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Defense contractor shares surge as US doubles NATO arms sales

The year 2022 concludes with a shocking death toll: according to figures cited by US General Mark Miley, 200,000 people have been killed or injured in the fratricidal war in Ukraine.

This horrific loss of life has been the basis for the generation of vast profits for the arms manufacturers. Under conditions in which the Dow Jones Industrial Average has fallen by 10 percent for the year as a whole, the share prices of US defense contractors have surged. Over the past 12 months, the share price of Northrop Grumman has increased 40 percent, Raytheon is up by nearly 17 percent, while Lockheed Martin has surged by 37 percent.



President Joe Biden greets workers during a tour of the Lockheed Martin Pike County Operations facility where Javelin anti-tank missiles are manufactured, Tuesday, May 3, 2022, in Troy, Ala. (AP Photo/Evan Vucci)

By some estimates military spending by the United States and its allies is growing at a level without precedent since the end of the Second World War.

The number and cash value of arms sales approved by the United States to its NATO allies has nearly doubled in 2022 compared to 2021, according to an [analysis](#) by *Foreign Policy* magazine.



Shares of defense contractor Northrop Grumman Corp have surged over 40 percent over the past year. [Photo: Google Finance]

Foreign Policy wrote, “In 2021, the U.S. government approved 14 possible major arms sales to NATO allies worth around \$15.5 billion. In 2022, that jumped up to 24 possible major arms sales worth around \$28 billion, including \$1.24 billion worth of arms sales to expected future NATO member Finland.”

In December, Germany announced an \$8.4 billion plan to purchase dozens of F-35 fighters from US arms manufacturers. That same month, the US approved a plan to sell over a hundred M1 Abrams battle tanks to Poland.



Shares of Lockheed Martin Corp, maker of the F-35 fighter, are up 37 percent for the year. [Photo: Google Finance]

The United States has already approved plans to sell HIMARS launchers to Estonia and Lithuania, and a similar plan for Latvia is expected to be announced within a matter of months.

The major European powers are surging their military spending, with 10 NATO members spending more than 2 percent of GDP on weapons this year, up from four in 2014.

Last week, US President Joe Biden signed into law the \$858 billion National Defense Authorization Act (NDAA). The final bill passed by Congress was \$45 billion larger than that requested by the White House, which was in turn larger than the request by the Pentagon.

The budget marks an eight percent increase over last year and a 30 percent increase in military spending over the 2016 Pentagon budget. The massive surge in military spending comes as the typical US household saw its real income fall by three percent in the past 12 months.

The bill increases funding for every single military department and weapons program. The US Navy will get \$32 billion for new warships, including three Arleigh Burke-class destroyers and two Virginia-class nuclear submarines. And the Pentagon is authorized to purchase a further 36 F-35 aircraft, each costing approximately \$89 million.

Spending by the Army to buy missiles will increase by 55 percent, while Navy weapons purchases are to increase by 47 percent, according to an [analysis](#) by the *New York Times*.

In September, Raytheon and Northrop Grumman won a \$1 billion contract to make prototype hypersonic missiles for the US Air Force.

Summarizing the surging orders for major defense contractors, the *Times* notes, “Lockheed Martin, the nation’s largest military contractor, had booked more than \$950 million worth of its own missile military orders from the Pentagon in part to refill stockpiles being used in Ukraine. The Army has awarded Raytheon Technologies more than \$2 billion in contracts to deliver missile systems to expand or replenish weapons used to help Ukraine.”

The surge in spending is also taking place among the US’s Asian allies. This month, the Japanese government unveiled a new national defense strategy that will double the country’s military budget and transform its military into an offensive fighting force. For the first time, Japan will procure long-range missiles capable of hitting China in an offensive strike.

The vast amount of military hardware transferred to Ukraine almost defies belief. To date, the United States and its allies have provided Ukraine with over 100,000,000 rounds of small arms ammunition, over a million rounds of artillery ammunition, and over 100,000 tank rounds.

This is in addition to providing Ukraine with some of the most advanced weapons in the US arsenal, including the Paladin armored gun, the NISAMS and Patriot anti-aircraft systems, as well as the HARM anti-radar and Harpoon anti-ship missile.

But this is only the beginning. “We’re going to ramp up,” Army Secretary Christine Wormuth told the *Times*. “We’ve really been working closely with industry to both increase their capacity and also the speed at which they’re able to produce.”

In an [analysis](#) for the CEPA think tank, Timothy Ash, a fellow at the pro-imperialist British think tank Chatham House, observes, “Wars are shop windows for defense manufacturers... Putin’s misjudgment has merely provided a fantastic marketing opportunity for its Western competitors.”

The study notes, “With the quality/capability of [Russian] equipment now being questioned because of poor battlefield performance, they will likely be vying to acquire a better US kit.”

No doubt eyeing immense prospective profits for the US and British defense contractors, Ash concludes, “Yet from numerous perspectives, when viewed from a bang-per-buck

perspective, US and Western support for Ukraine is an incredibly cost-effective investment.”

Ash’s comments echo the declaration in July by Ukrainian defense minister Oleksii Reznikov that “Ukraine is now essentially a testing ground,” adding, “Many weapons are now getting tested in the field in real conditions of battle against the Russian army, which has plenty of warning systems of its own.”

He concluded, “We are interested in testing modern systems in the fight against the enemy, and we are inviting arms manufacturers to test new products here.”

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