

The NATO Members and the Budget Guidelines in the Final Year 2024

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ABSTRACT

This study examines the defence expenditures of the NATO (North Atlantic Treaty Organisation) member countries over the period 2014-2024 and this in relation to the NATO 2014 summit decision of Wales. The research of this article is to examine the following points: How has defence spending by the member states evolved in the period under consideration (2014 – 2024) and more specifically the evolution to the 2% GDP (Grand Domestic Product) military expenditures; Which states already meet the second target of the 2014 Wales summit, namely: the 20% investment in equipment of the national military budget. The current figures are based on the primary budgetary sources as published by the NATO, namely: the defence expenditures of NATO countries (2014-2024). (see references).

Keywords: Defence budgets, NATO members, Wales guidelines

INTRODUCTION

The NATO summit of 2014 in Cardiff (Wales – UK), under the Obama-Biden, US administration, took the decision that the NATO members over ten years (2024!) should spend 2% of their GDP at defence and 20% of that budget to equipment. These Wales guidelines would make an end at the long period of savings in the defence budgets and created an answer to the upcoming threat coming from the Russian federation.

This study concerns the defence figures of the present 32-member states of the NATO, but not Iceland. Because this country has no armed forces and manages only a small coast guard.

This article examines and compares the defence expenditures between 2014, the Wales summit, and the year 2024 included. In 2014 there were 28-member states in the NATO. The last entered states are the following countries;

- Montenegro in 2017,
- North Macedonia in 2020,
- Finland in April 2023,
- Sweden became the 32th member in March 2024.

METHODOLOGY

This study attempts to analyse and to compare the NATO defence figures over the last decade. The materials of this study are the figures in the 2024 NATO press communication and the yearly report 2023 concerning the defence expenditure (see references 1 and 3). The advantage of the use of this NATO figures is the harmonization of the numbers over all the members of the NATO. This NATO figures are using the same method for the calculation of the defence figures,

which are coming from the national defence budgets. The NATO 2023 report explains what defence expenditures are (ref. 1, p. 166 & ref. 3, p. 15):

- it concerns the payments made by the defence national budgets for all the components of the armed forces: uniformed or civilian personnel. Another remark is the fact that the outlays concerning the military pensions are also calculated in these figures. Because in some countries public budgets sometimes are relating these pensions in the military budget and in other state budgets related with the social security. All the pensions paid by the government to retired military and civilian employees of military departments are included in these NATO figures concerning the defence expenditure;
- another additional comment is the fact that the military police forces which used for civil assignments, are part in the military budgets. This means that some police forces with a military character, but with civil and judicial services, are part of the military budgets in these countries. Examples are the following member countries: the Netherlands (Koninklijke Marechaussee), France with Luxembourg and Romania (Gendarmerie), Italy (Carabinieri), Portugal (Guarda Nacional Republicana), Spain (Guardia Civil) and Turkey (Jandarma). These means that countries with only civilian police units (f.e. Belgium, Germany, the UK) are at a budgetary disadvantage comparing with the mentioned other group;
- also, units as the 'Coast Guard' are counting in the NATO calculations of military expenditures. (f.e. US Coast Guard, Swedish Coast Guard/Kustbevakningen);
- what also is including in these military expenditures are the peacekeeping and humanitarian operations as well as the outlays for the destruction of weapons. Another part of these expenditures is the 'R&D' (Research & development) payments. This last remark also applies to the military component of mixed civilian-military activities and the expenditure on NATO common infrastructure.

Finally, the NATO explains that war damage payments and spending on civil defence are both 'excluded' from the NATO definition of defence expenditures.

This study is only based at the NATO publications, because the EDA (European Defence Agency) report is limited to the EU members and doesn't contain the same quantity of figures concerning the defence expenditures. (ref. 2)

WALES SUMMIT

The NATO Wales summit, hold in Cardiff September 5th 2014 (ref. 4) contains in point 14 of the declaration the budget agreement for the next years. The text says as follow:

"We agree to reserve the trend of declining defence budgets, to make the most effective use of our funds and to further a more balanced sharing of costs and responsibilities..."

This fourteenth point in this declaration also underlines the importance of our security and the need for a stronger defence industry across the Atlantic. Therefore, this NATO summit taking current commitments into account by the following considerations:

- Allies currently meeting the NATO guidelines to spend a minimum of 2% of their GDP (Gross Domestic Product) on defence will aim to continue to do so. Likewise, allies

spending more than 20% of their defence budgets on major equipment, including related research and development, will continue to do so;

- Allies whose current proportion of GDP spent on defence is below this level will: halt any decline in defence expenditures and aim to increase defence expenditures in real terms as their GDP grows. Even the declaration says for this second point the aim to move towards the 2% guideline within a decade with a view to meet their NATO capability targets and filling NATO capability shortfalls.

In other words, this NATO declaration speaks about a 'decade' from the summit year in which the members have to achieve these guidelines and finally in their budget of the 2024!

THE 2 % GDP GOAL

The first table of this article evaluates the member countries positions in relation to the 2 % GDP goal. The 31 concerned countries are divided, per year between 2014 and 2024, in five categories. The first one is the group of countries with a GDP contribution of less than 0,50 %, followed by the group 0,50 % - 0,95 % GDP share, the category of members with a military budget effort between 1 % - 1,49 % GDP, the group 1,5 % - 1,99 % and finally the last category with the goal of the 2% rule.

Table - I: The 2 % GDP goals 2014 - 2024

	0 % - 0,49 %	+ 0,50 %	+ 1 %	+ 1,5 %	+ 2 %
2014	1	8	11	6	3
2015	1	4	16	3	5
2016	1	4	16	4	4
2017	0	5	12	8	4
2018	0	4	13	6	6
2019	0	3	12	7	7
2020	0	1	10	7	11
2024	0	0	6	2	23

Source: own calculations based on the NATO report & press release.

By the start of the Wales declaration in 2014 only three members were in accordance with the 2 % GDP goal, namely: Greece, the United Kingdom and the United States of America. The last two countries (UK and USA) are traditionally military powers in relation to their history, the present surface of these states and their nuclear capacity. The Hellenic republic has a high defence GDP share because of the Turkish threat in relationship with the political situation on the island of Cyprus.

Certainly, from the year 2020 the number of countries in accordance with the Wales summit goals increased. At present there are no countries anymore under the 1% GDP and large majority has reached the 2% GDP goal.

The second table of this article gives the average of the military expenditures comparing with the national GDP 's of all members.

The year 2017 was the lowest point, since that year the military budget efforts were in a line up. At present the NATO average is higher than in the starting year 2014.

Table - II: NATO average GDP military expenditures 2014 - 2024

2014: 2,58 %	2018: 2,40 %	2022: 2,51 %
2015: 2,48 %	2019: 2,52 %	2023: 2,53%
2016: 2,48 %	2020: 2,69 %	2024: 2,71%
2017: 2,39%	2021: 2,63%	

Source: NATO yearly 2023 report & press release 2024.

Indeed, in the beginning of the second decade of this century the defence expenditures were decreasing as a result of the national problems with the public finances and the financial consequences of the banking crisis of 2009.

Like already said, the lowest point was reached in 2017. Then the political opinion realised the growing threats for the NATO area (terrorism, Middle East, Persian Gulf, China, Russia etc.). In 2019 the NATO reached about the same share/figure as in 2014 and in 2020 the average of this military organisation is on the same level as in 2013!

If this study compares this table with the third one, then the conclusion is that only 6-member states of the NATO are budgeting more then the average of 2,71% in 2024! That can be explained through the higher defence percentage in relation to the GDP from the top in this list, because five countries are situated over the 3% GDP!

The next table gives the evolution of the GDP shares over all members in 2014 and 2024 with the indication of the year that this NATO country reach the 2% GDP goal.

Table - III: The evolution of the 2 % GDP between 2014-2024

	2024	2014	since
1. Poland	4,12 %	1,88 %	2020
2. Estonia	3,43 %	1,93 %	2015
3. USA	3,38 %	3,71 %	2014
4. Latvia	3,15 %	0,94 %	2018
5. Greece	3,08 %	2,22 %	2014
6. Lithuania	2,85 %	0,88 %	2019
7. Denmark	2,37 %	1,15 %	2024
8. UK	2,33 %	2,14 %	2014
9. Romania	2,25 %	1,35 %	2024
10. North Macedonia	2,22 %	1,09%	2024
11. Norway	2,20 %	1,54 %	2024
12. Bulgaria	2,18%	1,31%	2024
13. Sweden	2,14%	1,06%	2024
14. Germany	2,12%	1,19%	2024
15. Hungary	2,11%	0,86%	2023
16. Czech rep.	2,10%	0,94%	2024
17. Turkey	2,09%	1,45%	2024
18. France	2,06%	1,82%	2024
19. Finland	2,06%	1,45%	2023
20. Netherlands	2,05%	1,15%	2024
21. Albania	2,03%	1,35%	2024

22. Montenegro	2,02%	1,50%	2024
23. Slovak rep.	2%	0,98%	2024
24. Croatia	1,81%	1,81%	NOT
25. Portugal	1,55%	1,31%	NOT
26. Italy	1,49%	1,14%	NOT
27. Canada	1,37%	1,01%	NOT
28. Belgium	1,30%	0,97%	NOT
29. Luxembourg	1,29%	0,37%	NOT
30. Slovenia	1,29%	0,97%	NOT
31. Spain	1,28%	0,92%	NOT

Source: NATO yearly 2023 report & press release 2024.

Based on this table the number of members with a defence budget of more than 2% GDP increased from three (Greece, UK and the USA) in 2014 to 23 members in 2024. This article has to remind that the figures from the NATO for the year 204 are still estimation.

Based at these figures the last NATO summit in Washington DC (July 2024) was a success concerning the Wales decision of ten years ago. The press release of the Washington summit says (ref. 5, point 6 at p. 2):

“We welcome that more than two-thirds of allies fulfilled their commitment of at least 2% of GDP annual defence spending and commend those allies who have exceeded it.....”

What are the great lines which can be learn from this third table?

- Most of the members have waited till the latest year (= 2024) to reach the Wales summit goal of 2% GDP,
- Nevertheless, 74% (23/31) of the NATO members are in accordance with the 2% GDP rule,
- All the member states of the NATO spend in 2024 more at defence in relation with their GDP then in the year 2014, only the United States have a lower share (- 0,33%) and Croatia has in 2014 and 2024 the same percentage (1,81%),
- Poland is the fastest budget climber (+ 2,24%) and followed by Latvia (+ 2,21%),
- In the top of this list we do find the four Scandinavian countries and the reason is the direct link with the Russian borders,
- the same argument for the east European members, including the three Baltic members, with Russian borders,
- Greece is already explained with the historic problems in relation with Turkey,
- The three nuclear powers of the NATO have reached the 2% GDP goal. France just passed the 2%GDP guideline in 2024,
- Concerning the bigger NATO members: three don't reach the 2% goal (Canada, Italy and Spain) and five are over this percentage (Germany, Poland, Turkey, the UK and the USA),
- The home nation of the NATO and SHAPE, Belgium, hasn't reached neither of the two Wales summit goals! This kingdom with comparing GDP as Sweden and the Netherlands isn't capable to reach to the NATO budget goals.

The next list gives an overview of the increasing budget efforts of the NATO members over these ten years and this in relation with their GDP:

- Poland = 2,24% GDP form 1,88% to 4,12%,
- Estonia = 1,50%,
- Latvia = 1,21%,
- Lithuania = 1,97%,
- Hungary = 1,25%,
- Denmark = 1,22%,
- Czech rep. = 1,16%,
- North Macedonia = 1,13%,
- Sweden = 1,08%,
- Slovak rep. = 1,02%.
- Germany = 0,93%,
- Luxembourg = 0,92%,
- Netherlands = 0,90%,
- Romania = 0,90%,
- Bulgaria = 0,87%,
- Greece = 0,86%,
- Norway = 0,66%,
- Albania = 0,65%,
- Turkey = 0,64%,
- Finland = 0,61%,
- Montenegro = 0,52%
- Canada = 0,36%,
- Spain = 0,36%,
- Italy = 0,35%,
- Belgium = 0,33%,
- Slovenia = 0,32%,
- France = 0,24%,
- Portugal = 0,24%,
- UK = 0,17%
- Croatia = sq,
- USA = minus 0,33%.

Also, in this list we see mostly the same member states of the Atlantic partnership below then in table III. Luxembourg is in this group an exception. The United States, the United Kingdom and France were already countries over or just under the 2% GDP rule. Remarkable is the fact that the US, is the only NATO member over this ten year with a decreasing GDP share for defence! the top of this list let see the enormous budget efforts coming from the eastern border countries.

ICELAND

The NATO publishes only the budget military figures of 31 members and not for the republic of Iceland. The traditional reason was the low number of populations of Iceland. (2024: 380 thousand inhabitants) But this north Atlantic island has a higher GDP (2024: 32,8 billion US

dollar in current prices) then Albania (25,4 billion US \$), Montenegro (8 billion) and North Macedonia (15,8 billion). (ref. 1 & 3)

Even the Icelandic GDP is not much lower than the Grand domestic product of Estonia (41,8 billion us \$).

If the NATO should apply the 2% GDP goal at Iceland, the national military budget can amount to 640 million US dollar. At present, other members of the studied military alliance do have this level of defence expenditures (DE), namely:

- Albania (516 million US dollar with 2% GDP-DE),
- Luxembourg (785 million with 1,29% GDP-DE),
- Montenegro (162 million with 2% GDP-DE),
- North Macedonia (353 million with 2% GDP-DE)
- Slovenia (949 million with 1,29% GDP-DE).

The prior is certainly an argument to rethink the military efforts of this original Scandinavian member in the Atlantic military alliance.

20% EQUIPMENT GOAL I

The second part of the Wales agreement is the achievement of the 20 % “NATO guideline on defence equipment expenditures”. Also, this rule was problematic for several countries by the start. But in 2020 the NATO estimates that already 19 countries are in accordance with this goal. The next table gives the list of countries, which do comply with this investment objective (namely from the highest to the 20 % goal, and for all the other countries their position divided in categories).

Table- IV: The Nato Equipment Goal

	0 % - 4,99 %	+ 5 - 10 %	+ 10 %	+ 15 %	+ 20 %
2014	3	8	8	3	7
2015	3	6	10	2	8
2016	3	7	6	4	9
2017	2	5	7	4	11
2018	1	3	9	4	12
2019	0	2	7	5	15
2020	1	0	5	5	18
2024	0	0	0	2	29

Source: own calculations based at the NATO yearly reports.

This part of the Wales goals is easier to achieve for the member state of the NATO. Only two countries don't reach this goal; Belgium (15%) and Canada (18%).

In the group of the 29 countries , which are in accordance of this part of the Wales summit guidelines, this research analyzes major differences. Indeed, several of these group of 29 countries do have a much greater share for equipment in their military budget.

- Between 20-30%: 12 members,

- Over 30%: 12 countries (Bulgaria, Czech rep., Estonia, Greece, Latvia, Montenegro, the Netherlands, Romania , Spain and Sweden, Turkey and the United Kingdom),
- Over 40%: four members (Albania, Finland, Hungary and Luxembourg),
- Over 50%: Poland with 51% of the military budget in relation to equipment.

Six NATO members (Croatia, Italy, Luxembourg, Portugal, Slovenia and Spain), which don't reach the 2% GDP goal , have reached the equipment guideline of 20%. Remarkable is the high percentage for equipment budgeting by Luxembourg and Spain, because both countries can't budgeting the 2%GDP rule of the NATO.

The increasing budgets for military equipment will have enormous influences for the related industries and also the military R&D facilities.

COMBINED TWO GOALS

Like already said ,the Wales summit agreement demands to achieve the both goals by the member states in their national defence budgets at last in the year 2024 ! The former tables let see that a lot of NATO members have waited till the last budget moment to reach these percentages. But it was certainly a political present for the Biden – Harris, US administration in the pré presidential electoral period and during this last NATO summit ,at Washington DC, celebration the 75 anniversary of the NATO treaty.

Table-V: The Global Realization

	2 % GDP goal	20 % equipment goal	GLOBAL
2014	3	5	2
2015	5	8	3
2016	4	9	2
2017	4	11	2
2018	6	12	4
2019	7	15	6
2020	11/29	18/29	10/29
2024	23/31	29/31	23/31

Source: own calculations based on the yearly NATO report & the press release.

The figures in the first two rows are already analysed in this study.

As global conclusion of the foregoing exercise, this article can say that the majority of the NATO members, have a budget situation conform to the NATO Wales summit goals. Since 2014 there is an important improvement. Based on the budget reality, it's easier to reach the investment goal than the 2 % GDP rule. In the upcoming years it must be possible that additional countries will meet the Wales standards.

CONCLUSION

This article has looked at trends in military spending inside the NATO members military budgets and this during the period 2014-2024 or the beginning of the Wales NATO summit. This study wants to examine what part of the guidelines of 2014 from this summit are already reached and the article is based on the primary figures of the NATO.

The first conclusion is still that most of the NATO members decreased the personnel share in their defence budgets. Therefore, the budgets do have more financial means for investments in equipment and other non-personnel related outlays.

The main part of this study concerns the Wales summit goals and the related achievements from the member states of the NATO. Over the studied period 2014-2024 the Wales summit goals are in an improving way. It's the expectation that more countries will reach these guidelines in the coming years.

The second result concerning the equipment 20% budget goal is achieved by about all the members of the western military alliance.

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