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Can Europe Deliver NATO's Five Percent?

Fiscal Constraints, Political Feasibility and Security Beyond Spending Targets

The adoption of NATO's new 5% defence spending target reflects shifting US strategic priorities and places heavy demands on European allies. This article assesses whether European NATO members can realistically meet this target, combining evidence on past and projected military spending, fiscal constraints, party programmes and voter preferences. It argues that focusing narrowly on expenditure targets risks obscuring more fundamental challenges. In a security environment dominated by hybrid threats, Europe's ability to enhance security and peace depends less on uniform spending benchmarks than on effective capabilities, societal resilience and coordinated contributions across countries.

The release of the US National Security Strategy (NSS) on 4 December 2025 under the Trump Administration marks a decisive turning point in American foreign and security policy (The White House, 2025). The document signals a clear and deliberate recalibration of US global engagement, embedding "America First" principles at the core of strategic planning. In contrast to earlier strategies, it places much stronger emphasis on burden-sharing within alliances, criticises long-standing multilateral practices and stresses that the United States will reduce its presence in regions where, in Washington's view, capable allies can and should assume the primary responsibility. Although the NSS formally reaffirms the US commitment to NATO, this commitment is explicitly conditioned on allies undertaking what the strategy refers to as their "fair share" and correcting what it portrays as decades of accumulated imbalances. Preventing adversarial domination in key regions such as Europe remains a declared objective, yet the NSS makes unmistakably clear that the United States will not continue underwriting European security to the degree it once did unless Europeans significantly expand their own efforts.

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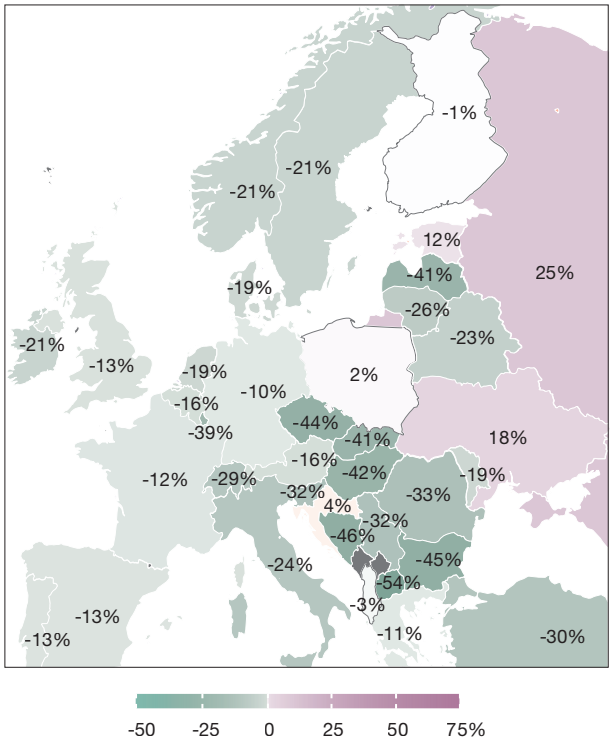
This shift had already been preceded by the "Hague Commitment", adopted by all 32 NATO members at the NATO Summit in The Hague in June 2025, which represents one of the most far-reaching revisions of alliance commitments since the end of the Cold War. Under considerable pressure from President Trump, allies agreed to raise their defence- and security-related expenditure to 5% of GDP by 2035, thereby moving well beyond the long-standing 2% benchmark, which all members now meet. The new 5% target requires that at least 3.5% of GDP be devoted to core defence activities such as equipment, military personnel and readiness, while an additional 1.5% must be allocated to broader security-related domains including infrastructure, research and development, cyber capabilities, and mobility corridors essential for military logistics.

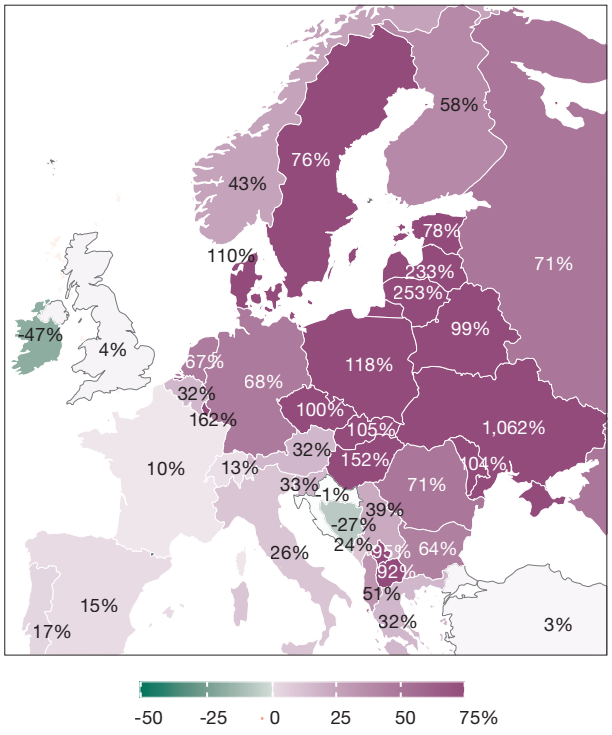
The US administration sees the increase as indispensable for restoring alliance fairness and strengthening deterrence. Importantly, the NSS dispels any ambiguity regarding American priorities: the strategic focus of the United States is shifting away from Europe, and Europeans will be expected to assume the primary responsibility for defending their continent. Initial attempts by some governments to broaden the definition of defence expenditures, such as Italy's idea to classify the long-planned Messina Bridge megaproject as a form of dual-use infrastructure contributing to security, are widely interpreted

Figure 1
Military spending as a share of GDP in Europe: Percentage change from 2004 to 2014



Source: Authors' calculations based on data from the Stockholm International Peace Research Institute (2025).

Figure 2
Military spending as a share of GDP in Europe: Percentage change from 2014 to 2024



Source: Authors' calculations based on data from the Stockholm International Peace Research Institute (2025).

as inconsistent with the intent of the new commitment. Against this backdrop, Europe faces an unavoidable need for substantial and sustained action.

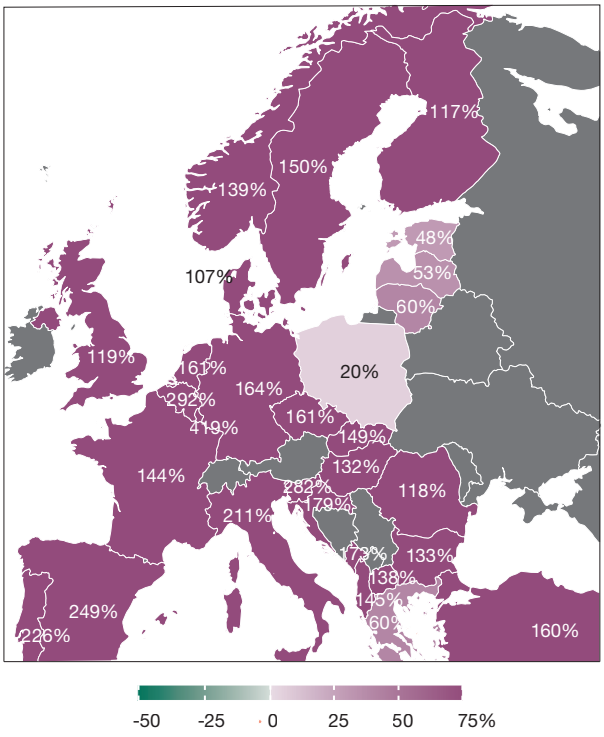
Europe's past underinvestment and the magnitude of the adjustment ahead

To understand the magnitude of the adjustment required, our analysis presents a historical, contemporary and forward-looking assessment of European military spending using a set of heat maps that illustrate the evolution of the military burden (defined as military expenditure relative to GDP) over the past two decades and the next ten years. The heat maps display percentage changes using data from the Stockholm International Peace Research Institute (SIPRI, 2025) and employ a colour scheme where green shades indicate declining burdens, purple tones represent increasing burdens, and white denotes relative stability.

Figure 1, covering the period from 2004 to 2014, illustrates the extent to which Europe continued to disarm after the end of the Cold War. During this decade, military spending relative to GDP fell across almost the entire continent. The decline was particularly pronounced in southeastern Europe, where Romania reduced its burden by 33%, Bulgaria by 45% and Turkey by 30%. The Baltic states likewise experienced significant cuts, with Latvia decreasing its burden by 41% and Lithuania by 26%. Europe's three largest military spenders (in nominal terms) – Germany, the United Kingdom and France – reduced their burdens by 10%, 13% and 12%, respectively, underscoring that even major states participated in the broader trend of disarmament.

Only a few countries diverged meaningfully from this pattern. Poland maintained almost constant spending with a slight increase of 2%, while Finland essentially stabilised its burden with only a 1% decline. Estonia and Ukraine, both directly exposed to neighbouring Russia, increased their burdens by 12% and 18%, respectively. Russia stands out with a 25% increase, likely understating its true expansion due to opaque military budgeting. The overall picture is unambiguous: with the exception of a few states that were more cautious in light of Russia's use of force in Georgia in 2008, Europe did not respond to Russia's rising military posture and continued to reduce its defence effort throughout the decade preceding the annexation of Crimea.

Figure 3
Military spending as a share of GDP in Europe: Estimated percentage change from 2024 to 2035



Note: Estimated increases in military burden required to meet the NATO 5% of GDP target.

Source: Authors' calculations based on data from the Stockholm International Peace Research Institute (2025).

Figure 2, covering 2014 to 2024, reveals a dramatic reversal triggered by Russia's aggressive actions in Crimea and eastern Ukraine in 2014 and its full-scale invasion launched in February 2022. The most extreme developments occurred in Ukraine, where military spending relative to GDP increased more than tenfold, and in Russia itself, which expanded its burden by an additional 71%. Within Europe, only Ireland and Bosnia continued to reduce their military burdens during this period, with declines of 47% and 27%, respectively. However, neither state is a NATO member, and both participate only in the Partnership for Peace framework. All other European countries increased their defence efforts, albeit to varying degrees.

In the Baltic region, the response was particularly pronounced. Lithuania increased its burden by 253% and Latvia by 233%, reflecting both their geographic proximity to Russia and Belarus and the substantial cuts they had enacted in the previous decade. States neighbouring Ukraine, including Poland, Hungary, Slovakia and Moldova, more than doubled their burdens. Romania and Bulgaria, both situated on the strategically vital Black Sea, recorded increases of 71% and 64%, respectively. The Nordic countries responded sharply as well: Sweden increased its burden by 76%, Finland by 58%, and Denmark by 110%, partly due to heightened Russian activity in the Baltic Sea region and broader Nordic security concerns. Western and southern Europe exhibited more moderate reactions, with Italy raising its burden by 26%, Spain by 15%, and France by only 10%. The United Kingdom, somewhat surprisingly given its global defence posture, showed almost no change, increasing its burden by just 4%. Taken together, these patterns exhibit a clear distance–decay dynamic: the closer a country lies to the Russia–Ukraine conflict, the more substantial the increase in its military burden; the further away, the more muted the response.

Finally, Figure 3 provides a forward-looking perspective by estimating how much NATO members will need to increase their military burdens between 2024 and 2035 to meet the new 5% requirement. Even states that have already expanded their burdens substantially in recent years face further increases. Poland, for example, must raise its burden by an additional 20% to reach the target, while the three Baltic countries still need to expand theirs by between 48% and 60%. For most other NATO members, the adjustments are far more demanding and often require more than doubling current burdens. Southern European members face particularly steep increases: Italy must increase its burden by 211%, Portugal by 226%, and Spain by 249%. Madrid, however, has secured an exemption from the 5% benchmark, contending that equivalent capability outcomes can be achieved with spending of roughly 2.1% of GDP. Slovenia and Belgium must nearly quadruple theirs, with required increases of 282% and 292%. Luxembourg, completely encircled by much larger allied states, faces the most extreme adjustment, needing to raise its burden by 419%. The largest European economies, which are central to the continent's collective defence, also face substantial challenges. Germany must increase its burden by 164%, France by 144%, and the United Kingdom by 119%.

Financing options and fiscal constraints

The scale of the required spending increases illustrated in Figure 3 inevitably shifts attention from strategic necessity to fiscal feasibility. For many European countries, raising military expenditure to 5% of GDP would imply a permanent and structural expansion of defence budgets of a magnitude rarely observed outside wartime. The challenge therefore extends well beyond questions of political commitment and enters the realm of fiscal capacity and budgetary trade-offs.

Table 1
Government debt-to-GDP ratios in European NATO member states, 2024

ALB	55.7%	EST	23.6%	ISL	59.1%	NLD	43.2%	SVK	58.0%
BEL	104.5%	FIN	82.5%	ITA	135.3%	MKD	54.8%	SVN	67.0%
BGR	24.1%	FRA	113.1%	LTU	47.4%	NOR	42.7%	ESP	101.8%
HRV	57.6%	DEU	63.9%	LVA	38.2%	POL	55.3%	SWE	32.6%
CZE	43.0%	GRC	150.9%	LUX	26.0%	PRT	94.9%	TUR	26.0%
DNK	28.0%	HUN	73.5%	MNE	62.6%	ROU	54.6%	GBR	101.3%

Source: International Monetary Fund (2025).

In principle, governments can finance higher defence spending through three main channels: tax increases, expenditure reallocations within existing budgets or higher public borrowing – options that are constrained in parts of Europe (Dorn, 2024; Dorn et al., 2024). Tax increases and spending reallocations are often regarded as politically unpopular, which has led many governments to view deficit financing as the least contentious option, at least in the short run. Borrowing allows defence expenditure to rise without immediately imposing visible costs on voters and without directly confronting competing spending priorities.

However, the scope for relying on public debt differs markedly across European NATO members and is constrained in many cases by already elevated debt levels. Table 1 reports general government debt-to-GDP ratios for all 30 European NATO member states in 2024 (International Monetary Fund, 2025) and reveals a highly heterogeneous fiscal landscape. Several large and strategically important countries enter the current rearmament phase with very high public debt. Greece's debt-to-GDP ratio stood at 150.9% of GDP, Italy's at 135.3%, France's at 113.1%, Belgium's at 104.5%, Spain's at 101.8%, and the United Kingdom's at 101.3%. Portugal, with a ratio of 94.9%, and Finland, at 82.5%, also operate under limited fiscal headroom. Even Germany, often perceived as fiscally conservative, recorded a debt-to-GDP ratio of 63.9% in 2024, which substantially narrows the scope for sustained debt-financed spending increases compared to earlier decades.

What makes this constellation particularly challenging is that many of the countries facing the largest required increases in military spending are simultaneously among the most highly indebted. Italy, Spain, Belgium and France – all of which would need to more than double, and in some cases even triple, their military burdens to reach the 5% target – also exhibit some of the highest debt-to-GDP ratios in Europe. This overlap between high adjustment needs and limited fiscal space raises serious doubts about whether borrowing alone can serve as a viable financing strategy for meeting the new NATO benchmark.

Historical evidence reinforces these concerns. Using a panel of 167 countries from 1817 to 2024, Bolouri et al. (2025a) provide a global analysis of how governments finance and defund military spending over extended periods. Their results show that deficit financing is historically the dominant instrument during phases of armament, particularly in wartime or periods of heightened geopolitical tension. However, large military build-ups are also associated with substantial cuts to civilian spending, indicating that borrowing alone is often insufficient to absorb the fiscal shock. Crucially, fiscal space emerges as a key moderating factor: countries with low public debt rely primarily on borrowing to finance military expansions, whereas highly indebted countries are more often forced to resort to taxation and expenditure reallocations. Applied to the European context, their findings suggest that the fiscal challenges associated with the 5% target are not merely transitional. For countries with already high debt-to-GDP ratios, sustained reliance on borrowing is unlikely to be feasible, while large-scale tax increases or spending reallocations may become unavoidable over time.

Defence spending in party programmes across Europe

Whether the required adjustments can be implemented in practice and NATO's 5% target is ultimately achieved depends not only on fiscal capacity, as reflected in public debt levels and budgetary constraints, but also on political feasibility. Even where governments possess sufficient economic resources, large and sustained increases in military spending require a programmatic commitment and sustained support within the political system. Without such backing, ambitious defence commitments risk remaining symbolic, being postponed or being weakened in implementation. Political parties play a central role in mediating between strategic imperatives, fiscal constraints

Figure 4
Party manifesto connotations of military spending by geographic exposure, 1990-2025

Notes: Negative connotations refer to criticism of the military or military power, including appeals to the evils of war, disarmament, lower military spending or ending conscription. Positive connotations emphasise external security and defence, such as maintaining or increasing military spending, strengthening armed forces and fulfilling military treaty obligations.

Source: Authors' calculations based on data from Lehmann et al. (2025).

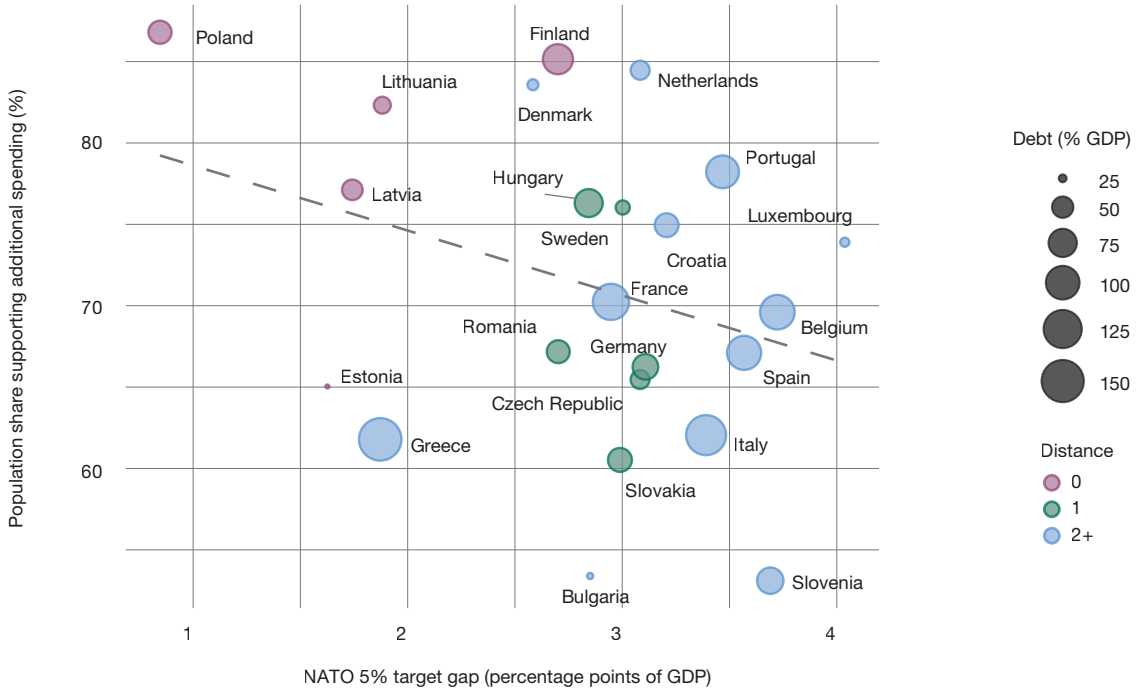
and voter preferences. Party manifestos offer insight into how military spending is evaluated, justified or contested within national political debates.

To assess the political support for higher defence spending, we have analysed party programmes across European NATO member states using data from the Manifesto Project (Lehmann et al., 2025) covering the period from 1990 to 2025. Figure 4 illustrates the average relevance of positive and negative statements related to military expenditure and readiness, measured as the share of sentences in party manifestos. The focus lies on the connotation of military issues in party manifestos, distinguishing between positive and negative references to defence spending and military preparedness. Negative connotations include references critical of the military or the use of military power, including appeals to the evils of war, disarmament, reduced military spending, or the abolition of conscription. Positive connotations include references emphasising the importance of external security and defence, including the need to maintain or increase military expenditure, secure adequate manpower, modernise and strengthen armed forces, pursue rearmament and self-defence and uphold military treaty obligations. The underlying data include all political parties covered by the Manifesto Project and are averaged using equal weights, first at the country level and subsequently by distance group.

To account for differences in perceived threat exposure, countries are grouped into three distance categories (Figure 4). The first group comprises countries that directly border Russia or Belarus and are therefore immediate neighbours of the current war parties (0 neighbours away; left panel). The second group includes countries whose neighbours directly border Russia or Belarus, implying one degree of geographical separation from the conflict (1 neighbour away, centre panel). The third group consists of all remaining countries, including those geographically more distant from the war or insulated by geography, such as island states (2+ neighbours away; right panel). Within the observation period, Russia's annexation of Crimea in 2014 and its full-scale invasion of Ukraine in 2022 mark key geopolitical turning points.

Across all three country groups and throughout the entire period, negative references to military issues persist in party programmes. This reflects the continued presence of pacifist traditions within parts of the European party landscape as well as the influence of parties that oppose military build-up for ideological, strategic or geopolitical

Figure 5
Public support for higher military spending and the 2024 gap to NATO's 5% target



Source: Authors' calculations based on European Commission (2024), the Stockholm International Peace Research Institute (2025) and International Monetary Fund (2025).

reasons. Scepticism towards military spending has therefore remained a stable feature of European politics, even as the security environment has deteriorated markedly.

Although country groups begin from broadly similar levels in 1990, the subsequent evolution of positive military connotations diverges sharply. In countries that directly border Russia or Belarus, positive references to military spending and defence preparedness were stronger over time compared to more distant countries. The estimated regression coefficient indicates a positive and statistically significant increase in positive military connotations in party programmes (β = 0.085). This pattern suggests a sustained and systematic shift in political attitudes towards defence in countries most directly exposed to the perceived military threat. In the second group of countries (those separated from Russia and Belarus by one intermediary state), the increase in positive military references is still positive, but noticeably weaker. Some upward movement can be observed, but it is less pronounced, with a regression coefficient only about half the size (β = 0.043). In the third group of countries, which are geographically more distant from the conflict or insulated by geography, we observe only a very minor increase in positive military connotations (β = 0.016).

Public support, fiscal constraints and the politics of financing defence

Figure 5 complements the manifesto-based analysis by relating public support for higher military spending to countries' remaining gap to NATO's 5% target in 2024. The horizontal axis displays the NATO target gap, measured in percentage points as the difference between current defence spending and the 5% commitment. The vertical axis reports the share of the population that supports further increases in defence spending, based on Eurobarometer survey data (European Commission, 2024). Approval rates exceed 50%, indicating broad support at an abstract level. However, the survey captures general attitudinal preferences while approaches that elicit monetary trade-offs tend to yield more differentiated results (Nicoli et al., 2025; Qari et al., 2024). The figure includes all EU NATO member states and reveals a systematic relationship between public support and the size of the remaining target gap. Countries that are further away from the 5% benchmark, such as Slovenia, Italy or Belgium, tend to exhibit lower levels of public support for additional increases in military spending than countries closer to the target level. This negative association is illustrated by the dashed trend line.

Geographic exposure to the conflict is captured by the colour coding. Countries that directly border Russia or Belarus (category 0; purple) typically exhibit relatively small target gaps and comparatively high levels of public support, with Poland representing the most pronounced case. Countries separated from Russia or Belarus by one intermediary state, such as Romania and Germany (category 1; green), tend to occupy an intermediate position in terms of both remaining gaps and public approval. By contrast, countries that are more distant from the conflict zone (category 2+; blue) generally combine larger target gaps with lower public support for higher defence spending.

The figure also highlights the relevance of public debt levels relative to GDP for both the remaining gap to the 5% target and public support for higher military spending. Public debt is represented by the size of the markers. A clear pattern emerges: countries with larger target gaps are often those with higher public debt ratios. These countries are also more frequently located in the geographically more distant group and tend to display weaker public support for further increases in defence spending. The figure thus points to a reinforcing constellation of fiscal, political and geographic constraints. Countries facing the largest increases required to meet the 5% target are often those with limited fiscal space, lower public support and greater distance from the perceived military threat.

While Figure 5 documents systematic cross-country patterns in public support for higher defence spending, it does not reveal how voters evaluate the underlying fiscal trade-offs. Addressing this question requires evidence at the individual level. Using a survey-based discrete choice experiment with 1,808 respondents representative of the German population, Bolouri et al. (2025b) show that preferences over defence spending cannot be understood independently of preferences over how such spending is financed. Their results reveal a strong interdependence between spending and financing preferences. Individuals who attach high importance to defence readiness and are aware of the fiscal costs associated with military expansion are significantly more willing to support tax-based financing in a deficit-neutral manner. By contrast, respondents who are less supportive of defence expenditure tend to prefer debt financing or budget consolidation strategies that avoid immediate and visible personal costs.

Importantly, Bolouri et al. (2025b) demonstrate that these preferences vary systematically across political orientations and socio-demographic groups. Supporters of higher defence spending are not uniformly opposed to taxation; rather, they are more likely to endorse tax increases when the purpose of additional spending is clearly specified and directly linked to national security. Conversely, opposition to tax-based financing is concentrated among individuals who are sceptical of military expansion itself. These findings challenge the widespread assumption that tax financing of defence spending is inherently politically infeasible and suggest that public resistance depends crucially on policy framing, transparency and perceived necessity.

Beyond spending targets: Hybrid threats, capability and societal resilience

The shift in US security policy and NATO's adoption of a 5% spending target underscore growing expectations that Europe assumes greater responsibility for its own security. From an economic perspective, this responsibility can be understood as the provision of a European public good, where coordination in delivery and financing is central due to economies of scale and cross-border spillovers (Beetsma et al., 2024). At the same time, the most likely security challenges facing Europe in the near term are unlikely to take the form of conventional interstate warfare. According to a recent study by the European University Institute, hybrid threats, including cyberattacks, disinformation campaigns, and attacks on critical infrastructure, represent the most probable risk scenario in the coming years (Anghel, 2025). Such threats target societies directly and cannot be effectively addressed through higher military spending alone or through conventional force structures.

This threat environment highlights that security is produced less by inputs than by outputs. Numerical spending targets offer, at best, an incomplete proxy for deterrence and resilience. The strategic value of higher defence budgets depends critically on what resources are spent on and how effectively they translate into relevant capabilities. Recent battlefield experience in Ukraine suggests that traditional Cold War-era systems (such as large warships, heavy tanks or fighter jets) play a more limited role in contemporary warfare than often assumed. Modern conflicts are increasingly shaped by drones, cyber capabilities, intelligence, logistics and rapid technological adaptation. Large-scale investments in legacy platforms therefore risk delivering diminishing returns if they crowd out spending on capabilities better suited to evolving threats; an effect that could be reinforced by a narrow focus on meeting the 5% spending target.

Against this background, the heterogeneity of European states suggests that security provision is unlikely to converge on uniform national models. Differences in

fiscal space, political support, industrial capacity and geographic exposure instead point towards a functional division of labour within Europe. As argued by Lohse and Bolouri (2025) in the context of the Weimar Triangle, complementary national roles – combining forward military posture, financial capacity and defence-industrial strengths – may offer a more realistic and sustainable contribution to European security than identical spending trajectories across countries.

Security, moreover, rests on societal willingness to defend, not solely on military hardware. Public attitudes and civic commitment constitute a critical component of deterrence and resilience, particularly in the context of hybrid warfare. Evidence from a recent representative survey that we conducted in Poland and Germany illustrates substantial cross-country differences in this regard. While a clear majority in Poland expressed willingness to personally defend their country (61.6%), support was considerably lower in Germany (45.5%). Conversely, explicit unwillingness was substantially higher in Germany, with 32% rejecting such engagement compared to only 14.6% in Poland. Such variation matters because hybrid threats are explicitly designed to exploit societal divisions and weaken collective resolve.

Seen in this light, the current debate risks conflating commitment with capability. The 5% target may serve as a signal of political resolve and alliance solidarity – a point emphasised by Caverley and Kapstein (2025), who argue that the United States continues to rely on European allies despite tougher burden-sharing demands – but it is a poor substitute for strategic prioritisation. In a security environment dominated by hybrid threats, Europe's central challenge lies less in meeting a numerical benchmark than in aligning military and civilian instruments towards resilience, adaptability and societal cohesion. Without such alignment, higher defence spending – even where economically feasible – risks increasing inputs while failing to strengthen security and eroding political support, strategic credibility and ultimately peace.

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