Defence iQ

HUNGARIAN DEFENCE INDUSTRY

INVESTMENT PLANS

‘Hungary’s defence development programme, *Zrínyi 2026*, will begin soon’

IN ASSOCIATION WITH Armoured Vehicles Eastern Europe

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Budapest, Hungary

THE EUROPEAN ARMOURED vehicles market is now estimated to lead the world over the next ten years, and will likely account for around one third of the global requirement. Among those nations investing more readily into these platforms is Hungary, which recently announced it will increase total defence spending to 2 per cent of GDP as early as 2024.

In response to this uptick in funding and development, September will see Defence IQ's Armoured Vehicles Eastern Europe conference take place in Budapest in collaboration with the Defence Industry Association of Hungary (MVSZ).

Ahead of the event, we spoke with **Attila Zsitnyányi**, president of the MVSZ, to discuss the exciting progress being made in his home nation...

Defence IQ: The Hungarian defence and security industry has seen a great many changes in recent years – changes to which it has worked very hard to adapt. What can you tell us about the current situation and the progress that has been made?

Attila Zsitnyányi: The past few decades have been defined by a strong downturn of the market and the financial crisis further induced the cutting of defence budgets. Fortunately, it seems that we are now on an upwardly moving trajectory with new procurement having been launched. A defence and military forces development programme, called Zrínyi 2026, will begin soon. Hopefully it will have a positive influence on the market players within the Hungarian defence industry.

DIQ: So what are the Hungarian defence and security industry's key aims in the coming years, be it in collaboration or new opportunities?

AZ: Both of these are among the goals. The intention of the Hungarian government is to rely on the domestic defence industry to a greater extent when it comes to defence capability developments.

On one hand it means the creation of new opportunities to sell existing products or those still under development. On the other, it brings new possibilities for cooperation. Naturally, the

demands of the Hungarian Defence Forces cannot be fulfilled solely by domestic sources, but foreign partners may see real success by offering products that represent as much added value to Hungary as possible. Real and close industrial cooperation is needed to achieve this, for which Hungarian producers are ready.

DIQ: Eastern European nations – including Hungary – are seeing renewed life in armoured vehicles (and other land systems) in response to threats of both conventional combat operations and of street-level terrorist attacks. How can armed forces hope to balance procurement in the face of such diverse demands?

AZ: It's not just an Eastern European problem anymore. It is true that we have bigger arrears in this field, but the directions should be rethought and the delays we have seen so far may be turned into advantages. Using the experiences of other countries, we can start construction according to new strategic directions while avoiding unnecessary impasses.

Obviously these countries have limited possibilities in both financial and human resources, so the decision makers are in a difficult situation. We are all members of a greater international alliance, so perhaps the experts will choose more universal solutions that are economically sustainable and more suitable for national tasks.

DIQ: 2015 saw Hungary deliver prototypes for its domestically-developed RDO-3xxx Komondor light armoured vehicle family. What will these vehicles hopefully offer in capability and what will this development mean for the wider Hungarian defence industry?

AZ: We often hear critics say that European countries operate too many weapon systems simultaneously and that production is therefore not economically viable due to low volume series' and costly R&D. That's true in the field of personal protective equipment and weapons, and if we look around the market, it is also applicable to light armoured vehicles too.

Most countries have domestically-developed vehicles. Larger countries even have multiple types of them. Major manufacturers, of course, aim to sell their products to as many countries as possible, either by organising joint procurements and using this as an argument to convince buyers of the advantages of this method based on better prices for bigger quantities. Smaller defence forces face problems due to a low volume of demand combined with high variety, which is made worse by the inflexibility that results from the manufacturers' purposes of mass production. Joint procurements do not ease these difficulties. The discount prices gained cannot be compared to the economic benefits of domestic production. And if we look closer, it can be seen that mainly just the major producers benefit from joint procurements.

Meanwhile, even for large producers, these vehicles are still manufactured individually and in relatively small series, with minimal automation. Small and flexible manufacturers can find their markets this way, especially where purchase quantities are low and the annual temporal distribution of demand is unpredictable. The benefits of local production are also evident when it comes to modification and maintenance. And it is not a small consideration that domestic

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production creates jobs and increases tax revenues, which may then be reinvested into defence budgets. It is particularly important that Nato state defence budgets meet the 2 per cent of GDP threshold but allocatable government revenue is needed to achieve this.

It's interesting to investigate this topic from the perspective of the Hungarian defence industry. High representation of domestic added value may only be achieved if the negotiation power of the manufacturer or integrator is strong and they are able to show preference towards domestic suppliers. A small parts supplier may reach foreign markets through a large producer only in rare and very special cases yet the solutions developed by them – and which are already known by the nation's armed forces – have a good chance to be employed as a domestically developed vehicle.

So these types of vehicle families present a great opportunity to the whole Hungarian defence industry. It does not detract from the role of large producers in the supply of smaller countries. Not everything can be manufactured locally – and that again emphasises the importance of real industrial collaboration, especially if this is carried out through relevant production profiles. Nonetheless, compromises are needed. To have a requirement for products and parts to only be supplied by local industry is not possible.

DIQ: What do you hope to discover at this year's Armoured Vehicles Eastern Europe conference?

AZ: I hope all participants experience useful networking, that users will become acquainted with the available technical solutions, and that manufacturers learn about the current market opportunities and demands. Considering this in regards to Hungary, I also believe it's a great opportunity for both foreign and domestic defence market operators to get to know each other and to establish cooperation. This can result in common solutions which contribute to the successful implementation of our military forces development programme.

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HONVÉDELMI MINISZTÉRIUM

A HAZÁÉRT MAGYAR HONVÉDSÉG

OPTIMISING EASTERN EUROPE'S ARMOURED VEHICLE CAPABILITY THROUGH INCREASED INTEROPERABILITY, COLLABORATION AND INVESTMENT

Show your support for the Hungarian commitment to increase their contribution to burden-sharing within the Alliance by joining us at Armoured Vehicles Eastern Europe, delivered in collaboration with The Defence Industry Association of Hungary.

Tailored to the challenges and acquisition programmes of the region, Armoured Vehicles Eastern Europe provides a platform for discussion of armoured vehicle deployment, procurement, cooperation, and sustainment - bringing together Chiefs of Staff, Commanders of mechanised and armoured Infantry, heads of procurement, and industry executives from both local and international organisations.

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