



## **Mind the Gap: Has UK military spending fallen below the NATO guideline and German military spending?**

By Dr. Ian Davis

According to UK government figures [supplied to NATO](#), Britain's defence expenditure in 2019 was £46.9 billion (or to allow comparison, \$60.8 billion). This was the equivalent of 2.14% of gross domestic product (GDP, which is the total value of everything produced in the country). More importantly, it seemed to confirm that Britain's military spending remained above the NATO guideline that member states should spend at least 2% of GDP on their armed forces.

In 2002 NATO member states agreed a non-binding target of at least 2% of GDP annual expenditure on defence. However, a [Defence Investment Pledge](#) at the 2014 Wales summit was a more serious effort to reverse a trend in declining military expenditure among members. The pledge has been reaffirmed at all subsequent summits.

However, according to the Stockholm International Peace Research Institute (SIPRI), which has been crunching global military expenditure data since 1968, UK [defence spending in 2019](#) was \$48.7 billion or 1.7% of GDP. Not only do the SIPRI data suggest that UK military spending may have fallen below the NATO guideline, it also suggests that it has fallen behind both

GDP) and France (\$50.1 billion or 1.9% of GDP). Another annual assessment of military capabilities and defence economics worldwide, the [IISS Military Balance](#), calculates UK military spending to be \$54.8 billion in 2019; higher than SIPRI but still lower than NATO.

What accounts for these differences in the various assessments of UK military spending, and in particular, the \$11.2 billion gap between the NATO and SIPRI data (under the exchange rate used by SIPRI)? And does it matter?

In the interest of full disclosure, readers should note the following three declarations. First, I am the Executive Editor of the [SIPRI Yearbook](#), which is known worldwide as an authoritative and independent source on armaments, disarmament and international security—and publishes the annual military expenditure data cited above. Second, I run this [blog](#) about transparency in NATO, and while the publication of annual NATO military expenditure statistics are to be welcomed, greater openness is necessary to explain the numbers (as argued below). Third, I have been [critical](#) of both the 2% NATO guideline and the calls for greater military spending in Europe as a response

to the burden sharing debate within the alliance.

Successive Presidents of the United States have called on European partners to increase their national defence expenditure to bring them more into line with their higher level of GDP commitment, whereas the elephant in the room is that the United States unquestionably spends too much. President Eisenhower's much-feared military-industrial-complex has been running on steroids for several decades now, to the extent that the United States official defence budget stands at around \$730 billion (NATO and SIPRI data agree on this). However, an independent [estimate](#) of a broader reading of the US national security budget suggests that the total could be a staggering \$1.25 trillion.

Clearly, what is included in the count is important. So, what accounts for the difference between the NATO and SIPRI data for the UK?

SIPRI's definition of 'military expenditure' differs from NATO's 'defence expenditure', which itself may differ from that of individual member states. As NATO [points out](#), its figures "may diverge considerably from those which are quoted by media, published by national authorities or given in national budgets". For example, NATO includes expenditure for humanitarian operations paid by defence or other ministries, while SIPRI excludes it. SIPRI's priority is first to obtain data series that are consistent over time for each country, and then to obtain data corresponding as closely as possible to the SIPRI definition.

In the case of the UK, SIPRI uses the 'net cash requirement' (NCR) figures from the Ministry of Defence (MoD). This [represents](#) "the actual money that MOD requests from the Government in order to fund its

activities" and is close to what the UK MoD reports in its own annual '[Defence in Numbers](#)' brochure. Despite a 2016 House of Commons Defence Committee [inquiry](#) into the UK Government's accounting measures, a comprehensive explanation of what is included in the UK's submission to NATO has still not been published (the Government's [response](#) to the inquiry left many questions unanswered). Some categories of spending which the UK likely includes in its NATO reporting do fall under the SIPRI definition. These include military pensions (about \$3–4 billion, as estimated for 2017, based on a House of Commons report), costs for military signal intelligence activities of the Government Communications Headquarters (GCHQ), additional costs of military operations that are met by a Treasury Reserve and contributions to UN peacekeeping operations.

This means that SIPRI's current data is likely to underestimate UK military spending. While efforts are underway to revise the whole data series for the UK, this is made more difficult by the lack of transparency. For example, it remains unclear as to whether these additional budget line-items are already included in the main NCR figure, in particular with regards to pensions. The UK MoD has failed to provide any clarity despite a Freedom of Information request, instead preferring to hide behind the mantra "We are unable to release full details for reasons of national security". This 'national security' exclusion was even applied to the question as to the date when the Armed Forces Pension Scheme was included in the UK defence expenditure reported to NATO. And even if all of these additional items were included in SIPRI's current estimate, it would not account for all of the difference between the SIPRI and NATO figures. Therefore, more transparency is required to better

understand what explains this divergence, in order to generate an appropriate assessment of UK military spending relying on facts-based evidence.

The situation is further complicated by SIPRI's estimate of Germany military expenditure in 2019 being \$3.3 billion lower than the 'defence expenditure' figure Germany reported to NATO. This is partly explained by the fact that Germany includes in the latter spending on non-military efforts linked to sustaining peace and security, such as humanitarian and development aid in the context of crisis and peacebuilding and conflict resolution activities. These items are excluded from SIPRI military spending data. However, what Germany includes in the submission to NATO has also changed over time and further details—such as a breakdown of spending per category and a detailed explanation of the types of activities included in the categories—remain confidential.

While the evidence seems to suggest that both the UK and Germany are seeking to inflate or, to be generous, maximise their defence expenditure data submitted to NATO—the UK to remain above the NATO 2% guideline and Germany to close the gap in seeking to reach it—there are also suspicions that some NATO member states (such as France, Italy and Spain) may be understating their defence outlays in their NATO returns, for domestic political reasons (i.e. either to avoid criticism of spending too much on defence or to justify continuing increases in military spending).

Finally, does any of this really matter? Clearly it does or otherwise governments would not be going to so much trouble to be seen to be meeting the 2% target. Some critics [argue](#) that it is also a profoundly misguided statement of priorities in the face of the global threat of climate

catastrophe, and the continuing crisis of global poverty and inequality. In the wake of the COVID-19 pandemic there have also been allegations that the alliance encourages defence spending at the expense of healthcare (something that NATO has sought to debunk in a [Fact Sheet](#)). NATO is right to point out that setting the state budget is a complex political process reflecting social needs, as well as national political priorities, and thus, there is no direct correlation between health and defence investment. It is beyond refute, however, that the alliance has been encouraging member states to [increase defence spending](#) over the past five years, and at a time of economic austerity, there are clearly going to be indirect trade-offs between military spending and other public goods, including public health.

The COVID-19 pandemic highlights the folly of not spending enough on robust health services in member states, but attributing this directly to too much being spent on defence, as some [argue](#), is less clear cut. For example, that money could have been redirected from other public sector budgets, such as education and transport, or by increasing taxation. Nonetheless, it would be the height of folly to continue to increase or ring-fence military spending during the future post-pandemic economic recovery. The United States, for example, could generate a health dividend of over \$160 billion by reducing its spending to the NATO 2 per cent of GDP commitment. Accurate military spending data placed in the public domain would help to illuminate these apparent discrepancies and aid political decision-making in each NATO member state.