

“From 2006 Riga NATO Summit to The Hague 2025 NATO Summit: Challenges and opportunities for EU member states”

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Introduction

During the Riga NATO Summit in 2006, NATO member countries introduced, for the first time, commitments to spend a minimum of 2% of their GDP on defense and more than 20% of their defense budgets on major equipment, including associated research and development. This introduction of the 2% target was perceived as an achievable goal, aiming to address the imbalance whereby the USA spent a far greater percentage of US GDP on defense than any of the European allies. The 20% target was designed to ensure that NATO member countries had the appropriate military equipment and capabilities to conduct missions¹. Riga represented a starting point emphasizing modernization and interoperability rather than imposing burdensome financial obligations on European members.

Over the next two decades, NATO’s security environment evolved dramatically. Russian military assertiveness, particularly following the illegal annexation of Crimea in 2014 and the full-scale war of aggression against Ukraine in 2022, alongside rising Chinese global influence, exposed European underinvestment as a strategic vulnerability. Russia and China increased their defense budgets by 300% and 600%, respectively, over the last decade, compared to a collective 20% increase in EU countries (to 2022)². The European Commission noted that if all EU member states had spent 2% of GDP on defense from 2006 to 2020, this would have amounted to an extra €1.1 trillion for defense spending³.

By the 2025 NATO Summit in The Hague, Alliance members agreed to a transformative commitment. Allies agreed that a 5% commitment would comprise two essential categories of defense investment. Allies will allocate at least 3.5% of GDP annually, based on the agreed definition of NATO defense expenditure by 2035,

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¹ See Noel Dempsey, *The two NATO targets: Which countries are hitting the mark?*, House of Commons Library, 29.8.2018, <https://commonslibrary.parliament.uk/the-two-nato-targets-which-countries-are-hitting-the-mark/>, [Accessed 24 November 2025].

² See Sebastian Clapp, *EU Member States' defence budgets*, PE 772.846, European Parliamentary Research Service (EPRS), May 2025, p.1.

³ Ibid.

to resource core defense requirements and meet NATO capability targets, submitting annual plans showing a credible, incremental path to reach this goal. Moreover, Allies will account for up to 1.5% of GDP annually to protect, inter alia, critical infrastructure, defend networks, ensure civil preparedness and resilience, foster innovation, and strengthen the defense industrial base⁴. The trajectory and balance of spending under this plan will be reviewed in 2029, in light of the strategic environment and updated capability targets. Allies reaffirm their enduring sovereign commitments to support Ukraine, whose security contributes to theirs, and will include direct contributions toward Ukraine's defense and its defense industry when calculating defense spending⁵.

For EU member states, this shift represents both a challenge and an opportunity. Rising defense expenditure could strain national budgets and social spending priorities, but the new framework enables European states to modernize capabilities, strengthen their industrial base, and align NATO objectives with EU strategic ambitions. In December 2023, EU member states' ambassadors agreed to reform the EU's economic governance framework. Geopolitical challenges in Europe and the Indo-Pacific indicate an ongoing power struggle among the USA, Russia, and China. EU ambitions to become an equal international actor to the aforementioned nuclear superpowers require a significantly high defense budget. Following the 2024 Draghi Report, the European Commission President Ursula von der Leyen initially proposed a commitment of €500 billion in defense investments over the next decade⁶ affirming the EU's commitment to a strong defense budget.

EU member states' defense budgets: Trends and Pressures

EU member states have responded to geopolitical developments with significant increases in defense budgets. Collective EU defense expenditure rose from €218 billion in 2021 to €326 billion in 2024, with projections of an additional €100 billion

⁴ The Hague Summit Declaration, NATO, 25.6.2025, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2025/06/25/the-hague-summit-declaration>, [Accessed 24 November 2025].

⁵ Ibid.

⁶ See Aurélie Pugnet, 'EU's von der Leyen assesses bloc's defence needs to €500 billion', *Euractiv*, 27.6.2024, <https://www.euractiv.com/news/eus-von-der-leyen-assesses-blocs-defence-needs-to-e500-billion/>, [Accessed 24 November 2025].

by 2027⁷. Despite these increases, many analysts argue that current global threats require substantially higher spending.

The defense expenditure of the 23 EU countries that are also NATO members amounted to 1.99% of their combined GDP in 2024, with a forecasted rise to 2.04% in 2025. Of NATO's 32 members, 23 were expected to meet the 2% benchmark in 2024 (16 of which are also in the EU). However, there are significant regional differences in the EU, while growth has been steady and has gained momentum in most of Europe, it has remained more subdued in southern European countries⁸.

Germany is the top defense spender in Europe in absolute terms, spending €90.6 billion (2.12% of GDP) in 2024, driven more by expanded allocations from the €100 billion Sondervermögen (special fund for defense) than by a core budget rise. In March 2025, German lawmakers approved a historic shift to exempt defense and security spending beyond 1% of GDP from debt limits, enabling a €500 billion fund for defense and infrastructure. France also continued to raise defense spending, to €59.6 billion (2.06% of GDP) in the 2024 defense budget. President Macron intends to increase French defense spending to 3.5% of GDP, but has not given a timeframe⁹.

In Poland, spending has skyrocketed since 2022 (up 52.3% in 2023 and 16.9% in 2024), bringing the budget to PLN151 billion (€34 billion, or 4.12% of GDP). Poland has thus become NATO's top defense spender by GDP, with plans to reach 4.7% in 2025. Italy and Spain, however, have not followed this trend. Spain's defense budget remained flat for over a decade, with 2022 spending matching 2008 levels in real terms. Although an 18% in real-terms increase began in 2023, growth stalled again in 2024 when the country failed to pass a new budget, resulting in a real-terms decline. Italy also had a decade of stagnation until moderate growth resumed in 2022, bringing spending back to 2008 levels in real terms. Italy plans to double its spending over four years, and Spain has also vowed to reach 2% in 2025¹⁰.

These fiscal pressures are compounded by EU rules, including the Stability and Growth Pact, which limits deficits and debt levels. The European Commission has introduced tools such as the National Escape Clause and the Security Action for

⁷ See Sebastian Clapp, *EU Member States' defence budgets*, PE 772.846, European Parliamentary Research Service (EPRS), May 2025, p.1.

⁸ *Ibid.*, p.2.

⁹ *Ibid.*

¹⁰ *Ibid.*

Europe (SAFE) instrument to facilitate additional defense spending up to 1.5% of GDP beyond regular budgets, leveraging loans, cohesion funds, and private capital mobilization¹¹. So far, 16 EU member states have requested activation of the escape clause. On 8 July 2025, the Council activated the national escape clause for 15 member states: Belgium, Bulgaria, Croatia, Czechia, Denmark, Estonia, Finland, Greece, Hungary, Latvia, Lithuania, Poland, Portugal, Slovakia, and Slovenia¹². On 10 October 2025, the Council activated the national escape clause under the Stability and Growth Pact for Germany to help Berlin's transition to higher defense spending at the national level while ensuring debt sustainability¹³. The national escape clause will apply from 2025 to 2028 for expenditure up to 1.5% of GDP, with 2021 as the reference year. In other words, if the national escape clause has been activated and a member state's increase in military expenditure remains within the 1.5% ceiling, the excessive deficit procedure will not be launched, even if the total budget deficit exceeds the limits set by the revised fiscal and macroeconomic governance framework¹⁴.

NATO obligations and strategic alignment

The 2% GDP and 20% equipment benchmarks introduced at Riga were reinforced at the Wales Summit in 2014, emphasizing that NATO member countries should pursue modernization and capability development. Specifically, NATO member countries agreed to reverse the trend of declining defense budgets and raise them over the coming decade (2014-2024)¹⁵. According to paragraph 14 of the Wales Summit Declaration, Alliance Heads of State and Government stated that member countries below 2% GDP should move toward the relevant guideline within a decade to meet NATO capability targets and fill capability shortfalls, while increasing annual

¹¹ Ibid. p.1.

¹² Council activates flexibility in EU fiscal rules for 15 member states to increase defence spending, Press Release 582/25, Council of the EU, 8.7.2025, p.1.

¹³ Economic governance: Council approves Germany's fiscal expenditure path and its flexibility to increase defence spending, Press Release 798/25, Council of the EU, 10.10.2025, p.1.

¹⁴ See Spyros Blavoukos and Panos Politis Lamprou, A deep dive in the White Paper on the Future of European Defence, Policy Paper #178/25, *ELIAMEP*, April 2025, p.5.

¹⁵ Allied leaders pledge to reverse defence cuts, reaffirm transatlantic bond, NATO, 5.9.2014, https://www.nato.int/cps/en/natohq/news_112461.htm, [Accessed 24 November 2025].

investments to 20% or more of total defense expenditures¹⁶. NATO member countries already meeting Alliance's guidelines were asked to continue doing so.

On 11-12 July 2023, the Vilnius NATO Summit took place. Heads of State and Government agreed to: a) robust defense plans, b) strengthen commitment to defense investment, c) bring Ukraine closer to the Alliance, d) step up long-term support to Ukraine, and e) deepen partnerships around the world. According to paragraphs 27 and 28 of the relevant Summit Communiqué, NATO Heads of State and Government referred to Alliance obligations, namely to invest at least 2% of GDP annually on defense and at least 20% of defense budgets on major equipment, including research and development¹⁷.

Regarding the 2% obligation, NATO members emphasized that respecting this target is necessary to fund new defense plans. Interestingly, NATO members agreed to invest more than 2% of GDP on defense to cover past inadequacies. Regarding the 20% obligation, Heads of State stressed the importance of investment in major equipment and R&D, underlining the direct link between the 20% and 2% commitments. Therefore, NATO members committed to spend more than 20% of defense budgets on major equipment¹⁸.

The impact of the 2023 Vilnius Summit on defense expenditures became apparent seven months later. On 14 February 2024, the then Secretary General Jens Stoltenberg released NATO's latest defense spending figures, showing an 11% increase in 2023, an unprecedented rise across European Allies and Canada¹⁹. For the first time since NATO's creation, European allies in 2024 would collectively have spent 2% of GDP on defense. Stoltenberg noted that by the end of 2024, European allies and Canada would have added more than \$600 billion to defense since the 2014 Defense Investment Pledge²⁰.

¹⁶ Wales Summit Declaration, NATO, 5.9.2014, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2014/09/05/wales-summit-declaration>, [Accessed 24 November 2025].

¹⁷ Vilnius Summit Communiqué, NATO, 11.7.2023, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2023/07/11/vilnius-summit-communication>, [Accessed 24 November 2025].

¹⁸ See Georgios-Orion Marias, Greece as a NATO strategic member country and a valued EU member state: An analysis of Greek defense expenditures in the post-memorandum era, *International Journal of Democratic and Development Studies (IJDDS)*, Vol. 7, No.2, 2024, p.19.

¹⁹ See Georgios-Orion Marias, Greece as a NATO strategic member country and a valued EU member state: An analysis of Greek defense expenditures in the post-memorandum era, *International Journal of Democratic and Development Studies (IJDDS)*, Vol. 7, No.2, 2024, p.19.

²⁰ Ibid.

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Implications for EU member states

The transition from Riga to Hague presents EU member states with substantial challenges. Achieving a 5% GDP defense target requires prioritizing defense in national budgets, often conflicting with social spending obligations. Elevated military budgets may necessitate reallocations away from welfare, healthcare, and education, potentially widening socio-economic disparities. Public acceptance of sustained high defense spending may also vary, influencing electoral dynamics and national cohesion. Additionally, increased investments in defense industries can reshape regional labor markets, generating employment in other sectors while creating opportunities for local communities.

Industrially, EU states must capitalize on joint procurement, coordinated planning, and investment in domestic manufacturing capacity to reduce reliance on non-European suppliers and strengthen the resilience of European defense value chains. Guided by the its 2022 Strategic Compass, an action plan that sets a shared 2030 vision across the four pillars: “Act, Secure, Invest and Partner”²³, the EU is aligning

²¹ The Hague Summit Declaration, NATO, 25.6.2025, <https://www.nato.int/en/about-us/official-texts-and-resources/official-texts/2025/06/25/the-hague-summit-declaration>, [Accessed 24 November 2025].

²² Ibid.

²³ A Strategic Compass for security and defence, Council of the EU, <https://www.consilium.europa.eu/en/policies/strategic-compass/> (n.d.), [Accessed 24 November 2025].

its defense planning, threat assessment, and capability development to ensure coherent, mutually reinforcing investments. The European Commission's Readiness 2030 (ReArm Europe) plan outlines mechanisms to mobilize €800 billion through national budgets, cohesion funds, loans and private capital, supporting both NATO and EU capability objectives. In particular, the Security Action for Europe (SAFE) instrument provides up to €150 billion²⁴, competitively priced EU-backed loans to member states for the joint procurement of priority defense capabilities, strengthening Europe's ability to produce, sustain, and modernize its own critical systems. By expanding cross-border cooperation and embedding strict European content requirements, SAFE further anchors the Union's strategic autonomy and ensures that Europe's defense preparedness is built on a resilient, competitive, and sovereign industrial base capable of meeting long-term security demands.

Conclusion

The journey from the 2006 Riga Summit to the 2025 Hague Summit represents a decisive evolution in NATO's collective defense approach, from modest 2% GDP commitments to a robust 5% target, linking spending with capability and industrial development.

For EU member states, the implications are profound. Budgetary, industrial, political and social challenges must be balanced with opportunities to modernize, deepen NATO-EU cooperation, and assert strategic autonomy. As security threats intensify, European governments must demonstrate that higher investment results in tangible capability gains and greater societal resilience. Strengthening supply chains, expanding production capacity, and ensuring interoperability between EU member states that are also NATO member countries will be essential to prevent fragmentation and capability gaps.

The Hague 2025 pledge signifies more than a financial commitment. It tests European resolve, unity, and strategic purpose, highlighting the need for EU member states to act collectively while navigating regional security dynamics, fiscal constraints, and industrial development priorities. Meeting successfully this challenge, will shape the future of EU security and NATO cohesion in the decades to come.

²⁴ SAFE: Council adopts €150 billion boost for joint procurement on European security and defence, Press Release 418/25, 27.5.2025, Council of the EU, p.1.