

The Impact of Rising Military Expenditures

On the 27th of September 2024 NETØK in collaboration with the Institute for Marxist Analysis arranges a meeting on, particularly, the economic impact of the rising military expenditures. It will discuss the costs to the NATO and EU states, particularly the consequences for welfare and social-educational budgets, how the new rearmament wave will provide a boost to the military-industrial complex relative to 'civil' investments, the labour market, the green transition and the demand for resources. Does the armament industry have positive spill-over effects on technological developments as is often claimed? And finally, how does all this relate to ongoing the power structure realignments.

Background

Military expenditures are increasing all over the world as a consequence of the Ukraine war. But a new direction had displayed its contours for some time, caused by China's economic rise and greater political confidence, tensions in the South China Sea, the enhanced significance of the Arctic, conflict with Russia over Crimea and Donbas, the new configuration of the Middle East and Africa's emergence on the international scene. NATO members have now agreed to fulfill their promise from 2014 to spend 2 pct. of GDP on defense, and some members such as Poland widely exceed that target.

The ongoing wars in Ukraine and Gaza have fueled the quest for rearmaments. Denmark is now projecting additional spending in the range of DKK 190 billion (USD/Euro 27-28 billion) over the next ten years, on arms, personnel, logistics and upgrade of domestic installations and facilities. Similar budget increases are foreseen in other NATO countries. Will this be an overshoot and what are the strategic considerations?

Russia is becoming a downright war economy in as much as its economy is being driven by the ongoing mobilization of human, material and financial resources, whose range is much larger than indicated by its planned spending of around 6 pct. of GDP in 2024. Also, countries in the Global South are rearming, some with assistance from Russia, others through purchases from countries in opposing camps while at the same time promoting domestic military equipment manufacture.

Several aspects of the question will be examined.

Budgetary spending and welfare. Direct competition between military and 'civil' or social/welfare expenditures is being felt in EU countries where welfare spending is still being held down for the sake of adhering to the Stability and Growth Pact criteria. Whether populations will accept the military surge, is yet to be seen. The US is spending much more freely, its security budget approaching USD 900 billion in 2024. Dissatisfaction with continued military aid to Ukraine is expressed by Trump and his followers and may play a role in the upcoming presidential and congressional elections.

The armament industry basically has a 'captive' clientele, the states, who do not necessarily have the required insights to negotiate the contracts properly. Corruption possibilities are ample. Armament profits have increased significantly since 2022, but the wider question is in which way the diversion to the 'military-industrial complex' will harm or benefit other industries or businesses. While EU is highly dependent on US defense systems through NATO, it also envisages a larger detachment from the US and increasing self-reliance by promoting its own production of equipment. No doubt the US will continue its dominance - the largest five weapon-producing corporations in the world are American.

Technology transfer from the military to civil application is a conventional argument in favor of military R&D, but does it hold? What type of technological development will the military industry engender and how does this relate to the green transition?

Effect on the economy at large. Ancillary industries and subcontractors may get a boost by the mere increase in overall production. They also benefit indirectly from the destruction of equipment from the ongoing wars

and conflicts, which on the other hand lead to increasing CO2 emissions. The devastation of the built and natural environment in war-ravaged countries adds to the foreseeable economic and financial costs. But some business interests may speculate in reconstruction contracts.

A related concern is the impact on the labor market and, perhaps more importantly, potential inflationary consequences because of the increasing demand for both traditional and critical raw materials.

Power structures. With the increasing power of military interests, the danger is to incite belligerence further. Within the western NATO alliance, both competition and collaboration between the US and EU increase. At the same time, splits are occurring within the EU, with particularly Hungary and Slovakia as well as strong political forces within other EU countries increasingly opposed to further support to Ukraine.

The meeting will review the expenditure increases and their strategic relevance, the types of expenditures engaged in, the military-industrial complex in a broader sense, the fiscal/budgetary consequences on social spending, popular discontent and power structure realignments.

Speakers:

Dr. Nan Tian, Senior Researcher and Acting Programme Director for the Military Expenditure and Arms Production Programme at SIPRI (Stockholm International Peace Research Institute) and *Kristian Sjøby Kristensen*, Head of the Centre for Military Studies at Copenhagen University.

Moderator: Karen Helveg Petersen, NETØK

The meeting will be held in English.

Time: Friday September 27, 2024, from 13:00 to 16:00

Place: Aalborg University, A. C. Meyers Vænge 15, 2450 København SV, room 3.084 B, 3rd floor in Building A (the Main Building)

Payment: DKK 45 for coffee and cake to be paid to the NETØK account in Arbejdernes Landsbank, 5366-245829 or to Mobile Pay shop no. 958863 – NETØK

Agenda:

13:00 – 13:15	Welcome by Karen Helveg Petersen
13:15 – 14:00	Presentation by Dr. Nan of the evolution of military expenditures and their wider economic impact followed by a short Q&A session
14:00 – 14:45	Presentation by Kristian Sjøby of the military-strategic developments followed by a short Q&A session
14:45 – 15:15	Coffee break
15:15 – 15:55	Discussion
15:55 – 16:00	Closing remarks

The event is supported by *Den Almennyttige Fond af 15. September*.

Registration: jlpe@dtu.dk before Tuesday 24. September, 11AM