

ECOFIN

The question of the economic and environmental cost of re-arming Europe

What is it?

Due to the recent conflict in Ukraine, many countries are increasing the portion of their GDP to fund the manufacturing and distribution of weapons.

According to the Stockholm International Peace Research Institute (SIPRI) in 2022 alone, Europe has spent 13% more on weapons compared to 2021. This is the sharpest annual increase in the post-cold war era, and it meant that resources earmarked for the post covid recovery, social welfare or climate change had to be reassigned. While countries are struggling to meet their targets under the Paris agreement and while citizens are faced with high inflation, cost of living and decrease in public services, the army industry is thriving.

Existing actions and policies.

As the outcome of the conflicts remains uncertain, European NATO members states pledged to increase their GDP spendings on defense and expand the manufacturing of military equipment and infrastructure. This is reversing years of disarmament policies and diverting critical talent and technical skills towards military research and development.

The failure to reach a meaningful negotiating position has shifted European policies to re-armament and increase of spending in defence including combat training.

Conclusions.

The consultancy firm McKinsey & Co projected that European defense spending from 2021 to 2026 would have grown 14% in normal circumstances, but the current conflict between Russia and Ukraine will push the increase to at least 53%, from its estimate of €296 billion to €453 billion.

This is happening at a time when serious investment should be directed to tackling climate change and to develop renewable energies. It is also happening at a time where more and more

environmental disasters and humanitarian crises demand urgent spending, while the failure of any negotiating efforts to resolve the conflicts peacefully is exacerbating the problem further.