

TIMEA NYERGES¹**New Potential Resources of Economically Established Defence between 2021-2027****A védelem gazdasági megalapozásának új potenciális forrásai 2021-2027 között****Abstract**

The European Committee promoted a suggestion on 2016 November 30 for the foundation of the European Defence Foundation (EDF²) as a part of the European Defence Action plan (EDAP³). The reason for the new proposal was the hitherto measured lowest defence expense level of the member states in 2015 (GDP 1,4 %) as well as the recognition of the hiatus⁴ of the estimated yearly sum of 2 billion Euros being invested for a decade, in defence purposes in reflection to the fact⁵ that both the USA,⁶ Russia, and China have been ambitiously⁷ improving their defence capacities in the mean time.⁸ In June 2017, the bill for the establishment of the European Defence Fund found acceptance.⁹ As a result, the program appears without precedent in the budget of the interval between 2021 and 2027. The official release of the multi-year foundation framework (MFF¹⁰) the conclusion applies, that the program will operate with an annual expense rate between 3,2 to 4,2 billion Euros, as well as with a 10 million Euros off-budget ra-

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² EDF: European Defence Fund

³ EDAP: European Defence Action Plan; <https://eur-lex.europa.eu/legal-content/HU/TXT/?uri=LEGISSUM%3A4298898>

⁴ Zoltán Szenes: European common force?, *Biztonságpolitikai szemle*, (2015/2) 2-18.

⁵ The United States has doubled its EU defense spending in defense in 2015. China has increased its defense budget by about 150% over a decade. 5.4% of Russia's GDP was covered by defense spending in 2015.

⁶ István Góczy: The war of future – the future of war : the views of the United States on the armed conflicts of the 21st century and the new developments of military technology of the USA, *Hadmérnök*, (2010/3) 219-237.

⁷ Mihail Zigar: Putin's metamorphosis, Európa Kiadó, Budapest, 2016.

⁸ György Sztternák: In waging armed struggle (The new methods forms background, examination of the characteristics), *Hadtudományi szemle*, (2017. X/1), 113-125.

⁹ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee and the Committee of the Regions, Launching the European Defence Fund COM(2017)295, Brussels, 2017

¹⁰ MFF: Multiannual Financial Framework

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te.¹¹ For Hungary the 3-4 billion Euro (price of the year 2018 budget) budget will provide for capacity improvement.¹² The annual 500 million Euros research support¹³ could enhance the modernization of the military forces along with the reinforcement of the country's geopolitical status.

Keywords: Defence economy, European Defence Foundation, MFF negotiation, homeland security expenses

Absztrakt

Az Európai Bizottság 2016. november 30-án tett javaslatot az Európai Védelmi Alap (angol rövidítéssel: EDF2) létrehozására az Európai Védelmi Cselekvési Terv (angol rövidítéssel: EDAP3) részeként. A javaslatétel háttérében a tagállamok védelmi kiadásainak 2015. évi rekord alacsony szintje (GDP 1,4%-ára csökkentek), valamint az egy évtizede tartó, évi 2 milliárd euróra becsült védelmi célú tagállami ráfordítások elmaradásának felismerése állt⁴, annak tükrében, hogy mindeközben az Egyesült Államok, Kína és Oroszország ambiciózusan tovább fejlesztették védelmi képességeiket⁵. 2017 júniusában az Európai Védelmi Alap létrehozásának javaslata elfogadásra került⁶, ezzel a program előzmények nélkül, új programként jelenik meg a 2021-2027 közötti időszak költségvetésében. Az Európai Unió többéves pénzügyi keretére (angol rövidítéssel: MFF7) tett hivatalos javaslat megjelentéséig előzetesen arra lehet következtetni, hogy évi 5-7 milliárd eurós költségvetési és további 10 milliárd eurós költségvetésen kívüli⁸ kerettel fog az új program meghirdetésre kerülni. Magyarország számára ez a hozzávetőlegesen évi 5 milliárd eurós képességfejlesztésre⁹ és az évi minimum 500 millió eurós kutatási célokra fordítható¹⁰ támogatás, uniós forrásból történő haderőkorszerűsítést és közvetve hazánk geopolitikai helyzetének megerősítését jelenthetik.

Kulcsszavak: védelemgazdaság, Európai Védelmi Alap, MFF tárgyalás, honvédelmi kiadás

¹¹ The European Union can not finance military capabilities, and therefore plans to spend another EUR 10 billion under the out-of-budget financing mechanism - based on the preliminary views, the Union's external military engagement between 2021 and 2027.

https://ec.europa.eu/hungary/news/20180502_multiannual_financial_framework_hu

¹² purchase of equipment, for example: drilling technology or helicopter purchasing

¹³ research of defense technologies, for example: electronics, encrypted software, robotic technology

THE ECONOMICAL FOUNDATION OF DEFENCE

The resources invested in the improvement and sustainability of defence capacities depends particularly on the country's economic performance. The distribution of economic performances between civil and defence goals is the obligation of the current politics regarding country interests. However, it is impossible to realize modern defence without technological improvement, in order to which it is essential to increase infrastructural and industrial capacities. These mounting expenses as a result, usually restrict the countries' defence capacity improvement efforts' based on their own economical potential. Defence allies, besides the unification of defence potentials draw the partial integrity of economical potentials of the member states.

Defence investments are able to be characterize exactly by either their nominal or real values, as well as with indicators used in international comparison of GDP-share holding. This latter data also expresses the political decision that refers to the obligation a state holds in terms of defence, meaning the portion of the produced income invested in defence purposes.

In order to the correct judgement of the homeland security expenses, it is essential to regard some methodological unique features, since homeland expenses can also appear in direct and indirect forms, which we apply at the 2% GDP shareholding design, known as a NATO requirement¹⁴. The defence ministry budget is calculated as an indirect expense, while the national defence development and sustainability expenses (military institutions) infrastructures carrying out national defence subtasks) army industry, military healthcare, army transportation industry), investments are interpreted as direct investments. Accordingly, neither the national defence portfolio budget contains elements purely for defence purposes only, meaning preretirement, building of army service appartments restoration, detection, and care of army graveyards, education, sport, and healthcare expenses. For this reason, the methodology of the central army budget diferenciates functionally consolidated indicators, which summarize budget expenses in terms of the real social functions. This purified indicator provides a more accurate view of Hungary's real defence expenses, which results in a more delicate GDP-shareholding proportion compared with the preliminarily presented mixed-type summaries.

¹⁴ About NATO's Funding Principles and Practices:
https://www.nato.int/cps/en/natohq/topics_67655.htm?

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Evolution of defence expenses 2005-2018				
Governments	Year	Billion HUF	GDP share- holding	GDP share- holding indicators of consolidated defence expenses
Medgyessy	2004	310,73	1,48%	1,28%
	2005	318,55	1,42%	1,25%
Gyurcsány	2006	296,67	1,23%	1,02%
	2007	326,21	1,28%	0,88%
	2008	321,49	1,19%	0,90%
	2009	298,62	1,14%	0,87%
second Orbán	2010	280,90	1,04%	0,85%
	2011	295,97	1,05%	0,88%
	2012	297,65	1,04%	0,81%
	2013	286,34	0,95%	0,76%
third Orbán	2014	281,40	0,87%	0,72%
	2015	315,93	0,92%	0,75%
	2016	353,10	1,00%	0,88%
	2017	364,50	1,00%	0,88%
fourth Orbán	2018	427,33 (tervezett)	1,10% (tervezett)	0,89% (tervezett)

Fig. 1¹⁵: Defence expenses development in Hungary between 2005 and 2018¹⁶. GDP¹⁷ and consolidated GDP¹⁸ explained in terms of shareholding indicators

Effect of army forces redundancy (2004) as well as the effect of the economic depression of the year 2008 on both the change of support intensity in the national defence portfolio budget, as well as in other direct defence-economic indicators. In the background stood international events, as the result of which, the previously attacking military defence doctrine could turn into a defencing one, in Europe, since the bipolarity, nuclear attack threats, resulting in the ceasing of the current military world views, our join to the NATO, the world's strongest military confederation, made it possible. Regarding the previously mentioned facts, both relatively as well as nominally, even despite the constant inflation, the extent of national defence expenses decreased since 2004. Instead of the 2,0% role/taking towards the NATO, the national security share of Hungary indicated a 1,1% value from

¹⁵ Source: self made

¹⁶ The amount of expenditure of the appropriations authorised in a chapter according to the budget law and its amendments of the given year.

¹⁷ Stockholm International Peace Research Institute: Military Expenditure Database 2017., SIPRI, Stockholm, 2018. <https://www.sipri.org/databases/milex>

¹⁸ Until 2010: János Turák: Macro Processes of Protection Economics, Budapest University of Economics, Budapest, 2003; From 2011: Zoltán Szenes: The situation of the defense economy in Hungary, Military Logistics, (2015/2) 5-52.

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2004 to this day. The resulting estimated budget hiatus originates from this phenomenon, it increases over 3000 billion HUF in the interval between 2004 and 2018.

When assessing defence expense calculation indicators, it is important to pay attention to the internal proportion usage their of. The generally optimal distribution is the following: personal expenses 40% objective expenses 30%, development and innovation expenses are viewed as ideal at the level of 30% as well¹⁹ (NATO resource investment expectations in terms of "great missile systems prescribe 20%.) Hungary's practice in this manner shows a distinct operation, since the personal proportion is approximately around 40 and 43%, as well as the objective expenses are also higher than expected (33, 39%), therefore, the resources associated with the improvement of the armed forces show a 20% proportion over the average calculation of the past years.

The Hungarian national defence budget conditions, according to international comparison data, prove to be unfavourable both in the view of the NATO federation as well as with the European Union.

Comparison of national defence expenses of NATO member states 2014-2016				
Million USD	order countries	2014	2015	2016
1.	USA	603 457	589 564	604 460
2.	UK	61 564	58 382	52 500
3.	France	52 075	46 626	47 200
Mean average of EU member states:		7 827	7 071	6 916
27.	Albania	135	101	115
28.	Montenegro	79	68	70
29.	Izland	30	30	31
19.	Hungary 2014	1 008		
18.	Hungary 2015		1 070	
17.	Hungary 2016			996

Comparison of national defence expenses of NATO member states on the basis of GDP share-holding 2014-2016				
	order countries	2014	2015	2016
1.	USA	3,47%	3,27%	3,26%
2.	Greece	2,41%	2,42%	2,37%
3.	Estonia	1,93%	2,06%	2,15%
Mean average of EU member states:		1,23%	1,27%	1,29%
27.	Hungary	0,73%		
	Belgium		0,88%	0,36%
28.	Luxembourg	0,39%	0,37%	0,36%
29.	Izland	0,17%	0,18%	0,16%
27.	Hungary 2014	0,73%		
26.	Hungary 2015		0,89%	
26.	Hungary 2016			0,85%

Az Európai unió országok honvédelmi kiadásainak összehasonlítása 2014-2016				
Millió dollár	order countries	2014	2015	2016
1.	UK	61 564	58 382	52 500
2.	France	52 075	46 626	47 200
3.	Italy	24 487	21 495	22 309
Mean average of EU28:		7 528	6 787	6 660
26.	Cyprus	424	305	356
27.	Luxembourg	251	214	220
28.	Malta	60	56	58
19.	Hungary 2014	1 008		
17.	Hungary 2015		1 070	
18.	Hungary 2016			996

Comparison of national defence expenses of EU member states on the basis of GDP share-holding 2014-2016				
	order countries	2014	2015	2016
1.	Greece	2,41%	2,42%	2,37%
2.	UK	2,05%		1,98%
	Poland		2,14%	
2-3.	Estonia	1,93%	2,06%	2,15%
Mean average of EU28:		1,20%	1,22%	1,25%
26.	Malta	0,56%		0,56%
	Austria		0,55%	
27-28.	Luxembourg	0,39%	0,37%	0,36%
	Ireland	0,47%	0,45%	0,33%
24.	Hungary 2014	0,73%		
23.	Hungary 2015		0,89%	
23.	Hungary 2016			0,85%

Fig. 2²⁰: Comparative Defence Expense Calculation between NATO and EU member states on the basis of million dollar as well as GDP-proportion between 2014-2016²¹.

¹⁹ Tamás Csiki: Where is the money? NATO Defense Expenditure Trends and Common Load Demand Issues, *Strategic Defense Research Center*, (2017/2) 1-12.

²⁰ Source: self made

²¹ International Institute for Strategic Studies: *The Military Balance 2017*, Washington, 2017. 1-575.pp.

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It is generally claimed that our country is significantly lower in its standards from either the EU28 as well as from NATO, it stands in the rear end of the league according to the international comparison of defence expense calculations. Besides these facts, comparative analyses reveal that NATO member states invest four times more in national defence than EU member states do. The distinction between NATO and EU28 member states within Europe indicates only a 3,4% difference in favour of NATO member states.

A good example for the European deficit of military capacities is the fact that the Asian weaponry expenses first increased over the investments of the European NATO member states in 2012, where these resources declined with 1,63%. The smashing expenses of the year 2012 in Asia are the consequences of the "Arabian Spring" especially the quick spread of the Sirian conflict²², as well as the gradual rise of China including its fast development in terms of marine capacities, besides which, the resources associated with the European development of defence capacities reduced in case of the European NATO member states²³. This tendency came to a halt in 2015 and 2016, and in 2017, the International Institute of strategic Studies (IISS) the analysis on the world's defence capacities as well as on the military balance conditions (military balance 2018) the European NATO member states increased their defence expenses with 3,6% which also includes the filtering of inflation effects, however, the structure of these expenses require a higher level of computation methodology, since nearly 1 third of the entire defence expenses in Belgium and Portugal, were taken over by military pension payments in 2016²⁴.

We cannot ignore the unique feature which indicates that the correct handling of international comparison analyses require methodological considerations, since even the practice of GDP data computation can be different, which gap can be strongly present in the components of the expenses of national defence. For this reason, for the GDP comparison it is offered to measure the indicators according to which it is a recommendation to compare the one troop per capita, one civil per capita, as well as the country's regional comparison on the basis of national defence expenses. In order for a better view of the above-mentioned facts, we should consider that in case the number of the army is high and the expenses invested in salaries are also high in consequence, along with a low GDP level as it is seen in Turkey, then the indicator of the army presented in GDP data will also be high. To avoid such misleading calculations over the GDP-proportion analysis, it is recommended to collect expense data in the projection to single troops as well, just as the Hungarian indicators require a multiple comparative analysis. When we see for instance an increase in GDP, with the simultaneous nominal decline of the national defence portfolio, leaning only on GDP factors can lead to false conclusions. In this case, the reason for the increase in

²² Napoleoni Loretta: Islamic phoenix, Budapest, HVG, 2015

²³ Alex Etl: The Military Balance 2013, *Nation and Security*, (2013 / 1-2). 152-167.

http://www.nemzetesbiztonsag.hu/cikkek/nb_2013_1-2_11_etl_alex.pdf

²⁴ <https://www.vg.hu/vallalatok/a-hadiipar-oriasai-tobbet-koltenek-fejlesztesekre-mint-europa-792375/>

share holding is not the feeding of the defence expenses, but the decline of GDP over the defence expense proportions.

NEW CHALLENGES OF THE NEW PROGRAM SEASON FROM 2021-2027

Handling reasons of migration outside Europe, including the climate change as well as the increasing number of various humanitarian catastrophes urge a greater role-taking. The terroristic acts in Paris, Brussels, and in other big European cities refer to the decline of internal security of Europe. The Ukrainian, the Middle-East incidents along with global tendencies indicate that the improvement and sustainability of defence capacities receive greater emphasis in the future. Although the European Union have had programs in these realms in operation, both a greater extent of role-taking as well as a stronger investment of resources seems inevitable. Challenges before the European Union multiply, at the same time, the pressure mounting on the national budgets as well as on Europe increasing gradually. Among the long term challenges the stagnant productivity, the reduced level of investments, the changes in demography, along with such new challenges as migration, climate change, defence, cyber safety, and terrorism are all demands with regard of which, it is requirement from the European Union budget to take efforts to eradicate the problems developing in these areas. The development of the budget for the interval between 2021-2027 it has to face a number of internal and external difficulties, which take an effect on the design of the financial framework of EU resources of 2021-2027. The most important among them is the exiting of the United Kingdom from the European Union, the political as well as policy crisis handling, as well as the improvement of the European defence industry. In order to solve these issues, the arrangements enacted may draw 10s of millions of euros from the European Union budget, which to cover, the member states have to contribute with the larger amount of their own payments. The report of the European Committee of May 2nd 2018 suggested the following broken down to specific policies²⁵.

RESOURCES CALCULATED TO HANDLE THE MIGRATION CRISIS BETWEEN 2021-2027

The European migration crisis reached its pique in 2015²⁶. Approximately 1,26 million people applied for immigrant status, more than 2,3 illegal cases of frontier violation were documented at the borders of the European Union between 2015 and 2016. The issue of migration and frontier violation were of a smaller importance, between 2014-2016 the resources of the immigration and European Integration Foundation (Chapter 3 - Safety and EU citizenship) increased significantly: in 2014 from 186 million Euros, to 1 billion Euros by

²⁵ Communication from the Commission to the European Parliament, the European Council and the Council: A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020, Brussels, 2018

²⁶ József Padányi: Technical lock on the border, *Technical Military Gazette* (2015/3) 21-34.

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2016, which tendency is expected to show an increase in the conditioning of the next framework as well. The European frontier and shore defence agency (referred to as Frontex) have an annual budget of 292 million Euros, the internal safety fund, financing the police as well as frontier protection expenses, indicates similar tendencies as the European Migration and integration fund, however, its growth proves to be slightly moderate (2014: 214,4 million, 2016: 480,5 million Euros). The European Committee, the Frontex, along with the investments for frontier protection purposes estimate expenses between 8 and 25 million Euros for the next 7 years. One of the most crucial point in the frontier protection of the EU is the insurance of fence isolation for the borders. The Committee manifests fraction in this regard, since they communicate disagreement against fences, both in Spain and Lithuania these tools build up in terms of co-financing²⁷. Still, the Committee practice is highly questionable, regarding whether or not Lithuania and Spain receive support from the EU²⁸. Consequently, the request for these same permissions of Hungary suffered strong disapproval.

SEGMENTS OF THE EUROPEAN DEFENCE ACTION PLAN AND THEIR EFFECTS ON THE BUDGET OF HUNGARY

In order for the improvement and sustainability of the European defence capacities the EU started the European Defence Foundation (EDF) in June 2017²⁹. For Hungary the opportunity to get these extra resources are in accordance with the armed forces development program efforts (Zrínyi 2026), the execution of which is due until 2026. It includes the country's modernization of its airplane and helicopter arsenal, the revival of the army industry, further developments in broadcasting as well as information technology, the unique military equipment upgrade such as clothing and weapons³⁰, as well as the program aims to create a 20 thousand legion of reservists³¹. The EDF itself, being unprecedented, will be present as a new program within the budget, therefore, its size is not measurable from the current sources, but from committee data only. According to the committee report of May 2018, in the area of defence, the EU will operate on an approximate budget of 24 million Euros

²⁷ <https://www.euractiv.com/section/global-europe/news/lithuania-to-build-kaliningrad-border-fence-with-eu-money/>

²⁸ <https://www.thelocal.es/20140604/spain-gets-eu-cash-boost-for-immigration>

²⁹ Communication from the Commission to the European Parliament, the Council and the European Economic and Social Committee and the Committee of the Regions, Launching the European Defence Fund COM(2017)295

³⁰ Zoltán Orosz: Challenges facing the Hungarian Defense Forces in 2016, Presentation at HHK, FVKT-25 course, 2016.

³¹ István Simicskó: The Hungarian Defense Forces should become the dominant force of the region in 2026. <http://www.kormany.hu/hu/honvedelmi-miniszterium/hirek/2026-ra-a-terseg-meghatarozohaderejeve-kell-tenni-a-magyar-honvedseget>

(price of the year 2018 budget) in the period between 2021 and 2027³². The obligation agreements of the EU, by contrast, do not make opportunities for military capacity financing possible, therefore, in the framework of the budget mechanism outside the EU, they invest an additional 10 billion Euros for external military role-taking between 2021 and 2027.

The current period of 2014-2020 the programs related to the EU role-taking are summarized and explained by the fourth chapter of the EU budget (Global Europe). Besides the budget, the European Development Fund (EDF) also constitutes a part of this realm. The aim of the European Committee is to simplify the system of the current programs, as well as to integrate the development found into the budget. In the current period, the summarized budget of the fourth chapter as well as of the EDF is 97 billion Euros. The latest reports of the European committee suggest that the extent of the expenses in terms of the support and role taking obligations taken by the OECD³³ must rise above 100 billion Euros. Moreover, according to the development obligation towards the OECD, the European Union should approve of the obligations of an additional 40 million Euros in the next 7 years.

The European Defence Action (EDAP) is part of the defence unit the declared purpose of which is to increase and deepen defence cooperation in order to capacitate the EU to satisfy its set goals, and to have the necessary military tools. To achieve this, it is essential that the EU improves the competitive skills of the defence industry. The role taking of the European Committee (COM) in terms of defence, has been strengthening since the 2013 December government negotiations. It has been covering many challenges before the European defence industry. These issues hold a massive relevance factor because the EU shall be able to act on its own in terms of military actions, and the capacities these performances requires only a stable industrial background can provide.

The EDAP released by the COM on November 30 2016 lies on three pillars:

1. Generation of the European Defence Fund
2. the enhancing investments into the defence supply processes
3. Strengthening the unified defence market

The EDAP is of high importance in the aspect of it does not only handle the impeding effects and factors jeopardizing the competitiveness of the European defence basis, but it also draws community means and in some cases, resources into the intergovernmental defence cooperation frameworks, in the interest of the improvement of military capacities. It means to cover military capacities in the broadest available spectrum. It aims to inspect the K+F as well as the procedures of manufacturing and procurement.

³² Proposal for a Regulation of the European Parliament and the Council: establishing the European Defence Fund, Brussels, 2018; https://ec.europa.eu/commission/sites/beta-political/files/budget-may2018-eu-defence-fund-regulation_en.pdf

³³ Organization for Economic Co-operation and Development (OECD) began its legal successor to the Organization for Economic Co-operation in Europe (OEEC) in September 1961. Hungary has been a member of the organization since 1996.

The four main segments of the EDAP:

1. Creation of a European Defense Fund (EDF)

The committee directs for the financial support of the research window an annual investment of 500 million Euros from the EU budget in the multi-year financial framework launching in 2021. For the financial support of joint defence capacities the capability window receives an annual 3,2-4,2 billion Euros (prices apply to 2018) from member state emoluments as well as from partial budget supplements of the EU. The Committee has not set up a directive in the aspect of the sources the EU should utilize to provide those sums, therefore, the extent of the member state contributions cannot meet exact measurement calculations. With regard to Hungary – in case the distribution of the annual sum of 3-4 million Euros - per year would be distributed in proportion to the GNI³⁴-, could proceed in proportion between the member states – the extra expenses would reach a level of 6 and 6,5 billion HUF.

In the 2017 EU budget preparatory Action framework, it launched with 90 million Euros in the designed period between 2017 and 2019, aiming to test the validity in a multi-year financial framework for an European defence research program in the interval between 2021-2027. Both the Research Window as well as the Capability window lie on the basis of the 2021-2027 period. This means that in case Hungary aims to participate, the first emoluments show at first in 2021, but if the method of financing to these activities appear in another form, it can present itself only as part of the official release of the EU budget multi-year financial Framework (referred to as MFF).

2. The Enhancement of small and medium-sized enterprises³⁵ on the Unified Market

The Committee suggests that the European investment Bank should expand its activity to the defence sector, credit loan for the medium-sized enterprises, for the provision of bank guarantee, for the procurement of equity products³⁶, thus, the competitiveness program of the European Fund of Strategic Investments (EFSI), and the medium-sized enterprises, (COSME) could provide accessible financial means. The modification of the EFSI decree found acceptance at the December 6. 2016 Ecofin government³⁷ meeting. This text refers to the EIB financing of the defence sector by EFSI means.

³⁴ gross national income (GNI). According to the European Commission's methodology, the main amount of the MFF is to be determined in proportion to GNI. GNI is a GDP derived indicator.

³⁵ KKV: Act XXXIV of 2004 on the promotion of small and medium-sized enterprises and their development. the term used to designate micro, small and medium-sized enterprises.

³⁶ mortgaged consumer loans

³⁷ Economic and Financial Affairs Council, made up of economic and finance ministers from EU Member States.

3. Enactment of EU Directives

To defence procurements (2009/81/EK) and to EU transfers (2009/43/EK). The European Committee expresses its will to inspect the execution of the pertaining directives in these sectors, and if need be, apply its force as well. To reach their goals, the Committee aims to help the member states by recommendations and guidance.

4. Reinforcement of the safety of supplies

The member states are obligated to insure the safety of their over-border deliveries, since the strengthening of trust bounds between the member states is essential for future defence industry cooperation.

CIVIL-MILITARY SYNERGIES IN RELATION TO DEFENCE: THE PLAN TO EXPAND THE EUROPEAN GLOBAL POSITIONING SYSTEM

The European committee is determined to form the expansion plans of the European GPS system in connection to policy scope broadening such as European space strategy, unified European skies, EU marine safety, so that their civil and military overlaps strengthen and enhance their effects on one another. Among its recommendations the Committee suggests the expansion of the Copernicus program on the area of defence, the creation of a cyber-training surface, or the integration of the remote controlled airplane systems (RPAS). The MFF and the Earth Surveillance Program (Copernicus), besides the Global Navigation Satellite System (GNSS) (Galileo) registers among the high-quality space infrastructure programs. The global positioning capability of the EU and of its member states depended solely on the GNSS systems of other nations such as the USA and Russia. The EU neither had authority over the system operation procedures, nor it had the scope to make decisions on the suspension of access to the appliances in a conflict situation. The Galileo, which is partially realized, is on the way towards its full structuring. Its service will bring a significant enhancement in the European defence and security capacities.

THE RESOURCES OF THE EU BUDGET 2021-2027

Besides the new challenges, it is necessary to touch upon the reform of the income section of the EU budget, since as much as the expense segment has changed, the finance indicators also had to follow. In contrast to the national budgets, the EU cannot lean on any loans; instead, it leans on financing from its own resources. There are three types of these resources today: contribution of the member states measured in terms of their gross national income (GNI), contribution of the member states on the basis of the value added taxes, as well as the taxes collected on the external borders of the EU.

80% of the EU income is financed by national contributions such as the GNI, and the value added taxes. GNI-based contributions are regarded equitable, since they accurately reflect a country's ability to perform its contributions. Receipts from taxes count as self-

generated sources of income, since they are originated from the common trade policy, the receipts of which are under the ownership of the EU.

Drawing new potential sources into the budget might serve two purposes. On the one hand, the new sources might increase the budget size, thus feeding more resources to other policies. On the other hand, the new resources might decrease the emoluments obligated on the member states, exchanging a significant sum of the gni-proportioned emoluments. Among the new resources the Committee includes the tax on carbon dioxide, and the European emission trading system ETS, taxes imposed on the companies of the digital sector called digital tax, the EU company receipt tax, the financial transaction tax, as an alternative of the latter the Committee conditions a tax imposed on financial activities, a reformed VAT-based tax called the seigniorage, the drawing of EU ETS into the own-resource system, the tax imposed on fossil fuels, the self-generated resource on the basis of the tax on electricity³⁸. The Committee aims to realize its 7-year budget size without the UK's GNI products, meaning the remaining 27 member states GNI products of 1, 11% (1 135 billion Euros, (pricing of 2018). Depending on the outcome of MFF negotiations, in case it being a main sum, it will provide the extra sources required to cover the feed of new challenges³⁹. The new priorities, over security and defence, aim to improve frontier policy, research and innovation, youth support (Erasmus+), as well as digital economy. Accordingly, the Committee made recommendations to a 5% decrease of the agrar policy, as well as the cohesion policy⁴⁰ sources. This might result in the net position of Hungary compared with the interval between 2014 and 2020 the one launching in 2021, if it cannot draw enough sources for itself from the budget dedicated to the recovering of new challenges.

THE NEW SOURCES OF DEFENCE, OR THE NEW SOURCES OF THE EUROPEAN COMMON DEFENCE IN 2021-2027

The Committee released its EDF design in June 2018. It directs resources in the budget cycle of 2021-2027 for research and improvement resulting in the increase of the competitiveness of the EU defence industry. The regulation design creating the Edf aims to integrate the programs previously referred to as research and innovation, the reformed versions of which are the current Padr and EDTIB programs. From the multi-year financial framework of 2021-2027 separated for the areas of defence and security (Chapter 5) 24 billion Euros (pricing of 2018), 7,6 billion Euros are invested in research, and 16,4 billion Euros would turn into the financing of various improvement programs.

³⁸ Future financing of the EU: Final report and recommendations of the High Level Group on Own Resources, 2016

³⁹ <https://www.portfolio.hu/unios-forrasok/gazdasagfejlesztes/harom-rossz-hir-szivargott-ki-brusszelbol-magyarorszag-szamara.283622.html>

⁴⁰ In the EU budget period 2014-2020, Hungary could realize about 70% of its allocation from the cohesion and agricultural subsidies. The shareholding rate will be reduced in the period 2021-2027, as a result of the proposal.

The enhancement of the competitiveness of the European defence technological and industrial base (EDTIB) as well as the effort to correct the sector's resource deficit on an EU level each member state embraced in order for the common defence to develop. The unquestionable authority programs aiming the realized handling of the challenges the decree over the whole EU, orders to realize as a high priority goal.

Our national interest for Hungary requires through the EDF resources would relate, more significantly than earlier, into the international army industry cooperation, and by taking the opportunities, participate in projects, by which, both on a medium as well as on a long term, the country's defence industry could contribute to the improvement of the Hungarian army skills.

SUMMARY AND DISCUSSION

A new opportunity opens up for Europe to enhance its defence skills to a modern standard, as well as to keep up its already existing ones, which most member states over the last decade could only do with a deficit due to the economic depression and declining productivity. The EU program season of 2021-2027 financial pre-designed framework for defence purposes might reach 3,2-4,2 billion Euros, the usage areas of which include the research of defence technologies (in the value of 500 million Euros), as well as the investment on tools for capacity improvement in the value of 3-4 million Euros. The EU plans to invest an additional 10 billion Euros on external military role taking, by which it aims to improve military performance outside the EU budget⁴¹. In the background of the new program aiming the enhancement of defence capacities stands the Committee effort, which is determined to level off with the trends of the gradually increasing resources, thus adequately upgrade the member states internal and external defence capacities. For Hungary, to have access to the extra sources for defence is in accordance with the efforts of the army enhancement program, the execution of which is due until 2026. One crucial point in connection to the NATO obligation is the fulfillment of the defence expense in the value of 2% of the GDP.

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⁴¹ Proposal for a Regulation of the European Parliament and the Council: establishing the Asylum and Migration Fund, 2018. https://ec.europa.eu/commission/publications/migration-and-border-management_en, https://ec.europa.eu/commission/future-europe/eu-budget-future_en

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