



More conflicts, more profits? The risks of the financialisation of rearmament

Banca Etica Group's position on the ReArm Europe Plan

'Sleep, sleep tight, for if you sleep you won't see so many infamies and troubles that happen in the world amid the bombs and guns of the (...) civil peoples. Since this den of murderers that bloodies the earth know full well that war is a great money-making scheme that prepares the resources for the thieves of finance'.

Trilussa, 1914

Introduction

Banca Etica Group has always excluded any relationship with the arms industry. While many banks have adopted guidelines to regulate their operations in this sector, for ethical finance, complete exclusion is one of the central and most distinctive elements. This determination has been in place since the group's inception over 25 years ago. It is not a policy that can be changed, but a fundamental choice, enshrined in the Bank's Articles of Association. In particular, Article 5 states that *'financial relationships with economic activities that, even indirectly, hinder human development and contribute to the violation of fundamental human rights will be excluded'*.¹

Weapons represent the sector that most directly and visibly causes such violations. The role of finance in fuelling the production and trade of arms is a key concern. For this reason, in addition to consistently excluding any relationship with the arms industry supply chain, Banca Etica Group has over the years strengthened its cultural and political commitment to promoting peace-oriented finance. The cultural foundation Fondazione Finanza Etica is among the founding members of the Rete Italiana Pace e Disarmo (Italian Peace and Disarmament Network)². Etica Sgr, the Group's asset management company, is at the forefront of this issue and, as the sole Italian representative, recently spoke at the United Nations conference in New York to advocate for the promotion of the Treaty on the Prohibition of Nuclear Weapons³. And this is just one of many examples of our continued commitment in this field.

The EU has recently taken a sudden and decisive turn towards a war economy. This shift affects both public and private finance, particularly in relation to approaches to sustainable finance.

Public finance

As outlined in the introduction to the Finance and Arms factsheet⁴: *'The most serious and evident*

¹ Articles of Association of Banca Popolare Etica S.C.P.A. - <https://www.bancaetica.it/statuto/>

² Rete Italiana Pace e Disarmo - <https://retepacedisarmo.org>

³ Etica Sgr at the UN: Stop funding nuclear weapons - <https://www.eticasgr.com/storie/campagne-internazionali/disarmo-nucleare-etica-sgr-onu-stop-armi-nucleari>

⁴ Fondazione Finanza Etica, 'Understanding Finance' factsheets – Finance and Arms - <https://finanzaetica.info/capire-la-finanza/finanza-e-armi/>

consequences of arms production and trade are the deaths and destruction caused by wars and conflicts. When examining the relationship between arms and finance, other factors also emerge, with direct impacts on human rights, fundamental freedoms, security, and the promotion of peace. The production and trade of arms represent the clearest example of unproductive spending – that is, expenditure with no benefit in terms of development, infrastructure, or quality of life. [...] Military spending constitutes a significant portion of public expenditure and diverts crucial resources away from education, healthcare, and other essential services. A model studied in macroeconomics is known as the ‘guns or butter’ dilemma: the paradigm that a society can pursue either a war economy or a peace economy, but not both’.

In a very short time, spending on armaments – and above all, the financial mechanisms to support it – has taken centre stage on the political agenda of both the EU and individual member states (see [Helsinki’s decision to raise Finland’s military spending to 3%, bringing an end to the ban on anti-personnel mines](#)).

With ReArm Europe – later rebranded as ‘Readiness2030’, perhaps to downplay the gravity of the plan’s content in the eyes of the public by removing the word ‘arms’ – the EU has decided to allocate EUR 800 billion. Of this, EUR 150 billion is expected to come directly from European funds, while EUR 650 billion will be contributed by national governments. This decision was taken without any real public debate, and bypassed the European Parliament, a core democratic institution representing the will of EU citizens. The European Commission has opted to invoke Article 122 of the Treaty on the Functioning of the European Union, which allows a proposal to be submitted directly to the Council – thereby effectively bypassing Parliament.

If the process is questionable, the substance is even more alarming. The EUR 150 billion provided at EU level is expected to be issued as loans to countries investing in arms, thereby generating new public debt – a burden that will fall on future generations

The EU’s commitment goes well beyond ReArm Europe. It has now begun discussions on approving the next budget for the 2028–2034 period⁵. One of the few details that has already emerged is the highly probable increase in defence spending⁶. In the absence of additional resources – which currently seems unlikely – this would mean cutting other areas of the EU budget. There is a real risk that such cuts could affect social spending and support for the most vulnerable groups in society.

Even more concerning, the EUR 650 billion to be contributed directly by Member States may be excluded from the calculation of the deficit-to-GDP ratio required by the European Stability Pact. For years, calls have been made for Europe to revise these macroeconomic criteria and to exempt from this calculation investments aimed at addressing climate change, employment, healthcare, and education⁷. What has always been denied – even to address clear and growing social and environmental emergencies, and to protect the fundamental rights of European citizens – is now being granted, in a matter of days and without democratic debate, to produce weapons and invest more freely in the defence sector. Moreover, when it comes to the substance of ReArm Europe, many have raised concerns over misleading figures and serious inconsistencies throughout the plan⁸.

⁵ The EU’s most important medium-term economic planning tool is the Multiannual Financial Framework – a six-year spending plan that governs the allocation of available resources across Europe. The current MFF covers the period 2021-2027, and discussions have now begun for the 2028-2034 cycle.

⁶ EU News, “New EU Commission determined to boost defence, industry, “at least 100 billions in the budget”” - Emanuele Bonini - 27/11/2024 - <https://www.eunews.it/en/2024/11/27/new-eu-commission-determined-to-boost-defence-industry-at-least-100-billion-in-the-budget/>

⁷ “L’Europa dimentica se stessa, e va alla guerra”, Alessandro Volpi, Valori, 5/3/2025 - <https://valori.it/europa-guerra-russia-armi/>

⁸ “Le falle del riarmo europeo. Si parte col piede sbagliato”, Mauro Meggiolaro, Domani 15/03/2025 - <https://www.editorialedomani.it/economia/le-falle-del-riarmo-europeo-si-parte-col-piede-sbagliato-a87t742w>

The financialisation of defence: when war becomes business

While ReArm Europe signals that public finances are being directed towards a rearmament race, the direction private finance appears to be taking is even more concerning. At the time the ReArm Europe plan was unveiled, some newspapers ran headlines such as [‘EU considers using household savings to fund the defence revival’](#). Although fears of compulsory levies on bank accounts quickly proved unfounded, there remains concern about what the European Commission actually intends – specifically, the aim to channel an ever-greater share of European citizens’ savings and investments into the arms industry.

The Savings and Investments Union is a directive under discussion in early 2025 that is crucial for the future financial and productive structure of the EU. It is based on the idea that European companies make ‘too little’ use of financial channels compared to banks, and that citizens’ savings (estimated at EUR 10 trillion sitting in current accounts across the continent) should also be used to finance EU companies. The main mechanism for linking savings to financial markets is [securitisation](#) – that is, the process of turning a loan into a financial security.⁹ In recent weeks, the main push to accelerate the approval of this directive has been tied to the need to find new channels of financing for the arms industry.

If the Savings and Investments Union directive is approved, European savers and workers – through investment funds, pension funds, and insurance companies – may find themselves holding financial securities in their portfolios that, via complex and opaque mechanisms such as securitisation, end up supporting the arms industry¹⁰. This is already happening, at least in part, as shown by the growing number of reports indicating that [pension and investment funds are heavily investing in weapons](#)¹¹. In France, the Minister of the Economy has already announced that the country’s [public investment bank](#) (Bpifrance) will issue savings bonds that will allow savers to invest in companies that produce arms.

In the rush to secure resources for rearmament, no one seems to be asking a crucial question: what are the risks associated with entrusting private and speculative finance with raising funds to finance military spending, a vital activity for states with vast geopolitical and human rights implications?

An analysis by the Stockholm International Peace Research Institute (SIPRI) titled [‘Going private \(equity\): A new challenge to transparency in the arms industry’](#) highlights how the acquisition of arms manufacturers by private equity funds reduces transparency in the sector. This opacity can undermine oversight and accountability, both of which are essential for maintaining international

⁹ Understanding the mechanics of securitisation: a simplified example.

Consider a bank that issues a series of mortgage loans. To recover the capital disbursed, it must wait for borrowers to repay the loans through instalments over a period that may span several decades.

Securitisation enables the bank to create financial instruments whose value is derived from the stream of payments made by borrowers. By selling them, it immediately recoups the loans disbursed, thus transferring both the wait for repayment – and the uncertainty associated with it – to the purchasers of these securities. This process yields several benefits. The bank reduces its exposure to credit risk and releases capital, which it can then use to extend new loans. Furthermore, securitisation can broaden financing opportunities for businesses. A non-listed company – which cannot raise capital through traditional equity or bond issuance – can convert its receivables into financial securities, thereby gaining access to retail and institutional investor capital across Europe. However, the implications are not entirely positive. Recent history offers a cautionary tale. The mechanism described above was precisely what fuelled [the subprime mortgage bubble](#). Banks extended loans to borrowers with little or no creditworthiness, confident that they could rapidly securitise these assets and offload the associated risk onto the financial markets. The ensuing financial collapse in 2008 led to a significant retrenchment in securitisation activity, particularly within the European Union.

¹⁰ "L'arma delle cartolarizzazioni, e le cartolarizzazioni per le armi", Andrea Baranes, Valori, 20/03/2025 - <https://valori.it/europa-cartolarizzazioni-armi/>

¹¹ "I fondi pensione si buttano nel business del riarmo. Tfr usati per finanziare la costruzione di missili e carri armati", Mauro Del Corno, Il Fatto Quotidiano, 24/03/2025 - <https://www.ilfattoquotidiano.it/2025/03/24/i-fondi-pensione-si-buttano-nel-business-del-riarmo-tfr-usati-per-finanziare-la-costruzione-di-missili-e-carri-armati/7912199/>

stability.

On the eve of the First World War, the Roman poet Trilussa reminded us that *'war is a great money-making scheme that prepares the resources for the thieves of finance'*. More than a century later, the world seems poised to hand over to financial markets a significant portion of decisions about how many and which weapons to produce, and who should produce them, based solely on expected profits. The financialisation of public services generates speculative bubbles and social harm: yielding to the financialisation of war and defence risks creating mechanisms that fuel conflict, as conflict multiplies business opportunities for some.

Consider the surge in profits and returns recorded by all major arms manufacturers since 2022: according to a [report by Mediobanca](#), from early 2022 to October 2024, the share returns of international defence companies were +72.2%, far exceeding the global stock index (+20.1%). European companies performed even better, with a return of +128.1%, compared to +59.1% for US groups. Among European companies, Rheinmetall saw a +66.2% increase, QinetiQ +55.6%, and Leonardo +49%. In the first months of 2025, [the STOXX Europe Total Market Aerospace & Defense Index continued its growth](#), recording a +35% increase through March, compared to +9% for the STOXX Europe 600 Index. Leonardo achieved an 84% increase over the same period.

Sustainable finance and arms

This strategy to expand all possibilities for financing arms also involves a radical rethinking of European sustainable finance or ESG, which is now being asked to include arms among sustainable investments. The EU Directorate-General for Defence Industry and Space (DG DEFIS) recently organised a meeting to discuss how to increase funding for the arms industry. At the heart of the discussions was the idea that there is no reason to exclude arms from investment funds that wish to define themselves as sustainable. Slogans like 'no sustainability without security' were repeated. They even went as far as to label approaches to sustainability that exclude the arms sector as 'toxic'¹². In recent days, the same Directorate wrote to the conference participants and launched a consultation *'with the aim of removing regulatory barriers/discrimination affecting the European defence industry in EU regulations and programmes'*¹³. Unfortunately, it is easy to interpret these 'discriminations' as exclusions or even limits on sustainable fund investments in the arms industry. In early April [financial giant Alliance](#) announced that it would include the securities of nuclear weapons manufacturers among its sustainable finance products, going as far as to claim that the role of nuclear weapons in deterrence makes them products with positive social impacts.

The ethical finance sector has always made it clear that [such a position is 'unacceptable'](#)¹⁴, as reiterated by the Global Alliance for Banking on Values (GABV), which unites over 80 ethical banks across all continents. At its 2024 assembly, the GABV approved the [Milan Declaration: a manifesto for peace finance](#), which clarifies that *'the financing of weapons cannot be part of, and is incompatible with, any definition of sustainable finance'*.

The same position is reflected in the Charter¹⁵ of FEBEA, the European Federation of Ethical and Alternative Banks, which stipulates that any financing of activities or projects in the arms sector is excluded.

Some say no

Against this backdrop, there is a growing number of initiatives opposing the narrative of rearmament and war, which has quickly taken centre stage in the media and political agenda.

¹² "Armi sostenibili. Di cosa stiamo parlando?", Andrea Baranes, Valori, 5/12/2024 - <https://valori.it/armi-sostenibili/>

¹³ Email sent by the European Commission (DG DEFIS) on 25 March 2025 at 17:57

¹⁴ "Il Gruppo Banca Etica: "inaccettabile considerare sostenibili gli investimenti nelle armi", Valori, 5/12/2023 - <https://valori.it/banca-etica-inaccettabile-investimenti-armi-sostenibili/>

¹⁵ FEBEA Charter - https://febea.org/wp-content/uploads/2024/10/febea_charter_eng_1.pdf

In Italy, the '[Fermiamo il riarmo](#)' (Stop Rearmament) campaign has been launched by numerous civil society organisations, proposing specific disarmament measures based on the need for peace policies: the prevention of violent conflicts, strengthening the role of the United Nations, diplomatic action, and the creation of a shared and common security framework¹⁶. An in-depth analysis highlights that *'In Italy, the latest budget law has increased military spending by 12%, and there are already plans to spend nearly EUR 40 billion on weapons systems over the next three years. If, as anticipated by various government sources close to the Ministry of Defence, the aim is to reach 2.5% of GDP for defence spending, at least an additional EUR 20 billion would need to be found. Given the latest budget law, however, there is no money available (unless cuts are made to health and education)'*¹⁷.

Another appeal in Italy has been signed by [2,500 scientists opposing rearmament](#)¹⁸. The introduction emphasises that *'it is a moral and civic duty of every person of goodwill to raise their voice against the call for further European militarization, and to promote dialogue, tolerance, and diplomacy. Heavy militarisation does not defend peace; it leads to war'*.

An [appeal launched in Spain](#)¹⁹ reminds us that *'greater political and diplomatic efforts are needed to explore still-untapped paths of dialogue in response to threats of aggression. Is it stupid, simplistic or naive to desire this in the name of peace and social justice? Is it somehow more intelligent, sophisticated or mature to believe that the winds of war, belligerent rhetoric and a commitment to arms will lead to a better future? Rearmament in Europe will not bring peace, it will not foster détente, but will only draw us closer to war'*.

A Europe-wide campaign called [Stop Rearm](#)²⁰ has been launched, reminding us that ReArm Europe represents *'EUR 800 billion stolen – stolen from social services, healthcare, education, employment, peacebuilding, international cooperation, a just transition and climate justice. The only beneficiaries will be arms manufacturers in Europe, the United States and beyond. It will make war more likely and the future less secure for everyone. [...] We do not need more weapons; we do not need to prepare for more wars. What we need is an entirely different plan: genuine social, ecological, and shared security for Europe and the world'*.

Our commitment

As the Banca Etica Group – long committed to promoting a financial system grounded in transparency, participation, and attention to the social and environmental impacts of economic activity – we fully identify with these appeals and will continue to support, with even greater determination and conviction, the complete exclusion of any financing for the arms industry.

We will continue to do so with all our strength. On the one hand, through our daily operations and the careful use of the funds entrusted to us by our members and customers. On the other, by raising our voice and working alongside the networks and organisations with whom we have built a partnership spanning more than 25 years.

We are convinced that it is both possible and necessary to build relationships – between individuals and between nations – based on dialogue and diplomacy. To imagine and promote relationships founded on peace, human rights, and social and environmental justice is not naïve. It is the only possible future.

¹⁶ Fermiamo il riarmo - <https://fermailriarmo.it>

¹⁷ "Fermiamo il riarmo", Giulio Marcon, Valori, 24/03/2025 - <https://valori.it/fermiamo-il-riarmo/>

¹⁸ Carlo rovelli, Flavio del Santo, Francesca Vidotto, "Scienziati contro il riarmo", Corriere della Sera, - 19/03/2025 - https://www.corriere.it/opinioni/25_marzo_19/scienziati-contro-il-riarmo

¹⁹ Manifesto – Non ci rassegniamo al riarmo e alla guerra in Europa - <https://forms.komun.org/manifiesto-contra-el-rearme-y-la-guerra-en-europa>

²⁰ Stand up against war. Stop ReArm Europe - <https://stoprearm.org>

