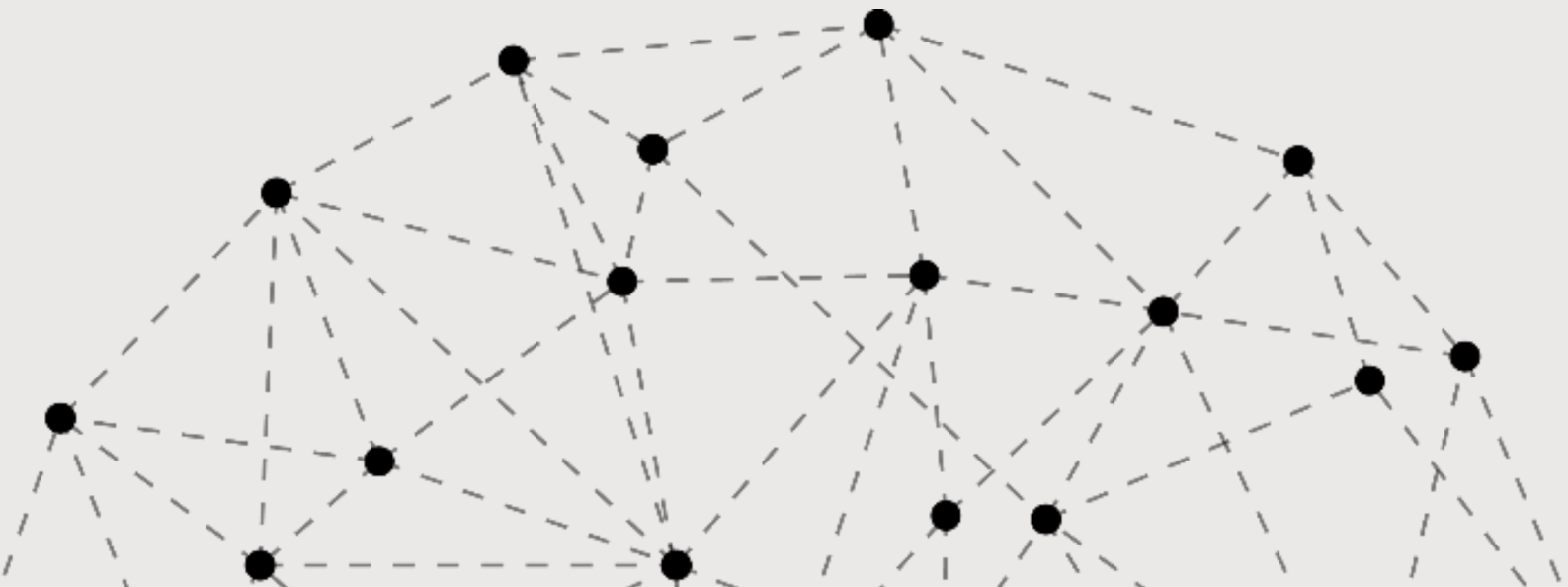


InterAgency Institute
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**NEW COLD WAR:
TWO YEARS OF WAR IN UKRAINE AND THE
RISE OF GLOBAL DEFENSE SPENDING.**

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Policy Statement

The world has experienced an intensification of armed conflicts, most notably the War in Ukraine, which began on 24 February 2022 and is now two years completed. As a result, in 2023, this situation has led many countries to spend the most money since the end of the Second World War in 1945. This increase has occurred mainly in member countries of the North Atlantic Treaty Organization (NATO), such as the United States, Poland, and European Union (EU) members. Sweden, which is still in the membership process of NATO, already has its defense budget aligned with the organization. Brazil, for its part, has not shown any budgetary adjustments in the face of the current situation of a New Cold War.

Background

Since 2020, the African continent has experienced an intensification of military coups, and North Korea has increased the number of missile tests every year. On 24 February 2022, Russia invaded Ukraine, starting a two-year war so far. In addition, tensions have increased between China and Taiwan since the same year due to the latter's closer ties with the United States. In 2023, the conflict between Armenia and Azerbaijan over a territorial dispute resumed, and the war between Israel and Hamas began as an offshoot of the decades-long conflict between Israelis and Palestinians. Because of this geopolitical scenario, the world's military spending has progressively increased.

Findings

In 2023, the world reached the highest defense spending since 1945, the end of the Second World War. According to the International Institute for Strategic Studies (IISS), the total was US\$ 2.2 trillion, 9% more than in 2022. Of this amount, the United States accounts for 41%, followed by China with 10% and Russia with 5%. However, it is essential to note that US military spending exceeds that of the 14 other countries that spend the most on defense, which means that the United States remains the most significant military power. Considering Russia's state of "Total War," devoting 1/3 of the country's total budget to the war effort against Ukraine, it is difficult to estimate precisely the amounts being spent by Moscow.

Ukraine has enjoyed massive financial support from NATO and the European Union, making this conflict the main reason for the increase in global defense spending since 2022. In this two-year war, the EU provided humanitarian, economic, and military support for Ukraine in values over € 88 billion/US\$ 95 billion. And for 2024, specifically, funding of € 50 billion/US\$ 53.9 billion has been approved. The United States, for its part, as NATO's most significant contributor, has militarily supported Ukraine in these two years of war with approximately US\$ 45 billion. Still, the Senate has already approved a new package of US\$ 60 billion, pending approval in the House of Representatives. [1]

In addition, tensions in the Asia-Pacific region involving China, Taiwan, North Korea, South Korea, Japan, India, and Pakistan have also contributed to increased military spending.

In NATO, although only 11 of the 31 members currently meet the minimum standard of 2% of Gross Domestic Product (GDP) for the defense sector, it is estimated that 18 members will reach this level by 2024. Some members, on the other hand, already exceed this percentage. Poland, for example, dedicated around 4% of its GDP to defense last year, with the war in Ukraine as its primary motivation to prevent invasions of the Polish territory, as happened in the Second World War.

Thus, in 2019, French President Emmanuel Macron considered NATO to be in a state of "brain death," that picture was reversed with the War in Ukraine. The Organization has been revived to such an extent that, in January 2024, it began the largest war exercise since 1988 in the context of the Cold War. The exercise will involve 90,000 militaries and will run until next May, simulating a Russian invasion of European countries. Finland, which joined NATO in April 2023, is taking part in the exercise, as is Sweden, which is still in the process of joining (of all the organization's members, only the ratification of the Hungarian Parliament is pending).

By 2024, however, Sweden has already earmarked 2% of its GDP for defense spending (SEK 119/US\$ 11.9 billion), doubling the total invested annually in just four years. And, to help Ukraine, the Swedish packages are humanitarian and military in nature, along the same lines as several other countries, but include the structuring of the Ukrainian defense acquisition system, which contributes to the country's long-term sovereignty. Meanwhile, Sweden's increased investment in defense has been taking place gradually

for a decade since the Russian annexation of Ukraine's Crimea region, one of the precedents for the current war.

While waiting for the United States (US) package to be approved, Ukraine has signed separate security agreements with countries like Germany and France. The pact with France provides additional military support of up to € 3 billion over ten years, emphasizing artillery cooperation. The agreement with Germany, meanwhile, provides for immediate military aid of € 1.1 billion, part of a package of € 7 billion in total support by 2024. In addition, Germany plans to support the modernization of the Ukrainian army to ensure its future defense against Russian attacks. Ukraine signed a bilateral security agreement with the United Kingdom (UK) in January. The 10-year agreement provides for € 2.5 billion in military aid to be sent to Ukraine to finance drones, long-range missiles, and ammunition for the country.

Recommendations

Former US President Donald Trump seeks to return to power in the next elections. With real chances of re-election (polls show a technical tie with the current president, Joe Biden), Trump is already setting out his premises for a possible new term. Regarding NATO, the former US president says he will not support member countries that do not meet the minimum spending of 2% of their GDP on defense. This is not an organizational rule. Still, it is a standard adopted, and its non-compliance favors indirect pressure and sanctions, especially in the current global scenario.

In the case of Brazil, although it is not part of NATO, the country has political and economic relevance in the world and is no stranger to the consequences of current conflicts. However, Brazil is not following the global trend in terms of increased defense spending. On the contrary, not only has the country spent an average of just 1.2% of its GDP on defense since 2018, but this percentage also includes the personnel payroll, which consumes 80% of the budget, 63% of which goes to inactive personnel and pensioners. Brazil allocates around 13% to maintenance (and only 7% of it on investment), while NATO countries allocate 20% of their budget for acquisition and a maximum of 50% to payroll. In other words, Brazil must pay attention to increasing its defense spending, both quantitatively and qualitatively.

Conclusions

Two years into the war in Ukraine, a possible political victory for Russia is unlikely. "War is an extension of politics by other means," as Clausewitz teaches, and therefore has political objectives. Putin's declared aim with the War in Ukraine was to limit NATO's expansion, as well as to overthrow Zelensky's government and demilitarise the country - in other words, Putin wanted Ukraine's sovereignty. However, the possible loss of part of Ukraine's territory (Russia currently occupies 17% of the country) does not mean the loss of the country's sovereignty - Finland, for example, lost 11% of its territory to the Soviet Union in the Winter War (1939-1940) and the Continuation War (1941-1944) in the Second World War, but continued to exist as a sovereign country. It joined the European Union in 1995 and NATO in 2023.

Finland has a 1,340-kilometer dry border with Russia, double the length of NATO's border with Russia. In addition, once Sweden completes its NATO entry process, as Finland has done, which was also traditionally neutral, 92% of the Baltic region will be controlled by the Organisation. So, the effect of Putin's war has been an expansion of NATO, contrary to what he wanted. In addition, Ukraine has never been more vital militarily, except during the period when it had nuclear weapons, means until it handed over its nuclear arsenal to Russia in 1994, with Russia committing itself, via the Budapest Treaty, to defending Ukraine. Polls show that Zelensky continues to have strong popular support and that the population of Ukraine does not want to be absorbed by Russia - on the contrary, the Russian attack on civilian areas in Ukraine and the mobilization of hundreds of thousands of citizens to defend the country have had an aversive effect on Putin.

Finally, there are indirect conflicts between the world's great powers, such as the United States supporting Israel in the conflict against Hamas and NATO supporting Ukraine in the war against Russia, which is in a greater alliance with Iran, North Korea, and, with financial support, China. The world is thus experiencing a "Cold War 2.0" or "New Cold War," marked by a historic increase in defense spending.

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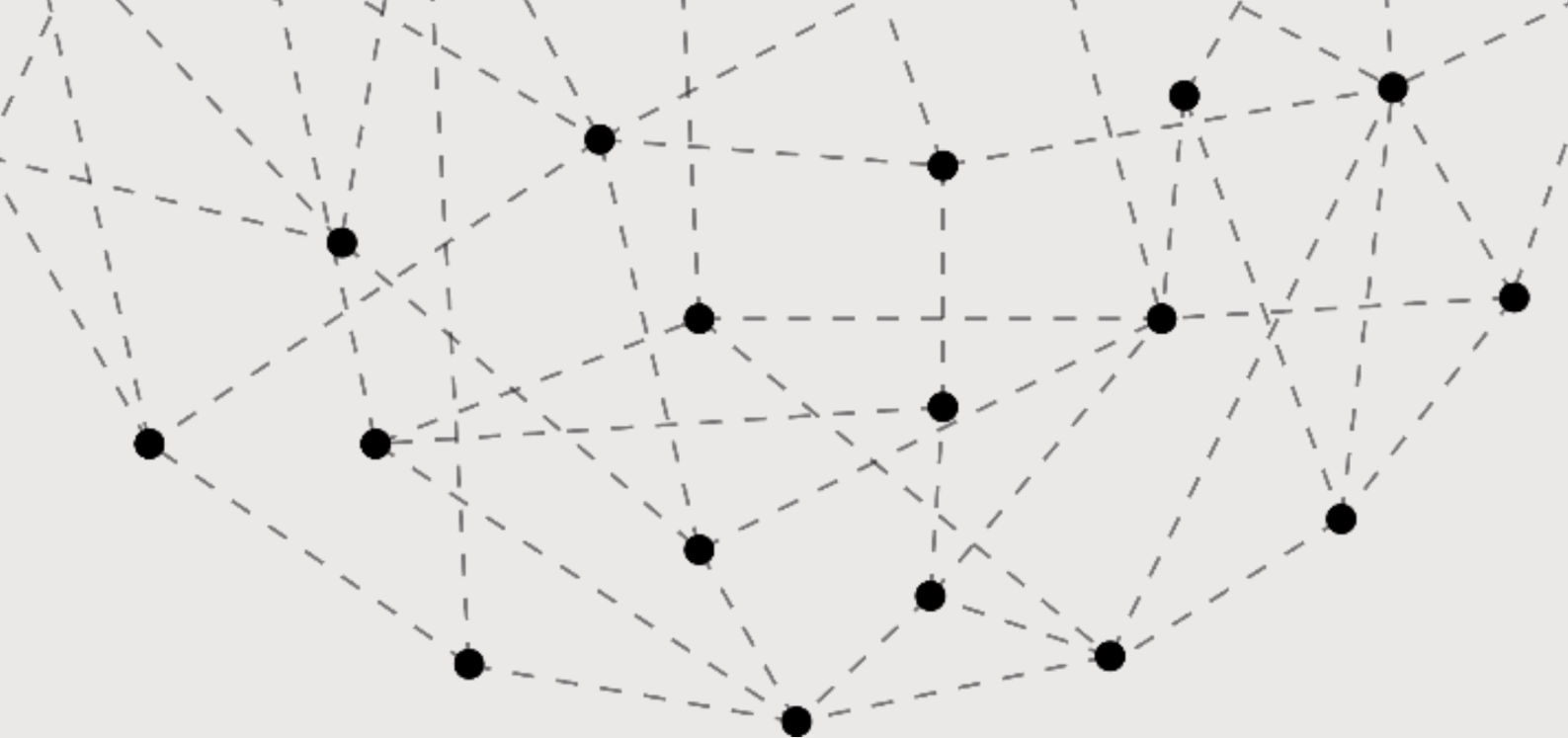
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[1]"The package is actually US\$ 95.3 billion: "US\$ 60 billion to support Ukraine in its fight against Russia, US\$ 14.1 billion in security assistance for Israel, US\$ 9.2 billion in humanitarian assistance and US\$ 4.8 billion to support regional partners in the Indo-Pacific region, in addition to other political provisions, according to the Senate Appropriations Committee" (CNN, 2024).

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