

Money bombs: The role of finance in the global arms production business

Top US and European banking institutions play a key role in financing arms companies. Explore which, where and how they do so.

We know that military spending is on the rise in the current troubled geopolitical context. **World military expenditure** [passed \\$2 trillion](#) for the first time in 2021. Indeed, national defence budgets and bilateral arms trade agreements hit the headlines regularly, while their final destination sparks political debates from time to time depending on which conflicts the media focuses on.

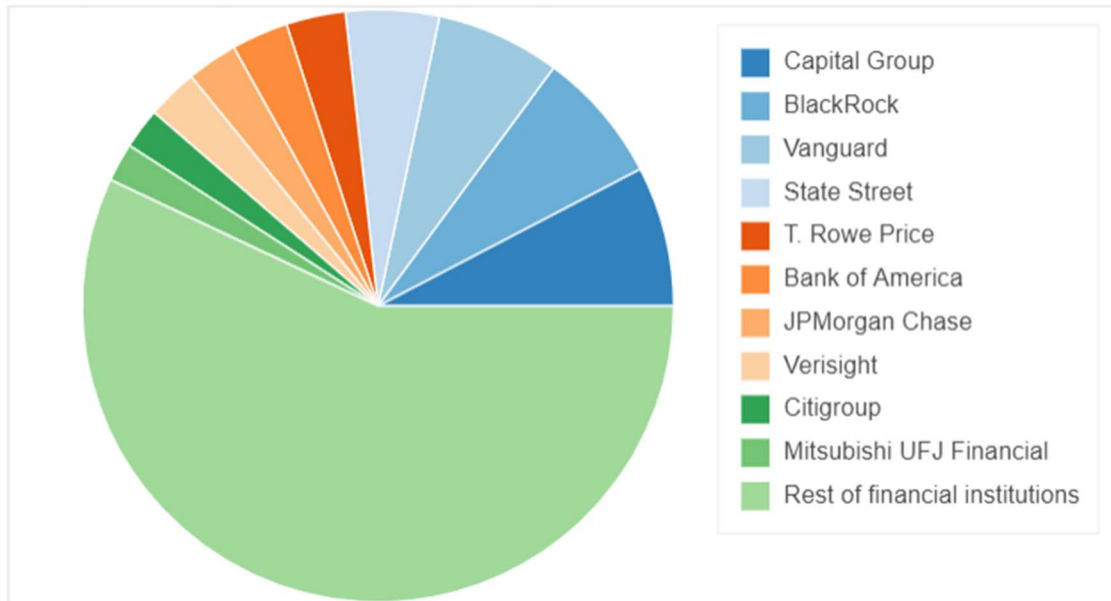
But there is another key agent in the worldwide arms business that is usually overlooked: **financial institutions** – among them, probably also your bank. And thus, your money as well – apart from the one you pay for the defence budget through your taxes. [According to Jordi Calvo](#), the Delas Center for Culture of Peace director, “around three-quarters of **the balance sheets of military companies** are sustained thanks to the **debt they either have with banks or that they manage**, with capital increases, **bond issuance**, promissory notes, **inevitably with banks**”.

Thus, we will examine the [Delas Worldwide Armed Banks Database](#) to find out which banking institutions finance arms companies the most and what are the corporations that receive the greatest financial flow. Delas dataset contains **aggregated data from 2014 to 2019** and was last updated in September 2020, and it only includes information from 41 distinct countries, **mainly from the West and the Global North**, but excluding Russian banks and arming companies. Finally, we will get an overview of the **global trading flows** through the Stockholm International Peace Research Institute ([SIPRI](#))’s [databases](#) on arms trade indicator values.

Financing and producing arms: US-based institutions and companies dominate the Top 10s

Capital Group, BlackRock –the world’s largest asset manager– and Vanguard are the top three financial entities that lend, manage or own shares and bonds from companies that produce military equipment. As most of the top 10, they are all registered in the US, which is the global arms exporter leader as well. These ten financial institutions alone –that is, the 0.8% of the total 1243 institutions in the database– accounted for **more than one trillion dollars** and **almost half of the total money** invested in arms companies between 2014 and 2019. Likewise, the money flow is highly concentrated in the receiving companies end. Out of the 39 manufacturers of the dataset, **the top 10 concentrated the 77%** of investments.

The top 10 banking institution financing arms producers, and the rest

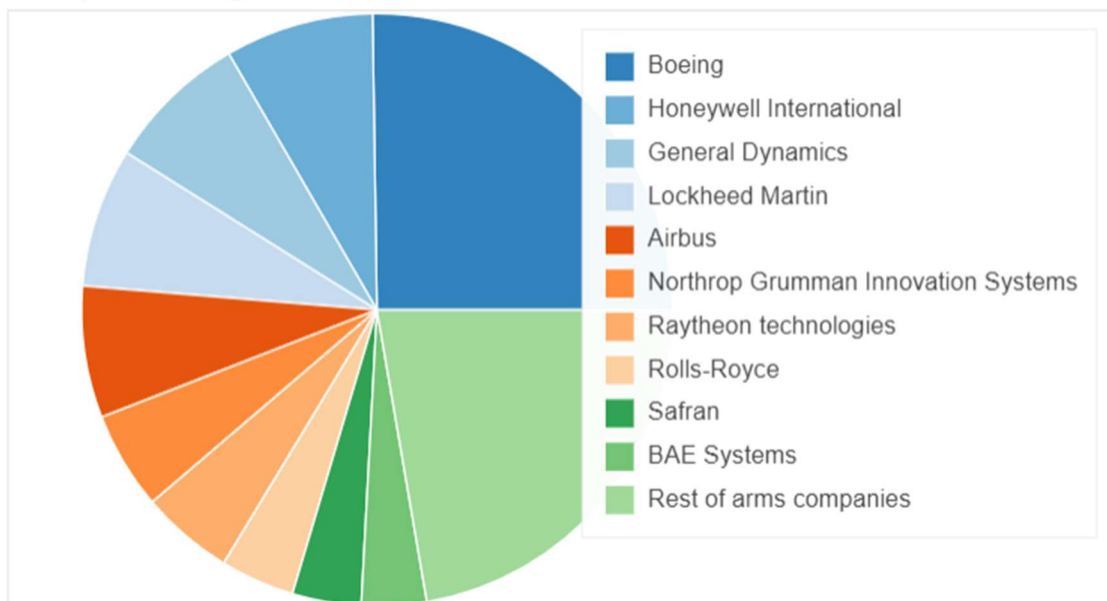


**Note: for accessing the interactive features of the graphs, see the Jupyter Notebook attached.*

Boeing hoards almost a fourth of the investment

Boeing is the manufacturer that received the greatest share of the global financial flow: up to **286 billion USD** – almost a fourth of the total. **Honeywell International**, **General Dynamics**, **Lockheed Martin** and **Airbus** followed, receiving from 80 to 90 billions. Northrop Grumman IS and Raytheon technologies received around 60 billion each. Rolls-Royce, Safran and BAE Systems complete the top 10. Behind these figures we find the manufacturing of **all sorts of weaponry and military equipment**: from warships, tanks, bombs, nuclear submarines and missile guidance systems, to defence information and technology systems.

The top 10 receiving arms companies and the rest



After the US, most of the rest of the money flowing to arms companies comes from financial institutions and pension funds based in **France** (Crédit Agricole, BPN Paribas), the **Netherlands**

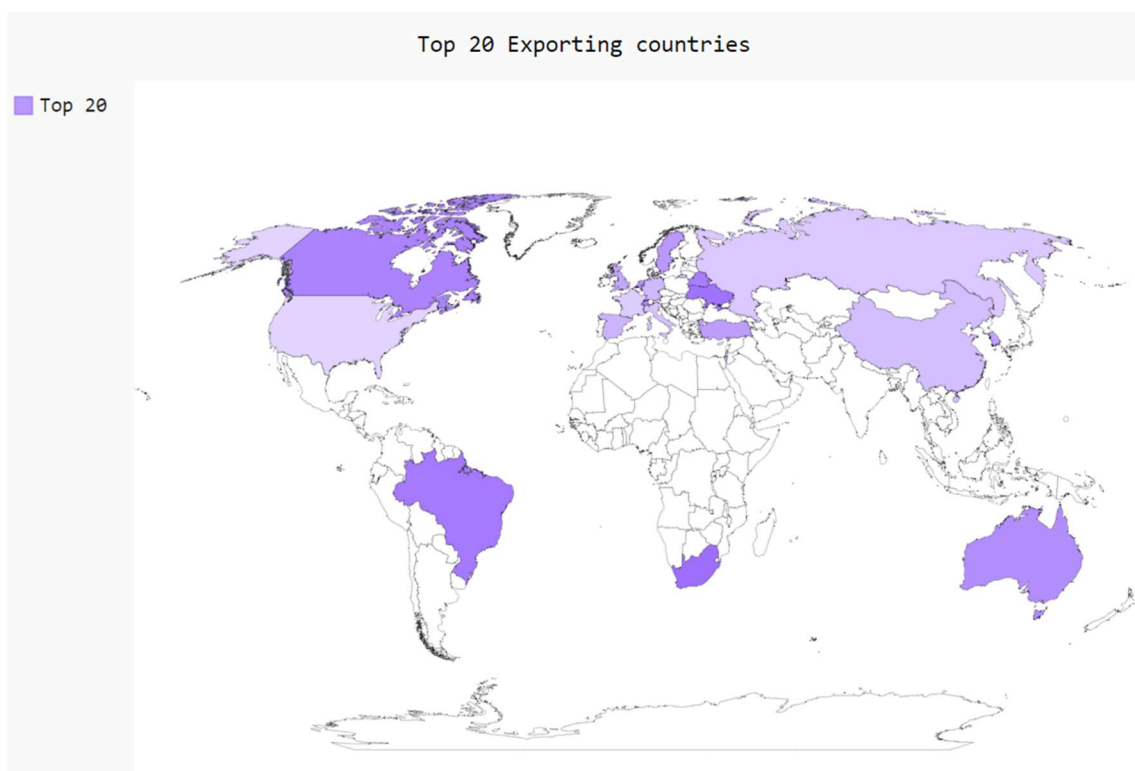
(ING Group, APG Group), **Japan** (Mizuho Financial), Canada (Royal Bank of Canada), Germany (Deutsche Bank, Commerzbank), Spain (BBVA, SEPI, Santander), Italy (Intesa Sanpaolo, Cassa Depositi), Taiwan and China, to cite the rest of the top 10 per country.

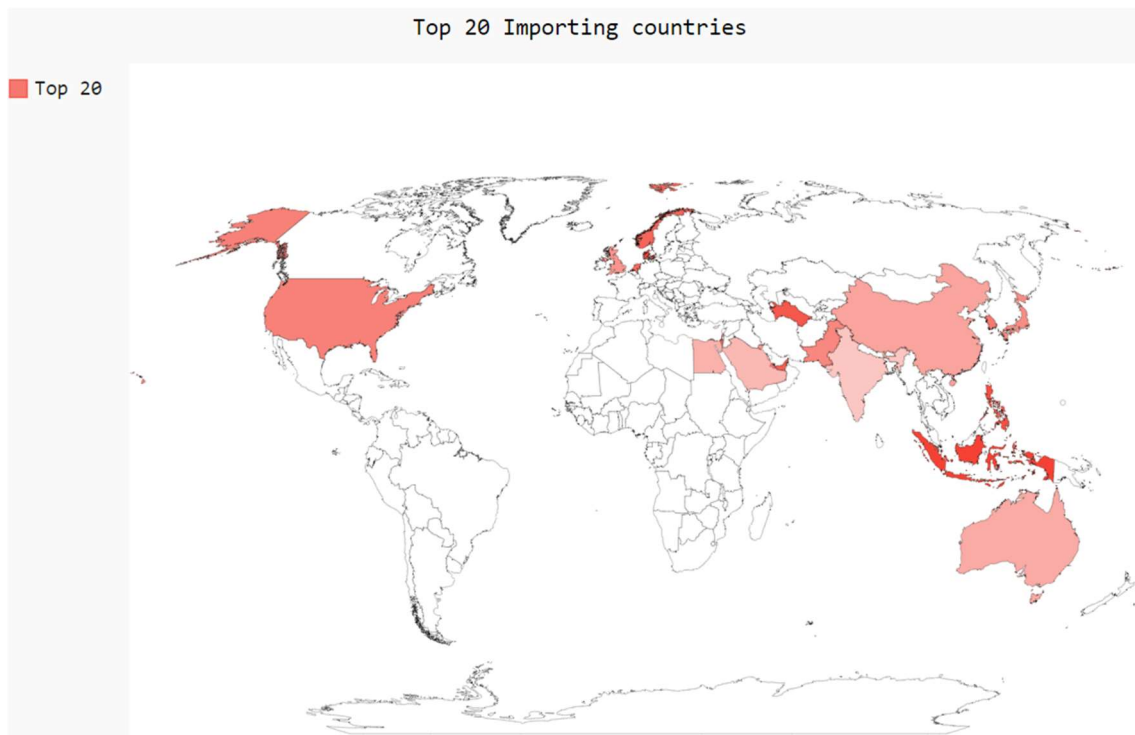
One may wonder: is there a **correlation** between the countries where these banking institutions are registered and the ones that spearhead the exporting of arms? As our logic would guess, these countries mostly coincide with the top 2021 exporters reported by SIPRI: again, US and France spearhead the ranking, but Russia holds the world's top third exporter position.

	Country	Total by financial institutions (in billion USD)	Country	Arms exports in year 2021 (TIV)
1	United States of America	786.09	United States of America	10613.0
2	France	115,40	France	3954.0
3	Netherlands	81,18	Russia	2744.0
4	Japan	29,26	Italy	1717.0
5	Canada	27.39	China	1085.0
6	Germany	18,39	Germany	914.0
7	Spain	16.46	Spain	612.0
8	Italy	11.30	Israel	606.0
9	Taiwan	7.02	United Kingdom	601.0
10	China	6,74	South Korea	566.0

Where do the arms produced end up?

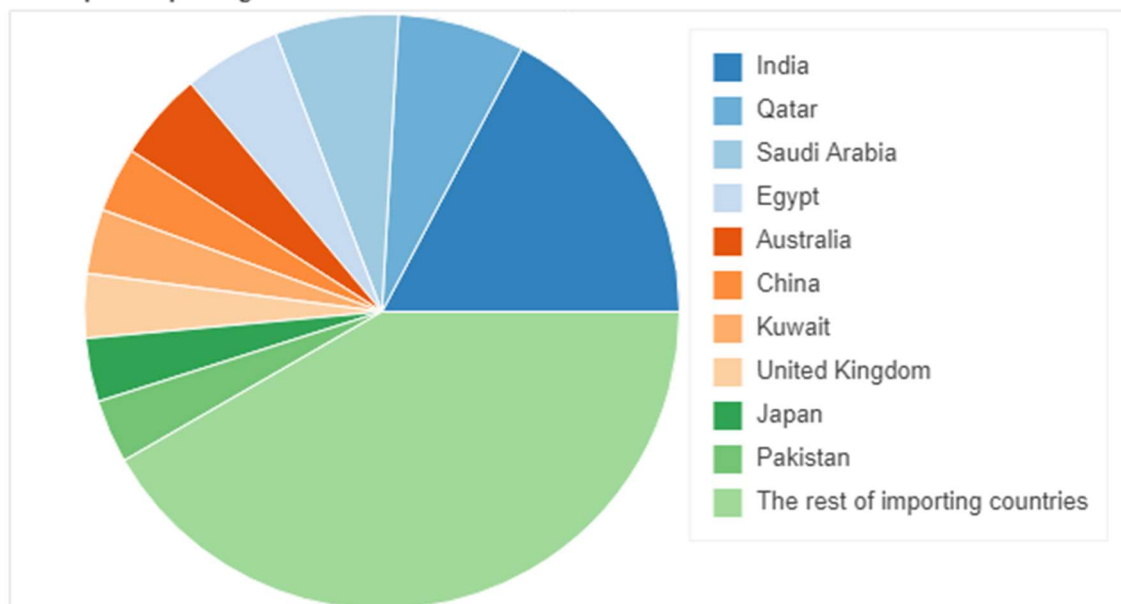
The international arms trade flow data tells us a story about business, but also about geopolitical influence: The 5 Permanent Members of the UN Security Council are among the top 10 arms exporters of the world.





Still nowadays, oftentimes money and arms stream from the Global North and Western countries to mostly countries that have traditionally been considered from the Global South and East. Thus, in 2021, **the top 5 importing countries** were India, Qatar, Saudi Arabia, Egypt and Australia. Moreover, this current is concentrated: the top 10 importers in 2021 cumulate around **60% of the global arms trade**.

The top 10 importing countries in 2021 and the rest



But these economic graphs and figures tell us **a story about violence** as well. The US, Russia and China fiercely compete for exercising such power, time and again overlooking the buying countries' human rights violation records and authoritarian features. In a world where [one](#)

[sixth of the children](#) worldwide are living in conflict zones, **accountability and oversight** of where our money goes is key, both from public and private institutions. considering that, as doctor and founder of the international humanitarian organization War Child **Samantha Nutt** [warns](#), “the first stop of small arms is rarely their last.” With this aim, the [Arms Trade Treaty](#) (ATT) came into force on 24 December 2014, and currently has a total of 112 States Parties and 29 States that have signed but not yet ratified the Treaty.

However, as the ongoing selling of arms from State Parties like Spain to Saudi Arabia shows, these Treaties might not be enough to cut the arms flow that is keeping bleeding conflicts like the Yemen war alive. Thus, people like Calvo urge citizens to take action themselves by actively removing their savings from the so-called “armed banking” and joining **ethical banking alternatives**, prompt governments to reduce military spending and campaign for **disarmament**. In the end, we might have a small say in the global arms trade.