

NATO Funding and Burdensharing

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President Donald Trump is scheduled to meet with NATO heads of state and government in Brussels on May 25, 2017. This will be the President's first collective meeting with his counterparts from NATO's other 27 member states. President Trump is expected to continue to strongly urge NATO members to increase defense spending and enhance military capabilities.

For numerous reasons—not least the United States' status as the world's preeminent military power—U.S. defense spending levels long have been significantly higher than those of any other NATO ally. Since [NATO's founding](#), successive U.S. Administrations have characterized a steadfast U.S. commitment to NATO as essential to advancing a key U.S. security interest: peace and stability in Europe. Nevertheless, the relative imbalance in defense spending and military capabilities within NATO has long fueled concerns about burdensharing and European allies' reliance on U.S. defense guarantees.

NATO members contribute to the alliance financially in various ways. The most fundamental way is by funding, in members' individual national defense budgets, the deployment of their respective armed forces to support NATO missions.

NATO member states also fund NATO's annual budget of [about \\$2.5 billion](#). National contributions fund the day-to-day operations of NATO headquarters, as well as some collective NATO military assets and infrastructure. The U.S. share of these so-called common-funded budgets is currently [about 22%](#), followed by Germany (15%), France (11%), and the United Kingdom (UK; 10%).

Defense Spending Targets

As signatories of NATO's founding [North Atlantic Treaty](#), member states commit to "maintain and develop their individual and collective capacity to resist armed attack" (Article 3) and, in the case of an armed attack against one or more allies, to take "such action as [they] deem necessary, including the use of armed force, to restore and maintain the security of the North Atlantic area" (Article 5). However, decisions about individual national contributions to specific NATO missions are essentially voluntary.

In 2006, NATO members agreed informally to aim to allocate at least 2% of gross domestic product (GDP) to their national defense budgets annually and to devote at least 20% of national defense expenditure to research and

development and procurement. These targets were formalized at NATO's 2014 Wales Summit, when the allies pledged to "[halt any decline in defence expenditure](#)" and to "[aim to move towards the 2% guideline within a decade](#)." The 2% and 20% spending targets are intended to guide national defense spending by individual NATO members; they do not refer to contributions made directly to NATO.

Most analysts agree that the 2% spending figure "[does not represent any type of critical threshold or 'tipping point' in terms of defence capabilities](#)." The target is considered politically and symbolically important, however. NATO does not impose sanctions on countries that fail to meet the target.

In 2016, [5 allies](#) met or exceeded the 2% target (Estonia, Greece, Poland, the UK, and the United States); 10 allies met or exceeded the 20% target (France, Italy, Lithuania, Luxembourg, Norway, Poland, Romania, Turkey, the UK, and the United States); and 3 allies met both targets (Poland, the UK, and the United States).

NATO figures for 2015 indicate that if every ally were to have met the 2% benchmark, the aggregate sum of NATO members' national defense budgets would have increased by about \$100 billion (from \$891 billion to \$989 billion). Although most analysts agree that such an increase could benefit the alliance significantly, many stress that *how* additional resources are invested is [equally, if not more, important](#). Critics note, for example, that an ally spending less than 2% of GDP on defense could have more modern, effective military capabilities than an ally that meets the 2% target but allocates most of that funding to personnel costs and relatively little to procurement and modernization.

Defense Spending Trends and Future Prospects

NATO and U.S. officials say they are encouraged that many allies have bolstered their defense budgets in recent years, largely in response to Russian aggression in Eastern Europe. According to NATO, in 2016, [23 allies increased defense spending compared to 2015](#), in real terms. NATO officials expect at least [three more allies](#) (Latvia, Lithuania, and Romania) to meet the 2% guideline in 2017 or 2018. Other allied governments, including France and Germany, have reiterated their commitment to meeting the 2% target by 2024.

Nevertheless, ongoing fiscal challenges facing many European governments and broad [public skepticism of military action](#) could impede some allies' plans to increase defense spending. To help stretch existing defense resources, NATO and U.S. leaders have called for more progress on allied defense cooperation initiatives, including the joint acquisition of shared capabilities.

U.S. Policy and Considerations for Congress

U.S. calls for increased allied defense spending are not new, but the Trump Administration has approached the issue more stridently than its predecessors. Defense Secretary James Mattis's suggestion in February 2017 that the United States [could moderate its commitment](#) to NATO if spending increases are not forthcoming caused particular concern within the alliance, given that past U.S. Administrations had never linked spending levels to the U.S. commitment to NATO to this degree.

Trump Administration officials have acknowledged the upward trend in allied defense spending but also have indicated that they will continue to seek more specific commitments to achieve NATO targets.

U.S. concerns about defense spending and burdensharing raise several broader policy questions related to the nature and scope of U.S. commitments to NATO and the appropriate U.S. military presence in Europe that could be of interest to Congress, including the following:

How does NATO membership advance U.S. national security interests? Some analysts argue that a robust U.S. commitment to NATO and force presence in Europe continues to advance key U.S. national security interests, especially given recent Russian aggression in Europe. Others contend that the U.S. commitment to European security could be scaled back to ensure greater European contributions.

Is the 2% defense spending target the best means to enhance allied military capabilities? Some analysts argue that NATO should focus more on ensuring more effective defense spending than on increasing aggregate defense spending,

including through pooling and sharing of defense resources. Others counter that effective defense cooperation requires minimum defense spending levels.