



Study Guide

North Atlantic Treaty Organization

The economic effect of increased military
expenditure

Gimnazija Bežigrad Model United Nations

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North Atlantic Treaty Organization – Study Guide

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INTRODUCTION

INTRODUCTION OF THE CHAIRS

Mr. Val Marušič

Hi,

my name is Val Marušič and along with Mia I will chair this years edition of NATO at the GimBMUN Conference. Although I have a few years of experience when it comes to MUN, I haven't chaired or debated in NATO before, so this will be a new experience for me, as well as for many of you. I'm looking forward to the academic challenge and meeting you all in January. If you have any questions, please feel free to contact either Mia or me via email, or you can shoot me a dm on Instagram (all the contacts are on the website). See you soon!

Ms. Mia Lehmann

Hi, delegates!

My name is Mia Lehmann, and during this year's conference GimBMun, Val and I will be chairing the NATO committee. I attended the International Baccalaureate program at Gimnazija Bežigrad. I was born and raised in the United States before relocating to Slovenia 13 years ago. I initially joined MUN to gain new experiences, but it quickly became clear that it was much more than that; the people, the discussions, and the issues piqued my attention more than I had anticipated. Aside from MUN, I enjoy sports, hanging out with friends, and traveling.

I am looking forward to the conference and the debates, and if you have any questions please do not hesitate to ask.

INTRODUCTION TO NATO

NATO, the North Atlantic Treaty Organization, is a political and military alliance formed in 1949 to promote collective defence, security, and cooperation among its member states from Europe and North America. Its main purpose is to guarantee the freedom and security of its members through political and military means. Additionally, the Alliance demonstrates both its willingness to act as a positive force for change and its capacity to meet the security challenges of this century.

NATO operates based on the principles enshrined in the North Atlantic Treaty. It is built upon the concept of joint defence, where an armed attack against one member is considered an attack against all. The Allies have reached a consensus to jointly cultivate and uphold a comprehensive array of abilities aimed at deterring and safeguarding against potential adversaries by using multinational approaches and innovative solutions where appropriate. Developing and obtaining capabilities through multinational cooperation helps leverage economies of scale, minimize expenses, and ensure inherent interoperability.

As it is the most powerful military alliance in the world it tackles many global issues and conflicts. Over 140,000 military personnel are engaged in NATO missions around the world and these forces are able to successfully manage complex ground, air and naval operations in all types of environments. Currently, they are operating in Afghanistan, Kosovo, the Mediterranean, off the Horn of Africa, and Somalia.

NATO is an alliance that goes beyond its collective defence mandate. It fosters cooperation, enables consultations, and employs a range of military capabilities to address security challenges. The North Atlantic Council, as NATO's decision-making body, plays a crucial role in shaping policies and ensuring the organization's effective functioning.

INTRODUCTION TO THE TOPIC

In the recent years we have seen an increase in military spending by many countries – both NATO members and non-members – which has resulted in both positive and potential negative consequences.

Positively, higher military spending by NATO members can encourage economic expansion and employment creation. It frequently results in increased demand for products and services related to defence, which can be advantageous for domestic military companies. New jobs may be created as a result of this, particularly in industries like manufacturing, engineering, as well as research and development. As defence contractors invest in research and innovation, which may find wider uses in the civilian sector, increased military spending can also result in technological breakthroughs. Additionally, higher military spending can strengthen a nation's security and defence capacities. This may draw in outside capital and support stability, resulting in growth and prosperity for the economy. Furthermore, NATO countries frequently work together on defence initiatives, which can promote global collaboration, technological exchange, and joint ventures.

The potential negative consequences for the economy of higher military spending are however equally possible. First, investing considerable resources into the military may cause money to be taken away from other areas, such as social welfare, healthcare, infrastructure, and education. This resource

redistribution could result in underinvestment in crucial areas, which would have an impact on society as a whole. If not accompanied by sustainable economic growth, greater military spending can also lead to budget deficits and the national debt. To pay for the increased military spending, governments may need to raise taxes or reduce public investment in non-defence areas, which might lower living standards and domestic demand.

In conclusion, higher NATO military spending may have both positive and negative economic repercussions. While it can promote technological improvements, spur economic growth, and create jobs, it can also lead to resource reallocation, budget deficits, and potential adverse effects on social welfare. To ensure a sustained and flourishing economy, it is critical to strike a balance between defence priority and other important sectors.

HISTORY OF THE TOPIC

It is important to remember that each member state establishes its own defence budget and allocates resources accordingly. NATO acts as a platform for member states to coordinate and cooperate but does not have a budget to pay for military costs directly.

NATO's primary purpose is to ensure the collective defence and security of its member states. There are several factors that contribute to NATO's need to spend money on military means, such as collective defence (attack against one is considered an attack on all), security threats (terrorism, regional conflicts, cyberattacks, and the proliferation of weapons of mass destructions), deterrence (preventing military conflicts, maintaining stability, peacekeeping, crisis management, and disaster response).

THE COLD WAR

NATO's defence budget was significantly influenced by the Cold War era. NATO member states increased their military spending as a result of the perceived danger presented by the Soviet Union and its allies. As the most important NATO member, the United States greatly increased its military spending to confront the Soviet Union's military buildup. Additionally, during this time NATO also adopted the strategic doctrine of "Massive Retaliation" - if the Soviet Union attacked, the organization would respond with nuclear powers.

These expenditures generated significant positive economic spillovers that boosted technological development, the defence sector, and employment prospects within NATO countries. The global anti-communist ideology that predominated during the Cold War led to several foreign policy doctrines (such as the Truman Doctrine, massive retaliation, and the Reagan Doctrine) as well as military

commitments (such as NATO, bilateral defence treaties, and U.S. military "advisers" in Latin America).

POST-COLD WAR TRANSITION

The economic environment of NATO underwent major upheaval after the end of the Cold War. NATO started a process of reevaluation and transformation after the Soviet Union's fall as the threat assessment changed. As a result, some NATO members cut their defence spending, which brought about a peace dividend. Resources were redirected to the private sector, which boosted development and economic progress. However, regions that significantly depend on sectors tied to defence faced economic difficulties as a result of the cut in the military budget.

GLOBAL WAR ON TERROR

The September 11, 2001, terrorist attacks marked a turning point for NATO's military spending. NATO members, including the United States, upped their military spending to fight terrorism and take part in operations in Afghanistan and other areas in response to these attacks and the ensuing worldwide War on Terror. The economic impacts differed among the member nations; while higher defence spending benefited the defence industry economically, it also put pressure on national budgets and raised fiscal deficits.

GEOPOLITICAL DEVELOPMENT AND EVOLVING THREATS

The economic effects at hand are being shaped by the increase in military spending by NATO members, which in turn is being shaped by geopolitical developments and changing security concerns. NATO member nations have reviewed their defence capabilities and increased military spending as a result of Russia's annexation of Crimea in 2014 and its aggressive behaviour in Eastern Europe. These acts have an economic impact in addition to their goals of collective defence and deterrence. Member states' resource allocation for military readiness, infrastructure, and procurement has an impact on domestic budgets and other sectors' resource allocation.

TECHNOLOGICAL ADVANCEMENTS AND INNOVATIONS

Historical developments have also influenced technological breakthroughs in NATO member nations, which has an impact on their military budgets. Spending on R&D and defence-related sectors has expanded as a result of the pursuit of cutting-edge military capabilities and defence technologies. These investments have had a wider economic impact, promoting technology transfer to civilian industries, stimulating innovation, and generating high-skilled employment.

A member country's economic structure, political objectives, and foreign threats are only a few examples of the many variables that influence the economic implications of increased military spending within NATO. Although military investment can boost the economy, there are drawbacks such as fiscal constraints, lost opportunities, and problems with resource distribution. To fully grasp the economic effects of increased military spending within NATO today, it is essential to understand the historical context and geopolitical dynamics.

THE CURRENT SITUATION

NATO defines defence expenditure as payments made by a national government specifically to meet the needs of its armed forces, those of Allies or of the Alliance. A major component of defence expenditure are payments for Armed Forces financed from within the Ministry of Defence (MoD) budget. Armed Forces include Land, Maritime and Air forces as well as Joint formations such as Administration and Command, Special Operations Forces, Medical Service, Logistic Command, Space Command, Cyber Command, etc. They might also include "Other Forces" like Ministry of Interior troops, national police forces, gendarmerie, carabinieri, coast guards etc. In such cases, expenditure is included only in proportion to the forces that are trained in military tactics, are equipped as a military force, can operate under direct military authority in deployed operations, and can, realistically, be deployed outside national territory in support of a military force. Expenditure on Other Forces financed through the budgets of ministries other than MoD is also included in defence expenditure.

Expenditure for peacekeeping and humanitarian operations (paid by MoD or other ministries), the destruction of weapons, equipment and ammunition, contributions to eligible NATO-managed trust funds, and the costs associated with inspection and control of equipment destruction are included in defence expenditure. Research and development (R&D) costs are included in defence expenditure. R&D costs also include expenditure for those projects that do not successfully lead to production of equipment. Expenditure for the military component of mixed civilian-military activities is included, but only when the military component can be specifically accounted for or estimated.

For 2023, NATO's civil budget is set at €370.8 million, and its military budget is set at €1.96 billion, representing a 27.8% and 25.8% increase, respectively, compared to 2022.

All allies contribute to funding of NATO by using an agreed cost share formula, which is derived from the GDP (Gross National Income) of the allies. This is the principle of common funding, and it demonstrates burden sharing in action. NATO has three main budgets. The civil budget, which funds the headquarters in Brussels, the military budget, which funds the NATO command structure, and the Security Investment program that funds military infrastructure and capabilities. In 2006, NATO

Defence Ministers agreed to commit a minimum of 2% of their Gross Domestic Product (GDP) to defence spending to continue to ensure the Alliance's military readiness. This guideline also serves as an indicator of a country's political will to contribute to NATO's common defence efforts, since the defence capacity of each member has an impact on the overall perception of the Alliance's credibility as a politico-military organisation.

Nation	Cost share "at 31" following the accession of Finland. (valid as from 4 April 2023 until 31 December 2024)		
Albania	0.0900	Netherlands	3.4193
Belgium	2.0852	North Macedonia	0.0771
Bulgaria	0.3623	Norway	1.7610
Canada	6.8166	Poland	2.9591
Croatia	0.2968	Portugal	1.0396
Czechia	1.0462	Romania	1.2168
Denmark	1.2997	Slovakia	0.5113
Estonia	0.1237	Slovenia	0.2255
Finland	0.9057	Spain	5.9365
France	10.3963	Türkiye	4.6838
Germany	16.1964	United Kingdom	11.1801
Greece	1.0477	United States	16.1964
Hungary	0.7526	TOTAL NATO	100.0000
Iceland	0.0636		
Italy	8.7017		
Latvia	0.1581		
Lithuania	0.2543		
Luxembourg	0.1678		
Montenegro	0.0288		

Table 1

BLOCK POSITIONS

Following the Russian invasion of Ukraine, military expenditure became a vast concern for NATO. However, we can still see a pattern of mainly ex-soviet states expanding their military budgets, rather than the countries from western Europe.

In his recent study, Odehnal analysed the NATO countries divided into two groups: the traditional and the ‘new members’ countries. However, to avoid the heterogeneity if the parameters differed among groups, the Alliance was divided into five groups according to the historical and economical characteristics after the WWII until today. Their existence has been confirmed through the poolability test. On the one hand, those geographically close to Russia, such as the Baltic countries and Poland, are pushing for more ambitious defence goals with a target of 2.5% of GDP devoted to military spending. Warsaw has announced its intention to dedicate 4% of its budget to defence in 2023. On the other hand, countries such as Canada, Spain, Luxembourg and Italy consider these objectives are not appropriate for their situation.

NATO Countries
Distribution of Defence Expenditure (by main categories, % total)

	Equipment			Personnel			Infrastructure			Others		
	2006	2013	2018	2006	2013	2018	2006	2013	2018	2006	2013	2018
Albania	-	16,29	9,42	-	75,25	70,70	-	1,17	1,09	-	7,30	18,79
Belgium	5,9	2,84	10,15	75,30	77,34	70,69	2,00	2,28	1,43	16,80	17,53	17,72
Bulgaria	14,1	4,52	9,65	51,80	65,37	62,99	0,60	0,47	2,62	33,50	29,64	24,74
Canada	11,8	11,16	11,94	46,60	52,44	51,02	2,60	4,12	3,58	39,00	32,28	33,46
Croatia	-	10,72	3,37	-	68,06	76,96	-	1,21	1,00	-	20,01	18,67
Czech Republic	14,6	9,49	11,16	47,40	62,03	54,57	8,30	2,72	5,31	29,70	25,75	28,95
Denmark	15,4	11,26	11,66	48,50	51,74	49,88	4,10	1,16	1,49	32,00	35,84	36,97
Estonia	14,5	14,48	16,73	26,00	39,83	34,27	16,40	11,54	8,63	43,20	34,14	40,36
France	22,8	28,56	23,66	57,40	49,23	46,90	3,70	2,30	3,51	16,20	19,91	25,92
Germany	15,0	12,74	12,36	57,10	49,86	47,99	3,60	3,55	4,15	24,30	33,84	35,49
Greece	14,9	12,06	11,03	73,80	74,56	78,76	1,00	0,63	0,62	10,20	12,75	9,60
Hungary	9,0	11,08	20,35	51,20	48,96	39,98	8,10	2,32	4,85	31,70	37,64	34,82
Italy	7,2	12,51	21,12	81,90	75,00	65,66	0,60	1,57	1,92	10,30	10,93	11,30
Latvia	12,3	12,09	31,19	39,20	52,98	34,21	9,70	6,26	6,97	38,80	28,68	27,63
Lithuania	17,0	9,23	36,98	54,80	66,53	37,47	3,50	2,04	2,24	24,60	22,20	23,30
Luxembourg	8,7	14,57	45,18	76,50	51,10	33,42	2,00	11,81	5,05	12,80	22,52	16,35
Montenegro	-	1,32	11,05	-	87,68	72,87	-	0,09	2,24	-	10,91	13,84
Netherlands	16,8	12,57	16,39	47,80	58,53	51,16	3,50	2,74	3,46	31,90	26,16	28,99
Norway	19,4	18,89	25,60	45,40	42,21	36,43	4,30	5,33	6,67	30,90	33,88	31,30
Poland	18,2	13,90	27,51	53,80	57,70	46,14	3,80	5,62	3,45	24,20	22,78	22,89
Portugal	8,9	8,65	9,78	76,20	79,85	74,84	1,80	0,04	0,12	13,10	11,46	15,26
Romania	24,0	10,71	33,48	59,80	78,99	54,48	2,10	1,16	1,54	14,20	9,13	10,50
Slovak Republic	12,7	7,39	22,27	49,10	70,14	54,74	5,20	0,29	2,00	33,00	22,19	20,99
Slovenia	12,2	1,27	5,86	60,10	80,52	72,38	0,80	1,33	1,40	26,90	16,88	20,36
Spain	21,7	12,37	21,83	53,50	68,25	59,64	2,80	0,67	0,64	22,00	18,71	17,89
Turkey	34,4	26,89	37,64	48,40	54,58	45,18	2,40	2,72	2,53	14,80	15,80	14,65
United Kingdom	21,4	21,89	22,19	40,40	37,85	33,82	2,60	2,04	2,99	35,60	38,22	41,00

Table 2

The resulting groups are: Countries which were defeated or neutral during the Second World War (Germany, Italy, Spain and Portugal); countries which developed nuclear weapons during the early years of the Cold War (USA, UK, and France); the Eastern European countries formerly linked to the old Soviet Union (Albania, Bulgaria, Czech Republic, Estonia, Latvia, Lithuania, Romania, Slovakia, Slovenia, Croatia, Montenegro, Poland and Hungary); countries who were in constant conflict (Greece and Turkey) and the rest of the allies (Belgium, Canada, Denmark, Netherlands, Luxembourg and Norway).

The distribution of military spending in each of these five groups is very different among the four main categories (equipment, personnel, infrastructure and others). In this respect, it is important to highlight that the three countries with nuclear arsenals are the ones with the lowest personnel participation in the distribution of defence expenditure, and the ones with more spending on equipment (which includes equipment and R&D to be devoted to major equipment) and other expenses (which includes operations, maintenance, R&D and other expenditures not allocated among the others categories) (see Table 2). The pattern of the countries that spend the most on personnel is not very clear. In this group are some countries belonging to the group linked to the former USSR, but not the Baltic countries or Hungary that spends more on equipment and other expenses. However, personnel expenditure is very high in Belgium, Italy, Portugal, and Spain as well. In all of them the weight of equipment and other expenses is quite different. For its part, in the group of countries in conflict, the personnel expenditure is very high in Greece but not in Turkey, which spends more specially on equipment (see Table 2).

Total global military expenditure increased by 3.7 per cent in real terms in 2022, to reach a new high of \$2240 billion. Military expenditure in Europe saw its steepest year-on-year increase in at least 30 years. The three largest spenders in 2022—the United States, China and Russia—accounted for 56 per cent of the world total, according to new data on global military spending published by the Stockholm International Peace Research Institute (SIPRI).

However, the military spending by NATO members totalled \$1232 billion in 2022, which was only 0.9 per cent higher than in 2021, which, given the war taking place in Europe, is not as large of an increase as predicted.

The combined wealth of the non-US Allies, measured in GDP, is almost equal to that of the United States. However, non-US Allies together spend less than half of what the United States spends on defence. This imbalance has been a constant, with variations, throughout the history of the Alliance and has grown more pronounced since the tragic events of 11 September 2001, after which the United States significantly increased its defence spending. The volume of US defence expenditure represents approximately two thirds of the defence spending of the Alliance as a whole. However, this is not the amount that the United States contributes to the operational running of NATO, which is shared with all

Allies according to the principle of common funding. Moreover, US defence spending also covers commitments outside the Euro-Atlantic area. It should be noted, nonetheless, that the Alliance relies on the United States for the provision of some essential capabilities, regarding for instance, intelligence, surveillance and reconnaissance; air-to-air refuelling; ballistic missile defence; and airborne electromagnetic warfare.

The effects of the 2007-2008 financial crisis and the declining share of resources devoted to defence in many Allied countries, up to 2014, have exacerbated this imbalance and also revealed growing asymmetries in capability among European Allies. France, Germany and the United Kingdom together represent approximately 50% of defence spending by the non-US Allies. At the Wales Summit in 2014, in response to Russia's illegal annexation of Crimea and the turmoil in the Middle East, NATO Leaders agreed to reverse the trend of declining defence budgets and decided:

- Allies currently meeting the 2% guideline on defence spending will aim to continue to do so;
- Allies whose current proportion of GDP spent on defence is below this level will: halt any decline; aim to increase defence expenditure in real terms as GDP grows; 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.

While the 2% of GDP guideline alone is no guarantee that money will be spent in the most effective and efficient way to acquire and deploy modern capabilities, it remains an important indicator of the political resolve of individual Allies to devote to defence a relatively small but still significant level of resources. In 2014, three Allies spent 2% of GDP or more on defence; this increased to seven Allies in 2022. Moreover, 2022 is the eighth consecutive year of rising defence spending across European Allies and Canada, amounting to a rise of 2.2% in real terms compared to 2021.

The Defence Investment Pledge endorsed in 2014 calls for Allies to meet the 2% of GDP guideline for defence spending and the 20% of annual defence expenditure on major new equipment by 2024. Since Russia's full-scale invasion of Ukraine starting in February 2022, a majority of Allies have committed to investing more, and more quickly, in defence.

THE CIVIL BUDGET

The civil budget supports Allies' consultation and decision-making. It provides funds for personnel expenses, operating costs, and capital and programme expenditure of the International Staff at NATO Headquarters in Belgium. It is financed from national foreign ministry budgets (in most countries); its implementation is overseen by the Budget Committee. The civil budget for 2023 is EUR 370.8 million. The NATO Secretary General is the budget holder of the civil budget.

THE MILITARY BUDGET

The military budget supports and contributes to strengthening NATO's deterrence and defence posture and to fostering interoperability across the Alliance. It funds the operating of selected common-funded capabilities, the integrated command structure, Alliance operations and missions, and to some extent, training and exercises. It is composed of separate sub-budgets, which are financed with contributions from Allies' national defence budgets (in most countries) according to agreed cost shares. Its implementation is overseen by the Budget Committee. The primary military budget holders are the Supreme Allied Commander Europe (SACEUR), the Supreme Allied Commander Transformation (SACT), and the Director General of the International Military Staff (DGIMS).

Inter alia, the military budget provides funds for the integrated command structure, the International Military Staff, the NATO Strategic Commands, the NATO Airborne Early Warning and Control (NAEW&C) Force, and Alliance operations and missions. However, in all cases, the provision of military staff to the integrated command structure or to operations and missions remains a nationally funded responsibility. The military budget for 2023 is EUR 1.96 billion.

NATO has long advocated for its member states to meet their defence spending commitments to ensure the collective defence and security of the alliance. In recent years, NATO members have agreed to work towards allocating at least 2% of their respective GDPs (gross domestic products) on defence expenditures.

Different nations have different economic priorities, security challenges, and fiscal situations. Therefore, the position of NATO or its member states on this matter may evolve over time based on geopolitical developments, economic conditions, and political considerations, as has been most evident following the Russian invasion of Ukraine.

The figures, all NATO estimates for 2022, show that while allies have been pouring significantly more money into their militaries for years, many are still largely lagging behind an alliance spending target, set in 2014, to spend 2 percent on defence within a decade.

Of 30 members, only Greece, Poland, the Baltic states, the United Kingdom and the United States spent more than 2 percent of their economic output on defence last year, NATO Secretary-General Jens Stoltenberg's annual report shows.

European Allies and Canada have increased defence spending for the eighth consecutive year," the report said. "In total, over the last eight years, this increase added USD 350 billion for defence," it added. Nevertheless, America remains NATO's moneybags.

While the U.S. represents 54 percent of the alliance's economic output, it contributes 70 percent of defence expenditure, the report noted.

NATO MEMBER STATES POSITIONS

Disclaimer: the spending in USD, as well as the percentage of GDP are January 2021 numbers. For more recent data, please refer to NATO's annual report, as the current statistics may vary.

Albania: NATO spending is 241 million USD, ranked 27th in the world. Defence expenditure is 1.41% of the nation's GDP. In 2022, Albania's defence minister reaffirmed his nation's commitment to fulfilling the Defence Investment Commitment that the member countries undertook at the Wales Summit in 2014 to achieve the Defence budget by 2024 at not less than 2% of GDP.

Belgium: NATO spending is 6 billion USD, ranked 13th in the world. Defence expenditure is 1.07% of the nation's GDP. "That 2% target, we don't know how to hold it," admitted Belgian Defence Minister Ludivine Dedonder. Prime Minister Alexander De Croo stated Belgium's commitment to reach 2% by 2035.

Bulgaria: NATO spending is 1 billion USD, ranked 22nd in the world. Defence expenditure is 1.72% of the GDP. While Bulgaria does not contribute 2% of their GDP, they do fulfil the goal set by NATO for at least a 20% share of equipment costs from the total national defence budget.

Canada: NATO spending is 27 billion USD, ranked 6th in the world. Defence expenditure is 1.36% of the nation's GDP. A trove of leaked Pentagon secrets included Prime Minister Justin Trudeau privately telling NATO that Canada would never meet the military alliance's targets for defence spending.

Croatia: NATO spending is 1 billion USD, ranked 20th in the world. Defence expenditure is 2.16% of the nation's GDP. In 2020, with the purchase of 12 multi-purpose fighter jets, Croatia's defence budget has exceeded 2% of GDP for the first time and Croatia has taken first place among 30 NATO countries in allocating for equipment and modernisation, from 10.3% in 2020 to 43.5% in this year's defence budget.

Czech Republic: NATO spending is 4 billion USD, ranked 16th in the world. Defence expenditure is 1.4% of the nation's GDP. Recently, the Czech government approved a draft law fixing defence spending at the NATO alliance pledge of at least 2% of GDP from 2024.

Denmark: NATO spending is 6 billion USD, ranked 14th in the world. Defence expenditure is 1.4% of the nation's GDP. After announcing an increase in military spending in 2022, following Russia's

invasion of Ukraine, Denmark said it planned to spend 2% of its GDP on defence by 2030, meeting the target set by NATO.

Estonia: NATO spending is 771 million USD, ranked 24th in the world. Defence expenditure is 2.16% of the nation's GDP. Recently, Estonia has begun to urge NATO allies to increase the defence spending closer to 2.5 percent.

Finland: Finland's defence spending came to 1.96 percent of GDP last year. The president of NATO's newest member nation said the military alliance's two per cent defence spending target seems "self-evident" to him.

France: NATO spending is 47 billion USD, ranked 4th in the world. Defence expenditure is 1.93% of the nation's GDP. Recently, Macron announced a proposal for €413 billion in military spending for the period of 2024-2030, which compares with spending of about 295 billion euros in a similar military plan for 2019-2025.

Germany: NATO spending is 63 billion USD, ranked 3rd in the world. Defence expenditure is 1.49% of the nation's GDP. Recently, Chief Spokesperson Steffen Hebestreit scaled down expectations for Germany's defence spending, telling journalists that the 2 percent target would be missed not only this year, but also likely next year: "It's still open whether that goal will be achieved" in 2023, Hebestreit said, adding that his "cautious expectation" was that Germany would still meet the target within this legislative period, which ends in 2025.

Greece: NATO spending is 8 billion USD, ranked 12th in the world. Defence expenditure is 3.59% of the nation's GDP.

Hungary: NATO spending is 3 billion USD, ranked 18th in the world. Defence expenditure is 1.69% of the nation's GDP.

Iceland: While having no standing armed forces, Iceland contributes to NATO operations with financial contributions and civilian personnel. Iceland also operates an air defence and surveillance system which is part of the NATO integrated Air Defence System, composed of four radar sites and centrally controlled Air Command and Control System. IADS supports NATO allied air forces' air surveillance missions in Iceland in order to ensure that air sovereignty is maintained.

Italy: NATO spending is 33 billion USD, ranked 5th in the world. Defence expenditure is 1.54% of the nation's GDP. According to different sources, Italy will only hit the NATO goal of spending 2% of GDP on defence in 2028,

Latvia: NATO spending is 835 million USD, ranked 23rd in the world. Defence expenditure is 2.16% of the nation's GDP. Latvia plans to raise its military budget and invest in recruitment and air defence in a response to Russia's attack on Ukraine that will make it one of NATO's most prolific spenders. Ministers in the Baltic country signed off a plan to spend 2.5 per cent of its gross domestic product on defence — a proportion bettered only by the US, Greece and Croatia in the latest ranking of Nato's 30 members.

Lithuania: NATO spending is 1 billion USD, ranked 21st in the world. Defence expenditure is 2.03% of the nation's GDP. Lithuania must raise defence spending to 3% of GDP to enable it to host a much larger number of NATO troops, its president said ahead of NATO summit that will address how to counter rising security threats posed by Russia's invasion of Ukraine.

Luxembourg: NATO spending is 462 million USD, ranked 26th in the world. Defence expenditure is 0.544% of the nation's GDP. Luxembourg aims to reach 1% of GDP in defence spendings by 2028.

Montenegro: NATO spending is 92 million USD, ranked 29th in the world. Defence expenditure is 1.63% of the nation's GDP.

Netherlands: NATO spending is 15 billion USD, ranked 8th in the world. Defence expenditure is 1.45% of the nation's GDP. The Dutch government said it would invest more in the military so that its defence budget would reach the NATO target of a minimum of 2% of GDP. In fulfilment of that, Dutch spending will be 2.03% in 2024 and 2.01% in 2025.

Norway: NATO spending is 8 billion USD, ranked 11th in the world. Defence expenditure is 1.74% of the nation's GDP. Norway plans to reach a NATO defence-spending target of 2% of gross domestic product by 2026.

Poland: NATO spending is 15 billion USD, ranked 7th in the world. Defence expenditure is 2.34% of the nation's GDP. Poland's president signed into law a bill that would increase 3% of GDP from 2023 on.

Portugal: NATO spending is 4 billion USD, ranked 17th in the world. Defence expenditure is 1.55% of the nation's GDP. Portugal's prime minister said that investment in defence can exceed the commitment made with NATO and reach 1.89% of Gross Domestic Product in 2024 if Portugal can get the necessary European funds.

Republic of North Macedonia: NATO spending is 209 million USD, ranked 28th in the world. Defence expenditure is 1.54% of the nation's GDP. In line with its NATO commitment, North Macedonia is aiming to increase its military expenditure to 2% of its GDP by 2024.

Romania: NATO spending is 5 billion USD, ranked 15th in the world. Defence expenditure is 1.88% of the nation's GDP. In 2023, the yearly budget for Romania's defence system has increased to 2.5% of GDP — above the 2% of GDP statutory level.

Slovakia: NATO spending is 2 billion USD, ranked 19th in the world. Defence expenditure is 1.73% of the nation's GDP. Slovakia's Defence Minister Says Military Spending at 2% should be the base, not the target. In 2021, the expenditure on defence reached €1,95 billion, which represented 2.1 percent of GDP for that year, Klimek reported. "The current government is the first one to have met Slovakia's commitment towards NATO, even ahead of schedule," Klimek wrote.

Slovenia: NATO spending is 745 million USD, ranked 25th in the world. Defence expenditure is 1.22% of the nation's GDP. Slovenia had made a commitment to NATO to raise its defence spending to 2% of GDP. Under that resolution, this target is to be attained by 2030 at the latest, and then spending is to be kept at that level until 2040.

Spain: NATO spending is 15 billion USD, ranked 9th in the world. Defence expenditure is 1.03% of the nation's GDP. Spain pledged that it could reach 2% of the GDP goal by 2029. That would mean doubling its budget for military spending from the current 13 billion euros to 26 billion euros in the next six years.

Turkey: NATO spending is 13 billion USD, ranked 10th in the world. Defence expenditure is 1.6% of the nation's GDP.

United Kingdom: NATO spending is 73 billion USD, ranked 2nd in the world. Defence expenditure is 2.25% of the nations GDP. The UK is committed to spending 2% of GDP on defence each year. It was just one of NATO member countries to have met this target in 2022, spending 2.1% of the GDP on defence.

United States of America: NATO spending is 811 billion USD, ranked 1st in the world. Defence expenditure is 3.57% of the nations GDP.

SUMMARY AND CONCLUSION

The 2% of GDP guideline serves as a benchmark for member countries defence spending commitments. However, many countries have found it difficult to accomplish this goal. Some nations routinely achieve or surpass the guideline, but others have trouble allocating enough money because of domestic economic difficulties or competing budget priorities. The controversy over the recommendation brings

attention to the conflict between military readiness and other crucial areas for the country, like healthcare, education, and infrastructure growth.

The Ukrainian invasion in 2022 had a profound impact on military expenditure in NATO. Many of the member states used the invasion as a wake-up call and increased defence spending to improve readiness and deter possible aggressors. A number of nations, especially those who are physically close to the area of conflict, dedicated more funds to improving their defensive capabilities. This led to an increase in defence-related economic activity, including manufacturing, infrastructure development, and defence contracts, which benefited the defence sector and produced job opportunities.

The military budget within NATO encompasses the collective defence efforts and activities of member nations. It covers investments in infrastructure, infrastructure improvements, equipment, and equipment improvements. The member nations' dedication to ensuring the coherence and efficiency of the alliance in upholding security is reflected in the military expenditure. To address regional and strategic priorities and to ensure a fair burden-sharing strategy, member nations frequently negotiate and coordinate the distribution of the military budget. The civil budget within NATO, in contrast to the military budget, pays for non-military operations and alliance administrative costs. These encompass non-combat activities such as infrastructure upkeep, civilian staff, and diplomatic initiatives. The civil budget is critical to maintaining the organization's daily operations and promoting member-nation collaboration. Maintaining NATO's overall effectiveness and fostering stability in the Euro-Atlantic region depend on striking a balance between the military and civil budgets. Achieving a balance between these budgets is essential for sustaining the alliance's effectiveness and ensuring regional stability.

QUESTIONS/ISSUES TO ADDRESS

1. What impact does the rise of military spending have on the economy?
2. How to defer between the military budget and civil budget when it comes to the demand for military spending?
3. How to ensure that the 2% of GDP guideline is used in an effective and efficient way? What potential effects can it have on healthcare, education, infrastructure, or social welfare programs?

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