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3% of GDP for Defense: Political Reflection

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Abstract

Increasing defense spending to 3% of GDP represents a fundamental economic and political issue that carries wide-ranging impacts on public finances, the army's personnel capacities, and the overall defense capability of the Czech Republic. The government plans a gradual increase in the Ministry of Defense budget, referring to the worsening security situation in Europe. However, a clear financing strategy is still missing. The options are limited – the state will have to increase taxes, make significant cuts in other areas, or raise national debt, which could have long-term consequences for economic stability. A fundamental problem remains the personnel issue, as the army has long struggled with a shortage of soldiers, and the existing recruitment measures are not sufficiently effective. Without a clear plan to secure funding and ensure human resources, this step risks being not only unsustainable but also counterproductive to the security of the Czech Republic.

Key Takeaways

- **Uncertainties in Financing** – Increasing defense spending to 3% of GDP requires tens of billions of crowns more, yet it is not yet clear whether the state will choose to raise taxes, make cuts in other areas, or take on further debt.
- **Lack of Soldiers** – Even with the current budgetary expenditures, the army is failing to meet its planned personnel targets, which increases the likelihood of a return to compulsory military service.
- **A Fundamental Political Decision** – The change in defense financing should be the subject of a broader political discussion, as it is a measure with long-term impacts on the economy and society.

Introduction

The plan of Prime Minister Petr Fiala's government to increase defense spending to 3% of GDP took on concrete outlines at the beginning of March. From the current level of 2% of GDP, the Czech Republic should allocate 3% of GDP to the military within five years, with the first increase expected in 2026. However, some government politicians are already suggesting that 3% of GDP should be seen as a minimum threshold, and there are even calls for 5%, raising questions about the financial sustainability of this commitment and its broader political implications, especially in light of the upcoming elections to the Chamber of Deputies.

The government argues that higher defense spending is essential to strengthening the national security and defense capability of the Czech Republic, pointing to the deteriorating security situation in Europe and the ongoing Russian aggression in Ukraine. Although modernizing the military is a legitimate goal in the context of current threats, some questions remain unanswered.

The first question is: where will the state get the money for this? Increasing military spending to this level would require tens of billions of crowns more, which would have to be covered either by dramatically raising taxes, making drastic cuts in other areas of the state budget—such as healthcare, pensions, education, or the social system—or possibly by increasing debt.

The second, equally important question concerns human resources. The Czech army has long been unable to meet even its existing personnel targets. If the government intends to significantly expand the number of soldiers, the only realistic way to achieve this in the foreseeable future is by reintroducing compulsory military service. However, representatives of the governing coalition reject this.

In any case, it is not difficult to formally increase the budget for the Ministry of Defense or the size of the army on paper. However, this requires key political decisions that carry significant economic and social consequences.

Positions of Political Parties

In essence, it can be stated that the dividing line in parliament runs between the governing coalition on one side and the opposition on the other.

The governing coalition agrees that defense must be a priority and that financing cannot be addressed solely through debt. Prime Minister Petr Fiala (ODS) stated that the increase in expenditures will be gradual, seeing an annual increase of 0.2% of GDP as realistic. This plan was also approved by the cabinet on March 5, with the increase expected to be reflected in the 2026 budget. According to Fiala, this is the necessary minimum, and he hinted that the increase could ultimately be even higher if other European countries pursue the same course.

Finance Minister Zbyněk Stanjura (ODS) proposes utilizing European funds, particularly by redirecting part of the resources originally allocated for decarbonization. He also points out that EU states will eventually have to address the dilemma between defense spending and the green transition, with defense taking priority.

Defense Minister Jana Černochová (ODS) adds that frozen Russian assets could also support financing, as they could be used at the European level for military purposes. A similar argument is made by the Speaker of the Chamber of Deputies and TOP 09 leader Markéta Pekarová Adamová,

who highlights the potential for improving government efficiency, digitalization, and reducing unnecessary expenditures as ways to secure funding. However, the exact extent of these savings has not yet been quantified.

KDU-ČSL maintains that increasing the defense budget is necessary but must not lead to further increases in national debt. Agriculture Minister and KDU-ČSL leader Marek Výborný therefore emphasizes that financing must be long-term and linked to budgetary reforms. However, details on exactly where the state will obtain these funds remain unclear.

The opposition is critical of the government's plan. Shadow Defense Minister Lubomír Metnar (ANO) and ANO leader Andrej Babiš criticize the approach of tying expenditures to a fixed percentage of GDP without clearly defined projects. According to the movement, the military should first clearly determine its needs and only then address financing, rather than chasing arbitrary figures on paper. While ANO does not categorically reject the increase to the three-percent threshold, the movement warns that if the government fails to specify concrete sources of funding, increasing the defense budget could lead to extensive cuts in other areas, such as healthcare or social spending.

In contrast, SPD categorically rejects increasing the Ministry of Defense's budget beyond 2%. Party leader Tomio Okamura, for example, pointed to the chronic shortage of soldiers (Brodničková, 2025; Kopecký, 2025; Křovák, 2025a; iRozhlas, 2025; Frouzová, Miholová, 2025).

Where to Get the Money?

Increasing the defense budget to 3% of GDP would place a significant financial burden on the state budget. According to data from the Ministry of Finance, defense expenditures in 2024 amounted to approximately 160 billion CZK, corresponding to the legal commitment to allocate 2% of GDP to the military. In 2025, defense spending is expected to reach 169 billion CZK, but if the government were to push through an increase to 3% of GDP, it would mean a sudden rise to 253 billion CZK. The trend of further growth is evident— in 2026, 2% of GDP would equate to 177 billion CZK, while 3% would mean 266 billion CZK. And in 2027, with a 3% share of GDP, the army's budget would reach 278 billion CZK, which is 93 billion CZK more than the current commitment (Ministry of Finance, 2025).

The question, then, is where the government intends to find the money for such massive expenditures. Essentially, there are three options: dramatically increasing taxes (either directly or by eliminating tax exemptions), making drastic cuts in other budgetary chapters, or increasing national debt (Svoboda, 2025; Křovák, 2025b; Stratilík, 2025).

Option 1: Increasing Taxes

If the government decides to finance the increased military expenditures through higher taxation, it would undoubtedly have a significant impact on both citizens and businesses. There is already speculation about the possibility of further tax increases and the elimination of tax exemptions, with discussions about sectoral taxes, automatic indexation of excise duties, and more. A repeated topic is also the increase in income tax, which decreased after the abolition of the super-gross wage in 2021.

Option 2: Budget Cuts

The second way to allocate more money for defense is by reallocating funds from other areas of the state budget. However, this could lead to significant reductions in funding for the pension system, healthcare, or education—sectors that receive the most government funding. This could mean higher patient co-payments in healthcare, freezing or reducing pensions, further increasing

the retirement age, eliminating inclusive education, introducing tuition fees at universities, and so on. Another possibility is reducing the size of the state apparatus, but it is clear that such a large amount of money can only be found in budgetary areas with major impacts.

Option 3: Increasing National Debt

If the government does not want to raise taxes or implement significant cuts, the only remaining option is to finance the increased defense spending through debt. However, this approach clashes with the continuously rising level of Czech Republic's national debt, which the cabinet of Petr Fiala has not improved. In 2024, the national debt increased by 254 billion CZK, reaching 3.365 trillion CZK (Novinky, 2025).

Increasing defense expenditures through debt would have serious consequences for public finances. A growing national debt leads to higher debt servicing costs, reflected in higher interest payments, which burden the budget in the long term and reduce the government's ability to finance other priorities. A higher debt could also negatively affect the Czech Republic's credit rating with international agencies, leading to higher interest rates on future government bond issuances and further increasing debt servicing costs. Rating agencies have previously warned about the risks of unsustainable debt growth, and if the Czech Republic were to pursue massive debt financing of defense expenditures, it could face pressure for fiscal restrictions—meaning austerity measures that would include cuts to social spending, tax increases, or further reductions in the public sector (Svoboda, 2025).

Where to Find Soldiers?

In addition to financing, another crucial political issue is the question of human resources. The Czech Army currently has around 24,000 professional soldiers, with strategic plans aiming for an expansion to 30,000 by 2030, while NATO plans even recommend 37,500 soldiers. In other words, the Czech Republic is short of up to 14,000 soldiers. However, the reality is that interest in military service is declining, and despite financial incentives and the relaxation of some physical requirements, it is still not possible to fill even the current numbers.

In 2024, a record 1,450 soldiers left the army. "The net increase of professional soldiers last year was around 350 people. These were members of the Castle Guard, the Military Office of the President, the Military Police, and students of the University of Defense; in the army itself, it was fewer than one hundred soldiers," stated General Staff spokesperson Magdalena Dvořáková for Novinky. The website reported that only about fifty soldiers were added in 2024, with Chief of General Staff Karel Řehka speaking of an overall increase of 176 soldiers. In any case, the pace of army growth is entirely insufficient to meet the goal of recruiting a thousand new recruits every year so that the army has at least 30,000 personnel by 2030 (Danda, 2025; Křovák, 2025c). Furthermore, it is important to note the lowest birth rate since 1785, which, if the trend continues, will exacerbate the problem even further (Mačí, Najvrtová, 2024).

In the public debate, proposals for the reintroduction of compulsory military service, which was abolished in the Czech Republic in 2004, are increasingly appearing. Řehka has been discussing the idea of reintroducing either compulsory or voluntary military service for some time, and a year ago, he stated that we cannot avoid the debate on compulsory service (Danda, 2024).

Government politicians have so far taken a negative stance on the introduction of compulsory military service: TOP 09, KDU-ČSL, and STAN reject the idea, although the Christian Democrats also oppose it, they would like to have an overview of the combat-ready population. Prime Minister Fiala and Defense

Minister Černočová have both repeatedly expressed opposition to the reintroduction of compulsory military service, but given the Prime Minister's U-turns in the last three years (especially regarding tax increases or raising the retirement age), this might be an attempt to avoid losing support ahead of the upcoming parliamentary elections.

The opposition party ANO also rejects compulsory military service. In contrast, the chairman of the extra-parliamentary Motorists for Ourselves group, Petr Macinka, proposed introducing basic military training, which would be mandatory and last three months. The SPD movement has expressed support for voluntary military service (Hrdlička, Křovák, 2025; Brodníčková, 2025b, Klézl, 2025).

Economic Impacts of Compulsory Military Service

The introduction of compulsory military service would have significant economic impacts, which would be reflected in several key areas. First and foremost, it would result in a loss of young people from the labor market, which could lead to a slowdown in economic growth, particularly in sectors where there is already a shortage of workers. The conscription of young men (and possibly women) into the military would reduce the number of employees in the productive age group, which could increase pressure on businesses and slow down some economic sectors, particularly those dependent on young workers, such as technology, industry, or services.

Another significant impact would be the increase in state spending, not only for the training and logistics of the military but also for social support. The introduction of military service would require massive investments in infrastructure—such as modernizing barracks, building new training facilities, and purchasing equipment, weapons, and supplies. This would result in additional billions in expenditures, which would need to be covered by the budget. Moreover, the state would have to compensate for the loss of income from conscripts and their families—either through state support or, for example, tax relief after returning from service.

Negative impacts would also be felt in the education sector. Compulsory military service could lead to delays in enrolling in universities, which would reduce the overall qualification level of the workforce and thus reduce the competitiveness of the Czech economy.

Last but not least, the introduction of compulsory military service could have budgetary impacts on the pension system. If the service were extended, for example, by one or two years, it would mean that people would enter the labor market later, would pay social and pension insurance for a shorter period, and would still be able to claim a pension for the same number of years as today's generation, which could worsen the stability of the pension system.

In general, the introduction of compulsory military service would not only entail direct spending on the military but also secondary economic costs in the form of a loss of the workforce, higher state spending on social compensations, and potential long-term impacts on the education and pension systems.

Political Dilemma (Not Only) Before the Elections

The planned increase in defense spending to 3% of GDP represents a fundamental political and economic decision that will have long-term consequences for public finances, the social system, and the defense capability of the Czech Republic. Although the government justifies this measure by the deteriorating security situation in Europe and the need to modernize the army, key questions remain open—where will the state find the money for this, where will it find soldiers, and whether the army can invest tens of billions effectively within a relatively short time.

From an economic standpoint, it is clear that financing such high expenditures will not be possible without significant fiscal measures. The options are limited—the state can raise taxes, make drastic cuts in other areas such as pensions, healthcare, or education, or increase public debt. Each of these variants has serious impacts on the economy and the standard of living of citizens. Further indebtedness would lead to higher debt servicing costs, deteriorating ratings, and potentially limit the financial sovereignty of the state. So far, aside from calls to cancel the EU's decarbonization goals, the government has not presented a clear plan on how it intends to cover these expenses. This raises concerns about the sustainability of public finances or planned cuts.

The second major problem is the personnel situation in the army. The current state of recruitment suggests that even with increased salaries and benefits, the set targets are not being met. If the state wants to effectively utilize the increased defense budget, it will have to ensure a sufficient number of soldiers. Purchasing modern equipment without having personnel to operate it would be wasting taxpayers' money. This opens up the question of reintroducing compulsory military service, which is already being discussed by the military leadership as well as some politicians. This step would have significant social and economic impacts and needs to be discussed publicly. It is also an open question how much the rejection of compulsory military service is a tactic to pacify the public before the parliamentary elections. The fact that compulsory military service is not "on the table" now may change quickly after the parliamentary elections.

The decision to increase defense expenditures should be accompanied by a thorough analysis of its real impact on the state budget, the economy, and society. Without a clear plan for financing and securing human resources, this step could become not only unsustainable but also counterproductive for the security and stability of the Czech Republic.

The planned increase in the defense budget to 3% of GDP is not only a technical issue related to state finances or military strategies but a fundamental political issue. Such a large increase in spending cannot be decided without a deeper political and expert consensus because it is a measure with long-term consequences not only for public finances but also for the structure of the Czech army and the position of the Czech Republic within NATO and the EU. Moreover, it is uncertain whether the commitment to increase the defense budget by 0.2% of GDP each year will be adjusted after the autumn parliamentary elections.

In particular, the question of compulsory military service or other mechanisms to supplement the number of soldiers may become a key political topic in the future. If it turns out that the army is unable to recruit a sufficient number of professional soldiers, the political representation will be forced to consider alternative solutions, which may be controversial. Such fundamental changes should not only be decided by the government but should be subject to broader political agreement and public discussion, possibly even direct democratic decision-making, such as through a referendum.

Conclusion

The planned increase in defense spending to 3% of GDP presents not only an economic but, above all, a political challenge with far-reaching consequences. Although the government argues that strengthening the country's defense capability is necessary in response to the security situation in Europe, key questions remain open regarding financing and human resources. Budgetary options are limited—raising taxes, drastic cuts in other areas, or further increasing state debt, with each of these variants having serious impacts on the standard of living of citizens and the stability of public finances.

Equally problematic is ensuring the personnel for the expanded army, as current recruitment trends do not meet the ambitious goals. The debate about reintroducing compulsory military service thus remains on the table, despite its rejection by government representatives. A key issue will be to engage in broader public discussion and find a compromise solution that ensures the country's defense capability without placing an undue burden on the state budget and citizens.

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