Defense & Security Analysis

ISSN: 1475-1798 (Print) 1475-1801 (Online) Journal homepage: www.tandfonline.com/journals/cdan20

Success and failures of the Gripen offsets in the Visegrad Group countries

Zsolt Lazar

To cite this article: Zsolt Lazar (2019) Success and failures of the Gripen offsets in the Visegrad Group countries, Defense & Security Analysis, 35:3, 283-307, DOI: 10.1080/14751798.2019.1640423

To link to this article: https://doi.org/10.1080/14751798.2019.1640423

DEFENSE & SECURITY ANALYSIS
2019, VOL. 35, NO. 3, 283–307
https://doi.org/10.1080/14751798.2019.1640423

Routledge
Taylor & Francis Group

Success and failures of the Gripen offsets in the Visegrad Group countries

Zsolt Lazar

Centre for Euro-Atlantic Integration and Democracy (CEID), Budapest, Hungary

ABSTRACT

The Soviet-led Council for Mutual Economic Assistance member, Central European countries found themselves in a difficult political and economic situation after the collapse of the Soviet Union. Three post-Eastern Bloc countries formed the Visegrad Group to strengthen their ties to the West, but the need for foreign investment, job creation and technology transfer was urgent.

This is when military modernisation also came into the picture and the counter-trade—as known as offset—as a tool to help these economies. A trade practice which was meant to energise these economies via defence acquisitions linked economic programmes.

Two Visegrad Group member countries, Hungary and the Czech Republic decided to sign offset agreement with the defence firm SAAB to license Gripen fighter aircrafts. This study intends to analyse if these deals were able to help governments to reach their objectives or the two countries were unable to take advantage of the offset programmes.

KEYWORDS

Offset; Visegrad Group; Czech Republic; Hungary; Gripen; defence procurement; military expenditure; defence planning

Introduction

The global defence industry has long been famous for its controversial deals and creative business solutions. While, on the surface, public discourse used to be dominated by political issues surrounding contracts, with the technical details of the products and the price tags of the offers, in the background, the economic impacts of the bids and the costs and benefits are also taken into consideration. The very nature of the arms trade and its many links with industry is aimed at creating a solid foundation for industry development, strategic partnerships with leading armament firms, and to make it easier to sell projects to otherwise sceptical economists and suspicious taxpayers. Therefore, it can be said that compensating for the huge cost – which many of the modern-age military procurement entails – is not only an economic necessity, but also a PR tool to persuade the public of its importance.

One of the forms that this compensation takes is the counter-trade or offset deal that is a common practice in defence procurements and acquisitions worldwide. This is also the case in Europe, where after the fall of the Iron Curtain, in 1991 three Central European countries formed the political alliance named the Visegrad Group, which became an

CONTACT Zsolt Lazar zsoltlazar@zsoltlazar.se

alliance of four countries in 1993, following the dissolution of Czechoslovakia. The V4, as the group is also known, includes the Czech Republic, Hungary, Poland, and Slovakia and its objective is to strengthen the quadrilateral political and economic relationship – including the security system and legislation – with other European democracies.[1] Such a close relationship is not surprising considering given their geographical location, as well as their common history, culture and political – economic environment, that combine to tie them together.

Over the years these countries have become NATO[2] and EU members[3] but, in the early 2000s, shortly before they became members of the European political alliance, the ageing Soviet-made air force fleets led to the demand to modernise their military equipment and to call for replacement fighter aircraft tenders in Hungary, in the Czech Republic[4] and in Poland.[5] This was accompanied by the requirement to provide a promise of economic compensation for these otherwise expensive acquisitions. A major procurement condition was industrial offset agreements. In Hungary and the Czech Republic, these tenders resulted in the procurement of an aircraft from a European Union member, i.e. the Swedish-made Gripen multi-role fighter aircraft. From these agreements, two ambitious, but very different offset programmes were agreed between the Swedish bid winner SAAB and the two Visegrad Group countries.[6] Conversely, Poland chose a different partner and procured U.S. made F-16s that included an offset package with the American defence firm, Lockheed Martin.[7]

By 2009 – when EU regulations that ban the offsets came into force[8] – these related high-value military procurement defence industry counter-trade programmes had been agreed and carried out between these Eastern, post-communist, former Warsaw Pact members; the so-called "peripheral countries", and the "core countries" of the Western-European economic alliance.

Despite the fact that it is sometimes difficult to see the reality behind the numbers, in order to explore the actual economic outcomes of these deals by using a number of declassified data-sets and contradictory reports, this study intends to provide an overview of the Swedish Gripen offset programmes and to analyse the outcomes of the Hungarian and Czech countertrade contracts. This topic is given special relevance by the fact that the EU's defence industry is currently undergoing major changes as a result of several crises and challenges that have hit the alliance over recent years. Today's new objectives and policy changes are attempting to tighten the bonds between member states in order to ensure the sector's competitiveness in a tough global market.[9] Moreover, since offset business solutions have already been prohibited in the European Union due to their market distortion effects, it is worth examining them so that lessons can be learned from these cases in order to avoid any recurrence.

About offsets in general

To place offsets in an historical context, it is necessary to review the economic circumstances of their use, as well as the motivation behind them. Importantly, it is important to state that as a form of business deal, counter-trade is not at all new; in fact, they have been around for decades and have played an important role on both sides of the Iron Curtain after the end of the Second World War. In defence industrial co-operation, in

particular, offsets and work-sharing played crucial roles in the reconstruction of the war-hit Western-European aerospace industry, and in strengthening economic/industrial links between the US and its partner countries.[10] It is worth mentioning that during the Cold War, fairly similar business deals had also taken place amongst member states (including the later Visegrad countries) of the Soviet-led COMECON (Council for Mutual Economic Assistance) organisation and this form of co-operation, or bartering of goods, was not at all unknown. This so-called "barter" served a similar role. This meant the direct exchange of goods and services – in many cases simultaneously via a money-less trade.[11]

To make the topic even more interesting, it is also notable that despite political tensions, countertrade deals were also in common practice between Eastern and Western countries. This sort of transaction between the strictly controlled, centralised planned economies and their free-market counterparts was criticised at the time due to the fact that it was used by COMECON members to gain their poorly competitive goods access to the international trade networks and markets.[12]

Competitiveness is critical, as it also was at that time. This is why it is no coincidence that almost immediately after war, Western countries established an arms trade embargo on the Eastern COMECON member countries and restricted the sales of many goods (and not only directly arms-related goods) to these communist regimes.[13] The CoCom (Co-ordinating Committee for Multilateral Export Controls) list included several items, i.e. manufacturing tools, electronic devices and materials,[14] without which the Eastern bloc countries had limited capability to modernise existing and develop new industries, and to produce better quality goods. Although, at first glance, this Western policy has very little to do with the latter, post-Cold War offset deals. From this perspective, it is easier to understand Central and Eastern European countries' (including the Visegrad Group members) need for access to cutting-edge technology transfers of advanced machinery, and their intention to link their economies to those of the West via offsets after the system change in the early 1990s.

Thus, following democratisation, the situation changed radically. The Visegrad Group was established almost immediately after the end of communism and the first free elections in 1991. The poorly developed former COMECON countries opened their markets to foreign (mostly Western) investment and although the CoCom list was retained in 1994,[15] a new era had begun. Common interests were quite clear: the fall of the Iron Curtain created the opportunity for the East to gain access to advanced Western technologies and it also helped the West to utilise a cheap, but well-trained, labour force and enter the markets of Eastern European countries.

Several factors make the European defence offsets interesting. First, joining the European Union and NATO was a common goal of all Visegrad Group member countries at that time. Therefore, it is particularly instructive to explore the results and effects of these deals that had very similar aims, but different policies, and experiences of implementation for countries with similar political/economic objectives. Secondly, in the new economic era, these were the most valuable military procurement agreements in the region and, similar to the post-WWII counter-trades, less developed countries were co-operating with more developed ones.

The Gripen offset deals in Visegrad Group member countries

Western interest to gain access to the Eastern markets (labour as well) is proven by several factors and can be seen from the implementation of the European offset programmes. Therefore, it is also notable that the countertrade projects serve a broader interest than simply defence industrial procurement and – taking Sweden as supplier as an example – they also have the objective to build transnational business and industrial partnerships, strengthening economic ties with buyers, increasing market access, reducing costs, and creating economic growth that comes from trade.[16] In this geopolitical and economic environment several Visegrad governments with ageing, obsolete, Soviet-made military equipment have been forced to modernise. The decisions were made almost at the same time. Hungary decided to procure fighter aircrafts in 2001,[17] Poland in 2002,[18] and the Czech Republic only two years later in 2004.[19]

It is important to note that the Polish case differs from the Hungarian or the Czech case, since the Poles decided to procure U.S. made F-16s, while the other two Visegrad Group member countries opted for the Swedish JAS-39 Gripen. Moreover, although the Gripen fighter jets are Swedish made, in 1995 the Scandinavian defence firm formed a joint-venture company with the British BAE (Saab-BAE Gripen AB) with the objective of adapting, manufacturing and marketing Gripen worldwide.[20] International co-operation was new to SAAB, since in the Gripen programme the Swedish firm acts as a system integrator and prime contractor, while other firms like Swedish Volvo (engines), British BAE Systems (fuselage and wings), and Martin Baker (ejection seats) as its subcontractors.[21]

The impact of the Hungarian and Czech deals with the European supplier is discussed in parallel with each other, always starting with the Hungarian Gripen offset and thereafter comparing it to the Czech programme.

In Hungary, according to the Orban cabinet's statement, Saab/BAE's Gripen victory was due to an attractive Swedish offset offer.[22] Therefore, it is worth the effort to take a look at the review process and the results of the deal by which Swedish Saab made an industrial commitment to provide opportunities for the expansion and development of the Hungarian economy for the following 14 years. At the beginning, there were ambitious plans to recover ageing Hungarian defence industry with offset-related investments, or export opportunities,[23] and during the programme there was another attempt to focus on domestic defence industry.[24] However, in the end, due to political and economic factors, the implementation of the programme went in other directions and has had experienced successes.

Based on available data, from a purely analytical point of view, one of the simplest ways to evaluate an otherwise very complex deal like an offset arrangement is to compare the government's official objectives with the results of the projects. In Hungary, these aims were publicly known and regulated, namely by regulation 152/1999 (X.22.),[25] which is a government regulation about the procurement of military technology equipment; as well as by regulation 2057/2001. (IV. 2.),[26] a government decision about defence industry offsets. In the Czech case, the maximum length of the programme was shorter, only 10 years and Act No. 62/2000 regulates exports or imports of products and licensing procedures.[27] The offset itself is regulated by Decree No. 421, 17 June 1998, on the Realization of Offset programmes and by the Decree No. 9, 5 January 2005, on Industry Co-operation Programs Realization.[28]

Objectives of the programmes

Sweden, as member of the EU and the offset provider in the Hungarian and Czech cases, had ambitious objectives with the counter-trade programmes in general. First, this otherwise neutral, non-NATO member country realised a great opportunity that the end of the Cold War and the new era provided; transforming the very independence-focused security policy of the country and to co-operate with international partners in security and defence. Secondly, Sweden saw the offsets programme as a way to build long-term partnerships, sharing knowledge and management assistance.[29] The economic goals of the Hungarian government were also clearly stated. These goals included the development of certain economic sectors, via guided compensation policies, raising general and select advanced technology standards, creating new jobs, regional development, and increasing exports of targeted products.

Moreover, to stimulate investments and to make some less developed geographical areas more attractive to investors, the Hungarian government composed a list of prioritised geographical areas of the country (see Appendix 7), industrial sectors (see Appendix 5), as well as another list of assigned export goods (see Appendix 6). Originally, 14 years were designated as the period of time in which the offset projects were to have been in effect. And as part of this plan, 50% of the programme was to have been completed within the first eight years.[30]

The selected companies in the offset deal had two ways to fulfil their offset commitment. First, direct investment activity in Hungary, and second export activity from Hungary to Sweden. According to the 2057/2001 (IV. 2.) government regulation, offsets must include at least 30% of investment and the Swedes committed to investing at the level of 32% of the lease value. First, on the basis of the above-mentioned goals, it can be stated that the Hungarian government identified a considerable discrepancy between Western general economic/industrial/technological prevailing levels of sophistication and that of Hungary and, therefore, tried to use the offset deal to utilise Western foreign direct investments to channel them into specific regions to decrease the relative backwardness and to close the gap between the more developed and less developed regions of the country. Second, it is also clear that the other main objective was to gain access to Western markets for Hungarian goods – an objective, as will be demonstrated later, that was legitimate, but was not fulfilled in the way in which it was originally intended.

In the Czech Republic the objectives were very similar; job creation, regional and industrial development. Moreover, it intended to increase the competitiveness of domestic industry, together with expanding exports, receiving technology transfers, expanding foreign investment, and encouraging the creation of joint ventures and long-term partnerships.[31] However, there is considerable difference when compared to the Hungarian offset arrangement; because in the Czech case, there were no prioritised geographical areas – since as opposed to the Hungarian situation, the country has no underdeveloped NUTS2 (Nomenclature of territorial units for statistics, abbreviated NUTS is a geographical nomenclature subdividing the economic territory of the European Union[32]) regions – or a list of assigned export goods[33] – although 20% of the Swedish investment was channelled into the Czech defence and aviation Industry.[34]

Although the objectives of the Hungarian Gripen offset programme were precisely set up – and were very similar to the goals of the Czech Gripen offset deal – evaluations of the implementation and results were as controversial as the fighter jet tenders themselves. According to the specific Hungarian Gripen agreement, both the responsibilities of the offset agreement and the aircraft leasing fees were denominated in Swedish krona. The total value of the agreement was roughly 789 million euro in krona. The offset was also very impressive, amounting to 110% of the agreement value. A Swedish bank granted the credit and the deal included both counter-trade and industrial commitments by Gripen International. In the Czech case the programme was denominated in Czech krouna, the offset obligation constituting 130% of the cost of Gripen aircraft lease, and the value of the agreement reached 25.5 billion krouna.[35]

Based on the above-mentioned European Union member Swedish and Visegrad Group members' Hungarian and Czech objectives, it can be said that the "demand met with supply" under the umbrella of the offset programmes. Since for at first sight, the technology, the know-how, and the interest to enter the Eastern markets was obvious on the Swedish side, and the high demand for advanced technology, economic development and job creation on the Visegrad Group members' side could have created a perfect win-win scenario.

It is worth mentioning that back in the early 2000s, these types of defence industry procurement-related co-operation arrangements were not rare; however, because of their market distortion effect, they were already prohibited by law in the EU.[36] Meaning that the indirect offsets (that are include the defence materiel supplier's commitment to channel foreign investment in civil sectors of the purchaser country's economy, or to buy civilian goods in that country) are not possible anymore, and only the direct ones (when local companies participate in the production of the equipment procured) are not against the new law in some, specific cases; these loopholes are explained in detail later.

Results of the offset programmes

Despite the fact that the scene was set up for increased co-operation, the final results of the programmes were very much effected by the different ways they were implementation and the lack of co-operation within and amongst Visegrad Group countries. Starting at the macro-level, from the export-import analysis of data of the offset participating states, several conclusions can be drawn. First, the Hungarian programme itself did not last long. According to the Hungarian offset agreement, the counter-trade arrangements should have been completed in 14 years, meaning that between 2001 and 2015 (almost at the same time when the Czech deal ended). In contrast, the entire programme was completed in seven years,[37] which is not an outlier in the "world of offsets," but is quite rapid compared to the initial plans and implies a very intensive compliance period. This can be traced back to at least two causes. First, there could have been the Swedish intention to speed up the process as much as possible and close the deal before too much attention was given to the details by the media (journalists started legal procedure against the government to get access to programme related data as soon as they were announced). Second, since the final period of the offset coincided with the 2007–2008 financial crisis, the Hungarian government's interest might also have been to accelerate the investments.

With respect to the Hungarian government's objective concerning the growth of export-targeted products, interesting trends can be observed. Firstly, the export of targeted products was very limited; secondly, the trends show that after the offset had begun and Swedish companies participating in the deal had started their investment activities, in order to fulfil their commitments. However, they exported industrial equipment from their home country to Hungary[38] – a business model that stimulated the Swedish economy as well. Comparing this stage to the Czech case, it is clear that similar processes have taken place. However, the Czech economy was able to boost its exports to Sweden significantly in the end, whilst the Hungarian economy, despite the government's objectives, remained almost under-stimulated. The only similarity however is the fact that trade with Sweden both in Hungary and the Czech Republic dropped significantly in 2009, most probably due to the spill-over effects of the financial crisis. It is also notable that, given the overlap of the time frame (2004–2008) between the Hungarian and the Czech programme, it can be assumed that there was an intention to harmonise the projects. However, since no evidence is available to support this supposition, it may only be a coincidence. Moreover, since Hungarian offsets were already almost complete in 2004, even if there had been an intention, putting this into action would have been difficult due to the speed-up process and the very limited resources left in the Hungarian deal (Figure 1).

Another indication that the offset deal benefitted the Swedes in the Hungarian case is made clear from the project's level, namely from the number of involved companies, their ownership backgrounds, and the industries in which they operated. It is noteworthy that while in the Czech case, over 30 companies, domestic small- and medium-sized enterprises, and defence industrial firms were involved in the offset programme,[39] in the Hungarian case only five of the 14 participant companies were relevant in terms of capital allocation or export value, despite the original plans that none of them would be defence firms. In addition, 90% of the total value of the offset was invested by Swedish companies that were owned by the Gripen producer SAAB's parent company, Swedish-owned Investor AB (see Appendix 1).

Moreover, it is also debatable that of the above-mentioned five firms, one – Electrolux – accounts for almost 80% of the programme's total value, which is not only exceptional, but also highly controversial in the light of the original objectives of the government. First of all, even if this investment created jobs in Hungary, it was a simple production-outsourcing process from the Swedish point of view, since the Electrolux company closed its factory, fired its employees in Västervik, Sweden, and moved production to the Central European country with cheap labour.[40] In fact, the Swedish decision to move the factory to Hungary had been made way before the announcement of the Gripen's victory[41] – a measure that questions the accountability of the project within the offset programme. Second, since none of the Electrolux-made products were on the list of the targeted export products, the project can be assessed only as a technology transfer. In other words, the resettlement of the factory served more the private interests of the company, rather than the objectives set in place by the government.

The second largest actor in the Hungarian Gripen offset was another Swedish actor related to Investor AB, the telecommunication firm Ericsson. Although their Global Service Delivery Centre was not built in any of the prioritised geographical areas; but rather in the capital city of the country, Budapest, the project created jobs, and, via its research and development-related activities, initiated technology transfer as well.

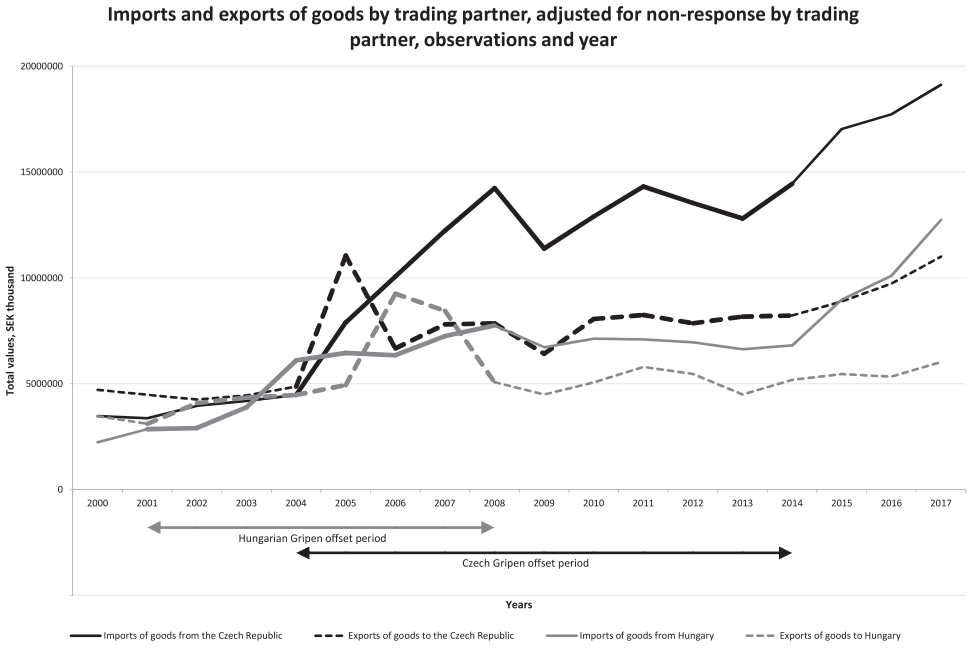

Figure 1. Swedish import-export dataset from/to the Czech Republic and Hungary. Offset periods are marked with thicker lines. Based on Statistics Sweden (2001–2011).

The picture gets even more interesting by checking the profiles of the rest of the involved companies. The third biggest actor in the programme is the British-Swedish bio-pharmaceutical company, AstraZeneca plc. Based on the Gripen deal, the company built a Hungarian subsidiary, its second-largest clinical research centre, and started to sell state-subsidized drugs. From the perspective of the objectives put in place by the government, several aspects of the project can be criticised. First, since the pharmaceutical industry is one of the strongest sectors in Hungary, with active domestic actors, the AstraZeneca project was a form of artificial intervention into the market which created a competitor for existing local actors. Second, as it can be seen from the company's performance, as the Hungarian state's subsidy fell short on different drugs, the British-Swedish firm's Hungarian branch immediately experienced a setback in 2004,[42] and was plagued with negative profits over several years from 2009.[43] It is still a big question why the Hungarian government approved such projects if they were not fully in line with the original objectives, created unnecessary competition, or their long-term profitability was minimum doubtful. Either the counter-trade experts were simply missing from the government's side, or the Swedish partners had much more sense of business and a willingness to serve their own interests.

Very interesting conclusions can also be drawn from the geographical areas of the country that the Hungarian government prioritised for the offset activities. Although the right-wing government designated several cities as proposed areas for the investments, these were not located in the least developed regions of the country, but rather in those led by right-wing mayors. Thus, instead of focusing on the least developed Hungarian regions to stimulate their local economies, the government tried to channel the offset resources in,

and around, the cities that were managed by the ruling party. In other words, although the intention to help with regional economic development was there, in reality this meant that in 2001 when the agreement was signed, the mayors in the prioritised cities were all right-wing, and the left-out cities in the least developed regions were led by left-wing mayors (see Appendix 8).

Political interests certainly played a role in the decision, and nothing proves this better than the fact that even if the list of the prioritised geographical areas included several critics from the opposition's leader of the Socialist party,[44] after they won the parliamentary and local elections in 2002, the importance of the issue slowly lost its priority and the list remained the same. Moreover, even if the new, socialist government started an economic programme in 2007 to decrease economic differences within the country, the offset programme had never been integrated into it and there was no apparent intention to harmonise them (Figure 2).

The Swedish attitude to the subject was also interesting. In reality, although the list of the cities was known, the selected cities had no role in the deal. Therefore, in looking at the locations of the offset-related projects, it is clear that most of them were implemented in more developed regions of the country and none in the prioritised cities or regions.

A particular thread of the story is related to the defence industry lobbyist Alfons Mensdorff-Pouilly, who had a key role in the background processes in Hungary, and, according to his own words, had influence over the Swedish decisions about the investment locations as well. As he stated in an interview, he was the one who had given advice to change the planned location of the Electrolux investment from an underdeveloped region to a more developed one, since the economically more prosperous city was less expensive and it would be easier to find a workforce.[45] In other words, although the new location certainly served Swedish interests, Hungarian objectives were left behind (Figure 3).

It is notable that the Czech Republic has no NUTS2 regions with GDP per inhabitant purchasing power parity below the 50% of the EU standard, meaning that there are no economically underdeveloped territories in the country. Therefore, in contrast to the Hungarian Gripen offset programme, in the Czech case there were no proposed areas for investments, the whole country was involved in the counter-trade, and several small and medium sized companies participated in the deal (see Appendix 4). Moreover, it is also worth mentioning that the territorial distribution of the investments in the country was co-ordinated, whilst in Hungary, only a very few companies in limited number of regions got the chance to take part in the programme (Figure 4).

The same conclusions can be drawn from the map of the distribution of the Gripen offset resources in Hungary, as well. Despite 86% of the resources were utilised in the Észak-Alföld NUTS 2 region via the Electrolux Lehel Kft., Dometic Krt. and Nolato investments and export activities, and although there was some kind of offset activity taking place in three out of four geographical territories marked in light grey (i.e. economically underdeveloped areas), in most cases these were so negligible that; for instance, the participation of the Dél-Dunántúl NUTS 2 region in the offset was hard even to illustrate on the map above (it was only 0.07% of the total offset).

As the majority of the resources went into the Észak-Alföld NUTS 2 region, and only 14% of the resources remained after the big projects, it is not a surprise that the rest of the country hardly received any stimulus from the offset deals. Moreover, since the country's Közép-Magyarország NUTS 2 region (which includes the capital city of Budapest and its

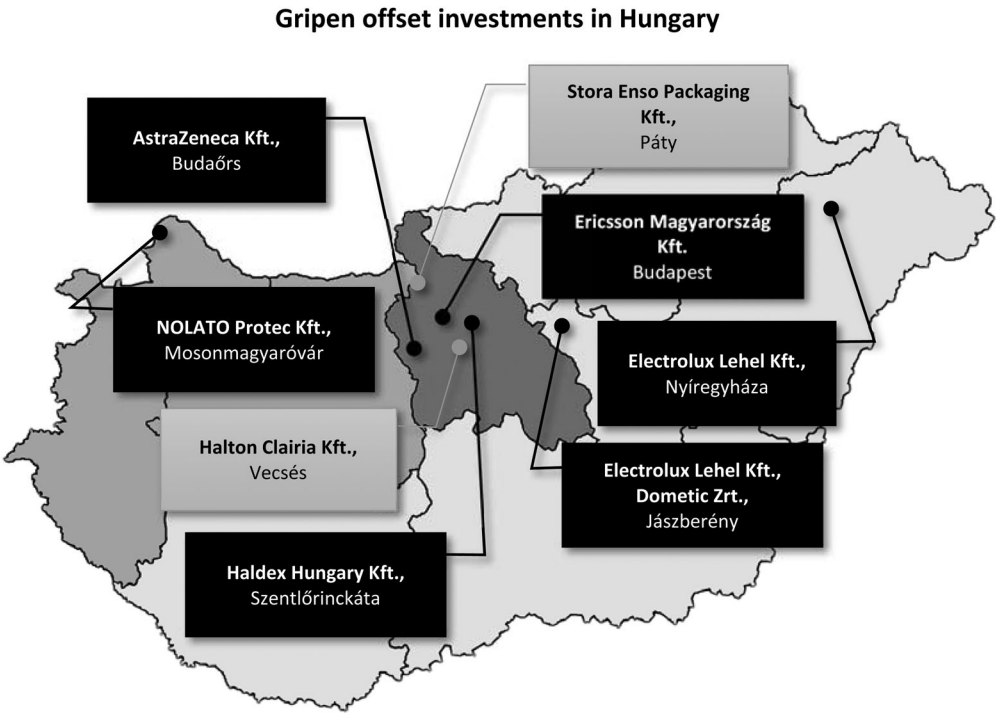

Figure 2. Main offset investments in Hungary. GDP per inhabitant in purchasing power parity standard (PPS) by NUTS 2 region, As percentage of EU-27 = 100. Below 50% marked in light grey, between 50 and 70% marked in mid-grey, around 100% marked in dark grey. EuroStat, "Gross domestic product (GDP) per inhabitant, in purchasing power standard (PPS), by NUTS 2 MAP." Swedish companies are highlighted in boxes with a black background.

surrounding county Pest) reaches 100% EU GDP per inhabitant with purchasing power parity and has skilled human resources and the necessary infrastructure, this region was preferred by corporate businesses, as well. The attractiveness of this region is unquestionable; therefore, it was chosen also by Swedish companies in the offset arrangements to set up their businesses and research and development activities.

However, since they implemented research and development projects in a region where they already existed, their influence in reducing the unemployment rate or developing the local economy is debatable. As a consequence of this decision, the 0.6% of the offset resources that remained after the programme was mainly limited to only two NUTS 2 regions, and most of the prioritised geographical areas were simply neglected. The government's objectives were therefore only partially or entirely unfulfilled, and the implementation of the deal does not seem to be successful from the Hungarian government's perspective (Figure 5).

Despite the fact that the Czech government set up similar aims, their programme was much more effectively implemented by involving domestic SMEs into the programme. As a consequence, as there were no prioritised regions, the allocation of resources was not limited to only one or two cities.[46] Moreover, to highlight only one defence industry-related issue, it is interesting to note that while the Czech government was able to

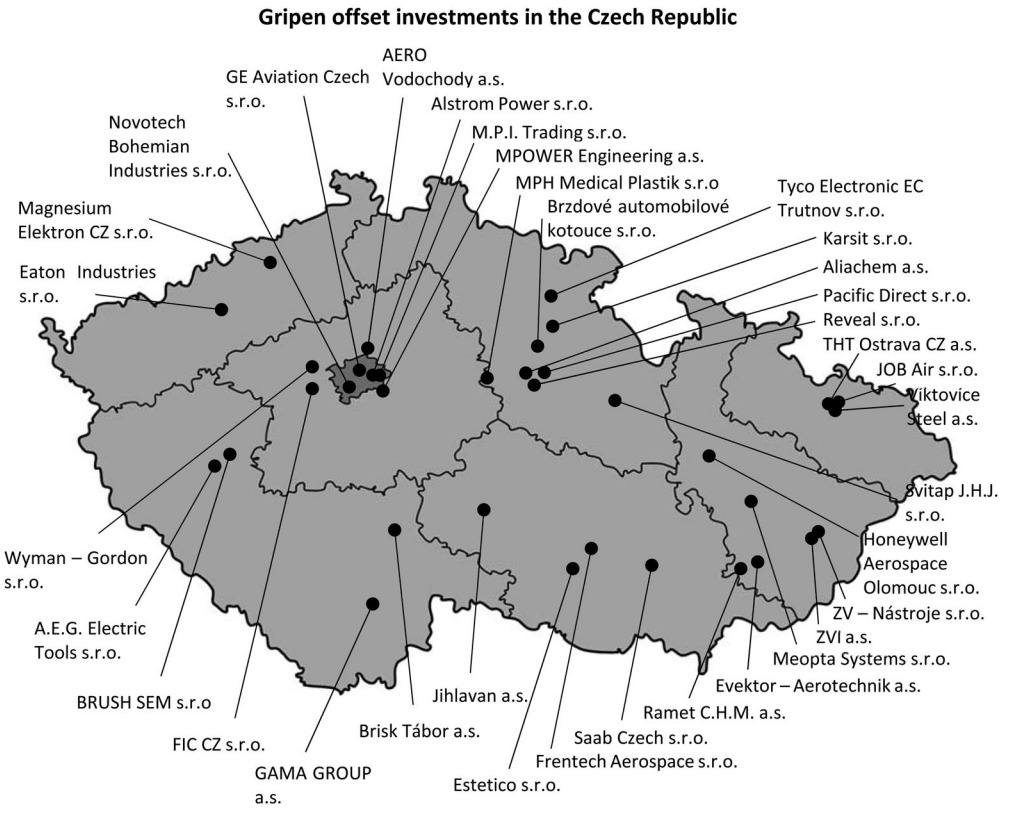

Figure 3. Offset investments in the Czech Republic. GDP per inhabitant in purchasing power parity standard (PPS) by NUTS 2 region (2008), as percentage of EU-27 = 100. Below 50 % highlighted in light grey (there is no such a region in the Czech Republic), between 50 and 70% highlighted in mid-grey, around 100% highlighted in dark grey.

incorporate the Czech defence industry in the production of the Gripen aircrafts.[47] But, in spite of the original plans, in the end the Hungarian defence industry was completely left out of the offset–which can be seen as the direct result of differences in the legal backgrounds. While in the Czech case the programme was managed by the Ministry of Defence, the Hungarian Gripen deal was in the hands of the Ministry of Economy.

The story of the offset projects did not end after the closure of the deal and important lessons can be drawn from the businesses' story after the counter-trade. For instance, In the Hungarian case the Swedish company NOLATO sold their offset-related equipment in Jászberény and moved their operations to another Hungarian city, and as a consequence their investment failed as a supplier of Electrolux.[48] The participating Hungarian companies in the offset deal were not lucky either. Most of them went bankrupt and/or were deleted from the company register without a legal successor between 2009 and 2014 (see Appendix 1) after the programme ended.

This trend can be seen as a direct result of the financial crisis in 2008, a side-effect of decreased export opportunities, poor business planning, or a reflection of the fact that these Hungarian firms were created with the sole purpose of getting resources from the Gripen programme.

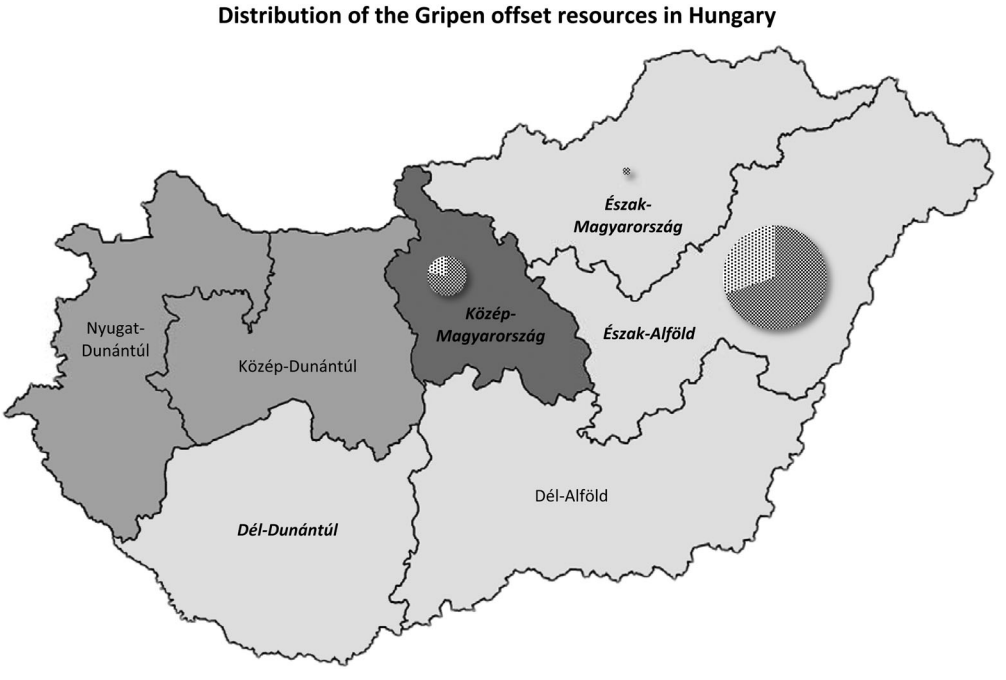

Figure 4. Distribution of the Gripen offset resources in Hungary. Export and investments are marked in dark and light blue, respectively. Pie charts show the amount of offset activity and their proportional distribution. The NUTS 2 regions where the offset took place are marked in bold-italics. Map colours are based on GDP per inhabitant in purchasing power parity standard (PPS) by NUTS 2 region (2008). As percentage of EU-27 = 100. Below 50% marked in light grey, between 50 and 70% marked in mid-grey, around 100% marked in dark grey. Magyar Narancs, '"Én találtam ki a lízinget"', 45.

In the Czech Republic however, most of the involved companies are still operational, many of the defence firms co-operate with other European corporations and have built new partnerships with Western partners. Importantly, Czech industry was capable of joining the supply chain of the Gripen programme and participate in manufacturing.[49]

Programmes' implementation over time

Interesting conclusions can be drawn from the dynamics of the offsets' implementation as well. Visegrad Group member countries were in an almost identical geopolitical situation, their economic and political goals were the same and both Hungary and the Czech Republic set up similar objectives to reach with the offset programmes. Yet, the approach how they planned the programme and later present the available information and reports to the public is fairly different. The best example that highlights this fact is the datasets and figures about exports / investments during the programme. While in the Hungarian case the decision-makers were focusing on committee meetings and presented the data connected to formal events, in the Czech case the programme seems pre-planned and milestones were set up with deadlines and certain objectives to reach.

While in the Hungarian case most of the offset resources were utilised in a very short time, more than two-thirds of the resources in three years and a significant amount of

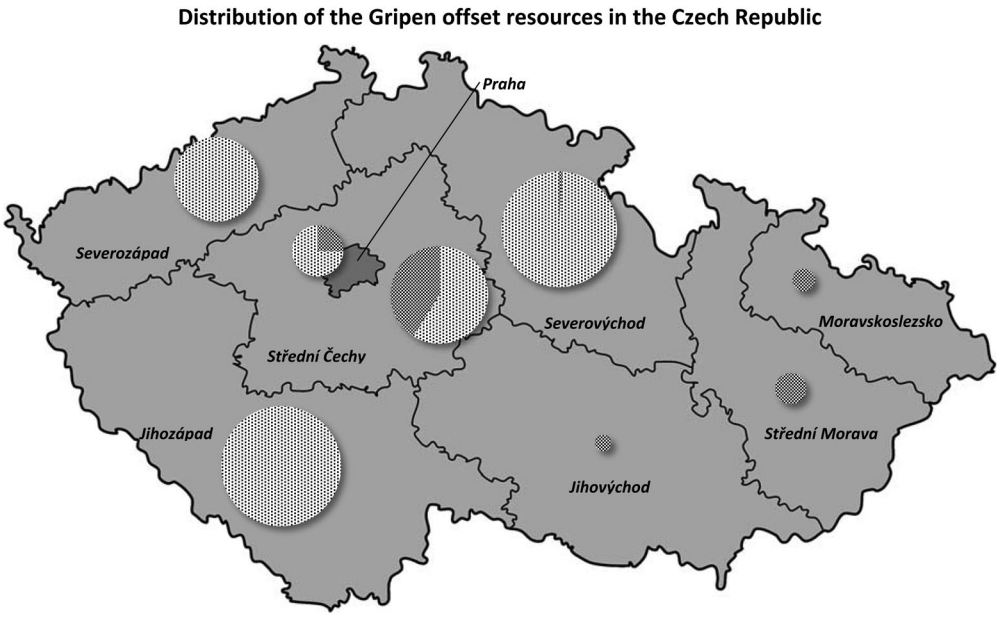

Figure 5. Distribution of the Gripen offset resources in the Czech Republic. Direct and indirect offsets are marked in dark and light blue, respectively. Pie charts show the amount of investments and their proportional distribution. The NUTS 2 regions where the offset took place are marked in bold-italics. Map colours are based on GDP per inhabitant in purchasing power parity standard (PPS) by NUTS 2 region (2008). As percentage of EU-27 = 100. Below 50% marked in light grey, between 50 and 70% marked in mid-grey, around 100% marked in dark grey.

investments in the very first year, in the Czech case the programme was much more calculated. Nothing shows this better than the fact that the Czech programme contained several pre-set milestones, deadlines and objectives to reach, that implies better planning behind the deals (Figure 6).

It is also notable the different approaches in which the data was presented in the two countries. While in Hungary the government published a table (that contains the Offset Commission's meeting dates and the offset related export / investment data) only, during the Czech programme a detailed report with graphs were available on the Czech SAAB web-site. Moreover, since in the Czech case the data was presented year by year, the progress was easy to follow and easier to evaluate (Figure 7).

Therefore, it is also notable that there was considerable difference in attitudes towards publicity in the two Visegrad Group member countries. Which fact highlights another problem; namely the limited civil control and access to data in these countries.

Limited civil control, undisclosed information and vague reports

While the fighter jet tenders are some of the most valuable public defence procurements of any kind and special attention was paid to its details, the business deals behind them and the many linked offset agreements receive less attention. This is not to mention the fact that despite the high value of these contracts, there is very limited literature available about the defence industry-related offset deals and, due to the narrow access to

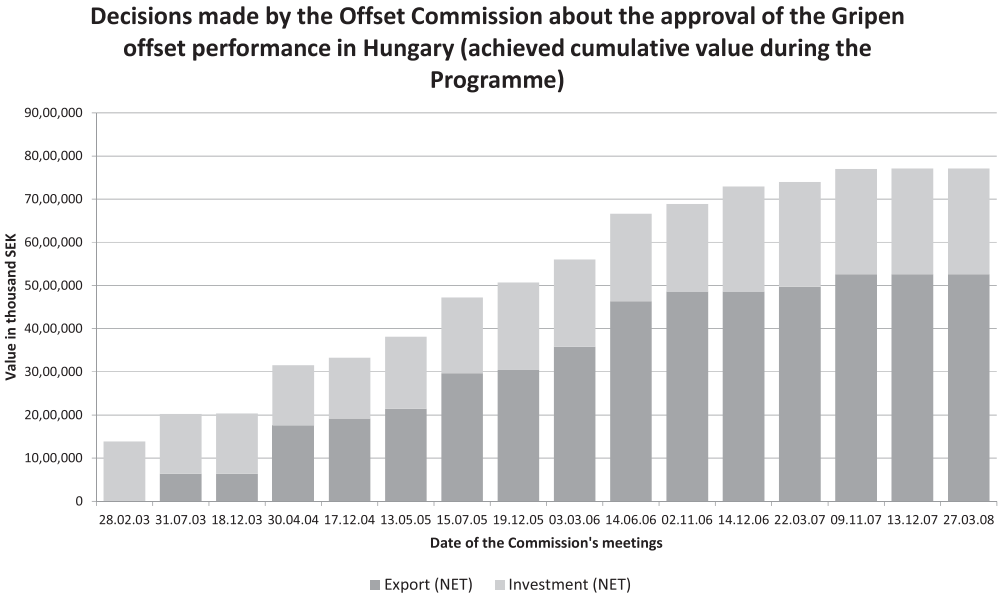

Figure 6. Cumulative value achieved by the Hungarian Gripen offset during the programme. Author's chart and calculations based on data from the Ministry of National Development and Economy.

information, confidential data-sets and classified reports, very little attention has been paid to the real economic outcomes of these businesses. Moreover, even in cases when there is a public access to data about the deals, among authors and researchers there is an almost unanimous consensus that military procurement linked offsets do not work as they advertised, and it can happen that these programmes are more expensive with the counter-trade than without it.[50]

In the case of the Visegrad Group member countries the picture is even worse, due to the earlier, communist defence traditions and legacy institutional concepts, that democratic and civil control over the military or defence procurements was and remains weak. Not to mention the fact that the necessary civil–military institutional background is also almost completely missing.[51]

Starting with the issues with confidential data bases, in the Hungarian case not only were the offset programme's projects, the involved companies and their investment/export ratios in the deal confidential, but the details about the pre-offset stage were also classified and remain so. It is also important to note that all the details, the involved companies, and the projects were classified and gained public attention only because a Hungarian civil rights organisation (Társaság a Szabadságjogokért – Hungarian Civil Liberties Union) had won a legal procedure against the Ministry of National Development and Economy for the release of the datasets in 2008.[52] Moreover, although there were initiatives to get access to the pre-offset datasets (request number NGM/9334/2015) and even, according to Attila Peterfalvi, the President of the Hungarian National Authority for Data Protection and Freedom of Information states that they should be publicly available, they remain classified, as is the official evaluation of the whole offset programme. It is also notable that the websites about the offset arrangements and additional related information was deleted by the Ministry of National Economy after the change in the government in 2010.[53]

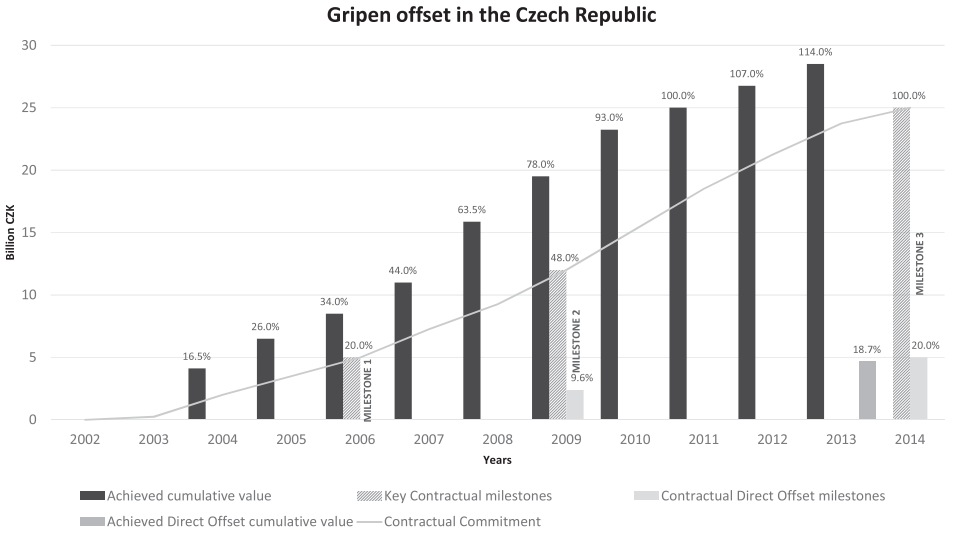

Figure 7. Achieved cumulative value by the Czech Gripen offset during the programme.

The level of confidentiality calls into question the transparency of the offset process and introduces new questions about the intentions of the stakeholders – both governmental and private – who were involved in the deal. First of all, since a shadow of corruption and bribery was always visible in the Hungarian Gripen deal,[54] the release of classified information has not helped the public to gain a clearer picture of the story. Secondly, the protracted process required in order to get access to documents of public interest created the likelihood that the actors had something to hide. A strong inclination to hide information would not be without precedent in Central European countries.

Conclusion and recommendations

Overall, the lack of information, i.e. data-sets which are classified, or have disappeared and confidential reports, certainly do not help in the evaluation of the European offsets in these two Visegrad Group member countries. Although this problem is not equally present in the Hungarian and Czech cases, it does obstruct and/or slow down analysis. Nevertheless, it is possible to make a number of observations and recommendations. In fact, fairly clear conclusions can be indirectly drawn from the type of classified/missing data and/or reports, because what has been kept secret, or has been deleted over the years and what is available to the public, is quite revealing in itself.

Despite of the objectives of the Visegrad Group to strengthen the economic and security co-operation, the governments of Hungary and the Czech Republic did not try to utilise the potential of the V4 and manage the deals together. In fact, in spite of common goals, almost identical political/economic situation, the highly similar approach to the offset programmes and the basic objectives in the two Visegrad countries, the results of the deals were very different.

The offset programme that was conducted in Hungary between 2001 and 2008 was mainly managed by the socialist government following the decision made by the

right-wing Orban cabinet. This has left its own imprint on the programme; since the implementation stretched across several governmental terms, and three different prime ministers have led the socialist government between 2002 and 2010, it would be difficult to claim that the leadership or management of the programme was concentrated in the same hands.

Given the socio-economic circumstances in Hungary; non-competitive firms with obsolete technologies, the lack of foreign direct investments in the less developed regions, etc., in which the offset decisions had been made in the early 2000s, the business deal and the countertrade form of the compensation package might have appeared to be a good idea or, at least, some sort of a solution. However, despite the fact that the objectives were established on the basis of the real needs of the Central European economies; and in the beginning, defence industrial co-operation was also on the table, the results of the programmes were only minimally debated although, in fact, in some cases, resources were wasted.

As shown by the closure or bankruptcy of companies that occurred after the Hungarian Gripen deal, the whole offset agreement was a kind of artificial intervention into the market that helped companies to survive and extended their lifespan for some months, but stimulated exports to Sweden only whilst the deal was in place and neither completely fulfilled the original objectives, nor achieved any tangible long-term economic results. In other words, it can be stated that Hungarian firms were not able to use the opportunity to acquire long-term profitable access to Western markets, or to build sound partnerships with their Swedish partners. However, it is also true that there was no earlier experience of developing and managing complex offsets in Hungary (arguably the only experience related to bartering of goods in the communist period), and because most of the regime (both left-wing and right-wing parties) had been socialised prior to the political change of the 1990s, government bodies lacked know-how about the implementation of such complex business arrangements.

In contrast, in the Czech Republic, the whole deal was managed by the same government and both the objectives and the process were much better established and therefore, the results of the programme have been much more tangible and are also presented in public sources. Since the Ministry of Defence, the responsible governmental body, ran the project, there was no question that they were able to channel available resources into Czech defence industry – with which they were already co-operating and, therefore, the links had already been established.

Considering the long service-life of the leased fighter jets and the need for essential maintenance and modernisation work, co-production could have been a good alternative to the type of offsets, such as those mentioned above. This is especially due to a long-term commitment such as this could have resulted in all the parties becoming interested in strategic co-operation, including product-development, modernisation and periodic depot-level overhauls. However, even if there had been plans like these; in the case of Hungary in the early 2000s, its national defence industry was already undergoing a period of stagnation, which means that no industrial capacities were available to integrate it into the Gripen supply chain, and to co-operate in fighter jet development or production. In the Czech case, strengthening defence industry ties between Sweden and this Central European country was part of the deal and, due to the strong Czech defence sector, there was industrially beneficial incentives for both parties.

A further, probably even more important factor that made co-production impossible was the problem of economies of scale, which would be crucial to making the production / assembly / maintenance lines busy in the long-term. A joint, or even a Visegrad-group level fighter jet tender and co-ordinated negotiation to reach a better bargaining position with suppliers could have solved the issue, but it is still not certain whether an acquisition of 30–40 planes would have been financially sufficient to establish and operate regional facilities for general maintenance or overhauls. Greater co-operation between the two Visegrad Group member countries might have been expected. However, even though institutional frameworks had been established, such a partnership did not include collaboration in the implementation (not even the negotiations) of the offset programmes. This is particularly regrettable in light of the fact that offsets were carried out using almost the same time-frame and with almost identical objectives, which coincidence or not, could have created the foundations for a multilateral-level endorsed industrial co-operation and industrial partnership.

Therefore, it can be stated that the potential of the Visegrad Group was not utilised properly, or was not utilised at all, and neither the fighter aircraft tender nor the offset programme was co-ordinated amongst the member states of the V4. However, it is also clear that the Czech government was able to strengthen the countries' links to the Western alliances; fulfilling a Visegrad Group objective, whilst the Hungarian offset programme ended with very questionable outcomes and results. Even if there were partial successes, there is a huge contrast between the two programmes of implementation. It is also striking that offset monitoring, evaluation, and auditing was completely missing in both countries. Although after the deals there were reports and official evaluations of the programmes, in the Hungarian case as the documents are still confidential, and despite the high-value of the counter-trade, it is arguable that civilian control was neglected.

From this perspective, it can be stated that the entire military modernisation of these two Central Eastern European countries could have been achieved in the same manner as in the 1950s and 1960s in the West when the Western-allied countries united and cross-linked their industries and economies to produce military equipment. However, this opportunity was lost, most probably because of the lack of political co-ordination and a strong, well-functioning institutional foundation in all post-communist countries.

As an interesting side note to the story is that rebuilding the defence forces of all of the Visegrad countries took less time after WWII than did the transformation of the Warsaw Pact equipment to the Western equipment after the system change, a task that is still ongoing. It is also notable that with regard to their ability to strengthen the ties between the collaborating parties, Cold War era defence deals and the linked defence industrial co-operation arrangements were much more effective than either the offset offers for the post-communist EU/NATO membership-aspiring countries or the politicians who were focused on the rapid change from the Eastern equipment to the Western equipment. Although, it is also true that after the Cold War, due to the changed circumstances, the economy received political priority and the military no longer received particular attention in the Eastern countries. In the end, it would be positive step to see more military offsets in the region to use them as examples, but since in the Visegrad Group military modernisation did not go well and still an ongoing issue only time will tell, if there will be any more high-value counter-trade deals or not.

Notes

1. Visegrad Group, 'History of the Visegrad Group'.
2. North Atlantic Treaty Organization, 'Member Countries'.
3. Europa.eu, 'EU Member Countries in Brief'.
4. GlobalSecurity.com, 'JAS 39 Gripen - International Sales'.
5. Barre R. Seguin, 'Why did Poland Choose the F-16?' *The George C. Marshall European Center for Security Studies*, no. 11 (2007).
6. Defense Industry Daily, 'Gripen Offsets Set – But Drooping Sales Leave Workers Gripin'.
7. Ibid., 5.
8. European Defence Agency, 'Defence and Security Procurement Directive 2009/81/EC'.
9. European Union – External Action Service, 'The EU Strengthens Cooperation on Security and Defence'.
10. 'The German Aerospace Industry 1955–88', *Whitehall Papers*, 2 (1990): 5–14.
11. Grant T. Hammond, 'Countertrade, Offsets and Barter in International Political Economy', *Journal of Economic Literature*, 29, no. 4 (1991): 1764–5.
12. Jacques de Miramon, 'Advantages and Disadvantages of Countertrade', *Journal of Comparative Corporate Law and Securities Regulation* (1983): 347–51.
13. Gery K. Bertsch, *Controlling East-West Trade and Technology Transfer* (London: Duke University Press, 1988), 5–8.
14. Sam Weiss Evans' Research, 'CoCom Lists'.
15. Daniel Joyner, *Non-Proliferation Export Controls: Origins, Challenges, and Proposals for Strengthening* (New York: Routledge, 2006), Chapter 3.
16. Wayne Coetzee, 'The Interplay between National Interest and Idealism Regarding Sweden's Gripen Exports', *Scientia Militaria: South African Journal of Military Studies* 45, no 1 (2018): 45–66.
17. Pál Gábor, 'A svéd Gripen lett a befutó'.
18. Lockheed Martin, 'Poland Announces Decision to Purchase 48 Lockheed Martin F-16 Aircraft'.
19. Ministry of Defence and Armed Forces of the Czech Republic, 'Gripen – Agreements'.
20. Keith Hartley, *The Political Economy of Aerospace Industries: A Key Driver of Growth and International Competitiveness?* (Cheltenham: Edward Elgar Publishing 2015), 238–9.
21. Ibid., 20.
22. Napi.hu, 'A Gripen mellett döntött a nemzetbiztonsági kabinet'.
23. Napi.hu, 'Aláírták a Gripenek bérleti szerződését'.
24. Szentkirályi Balázs, 'Elpazarolt Gripen-milliárdok'.
25. Magyarország Kormánya, '152/1999. (X. 22.) Korm. rendelet a haditechnikai eszközök beszerzésére vonatkozó eljárási szabályokról'.
26. Magyarország Kormánya, '2057/2001. (IV. 2.) Korm. határozat a hadiipari ellentételezési tevékenységgel kapcsolatos egyes kormányzati szempontok meghatározásáról'.
27. Jomana Amara and Petr Pargac, 'Offset and Defence Procurement in the in Czech Republic: a Case Study', *Defence Resources Management Institute, School of International Graduate Studies* (Naval Postgraduate School, Working Paper Series 2009/08).
28. Ibid., 27.
29. Ibid., 18.
30. Defense-Aerospace.com, 'Hungarian Government: Gripen International Offset Program "Beyond Expectations"'.
31. Ibid., 27.
32. EuroStat, Nomenclature of territorial units for statistics (NUTS).
33. Ministry of Industry and Trade, 'Industrial Cooperation Programs in the Czech Republic'.
34. Ibid., 27.
35. Ibid., 27.

36. European Commission, 'Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Towards a More Competitive and Efficient Defence and Security Sector'.
37. Világgazdaság, 'Lezárult a Gripen ellentételezés'.
38. Statistics Sweden, 'Statistikdatabasen'.
39. SAAB, 'Gripen Czech Offset Programme 2012'.
40. Electrolux, 'Electrolux will Close Vacuum Cleaner Factory in Västervik, Sweden'.
41. Index.hu, 'Elpazarolt Gripen-milliárdok'.
42. Swedish Chamber of Commerce in Hungary, 'ASTRAZENECA'S SALES IN HUNGARY FALL SLIGHTLY TO HUF 16.1BN IN 2004'.
43. Világgazdaság, 'AstraZeneca Kereskedelmi és Szolgáltató Korlátolt Felelősségű Társaság - Információk'.
44. Magyar Hírlap, 'HM: a héten döntés a személycserékről'.
45. Magyar Narancs, '"Én találtam ki a lízinget"'.
46. SAAB, 'Gripen Czech Offset Programme 2014'.
47. Defense-Aerospace.com, 'Aero Signs Contract with Saab on Gripen Pylon Production'.
48. Ibid., 41.
49. Ibid., 48.
50. Jurgen Brauer and John Dunne, *Arms Trade and Economic Development* (London: Routledge, 2004), 2–4.
51. Thomas-Durell Young, 'Impediments to Reform in European Post-Communist Defense Institutions – Addressing the Conceptual Divide', *Problems of Post-Communism* 65 (2016): 161–74.
52. Társaság a Szabadságjogokért, 'Sikeres Gripen kampány – üröm az örömben'.
53. HVG.hu, 'Megszüntetve megőrzés: az NGM honlapján tavaly júniustól kezdődik a gazdaság'.
54. Origo.hu, '"Behálóztak mindent" - a Gripen-sztori'.
55. Investor AB, 'Annual Report, 2005'.
56. Ibid., 48.
57. Defence and Security Industry Association, 'Members'.
58. Ministry of National Development and Economy, 'A GRIPEN repülőgép bérleti szerződés ellentételezési kötelezettségeinek teljesítésében résztvevő szervezetek és teljesítményük'.
59. Ibid., 48.
60. Ibid., 48.
61. Ichim Tünde, 'Gripen ellentételezés a sajtó tükrében'.
62. Ibid., 63.
63. Ibid., 63.
64. Ibid., 63.
65. Nemzeti Választási Iroda, 'Eredmények'.

Disclosure statement

No potential conflict of interest was reported by the author.

Notes on contributor

Zsolt Lazar studied aviation-mechanics and completed an internship at a military airbase, holds a 'Managing in a Global Context' Master's degree from the Jönköping International Business School in Sweden, majoring in business administration and an International Business Relations degree jointly from the Hungarian International Business School and Oxford Brookes University in the UK. Additionally, he has attended several defence and security-related training courses in Sweden and Germany.

Appendices

Appendix 1

Table A1. Companies and their performance ratio in the implementation of the Hungarian agreement. Based on data from the Hungarian Ministry of National Development and Economy.

No.	Company	Swedish Krona (SEK)* Investment	Export	Operational status
1	AstraZeneca Kft.	46,790,036	0	Still operating
2	Dometic Zrt.	62,414,367	344,290,178	Still operating
3	ELECTROLUX Lehel Hűtőgépgyár Kft.	1,810,811,030	4,074,477,248	Still operating
4	EGERERDŐ ZRt. Mátraparkett	0	3,722,454	Still operating
5	ÉPLAK Építőipari és Lakatos Kft.	0	4,253,621	Terminated without a legal successor in 2012*
6	Ericsson Magyarország Kft.	145,391,988	536,232,659	Still operating
7	Haldex Hungary Kft.	11,811,239	4,667,146	Still operating
8	Halton Clairia Kft.	2,753,546	0	Still operating
9	NOLATO Protec Ipari és Kereskedelmi Kft.	58,469,313	0	Company moved from Jászberény to Mosonmagyaróvár (offset related assets were sold)
10	Miskolci Vasipari Zrt	0	30,719,088	Bankruptcy in 2014 – company under liquidation
11	MIX Ipari és Kereskedelmi Kft.	0	641,537	Terminated without a legal successor in 2009*
12	Pannónia Kft.	0	5,318,653	N/A
13	Semecs Elektronikai Kft.	0	38,938,523	Terminated without a legal successor in 2014*
14	Stora Enso Packaging Kft.	558,481	170,738,893	Terminated with a legal successor in 2011*
	TOTAL	**2,139,000,000**	**5,214,000,000**	

Companies owned by the Investor AB are marked in darker shading.[55]

Appendix 2

Table A2. Companies and their performance ratio in the implementation of the Czech agreement.[56]

Czech Partner	Transaction title	Category	Achieved cumulative value of the transaction in CZK as of 31 December 2011
Jihlavan a.s.	Delivery of hydraulic components of actuators for Gripen	Direct	19,200,000
Aliachem Benelux	Export of nitro-cellulose	Direct	68,500,000
Vítkovice Steel, a.s.	Export of naval steel	Direct	234,400,000
Frentech Aerospace s.r.o.	Delivery of parts for Eaton Aerospace	Direct	7,000,000
JOB Air s.r.o.	Maintenance of the aircraft SAAB 340, SAAB 2000	Direct	16,600,000
THT Ostrava CZ a.s.	Export of fluid tubes	Direct	34,800,000
Evektor s.r.o.	Design and manufacture of interior for the aircraft M101	Direct	15,900,000
Svitap J.H.J. s.r.o.	Supply of mobile head quarters	Direct	100,000
M.P.I. Trading s.r.o.	Manufacture and delivery of parts for BlightER radar 200	Direct	600,000
Honeywell Aerospace Olomouc s.r.o.	Manufacture and export of aerospace parts	Direct	126,000,000
Meopta Systems s.r.o.	Export of precision components for aerospace industry	Direct	1,000,000
Evektor – Aerotechnik a.s.	Support of the central marketing and distribution centre in USA	Direct	49,400,000
AERO Vodochody a.s.	Assembly and manufacture of S-76 helicopters	Direct	2,520,000,000
Ramet C.H.M. a.s.	Supply of radar systems to Kazakhstan	Direct	350,700,000

(*Continued*)

Table A2. Continued.

Czech Partner	Transaction title	Category	Achieved cumulative value of the transaction in CZK as of 31 December 2011
AERO Vodochody a.s.	Production and delivery of pylons for Gripen Aircraft	Direct	159,200,000
AERO Vodochody a.s.	Production and delivery of centerplane for the C27J aircraft	Direct	476,400,000
AERO Vodochody a.s.	Transfer of "Lean Technology"	Direct	10,000,000
ZV – Nástroje s.r.o.	Supply of tools and test fixtures	Direct	4,000,000
Saab Czech s.r.o.	Development, production and sale of simulation and training systems	Direct	112,300,000
GE Aviation Czech s.r.o.	Export of aircraft engines and aviation components	Direct	370,700,000
PSJ Novotech s.r.o.	Export of forging equipment to Saudi Arabia	Indirect	189,500,000
Brzdové automobilové kotouče s.r.o.	Brake disc foundry	Indirect	4,000,000,000
Magnesium Elektron Recycling CZ s.r.o.	Magnesium recycling facility	Indirect	1,645,600,000
BRUSH SEM s.r.o.	Production of power generation equipment	Indirect	6,894,000,000
FIC CZ s.r.o.	Production of PC	Indirect	2,131,000,000
A.E.G. Electric Tools s.r.o.	Manufacture of electric tools	Indirect	1,223,000,000
BRISK Tábor a.s.	Export of spark plugs	Indirect	10,500,000
Karsit s.r.o.	External delivery for Autoliv Mekan	Indirect	32,900,000
Karsit s.r.o.	External delivery for GGP Sweden	Indirect	270,000,000
Tyco Electronics EC Trutnov s.r.o.	Electronic components facility in Trutnov	Indirect	1,672,500,000
Wyman – Gordon s.r.o.	Production and delivery of semi-products and forgings	Indirect	9,300,000
Eaton Industries s.r.o.	Eaton automotive plant	Indirect	2,359,000,000
GAMA Group a.s.	Supply of medical components to Smiths Medical	Indirect	49,500,000
MPH Medical Plastik s.r.o.	Supply of medical components to Smiths Medical	Indirect	180,500,000
Alstom Power	Delivery of the boilers for a power plant in Saudi Arabia	Indirect	411,400,000
Pacific Direct s.r.o.	Production and export of hotel guest toiletries	Indirect	1,240,300,000
Estetico s.r.o.	Exhibition services	Indirect	12,500,000
Reveal s.r.o.	Exhibition services	Indirect	31,400,000
MPOWER Engineering a.s.	Delivery of pressure valves and fittings	Indirect	501,500,000

Defence and Security Industry Association of the Czech Republic (Czech companies engaged in research, development, production, trade and marketing of the military and security equipment, material and services) members marked in dark grey.[57]

Appendix 3

Companies in the Hungarian Gripen offset programme and their credited performance (author's illustration based on data from the Hungarian Ministry of National Development and Economy).

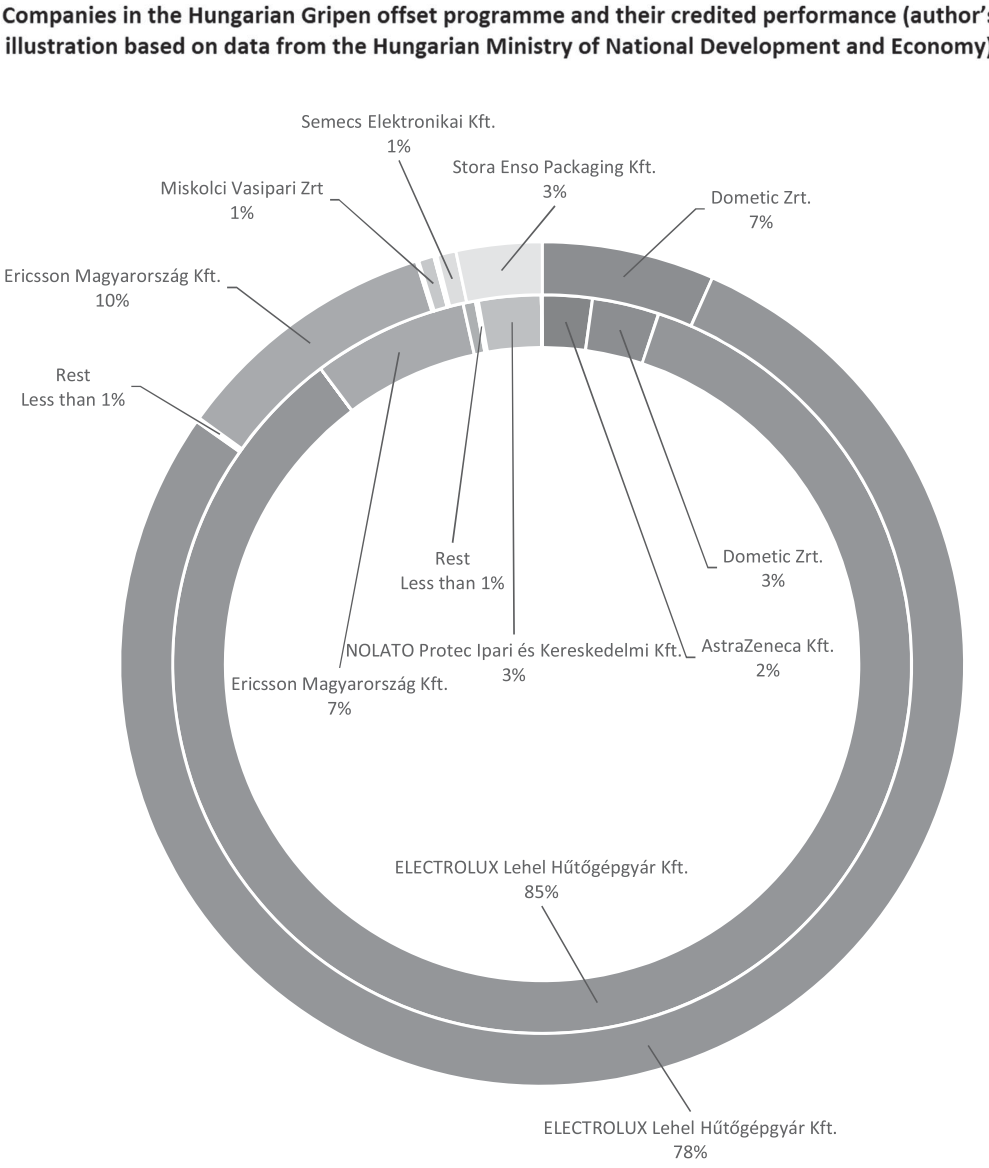

Figure A1. Companies and their performance ratio in the implementation of the agreement. Inner circle: investment; outer circle: export. Based on data from the Hungarian Ministry of National Development and Economy.[58]

Appendix 4

Companies in the Czech Gripen offset programme and their share in the direct or indirect compensation (author's illustration based on SAAB Report).[59]

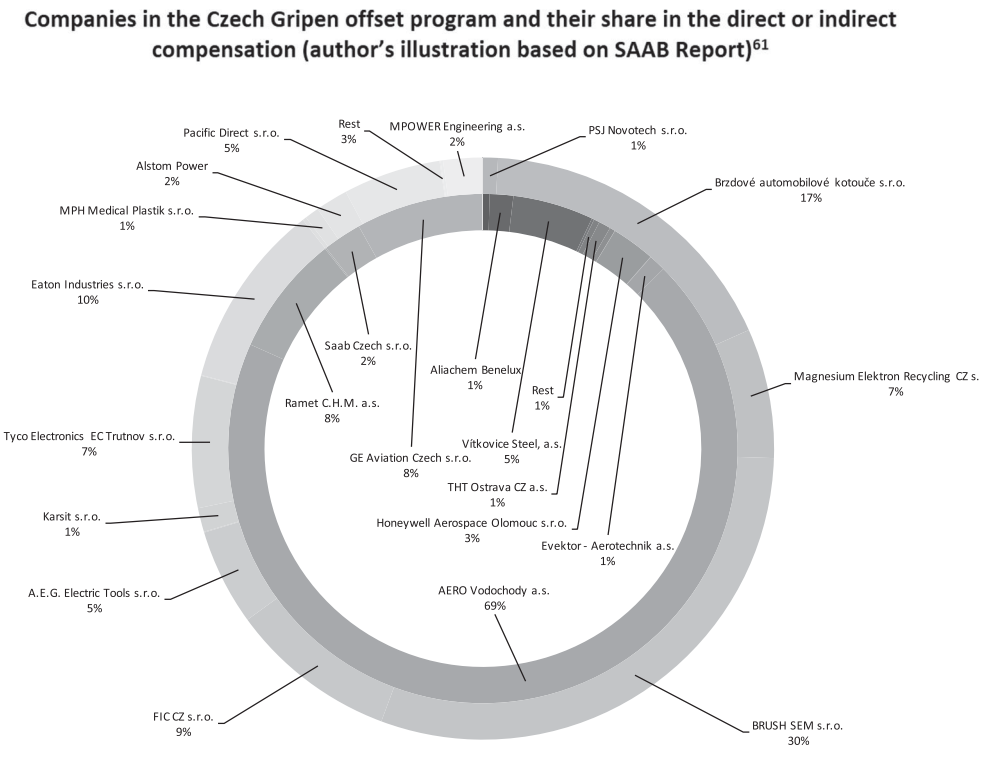

Figure A2. Companies and their performance ratio in the implementation of the agreement. Inner circle: direct; outer circle: indirect. Based on data from the SAAB.[60]

Appendix 5

Table A3. Prioritised investment sectors of Gripen offset agreement in Hungary.[61]

Prioritised investment sectors of the Gripen offset agreement in Hungary
Multiplier: 1,0
Agriculture, forestry and wildlife management
Fishery
Mining
Manufacturing
Software development
Multiplier: 1,5
Clothing industry
Plywood, blockboard, chipboard
Production of cellulose
Pharmaceuticals
Plastics
Production of power plants and industrial boilers
Engine and turbine production

(*Continued*)

Table A3. Continued.

Prioritised investment sectors of the Gripen offset agreement in Hungary
Pump and compressor manufacturing
Agricultural machinery
Food machinery manufacturing
Production of telecommunications and electronic components
Production of industrial telecommunication components
Production of medical devices and therapeutic equipment
Production of industrial process control systems
Vehicle production
Ship and boat building and repair
Metal recycling
Not metallic material recycling
Environmental protection technologies and equipment production
R and D investments in the high-tech industry

Appendix 6

Table A4. Indicative lists.[62]

Indicative list of the assigned export goods in the offset		
Multiplier: 1,0		
Export goods	HS/TEÁOR code	Short description
From different products	25–97	Industrial products
Health and social care	N 85.14	Services in Hungarian spas and medical facilities, financed by the Swedish social insurance for the patient. Up to 2 billion USD.

Indicative list of the assigned export goods in the offset	
Multiplier: 1,4	
Export goods	HS/KN code
Salt, sulfur, soil and stone, machinery, whitewash, cement	2523
Plastic and plastic products	3916–3926
Wood and wood products	4418
Impregnated, laminated fabrics; technical textiles	5902; 5903
Other made-up textile products; second hand clothes	6303
Stone-, plaster-, cement-, asbestos-, mica- and similar made products	6806; 6807; 6810; 6811
Ceramic products	6902; 6905; 6907; 6908–6914
Glass and glass products	7003–7013 and 7017; 7019
Atomic reactors, boilers, mechanical equipment and components	8413; 8414; 8415
Electrical machinery and equipment and parts; audio recorder and player, television image and sound recorders, players and parts	8517; 8532; 8533; 8534; 8542.40.00
Locomotives, electric motor-cars and other railway vehicles	8607
Vehicles and their parts, except railway vehicles	8702; 8706; 8707
Optical, photographic, cinematographic, testers, precision medical or surgical instruments and their parts	9015.80; 9015.90; 9018; 9019; 9022

Appendix 7

Table A5. Prioritised geographical areas of the Gripen offset agreement in Hungary.[63]

Prioritised geographical areas of the Gripen offset agreement in Hungary		
Debrecen and its surroundings	Miskolc and its surroundings	Szolnok and its surroundings
Hajdúszoboszló	Alsózsolca	Törökszentmiklós
Nagyhegyes	Sajóbábony	Tiszapüspöki
Mikepérces	Sajószentpéter	Besenyszög
Sáránd	Berente	Zagyvarékas
Hosszúpályi	Parasznya	Szandaszölős
Derecske	Diósgyőr	Újszász
Hajdúszovát	Hejőcsaba	Tószeg
Létavértes	Miskolc-Tapolca	Rákóczifalva
Vámospércs	Görömböly	Kengyel
Hajdúböszörmény	Mályi	
Józsa	Nyékládháza	
Hajdúsámson	Emőd	
Nyíradony	Ónod	
Hajdúhadház	Sajólád	
Téglás	Felsőzsolca	
Pápa and its surroundings	Szirma	
Macaltő	Martin-telep	
Vaszar	Hernádnémeti	
Mezőlak	Szikszó	
Borsosgyőr	Sajóvámos	
Nyárád	Arnót	
Nemesszalók	Boldva	
Kéttornyúlak	Edelény	
Tapolcafő		
Nagyimót		
Csót		
Pápateszér		

Appendix 8

Table A6. Elections and elected mayors.

	Election years	
County / City	1998	2002
Prioritised geographical areas of the Gripen offset		
Hajdú-Bihar		
Debrecen	Lajos KÓSA	Lajos KÓSA
Borsod-Abaúj-Zemplén		
Miskolc	Tamás KOBOLD	Sándor KÁLI
Veszprém		
Pápa	Dr Zoltán KOVÁCS	Dr Zoltán KOVÁCS
Jász-Nagykun-Szolnok		
Szolnok	Ferenc SZALAY	Lajosné BOTKA
Less developed counties and county seats		
Nógrád		
Salgótarján	Béla PUSZTA	Béla PUSZTA
Szabolcs-Szatmár-Bereg		
Nyíregyháza	Lászlóné CSABAI	Lászlóné CSABAI
County and city where the Electrolux Lehel investment took place		
Jász-Nagykun-Szolnok		
Jászberény	Dr Levente MAGYAR FIDESZ/MDF (right-wing) MSZP/SZDSZ (left-wing)	Dr Levente MAGYAR

Table – Election years and elected mayors in the cities in the selected and in the less developed geographical areas. Table based on datasets from Tünde Ichim[64] and the National Electoral Office.[65]