



**STOCKHOLM INTERNATIONAL  
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**MEDIA BACKGROUNDER  
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**MEDIA BACKGROUNDER**

**CURRENT MILITARY SPENDING VERSUS NATO 2 PER CENT**

In 2016 the United States Government again called on countries that are part of the North Atlantic Treaty Organization (NATO) to increase their national military expenditures to 2 per cent of their gross domestic product (GDP) where this was not already the case. This request has triggered another transatlantic debate on the appropriate level of contribution that NATO member states should provide in support to the collective defence, an issue often labelled as ‘burden-sharing’. As has been the case in the past, the focal point of this discussion is the national military spending effort relative to a member state’s economy as measured in GDP values.

The NATO 2 per cent target was informally agreed in 2004, based on NATO’s own calculations of the median level of spending for the alliance since the end of the cold war. NATO reaffirmed its 2 per cent goal in 2014 in the light of regular cuts to the military budgets of many European states since 2004, conflicts in the Middle East, and Russian military activity in Ukraine. NATO members are currently expected, but are not required, to maintain a level of military spending equivalent to 2 per cent of their GDP.

The fact that a majority of NATO members do not reach the 2 per cent of GDP target has periodically led to questions regarding their commitment to NATO’s common defence efforts, as well as to claims of ‘free-riding’ on the resources devoted by other NATO members. It should be noted that although the 2 per cent benchmark dates back to the early 2000s, the sentiment that some NATO members do not provide a ‘fair’ share of the collective defence effort dates back to the early cold war period.

**NATO 2 per cent simulation based on SIPRI’s 2016 military expenditure figures**

In order to provide fact-based insight on the effect on military spending of meeting the 2 per cent goal, SIPRI has produced a simulation comparing each NATO member state’s current 2016 military spending total with a simulated 2016 military spending total based on 2 per cent of that member state’s GDP in 2016 (see table 1). Simulated spending totals have been calculated for all NATO member states, including for those that spent more than 2 per cent of GDP on the military in 2016—namely Estonia, France, Greece and the USA.



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Methodological notes and remarks:

- Out of the 28 NATO member states, 27 are included in the data set. Iceland is excluded, as it does not have an active military force.
- The actual military expenditure figures of NATO member states are based on the current edition of the SIPRI Military Expenditure Database. The figures are presented in current (2016) US dollars, using market exchange rates.
- Calculations of shares of GDPs are based on the International Monetary Fund's International Financial Statistics and World Economic Outlook database.
- Military expenditure figures presented in table 1 are not comparable to those provided by NATO because NATO and SIPRI use different definitions and sources.
- For further detail on SIPRI's sources and methods see <<https://www.sipri.org/databases/milex>>.

According to SIPRI's data set, only 4 of the 27 NATO member states covered by the data set (Estonia, France, Greece and the USA) allocated more than 2 per cent of their GDP to military spending in 2016. The USA's military spending is far higher than any other NATO member state, totalling \$611 billion in 2016 or 3.3 per cent of its GDP. In SIPRI's 2 per cent of GDP simulation, if all NATO member states were to meet the commitment, NATO's total spending would decrease by \$159 billion or 18 per cent. Assuming the USA were to spend only 2 per cent of its GDP on the military, its spending would drop by 39 per cent or \$240 billion. Although there is no cap on the amount members of NATO can spend as a share of GDP, the substantial decrease simulated by the data set reflects the relative and absolute difference in US spending compared with all other NATO member states.

Major increases in military expenditure would be seen for Belgium, Canada, Denmark Germany, the Netherlands, Spain and a host of smaller NATO member states if each were to reach the 2 per cent target (see figure 1). Almost no changes would be seen for Turkey and the United Kingdom since for 2016 their spending was only marginally below the 2 per cent target. Overall, military expenditure by NATO's European member states in 2016 would be at \$320 billion, an increase of \$66 billion or 26 per cent compared with current spending patterns. Germany would become the world's fourth largest spender with a total of \$69 billion, which is \$200 million short of Russia's spending in 2016. Similarly, Canada would become the 12th largest military spending nation, Spain the 13th and the Netherlands would move up to 18th. Based on the 2 per cent goal, the NATO member state with the biggest change in global ranking would be Belgium, moving from 43rd to 27th position, and seeing its spending increase by 128 per cent to \$9.3 billion from \$4.1 billion in 2016.

**Table 1.** NATO military spending, current 2016 versus 2 per cent of GDP

World ranking 2016 <sup>a</sup>	Country <sup>b</sup>	Spending, 2016 (\$, b., MER)	Spending, 2% of 2016 GDP (\$, b., MER) <sup>c</sup>	World ranking based on 2% of GDP <sup>a</sup>	Ranking in NATO based on 2% GDP <sup>a</sup>
1	USA	611	371	1	1
6	France	55.7	49.1	8	4
7	UK	48.3	51.9	7	3
9	Germany	41.1	69.0	4	2
11	Italy	27.9	36.8	11	5
16	Canada	15.2	30.5	12	6
17	Spain	14.9	24.7	13	7
18	Turkey	14.8	14.9	19	9
25	Poland	9.3	9.5	26	10
26	Netherlands	9.3	15.5	18	8
33	Norway	6.0	7.5	31	12
38	Greece	5.0	3.9	46	15
43	Belgium	4.1	9.3	27	11
45	Portugal	3.8	4.1	44	14
46	Denmark	3.5	6.0	34	13
54	Romania	2.8	3.7	48	17
60	Czech Republic	2.0	3.9	47	16
65	Hungary	1.3	2.5	57	18
67	Slovak Republic	1.0	1.8	62	19
73	Bulgaria	0.8	1.0	70	22
75	Croatia	0.7	1.0	69	21
76	Lithuania	0.6	0.9	77	24
82	Estonia	0.5	0.5	85	26
89	Latvia	0.4	0.6	82	25
90	Slovenia	0.4	0.9	76	23
103	Luxembourg	0.3	1.2	67	20
117	Albania	0.1	0.2	107	27
	<b>NATO Europe</b>	<b>254</b>	<b>320</b>		
	<b>NATO</b>	<b>881</b>	<b>722</b>		

GDP = gross domestic product; MER = market exchange rates; NATO = North Atlantic Treaty Organization.

<sup>a</sup> Rankings are based on updated military expenditure figures for 2016 in the current edition of the SIPRI Military Expenditure Database.

<sup>b</sup> Excludes Iceland.

<sup>c</sup> The figures for military expenditure as a share of gross domestic product (GDP) in 2016 are based on the International Monetary Fund (IMF) World Economic Outlook and International Financial Statistics database, Oct. 2016.

A direct consequence of meeting the 2 per cent target would be for 23 of the 27 member states covered by the data set to increase budget allocation to the military. This means either increasing overall government spending or diverting funds from other areas, an opportunity cost in terms of spending on economic, human and social development. In a realistic world where US spending would remain at current levels and would not fall to 2 per cent of GDP, spending in NATO would reach \$962 billion—57 per cent of the world total in 2016. This is a substantial amount considering NATO’s 28-state member base.

**Figure 1.** Military spending in select NATO member states, current 2016 versus 2 per cent of GDP

