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FUTURE PROSPECTS OF EUROPEAN DEFENSE POST NATO SUMMIT –2025

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ABSTRACT:

At the recently concluded North Atlantic Treaty Organisation (NATO) Summit in the Netherlands, member nations pledged to allocate 5 percent of GDP to defense, exceeding the current threshold of 2 percent by more than double. The updated baseline of 5 percent is to be attained within the next decade, with a progress review planned for 2029. This Paper focuses on implications of defense spending by NATO members.

Preface–

The 2025 NATO Summit occurred in The Hague from June 24 to 25. The assembly convened the Heads of State from all 32 member nations, representatives from the European Union (EU), and select partner countries to discuss security and defense challenges confronting the alliance. The principal focus of the Summit was the commitment by member nations to elevate their defense expenditures to 5 percent of GDP, exceeding the existing target of 2 percent by more than double. This issue brief encapsulates the principal outcomes of the NATO Summit 2025 and delineates the current contributions of member states, contextualizing the evolving dynamics of European defense following the Russia-Ukraine War.

2025 NATO Summit – 'The Hague Declaration' – The 2025 NATO Summit was convened in the Netherlands, marking the first occasion since NATO's establishment in 1949. The Hague Declaration was issued subsequent to the Summit, during which the leaders of member states reaffirmed their dedication to NATO and the transatlantic alliance, including their allegiance to Article 5 on collective defense, which asserts that an assault on one constitutes an assault on all.¹

Allies have committed to augmenting investment from the current target of 2 percent to 5 percent of GDP. The objective has been additionally categorized into two divisions. The initial category encompasses an annual investment of 3.5 percent of GDP for essential defense necessities, including military equipment and troop maintenance. The second category encompasses an annual investment of 1.5 percent of GDP in broader defense-related

initiatives, including critical infrastructure, networks, civil preparedness and resilience, innovation, and the defense industrial base. The updated expenditure objective of 5 percent is to be realized over the forthcoming decade, with a progress assessment planned for 2029. 2

The declaration also addresses the enhancement of transatlantic defense industrial collaboration. It acknowledges defense trade barriers that may obstruct such collaboration. This pertains to the high trade tariffs imposed during the Trump administration, which would negatively impact transatlantic trade. European leaders, including French President Emmanuel Macron, contend that elevated tariffs would ultimately impede the augmentation of defense expenditures. At the conclusion of the NATO Summit in The Hague, he stated, "We cannot, among allies, assert that we must increase defense spending while simultaneously engaging in a trade war."

[3]

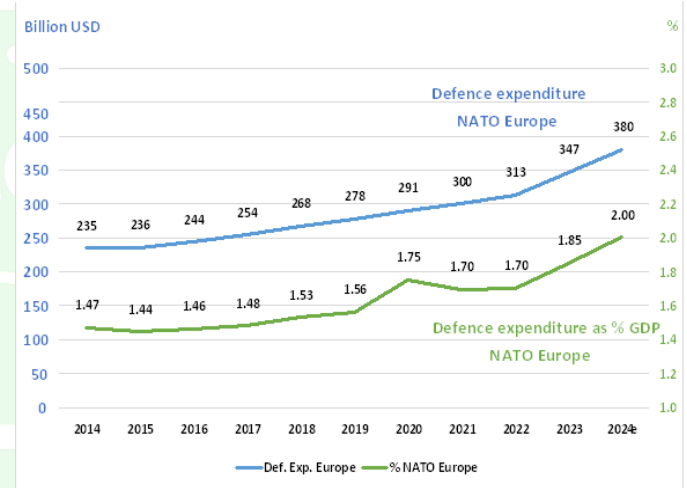
The NATO member states reaffirmed their support for Ukraine, encompassing their direct contributions to Ukraine's defense, particularly in the defense sector. Notably, in contrast to the previous two summits in Vilnius (2023) and Washington (2024), Ukrainian President Volodymyr Zelenskyy was excluded from the principal session. Nonetheless, President Trump and President Zelenskyy convened on the periphery of the Summit. [4]

A Fragmented Agreement on Expenditure Cap – Despite the appearance of the Summit, several factors indicate a lack of unity within Europe regarding an increased defense spending limit. Countries with already minimal defense expenditures, such as Spain and Slovakia, have resisted the 5 percent target. Days prior to the Summit, Spanish Prime Minister Pedro Sanchez asserted that his nation "could fulfil its NATO obligations while expending significantly less than the newly established target of 5% of GDP." He asserted that Spain could achieve all the requisite objectives, including the acquisition and maintenance of personnel, equipment, and infrastructure demanded by the alliance, by allocating 2.1 percent of GDP. [5] Likewise, Slovak Prime Minister Robert Fico emphasised that his nation "has alternative priorities in the forthcoming years rather than militarization." [6] Similarly, although less outspoken than Spain or Slovakia, Belgium has indicated a desire for maximum "flexibility" from NATO. [7]

The spending limit promised by the allies is not legally binding. The aspect of "flexibility" can be discerned from NATO Secretary General Mark Rutte's statement at a press conference prior to the NATO Summit, where he remarked that "Spain believes it can meet those targets with a 2.1 percent expenditure." NATO is firmly convinced that Spain must allocate 3.5 percent to achieve that goal. [8]

Discrepancies in Military Expenditure – The current revision of the spending limit occurs slightly more than a decade after the previous target of 2 percent established at the Wales NATO Summit in 2014. The 2014 pledge was

founded on a prior commitment to adhere to the 2 percent of GDP guideline established by NATO Defense Ministers in 2006. The escalating crisis in Ukraine after Russia's annexation of Crimea in 2014, along with the wider instability in the Middle East and North Africa, served as a catalyst for Europe's renewed emphasis on defense readiness. [9]



Source: NATO

In the context of the ongoing Russia-Ukraine War, which commenced in February 2022, the updated baseline of 5 percent significantly exceeds the previous target of 2 percent, representing a crucial decision that will influence the future of European defense. Significantly, this occurs in the context of increasing pressure from US leadership on Europe to assume greater responsibility for the burden of collective defense. [11] From 2014 to 2024, the total expenditure of NATO members (excluding the United States) rose from 1.4 percent to 2 percent of GDP. [12] Although this signifies some advancement, disparities within Europe are markedly apparent regarding adherence to the spending limit. This is due to the fact that defense budgets of EU member states are primarily allocated on a national level. Numerous European nations, along with Canada, continue to allocate less than 2 percent of their GDP to defense expenditures. Spain and Italy, with defense expenditures of approximately 1.3 percent and 1.5 percent of GDP, respectively, are the lowest

spenders in NATO. Countries such as Poland and the Baltic states bear the greatest burden.

Table: Defense Expenditure as a Percentage of GDP

Defense expenditure as a percentage of GDP in NATO countries

Defense expenditure as % GDP	NATO countries
2.5 percent and above of GDP	Poland, Estonia, Latvia, Lithuania, Greece (United States)
2–2.49 percent OF GDP	Finland, Denmark, United Kingdom, Romania, North Macedonia, Sweden, Norway, Bulgaria, Germany, Hungary, Czech Republic, France, the Netherlands, Albania, Montenegro, Slovakia (Turkey)
Below 2 percent of GDP	Spain, Italy, Portugal, Belgium, Luxembourg, Slovenia, Iceland – no army (Canada)

Source:

NATO

Collective Defense and Strategic Autonomy-

The EU, while adhering to collective defense under NATO, has implemented various policy measures to attain strategic autonomy regarding European security. In March 2022, the EU implemented the "Strategic Compass," a "comprehensive framework to enhance EU security and defense capabilities," in response

to Russia's aggression against Ukraine in February 2022. Recently, the EU published the "White Paper for European Defense" and the "ReArm Europe Plan," aiming to mobilise €650 billion for defense investment in the forthcoming years. Furthermore, it has instituted a novel financial instrument, Security Action for Europe (SAFE), to finance collaborative defense procurement. Europe is advancing its Readiness 2030 Plan to enhance preparedness in addressing security challenges. [14] These initiatives aim to establish a "genuine European Defense Union" to bolster defense readiness in response to escalating security threats in the EU's eastern vicinity.

Obstacles

The adjusted expenditure of 5 percent of GDP for NATO by 2035 necessitates an incremental investment of nearly \$2.7 trillion, resulting in a cumulative NATO expenditure of roughly \$4.2 trillion among the allies. [16] The augmented expenditure on defense under NATO's auspices, alongside Europe's independent defense initiatives, raises concerns about the viability of these objectives amid escalating debt levels in numerous member states. Resistance from nations such as Spain, which is experiencing domestic dissent due to unemployment and escalating living costs, exemplifies this issue.

As European NATO members confront domestic issues and experience growing fatigue regarding Ukraine, a significant backlash against heightened defense expenditures in these nations is anticipated in the forthcoming years. As defense budgets of EU member states continue to be allocated primarily on a national level, the existing disparities in expenditure are expected to increase in the forthcoming years.

Conclusion:-

The Ukraine crisis has significantly influenced Europe's strategic decisions, especially in the defense sector. Since 2014, the EU has endeavored to enhance its reliability and capability as a partner to NATO, while

concurrently augmenting its own defense systems. The EU's defense objectives received an additional impetus after Russia's incursion into Ukraine in 2022. The increasing pressure from the Trump administration on Europe to assume greater responsibility for burden sharing in collective defense has resulted in uncertainty regarding the future political and military commitment of the United States to Europe. This elucidates the EU's various initiatives, such as the ReArm Europe Plan, aimed at achieving strategic autonomy and diminishing its dependence on the US concerning European security.

Despite advancements in European Defense Strategy since 2014, especially post-2022, inherent structural disparities within the EU impede cohesive investment by member states. Countries such as Poland and the Baltic states, which are geographically proximate to Ukraine, have allocated greater expenditures than their EU/NATO counterparts. Simultaneously, countries such as Spain and Italy have failed to meet the current investment threshold. As economic disparities within Europe widen, countries are likely to resist increased defense expenditures in the forthcoming years. Given that defense budgets are a national prerogative and the obligation to collective defense is non-binding, it is highly probable that numerous European nations will fail to meet the adjusted expenditure threshold.

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