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**ABSTRACT**

**New developments in military expenditure and arms production  
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Since 1998 world military expenditure is increasing again after a decade of post-Cold War decline, and in 2002 global spending accelerated. While there are some similarities between regions as regards the increase since 1998, there is great variation in background factors. The profound increase in 2002 is a relatively isolated trend for the USA. Arms production has also ceased falling in most countries in the Euro-Atlantic area, but the processes of concentration and internationalization in the arms industry are continuing. This paper analyses the direction and composition of these developments and discusses their determinants, based on the surveys of military expenditure and arms production in the SIPRI Yearbook 2003.