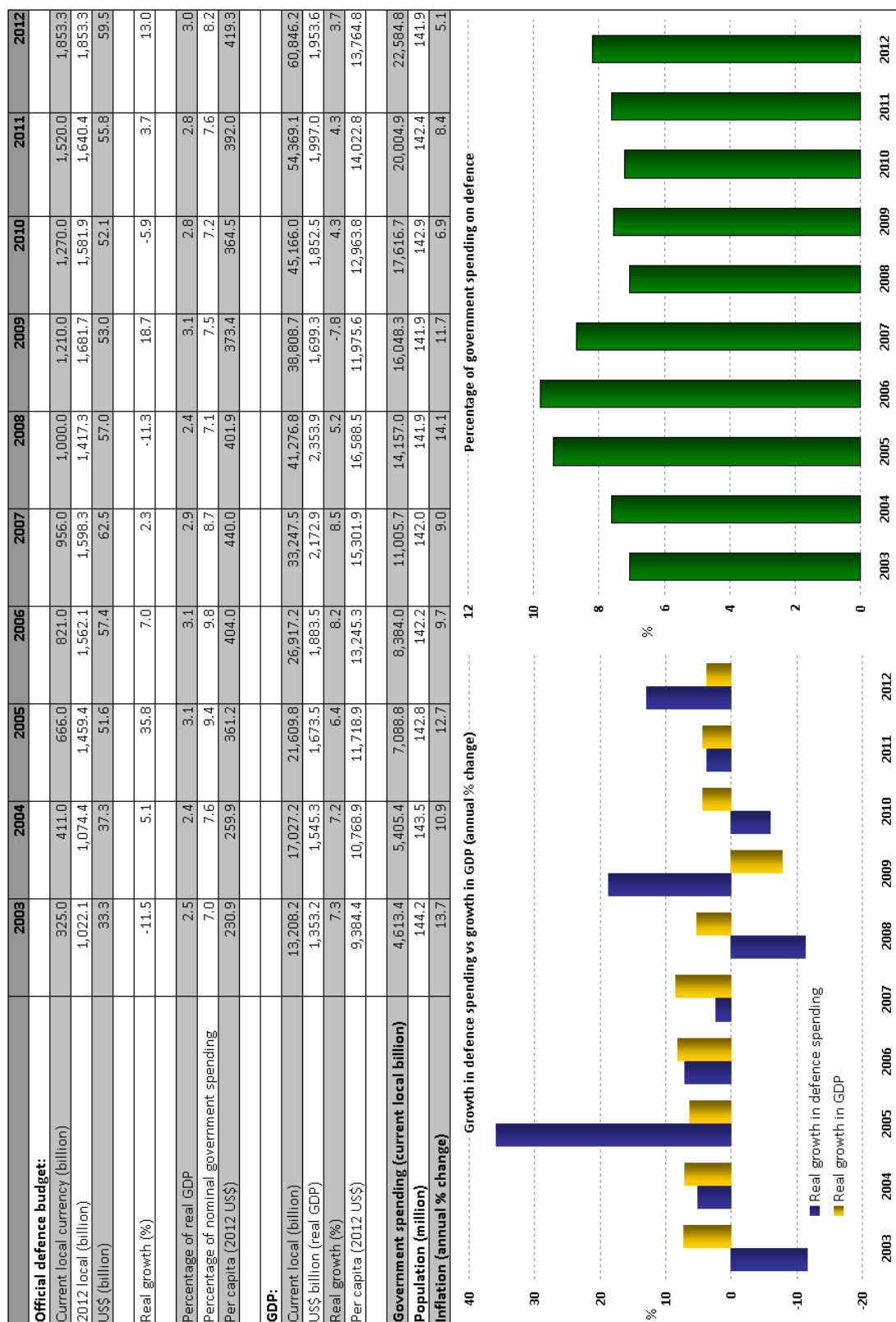
		Currency	North Korean Won
		Fiscal Year	1 January–31 December
		Economy	Less-developed country with centrally planned economy
Country Name	North Korea	Industries	Military products, machine building, chemicals, mining, metallurgy and apparel
Capital City	Pyongyang		
Population	24.6 million		
Land Size	121 000 sq km		

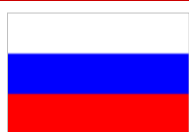
Economy

No official economic information is published for North Korea. North Korea's output is estimated to be lower now than in the late 1980s, but its economy has shown some improvement since the famine crisis of the 1990s. North Korea will continue to rely on international food aid and its trade and aid relationship with China.

Defence spending

Compiling tables and graphs to map North Korean defence spending trends is not possible due to the lack of reliable data on North Korean defence spending. Pyongyang follows a 'military first' policy that ensures national priority is given to defence of the nation and, as such, a large proportion of government spending is directed towards military expenditure.





Country Name Russia
Capital City Moscow
Population 141.9 million

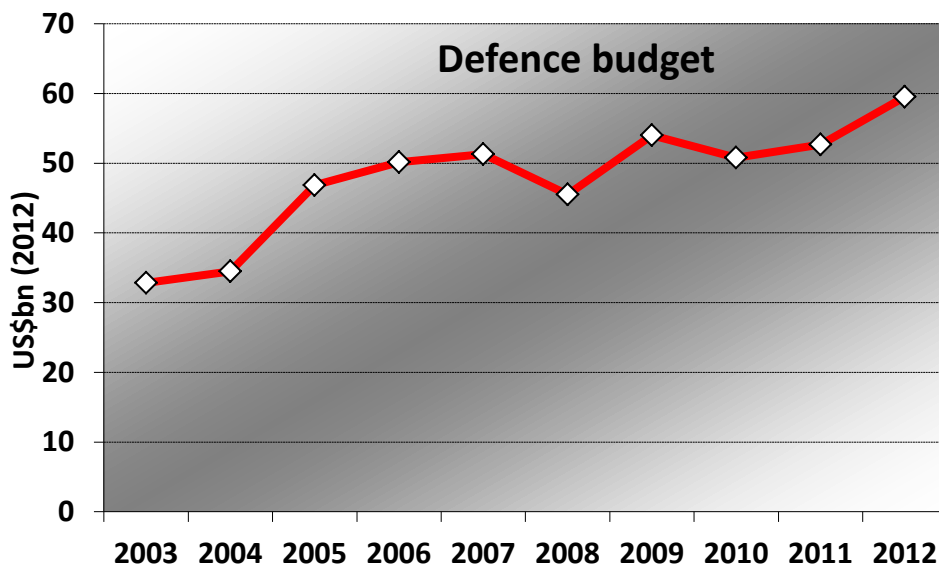
Land Size 17 098 000 sq km
Currency Ruble
Fiscal Year 1 January–31 December
Economy Industrialised country with an emerging market economy
Industries Oil and gas, coal, precious metals and timber

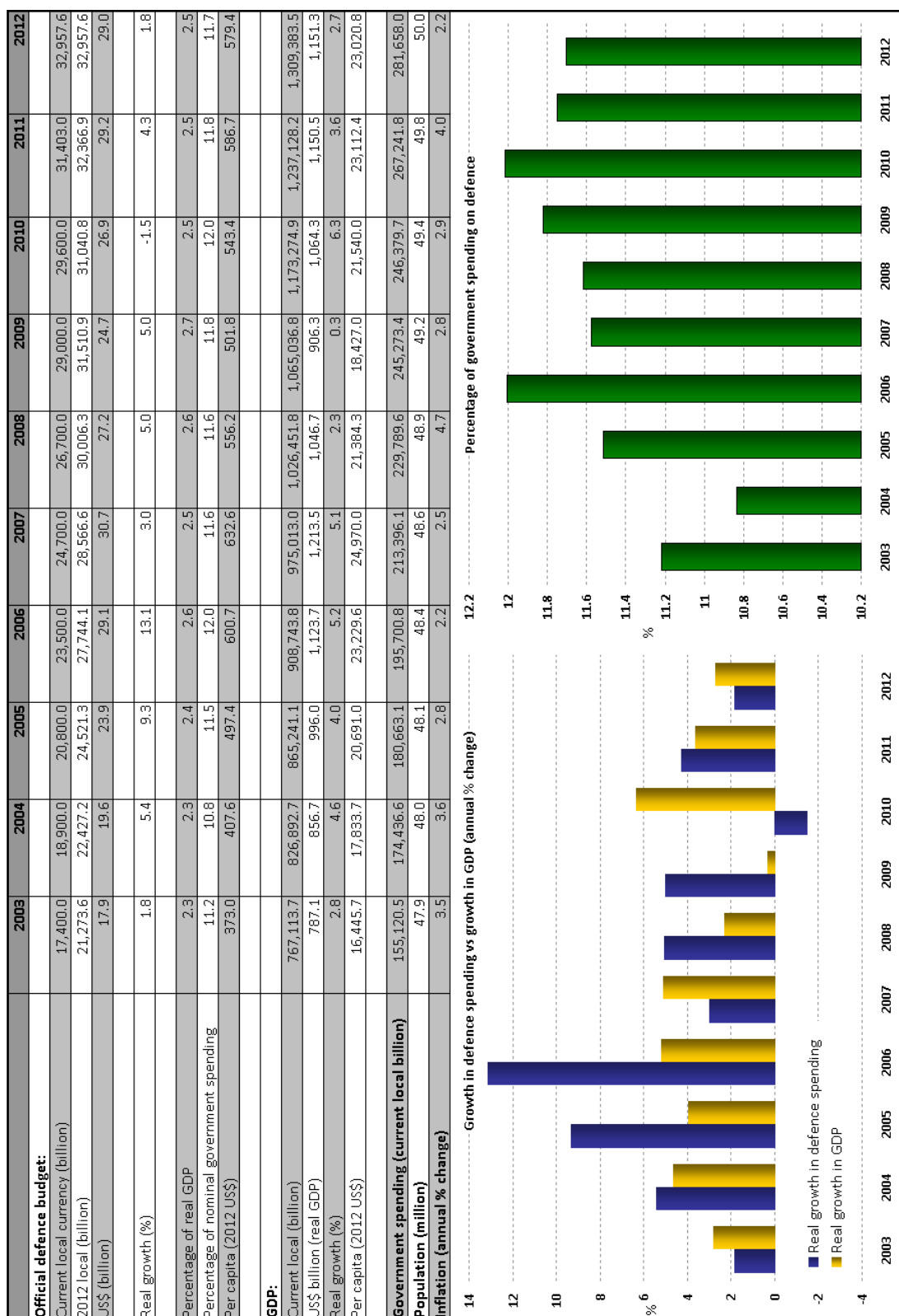
Economy

Over the past 10 years, Russia has averaged real economic growth of 4.1 per cent annually. In 2012, Russia's economy grew 3.7 per cent in real terms. Falling unemployment and low inflation contributed to growth in private consumption, which, coupled with high oil prices, bolstered economic growth in 2012. Strong domestic demand, an expansionary fiscal policy and Russia's ascension to the World Trade Organization in August are expected to generate economic growth. A declining agriculture sector and tepid global growth will act as constraints to Russia's economy, which is forecast to grow 3.8 per cent annually to 2017, according to the IMF.

Defence spending

Russia's 2012 defence budget was 1.8tr Rubles, US\$59.5bn in current terms, representing a 13 per cent real increase on the 2011 budget. Russia is continuing to implement its rearmament and modernisation plan. The Russian Ground Forces plan to bring new armoured vehicles, including the ARMATA main battle tank, into service in 2015. The development of the Sukhoi T-50 PAK-FA remains a high priority for the Russian Federation Air Force, as is the acquisition of 39 Ilyushin Il-476 strategic transport aircraft. Construction is continuing for Russian Federation Navy Procurements, including for the DOLGURUKIY-class nuclear-powered ballistic-missile submarine, new frigates and attack submarines.







Country Name South Korea
Capital City Seoul
Population 50 million

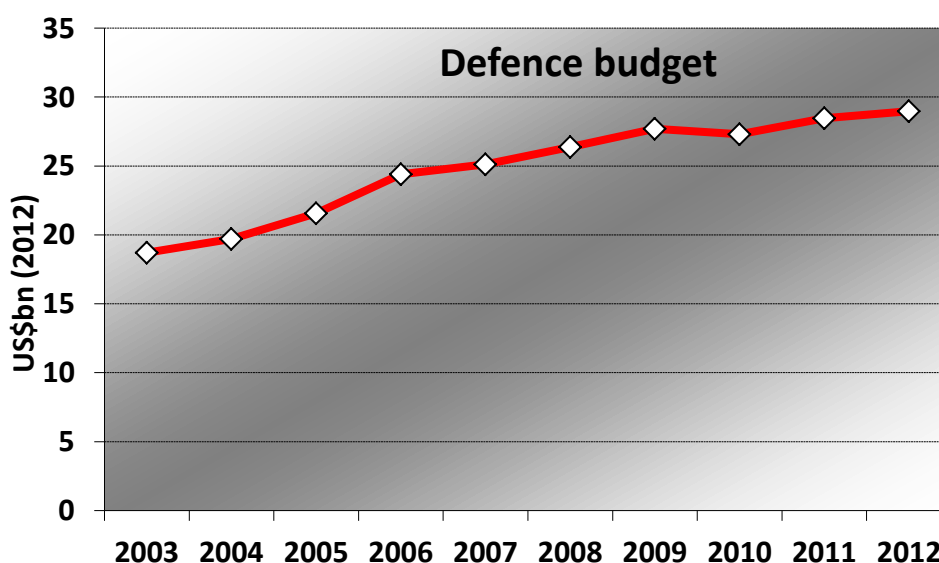
Land Size 99 000 sq km
Currency South Korean Won
Fiscal Year 1 January–31 December
Economy Industrialised country with a market economy
Industries Electronics, automobiles, chemicals, shipbuilding, steel, textiles and apparel

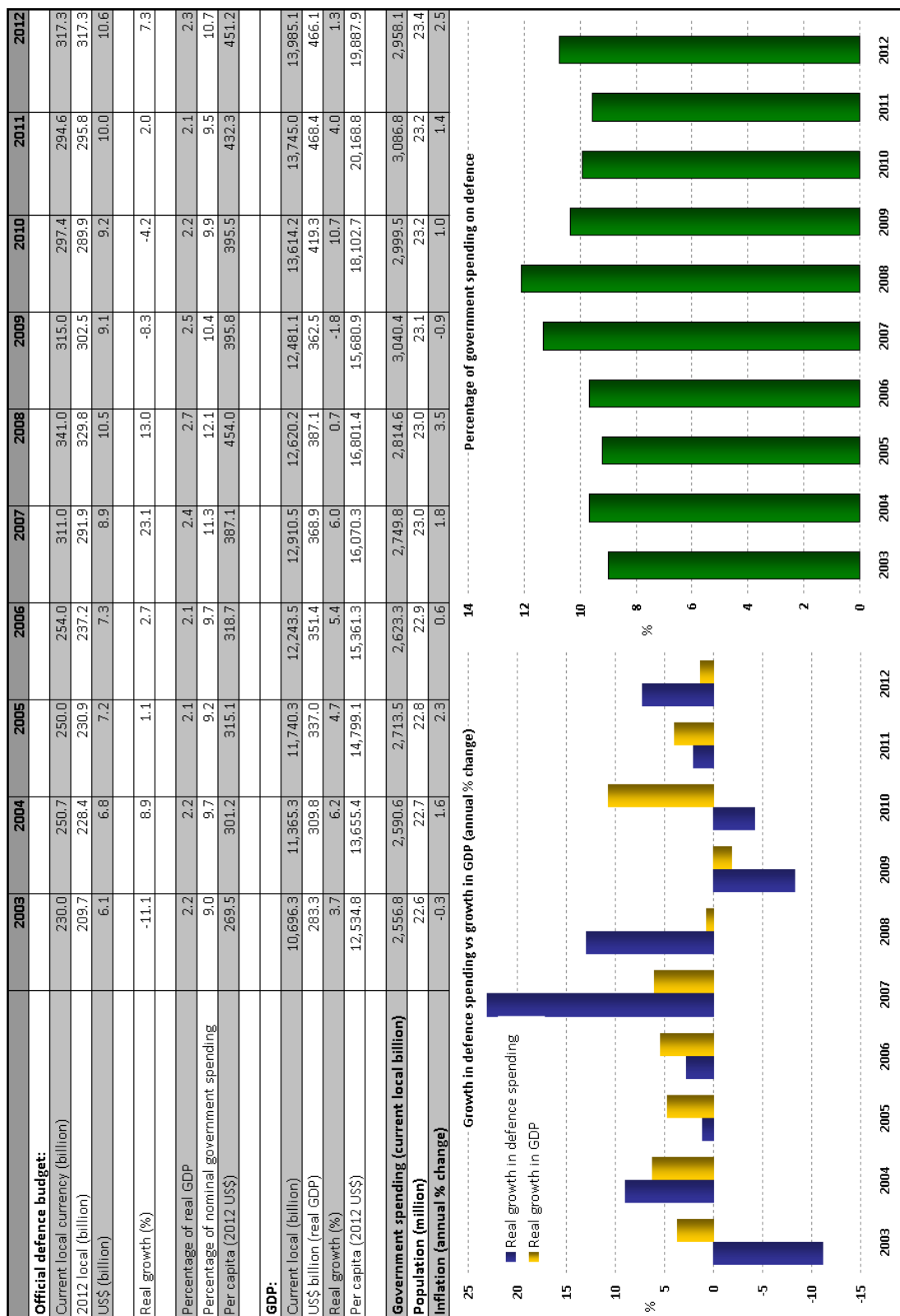
Economy

Over the past 10 years, South Korea's economic growth averaged 3.7 per cent per annum in real terms. Reflecting tepid global economic conditions, South Korea's economy only expanded by 2.7 per cent in 2012. South Korea's economy is forecast to increase 3.9 per cent annually to 2017 due to steady private consumption, external sector demand and productivity gains, according to the IMF.

Defence spending

South Korea's 2012 defence budget was 33tr Won, US\$29bn in current terms, representing a 1.8 per cent real increase on the 2011 budget. In early 2012, Seoul launched the AHX program to acquire heavy attack helicopters. The candidates for Phase III of South Korea's F-X next-generation fighter program were narrowed to the Lockheed Martin F-35 Lightning II Joint Strike Fighter, Boeing F-15SE Silent Eagle and Eurofighter Typhoon; the final decision is due in 2013. Seoul is considering mid-life upgrades to its Type 209 Chang Bogo diesel-electric submarine fleet, alongside purchases of aerial-refueling tankers and four Northrop Grumman Rq-4 Global Hawk high-altitude long-endurance unmanned aerial vehicles.





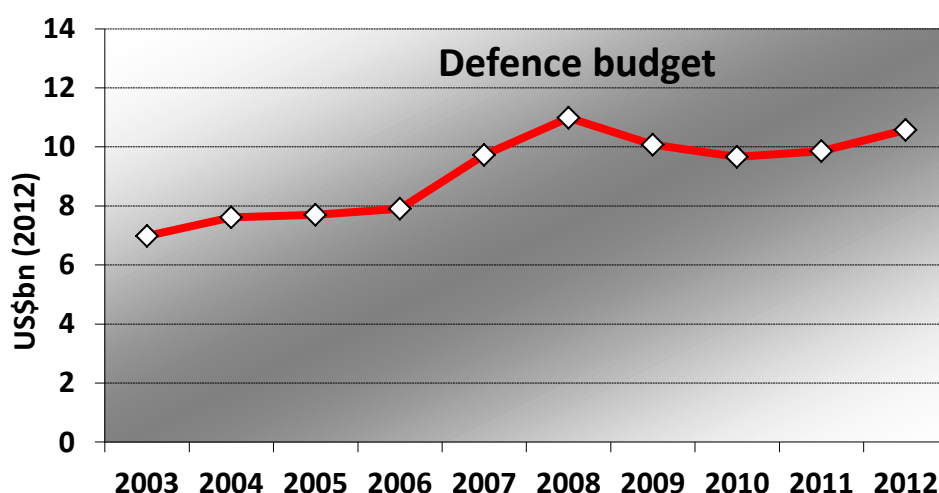
Name	Taiwan	Economy	Newly industrialised market economy
Capital City	Taipei	Industries	Electronics, petroleum refining, chemicals, textiles, iron and steel, machinery, cement and food processing
Population	23.4 million		
Land Size	36 000 sq km		
Currency	New Taiwan Dollar		
Fiscal Year	1 January–31 December		

Economy

Over the past 10 years, Taiwan averaged annual real growth of 4.1 per cent. Taiwan's economy expanded just 1.3 per cent in 2012. Taiwan's export sector contracted slightly, reflecting tepid global economic conditions. Taiwan will continue to be vulnerable to external demand and inflation could be a concern as the government withdraws subsidies from the electricity and petrol sectors. Taiwan's economic growth will return to trend and is forecast to grow 4.5 per cent annually to 2017, according to the IMF.

Defence spending

Taiwan's 2012 defence budget was NT\$317.3bn, US\$10.6bn in current terms, representing a 7.3 per cent real increase on the 2011 defence budget. The continued transition to an all-volunteer force resulted in higher personnel costs (49 per cent of the defence budget), reducing the portion for other budget items. Taiwan continues to acquire new or upgraded military capabilities and remains heavily reliant on foreign suppliers of military hardware, especially the US. In 2012, Taiwan awarded a contract to Lockheed Martin to upgrade its Air Force's 145 Block 20 F-16A/B combat aircraft, with the contract estimated to be worth up to US\$1.85bn. Taiwan continues to indigenously develop and produce weapon systems, including the Hsiung Fend family of missiles.



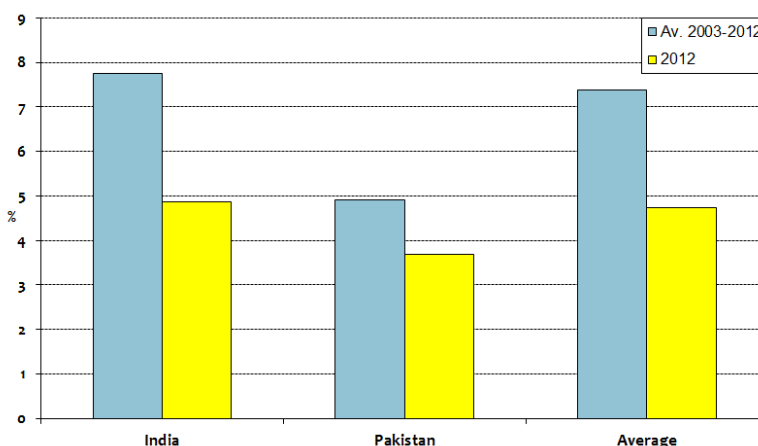
Regional economy

Low growth of private consumption expenditure, weak agricultural income and fragile investment sentiments slowed GDP growth in the region. India's economic activity suffered amid sluggish structural reforms, interest rate hikes designed to contain inflation and an uncertain global environment. Structural problems and weak macroeconomic policies have continued to erode Pakistan's economic strength. Despite these constraints, the region is forecast to perform above the average expected growth rate for developing countries.

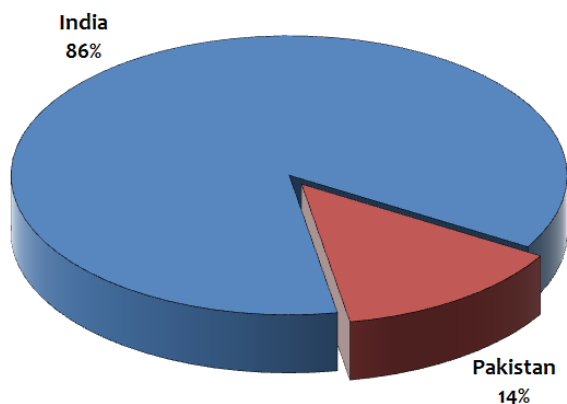
Defence spending

South Asian defence budgets have grown strongly over the last decade, led by India's economic expansion. Other key factors have included ongoing China–India and India–Pakistan rivalries and significant internal security challenges. There has been a sustained trend of modernisation, particularly in India, with large-scale acquisition programs being announced. The average regional defence spending burden, as a percentage of GDP, also remains above the global average.

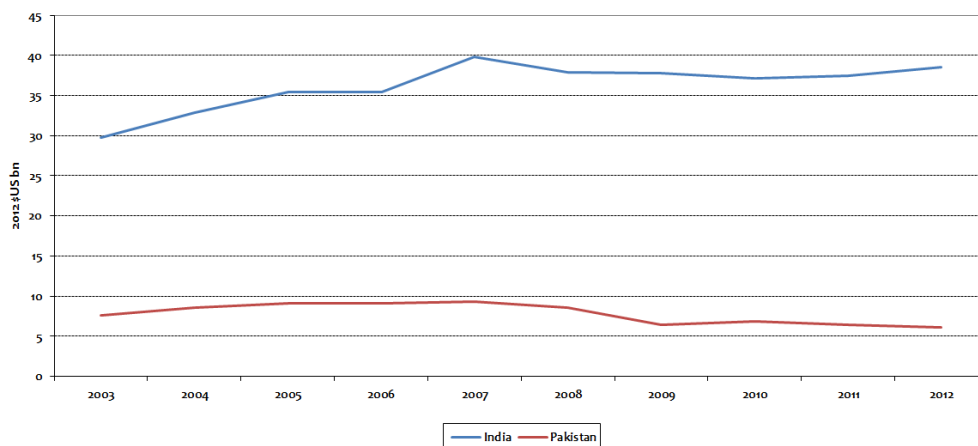
2012 GDP growth compared to average GDP growth



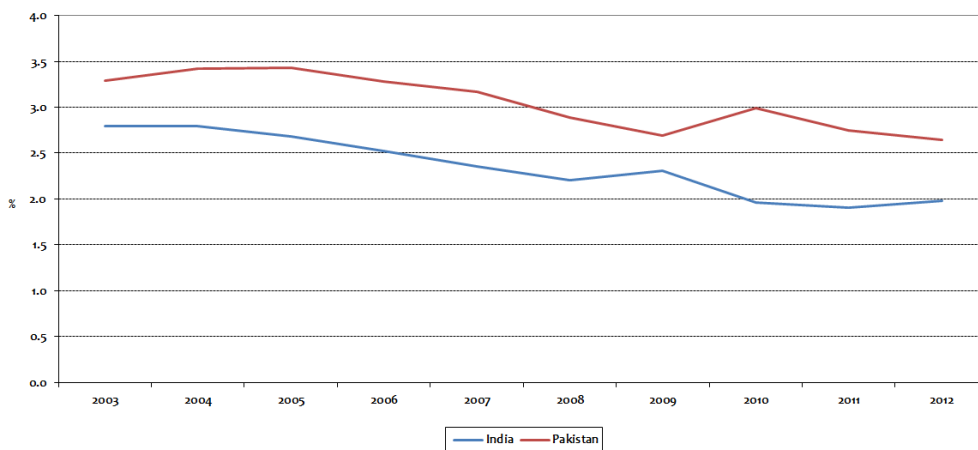
Contribution to South Asian defence spending in 2012 (2012 US\$)



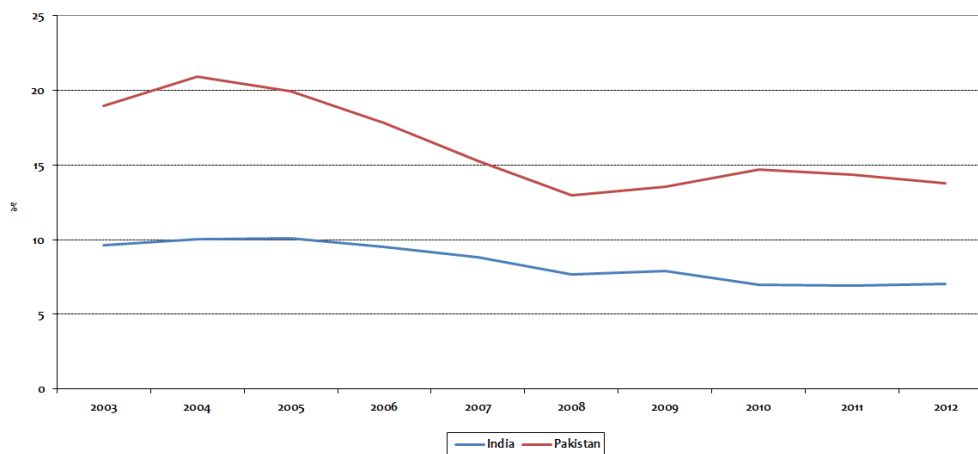
South Asian defence budgets 2003-2012



Proportion of GDP spent on defence



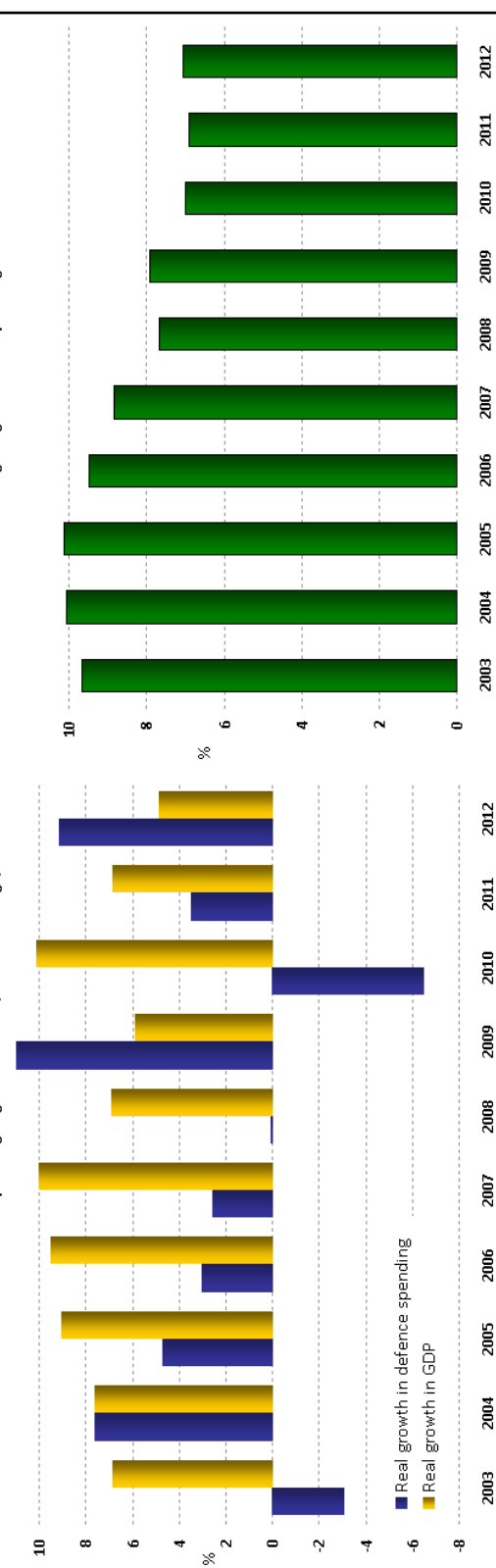
Proportion of government outlays spent on defence



	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Official defence budget:										
Current local currency (billion)	770.0	873.0	958.0	1,040.0	1,123.0	1,211.6	1,417.0	1,473.4	1,644.2	1,934.1
2012 local (billion)	1,385.1	1,490.6	1,560.4	1,607.5	1,648.9	1,649.5	1,830.9	1,712.1	1,771.7	1,934.1
US\$ (billion)	29.7	32.9	35.4	35.5	39.9	37.9	37.8	37.2	37.4	38.5
Real growth (%)	-3.1	7.6	4.7	3.0	2.6	0.0	11.0	-6.5	3.5	9.2
Percentage of real GDP	2.8	2.8	2.7	2.5	2.4	2.2	2.3	2.0	1.9	2.0
Percentage of nominal government spending	9.7	10.1	10.1	9.5	8.8	7.7	7.9	7.0	6.9	7.1
Per capita (2012 US\$)	27.6	30.1	31.9	31.5	34.9	32.7	32.2	31.2	31.0	31.5
GDP:										
Current local (billion)	27,528.6	31,202.8	35,665.6	41,164.5	47,666.1	54,955.9	61,306.8	75,052.6	86,465.0	97,699.8
US\$ billion (real GDP)	1,063.1	1,175.7	1,317.3	1,404.3	1,692.3	1,718.8	1,636.1	1,894.6	1,968.5	1,946.8
Real growth (%)	6.9	7.6	9.0	9.5	10.0	6.9	5.9	10.1	6.8	4.9
Per capita (2012 US\$)	987.8	1,075.4	1,186.8	1,247.2	1,481.9	1,484.3	1,393.6	1,591.4	1,631.0	1,591.6
Government spending (current local billion)										
Population (million)	7,976.2	8,673.7	9,469.7	10,959.6	12,708.5	15,815.6	17,910.2	21,072.8	23,796.6	27,365.4
Inflation (annual % change)	10.76	1.09	1.11	1.12	1.12	1.15	1.17	1.19	1.20	1.23

Growth in defence spending vs growth in GDP (annual % change)

Percentage of government spending on defence





Country Name India
Capital City New Delhi
Population 1.2 billion
Land Size 3 287 000 sq km

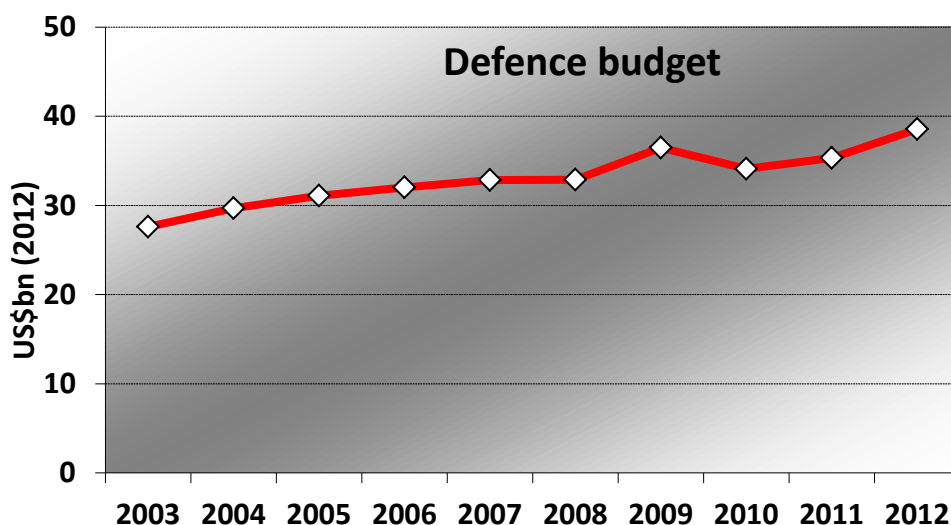
Currency Indian Rupee
Fiscal Year 1 April–31 March
Economy Less-developed country with a market economy
Industries IT services, textiles, chemicals, steel, transportation equipment, cement, mining, petroleum and machinery

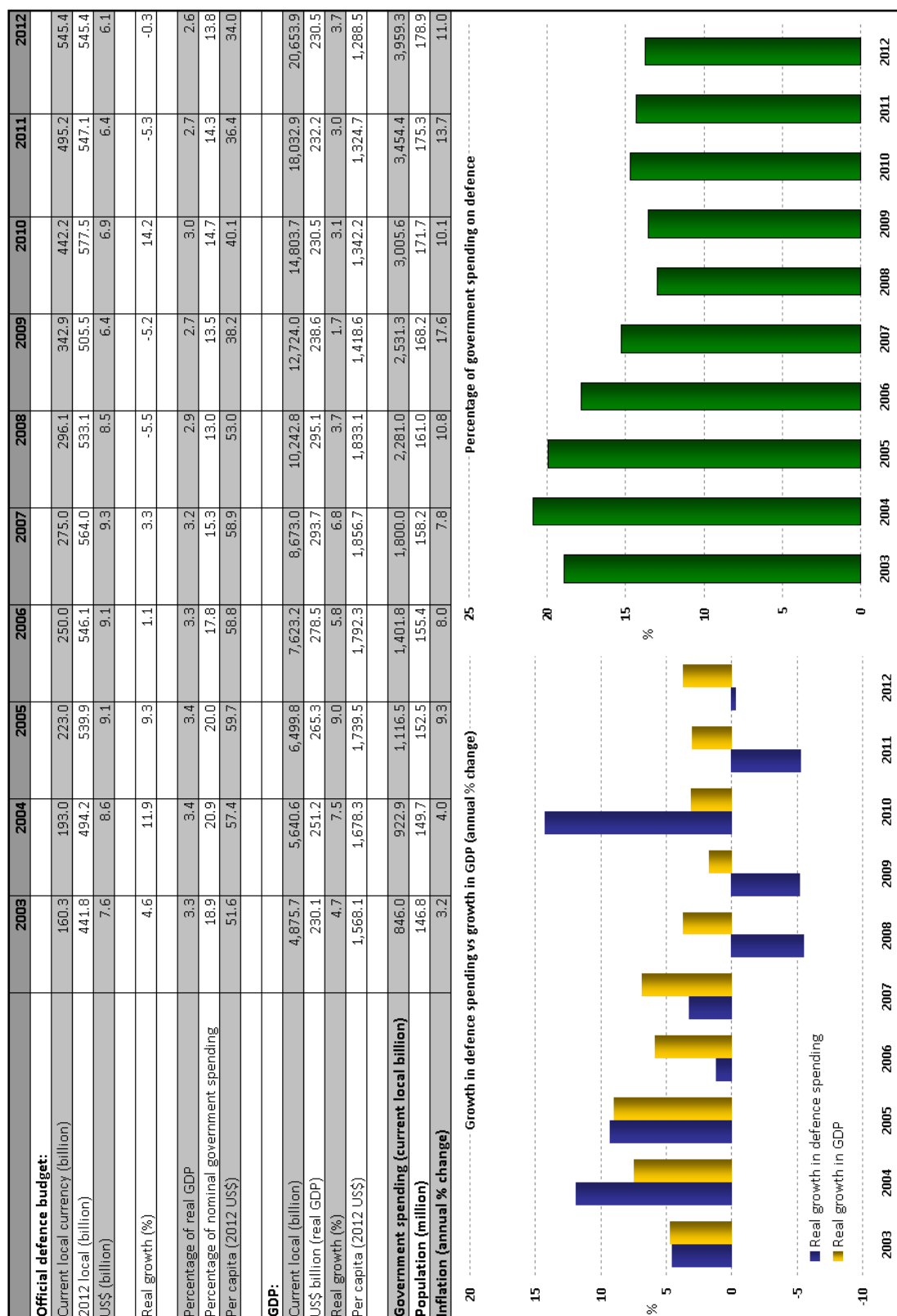
Economy

Over the past 10 years, India's economy has expanded on average by 7.8 per cent annually in real terms. Weaker than expected private consumption led to a dip in India's economic growth to 4.9 per cent in 2012. Efforts to implement structural economic reforms will continue to be hindered by the government's lack of a reliable parliamentary majority in the period to May 2014. India's economic growth, led by recovering private consumption and investment, is forecast to recover to 7.3 per cent a year on average to 2017, according to the IMF.

Defence spending

India's 2012 defence budget was 1.9tr Rupees, US\$38.5bn in current terms, representing a 9.2 per cent real increase on the 2011 defence budget. The Indian Navy's KIEV-class aircraft carrier has been delayed by 12 months and is due to arrive in late 2013. India is planning to acquire 144 fifth-generation PAK-FA fighters – developed with Russia; the first batch is expected in 2020. The Indian Air Force is also planning to acquire an additional 42 Su-30MKI fighters and around 59 Mi-17V5 medium-life helicopters. In late 2012, India decided to purchase 22 AH-64D Apache Longbow aircraft, including a supply of Hellfire missiles, Stingers and fire-control radars, valued at US\$1.4bn.







Country Name Pakistan
Capital City Islamabad
Population 178.9 million
Land Size 796 000 sq km

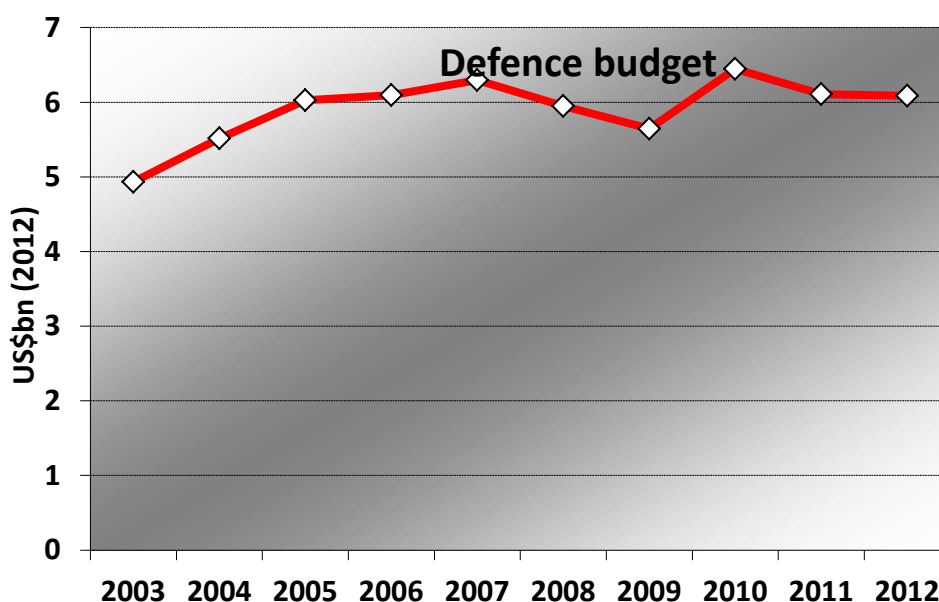
Currency Pakistan Rupee
Fiscal Year 1 July–30 June
Economy Less-developed country with a market economy
Industries Textiles, food processing, beverages, construction materials, clothing, paper products and prawns

Economy

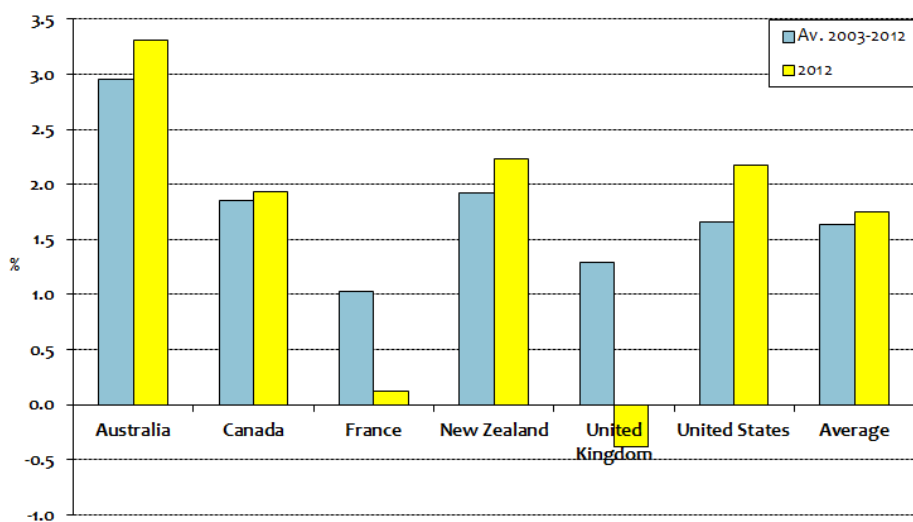
Over the past 10 years, Pakistan has averaged real annual growth of 4.9 per cent. Pakistan's economy grew by 3.7 per cent in 2012. Real GDP growth has been constrained by the volatile security environment, structural imbalances in the economy and ongoing electricity shortages. Investment spending as a proportion of nominal GDP has almost halved in the past five years. Economic expansion – driven by private consumption – is expected to plateau at 3.7 per cent annually to 2017, according to the IMF.

Defence spending

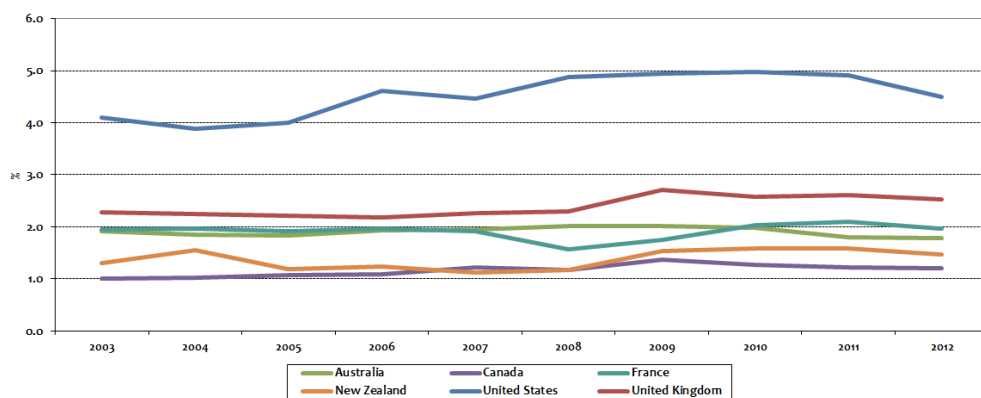
Pakistan's 2012 defence budget was 545.4bn Rupees, US\$6.1bn in current terms, representing a 0.3 per cent real decrease on the 2011 defence budget. The Pakistan Navy has commissioned its first Chinese-built fast attack craft, newly created with stealth characteristics and armed with surface-to-surface missiles. The Pakistan Navy received two replacement P-3C Orions in early 2012, filling a capability gap that existed from the previous year's attack on the Mehran naval base. Two of Pakistan's KHALID-class submarines, the PNS *Khalid* and *Saad*, are undergoing retrofits to install air independent propulsion systems and will both return to service in 2013.



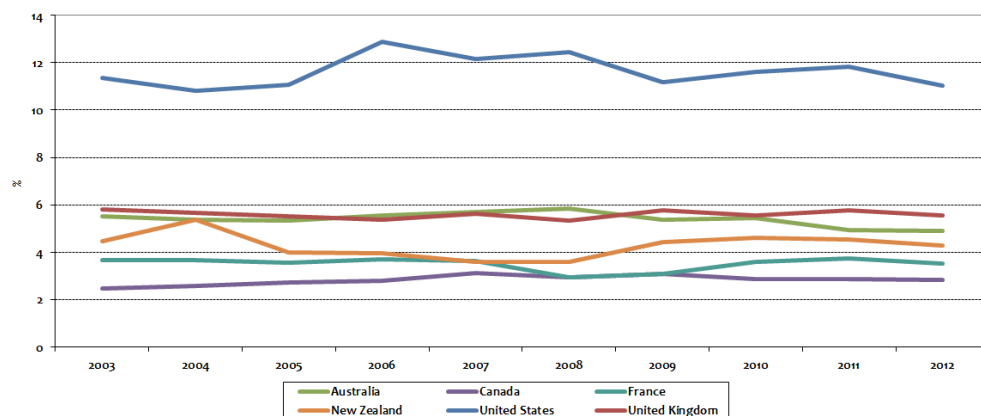
2012 GDP growth compared to average GDP growth

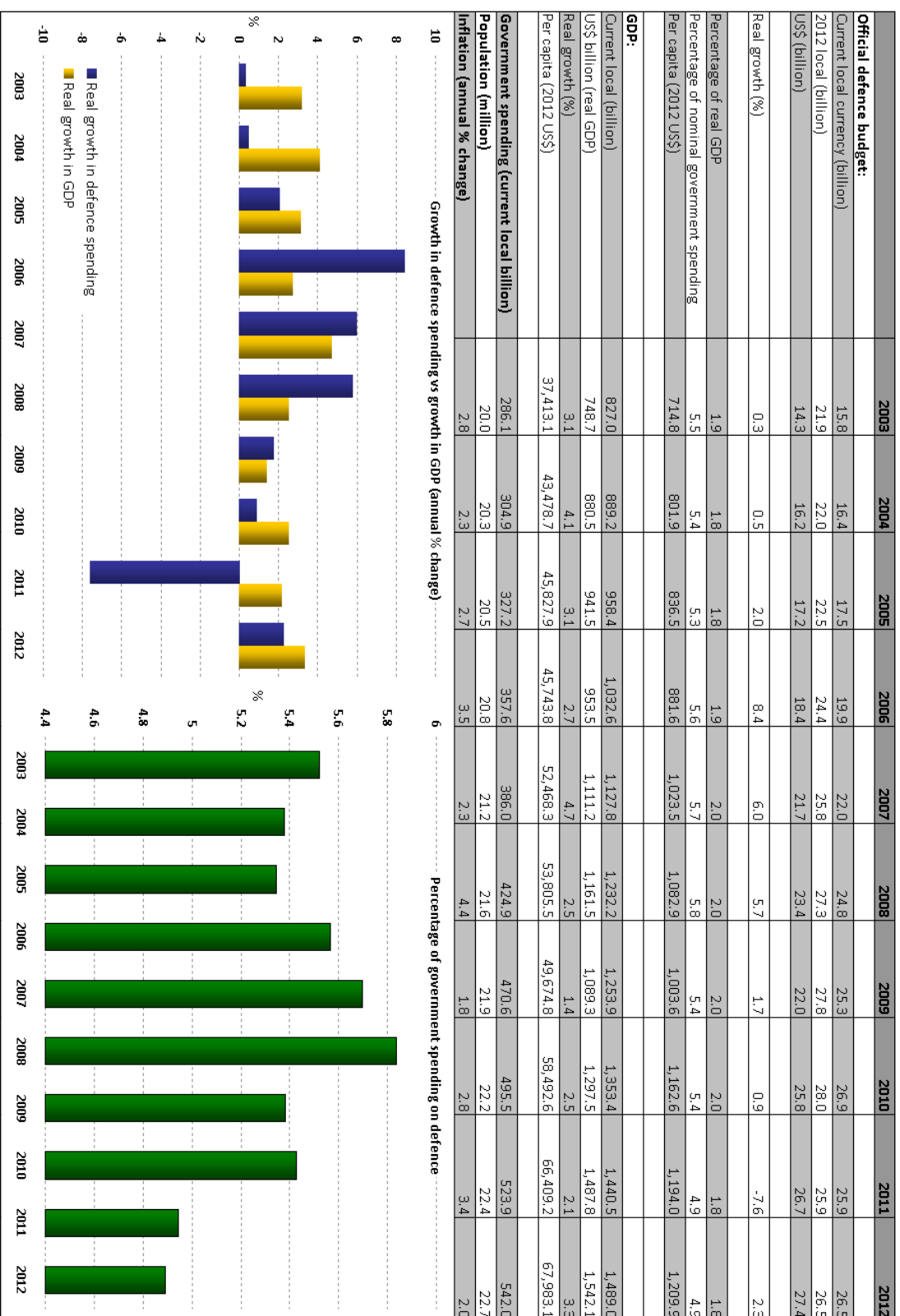


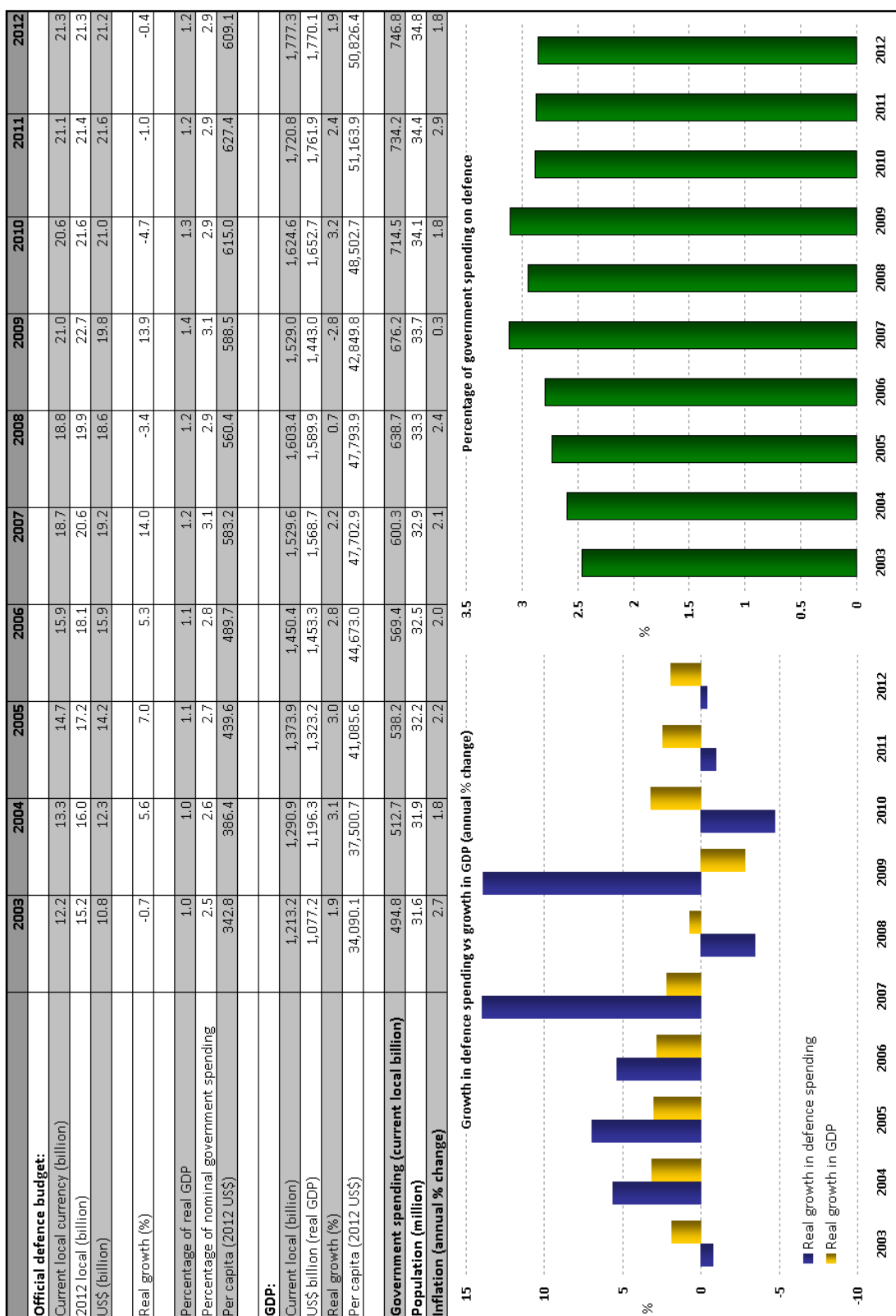
Proportion of GDP spent on defence

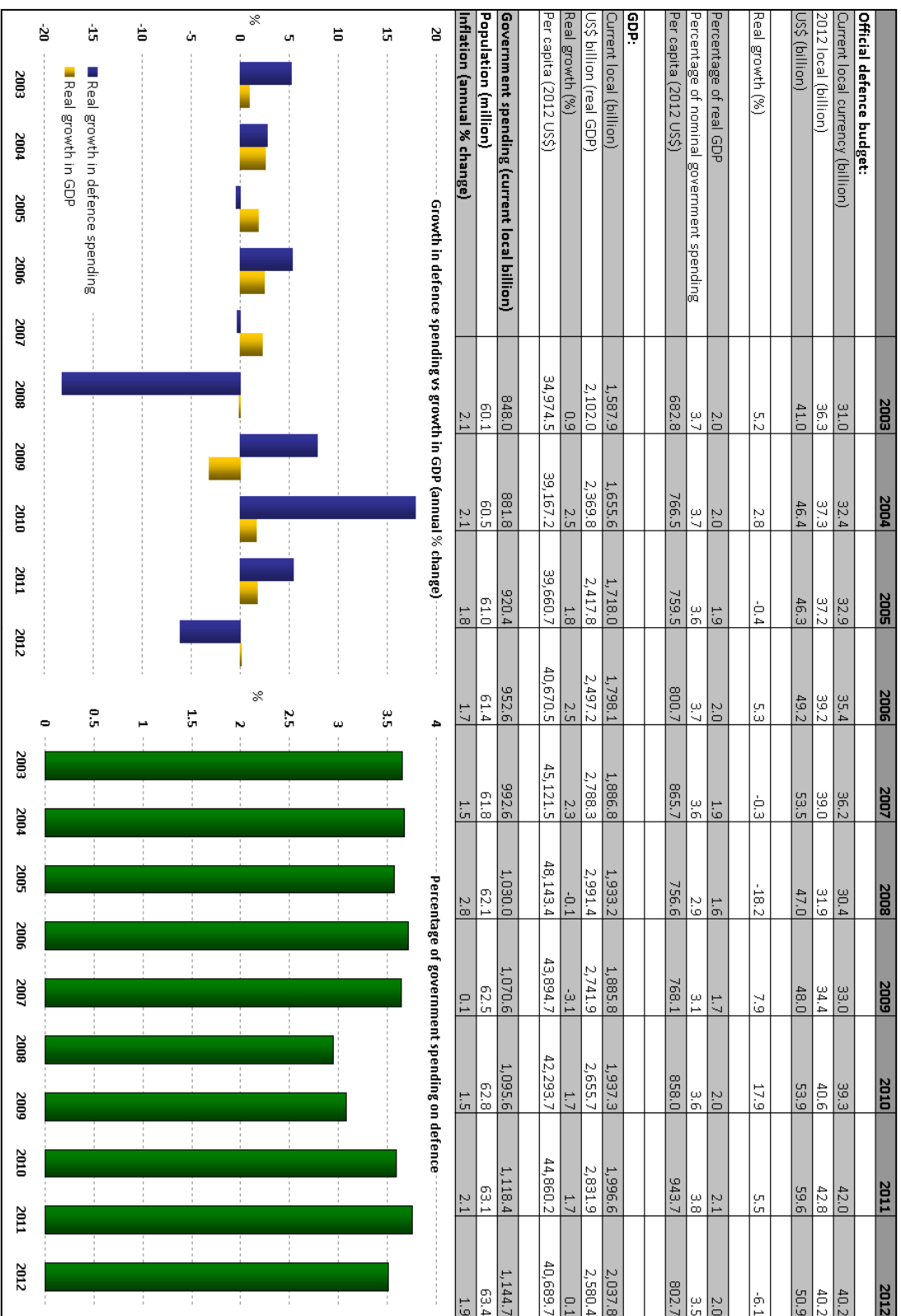


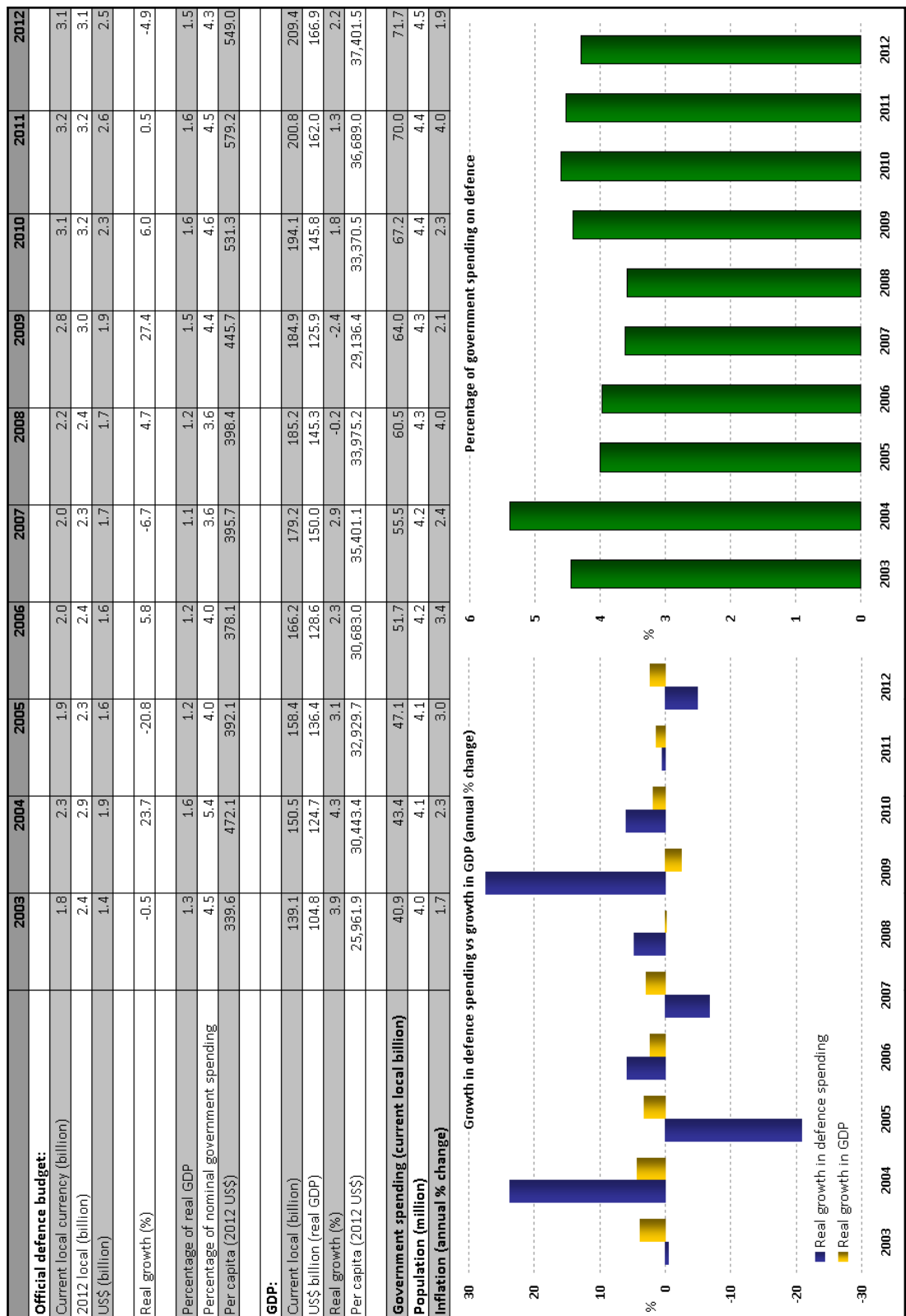
Proportion of government outlays spent on defence





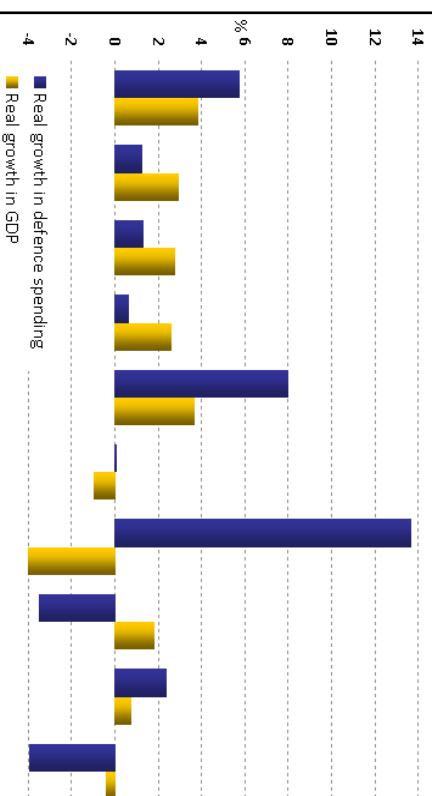




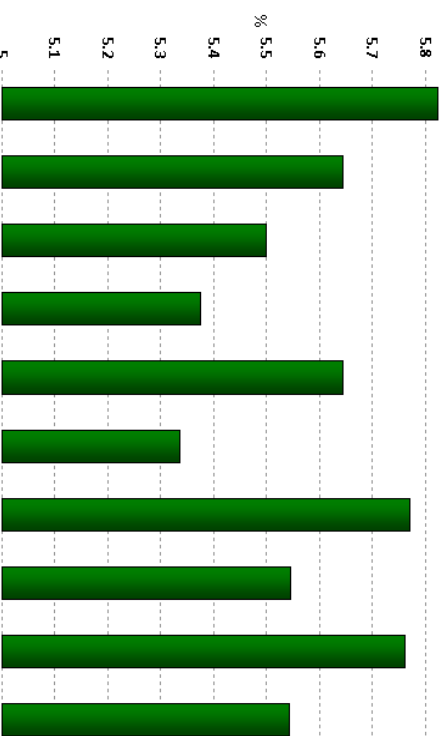


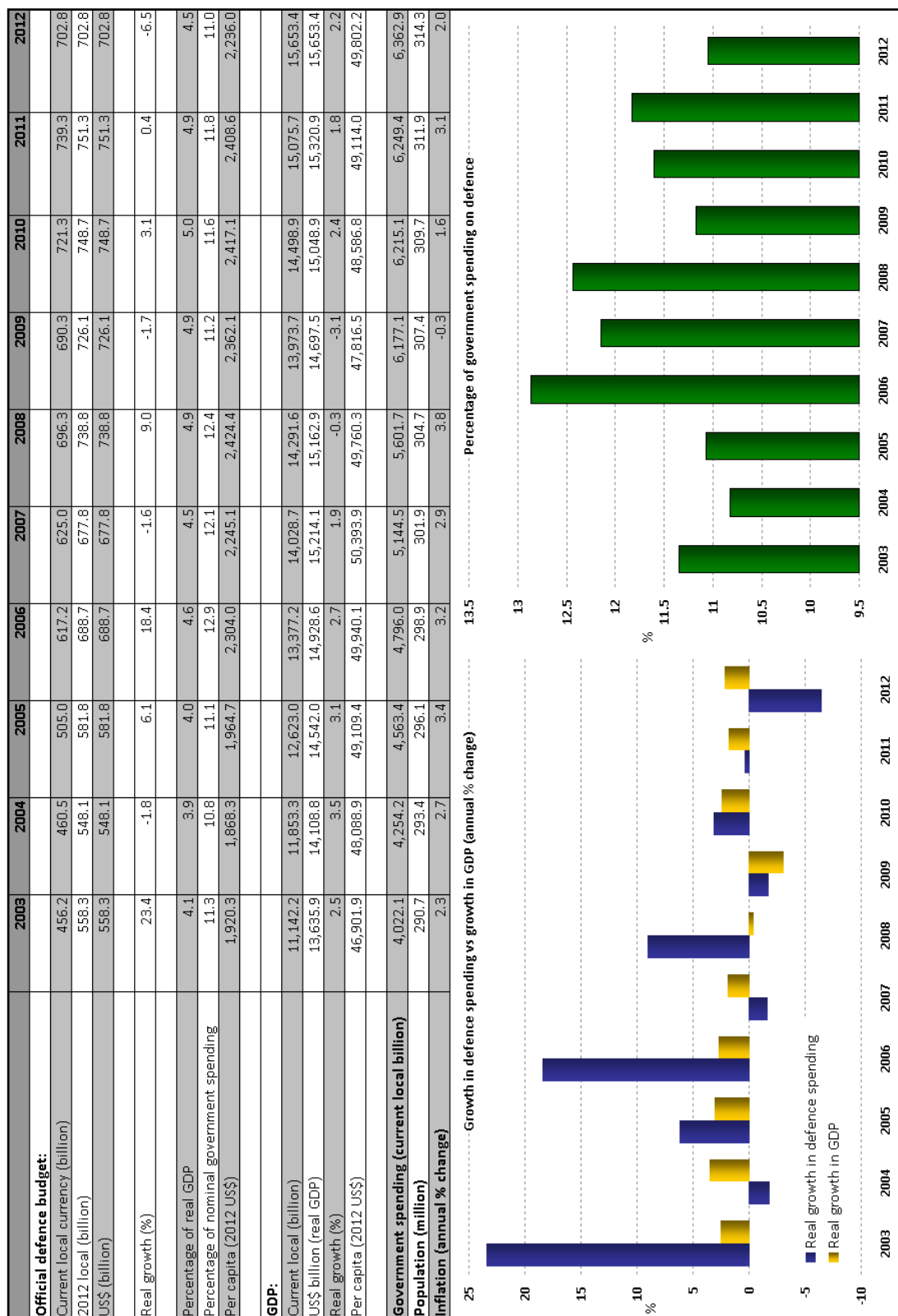
Official defence budget:		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Current local currency (billion)		26.0	27.0	28.0	29.0	32.0	33.0	38.0	37.7	39.6	39.0
2012 local (billion)		32.4	32.8	33.2	33.4	36.1	36.1	41.1	39.6	40.6	39.0
US\$ (billion)		53.0	60.1	60.5	61.6	72.3	67.0	64.2	61.3	65.1	61.3
Real growth (%)		5.7	1.2	1.3	0.6	8.0	0.1	13.7	-3.5	2.4	-3.9
Percentage of real GDP		2.3	2.3	2.2	2.2	2.3	2.3	2.7	2.6	2.6	2.5
Percentage of nominal government spending		5.8	5.6	5.5	5.4	5.6	5.3	5.8	5.5	5.8	5.5
Per capita (2012 US\$)		889.2	1,004.0	1,003.9	1,016.9	1,185.0	1,090.9	1,039.5	985.0	1,038.9	972.4
GDP:											
Current local (billion)		1,136.6	1,199.9	1,262.7	1,333.2	1,412.1	1,440.9	1,401.9	1,466.6	1,516.2	1,547.9
US\$ billion (real GDP)		2,315.1	2,670.2	2,727.2	2,832.3	3,188.6	2,923.5	2,369.9	2,384.2	2,491.6	2,433.8
Real growth (%)		3.8	2.9	2.8	2.6	3.6	-1.0	-4.0	1.8	0.8	-0.4
Per capita (2012 US\$)		38,872.0	44,618.1	45,274.0	46,747.8	52,292.8	47,635.4	38,349.2	38,318.0	39,774.4	38,591.6
Government spending (current local billion)		446.4	478.3	509.1	539.5	567.0	618.5	658.6	679.9	687.4	703.6
Population (million)		59.6	59.8	60.2	60.6	61.0	61.4	61.8	62.2	62.6	63.1
Inflation (annual % change)		1.4	1.3	2.0	2.3	2.3	3.6	2.1	3.3	4.5	2.7

Growth in defence spending vs growth in GDP (annual % change)



Percentage of government spending on defence





Current methodology

The *Defence Economic Trends* series is now titled and numbered according to the year in which the report is published. *Defence Economic Trends 2013* is the first year for which this methodology applies. Previous editions have been titled for the calendar year of the budgets being reviewed. The last of the series to use the old convention is *Defence Economic Trends 2011*, which was published in 2012.

Defence Economic Trends 2013 employs a different methodology to calculate historical defence spending in US Dollars. A GDP price deflator is used to deflate historical defence budgets expressed in local currency into 2012 constant terms. The new methodology employs year-specific exchange rates, instead of constant 2012 exchange rates, to translate historic defence expenditure to a US Dollar base. This provides a more accurate view of the buying power displayed by defence budgets at any point in time by minimising the impact of exchange rate fluctuations. In order to create simple visual comparisons of defence spending trends, graphical representations of defence budgets use constant 2012 exchange rates. Part of the annual changes in defence expenditure illustrated in these graphs is attributable to the appreciation or depreciation of the local currency with respect to the US Dollar.

Although new economic forecasts were released during the development of this publication, not all data can be updated to the latest predictions. For *Defence Economic Trends 2013*, the information is sourced from the International Monetary Fund's *World Economic Outlook*, released in October 2012.

Historical methodology

Before the 2013 publication of the *Defence Economic Trends*, a proxy defence deflator was used to calculate nominal defence budget figures into constant US Dollars. The model used 2005 as a base year for comparison, using a proxy deflator based on three key defence expenditure factors: capital procurement, personnel and operating costs. In previous publications, calculations of defence budgets used constant exchange rates to convert historical defence spending (expressed in local currency) into constant US Dollar terms.

Data sources

The table below shows data sources used for this publication.

Data	Source
Official defence budget (local currency)	Official budget sources from national governments International Institute for Strategic Studies (IISS) <i>The Military Balance 2012</i> Laos' 2012 defence budget information was not available; estimate contained in the <i>Defence Economic Trends</i> is based on a five-year trend, excluding 2009
GDP	International Monetary Fund (IMF) publications
Government expenditure	IMF publications
General financial information	IMF publications Economist Intelligence Unit
Population	IMF publications CIA World Fact Book (for North Korea only)

Other publishers of similar data

Other organisations that publish data similar to that provided in this publication include:

- the IMF;
- the IISS; and
- Stockholm International Peace Research Institute (SIPRI).

These organisations use different methodologies to compile their data.

IMF

The IMF primarily distributes a detailed questionnaire to government correspondents, typically located in each country's respective Ministry of Finance or Central Bank.

IISS

The IISS cites official defence budgets and adjusts, where necessary, military expenditure to include all other military-related spending. The only exception occurs in the case of NATO countries, where the IISS uses the figures released by governments and, for comparison, also cites the NATO-defined expenditure. Some countries include internal and border security force expenditure in their defence budgets. Where separate budgets exist, the IISS generally indicates this in footnotes. IISS figures may vary from previous years, often because of updates made by the governments themselves.

Wherever possible, the IISS uses exchange rates taken from IMF publications – although these may not be applicable to commercial transactions. In some cases, in an effort to make US Dollar figures more relevant for international comparisons, the IISS uses a different set of exchange rates to calculate defence spending, which reflects the differences in purchasing power parity terms between the civilian and military sectors.

SIPRI

Where possible, SIPRI includes the following items in its definition of military expenditure:

- all current and capital expenditure on the armed forces and the running of defence departments and other government agencies engaged in defence projects and space activities;
- the cost of paramilitary forces, border guards and police (when judged to be trained and equipped for military operations);
- military research and development, testing and evaluation costs; and
- costs of retirement pensions of defence personnel and civilian employees.

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