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Burden-sharing in a trillion-dollar military alliance: The outgoing Secretary General calls for more military spending

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During his farewell speech at an event hosted by the German Marshall Fund (GMF) on 19 September 2024, NATO Secretary General Jens Stoltenberg, following a decade at the helm of the alliance, shared five key lessons for NATO's continued success:

- the importance of continuing to increase defence spending;
- ensuring robust economic relations among allies;
- military strength as a prerequisite for dialogue (the Ukrainian lesson);
- military power has its limits (the Afghanistan lesson); and
- the importance of the transatlantic bond between Europe and North America.

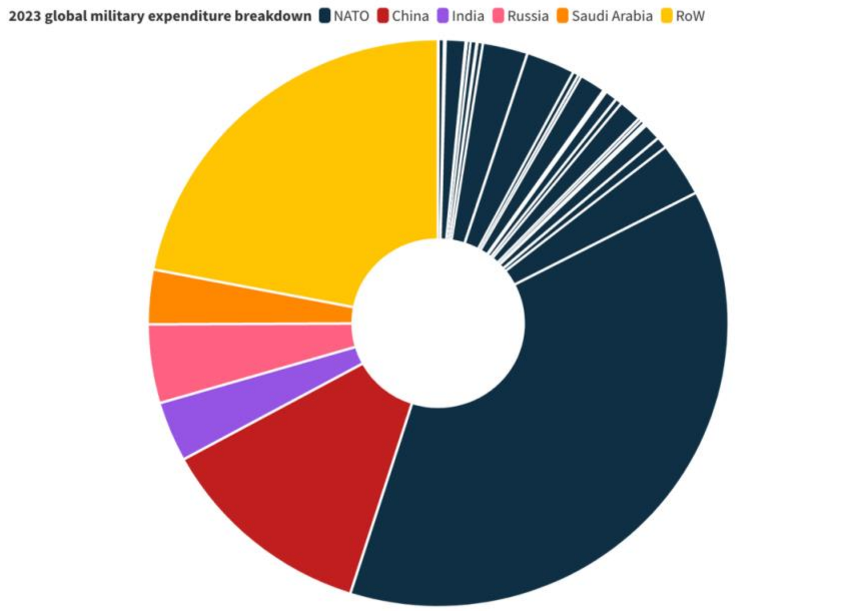
This briefing looks at the first of these lessons: the issue of military spending. It examines NATO's funding dynamics through the national military budgets of member states. The focus is on what NATO describes as the 'defence investment pledge'—a commitment for member states to allocate at least 2 per cent of their gross domestic product (GDP) to military spending. In the business world 'investment' has the positive connotation of leading to future wealth, and here NATO clearly associates such investment as enhancing future collective security. Stoltenberg argued in his GMF speech that "we have to be willing to pay the price for peace", and that "the more money, the stronger our defences, the more effective our deterrence, the greater our security". However, despite shaping the military spending of member states on an upwards trajectory over the past decade it is questionable as to whether this resulted in greater security.

Moreover, with European NATO and Canada collectively forecast to spend $506.7 billion in 2024 and the United States $967.7 billion, total NATO military spending is expected to reach $1.47 trillion, up from $1.29 trillion in 2023. Independent estimates suggest that in 2023 NATO accounted for 55 per cent of the global total in military spending (see figure 1). This raises questions as to how much military spending is enough to provide security for NATO member states. Stoltenberg balances the "good news" (of substantial spending increases since 2014) with the "bad news" that this is "no longer enough". He argues that the recently agreed regional defence plans, with specific capability targets—in terms of weapons, forces and readiness—for each member state, will require allies "to spend significantly more than two percent of GDP on defence in the years to come".

The long-running burden sharing debate

Burden sharing has been a key issue for NATO almost since its inception, with most US presidents unhappy with the reluctance of many European members to spend more on their military forces. Former US President and leading 2024 Republican presidential candidate Donald Trump made headlines earlier in 2024 by claiming to have told the leader of a NATO member state that the United States would not come to its defence against a Russian attack if it was not meeting its NATO military spending targets. This was not a complete surprise since Trump was saying similar things in 2020 and the complaint that the United States protects its European allies at the US taxpayers' expense has been a frequent refrain of most recent US presidents.

Figure 1: NATO military spending compared to world's five largest non-NATO military spenders, 2023



Source: Dr Nan Tian, Dr Diego Lopes da Silva, Xiao Liang and Lorenzo Scarazzato, Trends in World Military Expenditure, 2023, SIPRI, April 2024

Pressure to boost European military spending has not only come from across the Atlantic. Since Russia's full-scale invasion of Ukraine in February 2022 many European leaders have called for spending increases. European Commission President Ursula von der Leyen in February 2024, for example, urged European countries to bolster their arms industries: facing a world 'that has got rougher', 'we have to spend more, we have to spend better, and we have to spend European'.

It is unclear as to whether increasing military spending has public support within NATO member states. According to NATO audience research in advance of the Washington Summit (the results of which largely mirror a NATO public opinion survey from the end of 2023), 76 per cent of respondents across the alliance thought their government should maintain or increase its level of military spending. Support for increased spending, at 41 per cent, was six percentage points higher than in 2022. Of course, such surveys depend on who you ask and how you ask it, and the NATO survey appears to have a huge selection bias.

What counts as military spending?

There is no universally agreed definition of military spending. However, NATO has applied a common definition of defence expenditure for its member states since the early 1950s. The definition covers four main categories of military spending: (a) operating costs; (a) procurement and construction; (a) research and development; and (a) other expenditure. NATO has also been tracking member states' military spending as a percentage of their economies since 1974. Overall, NATO military spending data provides a reasonably accurate picture of trends in military spending across the alliance.[1]

While budget allocation is a national, sovereign decision, since NATO member states are committed to the collective defence of the

[1] For example, the SIPRI Military Expenditure Database, which has data for almost all countries worldwide for the period 1949–2023, has a guideline definition that covers spending on: (a) personnel; (b) operations and maintenance; (c) procurement; (d) military research and development; (e) military infrastructure spending; and (f) military aid. Despite some differences in the scope and coverage of the respective definitions, NATO and SIPRI spending data are largely aligned, with only occasional marginal differences for some individual NATO member states.

alliance that mutual commitment is partly reflected in the unwritten but widely acknowledged principle that members should contribute fairly to the provision of the forces and capabilities needed to undertake the roles and tasks agreed in NATO.

Guidelines, pledges and targets: the NATO spending commitment

Military spending by many European countries fell after the 1991 collapse of the Soviet Union seemed to neutralize what was then the prime security threat to the West. However, as part of the NATO debate on enlargement (with NATO demanding that its candidate states pledge a specific military commitment which was to be reflected in the amount of their defence budgets) at NATO's Riga summit in November 2006, NATO member states reportedly agreed voluntary targets for military spending: 2 per cent of GDP to be allocated to military expenditures, while 20 per cent of those expenditures were to be dedicated to research, development and acquisition of major defence equipment. Although the paper trail for this commitment is rather opaque, after Russia's annexation of Crimea in 2014, it was agreed at the NATO summit in Wales in that year to strive for a more balanced sharing of the costs and responsibilities of common defence. In the summit declaration, NATO members affirmed that those already meeting or surpassing the 2 per cent and 20 per cent 'guidelines' would continue to do so and that those who were not would halt any decline and 'aim to move towards the 2% guideline within a decade with a view to meeting their NATO Capability Targets and filling NATO's capability shortfalls'.

At the 2023 Vilnius summit, what was now being called a 'defence investment pledge' was tweaked: member states made an 'enduring commitment' to annual military spending of at least 2 per cent of GDP, adding that, 'we affirm that in many cases, expenditure beyond 2% of GDP will be needed in order to remedy existing shortfalls and meet the requirements across all domains arising from a more contested security order'.

The outcome: major increases in European military spending

In June 2024, in advance of the Washington Summit, and with US Republicans renewing accusations that European members of NATO were not paying their fair share, Stoltenberg released updated spending data which showed that 23 member states would likely meet the NATO spending targets this year—only 3 had done so in 2014 (see table 1). Germany, the Netherlands, Norway and Turkey are estimated to be among those set to reach the 2 per cent figure for the first time. "Across Europe and Canada, NATO allies are, this year, increasing defence spending by 18 per cent," Jens Stoltenberg said during a meeting with US President Joe Biden at the White House on 17 June 2024. This came on top of an 'unprecedented rise' of 11 per cent in 2023. Poland (4.12 per cent of GDP), Estonia (3.43 per cent) the United States (3.38 per cent), Latvia (3.15 per cent) and Greece (3.08 per cent) lead NATO's estimated military spending in 2024 as a percentage of each country's GDP, while at the other end of the spectrum are Spain (1.28 per cent), Luxembourg and Slovenia (1.29 per cent), Belgium (1.3 per cent), Canada (1.37 per cent) and Italy (1.49 per cent). Criticism towards the lower spending member states has been particularly vocal towards Canada, but others have not avoided criticism.[2]

It is claimed that a new 'special defence fund' will increase German military expenditure to 2 per cent from 2024 onwards, making Germany the largest military spender in Europe. However, to meet the 2% of GDP target, German military spending needs to be around $90 billion, and this seems unlikely even including the special fund. Nonetheless, many other European NATO members are following Germany's lead in meeting or moving closer to

[2] See, for example, U.S. Ambassador Barrett's Op-Ed on NATO spending, US Mission to Luxembourg, 13 June 2022.

Table 1: Defence expenditure as a share of GDP, 2014-2024

Based on 2015 prices

Share of real GDP (%)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023e	2024e
Albania	1.35	1.16	1.10	1.11	1.16	1.28	1.30	1.24	1.21	1.75	2.03
Belgium	0.97	0.91	0.89	0.88	0.89	0.89	1.01	1.04	1.18	1.21	1.30
Bulgaria	1.31	1.25	1.24	1.22	1.45	3.13	1.59	1.52	1.59	1.96	2.18
Canada	1.01	1.20	1.16	1.44	1.30	1.29	1.41	1.27	1.20	1.31	1.37
Croatia	1.81	1.75	1.59	1.63	1.54	1.59	1.69	1.95	1.78	1.74	1.81
Czechia*	0.94	1.02	0.95	1.03	1.10	1.18	1.30	1.39	1.34	1.37	2.10
Denmark	1.15	1.11	1.15	1.14	1.28	1.30	1.38	1.30	1.37	2.01	2.37
Estonia*	1.93	2.03	2.07	2.01	2.01	2.04	2.30	2.03	2.16	3.04	3.43
Finland	1.45	1.45	1.42	1.38	1.39	1.45	1.53	1.40	1.68	2.09	2.41
France	1.82	1.78	1.79	1.78	1.81	1.81	2.00	1.91	1.88	1.96	2.06
Germany	1.19	1.19	1.20	1.23	1.25	1.35	1.51	1.45	1.51	1.64	2.12
Greece	2.22	2.31	2.40	2.38	2.54	2.45	2.91	3.70	3.88	2.80	3.08
Hungary	0.86	0.90	1.00	1.19	1.01	1.34	1.76	1.32	1.84	2.05	2.11
Italy	1.14	1.07	1.18	1.20	1.23	1.17	1.59	1.54	1.52	1.50	1.49
Latvia*	0.94	1.03	1.44	1.59	2.06	2.02	2.16	2.09	2.12	2.87	3.15
Lithuania*	0.88	1.14	1.48	1.71	1.97	2.00	2.07	1.96	2.45	2.78	2.85
Luxembourg	0.37	0.41	0.38	0.49	0.50	0.55	0.58	0.47	0.56	1.12	1.29
Montenegro	1.50	1.40	1.42	1.34	1.37	1.33	1.73	1.55	1.38	1.54	2.02
Netherlands	1.15	1.13	1.16	1.15	1.22	1.32	1.41	1.36	1.44	1.66	2.05
North Macedonia	1.09	1.05	0.97	0.89	0.94	1.16	1.24	1.45	1.61	1.81	2.22
Norway	1.54	1.58	1.73	1.71	1.72	1.84	1.97	1.68	1.46	1.81	2.20
Poland*	1.88	2.23	2.00	1.89	2.02	1.99	2.23	2.22	2.23	3.26	4.12
Portugal	1.31	1.33	1.27	1.24	1.34	1.37	1.43	1.52	1.40	1.48	1.55
Romania*	1.35	1.45	1.43	1.73	1.79	1.84	2.01	1.85	1.74	1.60	2.25
Slovak Republic	0.98	1.11	1.12	1.10	1.22	1.70	1.92	1.74	1.81	1.84	2.00
Slovenia	0.97	0.93	1.00	0.98	1.01	1.05	1.06	1.23	1.29	1.34	1.29
Spain	0.92	0.93	0.81	0.91	0.93	0.91	1.00	1.03	1.16	1.19	1.28
Sweden	1.06	1.01	0.97	0.97	0.97	1.04	1.09	1.42	1.45	1.66	2.14
Türkiye	1.45	1.38	1.45	1.51	1.82	1.85	1.86	1.61	1.36	1.50	2.09
United Kingdom	2.14	2.03	2.09	2.08	2.10	2.08	2.35	2.29	2.29	2.30	2.33
United States	3.71	3.51	3.50	3.28	3.26	3.47	3.58	3.53	3.31	3.23	3.38
NATO Europe and Canada	**1.43**	**1.42**	**1.44**	**1.48**	**1.51**	**1.54**	**1.72**	**1.66**	**1.66**	**1.78**	**2.02**
NATO Total	**2.58**	**2.48**	**2.48**	**2.39**	**2.40**	**2.52**	**2.69**	**2.63**	**2.51**	**2.53**	**2.71**

Notes: Figures for 2023 and 2024 are estimates. Green shaded boxes indicate NATO spending target has been met.
The NATO Europe and Canada and NATO Total aggregates from 2017 onwards include Montenegro, which joined NATO on 5 June 2017, from 2020 onwards include North Macedonia, which joined on 27 March 2020, from 2023 onwards include Finland, which joined on 4 April 2023 and from 2024 onwards include Sweden, which joined on 7 March 2024.
* These Allies have national laws or political agreements which call for 2% of GDP or more to be spent on defence annually, consequently future estimates are expected to change accordingly.
Source: Defence Expenditure of NATO Countries (2014-2024), NATO, Table 3, June 2024

the 2 per cent target. Denmark (2.37 per cent) has even abolished a springtime public holiday, observed since the 17th century, to boost spending on the military. As Table 2 shows, the increases in military spending since 2014 are most significant among NATO's member countries along or near to Russia's border, where spending was previously at its lowest.

Several countries will require huge hikes in military spending to meet the 2 per cent target. Canada, for example, would have to commit an additional CAD$75.3 billion (US$55.8 billion) before the end of 2027, the parliamentary budget office said in 2022. Similarly, new NATO member Sweden’s military spending in 2023 was SEK 91.6 (about $9 billion) or 1.5 per cent of GDP. Thus, it will need to increase military spending by over 34 per cent *this year* to reach the SEK 124.7 billion ($12.6 billion) or 2.14 per cent forecast for 2024.

Table 2: Defence expenditure real change 2014-2024e

Million US dollars (2015 prices and exchange rates)

	2014	2024e	Real change 2014-2024e (%)	Share of real GDP 2014 (%)	Share of real GDP 2024e (%)
Albania	150	309	106.27	1.35	2.03
Belgium	4,400	6,895	56.70	0.97	1.30
Bulgaria	643	1,395	117.09	1.31	2.18
Canada	15,563	24,551	57.75	1.01	1.37
Croatia	892	1,226	37.50	1.81	1.81
Czechia	1,683	4,567	171.30	0.94	2.10
Denmark	3,399	8,820	159.50	1.15	2.37
Estonia	431	944	118.70	1.93	3.43
Finland	3,387	6,170	82.19	1.45	2.41
France	43,935	55,195	25.63	1.82	2.06
Germany	39,274	76,943	95.91	1.19	2.12
Greece	4,358	6,792	55.87	2.22	3.08
Hungary	1,035	3,365	225.00	0.86	2.11
Italy	20,788	29,829	43.49	1.14	1.49
Latvia	246	1,022	316.36	0.94	3.15
Lithuania	357	1,517	324.45	0.88	2.85
Luxembourg	216	626	189.09	0.37	1.29
Montenegro	59	107	81.83	1.50	2.02
Netherlands	8,650	18,503	113.90	1.15	2.05
North Macedonia	106	263	148.87	1.09	2.22
Norway	5,865	9,653	64.59	1.54	2.20
Poland	8,557	26,839	213.66	1.88	4.12
Portugal	2,562	3,706	44.64	1.31	1.55
Romania	2,324	5,490	136.25	1.35	2.25
Slovak Republic	832	2,118	154.56	0.98	2.00
Slovenia	411	718	74.81	0.97	1.29
Spain	10,608	17,707	66.93	0.92	1.28
Sweden	5,157	12,613	144.58	1.06	2.14
Türkiye	11,783	26,952	128.74	1.45	2.09
United Kingdom	61,378	75,277	22.64	2.14	2.33
United States	660,021	754,684	14.34	3.71	3.38

Note: Figures for 2024 are estimates.

Source: Defence Expenditure of NATO Countries (2014-2024), NATO, Table 4, June 2024

Re-evaluating the 2 per cent target

There have been periodic calls from political leaders and security think tanks for the 2 per cent target to be raised. Most recently, Polish President Andrzej Duda proposed that it be increased to 3 per cent of GDP. For most European NATO states, such increases could be comparable to those during NATO's cold war military spending surge in the late 1970s and early 1980s when all member states were asked to increase their budgets by 3 per cent per annum in real terms. However, irrespective of the specific percentage, serious doubts have been expressed by think tanks, academics and parliamentarians over the effectiveness and fairness of military burden targets.

Increased spending may not equate to improved capabilities: One of the main criticisms is that such targets reflect spending, but not whether a country has appropriate military forces or strategic production capacity. In addition, countries can often find it difficult to absorb the additional spending in a manner that is reflected in additional capabilities. Instead, such increases may lead to inefficiencies, waste and potentially corruption. It is also harder for large economies, like Germany to meet the target than smaller countries. The absolute increases require specific changes in fiscal spending which clearly has already affected Germany as seen in its budget crisis. Finally, the narrow focus on military spending ignores other public goods that help to improve collective security, such as soft power and diplomacy. Spending on measures to enhance societal resilience to address hybrid threats, for example, is currently not considered in the burden-sharing debate.

Higher levels of military spending than adversaries are no guarantee of effective deterrence or military success: The United States spent more than $8 trillion on its wars in Afghanistan and Iraq after 2001, but these wars had devastating outcomes for the people of those countries and yielded few if any security gains. Within Europe, NATO countries have consistently spent more than Russia, spending 15 times more in 2020, for example. Yet, it is still often claimed that Russia would not have dared to launch its full-scale invasion of Ukraine in 2022 had NATO countries committed more to military spending and that the only rational response going forward is further militarization. In 2023, the ratio of NATO-Russia spending was closer to 12:1 (see figure 1). While NATO's spending did not deter Russian aggression against Ukraine (a non-NATO member) in 2022, would another 0.5 per cent, or even 3.0 per cent, have done so?

Another question is whether the threat from Russia to NATO member states justifies further increased levels of military spending. This year a growing list of prominent officials or leaders within NATO countries have warned about the potential of NATO being pulled into a war with Russia. For example, Germany's defence minister, Boris Pistorius, warned in January of a Russian attack on NATO possibly occurring within the next 'five to eight years'. Similarly, the head of the British army, General Sir Patrick Sanders, said that Britain needed to 'train and equip' a new 'citizen army' that would be ready to fight a land war against Russia, and to take 'preparatory steps to place our societies on a war footing'.

The international situation has undoubtedly darkened and is set to get darker. But while the risks Russia poses are significant, these are of a different magnitude compared to those of the cold war. Despite Russia's military performance and production capacity improving significantly since 2022, it has still struggled to overcome the smaller and less well-armed Ukrainian forces. As a response to Russia's full-scale invasion, NATO has already hardened its military posture, doubling its multinational battlegroups from four (in Estonia, Latvia, Lithuania and Poland) to eight (with four more in Bulgaria, Hungary, Romania and Slovakia), that now stretch from the Baltic to the Black Sea. Other Russian threats—like election tampering, false information and cyber security issues at one end of the spectrum, and missiles and nuclear forces at the other end—raise greater uncertainties, but it is unclear as to how increased military spending within NATO will help to mitigate them.

Burden sharing involves much more than military spending: Another reason why the 2 per cent target may not accurately measure burden-sharing within NATO is that not all military spending by member states directly relates to NATO's core tasks. Although NATO has widened its geographical focus to take a '360-degree approach to security', ensuring that it is able to respond to threats and challenges from all directions, the Eastern flank in Europe remains the priority. Some of the spending by the United States, and to a lesser extent France and the UK, however, goes towards global or other regional security objectives. While about 100,000 US military personnel are currently deployed to Europe, the Indo-Pacific region hosts more than 375,000 and the Middle East more than 30,000, suggesting that only about one fifth of its deployed forces (and by extension roughly one fifth of its spending) are dedicated to European missions. By that measure, the US contribution to NATO would not seem nearly so disproportionate.

Expert opinion has been critical of Europe's militaries for not being appropriately scaled to meet current security challenges. Some European states probably do need to spend more strategically, and some countries may need to increase or pool aspects of their military spending to meet longstanding '[capability gaps](#)'. This particularly applies if deterring Russia is the goal of NATO Europe, and if, as frequently articulated by France, it seeks increased [strategic autonomy](#) from the United States. In these circumstances, it would get more for its money by pooling efforts and scaling back the 30 or so different military establishments.

In contrast, the United States could [arguably spend less](#) and shift part of the focus to 'soft' security expenditure. The USA is not only the largest military spender in the world, but in 2023 it outspent the next 9 biggest spenders combined. However, reducing and rebalancing US security resources is often the '[elephant in the room](#)' during transatlantic burden sharing discussions.

Opportunity and climate costs: [Opportunity costs](#) from military spending include the forgone benefits of potential funding for human development and other non-military priorities. The UN Secretary-General, for example, has been at the forefront of [calls](#) to reduce military spending and to invest instead in social infrastructure, climate action and human security. The cost of recruiting tens of thousands of extra soldiers and trained civilians within NATO member states, and supplying the weapons to make them a credible force, has to be weighed against resources needed for social priorities (hospitals, care services, schools etc), including climate action and building [European societal resilience](#).

The climate consequences of military spending are poorly understood. Official reporting of military emissions is voluntary and [data is extremely patchy](#) or non-existent due to military secrecy. One [study](#) by Scientists for Global Responsibility and CEOBS in 2022 found that militaries account for almost 5.5% of global greenhouse gas emissions annually, which is more than the aviation and shipping industries combined. This makes the global military carbon footprint larger than that of all countries except the United States, China and India. When conflict-related emission surges are added the picture becomes even worse. A recent [report](#) that mapped the climate cost of the first two years of Russia's war on Ukraine found that it had generated at least 175 million tonnes of carbon dioxide—this was greater than the annual greenhouse gas emissions generated by the Netherlands. Another [report](#) indicates that NATO's military spending increases are accelerating the climate crisis by increasing greenhouse gas emissions, diverting critical finance from climate action, and consolidating an arms trade that fuels instability during climate breakdown. The report also argues that if all 32 NATO member states meet the 2 per cent spending target by 2028 they will create as much additional greenhouse gas pollution as the annual output of Russia.

Conclusion: the need for better metrics

Following the end of the cold war, declining military spending gave rise to renewed calls to redirect the funds for social expenditure and development aid (the so-called 'peace dividend'). The rallying cry was 'swords into ploughshares'. However, global military spending started to increase again in 1999 and surpassed $2 trillion for the first time in 2021. NATO has been at the heart of these increases, especially since the 2014 NATO defence investment pledge. In 2023, NATO accounted for at least half of this expenditure (over $1.3 trillion), and the year-on-year increase was an extra $62 billion or just over 40 per cent of the global increase compared to 2022. The outbreak of the war in Ukraine, its intensity and brutality, and the threats from Russia towards European NATO have shocked member states into investing even more on military resources. Longstanding pressure from the United States for European member states to spend more (or risk the US losing interest in European defence) has also contributed to this demand.

However, some NATO member states continue to face difficulties in meeting the 2 per cent defence investment pledge, while others face challenges in absorbing the increased spending when they do. Questions also remain as to whether increasing military spending equates to increased security. First, the 2 per cent spending target does not correlate with some of the most important outputs—namely, relative troop and equipment contributions to NATO operations or support for other key political aims. Second, the most likely consequence of further military spending increases in NATO will be reciprocal increases in Russia and probably China, given NATO's recent pivot to the Asia-Pacific region. In such a spiral of action and reaction, everyone loses, including the planet through increased greenhouse gas emissions.

Instead of the defence investment pledge, a performance metric is needed that balances 'inputs' (how much the member states spend) with 'outputs' (how much they get out of it). These military outputs also need to be balanced with a broader, more holistic way of understanding burden sharing. Since NATO is a political-military alliance with a fundamental goal to safeguard freedom and security by both political and military means, that includes more qualitative measures, both external to NATO (such as UN peacekeeping and overseas foreign assistance), and especially in relation to newer 'soft security' or political commitments within NATO (such as climate change and societal resilience). Devising a composite security burden measure for NATO that portrays burden- and risk-sharing more accurately would benefit legislators, analysts, academics and the public. It may also lessen opposition toward increasing military spending targets, where appropriate, and would ultimately improve transatlantic security.