

Concept Briefing  
June 2024

# EXCESS PROFITS TAX ON THE ARMS INDUSTRY

to fund international climate finance



**TIPPING POINT**

creative campaigning for global justice



*This report is dedicated to the people of Gaza.*

*In remembrance of over 14,500 children killed. (May 2024)*

## MILITARY EMISSIONS & SPENDING vs CLIMATE CHANGE & CLIMATE FINANCE

**The global military is a major driver of climate change.** At UN level it is exempt from compulsorily reporting its carbon emissions despite some countries' militaries being among the largest consumers of fossil fuels in the world. This is a scandal that needs exposing and addressing.

**There is a direct correlation between military emissions and military spending.** More military spending means more big-ticket fossil-fuel-reliant hardware. Military spending and emissions combined ensure that all human development is harmed in myriad ways. In this era of 'global boiling' we need climate finance to take priority over military spending in order to truly address global human safety.

**As a matter of urgency, we need this issue taken up and addressed by the many stakeholders this serious matter falls to for action** – from civil society to governments to international institutions including the UN.

**Last but not least, policy-makers concerned with *Green New Deal* economic thinking (in the UK, Europe, the USA and elsewhere)** must take account of the links between these closely linked issues: military spending & emissions, the green transition and sustainable human safety. We need *peaceful*, green, prosperity.

***Excess Profits Tax on the Arms Industry*** is one of Tipping Point North South's ***Transform Defence*** series of reports and briefings that offer fresh new thinking for addressing military emissions as well as progressively converting military spending into funding for climate finance, strengthening sustainable human safety, and averting climate catastrophe.

June 2024

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Tipping Point North South is a 'for the benefit of community' co-operative, supporting and initiating creative, campaign-driven projects that advance the global justice agenda.

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## FOREWORD

For six months, images rarely seen outside nightmares have been coming out of Gaza on a daily basis. Pictures of civilians, the majority children and babies, burnt and mutilated, are seared onto our brains, as we watch a genocide being live-streamed for the first time in history.

What makes these images particularly grotesque, is that they result from deliberate decisions made by politicians, not only in Israel, but in all those countries which are still providing weapons and military services to the Israeli government. The bombing of Gaza by Israel is one of, if not the, most intense bombardment in history, with 300,000 munitions being dropped on or fired in an area a small fraction the size of London.

But impunity reigns. For the most powerful countries, international law seems to have no meaning beyond the rule of the strongest.

Less discussed is the fact that most of the weapons actually being deployed in these war zones have been produced by giant corporations based in the countries providing them. Fed by taxpayer money, these corporations enjoy monopolies over certain weapons of war, and have used this power to turn violent crises into an opportunity to profiteer.

As the world becomes less stable, and violence proliferates from Gaza and Ukraine to Yemen and DRC, these masters of war, are making out like bandits, returning eye-watering dividends to their financiers and shareholders.

This is reason enough to levy an excess profits tax on the arms industry, as this report recommends. But that's before we consider the most serious threat facing humanity as a whole: climate change.

The military-industrial complex is a major polluter. Leaving aside the pollution of war itself, the arms industry is estimated to be responsible for 5.5% of global greenhouse gas emissions. That's far more than the 4% of emissions produced by 1.4 billion people in the 54 countries on the African continent. It's more than emissions generated by civilian aviation and shipping combined.

As major polluters, they should be paying reparations for the damage they have caused, most often to people in countries with no responsibility for the climate crisis. And yet, the international funds needed to deal with and halt climate change are desperately lacking, with potential disastrous consequences for all of us. While our leaders cannot find the money to deal with this existential threat, they can find 30 times as much cash to fight wars and bolster the profits of the arms industry.

Unless we redress this mismatch, the future is bleak. It isn't hard to imagine a dystopian future in which the response to climate change is more inequality, harder borders, more conflict over dwindling resources. That's where world leaders' current spending priorities will lead us.

But it doesn't have to be this way. Tipping Point North South, through its Transform Defence project, has already undertaken ground-breaking work on the interconnected issues of military emissions and spending. In this report, they take the next step, and look at how we could begin to reverse the deadly spiral. At its core is the idea of an excess profits tax, a first step to begin

redressing the misallocation of society's resources and incentives from war and destruction to protection, preservation and equity.

Ultimately, this is about what's right and wrong. How, in the face of catastrophic levels global warming, and with massive shortfalls in climate finance for the most vulnerable countries, can it be right to be lining the pockets of an industry that kills and maims and pollutes?

If we want a habitable world, a world which values the lives of everyone in it, we need to act now. This report provides a clear and compelling way through which, if we mobilise our energies, change can begin.

*Nick Dearden*

*Director of Global Justice Now*

*29 May 2024*

## EXECUTIVE SUMMARY

### **THE TIME IS NOW: PUTTING ARMS INDUSTRY PROFITEERS AND POLLUTERS IN THE CLIMATE FINANCE FRAME.**

There is an urgent need for action on one of the most abhorrent business practices imaginable: the excess profits accruing from war, conflict and militarism – activities which are also significant polluters.

As we write this, the world has been witnessing Israel's indiscriminate carpet bombing in Gaza. It is the most destructive of this century and among the worst in history with respect to the size and density of the area, the built environment and the population. In just the first two months the Israeli military campaign has created even more destruction than the razing of Syria's Aleppo between 2012 and 2016, Ukraine's Mariupol, or proportionally the Allied bombing of Germany in World War II.<sup>1</sup> So much ammunition has been used that the total explosive yield was compared to multiple nuclear bombs on an area a quarter of the size of London but as densely populated. All this destruction is not possible without the ammunition supplied by Israel's allies.

Gaza, Ukraine and many other such wars and conflicts be they past, present or future, have the highly profitable global arms industry at their heart.

**TPNS's Transform Defence project proposes an excess profits tax on the arms industry to be applied to fund climate finance needs. It estimates that a global excess profits tax on arms companies could deliver \$30 billion dollars every year to fund international climate finance. In times of war, we estimate that an additional punitive excess profits tax on war profiteers could deliver considerably more. Had this war profiteers' tax been applied in 2024 (for Ukraine and Gaza wars), an extra \$52bn would have brought the 2024 annual total to \$82 billion. This tax alone would be more than four fifths of the pledged (but never fully fulfilled) \$100 billion a year climate finance by developed countries to developing countries.**

Context:

- The top 100 arms companies accounted for \$592 billion in arms sales in 2021 (*pre Gaza, pre Ukraine*).
- The top 20 arms companies account for two thirds of the total arms sales in the world.
- Those companies come from just a handful of countries: USA, China, Russia, UK, France and Italy.
- The global military and its supply chain – the arms industry – is estimated to be responsible for 5.5% of global greenhouse gas (GHG) emissions. This figure does not include emissions from conflict or post-conflict reconstruction.

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<sup>1</sup> <https://apnews.com/article/israel-gaza-bombs-destruction-death-toll-scope-419488c511f83c85baea22458472a796>



## WHY AN EXCESS PROFITS TAX?

References to WW3 are becoming ever more prevalent across all news outlets. Wars in Ukraine and Gaza are driving this narrative and, if polls are to be believed, leading to resignation to such a fate. In a recent poll in the UK, 56% thought WW3 was inevitable.<sup>2</sup>

The profound absence of public engagement with foreign and defence policy-making turns citizens into hostages when it comes to their respective governments war-making decisions.

Meantime, 'Code Red for Humanity' is no longer the urgent matter it should be for the political or media agendas. And recent research from the Guardian showing that 80% of top climate scientists (all from IPCC) believe we are now on course for at least 2.5C of heating above pre-industrial levels – a terrifying scenario – did not secure a fraction of the political, public or media attention it demanded.

**To turn the spotlight on the arms industry – especially now, with Gaza and Ukraine dominating news coverage – could help shape a different narrative:**



**Firstly**, given the scale of the climate emergency, we need routes by which to expose and – critically – reverse the appalling ratio of governments' military spending to climate finance for vulnerable countries. Between 2013 and 2020, the richest (Annex II) countries spent \$7.3 trillion on the military compared to an estimated \$243.9 billion on additional climate finance for the world's most vulnerable countries. *At least a quarter (and potentially as high as 50%) of that military spending finds its way to defence contractors – in other words, the arms industry.*

**Secondly**, it can become an easy-to-understand entry point to the bigger policy-making picture. A route by which to reveal the revolving door relationship of governments to the arms industry, from policy-making to (war) profiteering. Lifting the veil on – often immoral – arms industry profiteering, in peace and war, is a good place to start if citizens are then to appreciate the wider 'eco-system' of military spending, foreign and defence policy-making and the ultimate state action: war-making.

**Finally**, let's not forget GHG emissions. The brand new Lockheed Martin F-35 fighter jet being sold around the world drinks 5,800 litres of jet fuel per flying hour, will be in service for more than 30 years (beyond net-zero 2050) and costs more than \$100m per jet. The global military and its supply chain – the arms industry – are estimated to be responsible for 5.5% of total global annual GHG emissions. To give context to this, the 1.4bn people of the 54 countries on the African continent are responsible for under 4%. It is also more than civilian aviation and shipping emissions combined. And this 5.5% does not include conflict emissions.

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<sup>2</sup> <https://yougov.co.uk/politics/articles/48527-world-war-3-likely-in-next-5-10-years-think-most-britons>

## PAY UP AND DRAIN THE FEEDING TROUGH

The UN Climate Chief, Simon Stiell, is pleading for \$2.4 trillion p/a to keep climate change goals within reach, with the warning that we have 2 years left to save humanity. His plea comes in this same year, 2024, that saw the \$2.4 trillion high peak of annual spending on our militaries and by extension, arms industries.<sup>3</sup> That is a very deep \$2.4 trillion feeding trough for arms companies in a sector infamous for corruption (an estimated 40% of all trade corruption)<sup>4</sup> and with scant regard for human rights.

Arms companies by definition profit from the human, environmental and climate destruction of war. Moreover, many of these companies are also profiting by securing government contracts for border militarisation to manage refugees as part of the militarisation of emergency response to conflict and climate disasters.

Arms companies can *never* make good the profound cost to humanity that they have caused over very many decades. But the time has certainly come to put them in the climate polluter and profiteer frame. It is time for them to pay up.

## RECOMMENDATIONS

1. An excess profits tax on top 100 arms companies (ranked by SIPRI). A typical profit margin for an arms company is 10%. A 100% excess profits tax on profits over 5%, i.e. 5% on revenue in this case, will bring the profit margin down to the more reasonable level at 5%.
2. A war profiteers' tax on arms companies' revenue generated by wartime sales. Arms companies greatly inflate their product prices during wartime, taking advantage of scarcity and urgency. Assuming an inflated profit margin of 50%, a 100% war profiteers' tax on profits over 5%, i.e. 45% on revenue in this case, will bring the profit margin down to the more reasonable level at 5%.
3. All excess profit tax revenue to be directed toward the climate finance needs of the most climate vulnerable nations, many of whom have been or are on the frontline of both conflict and climate change, with the former also a contributor to latter, in the form of military/arms trade GHG emissions.
4. Calls for an excess profits tax on the arms industry and cuts to military spending (such as the Five Percent Formula<sup>5</sup>) to be included in all climate finance demands at relevant international climate and finance meetings including annual COP meetings and the Bonn Climate Conferences.
5. Support for UN New Agenda for Peace. Transformation of our collective foreign, security and defence policy-making to rely less on arms and aggression and more on diplomacy and peaceful means. Without change, the oil industry and the arms industry will always be the most influential stakeholders / lobbyists in our governments that inevitably always makes decisions that deteriorate our and the environment's wellbeing while

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<sup>3</sup> <https://www.sipri.org/publications/2024/sipri-fact-sheets/trends-world-military-expenditure-2023>

<sup>4</sup> <https://www.sipri.org/yearbook/2011/01>

<sup>5</sup> <https://transformdefence.org/the-five-percent-proposal/>

profiting greatly from these decisions. [Note that there is no modern military without the arms and oil industries.]

6. Call for the term 'military aid' to be replaced by 'military finance'.

Secretary-General of the United Nations, Antonio Guterres, said on his first visit to Ukraine, 'war is an absurdity in the 21<sup>st</sup> century'. Civil society needs a much-enhanced understanding of why this is the case in the face of catastrophic climate change. A spotlight on arms industry profiteering and polluting, in peace-time and war, is one way to do this.



## 1. INDIVISIBLE: MILITARY SPENDING, EMISSIONS & ARMS INDUSTRY PROFITS

### ARMS INDUSTRY PROFITS FED BY RUNAWAY MILITARY SPENDING

Arms industry contracts are paid for by the public purse – that purse being ever rising military spending. To place arms industry profits in this tax-payer context is necessarily to appreciate the scale of military spending. Why? Because arms procurement consumes a great deal of that military spending. In this sense, the arms industry and government military spending are indivisible; and in both cases, there is ample reason to be challenging the ‘carte blanche’ both receive when it comes to interrogating the ‘value for money’ society receives in exchange.

Global military spending is currently more than \$2.4 trillion,<sup>6</sup> a great, essentially limitless, feeding trough for armorers. The USA accounts for 37% of this total, and it is the single largest item of government expenditure, accounting for more than half of the discretionary federal budget. The UK is the sixth largest military spender in the world where it is the 5<sup>th</sup> largest item of expenditure (behind health, social security, education and debt interest).

At least a quarter of global military spending goes to arms and military services companies.<sup>7</sup> For some countries, like top military spenders USA and UK, more than half of national military spending goes to private military contractors, such as Lockheed Martin and BAE Systems.<sup>8</sup>

### ARMS INDUSTRY EMISSIONS: EMBEDDED IN THE MILITARY CARBON FOOTPRINT

Oil, military spending and conflict are indivisible. Combined, they have played and continue to play a major role in impeding or reversing development in communities and nations across the global south as ordinary people pay the price in myriad ways. There seems to be no end in sight as governments (especially the big military spenders) are themselves locked into foreign, security and defence spending strategies that are self-destructive resulting in ever-greater military spending on ever-more fossil-fuel dependent equipment operated by fossil-fuel reliant militaries.

The big militaries of the world (the top 20 accounts for 85% of global military spending) *and their supply chain* – the arms industry – are fossil fuel dependent with no sign of this changing in our lifetime and certainly not before 2050 when every aspect of our society need to meet net zero.

The global military carbon footprint is estimated to be up to 5.5% of global greenhouse gas (GHG) emissions.<sup>9</sup> We do not have exact figures because military emissions reporting to UN processes remains severely inadequate and voluntary. And this figure does not include conflict-related emissions or post-conflict reconstruction.

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<sup>6</sup> <https://www.sipri.org/publications/2024/sipri-fact-sheets/trends-world-military-expenditure-2023>

<sup>7</sup> <https://www.sipri.org/publications/2023/sipri-fact-sheets/sipri-top-100-arms-producing-and-military-services-companies-2022>

<sup>8</sup> <https://stephensemmler.substack.com/p/biden-sends-stimulus-checks-to-military>;  
<https://www.gov.uk/government/news/uk-defence-industry-spending-tops-25-billion-for-first-time>

<sup>9</sup> <https://www.sgr.org.uk/publications/estimating-military-s-global-greenhouse-gas-emissions>

What we do know is that this 5.5% estimate is more than annual emissions of 54 countries of the African continent at 3.5-4%. It is more than emissions from shipping and civilian aviation combined. The perfect example of the indivisibility of military spending, arms profiteering and GHG emissions burden is the Lockheed Martin's F-35 weapons system and its estimated global total 60-year lifetime cost of \$2 trillion. The F-35 consumes nearly 6000 litres of fuel per flight hour, emitting per mission as much as two-year's worth of carbon emissions of a typical westerner. It will be the backbone of the NATO countries' air forces for decades to come yet is completely incompatible with the global 2050 net-zero goal. In 2022 alone, 476 F-35s have been ordered – 24 for the Czech Republic, 35 for Germany, 36 for Switzerland, six extra for the Netherlands on top of prior orders. The USA has ordered another 375.

## THE MILITARY SPENDING TO PUBLIC CLIMATE FINANCE RATIO IS APPALLING



Credit: TNI<sup>10</sup>

The USA climate budget dedicated to domestic climate funding averages at \$69bn p/a for 10 years (climate funding in both the Reconciliation and Infrastructure Bills). This contrasts with the Pentagon's budget of more than \$800bn annually. Officially, the EU Member States collectively spent €168.5 billion in 2019 on domestic climate finance while committing only €23 billion to climate finance for climate vulnerable countries.

Public climate finance – all government expenditure on climate – was estimated globally to be \$321bn in 2020, less than one sixth of the \$1981bn sum spent by governments on their militaries in the same year.

Another way to understand these numbers is this: the richest countries (categorised as Annex II in the UN climate talks) are spending 30 times as much on their armed forces as they spend on providing climate finance for the world's most vulnerable countries, which they are legally bound to do. Between 2013 and 2020, the richest (Annex II) countries spent \$7.3 trillion on the military, compared to an estimated \$243.9 billion on additional climate finance.<sup>11</sup>

<sup>10</sup> <https://www.tni.org/en/publication/climate-collateral-COP28>

<sup>11</sup> <https://transformdefence.org/publication/climate-collateral-how-military-spending-accelerates-climate-breakdown/>

Military spending by Annex II countries has, however, continued to grow significantly since 2020, with sharp increases in 2022 and 2023 in the wake of Russia's invasion of Ukraine and Israel's invasion of Gaza, Palestine. Almost certainly the rapid increases in military spending will be at the expense of already insufficient climate finance and it seems more than likely that the yawning gap between military spending and climate finance will become ever greater.

Our leaders are taking us in the wrong direction.

### **F-35 FIGHTER JET WEAPONS SYSTEM: POOR TAX-PAYER VALUE FOR MONEY**

The weapons system sometimes described as the single most successful programme of public wealth extraction ever devised by a private company, the Lockheed Martin F-35 Lightning II programme, is currently projected to cost more than \$1.7 trillion during its lifetime for the United States alone;<sup>12</sup> from this, we estimate the global total lifetime cost of F-35s to be around \$2 trillion.

The F-35 is designed to be an effective multi-purpose aircraft and the USA intends to buy more than 2400 of them to replace almost every fighter and attack aircraft of the Air Force, Navy and Marine Corps. It is supposedly good at everything but turns out to be too expensive and sophisticated for 'simple' bombing runs in Syria or Afghanistan, and not effective in dogfights against Russia's or China's most advanced fighters. It is ideal for one purpose only: with a total projected program cost of more than \$1.7 trillion, this program will keep Lockheed Martin and its subcontractors in 46 US states and major partners BAE Systems and Rolls Royce afloat for at least the next two decades.

To put this in perspective, the estimated global total lifetime cost of F-35s could fund any one of the following:

International climate finance at \$100bn per annum for 20 years;

UN disaster response at \$5bn per annum for the next 400 years;

UN disaster risk reduction at \$500mn per annum for the next 4,000 years;

Global biodiversity conservation at \$100bn per annum for the next 20 years;

WHO at \$2bn per annum for the next 1,000 years;

Global pandemic surveillance and control at \$8bn per annum for the next 250 years;

UN peacekeeping operations at current \$5bn per annum for the next 444 years;

Would provide proper funding for UN peacekeeping at \$15bn per annum for the next 133 years.

*Global military spending, sustainable human safety and value for money (2020)*<sup>13</sup>

<sup>12</sup> <https://www.pogo.org/analysis/2020/10/selective-arithmetic-to-hide-the-f-35s-true-costs/>

<sup>13</sup> <https://transformdefence.org/publication/value-for-money/>

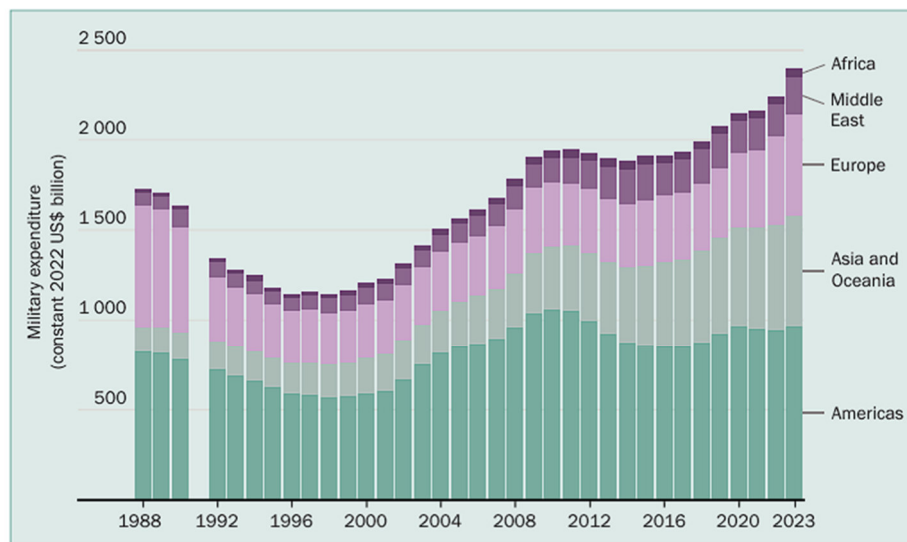


## THE EXISTENTIAL \$2.4 TRILLION QUESTION

While the global south faces the ever greater onslaught of climate change, for which they have no historic responsibility, those with the greatest responsibility – rich countries – are spending 30 times more on their own militaries than providing climate finance to vulnerable countries.

And military spending is rising. We are in a new arms race and the big winners are the arms companies. And their ever-increasing bottom-line does not end with conventional wars being fought, or even the expansion of AI. The USA's 'full-spectrum dominance' doctrine is also in play: military space dominance.<sup>14</sup> While the planet burns, the dominant military spenders are looking to ways to fight and win in space.

And there is one number that brings home the nature of the problem we face. That number is \$2.4 trillion.



World military expenditure, by region, 1988–2023

Note: The absence of data for the Soviet Union in 1991 means that no total can be calculated for that year.

Source: SIPRI Military Expenditure Database, Apr. 2024.

SIPRI estimates early this year that global military spending exceeded an unprecedented \$2.4 trillion in 2023. And this year UN Climate Chief Simon Stiell was to find himself pleading for exactly that – \$2.4 trillion annually to keep climate change goals within reach.<sup>15</sup>

The science has warned us: we have 2 years left to save humanity. The can has been kicked down the road for decades, such that now, with the window for effective climate action closing, the UN is calling for the move 'from billions to trillions'. The \$100 billion a year climate finance for developing countries was never fully realised and in any event, far from enough. The first *Needs Determination Report* of the UNFCCC Standing Committee on Finance in 2021 shows

<sup>14</sup> <https://transformdefence.org/publication/how-to-transform-defence-10-talking-points-for-a-difficult-conversation/>

<sup>15</sup> <https://unfccc.int/news/from-vision-to-reality-getting-the-job-done-executive-secretary-speech>

nearly \$6 trillion is needed to implement developing countries' climate action plans (not fully cost for adaptation) by 2030.<sup>16</sup>

And the writing is on the wall in very big letters.

### **THE WORLD'S TOP CLIMATE SCIENTISTS EXPECT GLOBAL HEATING TO BLAST PAST 1.5C TARGET<sup>17</sup>**

Hundreds of the world's leading climate scientists expect global temperatures to rise to at least 2.5C (4.5F) above preindustrial levels this century, blasting past internationally agreed targets and causing catastrophic consequences for humanity and the planet, an exclusive Guardian survey revealed. Almost 80% of the respondents, all from the authoritative Intergovernmental Panel on Climate Change (IPCC), foresee at least 2.5C of global heating, while almost half anticipate at least 3C (5.4F). Only 6% thought the internationally agreed 1.5C (2.7F) limit would be met.

*So what are we seeing in response to these terrifying warnings?*

Talk of WW3 and a peak of \$2.4 trillion global military spending. And it won't stop at \$2.4tr – more planned increases are surely coming along with more and larger arms industry procurement contracts.

The UK and other big military spenders in the global north, committing to ever rising military budgets, are indulging in reckless, self-serving talk of WW3. For them their primary focus remains the same historic (18<sup>th</sup>, 19<sup>th</sup>, 20<sup>th</sup> century) adversaries: Russia, China and Iran. For the EU members of NATO, this is additional to the intense push by the USA on NATO's 31 members to reach the target of 2% of GDP spent on military expenditure – of which 20% minimum is to be allocated to big-ticket military equipment.<sup>18</sup>

It seems incomprehensible but the clear and present threat of the 21<sup>st</sup> century existential climate emergency is most certainly remaining secondary to military objectives at the very time we need leaders to end the vacillation and invest massively if we are to save our planet in time. The moral, legal and historical responsibility on the part of developed rich nations to *pay up* and address the greatest threat facing humanity – climate change – must be met.

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<sup>16</sup> <https://unfccc.int/topics/climate-finance/workstreams/needs-report>

<sup>17</sup> <https://www.theguardian.com/environment/article/2024/may/08/world-scientists-climate-failure-survey-global-temperature>

<sup>18</sup> <https://transformdefence.org/publication/climate-crossfire-how-natos-2-military-spending-targets-contribute-to-climate-breakdown/>



## 2. WARS ARE WILDLY PROFITABLE



Credit: TNI<sup>19</sup>

### POST-9/11 WARS

According to The Intercept: “\$10,000 of stock evenly divided among America’s top five defence contractors on September 18, 2001 – the day President George W. Bush signed the Authorization for Use of Military Force in response to the 9/11 terrorist attacks – and faithfully reinvested all dividends, it would now be worth \$97,295.” Much better return on investment (an ROI of nearly 900%) than if the exact same amount were invested in general economy.

#### USA DEFENCE CONTRACTORS

In 2021, William D. Hartung at the Center for International Policy published a report that showed Pentagon spending totalled over \$14 trillion since the start of the war in Afghanistan, with one-third to one-half of the total going to military contractors.<sup>20</sup>

*A large portion of these contracts -- one-quarter to one-third of all Pentagon contracts in recent years -- have gone to just five major corporations: Lockheed Martin, Boeing, General Dynamics, Raytheon, and Northrop Grumman.*

*The \$75 billion in Pentagon contracts received by Lockheed Martin in fiscal year 2020 is well over one and one-half times the entire budget for the State Department and Agency for International Development for that year, which totalled \$44 billion.*

*Arms makers have spent \$2.5 billion on lobbying over the past two decades, employing, on average, over 700 lobbyists per year over the past five years. That is more than one for every member of Congress. Numerous companies took advantage of wartime conditions—which require speed of delivery and often involve less rigorous oversight—to overcharge the government or engage in outright fraud.*

<sup>19</sup> <https://www.tni.org/en/climate-crossfire>

<sup>20</sup> <https://watson.brown.edu/costsofwar/papers/2021/ProfitsOfWar>

*In 2011, the Commission on Wartime Contracting in Iraq and Afghanistan estimated that waste, fraud and abuse had totalled between \$31 billion and \$60 billion. As the U.S. reduces the size of its military footprint in Iraq and Afghanistan, exaggerated estimates of the military challenges posed by China have become the new rationale of choice in arguments for keeping the Pentagon budget at historically high levels. Military contractors will continue to profit from this inflated spending.*

After the collapse of the Soviet Union, U.S. military spending decreased but the post-9/11 Wars greatly helped to reverse the trend such that now the Pentagon's budget is hundreds of billions of dollars more than at the height of the Vietnam War. "Annual spending on the costly, dysfunctional F-35 combat aircraft alone **is greater than the entire budget of the Centers for Disease Control and Prevention... One \$13 billion aircraft carrier costs more than the annual budget of the Environmental Protection Agency** [our emphasis]. Overall, more than half of the discretionary budget Congress approves every year — basically everything the federal government spends other than on mandatory programs like Medicare and Social Security — goes to the Pentagon," Hartung wrote in 2024.<sup>21</sup>

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#### UK – BAE SYSTEMS

Two plus decades of conflict have resulted in rich pickings for defence companies around the world and BAE is no exception. BAE may take pride in its annual CSR reporting but the term 'Corporate Social Responsibility' sits rather uncomfortably with the arms industry.<sup>22</sup>

BAE sold nearly £18 billion worth of aircraft, weapons and services to the Saudi military between 2015 and 2019, while Saudi Arabia was bombing Yemen intensively.

According to the Costs of War project, the direct and indirect death toll from the Post-9/11 wars (in Afghanistan, Pakistan, Iraq, Syria and Yemen) by the United States could be at least 4.5 million and counting – all this suffering in pursuit of oil and profits. The post-9/11 wars have been very profitable for BAE Systems, generating record profits year after year since the wars began, and making BAE the top arms producing company in the world (SIPRI 2008). As late as 2008, it still reported a 30% surge in profits on the back of sending ammunition and armoured vehicles to the war zone. Profits from its land and armaments business jumped 75% to £566 million, making it BAE's most profitable business at the time.<sup>23</sup> BAE also signed a £3 billion, 15-year agreement with the MOD in 2008, supplying UK armed forces with 80% of their munitions, and delivered 168 lightweight M777 howitzers to the front line.<sup>24</sup>

The Iraq War officially ended in 2011 as the Syrian Civil War began. In Syria, thousands of BAE subsidiary made bombs were dropped from BAE's Typhoon and Tornado jets and its share prices rose year after year following the commencement of the Syrian airstrikes.

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<sup>21</sup> <https://fpif.org/overspending-on-the-pentagon-is-stealing-our-future/>

<sup>22</sup> <https://transformdefence.org/publication/through-the-looking-glass/>

<sup>23</sup> [https://investors.baesystems.com/~/\\_media/Files/B/BAE-Systems-Investor/pdfs/ims/ar-2008.pdf](https://investors.baesystems.com/~/_media/Files/B/BAE-Systems-Investor/pdfs/ims/ar-2008.pdf)

<sup>24</sup> <https://www.independent.co.uk/news/business/news/bae-secures-pound-3bn-ammunition-contract-904287.html>

## UKRAINE: HOW MILITARY AID IS ALL ABOUT PROFITING DOMESTIC WEAPONS CONTRACTORS

*As spending rises and vetting decreases, the prospects for fraud, waste and abuse will grow. And the arms industry and its allies in Congress and the Pentagon are intent on making any changes made to deal with the Ukraine emergency permanent, which could supersize the weapons industry while reducing oversight and accountability — a recipe for relentless, unnecessary price increases that could continue well beyond the end of the Ukraine war. Meanwhile, even as they cry out for more funding, the big contractors are diverting the billions they already receive to pad their bottom lines. **Rather than using their increased revenues to produce better weapons or research new ones, the major contractors have been putting the bulk of their windfall into tens of billions in buybacks of their own shares to boost their prices, along with hundreds of millions in compensation for top executives. This does nothing to enhance our defense and everything to enrich military corporations.** [our emphasis]*

*William Hartung, senior research fellow at the Quincy Institute for Responsible Statecraft*

As Russia's invasion intensifies, showing no sign of let-up, so the Ukraine government's call for more and more weaponry is ever louder. As a result, arms contractors all round are profiting from the conflict. US defence contractors are expected to be the biggest beneficiaries.

CEO of Raytheon Technologies, Greg Hayes, boasted:<sup>25</sup>

*"Everything that's being shipped into Ukraine today, of course, is coming out of stockpiles, either at DoD [the Department of Defense] or from our NATO allies, and that's all great news. Eventually we'll have to replenish it and we will see a benefit to the business over the next coming years."*

**The USA government's** \$40.1 billion emergency aid package for Ukraine in 2023 includes \$24.6 billion for military programmes. According to Security Policy Reform Institute's estimate, at least \$17.3 billion will become revenue for US military contractors – more than the total amount of non-military funding (\$15.5 billion).

During the first two years of Russia's invasion of Ukraine, the U.S. has sent at least \$137 billion aid to Ukraine, two-thirds of which is military aid, the majority of which will become revenue for US military contractors – "a massive redistribution of wealth from the public coffers to the pockets of private military contractors."<sup>26</sup> A further \$61 billion military aid was approved by U.S. Congress in 2024.<sup>27</sup>

To date, the U.S. has sent, amongst others, more than 10,000 Javelin anti-tank missile systems, which are made by Raytheon and Lockheed Martin.<sup>28</sup> The cost of each missile is about \$78,000 (£66,000) and the reusable launcher is another \$100,000 (£85,000).

<sup>25</sup> <https://hbr.org/2022/03/raytheon-ceo-gregory-hayes-how-ukraine-has-highlighted-gaps-in-us-defense-technologies>

<sup>26</sup> <https://stephensemmler.substack.com/p/updated-figures-us-aid-to-ukraine>;  
<https://jacobin.com/2022/05/ukraine-aid-bill-congress-biden-military-health>

<sup>27</sup> <https://www.theguardian.com/us-news/2024/apr/20/us-house-approves-61bn-aid-ukraine>

<sup>28</sup> [https://media.defense.gov/2024/Apr/24/2003448840/-1/-1/1/20240424\\_UKRAINE\\_FACT\\_SHEET.PDF](https://media.defense.gov/2024/Apr/24/2003448840/-1/-1/1/20240424_UKRAINE_FACT_SHEET.PDF)

U.S. Under Secretary of State for Political Affairs and Former U.S. Ambassador to NATO, Victoria Nuland, freely admits it is mainly about boosting private military profits:<sup>29</sup>

*“And by the way, we have to remember that the bulk of this money is going right back into the U.S. economy to make those weapons, including good paying jobs in some 40 states across the United States.”*

**In Europe**, the big winners are expected to include BAE Systems and Thales.

Up to the end of February 2024, Germany gave Ukraine weapons and military equipment worth \$10.7bn, the UK gave \$5.7bn, Denmark \$5.2bn, and the Netherlands \$4.1bn.<sup>30</sup> According to the Financial Times, two years into Russia’s full-scale assault on Ukraine, Europe’s defence industry is “booming”.<sup>31</sup> The big winners are BAE Systems, Leonardo and Saab – with the combined backlog of Europe’s top seven arms companies rising to near-record highs of more than \$300bn.

The military assistance to support ground warfare in Ukraine has depleted national stockpiles of ammunition and other artillery in many European countries, benefiting not only Germany’s Rheinmetall and Scandinavia’s Nammo, but also smaller suppliers. The huge surge in demand has dramatically changed the fortune of Europe’s four main ammunition producers: Germany’s Rheinmetall, Britain’s BAE Systems, France’s Nexter, and Nammo, owned by the Finnish and Norwegian governments. Suppliers of explosives and propellants, including Chemring of the UK and France’s Eurenco, have also been winners. Rheinmetall’s CEO Armin Papperger was delighted,

*“Some months ago, people wanted to ban us, to say that this industry is a very bad industry, is a harmful industry. It’s a totally different world now.”*

**Britain’s BAE Systems** manufactures nearly all of the UK’s small-arms ammunition and is set to replace the 400,000 rounds sent to Ukraine. The company also makes the 108 M114 Howitzer artillery cannons sent by the US, as well as the MILAN anti-tank guided missiles provided by France and Italy, which are produced in a joint venture with Airbus and Leonardo. Another key piece of equipment manufactured by BAE Systems, which has factories across the UK, is the Stormer armoured vehicle. The UK is providing Ukraine with a “small number” of them.<sup>32</sup>

After securing orders worth €9bn in 2022, Europe’s biggest missile-maker MBDA, owned by BAE Systems, Airbus and Italy’s Leonardo, agreed £6bn in 2023 in contracts for air-defence equipment with Poland, as well as contracts with Germany and France to scale up missile production.

Thales manufactures the Next Generation Light Anti-Tank Weapon (NLAW), a shoulder-launched missile, on behalf of Saab in the UK. The UK gave Ukraine more than 5,000 of them, £30,000 apiece.

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<sup>29</sup> <https://transcripts.cnn.com/show/ampr/date/2024-02-22/segment/01>

<sup>30</sup> <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/>

<sup>31</sup> The companies benefiting from Europe’s defence revival. <https://www.ft.com/content/e9939f2b-6454-4be8-b99d-05023f635e87>

<sup>32</sup> <https://news.sky.com/story/ukraine-war-how-weapons-makers-are-profiting-from-the-conflict-12624574>

## ISRAEL / GAZA: YET MORE MILITARY AID FOR THE WEAPONS INDUSTRY

Israel has been the largest cumulative recipient of U.S. foreign aid since 1946, receiving about \$300 billion (inflation adjusted), the majority (about 70%) of which in military assistance.<sup>33</sup> U.S. aid reportedly accounts for around 15% of Israel's military budget of around \$25 billion a year, and U.S. accounts for more than 80% of Israel's arms imports. Arguably, U.S. aid has undermined Israel's domestic arms industry while serving primarily as a guaranteed generous revenue stream for U.S. arms companies.

Since the Hamas attack of 7 October 2023 in Israel, the U.S. has made more than 100 separate military sales (transfers) to Israel, including tank and artillery ammunition, bombs, rockets, and small arms. And more are on the way with fifty F-15 fighter jets are in the pipeline.

The bombing by Israel on Gaza is one of, if not the, most intense bombardments in history.<sup>34</sup> An estimated 45,000 bombs, weighing more than 65,000 tonnes and many of them are 500-pound and 2000-pound bombs, were dropped on the Gaza Strip in the first three months of the conflict. According to the Gaza Media Office, "The weight of the explosives dropped by the army on the Gaza Strip exceeded 65,000 tonnes, which is more than the weight and power of three nuclear bombs like those dropped on the Japanese city of Hiroshima."<sup>35</sup> After more than 6 months, it is now estimated 300,000 munitions had been dropped or fired in Gaza.

On explosion, a 500-pound bomb can severely harm or kill everything or anyone within a 20-metre (65 feet) radius. A 2,000-pound bomb has a destruction radius of 35 metres (115 feet), according to the Project on Defense Alternatives (PDA).<sup>36</sup> The 2,000- and 500-pound bombs are some of the main munitions used by Israel in its seven-month bombing campaign. The munitions are made by major American weapons manufacturers like Raytheon, Northrop, Lockheed Martin, General Dynamics and General Atomics.<sup>37</sup>

Israel's very high bombing rate is only made possible by using the AI target-creation system called 'Habsora' ('The Gospel' in English). Habsora was created in 2019 by the Israeli military's Targets Administration Division to 'accelerate target generation' and 'shorten kill chains', enabling the generation of 100 targets a day, with 50% of these being attacked, up from human generated 50 targets a year in the past. "It really is like a factory. We work quickly and there is no time to delve deep into the target." Habsora had allowed the IDF to run a "mass assassination factory" in which the "emphasis is on quantity and not on quality".<sup>38</sup>

Despite the ongoing slaughter and Israel's complete disregard of the International Court of Justice's order to prevent genocide, the U.S. Congress approved a further \$17 billion unconditional military aid to Israel in April 2024, more than 70% of which will go to U.S. military contractors.<sup>39</sup>

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<sup>33</sup> <https://www.cfr.org/article/us-aid-israel-four-charts>

<sup>34</sup> <https://www.sgr.org.uk/resources/gaza-one-most-intense-bombardments-history>

<sup>35</sup> <https://www.middleeastmonitor.com/20240104-israel-dropped-65000-tonnes-of-bombs-on-gaza-in-89-days/>

<sup>36</sup> <https://comw.org/pda/precision-warfare-a-2000-lb-scalpel/>

<sup>37</sup> <https://www.pbs.org/newshour/world/why-the-u-s-paused-the-delivery-of-2000-pound-bombs-to-israel-ahead-of-a-possible-assault-on-rafah>

<sup>38</sup> <https://www.theguardian.com/world/2023/dec/01/the-gospel-how-israel-uses-ai-to-select-bombing-targets>

<sup>39</sup> <https://theintercept.com/2024/03/01/biden-israel-gaza-weapons-child-care/>

### 3. THE SUPER-RICH CONTRACTORS OF WAR

#### FALLS CHURCH, VIRGINIA

The Pentagon, with its \$800 billion annual budget and tens of thousands of contractors (ranging from manufacturing to professional, scientific and technical services to construction (many of which have been found to make ‘wilful or repeated safety, health or fair labour standards violations’) offers a clue as to why northern Virginia has some of the richest counties in the nation.

The top three wealthiest counties in the United States are all in suburban Virginia; there are four Virginia counties in total in the Top 10. The richest county Falls Church is only 20 minutes away from Lockheed Martin’s headquarter by car and 14 minutes away from Boeing’s. The second richest Loudoun County is 47 minutes away from Lockheed Martin; and the third richest Fairfax County only 19 minutes. Falls Church is also where the other big defence contractors, General Dynamics and Northrop Grumman, are based.

This is not surprising, considering that CEOs of the top 5 defence contractors received more than \$100 million in compensation in 2021. Huge CEO compensation does nothing to advance the defence of the United States and is a reflection of a rotten vested system used for the benefit of enriching a small number of individuals. The dependency on U.S. government contracts (mainly from the Pentagon) for their revenue ranges from the low end of roughly half for Raytheon (48%), Boeing (49%) to the high end of more than two-thirds for General Dynamics (70%), Lockheed Martin (71%) and Northrop Grumman (85%).<sup>40</sup> According to the Pentagon, “Despite improving profit margins and cash generation for defense contractors in 2010-2019 vs 2000-2009, the share of contractor spending on Independent Research and Development (IR&D) and capital expenditures declined while cash paid to shareholders in dividends and share repurchases increased by 73%.”<sup>41</sup>



Credit: TNI<sup>42</sup>

<sup>40</sup> <https://www.forbes.com/sites/williamhartung/2022/12/12/pentagon-profiteers-executive-compensation-in-the-arms-industry/>

<sup>41</sup> <https://www.acq.osd.mil/asda/dpc/pcf/docs/finance-study/FINAL%20-%20Defense%20Contract%20Finance%20Study%20Report%204.6.23.pdf>

<sup>42</sup> <https://www.tni.org/en/publication/climate-collateral-COP28>



## END THIS RACKET OF CORPORATE PROFITEERING<sup>43</sup>

*"We need to see windfall taxes introduced across the board and an end to this racket, where rich shareholders are rewarded at the expense of everyone else."*

*Katy Chakraborty, Oxfam Head of Advocacy*

In July 2023 Oxfam and ActionAid analysed Forbes' Global 2000 ranking that showed companies made \$1.08 trillion in windfall profits in 2021 and \$1.09 trillion in 2022. This led to an 89% jump in total profits compared to the previous four-year average (2017-2020).

The analysis found:

18 food and beverage corporations made on average about \$14 billion a year in windfall profits in 2021 and 2022. Global food prices rose more than 14% in 2022.

28 pharmaceutical corporations made on average \$47 billion a year in windfall profits, and 42 major retailers and supermarkets made on average \$28 billion a year in windfall profits.

Nine aerospace and defence corporations raked in on average \$8 billion a year in windfall profits.

## THE 'DEFENCE MONOPOLY' AND PRICE GOUGING

Since 1993, the Pentagon, looking to reduce costs, has urged defence companies to merge. Over time, the result has been to see 51 major contractors consolidated into just five giant companies.

"In the '80s, there was intense competition amongst a number of companies. And so the government had choices. They had leverage. We have limited leverage now," said Shay Assad, Director of Defense Pricing (U.S. DoD) and former executive vice president and chief contract negotiator for Raytheon.<sup>44</sup>

### HOW THE PENTAGON FALLS VICTIM TO PRICE GOUGING BY MILITARY CONTRACTORS

In the competitive environment before the companies consolidated, a shoulder-fired stinger missile cost \$25,000 in 1991. With Raytheon, Assad's former employer, now the sole supplier, it costs more than \$400,000 to replace each missile sent to Ukraine. Even accounting for inflation and some improvements, that's a seven-fold increase.

"For many of these weapons that are being sent over to Ukraine right now, there's only one supplier. And the companies know it," Assad said.

<sup>43</sup> <https://www.oxfam.org.uk/media/press-releases/corporation-windfall-profits-rocket-to-1-trillion-a-year/>

<sup>44</sup> <https://www.cbsnews.com/news/pentagon-budget-price-gouging-military-contractors-60-minutes-2023-05-21/>

Army negotiators also caught Raytheon making what they called "unacceptable profits" from the Patriot missile defense system by dramatically exaggerating the cost and hours it took to build the radar and ground equipment. ...

A Pentagon study released last month found major contractors flush with "cash beyond their needs for operations or investment." They have tens of billions of excess cash from Pentagon business to hand out to shareholders. "We have to have a financially healthy defense industrial base. We all want that," Assad said. "But what we don't want to do is get taken advantage of and hoodwinked."

In 2015, Assad ordered a review and army negotiators discovered Lockheed Martin and its subcontractor, Boeing, were grossly overcharging the Pentagon and U.S. allies by hundreds of millions of dollars for the Patriot's PAC-3 missiles. Pentagon analysts found the total profits approached 40%. ...

The Pentagon had ceded control of the program to Lockheed Martin. The contractor is delivering the aircraft the Pentagon paid to design and build, but under the contract, Lockheed and its suppliers retained control of the design and repair data, the proprietary information needed to fix and upgrade the plane. "The weapon system belongs to the department, but the data underlying the design of the airplane does not." ...

When a part breaks, the Department of Defense can't fix or replace it itself. That's likely to come from a subcontractor, like TransDigm, a fast-growing company led by Nick Howley. He has made a fortune taking over companies that make spare parts for the military. Last year, Howley was called before Congress a second time over accusations of price gouging. Assad's review team found the government will pay TransDigm \$119 million for parts that should cost \$28 million.

*60 Minutes Overtime, CBS News<sup>45</sup>*

#### 4. MYRIAD ARMS TRADE IMMORALITY

*Want to escape the 9 to 5 corporate capitalist trap? Do you want more adventure and travel? Do you want a global circle of friends to profit off of? Why not become an arms dealer?*

*If the answer is yes, it must first be recognised that the global arms trade is a multibillion-dollar industry. To profit from it, you must first understand three things: 1) You are not here to provide "security" – you are here to make money. 2) You will make money as long as people believe you provide security. So, more fear equals more money. 3) Security requires nothing more than secrecy, and more secrecy equals more opportunities for making money. The imposition of national security is the justification required to keep various aspects of the arms trade secret, and this lack of transparency fuels corruption (a lucrative area for a war profiteer), and an area which you will rightfully exploit.*

*How to Profit from the Global Arms Trade<sup>46</sup>*

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<sup>45</sup> <https://www.cbsnews.com/news/pentagon-budget-price-gouging-military-contractors-60-minutes-2023-05-21/>



## HYPOCRISY: BAE AND CORPORATE SOCIAL RESPONSIBILITY

'Behind every great fortune lies a great crime' so wrote Honore de Balzac (1799-1850). The timelessness of arms manufacturers' increased profits and rising share prices in times of war surely meets this definition.

One present-day method to distract the public from this ugly truth is through Corporate Social Responsibility reporting. BAE produced separate CSR reports over the years (2001-2018) and they make for somewhat strange reading – a catalogue of double standards, dressed up as CSR.

In our 2018 report '*Through the looking glass: BAE Systems, Corporate Social Responsibility and war, insecurity and climate change*' we highlighted a number of these double standards to reveal the hypocrisy of arguably the most important British multinational at the heart of the UK's military operations overseas: BAE Systems.<sup>47</sup> Combined, these CSR reports are rife with hypocrisy and whitewash - maybe better described as 'CSC: Crime Scene Cleanup'.

BAE is a 'stakeholder' in the aircrafts, vehicles, ammunition, missiles and pilot training applied to wars in Iraq, Libya, Syria, Yemen, Ukraine and Gaza (Palestine), to name only recent conflicts. By extension, therefore, BAE cannot be extricated from the terrible price paid by millions of civilians; nor the appalling wholesale infrastructure damage; nor, finally, its own contribution to an aspect much-overlooked, yet connected to, climate change: the carbon emissions burden of war and reconstruction.

At the very same time, BAE has prided itself on its Corporate Social Responsibility. The world's leading weapons manufacturers, a flagship British multinational, whose share price always rises with conflict and war, is at the same time, selling itself as socially responsible entity, all the time hugely benefitting financially and advancing the economic and/or foreign policy interests of UK PLC.

*'I came to learn that the chairman of BAE appeared to have the key to the garden door to No 10. Certainly I never knew No 10 to come up with any decision that would be incommoding to BAE.'*

*Robin Cook, Former UK Foreign Secretary, 2003*

### EXAMPLE ONE: BAE (NOT) WORKING ETHICALLY

*Our people, products and services are trusted by customers to provide vital capabilities and a technological edge where it counts, helping to protect national security and prosperity. It is a role we are proud to play as a key partner and supplier to governments and corporations around the world. Our important mission relies just as much on our ability to work responsibly, ethically and efficiently as it does on the quality, competitiveness and innovation of the solutions we provide.*<sup>48</sup>

<sup>46</sup> <https://corruption-tracker.org/blog/how-to-profit-from-the-global-arms-trade>

<sup>47</sup> <https://transformdefence.org/publication/through-the-looking-glass/>

<sup>48</sup> <https://www.baesystems.com/en/download-en/20180420115055/1434612689053.pdf>

## Reality Check

*"BAE as a company has been complicit in the destruction of Yemen from day one and profited from it from every step of the way. The argument that you can promote peace from the sale of weapons is an absurd argument which can be used by almost anyone to justify selling weapons to almost anybody. If peace and stability broke out tomorrow, BAE Systems would be among the first companies to go bankrupt."* **Andrew Smith, CAAT**



## HUMAN TOLL OF THE YEMEN CONFLICT

- Over 70,000 killed, including over 7,000 civilians killed in direct attacks and many more of collateral civilian deaths<sup>49</sup>
- 3 million people forced from their homes by the fighting
- 24 million people in need of life-saving humanitarian assistance including food, water, shelter, fuel and sanitation.<sup>50</sup>
- 2.5 million children out of school

## EXAMPLE TWO: BAE IN SCHOOLS

*We have strong and deep relationships with education providers globally to promote STEM and other subjects. For example, our flagship UK Schools Roadshow, delivered with the Royal Air Force and Royal Navy, engaged more than 420 schools and approximately 130,000 young people in 2017.*

## Reality Check

The *BAE UK Roadshow* is a typical example of the way in which military interests are increasingly coming to the attention of youngsters under the guise of education. Delivered jointly by BAE Systems, the Royal Navy and the Royal Air Force, the science, technology, engineering and mathematics (STEM) schools road-show, which began in 2005, visits more than 420 schools across the UK each year, targeting students aged 10 to 13 years old in primary and secondary schools nationwide.<sup>51</sup>

Many of the biggest teachers' unions in the UK oppose ever growing numbers of armed forces visits to schools and colleges; many also oppose the 'Military Ethos in Schools' programme. The Educational Institute of Scotland calls for a ban on "military recruitment campaigns in all schools and colleges" and the National Union of Teachers oppose military recruitment activities in schools which employ "misleading propaganda".

How many school buildings in Iraq or elsewhere have been destroyed by BAE made weapons? Are British school pupils enjoying the BAE schools road-show made aware that BAE weapons

<sup>49</sup> <https://www.acleddata.com/2019/04/18/press-release-yemen-war-death-toll-surpasses-70000/>

<sup>50</sup> <https://www.unocha.org/yemen>

<sup>51</sup> <https://www.baesystems.com/en-uk/article/stem-roadshow-demonstrates-wonders-of-space-to-school-pupils>

have been used on their contemporaries in Yemen? And how does BAE's educational intervention align with other educational priorities already taught in schools such as how science, design and technology can contribute to sustainable peace, healthcare, social justice, and environmental sustainability?

And this grooming of STEM students continues to higher education colleges and universities, where arms companies actively recruit science and engineering graduates. The student-to-weapons manufacturer recruitment pipeline is increasingly popular in the UK and most prevalent and effective in the US, where the federal government gives more money to Lockheed Martin, the largest arms company in the world, than the Department of Education.<sup>52</sup>

### EXAMPLE THREE: RESPECTING HUMAN RIGHTS?

*We are committed to respecting human rights. This applies equally to our employees, our suppliers and business partners, all of whom are expected to adopt the same or similarly high standards of ethical behaviour. In 2017, we published our response to the UK Modern Slavery Act.*

### Reality Check

Notably missing from BAE's respect for human rights is any self reflection on its contribution to the circumstances that cause immense human suffering.

More than 22 million people in Yemen need humanitarian assistance or protection. Some 8.4 million people are severely food insecure and at risk of starvation. If conditions do not improve, a further 10 million people will fall into this category by the end of the year. One child in four is out of school, depriving them of opportunity and leaving them more exposed to risks of recruitment by armed groups and other violations of their rights. Civil servants, including teachers and health workers in northern areas, remain unpaid.

Airstrikes in Yemen are putting many Yemenis at risk, and causing large numbers of civilian deaths. Since December 2017, escalating conflict along the west coast and in Taizz has displaced more than 130,000 people – adding to some 3 million people forced from their homes since 2015.

*Sir Mark Andrew Lowcock,  
UN Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator, 2018<sup>53</sup>*

Global Initiative<sup>54</sup> – amongst many other organizations – document human trafficking out of and through conflict zones:

*‘Trafficking out of and through conflict zones takes many forms, though the primary manifestation is the trafficking of refugees, internally displaced persons (IDPs), or migrants. People attempting to flee their homes, or trying to send family members out of conflict zones, are extremely vulnerable, and at much higher risk of trafficking. The UN*

<sup>52</sup> <https://inthesetimes.com/article/lockheed-martin-recruiting-military-industrial-complex-student-debt>

<sup>53</sup> <https://reliefweb.int/report/yemen/under-secretary-general-humanitarian-affairs-and-emergency-relief-coordinator-mark-6>

<sup>54</sup> <https://globalinitiative.net/human-trafficking-conflict/>

*University report provides information on this and other examples. The ongoing crisis in Syria has produced thousands of refugees, many trying to escape to Europe. Trafficked Syrian children have been discovered working excessively long hours in situations with no labor oversight. Political unrest in Libya has caused trafficking for sexual and labor exploitation purposes as well.'*

*What would the Company do if Modern Slavery were found in its Supply Chain?*

*If modern slavery or human trafficking were found within our directly contracted suppliers, we would act immediately to work with the supplier and relevant authorities to understand the circumstances of what has been found and to put in place corrective actions that help the affected workers and protect them from further harm. If a supplier is unwilling to address the issue, then corrective action may include termination of contracts and selection of an alternative supplier.<sup>55</sup>*

For BAE to properly honour the global efforts to end modern day slavery, they need to publicly admit to their role in creating that reality in the first place. They must acknowledge that BAE and companies like it, which exist to make, sell, service weapons of war, are simply engaging in PR acts of hypocrisy when signing up to the genuine hard-fought efforts of movements struggling with the terrible human suffering that is a direct consequence of the business activities of BAE and their like.

#### EXAMPLE FOUR: EMBODIMENT OF AMORALITY?

*We provide defence equipment, training and support to other countries under government-to-government agreements with the United Kingdom. The UK maintains one of the most stringent export control regimes in the world and our activities and exports are subject to UK government approval and monitoring.*

#### Reality Check

In the Channel 4's Dispatches programme '*Britain's Hidden War*' (April 2019)<sup>56</sup>, former Secretary of State for International Development Andrew Mitchell said in his interview: "I've stood in the funeral parlour where more than a 100 people were killed as a result of a bombing run by the Saudi Air Force. We've seen the attack on children wearing their sort of UN children's backpacks lying dead beside the wreck of the bus. The position is absolutely appalling and of course Britain is complicit in this. ... I think, as things stand today, history will judge us as an appalling failure of British foreign policy."

BAE Systems prides itself as being "a world leader in ethics," so much that this hypocrisy is actively killing people. No one can illustrate this better than their former chairman:

*BAE Systems does not know whether its weapons are used to commit war crimes, the defence firm's chairman has admitted while praising its "impeccable record on values".*

<sup>55</sup> <https://www.baesystems.com/en/download-en/20180410101048/1434594517048.pdf>

<sup>56</sup> <https://www.channel4.com/press/news/britains-hidden-war-channel-4-dispatches>

*Sir Roger Carr, who formerly served as vice-chairman of the BBC Trust and chairman of Cadbury's, told shareholders gathered at the company's annual general meeting they were not complicit in war crimes allegedly committed by Saudi Arabia using BAE-made planes and bombs in Yemen.*

*Asked whether any of its products were used in an airstrike that recently killed at least 20 people at a wedding, including the bride, he replied: "You don't know and I don't know." ...*

*Sir Roger insisted that BAE Systems staff do not load weapons on to planes themselves but are involved in service, maintenance and training.*

*"It is only at that level we draw the line, the use of that equipment is for others," he added.*

*The Independent, 12 May 2018<sup>57</sup>*

## CORRUPTION

Andrew Feinstein is a former ANC MP from South-Africa. He is currently Executive Director of Shadow World Investigations and a world leading investigative writer on the topic of the arms trade. He is the author of the critically-acclaimed *'The Shadow World: Inside the Global Arms Trade'* which revealed the corruption and malfeasance at the heart of the global arms business, both formal and illicit.

He saw at the first-hand how money that should have been destined to develop South Africa and invested in health, was instead, paid out to UK PLC and BAE.

*As an ANC Member of Parliament in South Africa, I ran the main financial oversight committee in Parliament. The report came to me of a \$10 billion arms deal that we had entered into, like weapons were what was needed by post-apartheid South Africa, given our plethora of enemies around the world. To the Minister of Defence and other senior politician to senior officials in the defence force, including the head of procurement and the head of the Defence Force, and to my own party, the ANC, BAE systems the British company, paid 115 million pounds of bribes on one contract for which they did not even make the initial shortlist. The quoted price was two and a half times the price of the jet that the Air Force actually wanted. So the Defence Minister, excluded cost as a procurement criteria on the single most expensive contract that the democratic South Africa has ever signed.*

*Because I refused the President's suggestion of stopping the investigation, I was forced out of Parliament. The country's two main anti-corruption bodies were disbanded. That arms deal championed by Tony Blair, who visited the country three times to pursue it, has undermined South Africa's nascent democracy. Our current President Jacob Zuma faced 783 counts of fraud, corruption and racketeering in relation to that deal. The charges were dropped a few weeks before he was made president by a prosecutor who a few weeks after the election was made a high court judge.*

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<sup>57</sup> <https://www.independent.co.uk/news/uk/home-news/saudi-war-crimes-yemen-british-weapons-bae-systems-know-agm-values-a8347736.html>

*And that's not the worst. The most tragic, the most criminal aspect of it is that our then President Thabo Mbeki announced at the time that we were doing this arms deal that we did not have the fiscal resources to provide antiretroviral medication to the almost 6 million South Africans living with HIV and AIDS. We had enough to spend \$10 billion on weapons, the vast majority of which we have never used the jets, half of them have never left the ground. We don't have the fuel for them. We don't have the pilots to fly them, and we have absolutely no need.*

*But according to a study by the School of Public Health at Harvard, 365,000 South Africans died avoidable deaths in the five years. Because of that decision, 54,000 babies a year were born HIV positive. Because we did not have the money to provide mother to child transmission. Tell that to the next British politician or to Tony Blair and his faith foundation. When they tell you that corruption is a victimless crime, when they tell you that selling weapons is good for Britain, and good for the world.*

*The reality is that if we as ordinary citizens, accept the status quo of the global trade in arms is unchangeable, this business will continue to make the world a poorer place. A less democratic place and more corrupt place. The more dangerous place and the far, far less healthy place.*

*Andrew Feinstein, former ANC MP under Nelson Mandela, 2015<sup>58</sup>*

## MERCENARIES



Wagner Group's headquarters

The Russian state-funded Wagner Group reportedly commands an army of 50,000 (mostly inmates from Russian prisons) and has been the pre-eminent private mercenary company for hire since its founding in 2014. Not much information about the group is publicly known, other than for its own PR purposes; its own founder Yevgeny Prigozhin repeatedly denied his ownership of Wagner and connections to its activities until 2022. The Wagner Group has reportedly received billions of dollars' worth of 'inflated government contracts' from Russian government via companies linked to Prigozhin.

<sup>58</sup> <https://transformdefence.org/video-gallery/andrew-feinstein-author-of-the-shadow-world-inside-the-global-arms-trade/>

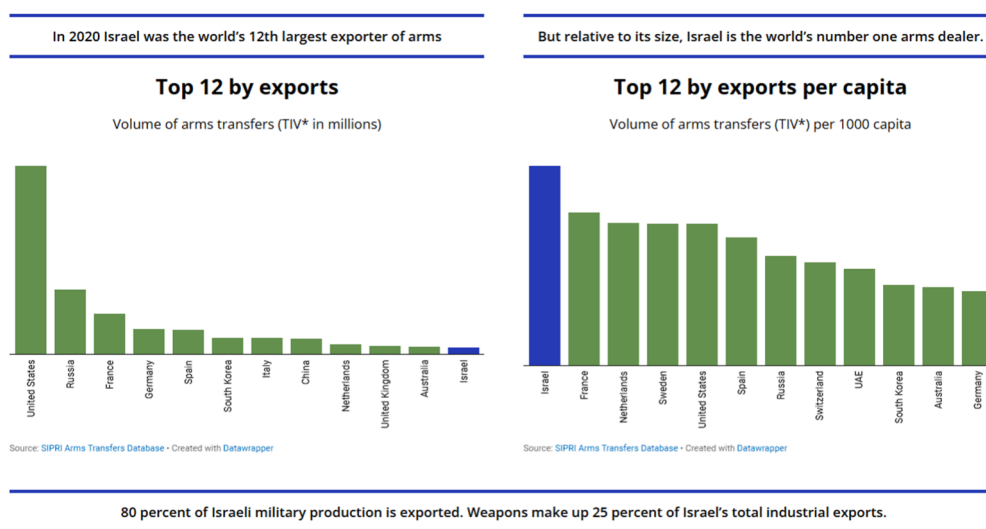


According to a British parliament report,<sup>59</sup> it has militarily operated in at least 7 countries (Ukraine, Syria, the Central African Republic, Sudan, Libya, Mozambique and Mali). The British government proscribed the Wagner Group as a terrorist organisation in 2023.

Wagner Group military operations have been very profitable.<sup>60</sup> For example, Wagner was hired by Bashar al-Assad to fight the Islamic State and was offered a 25% cut of any earnings from oil and gas fields that the group freed from the Islamic State's control.<sup>61</sup> In exchange for providing mercenary services to protect the government's hold on power, Wagner was reportedly offered substantial control over gold and diamond mining in the country, as well as forestry rights.<sup>62</sup> CBS News estimated Wagner-related forestry businesses brought in nearly \$1 billion in revenue and one gold mine could generate up to \$2.7 billion.<sup>63</sup> CNN reported that Wagner was responsible for smuggling as much as \$1.9 billion worth of gold out of Sudan in 2021.<sup>64</sup>

In 2023 a UN report found Russian mercenaries behind the slaughter of 500 people in a Malian village and implicated Wagner group fighters in the Moura atrocity, including the torture and rape of civilians. "These are extremely disturbing findings. Summary executions, rape and torture during armed conflict amount to war crimes and could, depending on the circumstances, amount to crimes against humanity," said Volker Türk, the UN high commissioner for human rights.<sup>65</sup>

## OCCUPATION, OPPRESSION & ARMS TESTING<sup>66</sup>



\*TIV is SIPRI's measurement for arms transfers known as Trend Indicator Values

Credit: TNI<sup>67</sup>

<sup>59</sup> <https://publications.parliament.uk/pa/cm5803/cmselect/cmfaif/1914/report.html>

<sup>60</sup> <https://www.forbes.com.au/news/world-news/where-does-wagners-money-come-from/>

<sup>61</sup> <https://apnews.com/article/moscow-russia-syria-middle-east-international-news-fb4bbb531e5b49df96652536afb66372>

<sup>62</sup> <https://www.cbsnews.com/news/russia-wagner-group-ukraine-war-putin-prigozhin-africa-plundering-resources/>

<sup>63</sup> <https://www.cbsnews.com/news/russia-wagner-group-ukraine-war-putin-prigozhin-africa-plundering-resources/>

<sup>64</sup> <https://www.cnn.com/2022/07/29/africa/sudan-russia-gold-investigation-cmd-intl/index.html>

<sup>65</sup> <https://www.theguardian.com/world/2023/may/20/russian-mercenaries-behind-slaughter-in-mali-village-un-report-finds>

<sup>66</sup> <https://transformdefence.org/publication/weapons-walls-oppression-the-eu-uk-israel-military-relationship/>

<sup>67</sup> <https://longreads.tni.org/state-of-power-2021/israel-infographics>

*"Israel has diplomatic relations with 157 countries, and virtually all the agreements and protocols Israel has signed with them contain military and security components..."*

Anthropologist, writer, activist and founder of the Israeli Committee Against House Demolitions, Jeff Halper argued in his book, *'War Against the People'*, that the Occupied Palestinian Territories had become the laboratory within which the R&D and production of Israeli surveillance 'weaponry' had been developed and from which the state benefitted economically, along with accompanying strategies now being exported to governments around the world.<sup>68</sup>

The current genocide of Palestinians in Gaza,<sup>69</sup> despite its intensity and unprecedented public awareness, is not an isolated atrocity but an accumulation of decades long suffering inflicted on Palestinian people by the Israeli government and accomplices. But the war on Gaza to date has seen 70% of homes and all hospitals and universities destroyed by Israeli relentless bombing. And the ceasefire has yet to take place. Two million Gazans are under 'complete siege' with no access to clean water, food and electricity, the majority of which are internally displaced and have nowhere safe to go.

*The genocide in Gaza is the most extreme stage of a long-standing settler colonial process of erasure of the native Palestinians.*

*Francesca Albanese,  
Special Rapporteur on the situation of human rights in the Palestinian territories*

### **Israel: the model coercive state**

Israel is one of the world's most militarised and securitised countries. According to the Stockholm International Peace Research Institute (SIPRI), in 2020 Israel was among the five countries with the highest military budgets in the world, at 5.6% of its GDP. Israel is also the eighth largest arms exporter in the world. Israeli arms exports accounted for 3% of the global total in 2016–20, 59% higher than in the period 2011–15.

Israel has made itself central to the international arms and homeland security industry by exporting cutting-edge military equipment, technologies and tactics to other countries. Israel exports to an estimated 130 countries worldwide.

But Israel doesn't only export arms, it also exports policing and surveillance technologies to repressive regimes and 'liberal' democracies alike. Israel has forged a strategic role in deploying a level of daily surveillance and control that has marked out internationally as the cutting edge of states counter-insurgency and population control efforts everywhere. As Maren Mantovani and Henrique Sanchez argue "In a globalized world, any analysis of militarization and repressive ideologies, methodologies and technologies has to take into account the dynamics of import and export of these concepts and tools across borders. One of the world's most prominent exporters of ideology and technology of repression is undoubtedly Israel".

By maintaining the regime of occupation and apartheid over the Palestinian people, Israel gains economically by having a testing ground for the development of weapons, security systems,

<sup>68</sup> *War Against the People*, Jeff Halper, Pluto Press, 2015

<sup>69</sup> <https://news.un.org/en/story/2024/03/1147976>



models of population control and tactics without which Israel would be unable to compete in the international arms and security markets. It gives Israel status as a major military power.

Occupation allows Israel to try out new military and security hardware, to then export. For example, Israel's largest military and security company, Elbit Systems, which markets itself as a supplier of the Israeli Defense Force, saw its profits increase by 6.1%, in the month of July 2014 alone, at the peak of Israel's last assault on Gaza. Elbit Systems sells security systems and weapons to the USA, Brazil, India, the Philippines, and Azerbaijan, among many others. The company markets its products as 'battle-tested' and claims "outstanding capabilities" based on "operational experience gained through tens of thousands of operational sorties by the IDF". In other words, they boast about the way their technologies have been tested on the Palestinian population, to improve the degree and speed of killing and maiming. ...

With US support, Israel's military and security sector has boomed, becoming a strategic part of the domestic and export-oriented economy. In 2017, the Israeli Ministry of Defense issued 29,655 export licenses to 1,546 private companies and independent traders. In 2020, Israel's defense export deals totaled \$8.3 billion, the second-highest figure ever, making up about 15 percent of its total exports. The same year, Israel allocated \$2,508 per capita, or 12 percent of total government spending, to defense.

*Alys Samson Estapé, State of Power 2021, TNI<sup>70</sup>*

## TAX AVOIDANCE

**The USA** tops the league for the world's largest arms companies. The world's top five are all USA-based and joined by thirty-five more USA-based top 100 arms companies. The US federal corporate income tax rate was lowered from 35% to 21% in 2017, but still, the arms companies paid much less effective tax rates than that – aerospace & defence industry paid on average an effective tax rate of mere 12.3% in 2018. The United States has the largest defence budget in the world by far; the average US taxpayer contributed about \$2000 to the military in 2021, more than \$900 of that went to corporate military contractors. In 2020, the largest arms company, Lockheed Martin, took in \$75 billion from taxpayers – and paid its CEO more than \$23 million.

**The Netherlands** is another leading tax haven. "Corporations with nothing more than a postal address are able to evade taxes in their own countries, file arbitration claims using Dutch investment agreements, and hide ownership and account details."<sup>71</sup> Many arms companies take advantage of this tax evasion arrangement – at least one third of the global top 100 arms companies, accounting for one of every two dollars earned with arms production, have financial structures based in the Netherlands.

Many of these companies have a record of corruption that goes beyond tax evasion. According to Transparency International, the international arms trade is believed to be one of the three most corrupt businesses in the world. The Stockholm International Peace Research Institute (SIPRI) estimates that corruption in arms trade contributes approximately 40 per cent to all corruption in global transactions.

<sup>70</sup> <https://longreads.tni.org/stateofpower/israel-the-model-coercive-state>

<sup>71</sup> <https://www.tni.org/en/publication/tax-evasion-and-weapon-production>

## REJECTION OF HUMAN RIGHTS

According to Amnesty International, "Defence giants [including Airbus (Netherlands), BAE Systems (UK), Leonardo (Italy), Lockheed Martin (USA), Raytheon (USA), Rosoboronexport (Russia), Thales (France)] are washing their hands of their responsibilities [to respect human rights under internationally-recognised standards]"

*"Of course, these companies did not make the decision to drop those bombs or deploy those tanks. But that doesn't mean they can wash their hands of responsibility. Like all companies, corporate operating in the defence sector have a responsibility to respect human rights wherever they operate, independently of state regulatory frameworks."*

*Patrick Wilcken, Researcher on Arms Control at Amnesty International*<sup>72</sup>

In 2022, a number of the leading USA defence companies found themselves facing shareholder calls for transparency on human rights, and in each case, the board advised shareholders to vote against the resolution as it would "destroy significant shareholder value."

*General Dynamics was a company responsible for a component of the bomb that was dropped on a school bus in Yemen killing dozens of children. The proposal, if put into effect, would require General Dynamics to release a report on the company's "human rights due diligence process to identify, assess, prevent, mitigate and remedy actual and potential human rights impacts associated with high-risk products and services, including those in conflict-related areas." The shareholder proposal cites an Amnesty International report from 2019 that concluded that the company did not meet its human rights due diligence responsibilities. The proposal also suggests that failing on the human rights front may have "legal, financial and reputational risks" for shareholders.*

Lockheed Martin shareholders also had the opportunity to vote on an identical proposal.<sup>73</sup>

*The board's rationale for shareholders voting against it is that the company published a human rights report in 2021 and "such a report would impose impracticable requirements on our operations and would interfere with our ability to serve our primary customers, the U.S. government and its allies." The board doesn't explain why a report on human rights would interfere with serving the United States government. In 2018, 70 percent of Lockheed Martin's revenue came from the US government alone.*

This scandalous corporate behaviour was repeated in 2024.<sup>74</sup> The four largest weapon manufacturers in the U.S. again shot down proposals from their shareholders that would have required them to disclose how their largely opaque emissions-spewing practices align with climate change mitigation goals and human rights policies. With their chief customer the Pentagon widely acknowledged as the single biggest institutional fossil fuel user in the world,<sup>75</sup> they certainly have something to hide – Lockheed Martin alone is reportedly responsible for 33 million tonnes of CO2 equivalent emissions.<sup>76</sup>

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<sup>72</sup> <https://www.amnesty.org/en/latest/news/2019/09/arms-companies-must-be-held-accountable/>

<sup>73</sup> <https://jacobin.com/2022/04/defense-contractors-human-rights-transparency-lockheed-raytheon>

<sup>74</sup> <https://www.levernews.com/arms-dealers-shoot-down-accountability/>

<sup>75</sup> <https://watson.brown.edu/costsofwar/papers/ClimateChangeandCostofWar>

<sup>76</sup> <https://ceobs.org/the-militarys-contribution-to-climate-change/>

## 5. IMPLEMENTING AN EXCESS PROFITS TAX ON THE ARMS INDUSTRY

### WHAT IT IS

This is a proposal for an annual excess profits tax on the arms industry. It is not a windfall tax. It is an annual tax to rein back arms industry profiteering in peace-time.

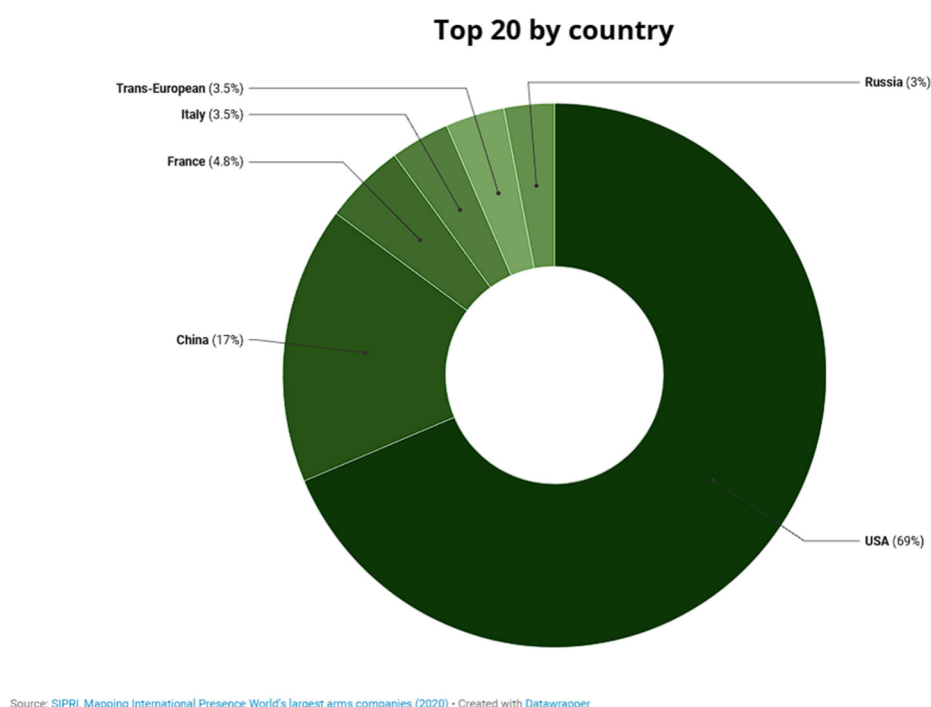
Additionally, we propose this excess profits tax is further expanded in times of war to rein in arms industry war profiteering.

Later we show that, if both taxes were implemented, a combined total of \$82bn would have been raised in 2024.

### PRIMARY TARGET – TOP 100 ARMS COMPANIES

The top 100 arms companies in the world (in terms of arms sale revenue and as ranked by SIPRI) are the primary targets.

In 2021 the top 100 arms companies accounted for \$592 billion in arms sales (pre-Ukraine and pre-Gaza and before the global military spending was vastly increased in 2022).<sup>77</sup>



Credit: TNI<sup>78</sup>

The top 20 arms companies alone account for two thirds of the total arms sales in the world and come from just a handful of countries: USA, China, Russia, UK, France and Italy. Annual revenue and profits on arms sales by multinationals are published. Arms sales have grown significantly every year over recent years and will take another hike as a result of Ukraine.

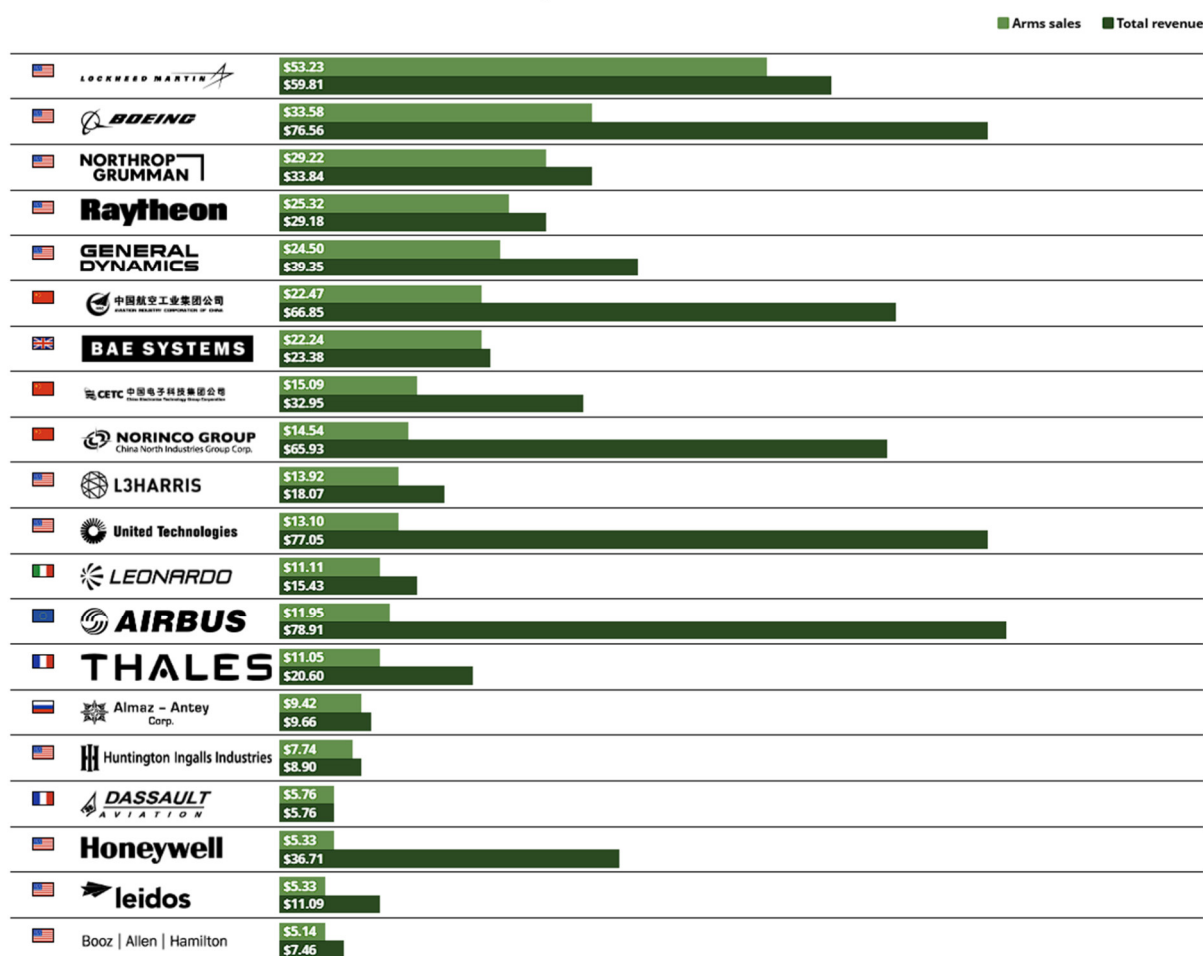
<sup>77</sup> <https://www.sipri.org/publications/2022/sipri-fact-sheets/sipri-top-100-arms-producing-and-military-services-companies-2021>

<sup>78</sup> <https://longreads.tni.org/state-of-power-2021/privatisation-of-security>

## Military Firms

The SIPRI top 20 arms-producing and military services companies in the world, 2019

Figures in US \$ billions



## FUTURE SCOPE FOR POTENTIAL EXPANSION OF TAX

Over and above the top 100, arms and security companies also anticipate significant rise in revenue arising from increasing climate / food / water/ refugee insecurity. Therefore, we suggest that the scope and scale of the excess profits taxes could be expanded over time.

### Step One

Target: Excess profits taxes on top 100 arms companies

*If this tax proposal can make progress, we could consider expanding the proposal and therefore increase tax revenues considerably.*

### Step Two

Target: Excess profits taxes on all arms companies + security companies (eg mercenaries and private border security).

### Step Three

Target: the above + essential resources war profiteers (eg financial speculators of commodities such as oil and wheat).

## HOW AN EXCESS PROFITS TAX COULD WORK

### **A global excess profits tax on arms companies could deliver \$30 billion dollars every year to fund international climate finance.**

All arms companies to adopt 'cost plus' pricing, i.e. they are allowed to add only a specific fix percentage (a markup, say 5%) to the costs to price their products:

$$\text{Costs (eg \$1m)} + \text{Profit Margin (5\%)} = \text{Price (\$1.05m)}$$

To make sure the cost-plus pricing is adhered to in any given financial year, any 'excess profits' beyond what's allowed by the cost-plus pricing will be taxed, for example, 100% back:

- There will be a global maximum arms corporate markup (say 5%).
- There will be a global minimum excess profits tax rate (say 100%).

### **EXAMPLE**

The projected price by the biggest arms company in the world, Lockheed Martin, for a fully equipped F35 was \$65m in 2011.<sup>79</sup> After more than 10 years, the price of an F-35A is \$130m, but that's still a bargain compared to F-35B at \$160m per jet.<sup>80</sup> Lockheed Martin reported more than 10% profit margin. Its arms sales in 2020 was \$58bn; excess profits tax would be \$2.9bn to bring its profit margin down to 5%.

Total arms sales by the top 100 defence companies in the world was \$592 billion in 2021. Assuming Lockheed Martin is representative, i.e. 10% profit margin, an excess profits tax (with maximum arms corporate markup of 5% and minimum excess profits tax rate of 100%) will annually deliver \$30bn to UN/national governments.

- While bidding for government contracts there should be a severe penalty for cost overruns (almost customary for defence contracts) and unrealistic pricing to deter fraudulent cost estimates.

Boeing refused to give the Pentagon cost data for almost 11,000 replacement parts over a year, according to a congressionally mandated report intended to shine a light on some military contractors' opaque pricing data. Boeing's "refusal to provide basic transparency on cost and pricing information represents a breach of the company's duty to government, taxpayers and our service members," Sen. Elizabeth Warren and Rep. John Garamendi, Democratic members of the Senate and House Armed Services committees, wrote in a letter to Boeing Chief Executive Officer David Calhoun.<sup>81</sup>

- As Ann Pettifor and Rupert Russell point out,<sup>82</sup> the cost-of-living crises and food and energy shortages occurring around the world are mainly due to speculation by the international financial market using the Russian war on Ukraine as the perfect pretext. These financial speculators have made a killing in the speculative bubble while people

<sup>79</sup> <https://www.cbc.ca/news/politics/f-35-jet-a-bargain-at-65m-1.996030>

<sup>80</sup> <https://www.npr.org/2013/01/02/167201865/at-130-million-a-plane-critics-question-the-cost-of-the-f-35>

<sup>81</sup> <https://www.seattletimes.com/business/boeing-refused-to-give-cost-data-for-11k-replacement-parts-pentagon-says/>

<sup>82</sup> <https://annpettifor.substack.com/p/why-are-western-governments-impotent>



all over the world suffer and even die from hunger and cold. Thus, the excess profits tax on the arms industry should also be applied to other economic sectors that profit unfairly and immorally in time of war; in this case, a punitive financial transaction tax should be added to any relevant transaction in the international commodities market until the war ends.



## IN NUMBERS: CURRENT CONFLICTS & WAR PROFITEERING

When wars break out, the weapons and ammunition used have already been procured – in other words, accumulated in the peacetime military budget. However, as wars drag on, militaries quickly use up the existing stock. War profiteers and their enablers use this opportunity to facilitate the replenishment of stock by charging vastly inflated prices and the longer the conflict goes on, the greater the profit-margin. Until or unless we change the way we approach international relations, this is a pattern that will never be broken. With the Russian invasion of Ukraine and Israel's genocide of Gaza, we are seeing this play out before our very eyes.

### ISRAEL/GAZA

Israel's indiscriminate carpet bombing in Gaza is the most destructive this century and among the worst in history with respect to the size and density of the area, the built environment and the population. In just the first two months the Israeli military campaign has created more destruction than the razing of Syria's Aleppo between 2012 and 2016, Ukraine's Mariupol or, proportionally, the Allied bombing of Germany in World War II.<sup>83</sup> So much ammunition has been used that the total explosive yield was compared to multiple nuclear bombs.<sup>84</sup> And this destruction is not possible without the ammunition supplied by the U.S.

The U.S. has been giving at least \$3 billion a year in military aid specifically for financing Israel's purchase of weapons and ammunition from U.S. weapons manufacturers.<sup>85</sup>

\$3.8bn a year

<sup>83</sup> <https://apnews.com/article/israel-gaza-bombs-destruction-death-toll-scope-419488c511f83c85baea22458472a796>

<sup>84</sup> <https://euromedmonitor.org/en/article/5908/Israel-hits-Gaza-Strip-with-the-equivalent-of-two-nuclear-bombs>

<sup>85</sup> <https://obamawhitehouse.archives.gov/the-press-office/2016/09/14/fact-sheet-memorandum-understanding-reached-israel>

Israeli Finance Ministry budgeted an additional \$8bn military spending for 2024;<sup>86</sup> The Israeli arms industry is integral to its national economy so assuming at least one third of military spending go to arms companies, that is \$2.7bn.

\$2.7bn (Year 2024)

Almost all bombs dropped in Gaza by Israel belong to the US-designed Mk80 family and are supplied by the U.S.<sup>87</sup> These bombs are made in various sizes, classified by total weight of the weapon: 120kg (265lb), 250kg (551lb), 500kg (1,102lb) and 1,000kg (2,204lb). A 1,000kg bomb reportedly costs the US Air Force \$16,000, and it would be expected to cost more for Israel, possibly around \$25,000. At least 75,000 tonnes of explosives have been dropped on Gaza by Israeli forces by April 2024;<sup>88</sup> this is around \$1.5 billion worth of bombs. Alternatively, it is estimated that it costs Israel at least \$15 million per day for the bombs used in its bombing campaign;<sup>89</sup> at this rate, Israel has spent over \$2 billion on bombs alone and the U.S. government will pay more billions of dollars for Israel to replenish the whole stock from the U.S. weapons makers.

In April 2024, the U.S. Congress approved an additional aid package to Israel, including \$8.7bn for replenishing and expanding ammunition stock and buying advanced weapons systems.<sup>90</sup>

\$8.7bn (Year 2024)

### **The Israeli-military-spending-to-arms-companies pipeline for 2024:**

**\$15bn**

#### **RUSSIA/UKRAINE**

Between the start of war in February 2022 and February 2024, \$85bn worth of weapons and equipment were delivered or committed to Ukraine.<sup>91</sup> This includes \$46bn from the U.S., \$11bn from Germany, \$6bn from the UK, \$5bn from Denmark and \$4bn from the Netherlands.

\$43bn a year on average

The EU failed to send a million artillery shells to Ukraine by March 2024 but 18 NATO countries agreed a \$1.5bn deal to finance the purchase of 800,000 from outside the EU.<sup>92</sup>

\$1.5bn (Year 2024)

In April 2024, the U.S. Congress approved a further over \$60bn military aid to Ukraine, including \$23bn to replenish U.S. weapons and stockpiles that were given to Ukraine, \$14bn for Ukraine to buy advanced weapons systems and other defence equipment and train their military.

<sup>86</sup> <https://www.timesofisrael.com/war-with-hamas-to-cost-israel-at-least-nis-50-billion-in-2024-says-treasury/>

<sup>87</sup> <https://www.aljazeera.com/news/2023/11/3/analysis-israels-gaza-bombing-campaign-is-proving-costly-for-israel>

<sup>88</sup> <https://www.aljazeera.com/news/2024/4/23/by-the-numbers-200-days-of-israels-war-on-gaza>

<sup>89</sup> <https://www.aljazeera.com/news/2023/11/3/analysis-israels-gaza-bombing-campaign-is-proving-costly-for-israel>

<sup>90</sup> <https://www.aljazeera.com/news/2024/4/21/us-house-passes-almost-100-billion-in-aid-for-ukraine-israel-what>

<sup>91</sup> <https://www.ifw-kiel.de/topics/war-against-ukraine/ukraine-support-tracker/>

<sup>92</sup> <https://www.bbc.co.uk/news/world-europe-62002218>

\$37bn (Year 2024)

**The Ukraine-military-aid-to-Western-arms-companies pipeline for 2024:**

**\$81.5bn**

Russia more than doubled military spending compared to pre-invasion levels which now accounts for one-third of total government budget expenditure,<sup>93</sup> and has transformed the economy into a war economy in 'full gear'.<sup>94</sup> The defence industry is now Russia's largest economy sector, supported by the previous leading sector, the fossil fuel industry. Around 3.5 million Russians now work in the defence industry, a significant increase from 2 million before the invasion.

RAND estimated that the cost to replace lost weapons and expended ammunition to be \$11 billion for the first 7 months of war.<sup>95</sup>

**Based on this, the Russia-war-spending-to-arms-companies pipeline:**

**\$19bn a year**

**AN ADDITIONAL EXCESS PROFITS TAX ON WAR PROFITEERING**

As we discussed and showed earlier in this report, arms companies typically inflate their prices significantly during time of war because of the shortage and urgency for the buyer, i.e. the governments. Moreover, governments are not known to drive a hard bargain during peacetime precisely because there is neither shortage nor urgency. Remember the price gouging examples highlighted earlier, including the extreme example of paying more than \$400,000 to replenish each Stinger missile sent to Ukraine – missiles that were originally bought for \$25,000 a piece in 1991? That is a 1500% increase, way outstripping inflation. Thus, we can expect the profit margins for war-time purchasing will prove to be much higher than the 10% in peacetime.

For the sake of illustrating the principle of an excess profits tax on war profiteering, 100% tax rate would be too high and 25% too low. Without knowing the details of actual price gouging, let's assume the wartime profit margin for the industry in general is 50%, and we want to bring it down to 5% as before and any profit above will be 100% taxed back. The excess profits tax will now be 45% on revenue.

$$50\% - 5\% = 45\%$$

The total revenue for arms companies from the prior discussed two wars is \$115.5bn in 2024. An excess profits tax on war profiteers (with maximum arms corporate markup of 5% and minimum excess profits tax rate of 100%) would deliver \$52bn to UN/national governments for climate finance.

**An excess profits tax on war profiteers if implemented would deliver \$52bn in 2024.**

<sup>93</sup> <https://www.sipri.org/publications/2023/sipri-insights-peace-and-security/another-budget-country-war-military-expenditure-russias-federal-budget-2024-and-beyond>

<sup>94</sup> <https://edition.cnn.com/2024/03/10/politics/russia-artillery-shell-production-us-europe-ukraine/index.html>

<sup>95</sup> [https://www.rand.org/pubs/research\\_reports/RRA2421-1.html](https://www.rand.org/pubs/research_reports/RRA2421-1.html)



## 7. MOVING AWAY FROM PROFITEERING AND TOWARDS COOPERATION AND CLIMATE JUSTICE

### ‘WAR IS AN ABSURDITY IN THE 21ST CENTURY’

So said UN Secretary General Antonio Guterres on his visit to Ukraine in 2022.

In July 2023, the UN Secretary General presented his vision for A New Agenda for Peace.<sup>96</sup>

A New Agenda for Peace encourages Member States to move beyond the current logic of competition and find avenues for cooperation and collective action to pursue shared interests. The vision offered in A New Agenda for Peace is grounded in three principles – trust, solidarity, and universality. It reiterates some basic principles for international cooperation: the centrality of the UN Charter, diplomacy, the need to rebuild mechanisms to manage disputes and improve trust among major powers and regional frameworks.

The Secretary General through the UN Disarmament for Development Agenda has also called for ‘operationally linking disarmament with many SDGs’

*“The disarmament agenda underscores a vast potential to operationally link implementation of disarmament objectives with many SDGs.... The economic costs of insecurity are enormous... More than \$1.7 trillion was spent on militaries and their equipment. This is vastly disproportionate with contemporary sources of national and human insecurity, which include climate change... pandemics... involuntary migration. Not only is much of this spending economically unproductive, but excessive military spending by one nation also multiplies throughout the international system, prompting excessive spending elsewhere.”*

United Nations Report - Securing our Common Future 2018  
[Note that \$1.7tr is now \$2.4tr]

### ADDRESS CLIMATE BREAKDOWN - PRIORITISE INTERNATIONAL CO-OPERATION, CLIMATE FINANCE AND ZERO CARBON OVER FEAR, ARMS PRODUCTION AND EVER RISING MILITARY SPENDING

Code Red for Humanity is the biggest threat to our collective security. We are on course for more than 2.5 degrees of heating above pre-industrial levels this century.

Our leaders are wilfully, knowingly, ‘fiddling while Rome burns’. Tragically, 19<sup>th</sup> and 20<sup>th</sup> century geopolitical thinking still shapes international relations in this 21<sup>st</sup> century. The military-oil-industrial complex is a central pillar of this anachronistic thinking that places military prowess and military objectives above the climate emergency.

And the arms industry benefits hugely from this ongoing status quo.

It profits from the human, environmental and climate destruction of war. Moreover, many of these companies additionally profit from the negative consequences caused by their actions by

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<sup>96</sup> <https://press.un.org/en/2023/sgsm21885.doc.htm>

securing additional revenue for border militarisation to manage refugees, leading in turn to even greater revenue from government contracts as part of the militarisation of emergency response to conflict and climate disasters.

This has to be challenged.

No F-35 will stop New York City, Alexandria, Shanghai, Amsterdam, Rio de Janeiro, Tokyo, Venice, Bangkok, Mumbai and London going under water; no nuclear warhead will solve India and Pakistan's disappearing water-table; no anti-terror AI will stop West Africa's growing desertification.

Every person, community, society, nation, region needs protection from aggressors and terrorists and it is the job of government to defend its citizens from such threats. But these threats need to be in their place, proportionately, alongside much greater but entirely marginalised human safety threats such as climate breakdown and pandemic.<sup>97</sup>

*What we urgently need now is a rethinking of the entire concept of security. Even after the end of the Cold War, it has been envisioned mostly in military terms. Over the past few years, all we've been hearing is talk about weapons, missiles and airstrikes... The overriding goal must be human security: providing food, water and a clean environment and caring for people's health. To achieve it, we need to develop strategies, make preparations, plan and create reserves. But all efforts will fail if governments continue to waste money by fueling the arms race... I'll never tire of repeating: we need to demilitarize world affairs, international politics and political thinking.*

*Mikhail Gorbachev Time Magazine, April 15, 2020<sup>98</sup>*

An excess profits tax on the arms industry offers a much-needed opportunity for wider discussions about what kind of 'protection' humanity needs in the face of 2.5 degrees of warming; how and why it demands we organise international relations differently; and why we must enter an era of international co-operation because we simply have no choice. It raises questions about the insane levels of ever-rising military spending, who is profiteering from defence spending and the utility of the arms industry in the face of global boiling; finally, asking the tough, fundamental question: how to drain the arms industry feeding trough such that those hundreds of arms-industry-contract-billions can add to the trillions the UN says we need?

If we are to move towards far greater global cooperation and see climate justice demands met, we must tackle the difficult topic of the global arms trade. An excess profits tax could play an important role in this effort.

## RECOMMENDATIONS

1. An excess profits tax on top 100 arms companies (ranked by SIPRI). A typical profit margin for an arms company is 10%. A 100% excess profits tax on profits over 5%, i.e. 5% on revenue in this case, will bring the profit margin down to the more reasonable level at 5%.

<sup>97</sup> <https://transformdefence.org/publication/the-global-military-and-un/>

<sup>98</sup> <https://time.com/5820669/mikhail-gorbachev-coronavirus-human-security/>

2. A war profiteers' tax on arms companies' revenue generated by wartime sales.  
Arms companies greatly inflate their product prices during wartime, taking advantage of scarcity and urgency. Assuming an inflated profit margin of 50%, a 100% war profiteers' tax on profits over 5%, i.e. 45% on revenue in this case, will bring the profit margin down to the more reasonable level at 5%.
3. All excess profit tax revenue to be directed toward the climate finance needs of the most climate vulnerable nations, many of whom have been or are on the frontline of both conflict and climate change, with the former also a contributor to latter, in the form of military/arms trade GHG emissions.
4. Calls for an excess profits tax on arms industry and cuts to military spending (such as the Five Percent Formula)<sup>99</sup> to be included in all climate finance demands at relevant international meetings such as COP29, Bonn Climate Conference, Summit for the Future.
5. Support of UN New Agenda for Peace. Transformation of our collective foreign, security and defence policy making to rely less on arms and aggression and more on diplomacy and peaceful means. Without change, the oil industry and the arms industry will always be the most influential stakeholders / lobbyists in our governments that inevitably always makes decisions that deteriorate our and the environment's wellbeing while profiting greatly from these decisions. [Note that there is no modern military without the arms and oil industries.]
6. Call for the term 'military aid' to be replaced by 'military finance'.

[www.transformdefence.org](http://www.transformdefence.org)

[www.tippingpointnorthsouth.org](http://www.tippingpointnorthsouth.org)

Transform Defence is a TPNS Project




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<sup>99</sup> <https://transformdefence.org/the-five-percent-proposal/>