Syllabus subtopic: Bilateral, regional and global groupings and agreements involving India and/or affecting India's interests

News: The U.S. is to cut its contribution to NATO’s operating budget, officials said on Thursday, with Germany increasing payments as the alliance tries to appease President Donald Trump ahead of a summit next week.

Prelims and Mains focus: about NATO, challenges and its achievements so far, impact of U.S move on world security

Background

- Mr. Trump has repeatedly criticised European members for freeloding on the U.S., singling out Germany — the continent’s economic powerhouse — for lagging behind on an alliance commitment to spend at least 2% of GDP on defence.
- While most of Mr. Trump’s anger has been focused on European national defence budgets, American officials have also grumbled about how much Washington contributes to NATO’s running costs.
- Washington currently pays 22.1% of the NATO budget — which totalled $2.5 billion in 2019 — and Germany 14.8%, under a formula based on each country’s gross national income.

Changes made in the new agreement

- Under the new formula, cost shares attributed to most European allies and Canada will go up, while the US share will come down.

- Under the new agreement, the U.S. will cut its contribution to 16.35% of the total, Germany’s will rise to the same level and other allies will pay more.

About North Atlantic Treaty Organization (NATO):

- It is an intergovernmental military alliance.
- Treaty that was signed on 4 April 1949.
- Headquarters — Brussels, Belgium.
- Headquarters of Allied Command Operations — Mons, Belgium.

Significance: It constitutes a system of collective defence whereby its independent member states agree to mutual defence in response to an attack by any external party.
Objectives:

- **Political** – NATO promotes democratic values and enables members to consult and cooperate on defence and security-related issues to solve problems, build trust and, in the long run, prevent conflict.

- **Military** – NATO is committed to the peaceful resolution of disputes. If diplomatic efforts fail, it has the military power to undertake crisis-management operations. These are carried out under the collective defence clause of NATO’s founding treaty – Article 5 of the Washington Treaty or under a United Nations mandate, alone or in cooperation with other countries and international organisations.