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The V4 Countries and the Impacts of the Austerity Cuts on their Defence Spending and Armed Forces

Státy V4 a dopad úsporných škrťů na jejich obranné výdaje a ozbrojené síly

Jakub Kufčák

Abstrakt

Tento článek se zaměřuje na analýzu dopadů úsporných škrťů v obranných rozpočtech a jejich vlivu na ozbrojené síly států skupiny V4. Toho je dosaženo skrze kombinaci tří přístupů – zaprvé pohledem na obranné výdaje v konstantních \$ z dat SIPRI, zadruhé srovnáním těchto výdajů z hlediska jejich struktury dle dat NATO a zatřetí skrze analýzu, jak se tyto trendy promítají do situace ozbrojených sil těchto států a zda/jak došlo v jejich důsledku ke změně politických ambicí pro zahraniční nasazení, ke změně v struktuře ozbrojených složek, k opuštění schopností či pozastavení modernizačních plánů. Takto pojatá výzkumná koncepce vyprodukovala několik závěrů, ačkoliv její další užitečnost je kvůli rozdílnosti zahrnutých zemí limitovaná. Podmínky armád malých států nedovolily menším státům V4 podniknout podobně velké škrty v počtu vojenského personálu, jako provedly velké evropské státy z důvodu ochrany prostředků určených na modernizaci. V důsledku toho se menší státy V4 ocitly v situaci rostoucích výdajů na personál, která značně ztenčila jejich prostředky na investice. Zajímavým zjištěním bylo, že Slovensko se ukázalo jako jediná země, kde lze propad obranných výdajů alespoň částečně vysvětlit až jako důsledek úsporných škrťů a ekonomické krize.

Abstract

This article analyses the impacts of the austerity cuts on the defence spending and armed forces of the V4 countries. This is achieved through combination of three analytical approaches - firstly by looking at defence expenditure in constant \$ from SIPRI data, secondly by comparing the respective structures of these defence budgets from the NATO data, and thirdly by analysing how these developments and economic realities translated into the level of the respective national armies and if/how were the political ambitions for foreign deployments for these armies modified, if/how was the force structure reformed, if/which capabilities were slashed and if/which modernisation plans were postponed. This research design yielded several results even though the utility of the V4 analytical framework proved to be, thanks to vast discrepancies between the sample countries, limited. The conditions of small states armies did not allow the V4 countries to make significant cuts in the number of military personnel as bigger countries in Europe were able to execute in order to protect their equipment expenditures that are vital for modernisation. Consequently, the V4 countries were left with soaring personnel expenditures and gradually diminishing funds for investments. Curiously, Slovakia proved to be the only country where the decline in defence expenditure can be at least partially tied to austerity cuts and the economic crisis.

Acknowledgement

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Klíčová slova

Úsporné škrty; Visegrádská skupina; obranné výdaje; obranné rozpočty; ozbrojené síly.

Keywords

Austerity cuts; Visegrad group; defence expenditure; defence budget; armed forces.

INTRODUCTION

To date, the austerity cuts have savaged the European defence budgets. Although there are some sources that try to map the cuts in defence budgets and the ways how they translate into the reduction of capabilities, these studies analysed bigger sample groups (i.e. limited scope of analysis for individual countries), e.g. from the EU perspective - while the European Parliament's study remains the most comprehensive study on the topic to date, it is now dated¹ and the CER study by T. Valasek primarily aims to make the case for EU's pooling and sharing.² One study by RAND on this topic is limited to several key NATO Allies - only Poland from the V4 group is covered.³

When we consider the DAV4 project that focuses mainly on the future of the defence cooperation, there has been no comprehensive study focused solely on the austerity cuts and the V4 group. This paper humbly aims to fill this gap. This is achieved through, firstly, a closer look at the V4 defence budgets with regard to the level of defence spending (SIPRI data) and the number of military personnel (NATO data), secondly, by comparing the respective structures of these defence budgets (NATO data) in order to identify the long-term spending trends and the effects of austerity cuts, and thirdly, through analysis as to how these spending trends and economic realities translated on the level of the V4 countries' armed forces.

V4 DEFENCE BUDGETS IN THE AUSTERITY ERA

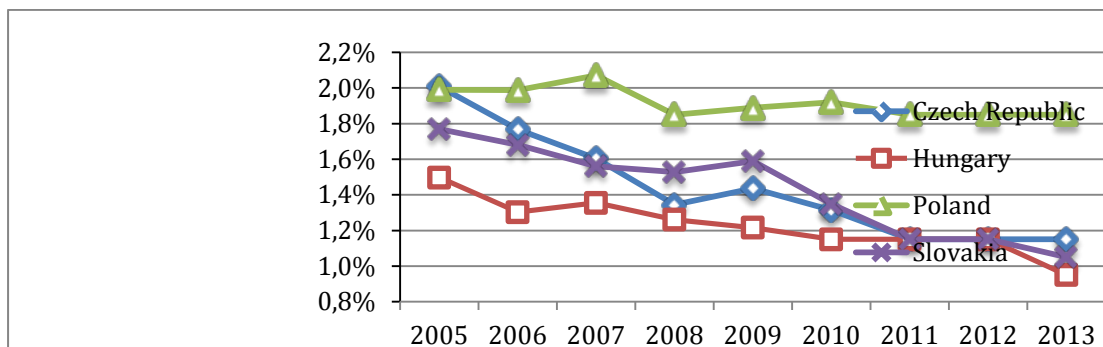
The following chapter will shed a light on the state of defence expenditures in the V4 countries and the changing balance within the V4 countries defence expenditure in the timeframe of the last nine years. First, there is the most obvious measurement - the defence spending as percentage of GDP, which is depicted in the timeline (2005-2013) in the Graph 1. None of the V4 countries met the 2% of GDP defence expenditure NATO guideline since 2007 and the year 2005 was the last year in which at least two countries from the V4 group spent 2% on their defence.

¹ EUROPEAN PARLIAMENT, DG-External Policies of the Union. *The Impact of the Financial Crisis on European Defence: Annex*. April 2011.

² VALÁŠEK, Tomáš. *Surviving austerity: The case for a new approach to EU military: The Case for a New Approach to EU Military Collaboration*. London, England: Centre for European Reform, 2011.

³ LARRABEE, F. *NATO and the challenges of austerity*. Santa Monica, Calif.: RAND, 2012. Rand Corporation monograph series.

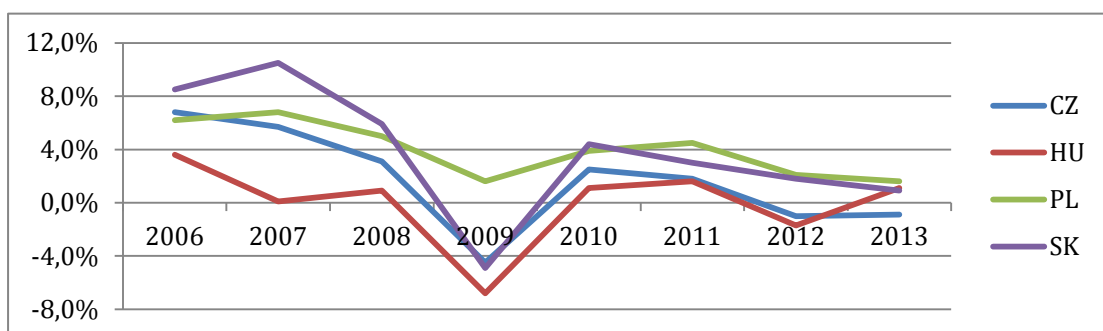
Graph 1: V4 countries defence expenditure as % of GDP



Source: The SIPRI⁴

To give these numbers at least some context with regard to the general effects of economic crisis, let us consider the annual development of GDP. From the following Graph 2 it is obvious that the crisis translated into the negative GDP development in the region in 2009, when all V4 countries, with the Polish exception experienced, negative GDP growth. It is also clear that the defence budgets were, again with the Polish exception, slashed *even* before the economic crisis hit the V4 countries in 2009.

Graph 2: V4 countries GDP annual percentage change (2006-2013)



Source: NATO Public Diplomacy⁵

As was already pointed out,⁶ the internal dynamism of the V4 group has significantly shifted as a result of different defence expenditure trends in the last decade. In 2002, according to SIPRI data, Poland's military expenditures (measured in constant USD 2010) equalled the combined defence spending of the other V4 countries. In 2013 Poland's defence budget was more than two times larger than the combined budgets of the other three Visegrad countries. While the global economic crisis played a role, closer look on the defence expenditure data clearly shows, that the cuts in military expenditure started even before the crisis, which only made it worse and flattened the Czech defence expenditure around 1% of the GDP and slightly below it in the Hungarian and Slovak cases.

⁴ The SIPRI Military Expenditure Database.

⁵ NATO Public Diplomacy. *Division Financial and Economic Data Relating to NATO Defence*. Press Release, 24. February 2014; Eurostat.

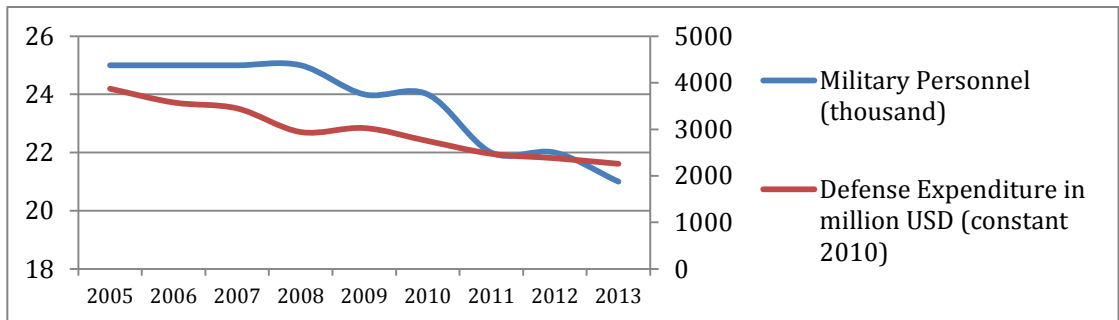
⁶ BALCER, Adam. A Wishful Thinking? Military Cooperation in the Visegrad Group. In: *Visegrad Revue* [online], 28.2.2013. [cit. 2014-10-15]. Available from: <http://visegradrevue.eu/?p=1437>

The Czech Republic: Defence budget as Cinderella

Although the absolute amount allocated for defence did not, in Czech Crowns, significantly decrease before 2008 (it rather stagnated thanks to the growing GDP),⁷ the economic crisis played a role, after 2008, in bringing the defence expenditure down even in national currency. When the defence expenditure is compared in constant 2010 USD, it shows gradual and long-term decrease in defence spending not corresponding to national currency expenditures.

As a result of inconsistencies in defence spending, the Czech armed forces, which became fully professional in 2005, accumulated internal debt amounting to something between 80 and 90 billion CZK (around 3,7 - 4 billion USD) equalling two years of defence expenditure.⁸

Graph 3: Czech Military Personnel and Defence Expenditure in million USD (constant 2010)

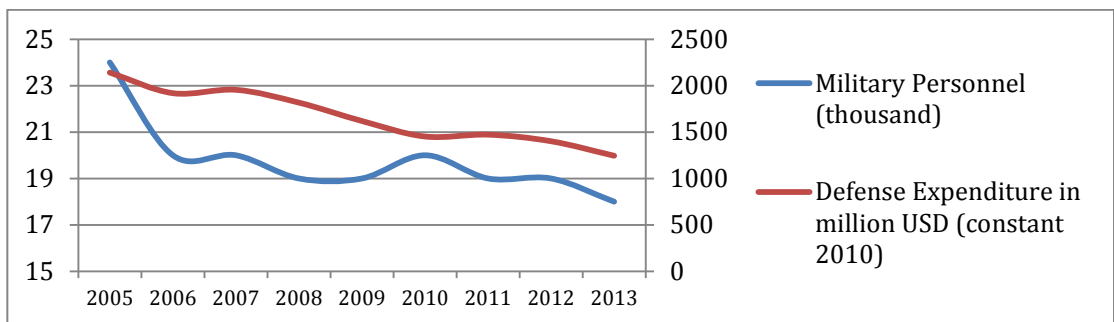


Source: The SIPRI⁹

Hungary: Chronic underspender

Hungary currently spends about 0.8% of its GDP on defence. It is staggering that this extremely low level of spending is planned to be maintained in the foreseeable future as well. According to the governmental resolution from 2012, the defence expenditure should be maintained on the 2012 level until 2016 and rise by 0.1% of GDP annually afterwards. By the beginning of the next decade (2022) the defence spending should reach 1.39% of the GDP. The massive decrease in military personnel in 2006 is associated with the professionalisation of the Hungarian Defence Forces which started in 2004. The level of internal debt is not publicly known.

Graph 4: Hungarian Military Personnel and Defence Expenditure in million USD (constant 2010)



⁷ BRIZGALOVÁ, Lenka. Současný stav a perspektivy v oblasti finančních zdrojů pro zabezpečení činností rezortu MO. In: *Vojenské rozhledy*, vol. 19 (51) 2010, iss. 3, pp. 84-97.

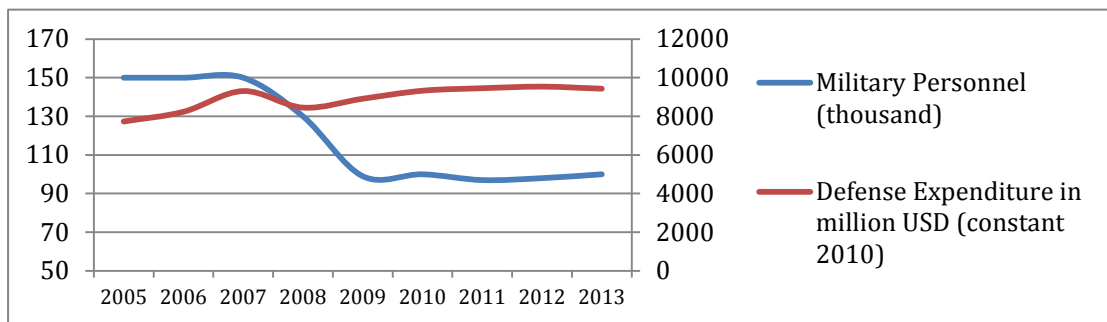
⁸ Bílá kniha o obraně. Praha: Ministerstvo obrany ČR, 2011, p. 13.

⁹ The same applies for the Graph 3, 4, and 5. SIPRI data on defence expenditure; NATO Public Diplomacy, ref. 5.

Poland: Strategic spender

Poland was able to maintain steady defence expenditures thanks to the law from 2001 that says that “the amount of funds assigned each year for this purpose shall not be lower than 1.95 per cent of the GDP from a preceding year.”¹⁰ However, as the result of the economic slowdown in 2009, the government reduced the annual defence budget by 9%¹¹ and in 2010 the Tusk government considered an amendment that would enable the government to flexibly lower the expenditures any given fiscal year but required that the six year average would still meet the 1.95% of the GDP.¹²

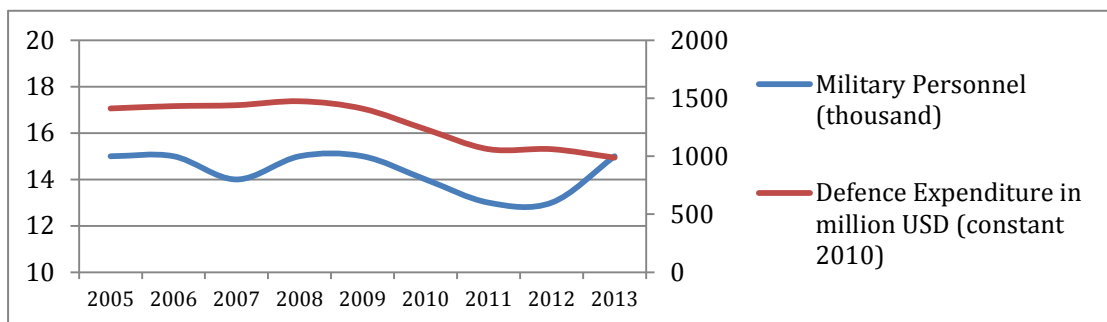
Graph 5: Polish Military Personnel and Defence Expenditure in million USD (constant 2010)



Slovakia: Economic crisis at fault?

Slovakia’s defence expenditure has been stagnating (thanks to the growing GDP) until 2009 but the planned figures for defence spending were not achieved in any given year although the government tried to update the armed forces financing plan three times. The Slovak armed forces have, consequently, between 2002 and 2011 accumulated deficit in allocated resources equalling twice the annual defence budget (cca 1.9 billion USD).¹³ However, it seems that Slovakia was the only country where the decline in defence expenditure can be at least *partially* tied to austerity cuts as a consequence of the economic crisis.

Graph 6: Slovak Military Personnel and Defence Expenditure in million USD (constant 2010)



To sum up this section one has to point out that, without Poland, the V4 group armies seem to be, in the last almost a decade, unsustainably financed, which the impacts of the economic crisis only magnified. Consequently, when measured in constant 2010 USD, the “bang for the buck” of the three

¹⁰ White Book on National Security of the Republic of Poland. Warsaw: The National Security Bureau, 2013, p. 45.

¹¹ Not showing on the Graph 1 because of different measurement. In national currency the defence expenditure was virtually the same in fiscal years 2008 and 2009. VALASEK, ref. 2, p. 6.

¹² LARRABEE, ref. 3, p. 60.

¹³ MAJER, Marian (ed.). *Security Sector Reform in Countries of Visegrad and Southern Caucasus: Challenges and Opportunities*. Bratislava: Centre for European and North Atlantic Affairs, 2013, p. 107.

Visegrad countries between 2005 and 2013 decreased by 40% in the Czech and Hungarian cases, by 30% in the case of Slovakia, and rose by 20% in Poland.

THE STRUCTURE OF THE DEFENCE EXPENDITURES IN THE V4 GROUP

The structure of the defence expenditure shows how the money allocated for defence budget is actually spent, although even the funds spent on equipment do not necessarily mean enhanced capabilities for the army in the long perspective. After the end of the Cold War, the social and economic function of armed forces has become priority instead of its defence purpose in many European states - the army, after all, secures jobs for soldiers, administrative staff and industry workers. The result of this paradigmatic shift is the sharp increase of personnel expenditures and armament policy that primarily reflects the needs of national defence industry and not priorities outlined by defence policy.¹⁴

Example for this can be the two of the most expensive acquisitions of the Czech Army - the Czech L-159 Alca multi-role combat aircraft (1999-2008) and the procurement of the modernised T-72M4 CZ (2000-2005) that came in a time when the Czech army was changing its posture to focus on foreign deployments, for which these two types of armament were considered useless.¹⁵ The following part will try to demonstrate the effects of the economic crisis and subsequent budget cuts on the structure of the defence expenditure in the V4 group states in the last decade.

The Czech Republic: Rising structural problems

From the table 1 it is clear that in the Czech case the major consequence of the austerity cuts on the defence expenditure was rising proportion of the money spent on personnel. Understandably, as the overall sum allocated for defence budget decreased (after 2010), mandatory expenditures proportionally rose. Greater catastrophe was avoided only by letting 4,500 ministry staff and soldiers go in 2009 and further personnel reductions in 2011 and 2013 (as seen in graph 3).

However, only 83% of the budget is spent on the actual military since the soldiers pensions and associated expenses comprise about 7 billion CZK (cca 315 million USD) out of the 41.9 billion CZK (cca 1.9 billion USD from the 2014 defence budget).¹⁶ The negative effects of almost plateaued expenditure as % of GDP after 2010 have thus created a structural problem in the Czech defence budget resulting in limited resources for needed investments and modernisations.

Table 1: Czech Republic's structure of defence expenditure (2005-2013e)

	Average 2005-2009	2007	2008	2009	2010	2011	2012	2013
Personnel expenditure:	48.2 %	49.2%	51.5 %	46.1 %	50.7 %	56.3 %	61.7 %	62.1 %
Equipment expenditure:	13.1 %	10.1 %	12.9 %	22.4 %	12.4 %	13.3 %	14.8 %	9.5 %
Infrastructure expenditure:	6.6 %	9.8 %	5.6 %	3.9 %	5.8 %	2.5 %	1.6 %	2.7 %
Other expenditure:	30.8 %	30.9 %	30.1 %	27.6 %	31.1 %	27.9 %	21.9 %	25.7 %

Source: NATO¹⁷

¹⁴ MÖLLING, Christian. NATO's Two Percent Illusion. *SWP Comments* 36, August 2014, p. 2.

¹⁵ PERNICA, Bohuslav. Vojenská politika, vojenské výdaje a porcování medvěda – případ České republiky. In: *Teoretické a praktické aspekty veřejných financí: XIV. ročník mezinárodní odborné konference*. Praha: Oeconomica, 2009, p. 4.

¹⁶ MIČÁNEK František, DOBROVSKÝ Luboš, DYČKA Lukáš, KOLKUS Jaroslav, FRANK Libor. Zpráva o stavu zabezpečení obrany ČR v roce 2014 – mýty a realita. In: *Vojenské rozhledy*, 2014, vol. 23 (55), iss. 2.

¹⁷ NATO Public Diplomacy, ref 5.

Hungary: Focus on deployability

According to Hungarian national military strategy from 2012 the structure of defence budget should aim to achieve 40-30-30% proportion of personnel, operation and maintenance, and procurement costs in the mid-term.¹⁸ These do not directly correspond to NATO expenditure categories but it is obvious that the effects of economic crisis were not as severe as in other V4 countries and austerity cuts in the defence budget were not as dramatic to produce further structural problems because the military was accommodated to low defence spending to begin with.

In general, however, the Hungarian army lagged behind in modernizing and only about 5% of the budget was allocated to modernisation rendering the Hungarian armed in dire lack of modern equipment and forcing the army to rely on “second hand” modernisation. This often entailed making use of used equipment supplied by the Allies free of charge or for a nominal amount of money as was the case with armoured vehicles leased by the USA in Iraq and Afghanistan. Also, the lease of the Gripen fighter jets negotiated in 2002 ate up a huge portion of the defence budget slowing or even halting the modernisation in other areas.¹⁹

Hungarian defence expenditures seem to have traditionally lower personnel expenditure level even with the pensions contribution (7.9% of the defence budget).²⁰ High percentage of other expenditures (i.e. maintenance and operations) seem to be pointing to high deployability of the Hungarian army.

Table 2: Hungary’s structure of defence expenditure (2005-2013e) based on NATO data

	Average 2005-2009	2007	2008	2009:	2010:	2011:	2012:	2013
Personnel expenditure:	48.8 %	46.4 %	48.1 %	50.4 %	56.4 %	50.6 %	47.7 %	52.0 %
Equipment expenditure:	11.1 %	12.1 %	14.8 %	12.7 %	12.1 %	12.3 %	5.8 %	9.8 %
Infrastructure expenditures:	4.5 %	5.2 %	2.6 %	3.9 %	2.1 %	1.3 %	2.1 %	2.4 %
Other expenditures:	34.8 %	36.3 %	34.6 %	33.0 %	29.5 %	35.8 %	44.4 %	35.8 %

Poland: Focus on modernisation

Polish structure of defence expenditure shows comparably little long term fluctuations. The Polish budget is the only one which experienced steady defence expenditure as % of GDP and thanks to economic growth also an increase in absolute terms over the last decade.

Up until 2013 Poland spent between 15 to 22 percent of its defence budget on equipment modernisation. However, the expeditionary missions in both Iraq and Afghanistan have highlighted the need for a better equipment kit for its forces and Poland currently aims to shift, over the next decade, about one-third of the defence budget to equipment modernisation.²¹ It is worth noting that thanks to continuous economic growth combined with steady defence “*Poland is on a path to overtake Spain and the Netherlands in total defence spending in the next 2 years. (In terms of pure defence investment, Poland already ranks 5th behind the UK, France, Germany, and Italy).*”²²

¹⁸ National Military Strategy, Ministry of Defence, 2012, p. 15.

¹⁹ MAGYARICS, Tamás. Hungary in NATO: The Case of a Half Empty Glass. In: *NATO’s European Allies: Military Capability and Political Will*. MATLÁRY & PETERSSON (eds.), 2013, pp. 232-261, p. 240.

²⁰ Facts and Figures on the Hungarian Defence Forces. Ministry of Defence, 2011, p. 50.

²¹ MICHTA, Andrew. Polish hard power: Investing in the military as Europe cuts back. *American Enterprise Institute (AEI)* [online]. December 13, 2013. [cit. 2014-10-15]. Available from: <http://www.aei.org/publication/polish-hard-power-investing-in-the-military-as-europe-cuts-back/>

²² BALIS, Christina. Poland’s Balancing Act: A Briefing for the Defence Sector - Part 1. *Defence Industry Daily* [online]. August 17, 2014. [cit. 2014-10-15]. Available from: <http://www.defenceindustrydaily.com/polands-balancing-act-a-briefing-for-the-defence-sector-part-1-026396/>

Table 3: Poland's structure of defence expenditure (2005-2013e) based on NATO data

	Average 2005-2009	2007	2008	2009:	2010:	2011:	2012:	2013
Personnel expenditure:	57.8 %	54.4 %	63.2 %	61.1 %	56.8 %	57.8 %	57.3 %	57.4 %
Equipment expenditure:	16.1 %	18.6 %	13.9 %	15.9 %	18.1 %	16.1 %	15.2 %	13.9 %
Infrastructure expenditures:	4.8 %	5.0 %	4.7 %	5.0 %	4.0 %	4.8 %	4.8 %	5.6 %
Other expenditures:	20.9 %	22.0 %	18.2 %	18.1 %	21.1 %	21.3 %	22.7 %	23.1 %

Slovakia: Personnel expenditure soar

Slovakia, on the other hand, seems to show similar patterns in the structure of its defence spending as the Czech Republic - soaring personnel expenditures and limited resources for equipment modernisation and for expenditure related to maintenance and operations. From this perspective Slovakia fares the worst from the V4 group. In absolute terms the Slovak personnel expenditures were even higher (658 million USD vs. 617 million USD in 2012) than the Hungarian even though in 2012 Hungary had circa 24 thousand personnel and Slovakia only about 20 thousand.²³

One of the problems was in the sudden increase in military pensions that occurred between 2009 and 2011. Second problem was the inability to cut the number of civilian personnel which, by 2006, was supposed to reach the targeted number 4.4 thousand.²⁴ In reality this number was still around 7 thousand in 2012.²⁵ Moreover, almost 85% of the Slovak defence budget is spent on personnel, operation, and maintenance costs, leaving only 10% for procurement.²⁶

Table 4: Slovakia's structure of defence expenditure (2005-2013) based on NATO data

	Average 2005-2009	2007	2008	2009:	2010:	2011:	2012:	2013
Personnel expenditure:	50.9 %	51.5 %	51.7 %	55.8 %	62.4 %	69.5 %	66.5 %	74.1 %
Equipment expenditure:	14.2 %	16.2 %	14.6 %	13.2 %	9.8 %	7.1 %	9.6 %	5.5 %
Infrastructure expenditures:	3.8 %	2.5 %	2.0 %	4.5 %	4.2 %	1.0 %	0.4 %	0.6 %
Other expenditures:	30.5 %	29.8 %	31.7 %	26.5 %	23.6 %	22.4 %	23.5 %	19.8 %

It is obvious that, from the perspective of the structure of the defence expenditure, the Czech and Slovak defence expenditure have been affected the most by the austerity cuts. The rising percentage of personnel expenditure and shrinkage of resources for equipment goes contrary to general European trends in defence spending since the relative share of Euros allocated to equipment spending in Europe had, despite overall dwindling defence resources, risen. Since 2001 the spending on personnel has grown, in absolute terms, only in the Netherlands, Poland, Norway, Belgium, the Czech Republic and Slovakia.²⁷

V4 ARMIES IN THE AUSTERITY ERA

It is appropriate time to look at how these developments and economic realities translated into the level of the respective national armies and on a way how the armies have struggled to fulfil the same

²³ Counting both civilians and soldiers. EDA Defence Data Portal, Defence Data of Slovakia in 2012 and Defence Data of Hungary in 2012.

²⁴ Retired Slovak general says strategic assessment fails to focus on key points. *Sme.sk*, 18 July, 2011, [online]. Available from: http://wikileaks.org/gifiles/docs/67/678547_russia-slovakia-retired-slovak-general-says-strategic.html

²⁵ EDA Defence Data Portal, Defence Data of Slovakia in 2012.

²⁶ MUZYKA, Konrad. Slovakia prepares for major defence acquisitions. *IHS Jane's Defence Weekly* [Online], 19 May 2014. Available from: <http://www.janes.com/article/38272/slovakia-prepares-for-major-defence-acquisitions>

²⁷ BERTEAU, J., David & BEN-ARI, Guy (et al). *European Defence Trends 2012: Budgets, Regulatory Frameworks, and the Industrial Base*. Center for Strategic & International Studies (CSIS), December 2012, p. 6, 10.

tasks with fewer resources. The focus of this chapter will be to illustrate how the V4 armies have coped with this situation and if/how the political ambitions for these armies were modified, if/how the force structure was reformed, if/which capabilities were slashed, and if/which modernisation plans were postponed.

The Czech Republic: Step Back to Service Headquarters

The Czech armed forces underwent in recent time not only force reductions (2009, 2011, 2013) but even structural changes. The Defence Strategy of 2012 also reduced the level of ambition for deployments in international operations. Deployment of a brigade size unit without rotation (up to 3 thousand personnel) is now limited only to article 5 collective defence operations and just a battalion size unit with rotation (up to 1,500 soldiers or 5.7% of the armed forces) is now intended for other international operations.²⁸ What is striking in this respect is the fact that this brigade size unit intended for up to 6 month deployment without rotation, at the moment, lacks critical supplies, some of which will suffice only for one week of combat and the procurement of which would cost up to 20 billion CZK (around 0.9 billion USD),²⁹ almost half of the 2013 defence budget.

The initial Czech reaction to the crisis was to cut the budget by over 20% between 2009 and 2011, to significantly reduce personnel (4,500 ministry staff and soldiers in 2009) and to withdraw most Czech troops from the Kosovo mission. Subsequently, the work was initiated on the White Paper on Defence in order to bring some order into the process of scaling down the armed forces in the new budgetary stringency environment.

The course of replacement/modernisation of soviet-made infantry fighting vehicles BVP-1 and BVP-2, the backbone of Czech mechanised units, could not be decided by the end of 2013 as planned by the White Paper. The replacement for the soviet made fleet of Mi-24/35 fighter helicopters was also delayed meaning that both types will be probably replaced exactly by the end of their life-cycles. Helicopters should be replaced between 2016-18 by cheaper to operate and maintain multi-role helicopters³⁰ and IFV between 2018-20. Further, the development of the mobile surface-to-air missile system KUB should be discontinued after 2015 and the system retired by 2017 when the life-cycle of appropriate rockets ends. The military proving grounds also face reduction by 33% by 2015. The cuts in defence expenditures have further translated into the reduction of the armed forces through the re-selling of military property.³¹

In 2013, a series of changes in the structure of the armed forces was launched, suggested earlier by the White Paper on Defence from 2011, in the course of which the Czech air force left the military airfield in Přerov. Much more important was the reduction of two army's operational commands in 2013. Joint Forces command in Olomouc was replaced by two significantly smaller Service HQs within the General Staff and Joint Support Command of Stará Boleslav was replaced by three specialised Agencies (Logistics, Military Medical and CIS). It has achieved not only better fluidity amongst the chain of command but also a reduction of strength since 1,600 budgetary positions were cancelled. The rationale behind this was the experience gathered from foreign deployments. It became obvious that joint forces operational command would be provided within the Allied framework and that the utility of Czech joint forces command is low.³² The Czech Special Forces unit was also transferred from the military intelligence command to the General Staff of the AČR as of beginning of 2015.³³

²⁸ Obranná strategie ČR. Ministerstvo obrany České republiky, Praha: 2012, p. 10.

²⁹ MIČÁNEK, ref. 17.

³⁰ KOMÍNEK, Jiří. Czechs plan new light helicopter purchase. *IHS Jane's Defence Weekly* [online], April 9, 2014. Available from: <http://www.janes.com/article/36607/czechs-plan-new-light-helicopter-purchase>

³¹ EUROPEAN PARLIAMENT, ref. 1, p. 43.

³² MAREK, Vladimír. Nejen nutné zlo, rozhovor s náčelníkem Generálního štábu AČR generálporučíkem Petrem Pavlem. In: *ATM+*, iss. 12/2012, p. 79.

³³ KOMÍNEK, Jiří. Czech Republic restructures special forces command. *IHS Jane's Defence Weekly* [online], 28 August, 2014. Available from: <http://www.janes.com/article/42551/czech-republic-restructures-special-forces-command>

Commentators agree that it was only an attempt to rationalize the command structures after the reduction that occurred in the strength of the armed forces³⁴ in order to bring back the desired proportion between officers, NCO's and regular soldiers.³⁵

The problem is that the structural problems at the heart of Czech defence spending (personnel expenditure) will get even more serious because of the planned novelisation of the law changing the framework for military personnel salaries, effective by the beginning of 2015, in the course of which the mandatory expenditure should rise by 1.5 billion CZK (about 68 million USD).³⁶ This primarily aims to bring new recruits into the army given that some units in the Czech armed forces, mainly combat support, lack up to 40% of their personnel.³⁷ Another problem lies in the undermanned reserve force that totals only 1.3 thousand personnel, although the amendment to the law regulating the Czech Armed Forces that would increase the funding in order to raise the force's size to 5 thousand personnel³⁸ is to be submitted to the parliament in the Fall 2014.³⁹

Hungary: From Mechanised Units to Light Infantry

In the wake of the crisis, Hungary suspended its participation in the NATO helicopter programme, put multiple procurement programmes under review⁴⁰ and implemented slight troop reduction conducted in late 2011. The cuts also affected the PRT deployed in Afghanistan, the efficiency of which was already decreasing due to a worsening security situation.⁴¹

The economic crisis erupted during the final stages of implementation of a 10-year reform plan that was based on a defence-review conducted by the Hungarian government in 2002-03 and was supposed to end in 2014. The first years were focused on legislative changes and adaptation of the force structure in course of which conscription ended in 2005 and the number of personnel was reduced. From 2006 on the reform efforts focused on training and equipping units designated for deployment and only from 2010 the modernisation process was broadened to encompass the entire force although the defence reform progressed rather slowly overall due to a serious lack of funding. The financial crisis further impaired this process and resulted in a reduction of the armed forces from three brigades to only two, one of which was designated for collective defence and the other for crisis-management operations. Moreover, the armoured and heavy-artillery units had been also reduced, as have the training facilities and air fields. The army's MI-8 transport helicopters are in need of replacement by 2015, whilst a decision was made to upgrade the MI-17 helicopters to allow for further ten years of use. The MI-24s, in service for 30 years, will continue being used without any upgrades.⁴²

The army had to transform from mechanised units into light infantry but did not reform its command structure that is from 2007 based on Joint Operational Command that replaced the separate service (Land and Air) commands.⁴³

³⁴ Reorganisation of Czech command structures. *OPINICUS International s.r.o.* [Online], 1.7.2013. Available from: <http://www.opinicus-sro.com/Reorganisation-du-commandement-des?lang=en>

³⁵ MIČÁNEK, František. Nemáme se za co stydět, aneb co víme o reorganizaci resortu obrany 2013. In: *Vojenský rozhledy*, iss. 2/2014.

³⁶ OTTO, Pavel. Armáda potřebuje nabrat 1300 nováčků ročně. Chybí jí peníze i zájemci. *E15*, 16.4.2014, p. 4.

³⁷ MIČÁNEK, ref. 17.

³⁸ ŠEDIVÝ, Jiří. NATO and Reserve Forces: A Czech View. *Permanent Delegation of the Czech Republic to NATO in Brussels*, undated, [online]. Available from:

http://www.mzv.cz/nato.brussels/en/news_articles_speeches/index_2.html

³⁹ KOMÍNEK, Jiří. Prague looks to expand its active reserve. *IHS Jane's Defence Weekly*, August 13, 2014. Available from: <http://www.janes.com/article/41965/prague-looks-to-expand-its-active-reserve>

⁴⁰ VALÁŠEK, ref. 2, p. 6.

⁴¹ RACZ, Andreas. As Afghanistan Exits Loom, Let's not forget Hungary's Contribution. *Paprika Politik* [online], February 16, 2012. Available from: <http://www.paprikapolitik.com/2012/02/as-afghanistan-exits-loom-let-s-not-forget-hungary-s-contribution/>

⁴² EUROPEAN PARLIAMENT, ref. 1, p. 43.

⁴³ Hungarian Defence Forces. *Globalsecurity.org* [online], undated. Available from: <http://www.globalsecurity.org/military/world/europe/hu-hdf.htm>

A new 10-year development plan was drawn up in 2012 by the defence ministry that named future priorities: Developing the Gripen programme, electronic projects, the development of basic cyber defence capabilities and helicopter purchases.⁴⁴ In order to save more money, the Gripen contract was renegotiated in 2012. Under the new contract the lease was extended for another 10 years and thus freed some funds in the strained defence budget between 2012 and 2016. The saved money is to be spent on lubricants for vehicles, the purchase of Norwegian Kongsberg URH-radios and armoured vehicles,⁴⁵ and the operation of the HDF's signal and information systems.⁴⁶

For foreign deployment the level of ambition is now set at 2,000 deployable troops with one brigade on duty for 6 months plus 1 or 2 battalions on rotation.⁴⁷ In 2013, the Hungarian army sustained deployment of approximately 1,000 soldiers in international crisis management missions. The largest ones are the operations in Afghanistan and Kosovo. The commitment to maintain this relatively high contingent (5.55% of the military personnel) was highlighted by the new National Military Strategy, adopted in December 2012.⁴⁸

One of the major reforms executed since 2010 was the creation of a voluntary reserve force that significantly enhanced capabilities of the Hungarian army with regard to internal deployments in the state emergencies and disaster management as was the case with floods that Hungary experienced in 2013.⁴⁹ In reaction to this the number of reserve forces should be raised from 5.3 thousand to 8 thousand in the near future.⁵⁰ This is a part of strategy to reduce costs for guarding military facilities that were prior to 2010 costly (cca 8.3 million USD lost between 2005-2010) outsourced to private companies. These services are now secured by the 2 thousand strong Armed Security Guards unit within the Hungarian MoD all of which are at the same time defence reservists to be called for disaster-relief missions should the demand arise.⁵¹

Given the long-term underfinancing of the defence it is unlikely that Hungarian military capabilities would improve significantly before 2020. The transformation from mechanised units into light infantry is characteristic for the future development thanks to significantly constrained funds available for modernisation.

Poland: Creation of Joint Operational Command

Poland started to professionalise its armed forces in 2008, in the course of which the size of military personnel decreased from 150 thousand to 100 thousand and National Reserve Force was established, which was further boosted in 2011 in order to reach 20 thousand personnel. Also, special operations forces, which were made a separate service in the country's military structure, experienced significant reinforcement from 1.5 thousand in 2009 and should have reached 3.5 thousand personnel in 2012 and by 2014 should become a fully interoperable partner nation of the US special operation forces. As a parallel process to the professionalisation the modernisation was also carried out as laid down in

⁴⁴ Hungary plans military cooperation with Central Asian nations. *Politics.hu* [online], 24.12.2013. Available from: <http://www.politics.hu/20131224/hungary-plans-military-cooperation-with-central-asian-nations/> Govt allocates HUF 2.8 billion to prepare Gripen fleet for close air support. *Politics.hu* [online], 25.4.2014. Available from: <http://www.politics.hu/20140425/govt-allocates-huf-2-8-billion-to-prepare-gripen-fleet-for-close-air-support/>

⁴⁵ Both originally planned to be procured between 2006-2010. MATEI, C., Florina. The Impact of NATO Membership on Military Effectiveness: Hungary. In: *The Routledge Handbook of Civil-Military Relations*, BRUNEAU, C., Thomas & MATEI, C., Florina (eds.), Routledge, 2012, p. 221.

⁴⁶ MAGYARICS, ref. 20, p. 240.

⁴⁷ EUROPEAN PARLIAMENT, ref. 1, p. 43.

⁴⁸ KALO, Otto, RÁZC, András. Chapter 5: HUNGARY. In: *Security Sector Reform in Countries of Visegrad and Southern Caucasus: Challenges and Opportunities*, MAJER, ref. 13, pp. 69-81.

⁴⁹ Army capabilities developed substantially, says minister. *Politics.hu* [online], 8.7.2013. Available from: <http://www.politics.hu/20130708/army-capabilities-developed-substantially-says-minister/>

⁵⁰ Sovereign Hungary needs strong armed forces, says defence minister. *Politics.hu* [online], 18.6.2014. Available from: <http://www.politics.hu/20140618/sovereign-hungary-needs-strong-armed-forces-says-defence-minister/>

⁵¹ VARGA, Krisztian. Hungary: From Outsourcing to Insourcing. In: *Commercialising Security: Political Consequences for Peace Operations*, LEANDER, Anna (ed.), Routledge, 2013, pp. 114-115.

the 2009-2012 Defence Plan. As the crisis hit Poland in 2009, an annex to this defence plan was designed to restructure Poland's armed forces in order to cut costs and increase their effectiveness. The Land Forces lost one of four divisional HQs, the 6th Air Assault Brigade was reorganised into an airborne brigade to increase its mobility, a new Land Forces Aviation Brigade was established in 2012 consisting mainly of helicopters, and all artillery and low-level air-defence assets were concentrated in three artillery and three air-defence regiments that will probably continue to use the OSA and KUB SAM systems beyond 2016.⁵²

As part of the modernisation process, Poland also established two new high-level military commands in January 2014. The goal was to create a joint operational command by replacing the separate service commands, converting them into departments, and turning the general staff into a strategic planning and advisory command.⁵³ Instead of 4 separate commands for the Army, the Navy, the Air Forces and Special Forces, two joint commands were created - the General Command that is responsible for command during peace-time and the Operational Command that is responsible for command during war-time, time of crisis and for troops deployed abroad.⁵⁴

Polish immediate reaction to the economic crisis was to reassess its defence priorities and defence commitments. Polish military contingents were withdrawn from three UN-led operations (Lebanon, Syria and Chad), while the number of Polish troops in Afghanistan was, in May 2009, increased to 2,000.⁵⁵ As a consequence of the economic crisis Polish ministry of Defence decided to reduce the personnel expenditure in 2009, in particular by cutting civilian jobs by up to 10%.⁵⁶

The programs effected by the 2009 budget cuts include the reduction of procured PZL Mielec M-28, maritime patrol and reconnaissance variant, from 20 to 16 that were delivered in 2011 and 2014,⁵⁷ and significant reduction in the procurement of multi-role helicopters from 51 to 26. The main document for modernisation was announced in October 2009 as a 14-point modernisation plan which included a 10.7 billion USD procurement plan for the period 2009-2018.

In order to secure funds for missile defence project, a new version of the 2001 law on the Restructuring and Technical Modernisation and the Financing of the Armed Forces of the Republic of Poland was passed in 2013 that earmarks any yearly increase of the defence budget caused by the growth of Poland's GDP in the years 2014-2023 to the funding of the AMD program. Additionally, the share of the AMD program's financing in the overall level of spending on technical modernisation of the armed forces cannot fall below 20%.⁵⁸

The level of ambition when it comes to Polish sustainable deployments abroad stays classified but is generally thought to be around 4 thousand troops (4% of the armed forces). By 2015-16, however, Poland plans to have two brigade combat teams between 2.5 and 3 thousand soldiers strong each ready for deployment in the full spectrum of operations, and further two battalions for low-intensity conflict.⁵⁹

Given these spending trends and long-term level of defence expenditure the Polish armed forces will continue to be the exception in the V4 region and the only army that will keep the full-spectrum

⁵² LARRABEE, ref. 3, p. 60, 63.

⁵³ MICHTA, ref. 22.

⁵⁴ GÓRKA-WINTER, Beata. Chapter 6: Poland. In: *Security Sector Reform in Countries of Visegrad and Southern Caucasus: Challenges and Opportunities*, MAJER, ref. 13, pp. 83-98, p. 94.

⁵⁵ BAXLEY, Hugh. *The Global Financial Crisis and its Impacts on Defence Budgets*, NATO Parliamentary Assembly, 2009.

⁵⁶ LARRABEE, ref. 3, p. 62.

⁵⁷ KWASEK, Tomasz. *Samolot wielozadaniowy PZL An-28/M-28 Bryza/M-28 Skytruck*. *Dziennik Zbrojny* [online], 18.1.2014. Available from: <http://dziennikzbrojny.pl/artykuly/art.6.26.6013.lotnictwo.samoloty-po-1945-r.samolot-wielozadaniowy-pzl-an-28m-28-bryzam-28-skytruck>

⁵⁸ KULESA, Łukasz. *Poland and Ballistic Missile Defence: The Limits of Atlanticism*. The Institut Français des Relations Internationales, *Proliferation Papers*, no. 48, January 2014, p. 28.

⁵⁹ LARRABEE, ref. 3, p. 70.

military force. It is further most likely that the capability gap between Poland and other V4 countries will not become narrower but will probably deepen.

Slovakia: Tough choices ahead

Thanks to the economic crisis Slovakia had to cut the 2009 defence budget by about 124 million USD (-12%), cancel plans to buy transport aircraft and postpone many modernisation programmes.⁶⁰ Most notably, the Defence Ministry had to delay plans to purchase new fighter planes in order to focus on the Slovak contribution to foreign deployments.⁶¹

In 2011 the process of the Strategic Defence Review was initiated that resulted in prioritisation of only four out of ten tasks resulting from the legislation and strategic framework. These are as follows: 1. Contribution to the international crisis management operations (up to 600 persons or 4.6% of the armed forces) including NATO Response Force and EU Battle Groups, 2. Protecting the air space in the framework of NATO Integrated Air Defence System (NATINADS), 3. Keeping mechanised battalion in high readiness and host nation support, 4. Domestic crisis management.⁶² Also work on the White Paper on Defence was initiated.

There were also discussions whether the small Slovak tank battalion should be scrapped at the end of 2011 or if the air defence system S-300 should be retired earlier in order to secure enough funds for future modernisation. Even the army's task to assist during domestic crisis and disaster management was questioned thanks to the economic environment.⁶³ The new minister of defence, Mr. Glváč, however, opted to keep both capabilities.⁶⁴

The main conclusions of the White paper on Defence from 2013 were that more than 70% of land armament and equipment of the Slovak armed forces is past its life-cycle because no major modernisation project for replacement of any of the main types of armaments and equipment has been conducted during the last 20 years and that units of the Slovak army lack up to 15-20 % of the military personnel.⁶⁵

Exposed to the global financial and economic crisis, the Slovak Armed Forces underwent a major reorganisation as of July 2009. In accordance with a military strategic development document known as Model 2020, the reform process intended to make the Armed Forces more economically viable and to retain highly qualified personnel. The reorganisation of the General Staff of the Slovak Armed Forces brought a reduction in the number of individual staffs, from eight to three. The structure of the armed forces in the target configuration includes three Services with their HQs: HQ Land Forces, HQ Air Force, and HQ Training and Support Forces.⁶⁶

Based on the the Defence Ministry's strategy from 2011 the extensive modernisation of individual components of the Slovak army should be one of the main point for the following years. To this end almost 4.1 billion USD is expected to be gradually spent on rearmament over the next decade, on top of the Ministry's budgetary chapter. Most of these funds should be spent on the modernisation of armoured vehicles, while some 996 million USD are to be invested in the Slovak Air Force. This amount does not cover, however, the possible replacement of MiG-29 fighters, whose service life

⁶⁰ VALÁŠEK, ref. 2, p. 6.

⁶¹ BAXLEY, ref. 55.

⁶² MAJER, ref. 13, p. 108.

⁶³ PALATA, Luboš. Středoevropské armády přestávají být armádami. *Natoaktual.cz* [online], 1. 8. 2011. Available from: http://www.natoaktual.cz/stredoevropske-armady-prestavaji-byt-armadami-fl9-na-analyzy.aspx?c=A110801_154845_na_analyzy_m02; TRŠKO, Michal. Vojaci minuli miliardy, kde sú, netušia. *Sme.sk* [online], 3. 6. 2011. Available from: <http://www.sme.sk/c/5920912/vojaci-minuli-miliardy-kde-su-netusia.html>.

⁶⁴ M. GLVÁČ: Chceme si nechať tanky aj S-300. *Teraz.sk* [online], 28.12.2012. Available from: <http://www.teraz.sk/slovensko/m-glvac-chceme-si-nechat-tanky-aj-s/32961-clanok.html>

⁶⁵ Bílá kniha o obraně Slovenskej republiky. Ministerstvo obrany Slovenskej republiky, 2013, p. 16.

⁶⁶ Slovak Armed Forces. *Globalsecurity.org* [online], undated. Available from: <http://www.globalsecurity.org/military/world/europe/sk-armed-forces.htm>

extends beyond the planned framework of the future model.⁶⁷ These additional funds, however, did not materialize to date.

Slovakia seems to face difficult choices which capabilities to prioritize in the future and will certainly have to, in the near future, reduce the spectrum of capabilities it currently possesses to secure enough funds for long-term modernisation in order to keep the mechanised character of its units.

CONCLUSION

Main findings of this paper could be summarised as follows but almost always with the exception of Poland - the utility of the V4 group research framework on this topic is therefore limited. When looking at the development of the V4 states defence expenditures, it is obvious that even stagnating defence budgets are, in the mid- and long-term, creating unsustainable environment for the armed forces - probably thanks to rising costs of new equipment. The conditions of small states' armies did not allow the V4 countries to make significant cuts in the number of military personnel like bigger countries in Europe were able to execute in order to protect their equipment expenditures that are vital for modernisation. Consequently, the V4 countries were left with soaring personnel expenditures and gradually diminishing funds for investments - as the defence expenditures lowered, the percentage of mandatory expenditures rose. The choice between reductions in the size of the armies (armies becoming numerically irrelevant) and postponement of modernisation was made, although, in reality, it is a choice between being relevant in the short-term and becoming irrelevant in the long-term (thanks to lagging modernisation).

It is interesting that the Czech (2013) and Slovak (2009) armies in this period and with relation to austerity cuts underwent transformation into separate service commands HQ whereas Hungary (2007) and Poland (2014) had taken the opposite course and established joint operations command HQ.

Another finding relates to the growing gap between Poland and its three Visegrad partners that has emerged. When measured in constant 2010 USD, the "bang for the buck" of the three Visegrad countries between 2005 and 2013 decreased by 40% in the Czech and Hungarian cases, by 30% in the case of Slovakia, and rose by 20% in Poland. In 2002, according to SIPRI data, Poland's military expenditures equalled the combined defence spending of the other V4 countries. In 2013, Poland's defence budget was more than two times larger than the combined budgets of the other three Visegrad countries. The internal dynamism in the V4 group has therefore, with regard to defence, significantly shifted.

From the previous chapters it is clear that the V4 group (minus Poland) basically opted to maintain the personnel level and reduced the equipment expenditure with Slovakia and Hungary on the one side as bad examples, the Czech Republic somewhere in the middle with some personnel cuts, and Poland as an exception. It is likely that Slovakia faces, in the short-term, similar need to transform its mechanised units into light infantry ones just as Hungary has done simply because the soviet-era equipment will fall apart during this decade, given that no drastic cuts in capabilities will be executed or "pooled and shared" (e.g. "smart" sharing of fighter jets within the V4 group). The utility of the academic focus on future defence cooperation of the V4 is therefore confirmed.

However, it also seems that Slovakia was the only country where the decline in defence expenditure can be at least partially tied to austerity cuts as a consequence of the economic crisis but it has also magnified already existing problems, such as unproportional number of civilian jobs in the defence ministry. Falling defence budgets in the Czech Republic and long-term low defence spending of Hungary are on the other hand most probably results of strategic free-riding in a time period where defence expenditures did not matter as long as these states provided significant contributions to foreign deployments within the NATO framework. But writing this almost at the end of the eventful year 2014 seems to warrant the final note that these times are now gone.

⁶⁷ The Slovak Government adopted a strategic review of defence. *Armyrecognition.com* [online], 23.12.2011. Available from: <http://goo.gl/Yle6jX>