

India's relations with China are also strained. After a brief period of friendly relations during the 1950s, the two sides became involved in a bitter border dispute which led to active hostilities in 1962. Although tension has declined in recent years, the border dispute is yet to be resolved. More importantly, India continues to see China as a major threat to its interests in the region.

The third important conflict with implications for defence expenditure in the region is the conflict between Tamil insurgents and the Sri Lankan government. Recent events suggest that the conflict is likely to escalate.

### **Military Expenditure in South Asia**

With the end of the cold war, global defence expenditure (both in absolute terms and as a percentage of GDP) began to decline in the late 1980s. It declined from US\$1,260 billion in 1987 to US\$868.4 billion in 1993. As a percentage of GDP, it declined from 5.22 during 1983-93 to 3.3% in 1993.<sup>2</sup>

However, contrary to the global trend, defence expenditure in South Asia has continued to increase during the 1990s. For example, while world defence expenditure declined by 7.2% during 1988-93, in the case of south Asia it increased by 2.9%.<sup>3</sup>

India and Pakistan account for most of the defence expenditure in the region; they were responsible for more than 80% of the military expenditure in the region in 1993. While India spent US\$8,471 million (about 60% of the total in south Asia) in 1993, Pakistan spent US\$3,111 million (about 22% of the total) during the same year. Compared to this, China spent US\$56,170 million on defence in 1993. Defence expenditures by country in the region are given in **Table 1**.

In terms of defence expenditure as a percentage of GDP, Pakistan ranks highest among the countries in the region; it spent about 6.4% of its GDP on defence in 1993. Pakistan is

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<sup>2</sup>Singh Jasjit, "Trends in Defence Expenditure," *Asian Strategic Review*, Institute for Defence Studies and Analysis, New Delhi, 1994-95.

<sup>3</sup>Singh Jasjit.