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## EVOLUTION OF NATO'S CONCEPTION OF DEFENCE EXPENDITURE OF MEMBER STATES AFTER 1990

### | Abstract

- ▶ *Goal* – to analyse defence spending in the light of NATO decisions and the geopolitical situation.
- ▶ *Research methodology* – the article reviews NATO's strategy and decisions on defence spending and security, analyses defence spending based on SIPRI and World Bank data.
- ▶ *Score/results* – the carried out analysis allowed for the positive verification of the first hypothesis which assumed that defence spending is influenced by NATO's political decisions and assessment of the security situation. The second research hypothesis, which assumed that more prosperous NATO countries (having high GDP per capita) have higher defence spending (as% of GDP), was not confirmed.
- ▶ *Originality/value* – research on the defence spending of NATO countries is particularly important in the view of the Russian-Ukrainian war. The obtained results will provide a better understanding of the factors determining the amount of security funding in the North Atlantic region and the world.

| **Keywords:** defence spending, NATO decisions, security, cooperation, aggression, Russia.

### 1. Introduction

On April 4, 1949, 10 Western European states plus the USA and Canada signed the political-military North Atlantic Treaty in Washington, creating the so-called North Atlantic Alliance (NATO), which had the political-military objective of

strengthening security, stability and prosperity in the region. It was the response of the Western states to the threat from the USSR and its satellites [Kupiecki, 2016: 17]. The preamble notes that NATO's primary purpose is to protect the freedom and civilisation of its peoples, based on the principles of democracy and individual liberty [Treathy, 1949].

The treaty consists of a preamble and 14 articles and, despite the elapsing more than 70 years, has not been amended once, although this possibility is contained in Article 12. One of the most important is Article 5, which contains a model of collective defence based on the principle of one for all and all for one – in the event of an attack on a NATO country or countries, the other Member States will take such action as they deem necessary in the spirit of solidarity and collective defence [Treathy, 1949; Kupiecki, 2016: 20, 143–144].

Article 3 is complementing the model of collective defence and the spirit of solidarity: “In order more effectively to achieve the objectives of this Treaty, the Parties, separately and jointly, by means of continuous and effective self-help and mutual aid, will maintain and develop their individual and collective capacity to resist armed attack” [Treathy, 1949]. The notion of individual and collective capacity to repel an armed onslaught suggests maintaining an adequate level of defence for NATO countries [Kupiecki, 2016: 19], which requires financial resources, in other words: defence spending.

Between 1970 and 1989, which was a period of high political tensions and an arms race between NATO and the USSR, member states, with the exception of Iceland (which has no military and no defence spending) and Luxembourg, had defence spending at no less than 2% of GDP [Wołkonowski, 2018: 3, 5]. This demonstrated the ability of NATO countries to sustain such burdens and the solidarity of the alliance countries. This level of defence spending was a result of NATO's strategy based on the Harmel Report and based on dual-tracking (two-pronged force-dialogue) [Kupiecki, 2016: 75]. This new strategy was adopted in December 1967 and was in place until 1989 [Kupiecki, 2018: 57].

## 2. NATO strategy and defence expenditure of the alliance countries in the period 1990–1998

The political and economic transformation in Central and Eastern Europe (1989–1990) has resulted in the realisation of many of the objectives set out in the Harmel Report and has significantly improved the security of NATO countries.

In the wake of these changes, a new strategic concept for the Alliance (the fifth since 1949) was adopted in London in July 1990 at a meeting of NATO heads of state and government. It was based on the triad of dialogue–collaboration–collective defence. The strategy noted that “The new situation in Europe has multiplied the opportunities for dialogue on the part of the Alliance with the Soviet Union and the other countries of Central and Eastern Europe”. On cooperation, it emphasised that “They will seek to develop broader and productive patterns of bilateral and multilateral co-operation in all relevant fields of European security, with the aim, s, of preventing crises or, should they arise, ensuring their effective management”. The third strand of the strategy – collective defence – emphasised the military dimension, which was to remain key “The maintenance of an adequate military capability and clear preparedness to act collectively in the common defence remain central to the Alliance’s security objectives. Such a capability, together with political solidarity, is required in order to prevent any attempt at coercion or intimidation, and to guarantee that military aggression directed against the Alliance can never be perceived as an option with any prospect of success. (...). The Alliance will maintain for the foreseeable future an appropriate mix of nuclear and conventional forces based in Europe and kept up to date where necessary, although at a significantly reduced level” [Strategic, 1991]. It follows that the new Strategy accepts force levels at a much reduced level. Taking the above into account, the first research hypothesis is that defence spending is influenced by NATO policy decisions and the assessment of the security situation.

After the adoption of the new strategy, the defence spending of NATO countries decreased between 1990 and 1998 (with the exception of Turkey). NATO-16 defence spending also decreased, from 3.8% of GDP to 2.5% of GDP (Table 1), confirming the first hypothesis for the period 1990–1998.

*Table 1.* Defence expenditure (in % of GDP) of NATO countries 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	2,4	1,8	1,7	1,5	1,5
2	Canada	2,0	1,9	1,7	1,4	1,3
3	Denmark	2,0	1,9	1,8	1,6	1,1
4	France	2,8	2,7	2,7	2,4	2,2

No.	Country	1990	1992	1994	1996	1998
5	Iceland	0	0	0	0	0
6	Italy	1,9	1,8	1,7	1,6	1,6
7	Luxembourg	0,8	0,8	0,7	0,6	0,6
8	Netherlands	2,4	2,2	1,9	1,8	1,6
9	Norway	2,9	3,0	2,7	2,2	2,2
10	Portugal	1,8	1,8	1,7	1,6	1,4
11	UK	4,0	3,9	3,4	2,7	2,5
12	USA	5,6	5,0	4,2	3,6	3,2
13	Turkey	3,5	3,9	4,1	4,1	3,2
14	Greece	3,8	3,6	3,6	3,3	3,5
15	Germany	2,5	1,9	1,6	1,5	1,4
16	Spain	2,3	2,0	2,0	1,8	1,8
	Total NATO-16	3,8	3,5	3,1	2,7	2,5
	World	3,2	2,9	2,6	2,3	2,2

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

A second research hypothesis was set, assuming that wealthy countries (those with high GDP per capita) have higher defence spending (in% of GDP). To verify this, the countries in Table 1 were classified into two groups according to GDP per capita and the average values of defence expenditure for both groups were counted. It turned out that the average defence expenditure ratio for the more affluent group was 2.2%, while for the other group it was 2.7%. The results contradict the hypothesis for the period 1990–1998.

The situation with the defence spending of NATO countries measured in \$ billion is similar. From Table 2 we can see that spending has had a decreasing trend or has been at a similar level. The exceptions are Denmark, Portugal, Turkey and Greece, where defence spending increased. NATO-16 defence spending declined from \$516.3 billion in 1990 to \$468.1 billion in 1998. The US share of total NATO-16 defence spending also declined, from 63% to 62.2%. The world

defence spending rippled but with a downward trend. The share of NATO countries in world defence spending decreased from 72.6% to 66.3%.

Table 2. Defence expenditure (in \$ billion) of NATO countries 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	4,6	4,1	3,9	4,2	3,7
2	Canada	11,4	10,8	9,6	8,6	7,8
3	Denmark	2,7	2,8	2,7	3,1	2,9
4	France	35,8	37,9	37,3	39,0	33,6
5	Iceland	0	0	0	0	0
6	Italy	20,7	22,2	18,1	20,8	20,8
7	Luxembourg	0,1	0,1	0,1	0,1	0,1
8	Netherlands	7,4	7,9	7,1	7,8	6,8
9	Norway	3,4	3,8	3,4	3,5	3,3
10	Portugal	1,4	1,9	1,6	2,0	1,8
11	UK	43,6	45,6	38,6	38,6	41,2
12	USA	325,1	325,0	308,1	288,0	291,0
13	Turkey	5,3	6,2	5,3	7,5	8,8
14	Greece	3,2	3,6	3,6	4,6	4,8
15	Germany	39,8	39,5	34,2	36,7	31,2
16	Spain	11,7	12,3	10,1	11,3	10,3
	Total NATO-16	516,3	523,7	483,7	475,8	468,1
	<i>USA expenditure in NATO expenditure in %</i>	63,0	62,1	63,7	60,5	62,2
	World	711,6	729,8	707,2	722,5	706,4
	<i>Share of NATO-16 expenditure in global expenditure in %</i>	72,6	71,8	68,4	65,9	66,3

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

It can be said that the 1990s saw the beginning of a phase of reduction in defence spending – the per capita average defence expenditure index for NATO-16 in 1990 was \$489, while in 1998 it was \$449. The same is true of defence spending as measured by its share of government spending (Table 3). The trend is similar, with the ratio decreasing for NATO countries.

Table 3. Defence expenditure (% of government spending) 1990–1998

No.	Country	1990	1992	1994	1996	1998
1	Belgium	4,3	3,2	3,0	2,9	2,8
2	Canada	4,0	3,5	3,4	3,0	2,8
3	Denmark	3,5	3,3	2,9	2,8	2,9
4	France	5,6	5,1	4,9	4,4	4,2
5	Iceland	0	0	0	0	0
6	Italy	3,3	3,0	3,0	3,1	3,4
7	Luxembourg	ND	ND	ND	1,5	1,5
8	Netherlands	4,7	4,3	3,8	3,8	3,6
9	Norway	5,8	5,7	5,4	4,6	4,5
10	Portugal	4,2	3,7	3,9	3,7	3,3
11	UK	10,5	9,4	8,3	7,6	7,3
12	USA	ND	ND	ND	ND	ND
13	Turkey	ND	ND	ND	ND	ND
14	Greece	8,6	8,6	8,5	7,0	7,4
15	Germany	5,6	3,9	3,2	3,0	2,9
16	Spain	5,3	4,4	4,2	4,1	4,1
	World	ND	ND	ND	5,3	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

### 3. New defence strategies and expenditure of NATO countries in 1999–2013

On March 12, 1999, Poland, The Czech Republic and Hungary, which were still satellites of the USSR in 1989, were admitted to NATO. It was a difficult and drama-filled road [Kupiecki, 2019: 78–108]. It should be noted that the Russian Federation, which became the heir to the USSR, began to disclose defence spending from the 1990s onwards. These changes led the Alliance countries, on the 50th anniversary of NATO, to adopt another (sixth) Alliance Strategy on April 24, 1999 in Washington. It noted the positive importance of security dialogue and cooperation. Threats in the Balkans and new challenges were accentuated, the European allies were to assume greater responsibility in order to achieve balance. New concepts such as predictability, transparency and lower levels of weaponisation were introduced. There was also a new level of cooperation between NATO and Russia, which is mentioned 8 times in the strategy. It was emphasised that “A strong, stable and enduring partnership between NATO and Russia is essential to achieve lasting stability in the Euro-Atlantic area”. The strategy also highlights the relationship with Ukraine, which is mentioned 7 times in the strategy, and the openness to accept new members under the 10th article. It states that military forces are to be at a level to provide effective deterrence to prevent the emergence of new conflicts. It was noted that “the overall size of the Allies’ forces will be kept at the lowest levels” [Strategic, 1999]. The adoption of such assumptions in the new strategy resulted in a further reduction in defence spending in 1999–2000 (Tables 4–6), which positively verified the first research hypothesis.

After the terrorist attacks of September 11, 2001, NATO increased its focus on counter-terrorism, and on the proliferation of weapons of mass destruction but the new strategy was not adopted. Two days later, NATO invoked Article 5 in defence of the USA for the first time in a gesture of solidarity [Kupiecki, 2016: 110–111]. Post-9/11 defence spending increased significantly in the USA, while in Canada, Portugal and the UK it remained at a slight increase or similar level, while the rest of NATO countries in Europe saw a further process of significant reduction in spending, as can be seen in Tables, 4–6 for the period 2001–2010. This situation led to NATO countries’ expressing their willingness to gradually increase defence spending to 2% of GDP on June 8, 2006, under the pressure from the USA [Pietrzak, Sobczyk, 2015: 40]. However, this decision is missing from the official communiqué of the meeting of NATO defence ministers

and the downward trend continued [Meeting, 2006]. On August 7, 2008, the Russian-Georgian war broke out, resulting in an increase in NATO countries' spending for 2009. But already from 2011, NATO countries started to further reduce defence spending.

For the period 1999–2013, the second research hypothesis was verified. By analogy with the 1990–1998 period, the countries in Table 4 were classified but into three groups according to GDP per capita. The result was that the average defence expenditure rate for the wealthy group was 1.9%, for the middle group it was 1.7% and for the third group it was 2.0%. The results contradict the hypothesis for the period 1999–2013.

*Table 4.* Defence expenditure (in % of GDP) of NATO countries 1999–2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	1,4	1,3	1,2	1,1	1,1	1,2	1,1	1,0
2	Canada	1,2	1,1	1,1	1,1	1,2	1,4	1,2	1,0
3	Denmark	1,6	1,5	1,5	1,3	1,3	1,4	1,3	1,2
4	France	2,2	2,0	2,1	2,0	1,9	2,1	1,9	1,8
5	Iceland	0	0	0	0	0	0	0	0
6	Italy	1,7	1,7	1,7	1,6	1,4	1,6	1,5	1,4
7	Luxembourg	0,6	0,7	0,6	0,6	0,5	0,4	0,4	0,4
8	Netherlands	1,6	1,4	1,4	1,4	1,4	1,4	1,3	1,2
9	Norway	2,0	1,7	2,0	1,6	1,5	1,6	1,4	1,4
10	Portugal	1,4	1,4	1,4	1,6	1,4	1,5	1,5	1,4
11	UK	2,4	2,4	2,6	2,4	2,4	2,6	2,5	2,3
12	USA	3,1	3,1	3,8	4,1	4,1	4,9	4,8	4,0
13	Turkey	3,9	3,6	3,3	2,4	2,2	2,5	2,0	1,9
14	Greece	3,4	3,3	2,5	2,8	2,7	3,2	2,5	2,4
15	Germany	1,4	1,3	1,3	1,1	1,2	1,3	1,2	1,2
16	Spain	1,8	1,6	1,4	1,4	1,4	1,4	1,3	1,3



No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
17	The Czech Republic	1,9	1,8	1,9	1,8	1,4	1,3	1,1	1,0
18	Hungary	1,4	1,6	1,6	1,4	1,3	1,1	1,0	0,9
19	Poland	1,9	1,9	1,9	1,9	2,0	1,8	1,8	1,8
20	Bulgaria	-	-	-	2,2	2,2	1,7	1,3	1,5
21	Estonia	-	-	-	1,5	1,7	1,8	1,7	1,9
22	Latvia	-	-	-	1,6	1,6	1,4	1,1	0,9
23	Lithuania	-	-	-	1,2	1,1	1,1	0,8	0,8
24	Romania	-	-	-	2,0	1,5	1,3	1,2	1,3
25	Slovakia	-	-	-	1,7	1,5	1,5	1,1	1,0
26	Slovenia	-	-	-	1,4	1,4	1,6	1,3	1,0
27	Albania (2009)	-	-	-	-	-	1,5	1,5	1,4
28	Croatia (2009)	-	-	-	-	-	1,8	1,8	1,6
Total NATO – 19, 26, 28		2,5	2,5	2,8	2,8	2,7	3,1	3,0	2,7
World		2,2	2,2	2,4	2,4	2,3	2,6	2,4	2,3

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

On November 19, 2010 in Lisbon, NATO countries adopted a new strategic concept (the seventh) *Active Engagement, Modern Defence*. It was noted that, as a result of the enlargement of the alliance (on March 29, 2004 Bulgaria, Estonia, Lithuania, Latvia, Romania, Slovakia and Slovenia were admitted to NATO, and on April 1, 2009 Albania and Croatia), security in the North Atlantic region had improved and the continuation of the *Open Door* policy was announced. The strategy (33 points) strongly emphasised cooperation with Russia (the country is mentioned 13 times in the document) claiming that NATO is not an enemy of Russia and seeks a genuine partnership and expects the same from Russia. Another point stated that political consultation and practical cooperation with Russia should be expanded. One of the main ideas of the strategy was to seek cooperation with Russia which would increase security. With regard to military

capabilities, the strategy emphasised maintaining them at an adequate threat level and maximising efficiency. [Strategic, 2010].

In Table 5, we can see that the absolute volume of defence spending (in \$bn) by NATO countries increased, despite a decrease in the level of defence spending measured in% of GDP. This was because the GDP growth of member countries between 1999 and 2013 was significant, despite the economic crisis of 2008–2010. The overall level of NATO spending more than doubled, from \$481.3 billion in 1999 to \$979.4 billion in 2013. The US share of NATO spending also increased during this period – from 61.9% to 69.4%. In contrast, NATO’s share of world defence spending declined – from 66.9% in 1999 to 55.8% in 2013.

The per capita average defence expenditure index for NATO-19 increased significantly over the period 1999–2013, from \$390 in 1999, to \$625 in 2013.

*Table 5.* Defence expenditure (in \$ billion) of NATO countries from 1999 to 2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	3,6	3,0	3,9	4,2	5,2	5,6	5,5	5,3
2	Canada	8,2	8,4	10,0	13,0	17,4	18,9	21,4	18,5
3	Denmark	2,8	2,5	3,2	3,5	4,2	4,3	4,5	4,2
4	France	32,7	28,0	38,6	44,4	50,7	56,4	54,1	52,0
5	Iceland	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
6	Italy	21,0	19,5	26,8	29,7	32,0	34,1	33,8	30,0
7	Luxembourg	0,1	0,1	0,2	0,2	0,3	0,2	0,2	0,2
8	Netherlands	7,0	6,2	8,4	9,6	11,5	12,1	11,6	10,2
9	Norway	3,3	3,0	4,5	4,9	5,9	6,2	7,2	7,4
10	Portugal	1,8	1,8	2,4	3,1	3,3	3,7	3,7	3,3
11	UK	40,8	39,5	52,3	61,7	73,4	64,0	66,6	63,8
12	USA	298,1	331,8	440,5	533,2	589,6	705,9	752,3	679,2
13	Turkey	10,0	7,2	10,3	12,1	15,0	16,0	17,0	18,4

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
14	Greece	5,0	4,4	5,0	7,0	8,5	10,6	7,1	5,7
15	Germany	30,7	25,8	33,0	30,3	40,1	44,5	45,2	44,2
16	Spain	11,1	10,2	12,9	16,0	20,1	20,2	19,7	17,2
17	The Czech Republic	1,2	1,2	1,9	2,4	2,7	2,7	2,5	2,1
18	Hungary	0,7	0,8	1,4	1,6	1,8	1,5	1,5	1,3
19	Poland	3,2	3,6	4,2	5,9	8,6	7,9	9,5	9,3
20	Bulgaria	–	–	–	0,7	1,0	0,9	0,8	0,8
21	Estonia	–	–	–	0,2	0,4	0,4	0,4	0,5
22	Latvia	–	–	–	0,3	0,5	0,4	0,3	0,3
23	Lithuania	–	–	–	0,3	0,4	0,4	0,3	0,4
24	Romania	–	–	–	2,0	2,6	2,2	2,4	2,5
25	Slovakia	–	–	–	0,8	1,1	1,4	1,1	1,0
26	Slovenia	–	–	–	0,5	0,7	0,8	0,7	0,5
27	Albania	–	–	–	–	–	0,2	0,2	0,2
28	Croatia	–	–	–	–	–	1,1	1,1	1,0
Total NATO – 19, 26 28		481,3	497,1	659,3	787,7	896,9	1022,8	1070,6	979,4
<i>Share of US expenditure in NATO expenditure in%</i>		61,9	66,7	66,8	67,7	65,7	69,0	70,3	69,4
<i>World</i>		719,4	755,2	952,7	1159,9	1338,3	1564,2	1750,4	1755,5
<i>NATO's share of world expenditure in%</i>		66,9	65,8	69,2	67,9	67,0	65,4	61,2	55,8

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

Table 6 shows the share of defence spending in government spending over the period 1999–2013. The data show that after the terrorist acts of September 11, the ratio increased in the USA (from 9,6% in 2001 to 12,1% in 2005), but we do not see such a trend in the other NATO countries.

**Table 6.** Defence expenditure (in % of government spending) 1999–2013

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
1	Belgium	2,8	2,6	2,4	2,1	2,3	2,1	1,9	1,8
2	Canada	2,9	2,8	2,8	2,9	3,1	3,2	2,9	2,5
3	Denmark	2,9	2,9	2,7	2,6	2,6	2,4	2,3	2,2
4	France	4,2	3,9	3,9	3,8	3,6	3,7	3,4	3,2
5	Iceland	0	0	0	0	0	0	0	0
6	Italy	3,6	3,5	3,6	3,4	3,1	3,0	3,0	2,7
7	Luxembourg	1,4	1,8	1,4	1,3	1,3	0,9	0,9	0,9
8	Netherlands	3,7	3,4	3,3	3,4	3,3	3,0	2,8	2,5
9	Norway	4,4	3,9	4,1	3,8	3,6	3,5	3,3	3,2
10	Portugal	3,4	3,3	3,2	3,4	3,1	3,1	3,0	2,9
11	UK	7,1	6,9	6,9	6,3	6,2	5,9	5,7	5,5
12	USA	ND	9,6	11,1	12,1	11,8	11,8	12,4	11,3
13	Turkey	ND	8,1	8,5	7,4	6,6	6,5	6,1	5,7
14	Greece	7,3	7,1	5,4	6,2	5,7	6,0	4,6	4,6
15	Germany	2,9	2,8	2,7	2,3	2,7	2,7	2,7	2,6
16	Spain	4,4	4,2	3,7	3,6	3,5	2,9	2,9	2,8
17	The Czech Republic	4,5	4,0	3,8	4,2	3,5	3,0	2,5	2,4
18	Hungary	2,9	3,3	3,4	2,9	2,6	2,2	2,1	1,9
19	Poland	4,5	4,2	4,2	4,4	4,7	4,0	4,1	4,1
20	Bulgaria	–	–	–	6,6	6,7	5,2	4,1	4,1
21	Estonia	–	–	–	4,3	4,9	3,9	4,5	5,0
22	Latvia	–	–	–	4,7	4,7	3,2	2,7	2,5
23	Lithuania	–	–	–	3,5	3,2	2,5	1,9	2,2

No.	Country	1999	2001	2003	2005	2007	2009	2011	2013
24	Romania	-	-	-	6,2	4,3	3,5	3,5	3,8
25	Slovakia	-	-	-	4,2	4,1	3,4	2,6	2,3
26	Slovenia	-	-	-	3,1	3,3	3,2	2,5	1,7
27	Albania	-	-	-	-	-	4,6	5,3	4,8
28	Croatia	-	-	-	-	-	3,7	3,6	3,4
	World	ND	6,7	6,9	7,0	6,9	6,6	6,5	6,5

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

In the second half of the studied sub-period, i.e. for the years 2007–2013, we notice (apart from Estonia) a decreasing trend of this indicator. This was probably influenced by the stable security situation (despite the Russian-Georgian war of 2008) and the financial crisis of 2008–2010. Meanwhile, global defence spending in government spending during this period was at the level of 6,5–7%.

#### 4. Countries' defence spending and NATO's new strategy 2014–2023

On February 28, 2014, Russia militarily annexed Crimea and it subsequently became a part of the Russian Federation. On September 5, 2014, at the NATO summit in Newport (Wales), the Declaration stated that “We condemn in the strongest terms Russia’s escalating and illegal military intervention in Ukraine and demand that Russia stop and withdraw its forces from inside Ukraine”. In view of the new threats, decisions were taken to strengthen defence capabilities (14th point): “halt any decline in defence expenditure; aim to increase defence expenditure in real terms as GDP grows; aim to move towards the 2% (...)”. Paragraph 15 introduces some monitoring mechanism – *Allies will review national progress annually*. The next points 16–31 discussed NATO’s relations with Russia in the new situation [Summit, 2014].

*Table 7. Defence expenditure (in % of GDP) of NATO countries 2014–2022*

No.	Country	2014	2016	2018	2020	2022
1	Belgium	1,0	0,9	0,9	1,0	1,2
2	Canada	1,0	1,2	1,3	1,4	1,2
3	Denmark	1,1	1,1	1,3	1,4	1,4
4	France	1,9	1,9	1,8	2,0	1,9
5	Iceland	0	0	0	0	0
6	Italy	1,3	1,3	1,4	1,7	1,7
7	Luxembourg	0,4	0,4	0,5	0,6	0,7
8	Netherlands	1,2	1,2	1,2	1,4	1,6
9	Norway	1,5	1,6	1,7	2,0	1,6
10	Portugal	1,3	1,5	1,3	1,4	1,4
11	UK	2,2	2,0	1,9	2,2	2,2
12	USA	3,7	3,4	3,3	3,7	3,5
13	Turkey	1,9	2,1	2,5	2,4	1,2
14	Greece	2,4	2,6	2,7	3,1	3,7
15	Germany	1,1	1,2	1,2	1,4	1,4
16	Spain	1,3	1,1	1,3	1,4	1,5
17	The Czech Republic	1,0	1,0	1,1	1,3	1,4
18	Hungary	0,9	1,0	1,0	1,8	1,5
19	Poland	1,9	1,9	2,0	2,2	2,4
20	Bulgaria	1,3	1,2	1,4	1,6	1,5
21	Estonia	1,9	2,1	2,0	2,3	2,1
22	Latvia	0,9	1,5	2,1	2,1	2,0
23	Lithuania	0,9	1,5	2,0	2,1	2,5
24	Romania	1,3	1,4	1,8	2,0	1,7
25	Slovakia	1,0	1,1	1,2	1,9	1,8
26	Slovenia	1,0	1,0	1,0	1,1	1,2
27	Albania	1,3	1,1	1,2	1,3	1,6

No.	Country	2014	2016	2018	2020	2022
28	Croatia	1,8	1,6	1,6	1,7	2,2
29	Montenegro (2017)	-	-	1,4	1,7	1,6
30	North Macedonia (2020)	-	-	-	1,3	1,6
31	Finland (2022)	-	-	-	-	1,7
	Total NATO – 29, 30, 31	2,6	2,5	2,6	2,7	2,7
	World	2,3	2,2	2,2	2,4	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

The adoption of such decisions meant that NATO countries could not reduce defence spending (as a% of GDP) and were expected to reach this spending level of 2% of GDP within a decade (by 2024). This also meant that the level of defence spending of NATO countries in the following years could not be lower than in 2014. From the data in Table 7, we see that the level of defence spending for most NATO countries after 2014 started to increase slowly, and we also see an upward trend and for NATO, which positively verified the first hypothesis.

In this complicated situation, Montenegro joined NATO in 2017, North Macedonia – 2020 and Finland – 2022.

*Table 8.* Defence spending (in \$ billion) by NATO countries from 2014 to 2022

No.	Country	2014	2016	2018	2020	2022
1	Belgium	5,2	4,3	4,8	5,3	6,9
2	Canada	17,9	17,8	22,7	23,1	26,9
3	Denmark	4,1	3,6	4,6	4,9	5,5
4	France	53,1	47,4	51,4	52,7	53,6
5	Iceland	0	0	0	0	0
6	Italy	27,7	25,0	28,4	32,9	33,5
7	Luxembourg	0,3	0,2	0,4	0,4	0,6
8	Netherlands	10,3	9,1	11,1	13,1	15,6
9	Norway	7,3	6,0	7,5	7,2	8,4

No.	Country	2014	2016	2018	2020	2022
10	Portugal	3,0	3,2	3,2	3,3	3,5
11	UK	67,0	53,3	55,8	58,3	68,5
12	USA	647,8	639,9	682,5	778,4	876,9
13	Turkey	17,6	17,8	19,6	17,5	10,6
14	Greece	5,5	5,0	5,8	5,8	8,1
15	Germany	44,7	39,9	46,5	53,3	55,8
16	Spain	17,2	14,0	17,8	17,4	20,3
17	The Czech Republic	2,0	2,0	2,7	3,3	4,0
18	Hungary	1,2	1,3	1,6	2,8	2,6
19	Poland	10,3	9,2	12,0	13,4	16,6
20	Bulgaria	0,7	0,7	1,0	1,1	1,3
21	Estonia	0,5	0,5	0,6	0,7	0,8
22	Latvia	0,3	0,4	0,7	0,7	0,8
23	Lithuania	0,4	0,6	1,1	1,2	1,7
24	Romania	2,7	2,6	4,4	5,1	5,2
25	Slovakia	1,0	1,0	1,3	2,0	2,0
26	Slovenia	0,5	0,4	0,5	0,6	0,7
27	Albania	0,2	0,1	0,2	0,2	0,3
28	Croatia	1,1	0,8	1,0	1,0	1,3
29	Montenegro – 2017	–	–	0,1	0,1	0,1
30	North Macedonia – 2020	–	–	–	0,2	0,2
31	Finland – 2022	–	–	–	–	4,8
	Total NATO – 29, 30, 31	949,6	906,1	989,4	1105,9	1237,2
	<i>US share of NATO spending in%</i>	<i>68,2%</i>	<i>70,6%</i>	<i>69,0%</i>	<i>70,4%</i>	<i>70,9%</i>
	World	1754,1	1649,0	1804,8	1946,8	2239,9
	<i>NATO share of world expenditure in%</i>	<i>54,1%</i>	<i>54,9%</i>	<i>54,8%</i>	<i>56,8%</i>	<i>55,2%</i>

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].



The second research hypothesis that more prosperous countries have higher defence spending (in% of GDP) was verified for the period 2014–2022. For this purpose, the countries in Table 7 were classified into three groups according to GDP per capita and it stated that the average defence expenditure rate for the more wealthy group was 1.7%, for the middle group it was 1.6% and for the third group it was 1.7%, means that the results for the period 2014–2022 contradict the hypothesis.

From Table 8 we can see the values of defence spending (in \$bn), which show a decline after 2014 and then the increase until 2022. The share of US spending increased from 68.2% to 70.9%. NATO spending increased from \$949.6bn w to \$1237.2bn. NATO's share of global spending increased from 54.1% to 56.8%.

The per capita average defence expenditure ratio for NATO-28 over the period 2014–2022 has increased significantly, from \$470 in 2014, to \$641 in 2022.

Table 9. Defence expenditure (as % of government spending) 2014–2022

No.	Country	2014	2016	2018	2020	2022
1	Belgium	1,7	1,7	1,7	1,7	2,2
2	Canada	2,6	2,9	3,2	2,6	2,9
3	Denmark	2,1	2,2	2,5	2,6	2,9
4	France	3,3	3,4	3,3	3,3	3,4
5	Iceland	0	0	0	0	0
6	Italy	2,5	2,7	2,8	3,1	3,2
7	Luxembourg	0,9	0,9	1,2	1,2	1,6
8	Netherlands	2,6	2,7	2,9	3,2	3,7
9	Norway	3,2	3,2	3,6	3,5	3,8
10	Portugal	2,5	3,4	3,1	2,9	3,1
11	UK	5,3	5,0	5,0	4,3	5,3
12	USA	10,4	9,6	9,3	8,2	ND
13	Turkey	5,7	5,9	7,3	7,2	4,4
14	Greece	4,6	5,2	5,6	5,1	7,3

No.	Country	2014	2016	2018	2020	2022
15	Germany	2,6	2,6	2,6	2,7	2,7
16	Spain	2,8	2,7	3,0	2,6	3,1
17	The Czech Republic	2,3	2,5	2,7	2,8	3,2
18	Hungary	1,7	2,1	2,2	3,5	3,3
19	Poland	4,5	4,7	4,9	4,6	5,8
20	Bulgaria	3,5	3,8	4,2	4,2	4,1
21	Estonia	5,1	5,3	5,1	5,1	5,3
22	Latvia	2,5	4,0	5,4	5,2	5,2
23	Lithuania	2,6	4,4	5,9	4,9	6,4
24	Romania	4,0	4,5	5,6	5,2	5,0
25	Slovakia	2,3	2,6	3,1	4,3	3,8
26	Slovenia	1,9	2,2	2,2	2,1	2,5
27	Albania	4,2	3,8	4,0	4,0	5,1
28	Croatia	3,8	3,4	3,4	3,1	3,9
29	Montenegro	-	-	2,9	3,2	3,9
30	North Macedonia	-	-	-	3,4	4,6
31	Finland	-	-	-	-	3,2
	World	6,4	6,3	6,2	5,6	ND

Source: the author's own work based on SIPRI and World Bank databases [SIPRI, 2023; World Bank, 2023].

In Table 9, we see large increases in the defence spending in government expenditure in 2022, while it was at a similar level in the 2014–2020 period. The level of this indicator for the world was at 6%.

The annexation of Crimea was condemned, but Russia suffered no consequences. This situation gave permission for the Russian Federation to take the next step – on 24 February 2022, it carried out an aggression against Ukraine and occupied its eastern territories.

The annexation of Crimea was condemned, but Russia suffered no consequences. This situation gave permission for the Russian Federation to take the next step – on February 24, 2022, Russia attacked Ukraine and occupied its eastern territories [Strategic, 2022].

More firm decisions were taken at the Vilnius Summit on July 11–12, 2023 [Summit, 2023: 27]. Consistent with our obligations under Article 3 of the Washington Treaty, we make an enduring commitment to invest at least 2% of our Gross Domestic Product (GDP) annually on defence”. The next point of the Communiqué detailed and clarified this: “28. We commit to invest at least 20% of our defence budgets on major equipment, including related Research and Development. We recognise this should be met in conjunction with a minimum of 2% of GDP annual defence expenditure” [Summit, 2023].

## 5. Conclusions

The defence spending (measured in % of GDP) of the member states, according to the strategy and decisions of the NATO summits, was to be at an adequate level to ensure the security of these countries and to fulfil the deterrence function through collective defence. NATO assumed that cooperation with Russia would improve the level of security, leading to a reduction in defence spending.

After the collapse of the USSR in 1990 and the establishment of cooperation with Russia, the international security situation improved, allowing NATO countries to reduce defence spending. This trend was reversed after the attacks of September 11, 2001, mainly by an increase in US spending, but spending by most European NATO countries continued to decrease, despite the fact that their absolute values were increasing. In 2006 the resulting divergences led to an agreement, for the time being in the form of a declaration, to set this spending at 2% of GDP. More decisive decisions of NATO were made in 2014 (after the annexation of Crimea) prohibiting further reductions in defence spending and achieving a 2% spending level by 2024. Following Russia's aggression against Ukraine on 24 February 2022, NATO countries committed to defence spending of 2% of GDP at the Vilnius Summit. In 2022, eight NATO countries (including Poland and the Baltic states) have already reached this level.

The analysis of defence spending positively verified the first hypothesis, which assumed that defence spending is influenced by NATO policy decisions and the security situation. The second hypothesis, which assumed that more

prosperous countries have higher defence spending (as % of GDP), was not confirmed. The analysis revealed that between 1990–1998 and 1999–2013 the situation was the opposite, while between 2014 and 2022 the average defence expenditure values of these groups of countries had similar levels.

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