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Digitalization of the Irish Parliament

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The Case Against European Union Rearmament Spending:
European Union Legislative Proposals COM(2025)122 and COM(2025)123

My name is Thomas Palley and I am an economist living in Washington, DC. I have expertise in macroeconomic policy, monetary and international economic policy, and international relations. I have a Ph.D in economics and an M.A. in international relations, both from Yale University. My professional experience includes employment as Assistant Director of Public Policy of the AFL-CIO, Chief Economist for the US – China Security and Economic Review Commission, and Director of the Open Society Institute’s Globalization Reform Project.

I am submitting this statement in connection with the Joint Committee’s deliberations on the European Union’s (EU) legislative proposals COM(2025)122 and COM(2025)123. Those two measures aim to increase EU member state military expenditures and weapons production. They raise multiple serious concerns regarding the merits thereof, including gravely exacerbating the existing Ukraine conflict and making a peace settlement even more difficult to achieve. They will also contribute to cementing the EU on a path of massively increased military expenditures, which will inevitably displace and diminish other forms of needed government spending owing to the fiscal constraints confronting member states. Worst of all, they could contribute to EU member

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states becoming directly involved in the Ukraine conflict, thereby bringing the conflict inside the EU. In my considered opinion, Ireland should vigorously oppose the two measures as they are neither in Ireland's national interest nor in the collective interest of the European Union.

As I see it, the two proposals raise three broad sets of issues. The first is the legitimacy of the budgetary and political process driving the militarization of the EU budget and the consequences thereof. The second is the national security and geopolitical merits of the case behind the EU Commission's push for that militarization. The third is the economic and social costs of the proposals, which go far beyond their immediate direct costs. I will briefly touch on all three, but the bulk of my submission will be directed at the merits of the Commission's case for these proposals. To set the stage, I begin by briefly describing the two proposals.

1. Description of proposals COM(2025)122 and COM(2025)123

COM(2025)122 aims to establish a Security Action for Europe (SAFE) instrument that would allow for EU financial assistance to member states in the form of loans (up to EUR 150 billion) to enable them to make public investments in their defense industries. That could include upgrading existing production facilities, new weapons production, and development of new defense products. The Commission document says member states could "provide immediate military equipment to Ukraine (p.3)", which suggests the proposal authorizes member states to transfer existing weapons stockpiles and use the loan facility to replace them.

COM(2025)123 aims to introduce new policy priorities that would enable member states to repurpose existing social cohesion policy funds for defense and military

purposes. The proposal would allow approximately EUR 400 billion to be shifted from regional aid to uses that promote dual-use military-civilian technologies, ramp up production capacity of arms makers, and build structures such as bomb shelters, runways specified for military aircraft, and other military related infrastructure. Actual purchases of weapons with such funds would remain prohibited. Furthermore, national and regional authorities, who usually also contribute their own resources to the implementation of EU social cohesion projects, will be able ask the EU to cover up to 100 percent of the cost of qualifying military projects submitted in 2025.

2. Legitimacy of the budgetary authority and political interests driving the militarization of the EU budget and consequences

The two proposals raise very serious budgetary and political concerns. As regards the budgetary authority concerns, these have been documented by the European Court of Auditors in its *Opinion 02/2025*.² That opinion raises serious objections and reservations regarding whether COM(2025)123 is compliant with existing rules and law. The list of concerns in the opinion is too long to be detailed here. It includes the failure to fully assess the impact of the proposal, its consistency with the “do no significant harm” principle guiding EU social cohesion policy, its consistency with the fundamental goal of social cohesion policy re reducing regional disparities, lack of a sunset provision, and the adequacy of transparency arrangements.

As regards legitimacy of political interests, the European Court of Auditors also raises concerns about the political legitimacy of the process by which COM(2025)123 is being pushed. The proposal introduces significant changes regarding both permissible

² See European Court of Auditors, *Opinion 02/2025: Cohesion policy Regulations, Mid-term Review*, <https://www.eca.europa.eu/en/publications/OP-2025-02>.

uses of social cohesion funds and the incentives for allocating funds. Those changes are fundamental and demand the approval of EU legislators, yet the EU Commission is seeking to ramrod the proposal through without that approval. That is likely a serious constitutional violation.

Another political concern relates to the influence of NATO, which may be driving the entire EU Commission militarization agenda. NATO member countries have already agreed a rule that military spending be 2 percent of GDP. At their June 5, 2025, meeting they agreed to increase military spending to 5 percent of GDP by 2032.³ That higher target is now being pedaled by NATO Secretary-General Mark Rutte, former Netherlands prime-minister.⁴ Moreover, Rutte's pitch explicitly echoes COM(2025)123 in his specific identification of a target of 1.5 percent of GDP on "defense-related" infrastructure expenditure, of the type permitted under that regulation.

Ireland is not a member of NATO, and NATO contains many countries (US, Canada, UK, Turkey, Iceland, Norway, and Sweden) which are not members of the EU. Moreover, it is widely acknowledged that the US *de facto* determines NATO's policy. There is now grave danger that the US and NATO are determining important aspects of EU policy via the backdoor of the EU Commission. It is fine for NATO member countries to decide on their NATO commitments. It is not fine for those countries to seek to have the EU underwrite those commitments. It is especially not fine for Ireland, which is not a NATO member but will bear some of the burden thereof.

³ See NATO News, "NATO Defence Ministers agree new capability targets to strengthen the alliance," June 5, 2025. https://www.nato.int/cps/en/natohq/news_235900.htm.

⁴ See Associated Press, "NATO must make 'quantum leap' of 400 percent in air, missile defence: Rutte," June 9, 2025. <https://globalnews.ca/news/11228178/nato-missile-air-defence-increase-calls-mark-rutte/>.

In sum, the institutional and policy changes wrought by COM(2025)122 and COM(2025)123 stand to be large and socially damaging over time. First, as currently presented, the proposals violate budgetary and legislative process. That should be enough to disqualify them. The rules of process are hard won and are essential to good governance. Violating them sets a precedent for future violations, and it also contributes to distrust within society which is a mortal enemy to the European Union project.

Second, metaphorically speaking, the proposals enable the camel's nose of the defense sector to get inside the "social cohesion" tent. As a result, the defense sector will become a central component of EU cohesion policy, and it will immediately displace other claims on EU social cohesion funds. Moreover, there is a fair likelihood that displacement will grow over time owing to the political economic influence of military and defense interests.

3. National security and geopolitical merits of the case behind the EU Commission's push for that militarization.

The most difficult part of this submission concerns the national security and geopolitical merits of the EU Commission's proposal. Not only must the proposals have political and budgetary process legitimacy, but they must also have analytical merit. Assessing their merit turns on understandings of the Ukraine conflict, the fingerprints of which are all over the two proposals.

Page 1 of COM(2025)122 explains how the purpose of the proposal is to bolster European defense capabilities "in light of Russia's military aggression against Ukraine." It goes on to describe how the Union has sought to "face the immediate consequences of Russia's war of aggression against Ukraine", and it then claims "The EU and its member

states now face an intensifying Russian aggression against Ukraine and a growing security threat from Russia.” Similar sentiments motivate COM(2025)123 which declares on page 3 that the goal of the proposal is to “enable the Union to address the short-term urgency of supporting Ukraine”.

Understanding the Ukraine conflict requires confronting history, which is always contested. The accepted narrative is that Russia has distorted the telling of history. The reality is it is the US and NATO that have distorted the truth, and the EU Commission have accepted the US/NATO version of events. Unfortunately, it is very difficult to correct a narrative once it has taken hold in society, and politicians have little interest in going against the accepted narrative as challenging it may be politically costly. That dynamic is now in play re Ukraine, and it promises to worsen the tragedy by deepening and expanding the conflict. The proposals COM(2025)122 and COM(2025)123 exemplify that, with the accepted false narrative providing justification for them.

3.a The history of the Ukraine conflict

Appendix 1 of my submission contains a short history of the Ukraine conflict titled “*The Ukraine - Russia war explained: how the US exploited internal fractures in the post-Soviet order*”.⁵ It details my views on the conflict, which are counter to the US/NATO narrative. I urge the Committee to be politically and intellectually brave and give it due hearing. It is consistent with the story being told by other intellectual dissidents such as Robert Skidelsky, the eminent British historian; Jeffrey Sachs, the eminent economist and

⁵ A shortened version of the paper titled “The War in Ukraine – A History: How the US Exploited Fractures in the Post-Soviet Order” was published in *Monthly Review*, Vol. 77(2) (June 2025). See <https://monthlyreview.org/2025/06/01/the-war-in-ukraine-a-history/>.

public intellectual; and Geoffrey Roberts, the distinguished historian of World War II who works at University College Cork, here in Ireland.

My argument is that the Ukraine - Russia war has both internal and external causes. Those internal and external causes are like two blades of a scissors, and the conflict can only be explained by taking account of both blades. The internal causes are rooted in the way the Soviet Union disintegrated. The external causes relate to how the US exploited the fractures in the post-Soviet order to advance its post-Cold War agenda aimed at establishing US global hegemony.

The internal and external factors come into play at different moments and take time to work their full effect, which is why history is so important to understanding the conflict. The two sets of factors play out over a timeline involving three key events. The first is Ukraine's declaration of independence from the Soviet Union in August 1991. The second is the Maidan coup in February 2014 which overthrew Ukrainian President Victor Yanukovich, who advocated Ukrainian autonomy and a non-aligned defense policy. The third is Russia's military intervention in Ukraine launched on February 24, 2022.

The US and its NATO allies view the conflict as beginning in February 2022 (though they sometimes say it began when Russia invaded and annexed Crimea in 2014 – an event following the 2014 coup), enabling them to ignore history. Russia views the conflict as beginning in February 2014, which makes history central to its political position. That fundamental difference hinders the possibility of a negotiated political settlement, and it is very hard to see how the difference can be reconciled as accounting for history yields a completely different narrative.

The US/NATO denial of history confers a significant advantage in the accompanying propaganda war. Having the conflict begin with Russia's military intervention is a simple easily

understood narrative. The Western public has little knowledge of or interest in history. This is especially true in the US, which is on the other side of the Atlantic and isolated from the conflict. Nor is Western media interested in history, which is difficult to explain and a commercial dud given a disinterested public. That configuration helps explain the resilience in the West of the US/NATO narrative. However, whereas denial of history works well for propaganda, it does not serve the cause of either truth or peace, as it denies the causes of the conflict which must be addressed if peace is to prevail.

The EU Commission has embraced the US/NATO narrative explaining the conflict, and that narrative motivates COM(2025)122 and COM(2025)123. Since the narrative is fundamentally wrong, the justification for the two proposals is fundamentally wrong. Instead, of moving the conflict toward a settlement, the proposals will aggravate the conflict and put the EU at grave risk, as well as wasting valuable EU resources on counter-productive military spending that deprives other needs. That is why I believe the proposals are not in Ireland's national interest or the collective interest of the European Union.

3.b Misunderstood issue #1: eastward NATO expansion

The paper (Appendix 1) provides a comprehensive and accessible history of the conflict. For current purposes, let me focus on two critical issues that are profoundly misunderstood. The first is the US-led eastward expansion of NATO which is a central part of the conflict's explanation. Much has been written about it, including how the US broke its promise to former Soviet Union President Mikhail Gorbachev that NATO would "not expand one inch" beyond unification of Germany.

I emphasize that NATO's eastward expansion was always a fundamentally aggressive move. NATO was founded as a defensive alliance, which is its charter mission. It is easy to understand why Poland, Romania, and the former Baltic Republics would want to join NATO to secure defensive protection. However, the proper question, which is never asked, is why did the US or the UK want them to join? The new member countries brought modest military capabilities and bucket-loads of conflict risk. In other words, they were a net negative security addition to existing NATO members, measured in terms of NATO's original purpose as a defensive alliance.

3.c Misunderstood issue #2: US motivations and the Neocon doctrine

A second critical misunderstood issue is US motivation for the eastward expansion of NATO and involvement in Ukraine, now and before Russia's intervention in February 2022. The standard story is that the US and NATO are "good Samaritans" who are unwillingly involved by coming to the help of Ukraine. That "good Samaritan" picture is false.

US intervention in Ukraine has been long-planned and long underway. It is justified by the doctrine of Neoconservatism, which is a US geopolitical doctrine which rose to ascendancy in the 1990s. It holds that never again shall there be a foreign power, like the former Soviet Union, which can challenge US global hegemony. The doctrine gives the US the right to impose its will anywhere in the world, which explains why the US has over 750 bases in over eighty countries, ringing both Russia and China.

The Neocon objective is US global hegemony, and that objective has driven both eastward expansion of NATO and interference in former Soviet Republics aimed at fostering anti-Russian sentiment and provoking conflict with Russia. The Neocon

doctrine initially seeded itself among hardliner Republicans like Dick Cheney and Donald Rumsfeld, and it was then adopted in 1990s by Democrats under the leadership of Bill Clinton. Consequently, it became a bi-partisan US consensus. Moreover, Democrats added insidious cover by claiming the US motivation is promotion of democracy and human rights, which provides fig leaf cover for the goal of US global hegemony.

As regards Russia and Ukraine, the Neocon playbook was explicitly laid out by former US National Security adviser Zbigniew Brzezinski in a 1997 *Foreign Affairs* article and in his 1997 book titled *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*.⁶ Brzezinski was a key figure in the formation of both Cold War and post-Cold War US policy. The recommended strategy was incrementally surrounding and isolating Russia via NATO expansion, combined with intentional detachment of Ukraine from Russia. Brzezinski viewed Ukraine as essential to Russian power, writing as follows:

“Ukraine, a new and important space on the Eurasian chessboard, is a geopolitical pivot because its very existence as an independent country helps transform Russia. Without Ukraine, Russia ceases to be a Eurasian empire (Brzezinski, *The Grand Chessboard*, 1997, p.46).”

Furthermore, Brzezinski floats the idea of dismembering Russia, speciously proposing it to be in Russia’s interests:

“A loosely confederated Russia – composed of a European Russia, a Siberian Republic, and a Far Eastern Republic – would also find it easier to cultivate closer economic relations with Europe, with the new states of Central Asia, and with the Orient, which would thereby accelerate Russia’s own development (*ibid.*, p.202).”

⁶ See Brzezinski, Z., “A geostrategy for Eurasia,” *Foreign Affairs*, September/October 1997 and Brzezinski, Z., *The Grand Chessboard: American Primacy and Its Geostrategic Imperatives*, New York, NY: Basic Books, 1997. *Foreign Affairs* has special quasi-official standing, being the premier journal of the elite US foreign policy community.

His writing speaks to the level of US aggression against Russia, and it foreshadows what has followed with extraordinary detail, to the extent of almost constituting a Neocon masterplan. The short-term plan was NATO expansion; the medium-term plan was turning Ukraine against Russia and detaching it from Russia; the long-term plan was dismembering Russia. Viewed in that light, US intervention in Ukraine was a stepping-stone to further attacks on Russia.

Lastly, I want to bring to the Committee's attention a 2019 report from the Rand Corporation titled *Over-extending and Unbalancing Russia: assessing the Impact of Cost-Imposing Options*. That report is submitted as Appendix 2 of this submission.⁷ The report details a long list of ways whereby to weaken and destabilize Russia, and it is tantamount to a declaration of war against Russia. As regards Ukraine, it openly states on page 4 that "Providing lethal aid to Ukraine would exploit Russia's greatest point of external vulnerability."

The report is of major significance. First, the Rand Corporation is at the center of the brains trust that determines US geopolitical thinking and policy. Second, the report shows that Brzezinski's views re Russia are alive and well, and they are neither ancient history nor the irrelevant scribbles of a resentful old man. Third, the report is dated April 2019, which is almost three years before Russia's intervention in Ukraine.

The Russian government reads such material and sees the hugely dangerous threat that are in play via the US and NATO. That is the deep explanation of the war. The EU Commission has joined itself at the hip with the US and NATO. Ireland should resist having the Commission drag the EU and Ireland in that direction.

⁷ It is also available at https://www.rand.org/pubs/research_briefs/RB10014.html.

4. Beyond the causes of the war: what next?

The war has happened. Hundreds of thousands of people have been killed, hundreds of thousands more have been wounded or maimed, millions have been displaced, and tens of millions are living under the terror of war. Ukraine's economy has been destroyed in the process. The question is what comes next?

Understanding the causes of the war can help us identify what we need to do and what we should not do. It speaks against accepting COM(2025)122 and COM(2025)123, as those proposals will move Europe in the wrong direction.

In April 2022, Ukraine and Russia were close to inking a peace settlement. Tragically, that agreement was vetoed by the US, with the veto being delivered by its UK proxy, then led by Prime Minister Boris Johnson.⁸ The result was catastrophic for Ukraine. The EU Commission's military spending and re-armament proposals will continue and reinforce that mistaken disastrous trajectory.

4.a Rearmament: the wrong way to go

There is no way a peace settlement can be realized without understanding the causes of the war. At a minimum it is necessary to recognize there are two sides to the story of the conflict. That is the precondition for peace. Yet, the US, NATO, and the EU Commission deny that. Their push for rearmament compounds their error, heightens future dangers, and promises to inflict large economic losses on the EU member states.

Russia's February 2022 intervention in Ukraine is being sold as a strategic inflection point that signals Russia intends a future invasion of the EU. That is the official line being delivered by NATO Secretary-General Mark Rutte:

⁸ Aaron Sobczak, "Diplomacy watch: did the West scuttle the Istanbul peace talk or not?" , Responsible Statecraft, Sept 13, 2024. See <https://responsiblestatecraft.org/ukraine-russia-2669196351/>.

“(W)e need to ramp up our defence spending. We heard the German Chief of Defence a couple of days ago saying that by 2029, by 2030 Russia could be ready to try something against NATO territory. So we are safe now. We are not safe three to five years from now, so we have to spend more.”⁹

The fallacy of Rutte’s argument is that it starts from a false premise and, consequently, its logic leads to false conclusions and wrong-headed policy. Deny the premise of Russian intent to invade Central Europe and the argument for wholesale rearmament to counter Russia implodes. Instead, it reveals the strength of the warmongering sentiment within the NATO hierarchy and the EU Commission.

Worse yet, the push for rearmament promises to entrench a new arms race and new Cold War that repeats the history of the 20th century. The waste of resources on military spending will endure. Just like the previous Cold War, there is no sunset date, which makes it an open checkbook for the military-industrial complex in Europe and North America. It must continue because it is based on a false premise that all refuse to question. The only scenario whereby it ends is regime change in Russia, which is the goal US Neocons have long pushed.

In sum, interrogating the logic of the case for rearmament reveals that it is a trap, whereby Europe and the EU are drawn into the madness of US Neocon thinking. The result is Europe will take on the burden of the US Neocon project, which is about US global hegemony and not European security.

5. Economic and political costs of rearmament

⁹ NATO Joint Press Conference, June 12, 2025. See https://www.nato.int/cps/en/natohq/opinions_236206.htm?selectedLocale=en.

The last piece of the argument against COM(2025)122 and COM(2025) 123 concerns economic costs. Here, there are two types of costs. One is the economic costs of continuing hostilities versus Russia. The other is the direct resource costs of rearmament, including lost benefits from foregone alternative uses of those resources.

5.a Costs of continuing hostilities

Even though not directly involved in the Ukraine conflict, Europe (especially Germany) has been a big loser from the conflict via economic sanctions that have boomeranged back on the European economy. [Cheap Russian energy has been replaced by expensive US-supplied energy](#).¹⁰ That has reduced living standards, undercut manufacturing competitiveness, and contributed to higher European inflation.

Europe has also lost Russia's huge market where it sold manufactured goods, and which also provided investment and growth opportunities. Additionally, it has lost the lavish spending of Russia's elite. That combination helps explain Europe's stagnant economy. Furthermore, Europe's economic future has been significantly compromised as its march of folly stands to make those effects permanent.

There have also been adverse consequences from the massive influx of Ukrainian refugees. That has increased downward wage competition and aggravated housing shortages which have increased rents. It has also burdened schools and social services, and increased welfare spending. Those effects have impacted all European countries, but they have been largest in Germany. In combination with the adverse economic effects, that has contributed to a souring of the political mood which helps explain the rise of proto-fascist politics, again especially in Germany.

¹⁰ See The Guardian, "US energy firms use Ukraine War to lock in long-term gas contracts, report says," February 22, 2023.

All those costs will continue and compound over time. It is easy to overlook them because they are already in place. However, a sensible accounting of the push for rearmament should tally them as rearmament is an endorsement of a strategy, and that strategy is the root question that must be addressed before endorsing rearmament.

5.b Direct costs of rearmament

On the other hand, rearmament constitutes military-Keynesianism and it will have some positive macroeconomic effects. However, it produces guns, not butter. Worse yet, it promises to lock-in a war-driven economy that exhausts fiscal policy space, leaving no space for increased public spending on science and technology, education, housing, and infrastructure – which are what generate true prosperity.

The EU Commission's proposed military spending will not deliver growth or exports. Even if it did, that would not justify it. An economy based on military production and weapons exports is antithetical to the EU project, and it is a particularly inappropriate way to spend social cohesion funds. If jobs are required, there are much better ways to create them. The economic evidence clearly shows that spending on domestic policy priorities creates more jobs than does an equivalent level of military spending.¹¹

Furthermore, the military-Keynesian turn will have adverse political consequences, as it will enhance the political standing and power of the military-industrial complex and those supportive of militarism. Celebration of militarism also drips back into voters' thinking, promoting broader reactionary political developments.

¹¹ See Pollin, R., & Garrett-Peltier, H. (2009). "The U.S. employment effects of military and domestic spending priorities," *International Journal of Health Services*, 39(3), 443–460.
<http://www.jstor.org/stable/45131150>.

In sum, the economic and political fruit of rearmament and identification with the US Neocon project promises to be toxic. Europe's politicians should recognize and reverse the wrong turn that was taken in response to the Ukraine conflict. Rejection of COM(2025)122 and COM(2025)123 is a good place to start.

6. Conclusion: distinguishing US global hegemony vs. European security

I end my submission as I began, with the recommendation that Ireland should vigorously oppose COM(2025)122 and COM(2025)123 as they are neither in Ireland's national interest nor in the collective interest of the European Union. The EU Commission's case for the two proposals is fundamentally flawed. The crux of that flaw is the failure to recognize that the Ukraine conflict is about US global hegemony and not European security. It is the US's aspiration for global hegemony that triggered the conflict, but failure to recognize that means the conflict is being falsely represented as a threat to European security. That false representation is spawning dangerous wasteful policy, that might even be catastrophic.