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**Summary of the dissertation
“The Hungarian regulation of the special materials trade and its conformity to
the requirements of the European Union”**

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Introduction

The production and sale of the military goods, materials, i.e. military appliances produced to supply the armed forces always had significant places in the Hungarian economic life. In the procedure of industrialization in the XIX.th century the newly established factories became the creators of the industrial culture as well as the creators of the Hungarian armament production. The process was the same in the European countries too. At the same time no government allows today and nor has allowed in the past, that the production of armament and military goods might be regulated only by the “market-law”. Arms play an extremely important role in political and economical life. Arms were the instruments of the military efforts, the instruments of achieving or keeping power, and the instrument of discouraging those who want to revolt against it. However, at the same time arms embodied the highest level of industrial and economical culture in most countries.

It is well known among the economical, fiscal and military experts that Hungary had a relatively serious military industry – in comparison to its dimension and the similar European countries – before the change of regime. The special products were marketed by the Hungarian Army and Armed Forces and there were enough for export. All the products which were not produced by the Hungarian industry for the Army (and for the Hungarian National Army) were imported by the Hungarian State. This system – production companies, (export) and purchasing basis (as well for internal production and for import) had only small modifications in the past determined by the requirements of the actual alliance. The size of the Army and its stable fiscal basis provided a suitable background for a serious part of the domestic military industry and provided references for the foreign trade transactions.

The foreign trade activity was always extremely strictly centralized and directed on the field of the special products. At the same time within its limits the state had always protected the Hungarian interests as well as within the alliance too. The regulatory system was always compulsory for the producer and the trader, thus it was the practical form of “protection”.

I have spent a long time as government clerk and employee of private firms. This reason motivated me to choose this investigational matter. During the period of my job I had a possibility to become acquainted with the public proceedings of legislation (at the National Planning Office) and later, after the change of regime with the problems of the practical realization as a subject of law, at the MOD ED Co.

As a user of the law I have met a lot of problems in my practical work comparing the theory and practice being hardly understandable and inconsistent. The investigation of some lost deals showed that there are some contradictions between the Hungarian regulation and the practical activity and international real and living customs and expectations. At the same time I have noticed that the similar or same contradictions arisen in other countries were either mitigated or deepened by the national regulatory systems of the country. I have not found any analytical works showing the causes and effects correlating the problems of the practical works and giving some help to solve them. After joining the European Union the participators of the Hungarian special trade expected an easier, executable and a more simple regulation system that would be closer to the other EU member-state’s regulation. Nevertheless, I have not found any comprehensive and analysing work about the regulating systems of the special trade of the individual European Union’s member states. Moreover nobody made an analysis determining the place/position of the Hungarian regulating system in the international parallelism with the aim of drawing a

conclusion and making a suggestion for corrections. Based on the above, I made some research work, analysed and investigated how the problems of the practical life in the foreign trade are regular and how they can be solved.

In my dissertation, the “special turnover or trade” shall be understood as **strictly regulated production and commerce of military materials, goods, products and dual-use – i.e. civilian and military usable goods, products, and technologies.**

At the choice of the theme I had the following goals:

- In historical connection I **investigated** and **analysed** the modifications of the regulatory system of the special production and trade in the Hungarian People’s Republic and in the Hungarian Republic before the ascension to the European Union but after the change of social system and the connection between this regulating system and the civilian field;
- I **investigated** and **evaluated** regulatory systems of EU member states and non-EU member states, taking into consideration how the introduced systems are conform with the international agreements signed by them and whether is there any possibility to determine an unified system of requirements for the whole EU;
- I **investigated** and **analysed** the position of the Hungarian special trade system in comparison to the systems (models) of the introduced countries;
- I **formulated** my conclusions originated from the introduced systems, taking into consideration the interests and executions of obligations of the Hungarian Republic, based on the EU membership and alliance;
- After the studies and analyses of the communal conceptions of the European Union and the systems of individual member-states I **formulated** my suggestion to simplify and correct the Hungarian regulating system.

The method used to achieve the above mentioned goals:

I used all of my personal experiences gained during the 31 years of work spent in the field of state administration and in my everyday job. During this time I had to personally solve the practical problems related to the permission or prohibition of the individual deals in both, a managerial or employee’s position. I had a possibility to consult with foreign citizens having similar jobs and positions about the possibilities and practical solutions used in their countries tool. These international experiences are used in this dissertation as well. In my dissertation I use all of the experiences gathered from the civilian field as I am registered by the Ministry of Justice as a “Legal Expert”. I suppose the sharp separation of the two areas as “military” and “civilian” shall be finished due especially to the results of the innovation and the two areas shall be traversable.

In my dissertation I deal with the practice of the legislation of the countries, the conventions and the traditions but at the same time I do not deal with the characteristics and problems of the legislation, either of “Anglo-Saxon” or “Roman” character.

During my investigation I used those documents which I could find or were available through various contacts. I used, studied and analysed documents of conferences, consultations related to the Hungarian special trade, especially those ones which were issued before the changes of the regulatory system.

I investigate the important and available international documents connected with my dissertation and issued by international organizations according to the international arms trade of certain countries.

Besides of the international special literature I studied material available in the domestic libraries special works.

In my dissertation first of all as the method of investigation I use comparative analysis, the revelation of the connections of causes and effects, and I use evaluation based on the previously mentioned ones.

My applied investigation method is analysing connections, documents, comparing theoretical expectations with the real practice – sometimes giving concrete examples -. With help of the previously mentioned ones I give an answer to the questions.

The dissertation consists of 7 parts:

In the **introduction** I justify that the reason why I consider important the study of regulation of special trade in the Hungarian People's Republic and in the Hungarian Republic and to compare it with the international requirement and practice is that with the ascension to the European Union the state-determined working procedure of this sensitive field had been modified. The topic is in the focus of attention, as on the field of the arm's trade there is a possibility to establish national regulation then on the field of the dual-use products – this is not allowed. The experiences show, that further modifications are to be expected as well.

In the **1st part** I elaborate the evolution and position of the institutional system of the special turnover and trade until 1989. I depict the characteristic features of the special trade and analyse the nature of these approximately 45 years determining the situation on this field, merging the conversion to market economy and changing of the social system. I show and analyse the new provisions of law coming into force by the changing of the social system determining the possibilities of producers and traders in the field of special turnover. I show the connection between the civilian activities requiring permissions and the special trade activities. It is a fact that the commerce underwent gradual liberalization in the Hungarian Republic during the mentioned period i.e. it was necessary to request less and less permits to realise foreign trade transactions in the field of civilian products, but the regulation of the special trade has not been changed.

In the **2nd part** I introduce and analyse the international agreements that are very important for the Hungarian economy in the changing Eastern European procedure in economical, political point of view and at last but not least strengthening the military trust. The signing of these agreements and acceptance of them as a directing policy were one of the first steps for the Hungarian Republic to turn back to the community of the Western European countries.

In the **3^d part** I introduce and analyse the system of legal rules of some non-European Union member's states regulating the production of military goods and special trade. I evaluate the existing specific characters of these countries in this field. I compare the available background of the legal rules and official principles with the problems published in the international press and being known in the practice.

In the **4th part** I describe that in the European Union the regulation of the commerce of military products and dual-use products and technologies has been divided into two parts. As the first one is remitted to the "national legislation" then for the second a compulsory and unified rule is established for all of the member

countries. I introduce all of the communal level arrangements related to the special trade and trying to cancel the mentioned dualism in a certain extent. I analyse the legal rules of some European Union member states in the field of military products and dual-use products and technologies.

In the **5th part** I deal with the fact that the previously very precisely established Hungarian regulatory system needed no modification by the ascension to the European Union. After this even both the institutional background and the regulatory system had to be modified in accordance with the changed circumstances. I analyse the rules entering into force and regulating the special trade, the new law regulating the military production and performance with military products and the legal rules determining the fulfilment of this law, based on the international obligation. I compare the existing Hungarian regulation to the communal idea of the European Union with the regulatory systems of certain member states.

In the **6th part** I examine from the practical point of view the situation with the sale of the big amount of property released after the reform of the armed forces and the changes of the position of the Hungarian military industry due to the modification of the state regulation after the ascension to the European Union.

In the **7th part** I determine my summarising conclusions about the Hungarian system based on the partial analyses and conclusions. After it I formulate my final conclusions, new scientific results and suggestions.

My scientific results based on my investigations are summarised as follows:

1. **I proved** that assuring national interests is **the main issue** in the decision making and regulating system in the field of special trade in the countries examined by me, regardless of their position and role in the world-politics. The practical realization of the national interest may have either economical or political character. At the same time the exact realization of a delivery of arms or military product is always a **result of political decision**.
2. **I proved** that the presumption is **not correct**, that the EU has set up unified criteria concerning regulation of the trade of military goods and products. Therefore it is impossible to establish a unified requirement of compliance due to the possible existence of independent national regulation. Consequently **I established** that the endeavours trying to reduce the national independent ruling and regulating rights do not always coincide with the national interests of the Hungarian Republic.
3. **I revealed** that the laws and regulations of the Hungarian special trade not only meet the requirements of the signed multilateral agreement but using the possibility of the independent regulation they are more strict than, the averages ones. **I established** that the Hungarian regulating/controlling system maybe more simple and clearer. With such a renewed system the still existing special production and trade activity may be made more effective and profitable for the state as well.
4. **I revealed** that the law regulating the special production and the governmental decree for its execution determine such kind of conditions which are partly **unknown and unused** in the European Union. **I proved** that after some modification the law and the connected governmental decree may bring closer to each other the scientific results of the special and civilian production with the aim of increasing economic efficiency.

5. **I revealed** that the law regulating the special production and the governmental decree for its execution serve only partially the interests of the producers and the traders of military products. I **proved** that in their present form they increase difficulty of the still existing special commercial relations. In case of rearmament, the Hungarian “rearming” will provide excellent business for the great military conglomerates of world as the Hungarian factories had to close down due to the lack of orders.
6. Based on **my investigations and analyses, these are my exact recommendations to improve the Hungarian system:**
- In all of the events when an organization gets the “activity permission” to produce the military product or to provide services, it should not be necessary to request again the “permission for military foreign trade activity”. It should be sufficient to issue a legal declaration that the applicant declares he knows the governmental decree, accepts it, and will have it accepted by his employees as well;
 - It would be reasonable to modify the system of the “product and countries” in case of the activity permission;
 - The list of the accepted and prohibited countries registered by the Foreign Trade Licensing Office should be freely accessible (i.e. on internet);
 - In case of rejection the applicant should be informed about the real reason, not only some “formal explanation” should be given;
 - It would be reasonable to change the part of the governmental decree 301/2005.(XII.23) that declares the professional requirement of the “responsible leaders” position;
 - It would be reasonable to involve the situation of **the civilian scientific research institutes into the law and the governmental decree**. Today the law does not apply to these scientific institutes and due to this fact no kind of research work that would be useful for national defence can be done in these institutes.

The usefulness of the present dissertation and my suggestions

Using the conclusions this dissertation helps orientation in a rather sensitive economic and commercial field as well as in the present regulatory system. It shows where the existing Hungarian special production and trade regulating system is situated after the changes of the social system, in the new political system and alliance. It describes the character of the new system as well.

This dissertation may assist those research workers who wish to proceed with deeper analyses in this field, as this dissertation examines the evolution of the existing Hungarian system in its historical survey.

I find this dissertation suitable to be used in colleges, universities as a source work and to assist in the economical areas connected with the military industry or production of military products or realization of special trade.

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