CONTEMPORARY SECURITY CHALLENGES AND THEIR IMPACT ON THE INCREASE OF THE MILITARY SPENDING AND THE BUDGET FOR THE DEVELOPMENT AND PROCUREMENT OF WEAPONS AND MILITARY EQUIPMENT

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The topic of this paper is contemporary security challenges and their impact on the increase of the military spending and the budget for the development and procurement of weapons and military equipment. It has been explained how the current events on the geopolitical scene, i.e. the accelerated dynamics of the confrontation of the main centres of power, which has moved from the phase of ”competition” to the phase of ”crisis” and ”proxy wars” and is rapidly approaching the ”kinetic phase”, i.e. direct military conflict, dictates the need for accelerated equipping with state-of-the-art weapons and military equipment, especially the one based on the so-called ”disruptive technology”.

The genesis of the geopolitical image in the context of security threats and trends in the development and equipping with weapons and military equipment has been presented, characteristic threats to security, forms of conflict and dominant weapons and military equipment have been explained, and then the military spending has been discussed and the budget funds for the development and procurement of weapons and military equipment in general have been analysed.

The research focus of this paper is aimed at interpreting the state of the military spending by the key global actors and countries in the immediate vicinity of the Republic of Serbia.

Key words: *security challenges, military spending, weapons development, weapons production, defence system, military-industrial complex*

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Introduction

In the current world order, as a result of technological development and economic progress, there is the equalization of opportunities in the field of military technology of the main actors at global level, i.e. the holders of the so-called "multipolar world". Reducing and overcoming the technological gap in this field, which existed in the previous period, and in this regard the redistribution of military power to a much greater number of actors, with their foreign policy vectors, significantly changes the geopolitical and security image of the world in the 21st century. In accordance with the accelerated development of technology in the civil sector and the availability of elements and subsystems that serve as a basis for weapons of the latest technological generation, there is also a possibility that small countries can greatly improve their defence capability through their industrial production and ensure independence in the achievement of their strategic interests.

Furthermore, due to the possibility of easily obtaining components that can be turned into sophisticated weapons in improvised conditions, the danger of non-state actors (terrorist organizations), which have been a serious challenge to international security for years, is growing (Miloradović, 2019, p. 9).

Theoretical approach to the interpretation of the phenomenon of global armaments and its dynamics

As a result of globalization and information (technological) revolution nowadays, security challenges have a global character. Moreover, they can neither be considered separately, nor they are independent of the interdependence network of the world political, economic and military factors. There are various theoretical approaches to the interpretation of the phenomenon of global armaments and its dynamics[*] (*Gert Krell* in the paper *"On the theory of armaments dynamics"*, then *Ido Oren*, in the text *"A Theory of armament"* or *Mark Bromley* in the book *"Understanding European Arms Export Controls"*) . One of the possible models to explain this phenomenon, which is key to understanding the issue of technological development as a factor affecting the security image of the world, is discussed in the work "Trade in the field of defense" by *Joanna Spear* and *Neil Cooper* (R. Neil Cooper, Joanna Spear, 2010). Furthermore, a model has been presented that includes the analysis of action-reaction factors, internal factors, technological imperative, i.e. their combination, then the level of predominance of some

[*] A/N: Gert Krell (Peace Research Institute, Frankfurt) in the text "*On the theory of armaments dynamics*", 1982 (available at: https://unesdoc.unesco.org/ark:/48223/pf0000048360), then Ido Oren (University of Minnesota) in the text "*A Theory of armament*", collection "Conflict Management and Peace Science", 1998 (available at: https://www.jstor.org/stable/26273646) or Mark Bromley (Stockholm University) in the book "*Understanding European Arms Export Controls*", 2022 (available at: http://www.diva portal.org/smash/get/diva2:1654783/FULLTEXT01.pdf).

of these factors (Collins, 2010, p. 137). Namely, the armaments dynamics in the model of action-reaction factors implies that the arming of international relations actors is a reaction to the same behaviour of other actors, which further leads to a security dilemma (Bitzinger, 2003, p. 123). It is the situation in which a country arms itself in order to strengthen its defence capabilities, which consequently implies that other countries also join the arms race. This factor was most prevalent during the Cold War period, when state security was viewed narrowly as military security (Forca B. 2018, p. 189). The factor of internal development assumes that this dynamics is self-generating and originates from the following internal factors: bureaucratic, i.e. organizational, political, economic state and internal dynamics of the development of the military-industrial complex (Adams B.A., 2008). The third and last factor, i.e. the technological imperative, is the most important factor in the development of materiel in the 21st century and, as such, implies the character of security challenges in the modern world order.

Also, since the end of the Cold War, the attitude towards the purpose, tasks and method of preparation and engagement of the armed forces has changed (Forca B. 2014, p. 203), and today a radical change is taking place in the military-industrial complexes (MICs), which are being transformed by adopting the production technology of Industry 4.0 and which should develop and produce such weapons quickly enough and at an acceptable price, in the conditions of global transformation of the ”broken” supply chains. All of this inevitably leads to a huge increase in the military spending, and for a long period (from 5 to 10 years).

The fact that technological development from the globalized civil sector (IT, communication technology, electronics, automotive technology, materials, etc.) is transferred to the military sector (and not the other way round, as it was the case in the previous era) is particularly important, thus bringing new opportunities to smaller countries without a comprehensive military-industrial base to equip their armies with sophisticated weapons of the latest generation.

The geopolitical image/situation and security threats from the point of view of the main actors

The geopolitical situation/image and its relation and interdependence with the current state of military technology, i.e. the manner in which it has influenced the scientific and technological development intended for the production of materiel and vice versa, i.e. the way in which revolutionary breakthroughs in military technology have changed it in a historical perspective, is a very interesting topic. By studying it, very important conclusions can be reached, which explain the dynamics of the development of human society in general. Finally, and judging by the existing historical materials, human history records about 70% of the history of wars and weapons, and 30% of everything else. The topic thus greatly exceeds the level of ambitions in this paper and we will deal only with its genesis, i.e. the events that have defined, in the last 50 years, the current state of military technology in the world

and directly influenced the current trends in their development, which can be divided into four main periods:

– the period of the bipolar world - the late Cold War period, 1970-1991;
– the period of the unipolar world - the post-Cold War period, 1991-2007;
– the period of the omnipolar world - the multicentric period, 2008-2022;
– the period of the confrontation between the poles (”collective West” and ”collective East”;
– the current period– 2022 to date.

A more detailed characterization of the mentioned periods in relation to a threat/impact on the military spending/key materiel will be the subject of separate consideration in future research, as a continuation of this text.

Characteristic threats to security, forms of conflict, predominant materiel

The dominant types of security threats, the most common or most probable forms of armed conflicts and the materiel used or dominantly developed in them are characteristic for each of the mentioned periods. The late Cold War period (1970–1991):

– thermonuclear threat;
– conventional conflict with joint actions of mechanized land, air and naval forces,
– all types of complex combat systems of the Air Force and Air Defence, the Army, the Navy and strategic nuclear forces.

The post-Cold War period (1991–2007):

– asymmetric threat;
– terrorist activities in one’s own territory, as well as the territory in conflict;
– guerilla operations in urban and inaccessible terrain;
– small arms, portable anti-armour and anti-aircraft weapons, mortars and portable rocket launchers and improvised explosive devices.

The multicentric period (2008–2022):

– asymmetric threat and cyber threat;
– renewed thermonuclear threat;
– potential conventional conflicts in five operational domains (land, sea, air, space and cyberspace) with the use of new or modernized conventional combat platforms of increased lethality and combat survivability;
– rather improved command and reconnaissance capabilities (in all parts of the EM spectrum) and greatly shortened time from observation to action on (even small-scale and mobile) targets,
– the use of ”*stand off*” (long-range) weapons of all services of the armed forces (”A2AD weapon system” – ”Anti Access Aeria Denial”).

The current period (from 2022 to date, based on experience from crisis areas and current conflicts in the world):

– cyber threat and intensive ”non-kinetic actions” (*US Army Training and Doctrine Command, 2018*);

– a renewed strategic thermonuclear and tactical thermonuclear threat, whose implementation is becoming increasingly likely;

– dominance of defensive materiel and materiel of an indirect action over offensive materiel and materiel of a direct action. Air defence systems limit operational and strategic actions of aviation, and anti-armour systems and engineering terrain organisation also limit the possibility of performing classic fast offensive actions of joint armoured and mechanized forces supported by tactical aviation. Artillery, which, with greatly improved reconnaissance, increased reaction speed and the use of (increasingly) smart ammunition, prevents a greater concentration of forces at tactical depth and inflicts the greatest losses to both parties. Therefore, instead of the expected lightning fast mechanized "air-land battle", we are witnessing a "slow and bloody trench warfare similar to World War I", which is being fought mainly on fortifications on forested land and in urban areas, with infantry and artillery, and with the integration of services at a very low tactical level (platoon-company);

– massive and efficient use of unmanned aerial vehicles (military and commercial) for reconnaissance and combat tasks and very frequent use of "drone killers", mostly cheap ones, which with their mass (and not individual super performances) overcome the opponent's (otherwise very efficient) air defence, bringing results at operational level and shaping combat operations;

– the use of long-range missile systems of all services of the Russian Armed Forces (cruise and ballistic missiles) is important, but the strategic effect is missing, because these systems are relatively few and expensive and developed to carry nuclear warheads. Now, with the installed conventional warheads of relatively low mass (200–450 kg) and implemented guidance system (mostly without terminal sinkers), they do not have sufficient lethality against capital infrastructure facilities (e.g. bridges on the Dnieper River). Also, the Russian strategic observation and command-information systems (key for the use of such materiel) have obviously not provided the appropriate speed of reaction, thus the concentration of the Ukrainian personnel, equipment and logistics (dominantly transported by rail) has mostly passed through and were distributed loosely before these systems could attack;

– the massiveness of conventional land forces (especially infantry) is gaining importance again, so there will probably be a revision of the 30-year-old tendency to reduce their number (especially in Europe). The main assumption was that small professional forces, with superior training, doctrine, officer staff and technology, would defeat a massive opponent inferior in other categories, whereby this "superiority of the West" was implied. On the aforementioned battlefield, both adversaries have engaged land forces that are numerically superior than the US Army, and individually close to or greater than all other armies of Western Europe in total. In addition, they use materiel of the latest generation, as well as training and doctrine, both Eastern and Western;

– there is an increase in the importance and scope of investment in strategic reconnaissance, especially space reconnaissance and communication systems (both state and commercial, e.g. "Starlink" satellite networks), equipment for electronic

reconnaissance and jamming, and strategic and even tactical command and information systems that all together (along with the aforementioned tactical reconnaissance drones) make the battlefield unprecedentedly ”transparent”, and operational and strategic surprises difficult and unlikely to happen;

– there is an increase in the importance and scope of investment in ”hypersonic missile technology” of all three branches of the military, as ”reversal technology”, and also defence systems against them. The concept of ”disruptive technology” was first used by Harvard Business School Professor Clayton Christensen back in 1995, and he later elaborated it theoretically in his book ”The Innovation Dilemma” in 1997. He categorized the new technology as a technology of gradual evolution of the current technology with the one that tries to maintain itself, which at the same time revolutionizes industry with the risks of untested and limited capacity at the beginning. These are technologies whose implementation increases system capabilities (groups of systems, organizations) multiple times compared to systems based on technology of the previous generation.

The military spending and the budget funds for the development and procurement of materiel

The global distribution of the defence costs during the post-Cold War period was dominated by NATO countries with a share of over two-thirds of the world military spending (2000-2007): the US between 51 and 53%; EU countries between 18 and 20%; the rest of the world between 29 and 30%. Austerity measures after the economic crisis of 2008 in Western countries have led to a great drop in military budgets, especially in the period from 2010 to 2015 (a drop in the military spending in NATO by 18.3%, i.e. a drop in the total global distribution of 65.6% to 55.1%).

Conversely, the countries of the Asia-Pacific region and Russia, and partially (due to oil price fluctuation) the countries of the Middle East and North Africa (MENA), have rather increased the military spending and changed the balance in their favour during that period. Nevertheless, the real world military spending decreased by 5.6% from 2011 to 2013 (R. Bitzinger, 2015).

As a consequence of favourable economic trends, particularly the events of 2014 and 2015 (the Ukrainian crisis, Crimea, Syria, the South China Sea) and the ”renewed global competition of great powers”, there was a great increase in the defence costs of NATO countries as the major global consumer, so that in 2018 alone, an increase in the world spending of 4.6% was recorded. Since 2007, global military spending has increased from 1.25 trillion to 1.42 trillion in 2010, that is, to USD 1.78 trillion in 2018, that is, it has increased by 42.2% (Miloradović, 2019, p. 14). The US military budget experienced a dramatic 7% increase ($702 billion) in 2018 with additional 1.1% growth in 2019. The US military budget has continued to increase moderately without great increases due to the large budget deficit to date. In accordance with the adopted strategy of NATO (and the great pressure of the US on the allies in this sense) that the defence budgets in the EU countries quickly reach the level of 2% of the GDP, the military spending in the EU in 2017 and 2018 and then in 2020 and 2021 experienced

a great increase of 4% to USD 248 billion (SIPRI, 2023). In 2023, almost all countries announced at least 2% of the total state budget for the defence (NATO and EU countries). Many countries, especially those bordering Ukraine, will allocate the greatest amount of money in their history for the defence, partly due to recruitment in units after the donation of weapons to the Ukrainian party, and partly due to the already present threat of war on their borders, because the spillover of war activities in the territory of the former post-Soviet space seems very possible today.

In the following five years, further accelerated growth of the military spending is predicted, with a high probability that Europe will exceed the (NATO) set level of 2% (Figure 1), as well as that there will be a further change in the distribution among global regions, in favour of Eurasia and Asia (SIPRI, 2023).

After several decades of minimal allocation for the defence, European countries will have to "pay" a high price for protecting their security by planning "emergency" military budgets that will serve exclusively to maintain the existing capabilities (in 2023, Germany plans to spend around €100 billion for the defence, "DW Global Media Forum", 2023), while for the formation of respectable military forces that can respond to a "threat from the East" they will have to seek additional financial resources.

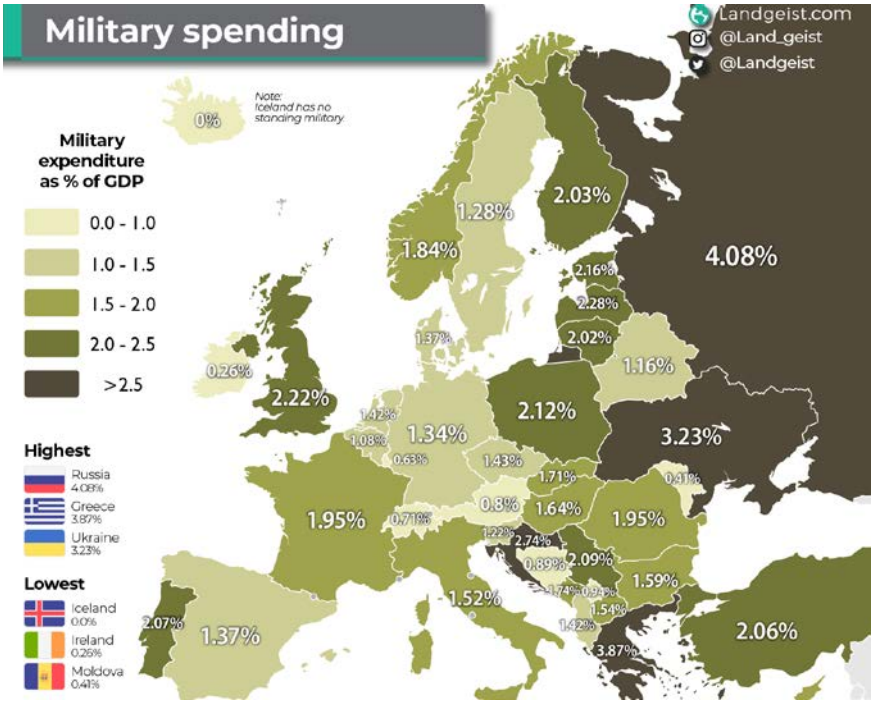

Figure 1 – *Military spending in Europe in 2022*
(SIPRI, 2023)

The US military administration has approved the military spending in the amount of USD 773 billion for 2023 (proposed USD 886 billion in the following year), primarily for the modernization of nuclear forces, then research and development (hypersonic missiles, space programme and artificial intelligence programmes), purchase and replacement of outdated naval ships and modernization of the Air Force (Figure 2). The request for the fiscal year, which begins on October 1, represents a nominal increase of 4.2%, or a real increase of 1.5% after accounting for inflation, compared to the final appropriation of $742 billion for 2022 ($30 billion more than in the previous year, US Department of Defense, Defense Budget Overview, 2022).

(FY22 Enacted vs. FY23 Requested)

	FY22 Request	FY22 Enacted	FY23 Request	% Change
Army	$173.0	$175.0	$178.0	1.7%
Navy	$163.9	$172.3	$180.5	4.8%
Marine Corps	$47.9	$49.5	$50.3	1.6%
Air Force	$156.3	$163.9	$169.5	3.4%
Space Force	$17.4	$18.1	$24.5	35.4%

Figure 2 – *US military budget in 2022/2023*
(US Department of Defense, Defense Budget Overview, 2022)

In the countries of Central Europe, the increase is even more intense (around 9.1% in total), with a tendency to continue like this. It is estimated that in 2025 the military spending in the EU will reach USD 275 billion. Asia and the Pacific have behind them a decade and a half of the constant annual growth in the military spending (up to 5% of the GDP in some countries). Due to fiscal consolidation measures and the slowdown in economic growth, this trend is slowing down (3.9% of growth in 2020), and there is also a decrease in relation to the GDP (2.2% on average). The level of consumption reached USD 500 billion during 2021 (only China more than USD 200 billion), and USD 680 billion in 2022 (Figure 3).

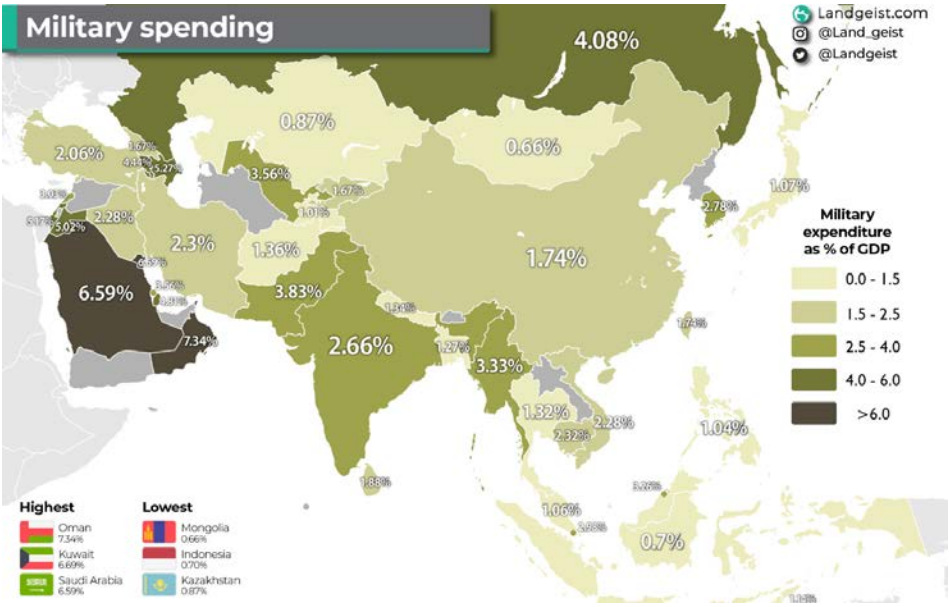

Figure 3 – *Military spending in Asia in 2022*
(SIPRI, 2023)

In Russia, after a period of the intense growth in the military spending, in the period from 2011 to 2015, there was a significant decrease in the period from 2016 to 2020, due to the Western sanctions and depressed energy prices in the previous few years. Despite the small growth of 1.1% during 2020, the military budget is still about 15% lower than in 2015 and amounted to USD 51.6 billion (SIPRI, 2023). During 2021, there was a further drop to about USD 48 billion (this is how much Germany spends on the defence), although it was then decided that a ”special military operation” would be launched in Ukraine already the following year. Although it is clear that this trend will not continue, and that the allocations will skyrocket, the exact figures of the costs of the war in Ukraine and their implication for the overall Russian military budget will probably be known soon. Since May 2022, the Russian Government has not released much information about its defence budget. Still, the military spending from January to April totalled nearly 1.6 trillion rubles ($26.4 billion), with about 500 billion rubles ($8.3 billion) a month for March and April. Considering this dynamics compared to the Russian military spending in the previous years - roughly 300 billion rubles ($5 billion) per month and the fact that the initial defence budget for 2022 was 3.85 trillion rubles ($63.6 billion), which is the real amount for the Russian military spending in 2022, it is estimated to have reached as high as 5.5 trillion rubles ($90.9 billion) by the end of 2022 (SIPRI, 2023). It also represents the ”war budget” of Russia in relation to the military operations started in Ukraine, and also in other countries (Nagorno-Karabakh, Syria, etc.).

In the total world order of the ”consumers”, the US (39% of the world consumption), followed by China (13%), Russia (3.9%), India (3.6%), Saudi Arabia (3.3%) and other countries (Figure 5), and of particular interest the military spending of Ukraine, which took the 11th place with 2% of the total world spending on weapons, have been emphasized (SIPRI, 2023).

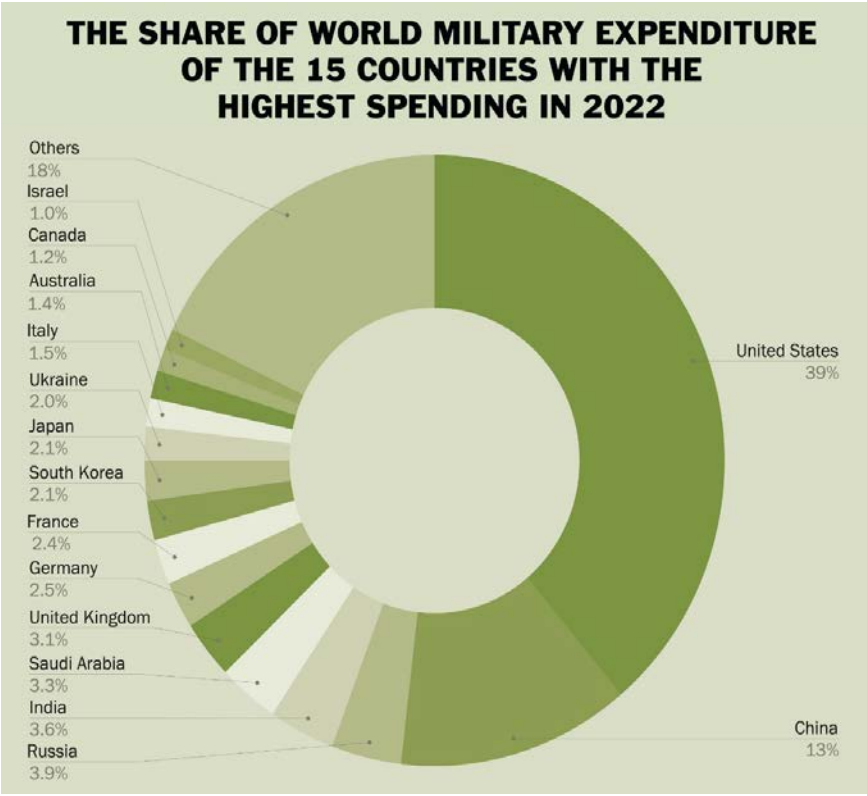

Figure 4 – *Distribution of total military spending by 15 greatest consumers in 2022* (SIPRI, 2023)

The increase in the military spending, as a rule, leads to an increased demand for capital materiel of the latest technological generation, whose largest producers are also the largest exporters. Figure 5 shows the distribution of the world exports of capital materiel. The ten largest exporters are:

– US – 40% (39% in 2022);
– Russia – 16% (19% in 2022);
– France – 11% (the same as in 2022);
– People’s Republic of China – 5.2% (4.6% in 2022);

– FR of Germany – 4.2% (4.5% in 2022);
– Italy – 3.8% (3.1% in 2022);
– UK – 3.2% (2.9% in 2022);
– South Korea – 2.4% (2.8% in 2022);
– Israel – 2.3% (2.4% in 2022); and
– others – 9.4% (SIPRI, 2023).

The United States remains the world top arms exporter (from 2018 to 2022), accounting for 40% of global arms sales, and the top 10 importers of the US arms from 2018 to 2022 were: Saudi Arabia (19%), Japan (8.6%), Australia (8.4%), Qatar (6.7%), South Korea (6.5%), Kuwait (4.8%), Great Britain (4.6%), UAE (4.4%), the Netherlands (4.4%) and Norway (4.2%). Russia is the second top arms exporter, accounting for 16% of global sales in the same period, but the Russian arms exports decreased by 31% from 2013 to 2017. The state-owned companies gathered in the concerns Rosoboronexport, Almaz-Antey and United Shipbuilding Corporation dominate the defence industry. The top three importers of the Russian arms are India (31%), China (23%) and Egypt (9.3%) (SIPRI, 2023).

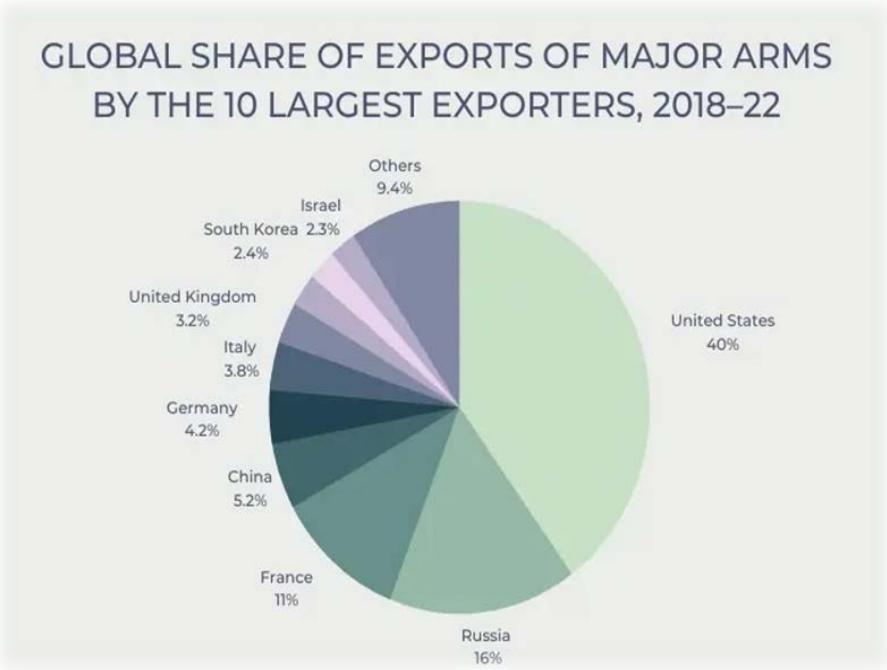

Figure 5 – *The world top arms exporters in the period from 2018 to 2022* (SIPRI, 2023)

The US has been the world top arms exporter for many years. Its exports are at the level of a half of the total world exports, and the tendency of growth will continue and increase in the following years, especially stimulated by the war in Ukraine, its donations of weapons and the donations of allied arms that have to be replaced with new ones. In this regard, the US will not allow itself to lose supremacy in the research and development of weapons, because the future brings, as never before, a technological watershed between the successful and those who are not, a kind of gap, which will no longer be able to be compensated by the blood of the soldiers of the opposite party, morale or perseverance.

The military spending of neighbouring countries

Only in the last three years, the nominal amounts of the military budgets of the countries in the region have grown significantly, as well as the percentage share of the funds for the procurement of materiel in the budget (equipment), which has created the conditions for the beginning of great procurement of capital weapons systems and military equipment.

In addition, it is planned to further improve the capabilities of the armies in the region and the immediate environment, through the US donations of materiel in the amount of USD 1.2 billion for 18 countries (the greatest number of them is in our region). Therefore, it is necessary that the Republic of Serbia, as a military neutral country that is not subject to the collective security systems of military alliances, increases allocations for the defence, especially financial resources for equipment. Further improvement of the capabilities of the Serbian Armed Forces in the materiel segment would strengthen the deterrent factor against possible threats to the territorial integrity of the Republic of Serbia. In the assessment of the threats to its security, an important element is the analysis of the increase in the capabilities of the armed forces of the countries in the region, whereby two key parameters are the amount of the military budget and the part intended for equipping key procurements of materiel. In proportion to the amount and economic potential, the total investment in materiel in the surrounding countries is many times higher than the investment of the Republic of Serbia. Due to the explained sharp increase in investment in the surroundings in 2022, this imbalance grew almost twice (to the detriment of Serbia) than in 2021, which can be seen from Table 1. We indicate that the approval of the increased military budget for 2023 at the level of 2.02% of the GDP, with a distinctly investment character (about 45%),will enable the existing trend to be mitigated and the imbalance in the current year to be less unfavourable, but still less unfavourable than in 2021. Table 1 and 2 show data on the military spending of neighbouring countries.

Table 1 – *The overview of the military spending of neighbouring countries in 2022*

Country	2022			
	Military budget (m EUR)	Military budget GDP (%)	Equipping (%) military budget	Equipping (m EUR)
Romania	5,231.31	1.99	25.96	1,358.05
Hungary	2,649.15	1.55	48.02	1,272.12
Bulgaria	1,244.10	1.67	22.63	281.54
Croatia	1,025.47	2.03	30.50	312.77
Albania	254.91	1.62	19.96	50.88
N. Macedonia	214.89	1.78	31.00	66.62
Montenegro	51.70	1.00	10.00	5.17
Bosnia and Herzegovina	147.00	0.78	3.00	4.41
Total for surroundings	10,818.53			3,351.56

Table 2 – *The overview of the military spending of neighbouring countries in 2023*

Country	2023			
	Budget (m EUR)	Budget GDP (%)	Equipping (%) budget	Equipping (m EUR)
Romania	7,524.00	2.50	30.00	2,257.20
Hungary	4,455.00	2.40	85.00	3,786.75
Bulgaria	1,305.81	1.48	20.00	261.16
Croatia	1,044.08	2.00	31.00	323.67
Albania	356.40	1.65	25.00	89.10
N. Macedonia	262.35	1.90	30.00	78.71
Montenegro	52.00	1.00	10.00	5.20
Bosnia and Herzegovina	147.00	0.73	3.00	4.41
Total for surroundings	15,146.64			6,806.19

A more detailed explanation of the military spending (amount of the military budget, nominal amount in relation to GDP, etc.) and key procurements of countries in the vicinity of the Republic of Serbia will be the subject of special research.

Discussion

The current geopolitical image with all current regional hotspots and conflicts, and also recently an open match between superpowers, with increasing tension and the probability of a global conflict, is the most unpredictable and unstable in the last 30 years. The skyrocketing increase in the military spending is obvious. As at global level, the increase in the military spending by the countries of the region is particularly worrying. The increased amount and distribution of the military spending in the world foreshadows a new arms race on a global scale. Technological development in the field of materiel leads to a huge difference in the capabilities of the armed forces of the countries that follow it and those that lag behind, so it is imperative to keep pace with global trends in this sense. This particularly refers to small and military neutral countries that should have an independent response to security challenges. The Republic of Serbia implements its strategy in this field with the aim of achieving the necessary level of technological equipment of the Armed Forces, i.e. the necessary level of their operational capabilities to accomplish the strategic goals of the country's defence, through the optimal combination of the procurement of materiel of the latest technological generation on the world market and independent development and production of materiel.

Due to the globalization of the technological base and the availability of critical components and subsystems of high technology on the world market, it is possible that the defence industry of small countries conquer the production of complex systems of materiel of the latest generation or modernize the existing ones. By organizing production according to the principle of systems integrator and cooperating with foreign partners on integration, an increase in the technological level of the national industrial base is achieved, as well as its competitiveness, economic efficiency and toughness, and its export potential is also increased. The Republic of Serbia is making great efforts to restructure and modernize its defence technology industrial base, so it can be said today that it is recording constant success in this field.

The income generated by the export of materiel on the world market flows into the potential for further development, investment in new equipment and a new cycle of modernization of military technology. Active participation and a good position in the global market of materiel affects the increase of the foreign policy capacity of the country, while at the same time it strengthens the armed forces of the country exporting materiel. By investing in our military technology and achieving the closest possible cooperation between the Armed Forces and the defence industry of the country on the development and production of materiel, great benefits are achieved in accomplishing the mission of both systems and significantly contributes to the increase of the country's security, as well as to the increase of the overall technological progress of its industry.

Conclusion

The Republic of Serbia, as a military neutral country, achieves its strategic defence goals independently. In this regard, it has to provide its Armed Forces with the necessary level of capability, and in the given very complex circumstances. In the

execution of this not at all simple task, Serbia traditionally relies more heavily on its potential in the development and production of weapons and military equipment, that is, on its defence industry. The reasons are numerous, but the most important ones are:

– procurement costs of weapons, especially the entire life cycle from national production, are lower (often multiple times) compared to procurement costs on the world market;

– for national products, logistic support is much easier to organize, especially in times of crisis, pre-war and war, which are usually accompanied by isolation of a country;

– national development enables detailed adaptation of the technique to the requirements and needs of the armed forces;

– spent (and certainly huge) financial resources have a development and investment character, because they mainly remain in the country and contribute to the further development of the national economy;

– national development and conquest of the production of sophisticated products, such as modern weapons, leads to great improvement in capabilities and a wider scientific, technological and production base, which directly reflects on the overall economic progress of a country;

– thus enabled defence industry, as a rule, becomes a significant exporter and generator of a great foreign exchange inflow, as well as profit that can be used to finance new development and technological cycle.

The strategic environment and the conditions in which the Ministry of Defence and the Serbian Armed Forces have to achieve their main mission and defend the country and its citizens from external threats are increasingly complex. In the last few years, the Republic of Serbia and the Ministry of Defence have invested enormous organizational and financial efforts and greatly increased the capability of our military and defence system, especially when it comes to weapons and military equipment. This has partly been achieved by the procurement of critical combat systems (primarily for the Air Force and Air Defence) abroad, and partly by developing and conquering the production of a wide range of new and modernized weapons systems (mainly for the Army) in its research and development capacities, both within the Ministry of Defence and the Serbian Armed Forces, as well as that of the Serbian defence industry, simultaneously strengthening its technological capabilities.

The Ministry of Defence has a plan, and the Government of the Republic of Serbia and the highest level of management will provide financial resources to reach the necessary level of the Armed Forces' capabilities in the following medium-term period, primarily by completing the project of its equipping with products from the Serbian defence industry. It is also expected that, through the implementation of this project, the defence industry, and the wider national scientific and technological base will undergo transformation that will enable it to undergo the following (revolutionary) cycle of the development of technology and weapons, and that it will come as close as possible to the position on the world market that the Socialist Federal Republic of Yugoslavia had.

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Summary

The modern conflict of great powers will take place according to the rules of "kinetic" and "non-kinetic" tactics in the following decade. "Non-kinetic" tactics will be carried out by information operations, political and economic influence operations, "proxy" conflicts and cyber operations.

The "kinetic" phase of modern conflict will be reflected in multi-domain operations of massive "combined" armed forces, digitally integrated and spatially dispersed, relying on precise long-range fire (from 4 domains), supported by globally integrated reconnaissance and "ultra-fast" command and information systems (with indirect fire that dominates direct fire systems). The mixed fleets of modernized inherited war equipment and next-generation systems will be used in teamed, mass-deployed unmanned/robotic platforms with artificial intelligence (in manned and unmanned systems in all services of the armed forces).

In this regard, the accelerated equipping with the most modern weapons and military equipment, especially that based on the so-called "disruptive technology" and the current technological revolution in the field of weapons and military equipment, imposes the need for a radical change in the defence system, both the combat part, i.e. basic combat units (organizations, doctrines, training, tactics...), which should optimally use this new weapons and military equipment, as well as the administrative and bureaucratic part of the national defence system, which deals with procurement and development procedures and which should follow ever faster the pace of innovation in the commercial industry sector.

The great regional war that is being waged in the territory of Europe has greatly accelerated the described dynamics and led the increase in the military spending to the historical maximum that exceeds the budgetary efforts of the conflicting blocs even during the Cold War.

Even before the outbreak of the Ukrainian conflict, which has further complicated our strategic environment, it was characterized by inherited problems from the recent

war past, as well as numerous modern challenges brought by the multipolar world with renewed geostrategic competition of global power centres, which adopted far-reaching decisions to greatly, and for a longer period, increase the military spending, especially investment budgets, which has led to intensive armament in our region with great efforts of our neighbours to rebuild/strengthen their defence industries.

The Republic of Serbia, as a military neutral country, achieves its strategic defence goals independently. In this regard, it has to provide its Armed Forces with the necessary level of capability, that is, to establish an appropriate balance in relation to the armed forces in the region, and thus enable it to effectively execute its first mission, in the given, very complex circumstances, and above all, by deterring a potential aggressor. For the accomplishment of this goal, the allocation of the appropriate defence budget of the Republic of Serbia and its efficient use is necessary.

Key words: *security challenges, military spending, weapons development, weapons production, defence system, military-industrial complex*