

[Back to previous page](#)



document 1 of 1

# LATIN AMERICA: New threats shift defence spending

OxResearch Daily Brief Service. (Dec 27, 2012).



Find a copy



[http://sfxhosted.exlibrisgroup.com/nps?url\\_ver=Z39.88-2004&rft\\_val\\_fmt=info:ofi/fmt:kev:mtx:book&genre=unknown&sid=ProQ:OxResearch&atitle=&title=LATIN+AMERICA%3A+New+threats+shift+defence+spending&issn=&date=2012-12-27&volume=&issue=&page=1&au=&isbn=&jtitle=&bttitle=LATIN+AMERICA%3A+New+threats+shift+defence+spending&rft\\_id=info:eric/&rft\\_id=info:doi/](http://sfxhosted.exlibrisgroup.com/nps?url_ver=Z39.88-2004&rft_val_fmt=info:ofi/fmt:kev:mtx:book&genre=unknown&sid=ProQ:OxResearch&atitle=&title=LATIN+AMERICA%3A+New+threats+shift+defence+spending&issn=&date=2012-12-27&volume=&issue=&page=1&au=&isbn=&jtitle=&bttitle=LATIN+AMERICA%3A+New+threats+shift+defence+spending&rft_id=info:eric/&rft_id=info:doi/)

## Abstract

Defence spending in Latin America.

Latin American defence spending has been rising steadily in the last decade, despite the lack of any conventional military conflicts in the region. However, growth now appears to be moderating, as the global economic slowdown forces governments to prioritise other spending requirements.

## Full text

SUBJECT: Defence spending in Latin America.

SIGNIFICANCE: Latin American defence spending has been rising steadily in the last decade, despite the lack of any conventional military conflicts in the region. However, growth now appears to be moderating, as the global economic slowdown forces governments to prioritise other spending requirements.

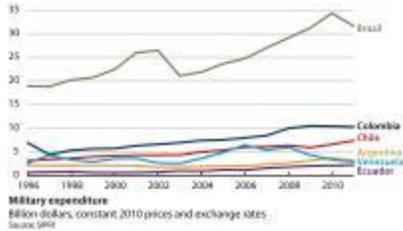
ANALYSIS: Impacts.

A shift to face drug trafficking and organised crime will affect the type of training given to military personnel.

This move towards smaller-scale operations will be beneficial for budgets, which are suffering as a result of the global economic downturn.

Higher defence spending could put greater pressure on social and infrastructure investment, particularly in smaller economies.

Latin America's traditional high military spenders have been Brazil and Chile, with Venezuela and Colombia stepping up sharply in the last decade. According to the Stockholm International Peace Research Institute (SIPRI), Brazil continues to lead the region in terms of defence spending:



In absolute terms, Brazil allocated by far the most budget to defence spending in Latin America. In 2011, it was approximately 35.4 billion dollars, more than three times as much as Colombia.

However, Brazil's spending as a percentage of GDP brings it in line with most of the region and below some other countries, reaching 1.6% of GDP in 2010 (latest data available).

Higher spenders as a percentage of GDP were Chile (3.2%), and Colombia and Ecuador (both 3.6%). Venezuela, despite having increased its military spending sharply in the last decade, remains relatively low within the region, at 0.9% of GDP.

These figures reflect the large economies of Brazil and Venezuela, which reduce military spending in comparison to the size of the economy while remaining high in absolute terms. Chile has a high military spending budget for historical reasons, while Colombia and Ecuador have increased defence spending for security and political purposes.

Brazil.

Although Brazil faces no conventional military threat, it has always maintained a large military. As with Argentina and Chile, this was particularly the case during dictatorship, but has continued since 2000 under the presidencies of Luiz Inacio Lula da Silva and Dilma Rousseff.

Brazil's large territory and expanse of remote terrain, particularly in the Amazon basin, means that the military has steadily taken on a less conventional role. This is especially the case in areas bordering on Bolivia, Argentina and Paraguay, where shipments of illegal drugs frequently flow for exit through Brazil's ports ( see LATIN AMERICA: Cocaine trade grows as regional threat - November 12, 2012). The military in August held its fifth annual tri-service border security exercise. Operation Agata was targeted on drug trafficking and illegal mining in the Amazon basin and emphasised the importance of aerial surveillance, utilising Brazil's newly-purchased drones.

In addition, Brazil's military is also being deployed in civilian situations, such as operations to counter organised crime in the favelas of Rio de Janeiro and Sao Paulo. The military has established a presence in many of these areas, alongside the Federal Police, as part of an ongoing policy of 'pacification'. The military is likely to be retained in this role at least over the medium term, as the Rousseff government seeks to reduce crime ahead of the 2014 World Cup and the 2016 Olympic Games in Rio.

Chile.

After Brazil and Colombia, Chile spends the most on defence, allocating 8 billion dollars in 2011. Since the return to democracy, Chile's military spending has been funded by a unique mechanism known as the 'copper law'. This stipulates that 10% of total revenues from state copper company Codelco are earmarked for military spending. With copper prices having risen sharply over the last decade, this has resulted in a windfall for the military. Spending has almost doubled, rising from 4.2 billion dollars in 2001 to 8.0 billion dollars in 2011.

However, Chile's military is about to experience a major shake-up in funding. The copper law is in the process of being repealed, and will be replaced by a new funding system that will be overseen by the civilian government.

This will now approve a four-year spending budget for the military, with this figure being equal to 70% of the military's annual average budget over the last decade.

In practice, this is unlikely to make a significant difference to Chile's military spending in the medium term, allowing the country to maintain its military capability. While the territorial dispute with Bolivia remains heated (see LATIN AMERICA: No end in sight to Andean border row - January 9, 2012), this is unlikely to deteriorate towards conflict given Chile's overwhelming military superiority. Instead, Chile's military is focused more on countering threats such as drugs trafficking, as well as external deployments on peace-keeping missions.

Argentina.

Chile's main military rival in the 1970s, Argentina has experienced a steady decline in military expenditure since the 1980s, with 2011 figures set at 3.3 billion dollars -- a level it last reached in 1989. This decline is partly due to the country's defeat in the war over the Falklands/Malvinas in 1982 and the subsequent overthrow of the military junta but also to the economic turmoil it has experienced since 2000.

There is little prospect of military spending increasing in the medium term, or of the Argentine military beginning to adopt the types of non-conventional roles that the Brazilian and Chilean militaries are taking on.

Colombia, Venezuela and Ecuador.

Both Venezuela and Colombia have increased military spending in the last decade. Colombia has stepped up military efforts against its long-running left-wing insurgency, while Venezuelan President Hugo Chavez has sought to cement his support among the military by increasing budgets.

Colombia's military expenditure totalled 12.7 billion dollars in 2012, according to its national budget. As a percentage of GDP, Colombia's spending is (together with Ecuador) the highest in the region, at 3.6% in 2010. This is because military operations have been stepped up sharply since 2002, given the offensive to defeat the Revolutionary Armed Forces of Colombia (FARC) insurgents and re-occupy territory. In addition, more funding has gone to the police to patrol the reclaimed areas and crack down on organised crime gangs, particularly those involved in drug trafficking. The police force falls under the Ministry of Defence in Colombia, which is not always the case across the region, and so police budgets are incorporated into the overall military budget.

In Venezuela, despite rising rates of crime, the drivers behind high military spending are more political than security-focused. Chavez, a former military officer, has built up support for his 'Bolivarian Revolution' within the military as a means of defending himself against a number of opponents, which he variously defines as the United States or powerful opposition interests within Venezuela.

Increasing military budgets has allowed for frequent pay rises as well as a major procurement programme. Although full details have not been disclosed, the Chavez administration has spent an estimated 4.4 billion dollars on equipment from Russia since 2007. In addition, Russia in 2011 granted Venezuela a further 4 billion dollar credit line for purchases up to 2013. Much of Venezuela's military procurement is off-budget and so is not reflected in official defence budget figures. For this reason, Venezuela's military spending as a percentage of GDP remains relatively low, at 0.9% of GDP in 2010. In addition, Venezuela's GDP has grown sharply as a result of high oil revenues, reducing the basis of comparison with the military budget.

The increase in Ecuador's military spending, to 2.3 billion dollars in 2011 from 610 million dollars in 2001, is perhaps the most surprising, as the country faces no conventional military threat and its crime levels, although rising, are average in comparison with other countries of the region. Part of the reason for this increase is a drive to improve Ecuador's military capability from the mid-2000s. Following the brief war with Peru in 1995, Ecuador's military spending dropped and capability began to degrade. Procurement and

modernisation programmes were expanded in the late 2000s, particularly for the air force.

Increased arms spending also came after the 2008 raid by Colombian forces on a FARC camp on Ecuadorian territory (see COLOMBIA/ECUADOR: Relations will remain fraught - April 8, 2008). Ecuador broke diplomatic relations with Colombia as a result of this breach of sovereignty and began to increase its defence capacity. This augmented military capability is used to target FARC militants that cross to its side of the border and also drug traffickers. To fund this increase, Ecuador has been able to use rising oil revenues, in much the same way as Venezuela. Continued high military spending in both countries will therefore remain contingent on global oil prices.

A large proportion of military spending in Latin America comprises salaries and retirement pensions. This is because of the large militaries maintained by many countries before the return to democracy, with many retired officials still drawing pensions. According to SIPRI, 50-70% of military spending in Latin America is comprised of personnel costs, which it defines as salaries, retirements and pensions.

Shifting spending.

The preliminary budgets for 2013 indicate that defence spending will continue to grow, albeit at a slower pace than previously:

Brazil's spending growth has been slowing since 2010, in an effort to rein in inflation and free up funds for other requirements. Spending will reach 36.6 billion dollars in 2013, from 35.4 billion dollars in 2012.

Many other countries are also moderating defence spending as a result of economic pressures stemming from the global economic slowdown. Ecuador has pledged that military spending will remain unchanged in 2013; Argentine spending will also be kept at current (subdued) levels.

Colombia's spending will continue to rise, with the ongoing peace process with the FARC making it imperative for the government to retain its offensive capability as a negotiating tactic (see COLOMBIA: Peace talks hinge on external pressures - October 12, 2012). Spending will reach 14.6 billion dollars in 2013.

Spending will continue to rise in Peru, as the country grapples with drug trafficking and organised crime, as well as the remnants of the left-wing Sendero Luminoso insurgent group. Military spending is set to reach 2.85 billion dollars in 2013, up by 20% from 2012. Peru's military is also taking on a civilian policing role in some areas, particularly where local protests have become increasingly frequent. For example, the military was deployed to the site of major protests surrounding the protests against the Conga mining project earlier in 2012 ( see PERU: Local hostility towards mining set to persist - August 29, 2012).

The conversion of the military towards a civilian policing role is also noticeable in other parts of the region, particularly in Mexico, where it has been deployed to counter drug cartels since 2006. Mexico's military spending is low compared to its large GDP -- 0.5% of GDP in 2010 -- but spending is forecast to remain consistent, at around 6 billion dollars, under the administration of new President Enrique Pena Nieto.

In addition, Central American countries are also looking to bolster military spending as a means of countering high levels of crime. Guatemala will increase military spending by 23% in 2013, to 260 million dollars, as President Otto Perez Molina maintains his hardline military-led strategy. This is a trend being followed to a lesser extent in El Salvador, which has similar problems with violent crime. Increases in military spending come at a high cost for such small economies.

**CONCLUSION:** The bulk of regional defence spending will continue to be accounted for by Brazil, Colombia, Venezuela and Chile. However, smaller countries are increasing their defence spending as a percentage of GDP. This will not alter the regional balance of military power but demonstrates the growing

use of the military to counter non-conventional threats, such as organised crime and drug trafficking.

Copyright Oxford Analytica Ltd. 2012. No publication or distribution is permitted without the express consent of Oxford Analytica.

---

## Details

Subject	Economic conditions; International relations; Politics; Weapons; Territorial issues; Military policy; Defense spending; Fiscal policy; International trade; Armed forces; Regions
Location	Latin America, Caribbean area, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Peru, United States, US, Venezuela
Classification	9173: Latin America 1210: Politics & political behavior 1120: Economic policy & planning
Identifier / keyword	Latin America, Caribbean area, Brazil, Chile, Colombia, Ecuador, El Salvador, Guatemala, Mexico, Peru, United States, US, Venezuela, Economic conditions, Industry, International relations, Politics, Weapons, Territorial issues, Military policy, Defense, Fiscal policy, International trade, Armed forces, Regions
Title	LATIN AMERICA: New threats shift defence spending
Publication title	OxResearch Daily Brief Service
Pages	n/a
Publication year	2012
Publication date	Dec 27, 2012
Year	2012

Publisher	Oxford Analytica Ltd
Place of publication	Oxford
Country of publication	United Kingdom
Publication subject	Business And Economics
Source type	Reports
Language of publication	English
Document type	News
ProQuest document ID	1264226064
Document URL	<a href="http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1264226064?accountid=12702">http://libproxy.nps.edu/login?url=http://search.proquest.com/docview/1264226064?accountid=12702</a>
Copyright	Copyright Oxford Analytica Ltd. 2012. No publication or distribution is permitted without the express consent of Oxford Analytica.
Last updated	2013-01-11
Database	ProQuest Central

Copyright © 2015 ProQuest LLC. All rights reserved. Terms and Conditions