GLOBAL MILITARY TRENDS AND DOMESTIC POLICY RESPONSES: LESSONS FOR NIGERIA'S DEFENSE BUDGETING AND ECONOMIC RESILIENCE

AGBEYINKA YINKA IBRAHIM
Department of Accounting Science, Walter Sisulu University, Mthatha, South Africa.
agbeyinkaibrahim.res@gmail.com

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Abstract

This study examines the relationship between national defense expenditure and economic development in Nigeria, with a focus on the implications of persistent insecurity and global military spending trends. Using historical data spanning 1960 to 2022, the study highlights the volatility and magnitude of Nigeria's defense spending relative to GDP, revealing that military allocations often exceed investments in key development sectors such as education and infrastructure. Empirical insights suggest that while defense spending is essential for maintaining stability, its structure, efficiency, and developmental orientation determine its impact on economic growth. The analysis also situates Nigeria within the global context, considering lessons from the Ukraine crisis, regional security challenges, and the role of economic growth in driving military expenditure. Policy recommendations emphasize strategic budget planning, transparency, investment in defense-related infrastructure, and preventive socio-economic measures to reduce insecurity. Overall, the study underscores the need to balance national security priorities with sustainable economic development to optimize the use of scarce resources.

1. Introduction

In recent years, many countries have increasingly allocated substantial portions of their national budgets to defense expenditure due to rising military obligations and growing geopolitical uncertainties. Global military spending surged notably in response to Russia's invasion of Ukraine in February 2022, an event widely regarded as the most significant European security crisis since World War II (SIPRI, 2023). This confrontation not only heightened regional security concerns but also created ripple effects across global financial markets, leading to substantial losses for investors and prompting governments worldwide to reassess and expand their defense budgets.

For instance, the United States is projected to increase its defense spending from approximately 3.5 % to 4.0 % of GDP, while Germany's defense budget is expected to grow from around 1.5 % to above 2 % of GDP

(SIPRI, 2023). Concurrently, world military expenditure rose by 3.7 % in real terms in 2022, reaching a record high of USD 2,240 billion (SIPRI, 2023). Global spending grew by 19 % over the decade from 2013 to 2022 and has increased each year since 2015 (Tian et al., 2023). Europe experienced its steepest year-on-year increase in military spending since the end of the Cold War—a 13 % rise in 2022—largely driven by budget increases in Russia, Ukraine and other European nations (SIPRI, 2023). Regions in Asia and Oceania also contributed meaningfully to the global growth in military expenditure (Tian et al., 2023).

This trend extends beyond the developed world. Military expenditure in Africa and other developing regions has also risen significantly, in response to ongoing conflicts, border clashes, ethnic tensions, political instability, religious crises, insurgencies, and terrorism, which undermine systemic growth and can lead to disintegration (Collier & Hoeffler, 2016). Governments in these regions devote resources to defense as a means of preserving domestic stability, protecting infrastructure, and fostering conditions favourable for foreign investment and economic growth (Oyerinde & Fagboro, 2024).

Nevertheless, the rising prioritisation of military spending comes with opportunity costs. The COVID-19 pandemic left many governments grappling with severe fiscal constraints, prompting reassessments of tax and spending policies. For conflict-prone and economically fragile countries in particular, large allocations to defense often divert resources from critical sectors such as education, healthcare, and infrastructure, potentially impeding long-term growth and human-capital development (Churchill & Yew, 2018; Dunne & Tian, 2020).

This study examines the dynamics of military expenditure in both developed and developing countries, with a specific focus on understanding its determinants, implications for public resource allocation, and impact on economic development. Specifically, the research aims to:

i. Analyse the trends and patterns of military spending across regions in response to geopolitical crises, with particular emphasis on the post-Ukraine invasion period.

ii. Investigate the economic and fiscal implications of increasing defense budgets on public investment in other critical sectors such as education, health and infrastructure.

iii. Explore the relationship between military expenditure and broader developmental outcomes, including stability, foreign investment, human-capital formation, and sustainable growth.

By addressing these objectives, the study seeks to provide insights into the trade-offs associated with defense spending and to inform policy discussions on balancing national security needs with socio-economic development priorities. The findings are expected to contribute to a deeper understanding of the interplay between military expenditure, fiscal policy, and economic resilience in both advanced and developing economies.

2. Literature Review

The relationship between national defense expenditure and economic development has been a recurring focus in empirical research. Minini and Selem-Amachree (2021) employed an error correction model to examine the long-run and short-run dynamics between defense spending and economic indicators, providing a methodological framework for understanding how government allocations to defense can

affect broader socioeconomic outcomes. In the Nigerian context, security remains a critical challenge, with frequent reports of killings and violent conflicts highlighting the fragility of the state. As the largest democracy in Africa, Nigeria faces the dual challenge of ensuring security while pursuing economic growth, making the assessment of defense expenditure particularly pertinent (Collier & Hoeffler, 2016).

Empirical evidence from Nigeria indicates that government defense spending has both direct and indirect impacts on economic conditions. Using an Ex-post facto research design to analyze 38 years of time-series data (1981–2018), including the Misery Index, capital and recurrent defense expenditures (CDEX and RDEX), and foreign direct investment, studies reveal that government capital and recurrent spending on defense, foreign direct investment, and the Misery Index exhibit long-run co-movement. Normalized cointegration results show a negative and significant relationship between capital defense spending and the Misery Index, whereas recurrent spending on defense demonstrates a positive and significant long-run association. Short-run dynamics indicate that prior-year economic distress influences current conditions, highlighting the temporal persistence of socioeconomic challenges (Minini & Selem-Amachree, 2021). These findings suggest that while defense spending is necessary for maintaining security, its structure and allocation must be development-oriented, with proper monitoring to ensure efficiency and impact.

Globally, military spending has undergone significant transformations over the past three decades. At the end of the Cold War in 1990, the top military spenders were primarily G7 countries, led by the United States, followed by Iran and Saudi Arabia. Median defense spending among the top ten countries stood at 2.7% of GDP, although Saudi Arabia and Iran allocated disproportionately high shares of their national budgets to the military, reflecting both strategic priorities and revenue from natural resources (Nan, Kuimova et al., 2019). By 2000, China and India had entered the top ten, signaling a shift in global defense priorities. The United States, while maintaining absolute dominance in military expenditure, reduced spending as a percentage of GDP, creating a potential "peace dividend" for other public sectors.

By 2010, China had displaced the United Kingdom from second place, and Russia re-entered the top ten military spenders, reflecting economic stabilization and resource-driven revenues. Military expenditure patterns indicate that both economic size and access to natural resources are key determinants of defense spending levels. Japan and Germany allocated only 1% of GDP to defense, yet due to the size of their economies, these expenditures remained substantial in absolute terms (Kadim & Abbas, 2022).

Recent scholarship highlights the role of economic growth in driving military spending. Clements, Gupta, and Khamidova (2023) argue that as economies expand, defense budgets tend to rise proportionally, reflecting both greater fiscal capacity and perceived security needs. The global implications of the war in Ukraine further underscore this trend, as governments respond not only to direct threats but also to shifting geopolitical calculations (Clements & Gupta, 2022). Moreover, the invasion of Ukraine has exposed additional health security risks, which compound economic and defense policy considerations (Bowsher, Glassman, & Sullivan, 2022).

The post-2020 era has been shaped by geopolitical shocks, most notably Russia's invasion of Ukraine in 2022. By this period, India had risen to the third-largest spender, while Russia moved to fifth. Europe increased

defense spending by 13%, and Ukraine recorded the largest military burden globally at 34% of GDP. The United States and China continued to dominate global expenditure, with Russia, India, and Saudi Arabia completing the top five, collectively accounting for over 60% of world military spending. Spending patterns reveal that increases are often driven by perceived regional threats, as seen in India's capital expenditure for border defense and China's continued military modernization, including investments in emerging technologies such as artificial intelligence for defense applications (SIPRI, 2023; Kadim & Abbas, 2022).

In Africa and other developing regions, defense expenditure is similarly influenced by internal and external security threats. These allocations, while necessary for national stability, can strain fiscal resources and compete with development priorities such as education, healthcare, and infrastructure (Oyerinde & Fagboro, 2024). The literature thus underscores a global trend: while defense spending is critical for security, its economic and developmental implications depend on both the structure of expenditure and the broader fiscal and geopolitical context, particularly in times of crisis (Clements, Gupta, & Khamidova, 2023; Bowsher, Glassman, & Sullivan, 2022).

3. Military Spending in Nigeria

In recent years, Nigeria has faced mounting public pressure and scrutiny over the allocation of national resources, particularly with respect to security and defense spending. The persistence of insecurity, arising from banditry, kidnappings, insurgency, and separatist movements, has compelled successive governments to dedicate increasingly large shares of national resources to the military. These expenditures aim not only to ensure domestic stability and peace but also to safeguard national unity. Unlike other development priorities, such as education and research, defense spending has historically been prioritized, reflecting the critical role of security in the Nigerian context (Collier & Hoeffler, 2016; Oyerinde & Fagboro, 2024).

Between 1960 and 2022, military spending in Nigeria averaged approximately 3.4% of GDP, a figure that is considerably higher than allocations to key sectors that directly drive human capital development and economic growth. This persistent focus on defense has implications for the nation's long-term developmental trajectory, as high defense spending can crowd out investments in education, healthcare, infrastructure, and innovation. The historical trend suggests that both military expenditure and GDP growth have been highly variable, responding to domestic security threats, oil revenue fluctuations, and macroeconomic shocks (Minini & Selem-Amachree, 2021).

Examining recent budgetary allocations, Nigeria's defense spending demonstrates significant year-to-year variation. In 2017, the defense budget amounted to USD 1.62 billion, representing a 5.92% decline from the previous year. This was followed by increases to USD 2.04 billion in 2018 (26.02% increase), USD 1.86 billion in 2019 (8.95% decline), USD 2.57 billion in 2020 (38.04% increase), and USD 4.50 billion (75.09% increase), reflecting both reactive and strategic adjustments to security conditions. These variations underscore the volatile nature of defense needs in response to internal threats and the challenges of aligning security expenditure with broader economic objectives.

The corresponding GDP data over the same periods highlight the complex relationship between defense spending and economic growth. Nigeria's GDP in 2017 stood at USD 375.75 billion (7.14% decline from 2016), followed by USD 397.19 billion in 2018 (5.71% increase), USD 448 billion in 2019

(12.82% increase), USD 432.29 billion in 2020 (3.53% decline), and USD 440.78 billion in 2021 (1.96% increase). While defense spending grew significantly in certain years, GDP growth did not always follow a parallel trajectory, suggesting that defense allocations may not directly stimulate economic growth but instead serve as a stabilizing instrument in the face of insecurity (Clements, Gupta, & Khamidova, 2023).

Historical analyses over decadal periods further reinforce the trends. Table 1 reports average GDP growth rates alongside the defense/GDP ratio for selected 10-year intervals from 1971 to 2020. The data show that periods of heightened defense spending often coincide with slow or negative GDP growth, suggesting that while defense spending is critical for maintaining security, it may constrain resource availability for growth-oriented investments. This trade-off highlights the need for policy frameworks that balance national security imperatives with long-term economic development objectives.

Graphical representations of Nigeria's annual GDP and defense expenditure, as depicted in Figures 1 and 2, illustrate the volatility and magnitude of these allocations over time. Figure 3, which presents annual GDP growth rates and defense/GDP ratios, further demonstrates that periods of rising defense burdens often correspond with both economic stress and the government's reaction to escalating insecurity. These visual insights emphasize the dynamic and sometimes counter-cyclical relationship between defense spending and national economic performance.

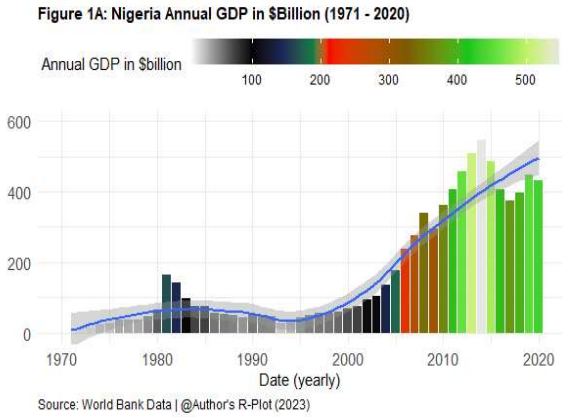
In conclusion, the analysis of Nigeria's defense expenditure relative to GDP reveals a persistent pattern of prioritizing security amid chronic insecurity challenges. While these allocations are necessary to maintain peace and national cohesion, they impose opportunity costs on other development sectors. The evidence suggests that Nigeria's defense policy must incorporate strategic planning to ensure that security investments complement rather than crowd out initiatives aimed at fostering sustainable economic growth. Future research should explore more granular data on defense spending efficiency, the impact of military allocations on human capital, and the potential for leveraging security investments to stimulate broader socio-economic development (Minini & Selem-Amachree, 2021; Clements & Gupta, 2022).

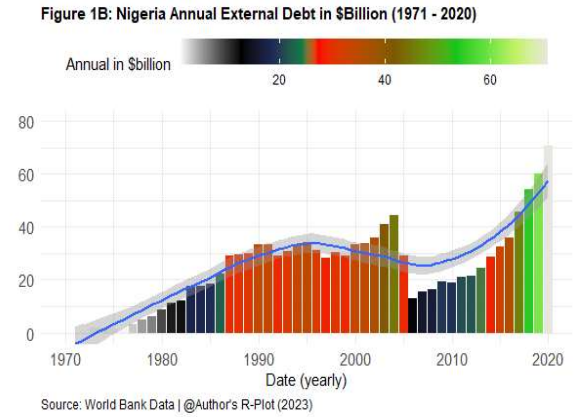
The Nigerian experience also reflects a broader global pattern in which emerging and developing economies allocate substantial portions of national budgets to defense in response to internal and regional security threats. Studies have shown that economic growth often enables higher military spending, but the resulting fiscal burden can constrain investments in other productive sectors, such as health, education, and infrastructure (Clements, Gupta, & Khamidova, 2023; Clements & Gupta, 2022). The Ukraine crisis provides a recent example of how geopolitical shocks can accelerate military expenditure even in countries with limited fiscal space, underscoring the interconnectedness of security, economic capacity, and international pressures (Bowsher, Glassman, & Sullivan, 2022). For Nigeria, the persistent insecurity environment not only justifies high defense spending but also highlights the importance of strategic allocation and efficiency in defense budgets to ensure that security investments support, rather than undermine, long-term socio-economic development.

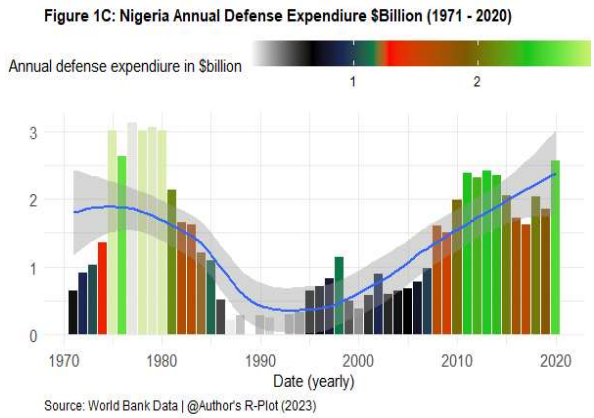
Table 1: Annual GDP Growth Rate, Defense/GDP Ratio and Debt/GDP Ratio (Periodic Averages and Change in %)

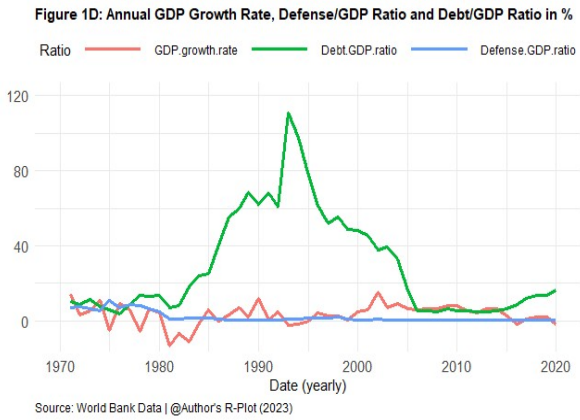
Years	GDP Growth Rate (%)	Debt/GDP Ratio (%)	Defense/GDP Ratio (%)	GDP Growth Rate (%)	Debt/GDP Ratio (%)	Defense/GDP Ratio (%)
				Average Period Change		
1971-1980	30.96	3.21	2.18	4.92	9.81	7.29
1981-1990	80.67	22.19	0.92	-0.18	36.86	1.00
1991-2000	49.15	31.32	0.52	1.64	68.13	1.06
2001-2010	209.45	26.75	1.02	7.98	19.94	0.53
2011-2020	446.07	39.43	2.14	2.67	9.10	0.48
1971-2020	163.26	24.58	1.36	3.41	28.77	2.07

Source: World Bank Data | @Author's computation (2023)









4. Policy Implications

The persistent high level of defense spending in Nigeria has significant policy implications, particularly regarding resource allocation and economic development. From an economic standpoint, allocating an average of 3.4% of GDP to defense, often exceeding

spending on education and research, represents a substantial opportunity cost. Policymakers need to recognize that while national security is non-negotiable, excessive defense outlays may crowd out investments in human capital development, infrastructure, and social services, which are crucial for sustainable long-term growth (Minini & Selem-Amachree, 2021; Oyerinde & Fagboro, 2024). Reassessing the balance between defense and development spending is therefore essential for optimizing the nation's growth trajectory.

Second, the volatility of defense expenditure in Nigeria, as observed between 2017 and 2021, indicates reactive rather than strategic budgetary planning. Sharp year-on-year increases, such as the 75% rise in 2021, may temporarily enhance security but also create macroeconomic instability by increasing fiscal deficits or necessitating borrowing. This underscores the need for multi-year defense budgeting frameworks that align security priorities with macroeconomic stability, inflation control, and debt sustainability (Clements, Gupta, & Khamidova, 2023). Implementing medium-term expenditure frameworks (MTEFs) for defense could help smooth expenditures, reduce volatility, and improve fiscal predictability.

Third, the Nigerian case highlights the interconnection between defense spending and economic growth. Evidence shows that defense spending does not automatically stimulate growth; rather, its impact depends on efficiency, allocation, and complementarities with other sectors (Collier & Hoeffler, 2016). Policy measures should therefore focus on enhancing the developmental orientation of defense expenditure. For instance, investing in defense-related infrastructure, technology, and logistics could generate economic spillovers, support domestic industries, and promote employment, thereby creating a multiplier effect beyond the security sector.

Fourth, fiscal efficiency in defense spending is critical. The Nigerian government should adopt rigorous monitoring and evaluation mechanisms to ensure that resources are not misallocated or lost to inefficiencies, corruption, or bureaucratic leakages. Prioritizing performance-based budgeting and independent audits can enhance transparency and accountability, ensuring that each Naira spent contributes to tangible security and economic outcomes. Lessons from other countries indicate that high defense spending with weak governance can exacerbate economic stagnation rather than strengthen security (Bowsher, Glassman, & Sullivan, 2022).

Fifth, the regional and global economic context must inform defense policy. Rising global military expenditures, driven by geopolitical tensions such as the Ukraine crisis, highlight that economic capacity often determines a country's ability to sustain security commitments (Clements & Gupta, 2022). For Nigeria, economic growth should therefore be leveraged to support sustainable security spending. Strengthening domestic revenue mobilization, diversifying the economy, and improving fiscal space will allow Nigeria to maintain defense capabilities without undermining investment in social and productive sectors.

Sixth, the government should consider integrating security policy with broader socio-economic development strategies. Addressing insecurity at its root—through poverty reduction, education, employment generation, and community engagement—can reduce the need for disproportionately high defense spending. Empirical evidence suggests that preventive approaches to security are more cost-effective than reactive military interventions (Minini & Selem-Amachree, 2021; Oyerinde & Fagboro, 2024). Thus, defense policy should be part of a holistic

development framework that balances immediate security needs with structural reforms to enhance resilience.

Seventh, strategic international partnerships and technology acquisition can optimize defense efficiency. Nigeria could benefit from targeted investments in advanced defense technologies, surveillance, and intelligence capabilities, rather than solely increasing personnel and recurrent expenditures. Partnerships with technologically advanced allies and regional security frameworks can provide cost-effective solutions to persistent security challenges, reducing the fiscal burden on domestic resources while maintaining operational effectiveness (Kadim & Abbas, 2022; SIPRI, 2023).

Finally, policy implications extend to long-term economic resilience. By strategically aligning defense spending with economic growth objectives, Nigeria can ensure that security expenditures contribute to broader national development. This includes fostering domestic defense industries, integrating research and innovation into military programs, and using defense-related infrastructure to stimulate local economies. Such an approach ensures that defense spending serves not only as a tool for security but also as a catalyst for inclusive and sustainable economic development (Clements, Gupta, & Khamidova, 2023; Bowsher, Glassman, & Sullivan, 2022).

5. Conclusions

The analysis of Nigeria's defense expenditure over the past six decades demonstrates a persistent prioritization of security in response to internal insecurity challenges, including insurgency, banditry, and separatist movements. While high defense spending is necessary to maintain stability, peace, and national unity, it has come at a substantial opportunity cost, often exceeding allocations to education, health, and infrastructure. The empirical evidence suggests that Nigeria's defense spending has been both volatile and reactive, reflecting immediate security pressures rather than a strategic, development-oriented approach. This underscores the need for a balanced fiscal framework that ensures national security without undermining long-term economic growth.

Furthermore, the study highlights the complex relationship between defense spending and economic performance. Historical data and international comparisons indicate that military expenditure alone does not directly stimulate growth; rather, its impact depends on efficiency, strategic allocation, and complementarity with productive sectors. Nigeria's experience aligns with global findings that economic growth often enables higher military spending, but unsustainable or poorly targeted allocations can exacerbate fiscal stress and limit development opportunities (Clements, Gupta, & Khamidova, 2023; Minini & Selem-Amachree, 2021). Enhancing transparency, accountability, and developmental orientation in defense budgets is therefore critical to ensuring that military expenditure contributes positively to national economic resilience.

In conclusion, Nigeria's defense policy must adopt a forward-looking, integrated approach that aligns security priorities with socio-economic development. This involves implementing multi-year budget frameworks, investing in defense-related infrastructure with economic spillovers, fostering domestic defense industries, and addressing the root causes of insecurity through preventive socio-economic measures. By strategically leveraging defense spending as both a security and development instrument, Nigeria can maintain stability while promoting sustainable growth, ensuring that national resources are optimally utilized for the welfare of its citizens

and the country's long-term prosperity (Oyerinde & Fagboro, 2024; Bowsher, Glassman, & Sullivan, 2022).

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