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Defense Spending: How much is paid for security today

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Summary

The debate about the contribution to collective defense has flared up again in the North Atlantic Alliance, particularly among European countries. The re-elected American president, Donald Trump, has sent a clear message that American soldiers and weapons will not be saving the world. Europe must take responsibility for its own security – ideally by significantly increasing investments in the defense industry. One-third of the member countries still do not meet the current alliance requirement of 2% of GDP.

Key points

- NATO has reopened discussion on how much individual countries should contribute to defense. US President Donald Trump is proposing 5% of GDP, but alliance leaders are proposing up to three percent.
- Countries are currently required to allocate 2% of GDP to defense, which was met by 23 states last year, including the Czech Republic.
- Last year, Poland, along with other Baltic and Nordic countries (Estonia, Latvia, Lithuania, Finland), invested the most in defense. The USA is third in this “ranking.”

The North Atlantic Alliance faces one of the most discussed issues: How much member states should invest in defense. Several reasons for starting these discussions exist: (1) the uncertain geopolitical situation, i.e., the war in Ukraine, Russia' expansionist ambitions, the alliance between Russia and North Korea, and finally the Middle East and China; (2) the policies of newly re-elected American President Donald Trump, who pushes for increased investments.

Why increase defense spending: The American President and his plans

During his election campaign, Donald Trump made it clear that the United States would not be paying for everyone's defense everywhere. Europe, in particular, which faces the immediate imperialist ambitions of Russia, must take responsibility for its own security. He told his supporters, both before and after his election, that defense spending by NATO member states should not merely be two percent of GDP, but rather 5%. Not only did the head of the White House mention the possibility of the United States withdrawing from NATO, but he also stated that defense investments might end.

"I'm not sure if we should be spending anything, but we definitely should help them," Trump emphasized. "We protect them. They don't protect us," (Aktuálně.cz, 2025a). This sentiment resonates not only with NATO Secretary-General Mark Rutte but also with several statesmen.

U.S. Secretary of Defense Pete Hegseth has also completed his first trip to Europe, during which he conveyed U.S. President's policies to European leaders. According to him, the presence of American troops on the continent may not last forever. "NATO is a great alliance, the most successful defensive alliance in history, but for it to survive in the future, our partners must do much more to defend Europe. We must make NATO great again," Hegseth said (Aktuálně.cz, 2025b), adding that all countries, including European ones and Canada, should contribute equally.

The current situation on the continent, the immediate proximity of the war in Ukraine, and the threat from Russia (and Belarus) have prompted various states to react, such as Poland and its unprecedented defense spending for Europe. Poland acts as a buffer zone for the Alliance and is considered a leader in the region, alongside Estonia, Latvia, Lithuania, and Finland — all of whom fear a potential attack. Should such an event occur, Article 5 of the North Atlantic Treaty would activate, requiring all member states, without exception, to provide military assistance. This raises the question of whether it is fair for the United States to contribute so much while other European countries contribute so little.

Who invests how much

The Poland leads the way in defense investments among European NATO members, spending over 4% of GDP. It is remarkable that more than half of its budget goes towards equipment, including related research, with 30% invested in personnel. The remainder is allocated to operations, maintenance, and infrastructure. For example, in 2019, Poland purchased 18 combat and 2 training HIMARS rocket launchers. In 2022 (shortly after the war in Ukraine began), Warsaw ordered an additional 508 launchers. They have also acquired 366 Abrams tanks and are considering F-35 fighter aircrafts and AH-64 Apache attack helicopters. Poland has a contract for South Korean K2 Black Panther tanks and self-propelled rocket launchers. If all these plans come to fruition, Poland will have one of the most powerful armies among NATO European states. Next year, Poland plans to invest nearly 5% of GDP in defense. "Europe cannot skip on security. I speak as the Prime Minister

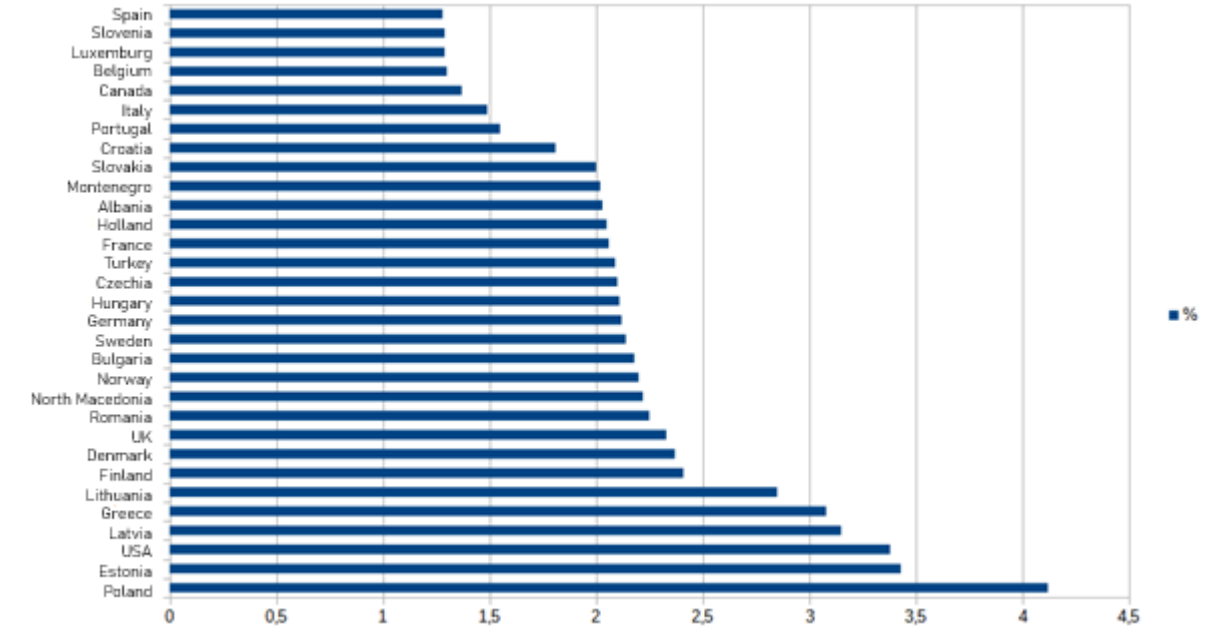
of a country that is already spending almost five percent on defense. (...) If Europe wants to survive, it must be armed. I'm not a militarist, but we have suffered, so we understand this well. To prevent history from repeating itself, we must be strong in both spirit and defense," said Polish Prime Minister Donald Tusk, (ČT24, 2025a).

The second-ranked country in terms of defense investment is, unsurprisingly, Estonia, at 3.43% of GDP (Pásztor, D., 2024). One-third of the resources is used for equipment and development, one-third for operations and maintenance, and the remainder for personnel and infrastructure. The United States ranks third in this regard with 3.38%, with expenditures similarly divided into thirds.

The Baltic and Nordic states are clearly leaders in defense spending. We can only speculate whether the proximity of Russia and Belarus, as well as the war in Ukraine, drives their efforts to arm themselves. In the ranking of countries with the highest share of defense spending as a percentage of GDP, Poland is first, Estonia is second, Latvia is fourth, Lithuania is sixth, Finland is seventh, and Denmark is eighth. The USA is also included, along with Greece (3.08% of GDP), surprisingly. Due to its strategic position, Greece and Turkey play an important role in the eastern Mediterranean region and access to the Black Sea.

At the two-percent mark are countries like the Czech Republic, Turkey, France, the Netherlands, Albania, Montenegro, and Slovakia. According to estimates, 23 member states of the North Atlantic Alliance met the commitment to allocate at least 2% of GDP to defense last year. It is indeed interesting that countries such as Canada, Belgium, and Spain remain well below this threshold.

Figure 1: NATO countries' defense investment (% of GDP, 2024)



Source: Euractiv.cz, own processing

Czech Republic

The Czech Republic also met its commitment last year for the first time in two long decades. According to the Czech Ministry of Defense, 2.09% of GDP was allocated for defense. The ministry, along with other institutions, had at its disposal 177.1 billion CZK for last year, managing to spend 166.8 billion CZK. “Achieving the milestone of fulfilling the international commitment to NATO of 2% GDP is viewed by the Ministry of Defense as a minimum criterion that needs to be consistently met. The ministry has long been preparing for adhering to this goal and pays it maximum attention,” according to the ministry’s report (Ministry of Defense, 2024). However, critics of the current government argue that the expenditures are exaggerated and that this is more of an accounting trick on the part of the Ministry of Defense, which is far from actually fulfilling alliance commitments (Metnar, 2025).

The state budget for this year allocates 154.5 billion CZK to the Ministry of Defense. However, according to recent findings from Czech Television, referencing the macroeconomic forecast from the end of January, 168 billion CZK is to be allocated for defense, but the government led by Petr Fiala (ODS) ultimately planned seven billion less. This will not suffice to meet the two-percent commitment. The Prime Minister asserts that the Czech Republic will meet its obligation: “I am convinced that we will do it in a way that ensures we maintain that two percent. In the future, it will be safer from all possible perspectives, and we should consider giving, for example, 2.1% as a slight buffer,” said Fiala (ČT24, 2024b). The cabinet is currently more than eight billion short.

The Chief of Staff of the Czech Army, Karel Řehka, is also urging an increase in investments. He considers two percent to be the absolute minimum, which will not be sufficient in the future. In order for the Czech Republic to fulfill new tasks assigned by NATO, a discussion of at least three percent of GDP is necessary. Concrete goals will be addressed by representatives of member states at the summit in June, but it is already clear that there will be discussions about modernizing military equipment. According to Řehka, there will also be a need to significantly increase the number of soldiers. “The Czech Army will need about 37,500 soldiers. And we are not even reaching 30,000, definitely not; the trend just isn't working,” he noted (Army News, 2025).

Defense spending will increase. The question is by how much?

The theoretical question of increasing contributions is gradually becoming a reality. Statesmen across NATO member countries express that the amount must rise and the current 2% GDP requirement will not be sufficient in the future. The upcoming North Atlantic Alliance summit in June will be key to this issue. At the end of January, European Council President António Costa publicly stated that there would be a new agreement. He is confident that there is consensus among European countries on this topic. “I expect that at the next NATO summit in June, a target higher than 2% will definitely be set. Whether it will be 5% or 3%, I don't know; that is a decision that member states will make within NATO,” Costa said (Goncalves, S. 2025). It is worth noting that EU and NATO member states have increased investments by 30% since 2022. Since the beginning of the invasion of Ukraine, countries have been spending an average of 1.9% of GDP, amounting to around 326 billion euros.

The change was also confirmed by the Secretary General of the North Atlantic Treaty Organization, Mark Rutte. According to him, it will also be necessary to significantly increase investments. “What our goal will be in terms of defense spending, we will determine later; we are now evaluating where we are and where we should be. It will be a significantly higher number than two percent, I assure

you,” he said (České noviny, 2025). It can be expected that it will not be five percent, as proposed by the American president, but the amount will still increase. Currently, there is speculation about 2.5 – 3% of GDP.

Theoretical Scenario – Czech Republic Allocates 5% of GDP to Defense

The analysts’ calculation is interesting. If the Czech Republic were to increase defense spending to 5% of GDP, as desired by the American president, it would mean an increase of approximately 250 billion CZK per year. The total amount would thus exceed 400 billion CZK. Such a sum would be fiscally unsustainable. “Such an amount corresponds to approximately 11 percent of the total state budget expenditures and is almost the same as the entire budget of the Ministry of Education,” calculated Cyrrus analyst Vít Hradil (iDnes.cz, 2025).

Natland analyst Petr Bartoň added that five percent spending would necessarily require roughly doubling the state budget deficits, which would inevitably lead to significant indebtedness of future generations. Another problem could be that the state simply would not have where and on what to spend the money. One thing is the Ministry of Defense’s ability to award public contracts for such a large defense budget, and another is the actual capacity of the European industry to produce it, considering material and workforce limitations.

On the other hand, such investments could stimulate the Czech economy. As Petr Bartoň stated, a large part of the military equipment could be produced directly in the country. Companies could gradually secure subcontracting opportunities for the gradually developing European arms sector. “With a bit of exaggeration, we could say that it would be a great revitalization program for the declining Czech automotive parts manufacturing sector. It would also be relatively quick to increase ammunition production.”

Conclusion

How much NATO member states spend on defense should be determined by thorough analyses of economic and security experts, not by the wishes of politicians, said President Petr Pavel. It is hard to disagree with that. However, if we look at the security risks the head of state mentioned, perhaps defense investments should be even much higher than the repeatedly mentioned 5%.

The war in Ukraine and the threat to the security of all of Europe is a reality, and states should have started preparing long ago. This is evident in the example of Poland, which last year invested more than 4% of its gross domestic product in military equipment, personnel, and infrastructure, and this year it will be almost five. The next highest investing countries are Estonia, Latvia, Lithuania, Finland, Denmark, ... The proximity of expansionist Russia and its ally Belarus, as well as the immediate presence of fighting in Ukraine, certainly serve as a strong motivation to increase defense capabilities.

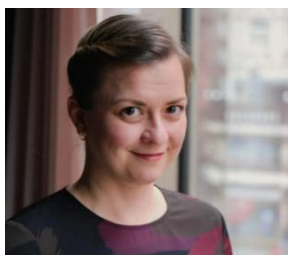
One cannot help but agree with Donald Trump’s idea that Europe must take responsibility for its own security and not expect the United States to save it. If one country contributes 300 billion to the collective budget while another barely gives 100, the situation is clearly unbalanced. If Americans therefore decide that they will not pay for European stability when the member states themselves do not want to, their demand is entirely legitimate.

Of course, the original request from the White House to dramatically raise defense spending to 5% of GDP is not realistic. The U.S. itself contributes 3.38%. It's also unrealistic to expect that countries like Spain, which currently invests 1.28%, will suddenly change their entire budget policy and allocate everything solely to defense. However, everyone agrees that defense spending must increase, and it will. It will be interesting to see the outcome of the June summit, where NATO leaders are expected to agree on a specific number. A realistic target is a commitment to a maximum of 3% of GDP.

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