

are problems with the accuracy of numbers, their timeliness, their completeness, their honesty, differing definitions and their comparability intertemporally and internationally, particularly for developing countries.

In terms of the available data on military expenditures, there are a number of difficulties that make their interpretations and international comparisons tenuous.

- National security interests and the sensitivity of military information often lead countries to release no accurate military budget or expenditure data.
- Many countries release only aggregate figures for military budgets or expenditures. This leads to uncertainty with respect to what types of activities are included in the spending reports.
- Different national definitions of military spending also lead to uncertainties concerning what types of activities are included in spending estimates. Outside of NATO countries, paramilitary forces and civil defence spending, for example, may or may not be included in official military budgets.

Despite their shortcomings, several measures are collected and used regularly by international institutions to monitor and compare military spending across countries. For the data that are collected, there are often problems of consistency between different sources. It is not uncommon, for example, for military expenditure estimates generated by the International Institute for Strategic Studies (IISS) and the U.S. Arms Control and Disarmament Agency for a specific country in a specific year to differ significantly. There is no *a priori* reason in terms of accuracy to favour the estimates of either source.

Military Spending As a Share of Gross Domestic Product

In terms of economic activity as measured by Gross Domestic Product (GDP), the informal sector, which can be quite large in the least developed countries, is usually either not included or is roughly estimated. When this is the case, GDP estimates are not very accurate. In addition, since official exchange rates might not reflect purchasing power parities, estimates of GDP can be misleading. An overvalued (undervalued) exchange rate would lead to an overestimation (underestimation) of the relative size of an economy when expressed in a foreign currency such as U.S. dollars. To compensate for misaligned exchange rates, purchasing power estimates of exchange rates can be used, but they are subject to wide margins of error.