SMOKE SCREEN

How states are using the war in Ukraine to drive a new arms race

Stop Wapenhandel
INTRODUCTION AND KEY POINTS

Since Russia’s full-scale invasion of Ukraine in February 2022, western governments have pledged unprecedented financial support to militarism, citing the threat posed by the war as justification. Political leaders have repeatedly deemed this response to be reasonable, proportionate, and necessary to support Ukraine’s war effort and to deter Russia from advancing further westward.

As well as sending weapons to Ukraine, states have simultaneously used the war as a smoke screen to justify replenishing, expanding and modernising their own stockpiles of armament and to bend and reshape existing arms trade regulations. This is driving unbridled militarism and a new arms race. The rationale used to justify increased military spending and the stockpiling of arms is that this is necessary to boost defence capacity, which in turn makes us safer. It completely overlooks the fact that western nations are already extremely over-armed. If we interrogate the claim that militarism makes us safer, we will find that it is far more likely to stoke tension and fear, generate instability and insecurity, to provoke and prolong armed conflict, and to fuel current and future wars. Furthermore, vast sums that could otherwise be invested in health, education, and other essential social services, as well as to offset the consequences of global heating and to tackle the rising cost of energy – measures that would undoubtedly contribute to collective safety and well-being – are instead being diverted to military expenditure lining the pockets of the already highly lucrative arms industry. This research looks at the funds injected into militarism by western governments in the wake of the war in Ukraine challenging the logic that is driving this response, as well as highlighting its futility in bringing about peace, not just in ending this particular war but in preventing future wars from occurring.

Although there is now a war on Western Europe’s doorstep, the trend towards militarism did not begin as a consequence of the Ukraine war, though it has been exacerbated by it. Global military spending was already at an all-time high with the Stockholm International Peace Research Institute (SIPRI) revealing that in 2021 it surpassed US$2.1 trillion. Year on year governments have increased military spending and intensified public policy that relies on securitisation and military means to tackle political and social discontent and unrest. The countries discussed in this research, the vast majority of whom are NATO members, have been steadily increasing their military budgets for years and their collective military strength is vastly superior to that of other major military powers, including rival nations. Even before Russia’s invasion of Ukraine in 2022, the combined military expenditure of NATO members was more than 17 times that of Russia and roughly four times that of China - a fact that did not deter Russia from invading Ukraine.
Although militarism fuels rather than dissipates geopolitical tensions with rival powers, since February 2022 governments have continued along this trajectory, ratcheting up military budgets and deploying war-frenzy rhetoric. Instead of pausing, reassessing militarised strategies and concluding that they have not achieved greater political stability, quite the opposite, western governments have doubled down on an approach where there is virtually no space left for diplomacy that isn't overshadowed by the threat of militarism, and scant political will to engage in truly carving out pathways to achieving an enduring peace. How one chooses to spend their money is a good indication of where their priorities lie, and as this research shows, western governments have overwhelmingly prioritised militarism over diplomacy for many years and are continuing to do so despite mounting evidence that this strategy does nothing to curb geopolitical tension.

With regard to the war in Ukraine, conflict analysts have concurred that whilst fully acknowledging the massive upheaval and significant loss of life that has occurred there since February 2022, on purely militaristic terms, Russia's forces are performing poorly and that the west vastly overestimated its strategic capacity. This underscores the point that Russia does not pose a serious military threat to western nations, the vast majority of whom are NATO members with a far superior military capacity. Yet western governments have nevertheless continued to adopt military strategies, demonstrating a stubborn tunnel vision and a failure to step outside the current paradigm and explore alternative solutions, including promoting military neutrality, diplomacy, de-escalation, and demilitarisation.

Moreover, this war has revived the terrifying prospect of nuclear war, with Russia putting its nuclear deterrent forces on high alert from early on in 2022. The US and Russia possess the vast majority of the world's nuclear warheads. Although western leaders may argue that ramping up military spending will serve to deter Russia from deploying 'tactical' nuclear (or chemical) weapons, the west's military superiority has arguably had no impact on its military conduct in Ukraine, in particular by recklessly occupying Europe's largest nuclear power plant at Zaporizhzhia for many months making it a military target. Arming states with sophisticated military weapons systems, even to enable them to defend themselves against a crime of aggression, has no impact on curbing the nuclear threat. The threat posed by nuclear weapons will be countered only through global nuclear disarmament. By autumn 2022, independent atomic energy experts were in situ at Zaporizhzhia and at the time of writing the immediate threat of a nuclear accident at the plant had somewhat dissipated. However, Ukraine has 15 nuclear reactors, which means that the threat of a catastrophic nuclear incident, either from a deliberate attack or an unintended accident, remains extremely high. This threat will only be countered through diplomacy, as evidenced in the deployment of the International Atomic Energy Agency (IAEA), which required agreement from the warring parties, and not through militarism. Indeed, the war in Ukraine serves as a reminder that unless diplomatic relations are nurtured and prioritised, energy infrastructure, in particular nuclear power, which is inherently dangerous, may be weaponised in times of war, placing the greater population, as well as the environment, at high risk.

Another question related to the Ukraine war, which poses a direct and very real threat to vast swathes of Europe's broader population, and which will not be overcome militarily, is with regard to energy supply across Europe heading into winter. EU member states have been tardy in agreeing upon a uniform strategy to offset the energy crisis and have, with few exceptions, passed the price for energy instability on to the consumer rather than addressing massive corporate profit.
Public money that could be used to tackle energy price hikes will instead be invested in militarism. At every turn, be it with military spending or the energy crisis, the interests of profit-driven corporations take primacy over the most basic needs of the people.

The drivers of militarised policies, and the real winners once they are rolled out, are the arms companies. In May 2022, Alessandro Profumo and Jan Pie, President and Secretary General respectively, of Aerospace and Defence Industries Association of Europe, said in an interview on Euractiv: ‘We are at a historical moment where we – as Europeans – must stand up for our security and our values and principles. We need armed forces that are capable of defending our homes, our territory, and we need an industry that is capable of providing these forces with the equipment they need’. The message is clear – Europe needs a strong arms industry to guarantee its security at the expense of other areas that critically need financial support. At a time when across Europe the cost of living is increasing exorbitantly and people are struggling to make ends meet, governments are investing shameful amounts of public money in militarism. French President Emmanuel Macron argued that ‘Europe must agree to pay the price for peace, democracy and freedom’, a message echoed by other European leaders. Investing in arms however is futile, counter-productive, and detrimental to building peace and strengthening democracy.

For years, peace activists and the peace movement have warned of the dangers of the military industrial complex and sounded the alarm on how fuelling militarism fuels war. The outbreak of war in Europe has seen the emergence of a deeply troubling public narrative where those who are relentless in their demand for a ceasefire and peace negotiations are framed as part of the problem. They have been ridiculed as idealists devoid of realistic solutions at best, or demonised as pro-Russian war advocates at worst. The fact remains that today’s world is significantly over-armed and that the military expenditure of today, outlined in this briefing, and justified as a necessary and proportionate response to the war in Ukraine, will prolong this war and fuel the wars of tomorrow.

This research reveals the following key points:

- According to the European Commission, by mid-May 2022, EU member states had announced a total of close to €200 billion in increased military spending for the coming years. This is higher than the entire spending in 2020. Eighteen out of 27 countries in the EU announced increased defence expenditure in response to Russia’s invasion of Ukraine.
- In absolute terms, Germany’s pledged military spending is, to date, by far the highest. In February 2022, four days into the Ukraine war, the new German Chancellor Olaf Scholz announced that Germany would both send arms to Ukraine and invest an extra €100 billion in defence over the coming years.
- According to SIPRI, even before the 2022 invasion, military expenditure in NATO countries was 17 times more than in Russia (55.7% of world military spending compared to 3.2%) and NATO is already far superior to Russia in terms of equipment, infrastructure, and overall military strength. The US, by far the most significant NATO member, is responsible for 38% of global military spending; the 27 EU countries combined spend almost four times as much as Russia. The UK alone spends slightly more than Russia.
- In 2014 three of the 30 NATO member states were above the target of spending 2% of their GDP on the military. By the end of 2022 this number is expected to rise to 9, with another 9 countries expected to hit the target by 2025, bringing the total to 18.
the 2% target has long been criticised as neither being an arbitrary and subjective criterion for judging the adequacy of defence spending. Thus it is more about being seen to do something rather than doing something effectively: it is about symbolism rather than substance, yet while trying to hit this arbitrary target, funds that are vitally needed in other sectors such as health or education are diverted to militarism.

• The European Commission suggested an increase of the European Defence Fund (EDF) budget (now at €8 billion), to be decided in the mid-term review for the current Multiannual Financial Framework (2021–2027), and proposed €500 million (2022–2024) for a short-term instrument to incentivise joint arms procurement. This short-term instrument will be followed by a framework for the longer term: a European Defence Investment Programme (EDIP).

• The largest beneficiaries of the increased spending are arms companies, which profit in several ways: through direct procurement of arms for Ukraine, as well as from other countries wishing to replenish their arsenals after existing stocks are exported or deployed, and through dedicated programmes to support research and development (R&D) activities that invest public money to subsidise private, profit-driven companies. A number of countries set up dedicated state funded programmes to facilitate arms exports to Ukraine, however if such structural changes within state departments become permanent fixtures, they may allow for a fast-track process of more easily exporting arms to other war zones once weapons are no longer being shipped to Ukraine.

• The war in Ukraine has helped the arms industry boost its image and position itself as necessary to keep the public safe. They use this image in their lobbying efforts, for example to be included in the list of socially responsible sectors in the EU taxonomy for investors, which means more access to private funding.

• The war has revived the threat of nuclear annihilation and arms companies producing or maintaining nuclear weapons are pushing for lower restrictions on investment in them, while the energy crisis prompted by the war has put the option of nuclear energy back on the agenda.

• The war has been used to legitimise the position of the arms industry in several other debates, including regarding the easing of restrictions on arms exports for jointly produced arms and military technologies, in particular where this involves EDF funding, and VAT exemptions for transfers of arms in certain circumstances.

Note on methodology

For this report we have drawn on several sources to compile information regarding military expenditure at the national level. It is sometimes difficult to draw comparisons across countries, since not all use the same data sets. For international comparisons we have used the data provided by SIPRI, which tracks annual military spending for each country, as well as for NATO, which receives annual reports from member states on their military budgets. In national debates – in official statements, parliamentary records and media reports – there may be other figures, also referring to different time periods and sometimes including special funding next to regular budgets, for example for specific modernisation projects.

Many governments have announced plans to increase military spending, for 2022 and beyond, often without giving precise numbers or with proposed expenditure awaiting parliamentary debates and approval. For this briefing, the research for each national-level plan was current up to mid-July 2022.
Globally, military spending has been steadily increasing since the late 1990s. In 2021, according to the Stockholm International Peace Research Institute (SIPRI) it surpassed US$2.1 trillion for the first time, up by 0.7% from the previous year. In Western Europe, the increase was 3.4% between 2020 and 2021. These figures pre-date Russia’s full-scale invasion of Ukraine in February 2022. This means that the recent upsurge in military expenditure in Western Europe was not in response to an illegal act of aggression or the outbreak of war but rather as part of a global trend to beef up Europe’s military capacity, and perhaps to a greater extent, its arms industry fuelling war and conflict far beyond Europe’s shores. In this regard, according to SIPRI, ‘[t]he growth in military spending in Central and Western Europe was mostly driven by increased expenditure on arms procurement and military R&D [research and development]’.

Table 1. World Military Spending 1988–2021 (based on SIPRI)

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According to NATO, the strength of the alliance derives from the member countries’ individual spending on defence. In 2006, NATO defence ministers from each of the member states agreed to commit at least 2% of their gross domestic product (GDP) to defence spending to ‘ensure the Alliance’s military readiness’, since ‘this guideline also serves as an indicator of a country’s political will to contribute to NATO’s common defence efforts’.7

Since then, however, most NATO members experienced an economic recession and largely missed the 2% target. In 2014, within the context of Russia’s annexation of Crimea and the armed conflict in the Donbas region, leaders from NATO member countries reaffirmed their commitment to the non-binding 2% guideline at a NATO summit in the Welsh city of Newport. They stated that expenditure would be increased ‘to make the most effective use of our funds and to further a more balanced sharing of costs and responsibilities’, recognising that allies ‘need to display the political will to provide required capabilities and deploy forces when they are needed’.8 Alongside the 2% of GDP commitment, NATO members are expected to spend at least 20% of their military budget on R&D and arms procurement. NATO stated that ‘a strong defence industry across the Alliance, including a stronger defence industry in Europe and greater defence industrial cooperation within Europe and across the Atlantic, remains essential for delivering the required capabilities’.9 Although NATO members, particularly the US, have long pushed for all member countries to reach the 2%
target, this is an arbitrary figure. Wilbert van der Zeijden of PAX for Peace wrote that even if one were to favour military spending or look uncritically at it, the ‘percentage of GDP is not a fair, nor a useful way of judging adequacy of defence spending’. Hitting the 2% NATO target therefore has more to do with political symbolism and demonstrating that a state is committed to dedicating a certain percentage of its national income to military spending, rather than actually achieving an objectively quantifiable military driven aim or outcome. In a nutshell it is about being seen to do something rather than doing something effectively, it is about symbolism rather than substance. As Van der Zeijden notes, it is ultimately ‘a figure that has no objective basis’, pointing out that even were the target reached, fluctuations in economic growth would determine the actual level of military spending. In 2014 only three of the 30 member states – Greece, the UK and the US – were at or above the 2% target. By 2021 this had grown to eight, but although members were increasing their military budgets, it seemed unlikely that they would reach the target for several years. It remains to be seen whether this target will be affected by the escalation of Russia’s invasion of Ukraine and the wave of support for increased military expenditure and deployment in its wake.

Table 2. NATO member states’ military spending as a percentage of GDP (based on NATO)

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Increased military spending and reaching the 2% target has been high on NATO’s agenda since 2014, primarily driven by the US, which has frequently demanded more from European countries. In the context of the 2022 Ukraine war, NATO Heads of State and Government declared in March that they had ‘decided to accelerate our efforts to fulfil our commitment to the Defence Investment Pledge in its entirety’. The new Strategic Concept, adopted at the NATO Summit in Madrid in June 2022, shows even more determination: ‘We will ensure our nations meet the commitments under the Defence Investment Pledge, in its entirety, to provide the full range of required capabilities. We will build on the progress made to ensure that increased national defence expenditures and NATO common funding will be commensurate with the challenges of a more contested security order.’

NATO justified this renewed call for increased military spending by the Russian invasion of February 2022 and the threat it perceives from the Federation. On greater examination of the numbers however, this call for increased spending would appear to be unnecessary and futile. Taken at face value it may be understood as a panicked, knee-jerk reaction to the war threatening to fight fire with fire. But, a more critical or cynical assessment may conclude that this call is being driven by advantageous, overzealous arms companies and their shareholders eager to cash in on the war, considering the level of influence arms lobbyists have on political leadership and policy, exemplifying Naomi Klein’s shock doctrine theory. Even before Russia’s 2022 invasion of Ukraine, collectively NATO military expenditure was 17 times more than Russia’s (55.7% compared to 3.2%) and NATO is far superior in terms of equipment, infrastructure, and overall military clout. While military expenditure does not necessarily translate into comparable military capability,
there is no question that NATO's combined military strength is far greater than Russia's and at present levels it would take Russia decades to equal this, or even that of the US, by far the most significant NATO member. Even if Russia and China were to align militarily, their combined military expenditure of 17% of the current world total would still amount to less than half of NATO's. As such, the constant drive for militarism and the resources dedicated to it at the expense of meeting other pressing social needs such as the health, housing and education sectors, is entirely inappropriate and will deepen rather than resolve the political and social problems that risk culminating in conflict. Although NATO claims that such military spending is necessary to secure member states against potential aggressors, the alliance is already far ahead of any current threat. According to the European Defence Agency (EDA), ‘[t]he procurement of new equipment has benefitted most strongly from the overall increase in defence investments’ in recent years. SIPRI noted that ‘the acquisition of new weapons systems will probably be at the centre of these new spending plans’. If SIPRI's prediction is correct, this might well involve investing significant public funding in private arms companies to purchase and stockpile new weapons systems, at a time when Europe is facing unprecedented energy costs, a rising cost of living leaving a growing number of people unable to make ends meet, and a recession seems inevitable. Professor Gilbert Anchar at the School of Oriental and African Studies (SOAS), University of London highlights a discrepancy in the rationale for spending increases. As the Russo-Ukrainian war rages with mounting allegations of war crimes including allegations of deliberate attacks on civilian infrastructure, Russia's advance has been far slower than the Kremlin or international military analysts expected, and foreign military and intelligence experts have concluded that Russia's military capabilities were significantly overrated. At the same time, Russia's supposed military strength and the threat this poses is invoked to argue for the sharp increases in military spending. So, Russia is seen to be militarily weak on the one hand, while on the other NATO has used the Federation's military capacity to justify increased militarism. It is difficult to reconcile these opposing interpretations of Russia's military capacity coming largely from the same pool of military experts, particularly in view of NATO's significant military superiority.

The constant drive for militarism and the resources dedicated to it at the expense of meeting other pressing social needs such as the health, housing and education sectors, is entirely inappropriate and will deepen rather than resolve the political and social problems that risk culminating in conflict.
A snapshot of statements made by key public figures to justify military spending increases

According to the European Commission, by mid-May 2022, EU member states had announced a total of almost \( \text{€200 billion} \) in increased military spending in the coming years.\(^{21}\)

For the most part, there was little public, media or parliamentary discussion or scrutiny regarding the proposed increases to military expenditure. A general argument was that increased expenditure was necessary in light of the ‘Russian threat’, coupled with fear-mongering commentary about years of cuts and underspending.

‘We have to ask ourselves, therefore, what capabilities does Putin’s Russia have, and what capabilities do we need to counter this threat, today and in the future? One thing is clear: We must invest significantly more in the security of our country in order to protect our freedom and our democracy.’
– German Chancellor Olaf Scholz\(^{22}\)

‘Today’s threat from Russia is an incentive to invest more in defence than we have ever done before.’
– Former Italian Prime Minister Draghi\(^{23}\)

‘The brutal Russian war of aggression in Ukraine vividly shows why we need to urgently strengthen European defence, and also why defence innovation is essential.’
– European Commission High Representative Borrell\(^{24}\)
‘Europe must now accept the price for peace, freedom and democracy.’
– French President Macron

‘Maintaining our technological edge has helped to keep our Alliance strong and our nations safe for more than seventy years. But today, nations that do not share our values, like Russia and China, are challenging that lead. In everything from Artificial Intelligence to space technologies. It is essential that we do everything in our power to remain at the forefront of innovation and technology.’
– NATO Secretary General Jens Stoltenberg

‘Putin’s invasion of Ukraine did not dramatically change the Lithuanian defence policy course. It only has proved that we are on the right track ...It is important to work closely with the defence industry so that demands would be met in time.’
– Lithuanian Minister of National Defence, Arvydas Anušauskas

There was little mention of the fact that this additional commitment would centre on NATO and EU countries, who are already spending far more on defence than Russia and are already significantly over-armed. This fact was either ignored or viewed as irrelevant in public debate.

While the mainstream media (MSM) seemed to take as a foregone conclusion European support for increased militarism, the level of support across Europe for more defence spending and supplying arms and know-how to Ukraine, a pan-European opinion poll conducted by the European Council on Foreign Relations found that while European citizens express ‘overwhelming solidarity with the Ukrainian people, there were deep divisions on how Europe should respond’. It found substantial public support for boosting military expenditure only in Finland, Germany, Poland and Sweden, four of the ten countries surveyed.
MILITARY SPENDING: A BREAKDOWN BY COUNTRIES AND REGIONS

This section examines how military spending across Europe has increased since the outbreak of full-scale war in Ukraine in February 2022. It focuses on the ‘big spenders’, namely France, Italy and Spain, and includes a case study on Germany. It also looks at EU NATO and non-EU NATO countries, as well as Belarus and Russia and briefly at the global level, including Canada and the US.

The big spenders

After Germany’s announced commitments (see Box 1), France, Italy and Spain have the largest military budgets in the EU. All three indicated increases in spending, though at different paces.

The military budget of France was already above the 2% of GDP level before February 2022, with a planned total of €295 billion to be spent between 2019 and 2025, including the modernisation of the armed forces. President Macron then announced extra investments in early March 2022, stating that ‘Europe must now accept the price for peace, freedom and democracy’ and that it must ‘become a more independent, more sovereign power’. After winning the presidential elections for a second term, Macron reiterated this at a speech at the large arms fair Eurosatory in Paris in June 2022. His government produced a revised budget proposal in the weeks following the fair, to lead France into a ‘war economy’. In July Macron said that military spending will increase to €50 billion in 2025.

In Italy, former prime minister Draghi announced in parliament shortly after the invasion that ‘today’s threat from Russia is an incentive to invest more in defence than we have ever done before’. Initially, Draghi announced that Italy would speed up spending increases to meet the NATO 2% target in 2024, from 1.4% in 2021. However, opposition from the coalition partner Five Star Movement prompted the government to slow down its plans and postpone the 2% target until 2028. The Five Star Movement leader and former prime minister Giuseppe Conte later said: ‘Our response cannot be a race to re-arm. Diverting resources from our green transition to invest in military industry would be a completely mistaken stance’.
Announced extra military spending since the start of the Ukraine War (EU countries)

*in billions of euros*

Announced structural increases to the defence budget in response to the war in Ukraine

*in billions of euros per annum*
In the months since February 2022, Prime Minister Sánchez (PSOE) of Spain repeatedly announced his intention to increase military spending from 1.03% of GDP to 2% by the end of 2024. At the time of writing in summer 2022 however, there is no decision or even a concrete proposal as the left-wing coalition partner Unidas Podemos does not support increased spending, especially after agreeing to a previous significant increase. It is unclear whether Unidas Podemos would actively oppose a proposal, and in any case the PSOE may achieve a majority on the issue with the support of other parties.

Central, Eastern and Southern Europe

The three Baltic states of Estonia, Latvia, and Lithuania, all EU and NATO members and sharing a border with Russia, were already spending more than 2% of their GDP on defence prior to February 2022. By the end of March Estonia had approved a €476 million budget increase, mainly to buy air defence systems. According to the Estonian Ministry of Defence this raised the military budget to over 2.5% of GDP. This was in addition to a January decision to add €380 million to the budget for ‘the upcoming years’, spurred by perceived Russian threats. Estonia is in the midst of a ten-year National Defence Development Plan to reinforce its armed forces, including the procurement of arms and military technologies.

Shortly after the February 2022 invasion, the government of Latvia approved an earlier proposal by the defence minister to increase military spending, from 2.2% of GDP in 2022 to 2.5% of GDP in 2025, in line with its National Armed Forces Development Plan for 2020–2032. This means about €100 million in extra funding, for example to purchase air defence systems.

In Lithuania the parliament approved an extra €298 million, mainly for buying arms and ammunition for the 2022 military budget in mid-March 2022, bringing defence spending to €1.5 billion, over 2.5% of GDP. This was intended to speed up the modernisation of the armed forces, part of a ten-year Security Strategy, which includes plans for large arms purchases from US and German companies. “It is important to work closely with the defence industry so that demands would be met in time”, according to Minister of National Defence Arvydas Anušauskas.

By national law the government of Poland was already bound to spend at least 2% of its GDP on the military. In October 2021 it was proposed in the Act on Homeland Defence to increase this to 2.5% by 2026. After the 2022 escalation in Russia’s invasion of Ukraine this was swiftly further increased, with the adoption of a revised law stipulating that the military budget should be at least 3% of GDP from 2023 onwards. This law also includes the creation of an Armed Forces Support Fund at the Bank of National Economy (BKG), which should fund new equipment purchases with revenue from selling surplus military equipment, and issuing bonds and profits from state-owned defence companies.

While in recent years the Polish and Hungarian governments often adopted a common far-right-leaning stance towards the EU, they have parted company on the Ukraine war. Contrary to Poland, with its heavy increase in military budget and its planned expansion of its army, Hungary’s Prime Minister Orbán, who maintains friendly relations with President Putin, opted to not involve Hungary in the war to the same extent as other European nations, and did not announce any increased military spending. Nevertheless, Hungary had already decided to strongly increase its military budget in 2021, with a view to reaching the 2% target by 2024.
In mid-March 2022 the Slovakian defence minister said that the 2% target is ‘not a level that should be our objective, rather it should be just a base’. Like many other countries, Slovakia was already in the process of modernising its armed forces, with increased budgets, including for large arms purchases. Thus, spending reached the 2% target in 2020 and 2021, but would drop to 1.8% from 2022. After the February 2022 invasion, Prime Minister Heger promised to revise the budget and increase investment.

In Slovenia the government announced an increase in the military budget in mid-March 2022, aiming to reach the 2% target by 2030 rather than 2035, as originally planned. The budget for 2023 would increase from 1.41% to 1.5% of GDP. This accompanied a sharp increase of the percentage of the budget spent on equipment: from 5% in 2017 to 23% in 2023.

Prior to the Ukraine war the government of the Czech Republic had already committed to increasing defence spending, from 1.4% of GDP in 2021 to 2% in 2025, in line with the 2015 multi-annual ‘Long Term Perspective for Defence 2030’. Following the February 2022 outbreak of war, the government announced extra investments, hoping to reach the 2% in 2024. In Mid-April the government decided to speed up new arms purchases, budgeting hundreds of millions of euros to buy for example armoured personnel carriers and extra helicopters.

For Bulgaria, the defence minister explained that the country could not donate arms to Ukraine since its own army is in dire need of strengthening. Presenting a long shopping list, including air defence systems, submarines, UAVs and naval vessels, the minister stated that ‘serious spending must be done’. In 2017 a ‘National Plan for Increasing the Defence Spending to 2% of the Gross Domestic Product until 2024’ was adopted. A 2021 programme to enhance defence capabilities until 2032 had identified the need to ‘eliminate the dependence of our defence capabilities on countries outside NATO and the EU. The aim is to put an irreversible end to the dependence on the Russian military-industrial complex for repairs and maintenance of legacy Soviet equipment’. The ruling coalition of Prime Minister Petkov proposed to speed up the National Plan process by one year, reaching the 2% NATO spending target in 2023, from 1.7% in 2022. Since the government fell at the end of June 2022 it remains to be seen whether the next government will implement the same policy.

Days after the 2022 full-scale invasion the president of Romania, which shares a border with Ukraine, said that its defence spending should be increased to 2.5% of GDP. In December 2021 the parliament had adopted the 2022 budget, crossing the 2% of GDP threshold, a 55% increase since 2016. Large planned arms purchases include F16 fighter jets and air defence systems. In May the government announced its intention to revive Romania’s state-owned arms industry, Romarm. Increased purchases by the defence ministry boosted its anticipated revenues.

Croatia already spends over 2% of its GDP on its military, which rose to 2.79% in 2021, including a large share for arms purchases. There seem to be no immediate plans for further increases since the Russian invasion of Ukraine. The same goes for Cyprus and Malta, which, like Austria and Ireland, have a tradition of military neutrality. In March Chancellor Nehammer of Austria, following requests from parliament, announced the government’s intention to increase military spending from 0.74% of GDP to at least 1%.
**Greece**, which was already a high spender on defence, increased its military budget by 46% between 2020 and 2021, to €5.9 billion (3.9% of GDP, the highest percentage in NATO). Along with the increase came a long list of planned purchases including fighter jets, helicopters, drones and frigates. Just after the 2022 invasion, the defence minister announced new reinforcements, including corvettes, guided missiles and battle tanks.

In early March 2022 Greece was at the forefront of a joint proposal with Estonia, Hungary, Italy, Latvia, Lithuania, Poland, Romania and Slovenia to exclude military spending from EU public deficit calculations. This follows its experience during the debt crisis in the early 2010s; when the EU and its member states had to decide on financial support to Greece, several EU countries, including Germany and France, insisted that Greece keep up its high defence spending and honour orders with their arms companies, while simultaneously pushing for huge cuts in social spending. The joint proposal in March was quickly shot down by France, Germany, the Netherlands and others.

**Western Europe**

The Benelux countries intend to increase military budgets in addition to recent and planned increases. In **Belgium** in January 2022 the government adopted the STAR plan with extra investment in military capacities, mainly through procurement of arms, of up to €10.3 billion until 2030, by which time it will be at €6.9 billion per annum, or 1.54% of GDP. The De Croo government has proposed to accelerate spending to reach 2% of GDP by 2035, but although Green coalition partners (Groen and Ecolo) argued that excessive military expenditure will be at the cost of addressing social and environmental issues, a total extra €1 billion investment for the 2022–2024 period was announced in March 2022.

In **the Netherlands** the new government of Prime Minister Rutte, in its coalition agreement in December 2021, planned significant increases in military spending up to 2025, with a total of €10.3 billion to strengthen capacities and a structural annual increase of €3 billion. This would mean doubling the military budget between 2015 and 2025, to about 1.8% of GDP. Shortly after the outbreak of full-scale war in Ukraine the parliament adopted, with a broad majority, a motion requesting the government to propose extra investments. A government Defence Note of June 2022 presented a list of new arms purchases, including extra F35 fighter jets, Reaper drones and missiles, along with a proposal to add another €14.8 billion to the military budget until 2025, reaching the 2% of GDP target by 2024. From 2026 on the military budget will see a structural €5 billion increase.

The government of **Luxembourg**, which has the lowest military spending of NATO countries in terms of its GDP (0.57% in 2021) agreed to increase military spending on top of the planned growth. By 2024 it should reach 0.72% of GDP. Defence Minister Bausch said that the 2% target was ‘neither realistic nor doable’ and ‘wouldn’t make sense’ for Luxembourg, notwithstanding its large GDP given its small size and army. He also made a unique plea to include spending for conflict prevention and activities regarding climate change into the criteria for the 2% spending target.
In 2021, the military spending of Portugal was €2.4 billion (1.55% of GDP), with Prime Minister Costa saying this should reach 1.89% in 2024.91 In April 2022 both Costa and President De Sousa called for more resources for the military, but Costa also counselled maintaining the balance with other expenditure, for example for health and education.92 He argued that Portugal should increase its share of the military budget for the purchase of equipment, which should also serve as a ‘strong stimulus for the participation and development of the national industry’.93

In Ireland, political debate on Ireland’s policy of military neutrality and military and associated spending, which is of the lowest in Europe, was already somewhat underway before the Ukraine war.94 A government defence review that was already in the pipeline, and was published in February 2022, found that going on with ‘business as usual’ would leave the state without ‘a credible military capability to protect Ireland’. The Commission on the Defence Forces proposed developing ‘full spectrum defence capabilities to protect Ireland and its people to an extent comparable to similar sized countries in Europe’, with an increase of the annual military budget to €3 billion (1.43% of GDP).95 Since February 2022, the Defence and Foreign Affairs Minister Simon Coveney has spoken on several occasions about increasing the military budget, which is at about 0.3% of GDP. At the beginning of June 2022 he announced his intention to make a proposal to government to significantly increase military spending, adding that Ireland ‘needs to move ahead as well with an open mind … on broader debates around what neutrality means today, versus what it might have meant 10 years ago or five years ago or even six months ago because that debate is changing’.96 Ireland is not a member of NATO, though it recently emerged that the Irish defence forces had participated in NATO capability assessments, as well as other international military operations and exercises, which would appear to be at odds with Ireland’s neutrality policy.97

**Northern Europe**

At the beginning of March 2022 the Danish parliament voted to increase military spending, adding an extra €2.4 billion for the 2023 budget and agreeing to reach the 2% target by 2033, up from 1.5% in 2021.98 The same day it was decided that Denmark would hold a referendum on joining the EU’s common defence policy, having previously opted out. All the main centre-right and centre-left parties, including the Social Democrats of Prime Minister Frederiksen, campaigned in favour. The June referendum showed a two-thirds majority for joining, meaning that Denmark will also assume a role in EU military plans (and budgets).99

The proposals to raise military spending in Finland and Sweden are entangled with their applications to join NATO, which would imply a commitment to the 2% target. Even before its bid to join NATO the Swedish government announced its wish to increase the military budget to 2% of GDP as soon as possible.100 In April a broad parliamentary majority was in favour, aiming for an €11.9 billion budget in 2028, over 40% higher than previously planned.101 At the end of March, parliament approved an increase to the 2022 budget with about €280 million, for example to buy vehicles, missiles and ammunition.102 At the end of June, the Swedish prime minister assured the NATO Secretary General that Sweden is ‘in the middle of the biggest build-up of Swedish defence capabilities since the 1950s. [...] We are speeding up defence equipment procurements and strengthening our cyber defence and intelligence capabilities’.103
The original military budget of Finland for 2022 was €5.1 billion, or 1.96% of GDP. At the beginning of April the Finnish government announced extra military spending of €2.2 billion for 2023 to 2026, an increase of about 70%. At the end of May the ministry of defence presented an adjusted budget for 2022, with an extra €669.4 million, including €490 million for the purchase of equipment, and a €1.7 billion reservation for buying arms in the period 2022–2027. These are likely to include surface-to-air missile systems, corvettes and F35 fighter jets.

Case Study of Germany: 100 billion better ideas

A new era

On 27 February 2022, German chancellor Olaf Scholz announced that the country’s defence budget would be increased to more than 2% of GDP and that €100 billion would be invested in a one-off special fund for the armed forces. The announcement was greeted by overwhelming cross-party support and a standing ovation in parliament. It came four days after Russia’s full-scale invasion of Ukraine and, ironically, on the same day as hundreds of thousands took to the streets in Germany’s largest peace demonstrations since the Iraq war.

The decision means that Germany’s regular defence budget – excluding the special fund – will rise to more than €50 billion for 2022, €3.5 billion more than in 2021. Around €10 billion is earmarked for investment in arms and military equipment, directly benefiting arms companies. Since the €100 billion will be financed through a special fund that will incur additional debts, this required constitutional change, to be approved in a two-thirds parliamentary majority. The vote took place at the beginning of June with a large majority in favour. The special fund will be invested over a five-year period meaning that annual military spending will rise from €47 billion in 2021 to around €70 billion in the coming years, which is likely to exceed that of Russia, France or the UK. While in 2020 Germany ranked seventh in global military spending, it could well rise to third or fourth rank, depending on other countries’ expenditure.

Lobbying for militarisation

Although the decision to beef up defence spending was framed as a response to Russia’s invasion of Ukraine, it had actually been in the pipeline for months, with Germany’s defence ministry pushing for a €102 billion ‘special fund’ for the armed forces from October 2021. At the time, it was rejected by the new coalition government. In February, however, the ministry’s funding request was repackaged and – using what Naomi Klein describes as shock strategy – presented as strictly necessary in light of Russia’s invasion of Ukraine. Behind the scenes, German and international arms companies have long urged Germany to increase its military spending. According to the German parliament’s lobby register, many of the companies now set to profit from the country’s increased defence budget – including Airbus, Hensoldt, Krauss-Maffei Wegmann (KMW), Leonardo, Lockheed Martin, Rheinmetall and ThyssenKrupp – have collectively spent almost €12 million a year lobbying parliamentarians.
<table>
<thead>
<tr>
<th>Company/Lobby association and country (headquarters)</th>
<th>Equipment likely to be bought and estimated price if known</th>
<th>Lobby budget (minimum) and corresponding year</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Rheinmetall</strong> (Germany)</td>
<td>350 Puma tanks (with KMW); €4,300,000,000</td>
<td>€1,200,000 (2021)</td>
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<tr>
<td></td>
<td>Upgrading of existing Puma tanks</td>
<td></td>
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<tr>
<td></td>
<td>Munition; €12,000,000</td>
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<td></td>
<td>30,000 military trucks; €16,000,000,000</td>
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<td></td>
<td>MGCS (Main Ground Combat System with Diehl, KMW, Nexter); €1,500,000,000</td>
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<td></td>
<td>Tank BOXER (with KMW)</td>
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<tr>
<td><strong>Airbus, Airbus Helicopters Deutschland GmbH and Airbus SE (France, Germany, Spain)</strong></td>
<td>FCAS (Future Combat Air System) together with others; €4,500,000,000</td>
<td>€3,800,003 (2021)</td>
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<td></td>
<td>38 new Eurofighters with others; €5,400,000,000</td>
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<td></td>
<td>Airplane A400M; €450,000,000</td>
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<td></td>
<td>Light-weight helicopters type Airbus H145M</td>
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<td>Eurodrone (with others); €281,000,000</td>
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<td><strong>Rafael Advanced Defense Systems</strong> (Israel)</td>
<td>Iron Dome; €10,000,000,000</td>
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<td><strong>Boeing</strong> (USA)</td>
<td>50–60 transport helicopters type Chinook; €5,600,000,000</td>
<td>€90,001 (2021)</td>
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<td>Airplane P-8A Poseidon; €374,000,000</td>
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<td><strong>Lockheed Martin</strong> (USA)</td>
<td>35 F-35s fighter jets; €3,500,000,000</td>
<td>€830,001 (2021)</td>
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<td><strong>Israel Aerospace Industries</strong> (Israel)</td>
<td>Arrow 3; €2,000,000,000</td>
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<td>Arming the Drone Heron</td>
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<td><strong>thyssenkrupp Marine Systems GmbH</strong> (Germany)</td>
<td>Korvette 130; €570,000,000</td>
<td>€220,001 (10/20 to 09/21)</td>
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<td></td>
<td>2–4 Submarines 212 Common Design; €289,000,000</td>
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<td></td>
<td>IDAS Missile with Diehl, Kongsberg</td>
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<td><strong>Hensoldt</strong> (Germany)</td>
<td>Pegasus system; €441,000,000,000</td>
<td>€980,001 (2021)</td>
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<td></td>
<td>38 new ECR Eurofighters (with others); see above</td>
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<td><strong>Thales and Thales Alenia Space</strong> (France, Italy)</td>
<td>Frigate 126 together with Damen Shipyards Group and Blohm + Voss; €354,000,000</td>
<td>€10,001 (2021)</td>
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<tr>
<td>Company</td>
<td>Products and Cooperations</td>
<td>2021 Value</td>
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<tr>
<td><strong>Krauss-Maffei Wegmann</strong>&lt;br&gt;(Germany)</td>
<td>350 Puma tanks with Rheinmetall; see above&lt;br&gt;MGCS (Main Ground Combat System with Nexter, Diehl, Rheinmetall; see above&lt;br&gt;Tank Boxer (with Rheinmetall); see above</td>
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<td><strong>Nexter Defence Systems</strong>&lt;br&gt;(France, Germany, HQ in the Netherlands)</td>
<td>MGCS (Main Ground Combat System with KMW, Diehl, Rheinmetall); see above</td>
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<td><strong>Diehl</strong>&lt;br&gt;(Germany)</td>
<td>MGCS (Main Ground Combat System) with Nexter, KMW, Rheinmetall); see above&lt;br&gt;IDAS Missile with Thyssenkrupp, Kongsberg</td>
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<td><strong>Dassault Aviation</strong>&lt;br&gt;(France)</td>
<td>Future Combat Air System (FCAS) with others; see above&lt;br&gt;Eurodrone (with others); see above</td>
<td>Not known</td>
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<td><strong>Damen, Damen Schelde Naval Shipbuilding B.V., and DAMEN Naval Germany GmbH</strong>&lt;br&gt;(The Netherlands)</td>
<td>Frigate 126 together with Thales and Blohm + Voss); see above</td>
<td>€130,003</td>
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<tr>
<td><strong>MBDA</strong>&lt;br&gt;(France, Italy, UK)</td>
<td>Timely Warning and Interception with Space-based TheatER surveillance Twister;136 EU cooperation</td>
<td>€730,001</td>
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<td><strong>Leonardo and Leonardo SpA</strong>&lt;br&gt;(Italy)</td>
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<td><strong>L3 Harris Technologies</strong>&lt;br&gt;(USA)</td>
<td>Combat-net radio PRC-117G</td>
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<td><strong>Kongsberg</strong>&lt;br&gt;(Norway)</td>
<td>IDAS Missile with Thyssenkrupp, Diehl</td>
<td>€100,001</td>
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<td><strong>Bundesverband der Deutschen Sicherheits- und Verteidigungsindustrie e.V. BDSV</strong></td>
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<td><strong>Förderkreis Deutsches Heer (FKH)</strong></td>
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<td><strong>Deutsche Gesellschaft für Wehrtechnik (DWT)</strong></td>
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<td><strong>TOTAL</strong></td>
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<td><strong>€11,890,019</strong></td>
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The almost €12 million spent on lobbying is likely to be only the tip of the iceberg, as the arms industry uses a wide range of lobbying strategies including convening influential politicians and high-level industry representatives in structures known as ‘societies’, which essentially function as lobby associations. The three most influential societies in the defence sector are the Förderkreis Deutsches Heer (FKH), Deutsche Gesellschaft für Wehrtechnik (DWT), and Gesellschaft für Sicherheitspolitik (GSP).

Of the 38 people on Germany’s parliamentary defence committee, at least seven – including the current chair and vice-chair, and a former chair – are also members of one or more of these societies. In this way, the arms industry has privileged access to the corridors of power.

The F-35 fighter jet

The decision to buy the Lockheed Martin F-35 fighter jet was taken partly due to pressure from the US government, based on its capacity to carry nuclear warheads, despite the exorbitant costs and it being at odds with hopes that Germany would slowly move away from nuclear armament. It also exemplifies arms lobbyists’ influence. The current chair of the Defence Committee, Marie-Agnes Strack-Zimmermann, who is also the deputy leader of Germany’s Free Democratic Party, sits on the DWT board, along with Lockheed Martin’s vice-president for Central and Eastern Europe, Dennis Göge, who used to work as an adviser to the defence ministry. Since early 2022, Strack-Zimmermann has successfully pushed for Germany’s Tornado fighter planes to be replaced with the F-35. This was surprising, since many German and EU politicians had publicly backed the Eurofighter to be the Tornado’s sole replacement. It even caused a ruckus in the government in 2019 when it was widely reported that the head of the German Air Force, Karl Müllner, had been fired by then defence minister Ursula von der Leyen for being too outspoken in support of the F-35. The fact that the government announced its decision in March to purchase the F-35 demonstrates the influence of the US arms company on German parliamentarians. While von der Leyen is now President of the European Commission, Karl Müllner has recently made a comeback as a lobbyist, working for undisclosed defence companies. Meanwhile, Dirk Niebel, who served as the minister for economic cooperation and development from 2009 to 2013, is now the chief lobbyist for German arms company Rheinmetall, likely to be another big winner of the spending bonanza: Rheinmetall’s share price rose by around 25% to a 10-year high on the day Scholz announced the €100 billion package, as did the shares of many other arms companies.

100 billion better ideas

The justification for injecting huge sums into the German military is based on arguments that it has been ‘kaputtgespart’ – financially drained to the point where nothing works any more, which, in the face of the perceived ‘Russian threat’, led to a situation in which citizens’ safety is at stake in the absence of drastic measures. But this argument, constantly repeated in the MSM, is false. Germany’s defence budget has been rising for years and by a third since 2015. This investment has not solved the ‘problems’ of the armed forces, which are typically blamed on a lack of funding, outdated weapons, poorly equipped soldiers, and outdated technology. The true reason for the problems facing the armed forces seems rather to be caused by the bureaucracy involved in procurement, as well as another issue, which is not openly admitted, concerning the over-
representation of right-wing extremists in the armed forces who had been stealing weapons and munitions. Military spending will make arms investors richer, but will not make citizens any safer. Quite the opposite: money that could have been invested in health, housing, education, social services and energy security – measures that would enhance human-centred security – will instead line the pockets of investors in the lucrative arms industry. As Wolfgang Streeck wrote in Jacobin, ‘even if Germany had spent 2 instead of 1.3 percent of its GDP on its military in recent years, this would not – all other things being equal – have prevented the Russian invasion of Ukraine’. Nor will the €100 billion contribute to ending Russia’s invasion and annexation of Ukrainian territory. Rather, it has ramped up the war hysteria that has even seen prominent pacifists shift course and call for a stronger army and more military engagement in Ukraine and beyond. As we enter the third year of the pandemic – and after much foot-dragging – the German government finally approved a €1 billion bonus for health workers, which amounts to between €500 and €2,500 for those eligible. Arguably, health professionals and a functioning health service contribute far more to a safe society than investment in arms. A senior advisor to the finance minister has already admitted that the boom in military expenditure will come at the expense of social spending. In response, activists took to the streets across Germany at the end of March in protest against this unprecedented military expenditure by presenting ‘100 billion better ideas’ on how the money should be spent. Suggestions included investing in health, a just climate transition, and ‘search and rescue’ missions for refugees at sea, among others.
Non-EU NATO countries

In 2021, the government of the United Kingdom published its ‘Global Britain in a competitive age: the integrated review of security, defence, development and foreign policy’, which included plans to increase defence spending by £24 billion to £188 billion for the 2022–2025 period, much of which is for arms procurement. The UK military budget remains well over 2% of GDP and the second or third largest in NATO, depending on Germany’s planned spending. After the February 2022 invasion, the former Prime Minister Boris Johnson maintained that the 2021 review was ‘spot on’ in terms of its analysis and plans for future capacities. Nevertheless, he promised increased commitment to NATO. The Labour opposition accused the Johnson government of mistakenly shifting its focus to the Indo-Pacific region at the expense of European security, and proposed a huge increase in military spending to respond to the war in Ukraine. In recent months various changes in political leadership saw former Prime Minister Liz Truss pledge a defence budget increase of up to £157 billion or to 3% of GDP by 2030, however the current Prime Minister Rishi Sunak clarified that any such increase would be contingent on there being a review of Britain’s security and defence strategy.

In mid-March 2022, Norway, which shares a long northern border with Russia, announced an extra €290 million investment for this year to strengthen its military forces in the border region, increasing military spending to about €7.9 billion (about 1.55% of GDP). The additional budget includes purchasing ammunition, fuel and new equipment. A government White Paper on defence, issued in April, called for reinforcing military capacities in the north, and warned that longer-term modernisation plans, which include the purchase of many new aircraft, were plagued by delays and cost overruns.

Türkiye is one of the few NATO members that has maintained relatively good relations with Russia. It did not immediately respond to the Ukraine war with plans to further increase military spending. In contrast with most of the other countries mentioned in this report, Türkiye is directly engaged in war and armed conflict – it is involved in the war in Syria, the violent repression of the Kurdish population and political opposition, and relations with neighbouring states such as Iraq and Greece are extremely tense, sometimes appearing to be on the brink of military confrontation. In previous years there has been a rapid rise in military spending, with several instances of accelerating the increases. In 2021 Turkish military expenditure was at about €14.7 billion, or 2.1% of GDP.

The military budget of Albania has risen rapidly in recent years. The 2022 budget, adopted in November 2021, was €274 million (about 1.5% of GDP), 32% more than the 2021 budget, which in turn was 11.8% higher than the year before. Since the 2022 invasion there have been no new spending increases planned, but in May 2022 the defence minister announced plans to buy new naval vessels.

Iceland has no standing army, though it has some armed forces as part of its Coast Guard and a special unit of its Ministry of Foreign Affairs. The country therefore has no real military budget. After the 2022 invasion of Ukraine Prime Minister Jakobsdóttir stated that Iceland will increase its funding to NATO.
**Montenegro** joined NATO in 2017 and since then has been steadily expanding its military expenditure, albeit being by far the smallest military budget of all NATO members (except Iceland). The budget rose from €58 million in 2017 to an expected €95 million in 2022 (1.75% of GDP). The military budget of **North Macedonia**, a NATO member since 2020, stands at about €223 million (1.77% of GDP) for 2022 (double the 2018 budget), with plans to reach the 2% target in 2024. The army received huge grants from the US Department of Defense for its modernisation, including, for example, the purchase of light armoured personnel carriers from US companies Oshkosh Defence and General Dynamics Land Systems.

**Switzerland**

Switzerland is not a member of NATO and has traditionally observed neutrality, including a prohibition on supplying arms to conflict zones – and, therefore, the (re)export of Swiss arms to Ukraine. In June 2022, however, the Swiss parliament approved a 25% increase in military spending towards 2030, which should bring the budget to 6.8 billion, or about 1% of GDP.

**Global trends**

Unsurprisingly, since February 2022, both Russia and Ukraine have hugely increased their military expenditure. The actual development of their spending, also in the longer term, will of course depend on the course of the war, its continuation and outcomes. In September 2022 the Russian government presented a plan to spend some €600 billion on defence between 2022 and 2025, a severe increase compared to original plans. The defence minister of **Belarus**, a key Russian ally, said that it had no plans to increase overall military expenditure.

By mid-May 2022 the government of Ukraine had already diverted $8.3 billion from other purposes to military spending. In September the government presented its national budget proposal for 2023, including about €23 billion for the military, about a third of total government spending. Next to this Ukraine can count on monetary and equipment donations from other countries to strengthen its military capacities.

NATO members **Canada** and the **US** also announced increased military spending. The US, which has by far the world’s highest military budget, announced further increases in the wake of the invasion, amounting to €839 billion, 4.7% more than the 2021 budget. In April 2022 Canada announced an extra €8 billion spending for the next five years. The government of **Japan** referred to the Russian invasion and to perceived threats from China and North Korea to argue for a sharp increase in military spending, while the government of **Australia** also opted to increase military spending, pushing it above 2% of GDP for the 2022/23 financial year. Though the government cited the war following Russia’s invasion of Ukraine, this rise appears to be more influenced by relations with China.

The war in Ukraine has sent shock waves that continue to reverberate around the world. While most western nations immediately condemned the Russian invasion and offered political and military support for Ukraine, various countries in other regions were less keen on taking sides or getting involved, opting to remain neutral. For many of these countries the war in Ukraine did
not directly lead to plans to increase military spending. Its consequences – such as growing global instability, changing international relations and a new global arms race – will, however, affect them and could lead to higher military budgets worldwide. Large spenders China, India and Saudi Arabia for example have announced military spending increases for the coming years, without mentioning the Ukraine War as a primary factor for this.

Even for an increasing number of non-NATO countries the 2% of GDP target seems to have become a new international standard. For many countries, this will probably remain out of reach, but globally military budgets are set to rise nonetheless bringing with them heightened tension, hostility and instability, age-old consequences of militarism and war-mongering.
In recent years the EU has launched various new initiatives to build up its own military infrastructure and to encourage military cooperation among member states. An important part of these proposals and initiatives is to strengthen and support the arms industry, the EU Defence Technological and Industrial Base (EDTIB). Central to these efforts was the establishment of the European Defence Fund, an instrument to fund the R&D of new and highly sophisticated arms and technologies.\textsuperscript{182}

The February 2022 invasion occurred when EU member states were negotiating the Strategic Compass for Security and Defence, setting out the EU’s policies in this regard for the coming decade. A hastily updated version of the Compass was agreed and adopted in March 2022, in part framed as a response to the war, though the securitised framing was already ingrained in EU thinking years earlier. The Commission has also published several other proposals, some already planned (and updated), others new. In general, they expanded on existing plans. Supporting the European arms industry is central to all EU defence policy.

**Strategic Compass and Commission contribution**

The Strategic Compass builds on earlier foreign and military policy documents, such as the 2016 Global Strategy,\textsuperscript{183} but is more focused on outlining concrete steps towards building an EU military force. The proposed actions include more robust and flexible mandates for foreign operations, building up a 5,000-strong EU Rapid Deployment Capacity, strengthening EU command and control structures, boosting intelligence capacities, cyber defence and space strategy, spending more on military capacities, including large arms systems, and reinforcing cooperation with NATO.\textsuperscript{184} The Strategic Compass is clear about the role of the arms industry: ‘An innovative, competitive and resilient European Defence Technological and Industrial Base which guarantees security of supply and cutting-edge technologies is more important than ever and key for employment, trade, investment, security and research in the EU’. It not only emphasises the perceived need for an arms industry to guarantee EU security, but also highlights the centrality of economic interests:
‘The European defence sector can also contribute to growth and the sustainable economic recovery following the pandemic’. Regarding the industry the Strategic Compass announces proposals for increasing EDF funding, the financing of joint procurement initiatives by member states, easing arms export rules and facilitating access to private funds.

In its contribution to European defence, published just before the 2022 invasion, the European Commission revealed its own plans in this regard. These include supporting arms exports, making efforts to include the arms industry in sustainable finance initiatives, and strengthening the EDF. In general, the Commission argues for ‘closer defence cooperation between Member States and between industries’. This further enhances the EU’s position is that arms companies are expert allies and key partners, rather than commercial, profit-driven entities, and that they should therefore have a seat at the policy-making table. The establishment in 2021 by Commissioner Breton of a Permanent Dialogue Group between the Commission and the military and security industry, the Commission expert group on Policies & Programmes relevant to EU Space, Defence and Aeronautics Industry, is another example of this trend. The Group gives its members, representatives of large arms companies (Airbus, Dassault, Indra, Leonardo, Rheinmetall, Saab, Safran, Thales and others), research institutes such as Fraunhofer and FOI (the Swedish Defence Research Agency) and industry lobby organisations, including the AeroSpace and Defence Industries Association of Europe (ASD) and national platforms, a constant opportunity to give input on all programmes and policies that it deems relevant.

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Investment gaps and joint procurement

In mid-May 2022 the European Commission published its ‘Defence Investment Gaps Analysis and Way Forward’, following a request from EU Heads of State or Government at a meeting in Versailles in March. The objective was to ensure that ‘the increased defence spending by Member States results in a much stronger EU defence technological and industrial base’.

The analysis, which was undertaken by the European Defence Agency (EDA), comprised a list of actions and purchases to strengthen Europe's military capacities in the air, land, maritime, cyberspace, and space domains. In line with the Strategic Compass, it proposed exploring ‘the potential of VAT exemption measures, additional funding programmes, or actionable joint procurement and reinforced security of supply within the EU’.189 Without giving numbers, the Commission suggested an increase of the EDF budget (now at €8 billion), which would be decided upon during the mid-term review of the Multi-annual Financial Framework (2021–2027). The Commission also proposed investing €500 million (2022–2024) in a ‘dedicated short-term instrument [...] to incentivise Member States who are willing to pursue joint procurement to fill the most urgent and critical gaps [...] in a collaborative way’, while also clarifying that the funding should ‘benefit the European industrial base’.190 This short-term instrument will be followed by a longer-term framework: a European Defence Investment Programme (EDIP). The relevant regulation, to be proposed by the Commission in the third quarter of 2022, aims to establish ‘the conditions and criteria for Member States to form consortia that qualify as a European Defence Capability Consortium (EDCC) that will jointly procure, for the use of participating Member States, defence capabilities that are developed in a collaborative way within the EU and would benefit from a VAT exemption’.191 To implement these plans the Commission established a Joint Procurement Task Force, while member state ambassadors to the EU agreed to create an ‘Ad hoc Working Party on defence industry’. This Working Party will report to the EU Foreign Affairs Council, providing advice on draft legislative acts and other legal acts on issues related to the military industry.192 Other steps the Commission wants to take in relation to the gaps analysis include access to finance, critical raw materials and workforce, promotion of buying from EU companies, and strengthening the longer-term industrial production capacities.193 One of the first concrete consequences of the Strategic Compass was the launch of a Hub for European Defence Innovation (HEDI) within the EDA in May 2022, to ‘strengthen the Agency’s existing innovation activities but also initiate new ones, in close cooperation with Member States and EU stakeholders’.194 At the launch, EDA Chief Executive Šedivý said: ‘The brutal Russian war of aggression in Ukraine vividly shows why we need to urgently strengthen European defence, and also why defence innovation is essential’. High Representative Borrell, also Head of EDA, added: ‘We either innovate [sic] or we risk becoming irrelevant in the field of security and defence’.195
Following the outbreak of full-scale war in February 2022, shares in arms companies skyrocketed, driven both by the war and by the wave of announcements of higher military spending in the months and years ahead, in particular Germany’s enormous investment.\footnote{196} While the sharply increasing military budgets may be the most direct way in which the arms companies profit from war, they reap financial benefits in other ways too. This section looks at the arms deliveries to Ukraine, the replenishment of arms stocks, and public money propping up the private arms industry. It then explores investments in the arms industry, including access to private finance, and the easing of EU arms export regulations.

**Arms deliveries to Ukraine**

Over 30 countries, mostly EU and/or NATO member states, have pledged and/or sent arms to Ukraine since February 2022, as well as having provided training to the armed forces for some time before then.\footnote{197} Initially, they provided arms and other equipment from their own stockpiles but claimed that they could not do so indefinitely, with some countries arguing that further consignments would affect their own military capacities. In April 2022 the German Defence Minister Lambrecht said that new arms exports to Ukraine would have to be procured directly.\footnote{198} Many, albeit not all, of the arms sent to Ukraine have been donated. In June 2022, the Polish arms company Huta Stalowa Wola, part of the government-owned PGZ arms group, concluded one of its largest contracts in decades for the sale of howitzers to Ukraine, at a value of approximately €655 million. Part of this consignment will be funded by the EU, while Poland will use the revenues to modernise its own armed forces.\footnote{199} Ukraine also contracted companies in neighbouring countries, such as Slovakia and the Czech Republic, to repair military equipment.\footnote{200} While a full assessment of the arms supplied to Ukraine\footnote{201} is beyond the scope of this report, political leaders and the mainstream media have largely overlooked or ignored some of the key risks involved. For instance, Ukraine has a worrying track record with arms sales to, for example, Chad, China, DR Congo, Ethiopia, Myanmar, Saudi Arabia and Sudan over the last decade.\footnote{202} All of these countries are involved in armed conflicts, severe repression of civil society, or are under authoritarian rule. In 2021 activists from Justice for Myanmar called on Ukraine to stop arms exports to the Myanmar
military government, and on western countries to make military aid to Ukraine subject to an arms embargo on exports to Myanmar ‘shutting down their joint plant and ending all military ties’. The joint plant refers to a ‘project between Myanmar’s defence industry and two Ukrainian state-owned companies—Ukroboronprom and Ukrspecexport … The plant in question, which produced BTR-4 armoured personnel carriers, MMT-40 light tanks and 2SIU self-propelled howitzers, was identified by the UN Independent International Fact-Finding Mission on Myanmar in 2019 as a recommended target for arms transfer sanctions.’ Government officials and the state-owned arms company Ukroboronprom did not concede to these demands, on the grounds that since there is no international arms embargo against Myanmar, arms exports and cooperation remain legitimate. Ukraine was also a hotspot for the parallel arms market and there have been instances of corruption in its arms industry. This situation raises concerns that arms, in particular small arms, that are now being shipped to Ukraine as part of western countries’ support for the country’s war effort, may eventually end up in other countries or sold to criminal networks operating in the shady arms underworld. The head of Interpol warned in June 2022 that ‘[w]e can expect an influx of weapons in Europe and beyond. We should be alarmed and we have to expect these weapons to be trafficked not only to neighbouring countries but to other continents.’ Similar concerns were voiced by officials from Europol, NATO, the EU and member states. ‘It’s hard to avoid trafficking or smuggling – we didn’t achieve it in former Yugoslavia and probably won’t avoid it in Ukraine’, according to the Czech defence minister. Various experts also highlighted that many arms used in the wars in the former Yugoslavia ended up being used in various other conflicts. ‘It’s an illusion to think that in a context of war you can actually have control of weapons there. We know that many weapons will not return to the official forces but they will remain in the region for many years’, said Nils Duquet of the Flemish Peace Institute.

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Replenishing arms stocks

The unprecedented supply of arms from countries’ own stockpiles means they are now seeking to replenish them. The European Commission called ‘the short-term need to replenish and expand defence stocks including to compensate for the military assistance to Ukraine’ an urgent step at this time.\(^{210}\) While some of the replenishment of arms was covered by states such as the US and Germany donating some of their existing equipment to other countries,\(^{211}\) it will also result in a sharp increase in demand on the global arms market for the coming years. This comes within the context of an already significantly over-armed world.\(^{212}\) US arms companies will probably reap most of the benefits.\(^{213}\) Another means to replenish arsenals is to dispose of old Russian military equipment. In its reaction to the Investment Gaps Analysis the European Commission encourages member states to ‘phase out existing Soviet era legacy systems still in use within EU Armed Forces with European solutions’.\(^{214}\) Cyprus, for example, is planning to sell its Mi-35P attack helicopters to Serbia, a country which maintains good relations with Russia and is not affected by sanctions, while purchasing Airbus H145M armed helicopters instead. Cyprus will also seek to replace old Russian arms with western systems.\(^{215}\) Such replacements are nothing new. As a US official said: ‘We’ve been working for years, especially among the NATO allies, to get rid of the remainder of what Warsaw Pact material they’ve got because, No. 1, they’re NATO members, so we want that interoperability and we want to eliminate the potential for Russian leverage, if they’re dependent on Russia [for equipment]’. It was reported that most former Warsaw Pact countries turned to the US rather than European arms companies to replace former USSR and Russian-produced arms donated to Ukraine after the February 2022 invasion.\(^{216}\)

This replacement process fuels the booming second-hand arms market, on which, at least from the EU’s perspective ‘[f]oreign policy (or just sales) arguments seem to weigh more [heavily] than arms control’.\(^{217}\) In view of their planned spending increases, many EU and NATO member states have drawn up long shopping lists of weapons they plan to purchase in the coming years, including many large arms systems. Often these amount to an expansion or acceleration of pre-existing plans, and a growing number of countries are making long-term plans to modernise their armed forces.

Some early examples of new contracts include Germany’s purchase of 60 Chinook CH-47F heavy-lift helicopters from Boeing and its intention to buy F35 fighter jets that are capable of carrying nuclear weapons from Lockheed Martin, and Eurofighter jets from Airbus.\(^{218}\) The Polish government announced it will be buying, among others, High Mobility Artillery Rocket Systems from Lockheed Martin and Patriots and LTAMDS radars.\(^{219}\) Again, these contracts are primarily with US companies, though European firms have reported greater demand.\(^{220}\) The Israeli arms industry also aims to increase arms sales to European countries.\(^{221}\)

Using public funds to support the lucrative arms industry has also increased – especially for R&D – on the back of Russia’s invasion of Ukraine.
Public money propping up the private arms industry

As well as direct procurement, using public funds to support the lucrative arms industry has also increased - especially for R&D - on the back of Russia’s invasion of Ukraine. Shortly after the outbreak of war, the Dutch Ministry of Defence and the lobby organisation of the military and security industry (The Netherlands Industries for Defence and Security, NIDV) opened a special support desk for arms companies to facilitate exports to Ukraine. The UK Ministry of Defence launched a £25 million innovation fund for the UK military industry to 'accelerate the development of equipment for the Ukrainian armed forces', focusing on 'bolstering the existing provision for artillery, coastal defence and aerial systems'. It was also reported that the UK government was planning to 'pitch very aggressively' to win new arms contracts from Germany under its rapidly increasing military budget. Only a day after the February 2022 invasion, the Belgian government announced that it would strengthen support to the arms industry, including the development of a Defence Industry Research Strategy (DIRS) and make funds available for this purpose.

At its June 2022 summit in Madrid, NATO launched an Innovation Fund that will be used to invest €1 billion over the next 15 years in ‘early-stage start-ups and other venture capital funds developing dual-use emerging technologies of priority to NATO’, including ‘artificial intelligence; big-data processing; quantum-enabled technologies; autonomy; biotechnology and human enhancement; novel materials; energy; propulsion and space’.

At the launch of the fund, NATO Secretary General Jens Stoltenberg painted a clear picture of a new arms race: ‘Maintaining our technological edge has helped to keep our Alliance strong and our nations safe for more than seventy years. But today, nations that do not share our values, like Russia and China, are challenging that lead. In everything from Artificial Intelligence to space technologies. It is essential that we do everything in our power to remain at the forefront of innovation and technology’. In June 2022, President Macron, in a speech at the Eurosatory arms fair in Paris, called for a European arms industry that is ‘much stronger and much more ambitious’, adding that '[s]pending large sums on purchases from elsewhere is not a good idea'. To contribute to strengthening the French defence industrial base, the government armaments agency DGA, together with the arms industry, is discussing new legislation to allow the requisition of materials and labour from civilian companies although France is not at war. This would mean, for example, that the government can require companies like Thales and Airbus, which produce for both the military and civilian markets, to temporarily use their civilian production capacities for military purposes.

Economic interests

Russia’s war against Ukraine has been a windfall for the arms industry. The large increases in military spending and support measures for the arms industry are being implemented with such speed, justified on the basis that such spending brings security, that they resemble what Naomi Klein called the Shock Doctrine methodology. Any opposition to such initiatives is immediately treated with suspicion, scepticism, and leads to accusations of being ‘pro-Putinist’. In his foreword to the Strategic Compass, EC High Commissioner Josep Borrell wrote that ‘today, no one denies that we need robust capabilities and the willingness to use them against the full spectrum of
threats we face’. Economic interests are also driving the military response as is evident in the European Commission’s Contribution to Defence of February 2022, in which it noted that Europe’s defence sector not only contributes to the security of EU citizens, but also to creating ‘sustainable economic recovery’ as we emerge from the Covid-19 pandemic. In response to the invasion, the Italian government stated, for example, that ‘investment in the defence industry brings advantages in terms of technology and innovation. We have been told, time and again, that every euro invested in the sector has a multiplier effect that can return two or three euros in product development. Therefore, we believe that this could further boost the country’s growth’. The Belgian prime minister said: ‘If we increase our defence budgets and investments in military technology, let it be European technology. Developed in Europe, built in Europe. With European return on investment’. Meanwhile, arms companies sought to whitewash their image and reputation by presenting themselves as necessary in providing the equipment to fight against ‘evil’ and counter Russian threats. Guillaume Muesser of the French Aerospace Industries Association called the war ‘a game changer. It shows that war is still on the agenda, on our doorsteps, and that the defence industry is very useful’. Armin Papperger, CEO of Rheinmetall, said that ‘Security – as shown by the current conflict – is the bedrock of our life in peace and freedom. Rheinmetall has a special obligation here’. According to BAE Systems, ‘[g]lobal events have more than ever demonstrated the need for strong defence and security in the face of aggression by nation states. The defence industry and we at BAE Systems provide critical capabilities and support to our governments and their allies to fulfil their primary obligations to keep their citizens safe […]’. In other words, this is essentially about a business opportunity and generating profit. ‘The process of integration and realisation of European Defence and Security co-operation and, at the same time, the increase in defence spending by EU and neighbouring countries, are accelerating with consequent opportunities for companies operating in the sector’, wrote Leonardo.

**Lobbying**

With the wind in its sails, the arms industry is aiming to secure as much funding and other support as possible. At the EU level, the lobby organisation AeroSpace and Defence Industries Association of Europe (ASD), with a membership of 20 large European arms companies and national defence industry associations of member states, plays an important role in these efforts. It has been very active since February 2022. While it expresses appreciation for the steps the EU has announced, it remains critical and ‘hopes’ that ‘the war in Ukraine creates enough awareness and political pressure to overcome [...] obstacles and speed up the necessary changes’. In its reaction to the Commission Contribution to Defence ASD wrote that the war in Ukraine ‘calls for an accelerated implementation of the announced measures, and probably also for rapid follow-up with complementary and even more far-reaching measures’. The organisation wanted a strengthening of the EDF, closer cooperation between the Commission and industry and ‘that Member States should refrain also from putting export control limitations on EDF-related transfers’. Russia’s war against Ukraine has been a windfall for the arms industry. The large increases in military spending and support measures for the arms industry are being implemented with such speed, justified on the basis that such spending brings security, that they resemble what Naomi Klein called the Shock Doctrine methodology.
Sanctions and raw materials

One difficulty for the military industry lies in its partial dependency on Russia for the supply of some raw materials,241 which could hamper production in the context of western sanctions and trade restrictions by both western countries and Russia. While shortages prompt price increases, companies also have an obligation to ensure that the supply chain of a particular item of materiel does not use sanctioned items or companies.242

Airbus, for example, warned that ‘Russia’s invasion of Ukraine […] and the resulting export control restrictions and international sanctions against Russia, Belarus and certain Russian entities and individuals have resulted in disruption to the Company’s business, its operations, management and supply chain’, and that ‘[t]he crisis has increased the Company’s exposure to supply chain disruption risk. Part of the titanium used by the Company is sourced from Russia, both directly and indirectly through the Company’s suppliers’.243 This is not new. In 2014, when Russia first invaded and annexed Ukrainian territory, ASD voiced support for EU actions to ‘ensure access to critical raw materials’.244 Since then it has remained on the arms industry lobby agenda.245 The 2022 invasion of Ukraine sped up the EU’s initiative in this regard.

In May 2022, as part of a broader plan to strengthen EU military capabilities in response to the war in Ukraine, the European Commission announced it will ‘[p]ropose a Critical Raw Materials initiative, including legislative measures, to facilitate, inter alia, defence industry access to Critical Raw Materials (CRMs), thereby strengthening the EU’s resilience and security of supply’.246 Apart from Russia, Commissioner Breton, who is responsible for the defence industry, also mentioned the fact that ‘systemic rival’ China is another important supplier of critical raw materials to the EU as a reason to argue for a different approach, including the resumption of mining in Europe.247
In the context of sustainable investment, some banks, pension funds, and other asset managers and investors have moved to exclude arms companies as potential investors, while others may exclude the producers of ‘controversial weapons’ such as anti-personnel mines, biological and chemical weapons, cluster munitions and increasingly also nuclear weapons, from investment opportunities. While this is a positive step for activists, movements, and anti-arms campaigners who oppose investment in the arms trade, the military and security companies consider it a concern that certain sections of their industry may be excluded from potential investment. The overall effects of this on the industry so far seem to be limited, although some companies have reportedly been cut out or refused by banks. In this regard, the arms industry has been keen to stress that it cannot do without private capital to fund R&D activities.

Governments seldom involve themselves in these discussions, considering them to be an issue between private actors only. However, as part of EU efforts to redirect money towards sustainable investments, in the context of its ‘green deal’, it plans to introduce a taxonomy – ‘a classification system, establishing a list of environmentally sustainable economic activities’ – which can be used by financial institutions and investors to assist in their decision-making on whether or not to approve an investment opportunity. While the debate mostly focuses on climate and environmental questions, the Platform for Sustainable Finance, a Commission-appointed group of sustainability experts from industry, civil society, public institutions and academia, was also tasked with advising what a ‘social taxonomy’ could look like.

A July 2021 draft report wrote that ‘harmful sectors or activities such as weapons, gambling and tobacco cannot qualify as socially sustainable’, which set off alarm bells in the arms industry. A fierce lobbying campaign ensued, with Thales CEO Patrice Caine saying: ‘In strictly financial terms, the challenge in Europe is to make [investment] management companies aware of the role that defence plays in our democracies so they can put the right value on our industrial activities.

Investment funds in the United States have fully assimilated the fact that you can't have sustainable development without stability. This exemplifies the growing trend of equating stability with arms. While the debate is not settled, and the report presented to the European Commission from the Platform for Sustainable Finance is advisory and not legally binding, the definitive report on social taxonomy of February 2022 no longer included even broad statements on the arms industry. It scaled back possible reasons for exclusion to involvement in certain weapons prohibited by internationally agreed conventions. In other words, a policy in line with what many financial institutions had already adopted. It would appear that the lobbying campaigns by the arms industry were successful in influencing the final report.
INVESTING IN NUCLEAR ARMS – ANOTHER VICTORY FOR THE ARMS INDUSTRY?

The Treaty on the Prohibition of Nuclear Weapons entered into force in January 2021, but has not been ratified by any state in possession of nuclear weapons, seriously inhibiting its political clout and capacity to achieve an effective ban on nuclear arms. Considering the question of a taxonomy to guide investors with regard to apparent socially sound investments, coupled with the fact that many of the world’s largest arms companies are involved in the development, production, and maintenance of nuclear weapons, much is at stake for these companies if they remain outside what is considered acceptable in terms of the ‘social taxonomy’. Large European arms companies such as Airbus, Leonardo and Thales stand to gain much by removing the restriction for investment in nuclear weapons.

Many interpreted Russia’s announcement that it had put its nuclear deterrent forces on high alert as a warning to NATO members, some of which also have sizable nuclear arsenals, not to get directly involved in the war. This put the spotlight firmly on the real prospect of Russia’s act of aggression reaching the point of nuclear attack or confrontation. The threat of nuclear warfare has been escalating over the previous decade, with the breakdown of arms-control agreements between the US and Russia, such as the Anti-Ballistic Missile Treaty (ABM) and the Intermediate Range Nuclear-Forces Treaty (INF), as well as the modernisation of the nuclear arsenals of all nuclear powers, often with the introduction of smaller, so-called tactical nuclear weapons. The terrifying possibility of a limited nuclear strike leads to a dangerous lowering of the threshold to use nuclear weapons on the battlefield. For its part, NATO has declared that it will remain a nuclear alliance as long as nuclear weapons exist. In this context, the taxonomy discussion could go two ways. Either, the Russian nuclear arsenal will be deemed such a threat that it warrants the continued existence and possible expansion of NATO nuclear arsenals, boosting industry efforts to have nuclear weapons removed from the exclusion list, or common sense prevails and the need for global nuclear disarmament to prevent complete nuclear disaster becomes clearer than ever – unfortunately the latter is less likely in a climate that has, thus far, favoured arms expansion and proliferation.

In the Strategic Compass the EU states that ‘industries’ access to private funding will be necessary for our European Defence Technological and Industrial Base’ and that it should be ensured that ‘horizontal EU policies, such as initiatives on sustainable finance, remain consistent with the European Union efforts to facilitate the European defence industry’s sufficient access to public and private finance and investment’. ASD welcomed this statement, ‘particularly in light of the Russian war against Ukraine’, bluntly saying: ‘There is no sustainability without security, no security without defence capabilities, and no defence capabilities without defence industries’. Like other discussions on issues relevant to the arms industry, the taxonomy debate predates Russia’s war in Ukraine. The war did, however, give the arms industry the opportunity to position itself favourably at a crucial time in this debate.

The arms industry has made itself heard on these issues. Days after the 2022 Russian invasion, Hans Cristoph Atzpodien, general director of the German military industry trade organisation BDSV, said: ‘The invasion of Ukraine shows how important it is to have strong national defence. I appeal to the EU to recognize the defence industry as a positive contribution to ‘social sustainability’ under the ESG taxonomy.”
Changing investment policies

Media reports have highlighted that several banks and other investors would look favourably on changing policies to end the exclusion of arms companies from investment opportunities.259 The only example that was named in various media reports, however, is the large Swedish bank SEB, which argued that ‘investments in the defence industry are of key importance to uphold and defend democracy, freedom, stability and human rights’ with the bank deciding to partly reverse its decision to exclude arms companies within a year.260 The serious security situation and growing geopolitical tensions in recent months’, leading up to the invasion in Ukraine, prompted this reversal, which was announced on the day of Russia’s invasion. Controversial weapons, including nuclear arms, remain on the exclusion list, but six out of the over 100 funds SEB manages may again invest in arms companies.261 Other investors, many of which maintain a policy of excluding companies involved in prohibited weapons, might see a less radical policy change of investing more in arms companies because of the prospects of greater profits with the rise of global military spending. Or perhaps because of ‘patriotism’: the Danish trade organisation of pension funds, Forsikring & Pension, encouraged its members to invest in defence-related government bonds to help the country reach the 2% target, even comparing this to investing in the ‘green transition’.262 There are also banks that firmly maintain their exclusion of investment in arms companies. Dutch Triodos Investment Management published a lengthy statement, warning that ‘[b]anks that start to finance production of and trade in weapons today will continue to do so once the Ukrainian conflict is over. This means normalising this type of financing activities and diverting funding (and attention) away not only from conflict prevention, capacity building and reconstruction, but, importantly, also from other real economic activities that can truly contribute societal progress’.263

European Investment Bank

The European Investment Bank (EIB), which gives loans and other support to achieve EU policy goals, does not finance investments in ‘ammunition and weapons, military/police equipment or infrastructure’.264 This has long been a thorn in the side of the European military industry, which has sought to get this policy changed.265 While the policy remains for now, the European Commission – most recently in the ‘Action Plan on synergies between civil, defence and space industries’, which was published in February 2022, days before the outbreak of war – has voiced its support ‘for an adaptation of the lending criteria of the European Investment Bank (EIB) to the defence sector within the limits of the Treaties’.266 In practice this has led to ways to circumvent the prohibition on investing in military equipment by focusing on subsidising ‘dual use’ production of the arms industry, through the development of equipment and technology which has both civil and military applications. In December 2017, reacting to a call from the European Council,267 the EIB launched a €4 billion fund titled the ‘European Security Initiative - Protect, Secure, Defend’ to support the military and security industry, followed by a cooperation agreement with the European Defence Agency (EDA).268 In March 2022, the EIB approved the Strategic European Security Initiative ‘to strengthen European security and defence’. Under this initiative it expects to invest €6 billion in the coming years in research, development and innovation, and strengthen its partnerships with the EDA and NATO.269 The European Council clearly placed this intensified funding programme in the context of the EU’s response to Russia’s 2022 invasion of Ukraine.270 The EIB funding for the arms industry has many similarities with the EU’s funding for research and innovation under its
seven-year Framework Programmes before the launch of the European Defence Fund. There too the pretext of security (vs military) and dual use research was deployed to be able to indirectly fund the military and security industry when it was not possible to give direct support to military research and arms development. This approach increasingly blurred the lines between military and civil research.271 The EIB vice-president pointed to another benefit for the arms industry: ‘By borrowing from us for certain investments, countries can also make shifts within their defence budget. They can then buy the weapons they need themselves with their own resources, while the barracks can be renovated with a loan from the EIB’.272 For the arms industry the recent initiative is still not enough. In July 2022, the CEO of Leonardo, Alessandro Profumo, who is also president of ASD Europe, again requested that EIB lending policies be amended to include military projects, stating that ‘a change in terms of the rules for the EIB on how to finance the defence sector would be very relevant as a trend-setter for the financial sector’.273

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Easing Restrictions on Arms Exports

The EU’s Common Position on Arms Exports (2008) lists eight criteria – including human rights norms, internal and regional peace and stability, and the risk of diversion – in deciding on whether to issue an arms export permit. Individual member states interpret these criteria differently, however, resulting in problematic exports that fuel war and conflict, uphold authoritarian regimes, and permit and facilitate repression and human rights violations. In this respect, arms companies and national arms industry associations have long complained about the lack of a so-called ‘level playing field’, based on a common interpretation of the criteria. They would prefer to standardise the most relaxed interpretation, and thus the lowering of standards. This issue came to a head at government level in 2018/19 when Germany declared a moratorium on arms exports to Saudi Arabia, including of components that were integrated in weapons systems in France. Because this would have suspended several major deals between France and Saudi Arabia, the French government publicly opposed the German policy. After negotiations, which were partly facilitated by the arms industry, a compromise was concluded with the Treaty of Aachen and an agreement signed in Toulouse in October 2019, which stipulated that both parties should exercise restraint in objecting to exports of jointly produced arms (only when their ‘immediate interests or national security would be compromised’) and that they would not block exports of common armaments if they contain less than 20% of components from the other (‘de-minimis principle’). This case exemplifies where priorities lie – it was more important to guarantee the continuation of arms exports to Saudi Arabia, a country with an appalling human rights record, in particular with regard to the rights of women and critics of the government, as well as being the driving force behind the devastating war in Yemen. The arms industry lobby was successful in side-lining these concerns, although they clearly meet the criteria that would render such arms exports impermissible.

Other EU member states plan to follow this precedent. For example, the Netherlands, where two right-wing parties proposed a general policy of allowing exports of arms components to other EU countries, relying on their respective arms export regimes for deciding on exports of the entire weapons system to third countries. This proposal, which essentially means no Dutch arms export policies as components make up over 80% of its total arms exports, was included in the new coalition agreement of December 2021. At the EU level the same question was approached both from the efficient use of the European Defence Fund and of strengthening Europe’s military and security industry and its global competitiveness. In its ‘Contribution to European Defence’ in the context of the Strategic Compass, published shortly before the outbreak of full-scale war in
Ukraine, the Commission stated that in ‘acknowledging that exports are a key success factor for the business model of the European defence industry, the Commission is supportive of Member States moving towards gradual enhanced streamlining and further convergence of arms export control practices, especially for those defence capabilities that they develop together, in particular under the EDF. […] This process could also draw on the experience of bilateral and multilateral accords between Member States for jointly developed capabilities. […] To preserve the attractiveness of joint defence capability projects, the Commission invites Member States to seek an approach according to which, in principle, they would respectively not restrain each other from exporting to a third country any military equipment and technology developed in cooperation. This could apply to intended exports of equipment or technology incorporating components from another Member State exceeding a certain de minimis threshold’. The Strategic Compass itself mentioned ‘the streamlining and gradual further convergence of our arms export control practices for defence capabilities jointly developed, in particular in an EU framework, thus ensuring European Defence Fund-funded products will profit from adequate and competitive access to international markets’. There are no plans for arms export control and decisions on issuing licences to be taken at the EU level. The Strategic Compass confirms that member states make ‘sovereign decisions’ in such matters. It does, however, put pressure on member states’ governments to be lenient regarding component exports to other EU countries. The message is clear: strict policies harm the interests of the European arms industry, in particular its global competitiveness, and therefore endanger European security.

**Lifting arms embargoes to join NATO**

While there have long been proposals to ease restrictions on arms exports, they have been boosted by the increased support for the arms industry in the wake of the Ukraine war. More than ever, a strong industry has been presented as essential to an EU that is both secure and strategically autonomous of the US.

A more direct effect of the Russian invasion could be seen in the potential of NATO expansion, with Sweden and Finland wanting to join the alliance – though they had for many years been NATO partners. Only Türkiye opposed their applications, accusing both countries of hosting and supporting Kurdish ‘terrorists’ and denouncing their moratorium on arms exports to the country after its invasion of North Syria in 2019. The Turkish President Erdogan demanded, among other things, the lifting of restrictions on arms exports, a position which was supported by the NATO Secretary General, Jan Stoltenberg. The governments of both Sweden and Finland were also willing to meet this requirement. Finland also indicated some interest in buying Turkish military drones. At the NATO summit in Madrid in early July 2022, the three countries concluded a memorandum that stipulated that ‘Türkiye, Finland and Sweden confirm that now there are no national arms embargoes in place between them. Sweden is changing its national regulatory framework for arms exports in relation to NATO Allies. In future, defence exports from Finland and Sweden will be conducted in line with Alliance solidarity […]’. The accession of Sweden and Finland to NATO obtained broad political support in both countries, including for the steps taken to appease Türkiye. There was obviously some opposition. For example, in Sweden Märta Steveni, spokesperson for the Green Party, an ally of the former minority social democrat government, said: ‘We are going from a tradition of working for peacekeeping to a situation where we are bowing to an authoritarian regime that has such a long list of human rights violations on its conscience’.
CONCLUSION

There are many lessons to be learned from the Ukraine war but perhaps one of the most significant in the context of this research is that militarism does not work. It did not work to deter Russia from illegally invading Ukraine, it has arguably had no impact on Russia’s conduct during the war, nor has it brought the war to a victory or a stalemate but rather has prolonged it and it most certainly will not achieve peace. Yet, in the wake of the full-scale invasion of Ukraine in February 2022, western states ratcheted up military spending, deployed polarising war-frenzy rhetoric, and undertook unprecedented measures to further arm an already over-armed world. The only winner - and fiercest advocate - of this spending spree is the arms industry, driven not by a genuine desire to create a truly peaceful world, but by the opportunity to do business and make profit.

There are no easy solutions to stopping a war once it has started, but it is incumbent upon us to recognise that the weapons being researched, developed and stockpiled today will be discharged or detonated on the battlefields of tomorrow. Unless this cycle of unbridled militarism is broken we will continue to experience a permanent state of war. Unless the underlying root causes of political and social unrest and discontent are addressed through dialogue and diplomacy, wars similar to that of Ukraine and the dozens of others being fought around the world will be prolonged and exacerbated. Unless the profit driven model that drives securitised public policy is dismantled, we will never truly be safe.

Prior to the war in Ukraine, NATO members’ combined military expenditure was already 17 times that of Russia, yet the Kremlin was not deterred from illegally invading the country and waging a deadly war against its people. Arguing for even greater military spending when western states are already vastly superior militarily provokes more questions than answers as to the rationale for such a strategy. Yet, critical analysis of military expenditure and militarised strategies has been sorely absent from the public debate as a fear-driven war-mongering narrative took hold in the early days and weeks of the invasion. Even after nine months of devastating war, the narrative driving a military victory is much louder than those voices desperately calling for an immediate ceasefire and an urgent rethink of militarism as a solution to ending war.

Militarism is a fundamental part of the problem and not the solution. Increasing even further the military budget and capacity of states that are already far superior than the threat they purport to be tackling is an entirely reckless and useless exercise and a shameful waste of resources that could otherwise be invested in addressing the myriad other crises the world is currently facing, not least the deadly warming up of our planet threatening our very survival on it.
All wars come to an end eventually and time and again history has shown that only through dialogue and diplomacy can we truly address and overcome political differences and build an enduring peace. We have seen that in spite of ongoing challenges, in places like the Balkans, the Basque Country, Colombia, Guatemala, Ireland, Rwanda or South Africa, to name a few examples, which had been devastated by war and violence for decades, it was only through ceasefire, dialogue and diplomacy that a fragile peace took hold. Building an enduring peace is undoubtedly a long and arduous road with many stumbling blocks along the way, but one crucial factor along that journey is recognising what isn’t working and shifting course. Militarism is not working to make society safer and the war in Ukraine has been used as a smoke screen to militarise even further. This is not inevitable, it is a political choice, but one that will have a devastating and deadly lasting effect on global peace.
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