



UKTI DSO MARKET BRIEF: HUNGARY



Issue Date: May 2013

MILITARY OVERVIEW

Hungary is a member of NATO, the EU and also of the Visegrad Group. But following much streamlining over the past 20 years, the country no longer possesses a separate army structure. The Army and Air Force have been merged into the Hungarian Defence Forces. The defence budget is expected to increase by 0.2% of GDP by 2013, with 20% of the defence budget earmarked for modernisation of the armed forces, including procurement. The Hungarian Defence Ministry recently reduced its headcount, at its HQ sites, by 30%, and the various intelligence services are being merged to form a single organisation.

Hungary has 507 troops in Afghanistan (part of ISAF), though lost four soldiers in 2010 through enemy IED action. The country is also involved in several peacekeeping missions, notably Kosovo (241 soldiers). 160 troops serve in Bosnia-Herzegovina, as part of EUFOR.

DEFENCE & SECURITY OPPORTUNITIES

The current major defence and security procurement programmes are: upgrade of the combat aircraft fleet, new infantry fighting vehicle, upgrade of Mi-17 and Mi-24 helicopters, 'Future Soldier' project, a military cyber-security programme, and a planned border surveillance project centred on the River Danube. Owing to the small defence budget, however (HUF234.9bn in 2012) it remains to be seen how many of these programmes will be fulfilled.

In August 2011, a tender was issued for the sale of 6 MiG-29s of the Hungarian Air Force; though at this stage, it is not possible to estimate when the Hungarian defence ministry will be in a position to launch a tender for the replacement of those aircraft. At the same time, the government is taking steps to shore up what remains of this year's defence budget, by withdrawing from the NATO Multinational Helicopter Initiative and disbanding the military staff academy.

The Hungarian Army received 32 UH-1N helicopters (estimated value \$160m) from the US Army in mid-December 2011, as a free donation. However, the modification, setup, training and logistics support would cost Hungary approximately \$426m.

According to local statistical data, security is among the ten most profitable sectors in Hungary, while secure management of various facilities (including property protection) features amongst the top six priorities in this sector. According to the local professional chamber of commerce, 134,000 are employed in the Hungarian security sector, of which up to 1,600 of them are private detectives, a few hundred of them deal with technical protection issues, and the remainder are security guards.

Regarding electronic property protection, numerous external factors influence the security and safety market, and almost all changes in various sectors have some impact. Security equipment in general, be it fire alarms, alarm systems or entry systems, is installed on buildings; and this depends to a large extent on the state of Hungary's construction market. There is therefore a strong link between the number of new system installations and the number of new construction projects. Upgrading and extending existing systems can also provide opportunities.

Key future government projects expected to create opportunities for security products include stadia developments. Sports development is heavily supported by the present Hungarian government, and building new stadia or refurbishing existing ones is considered to be a priority. Larger projects that have already been announced include:

Szeged 2011 Stadium (estimated cost HUF 2.3 bn; estimated finish autumn 2012); "Tuskecsarnok" (estimated cost HUF 5.9 bn; estimated completion 2014);

Refurbishment of the Nagyerdei Stadium in Debrecen (cost estimate is yet to be announced; estimated completion 2014);

Refurbishment of Ferenc Puskás Stadium (athletics centre) and construction of a new football stadium (estimated cost HUF 100 bn; estimated completion 2015).

Other developments include:

Refurbishment of the Várkert-bazár heritage building, artists' workshops, shops, restaurants and tourism venue (estimated cost HUF 6.5 bn; estimated finish 2014); Refurbishment of the "Ludovika Campus" building of the former

military academy, which will eventually be the home of the National University of Public Service (estimated cost HUF 20 bn; estimated finish 2014); “Andrássy-negyed” or “Múzeum-Liget” development, comprising refurbishment of heritage buildings and design and construction of new museum buildings (approx. HUF 25 bn; estimated completion 2017); Rubik-Cube House – The initial concept is for a 10-20,000 m² cultural centre. (Cost estimate has not yet been published, though estimated completion will be in 2017.)

Law enforcement organisations regularly publish tenders, such as the recent TETRA radio system renewal or mobile X-Ray for the Airport Police. The commercial team in Budapest uploads those tenders that could be of interest to UK businesses onto the UKTI portal. National Police HQ, secret services, Counter Terrorist Centre all keep a database of suppliers for future reference; interested UK companies are, therefore, encouraged to contact the UKTI Budapest Team, which acts as an intermediary body.

ECONOMIC BACKGROUND

Source IMF, World Economic Outlook Database

	2008	2009	2010
GDP (\$BN)	155.444	128.764	130.421
Per Capita GDP (\$)	15,474.72	12,023.86	14,808.13

DEFENCE ECONOMICS

Defence Budget

Source IISS and the Military Balance 2010

Year	2008	2009
(\$BN)	2.06	1.86

THE HUNGARIAN DEFENCE MARKET AND HOW TO DO BUSINESS

The following general information is intended as a preliminary guide to help UK defence companies understand the Hungarian defence market. It is not intended to be exhaustive.

Fundamentals Needed to Succeed in the Hungarian Defence Market - Routes to Market

The best ways of selling into this market are through a specialised partner, with good business connections and a track record in the defence sector. Most contracts are tenders, and call for extensive product testing and demonstrations, which can only be achieved with a permanent local presence, and a good understanding of the decision-making process. Agents are often used for highly specialised technical equipment.

Distributors are the main sales channel for standard equipment which may require in-country servicing and emergency stocks. Ad-hoc partnerships with systems integrators and general contractors are often used for project-based supplies and services.

Public administrations and government departments are bound by public procurement rules, and purchase through public or restricted tender. Only minor requirements or exceptional technical projects are purchased through negotiated contracts.

Each company should go through a national security accreditation, which is similar to the X List. It is highly recommended that companies should find local partners.

HMG Support

For the Hungarian defence market, advice, support and assistance to UK companies is provided by UKTI DSO RD Africa, Europe, Middle East, Central & South Asia in London, and the Defence Section of the British Embassy in Vienna (the UK's Defence Attaché for Hungary is based there).

We encourage the companies interested in opportunities in the country's defence and security sectors to contact the Embassy's Trade & Investment Team (based in the British Embassy in Budapest) for advice and practical support.

Hungary Export Controls

UK defence manufacturers must first obtain a F680 licence, in order to be able to export, but should also ensure that none of the items are controlled, or appear on the Military List. This also applies to UK security companies.

For more information, contact the Export Control Organisation of the Department of Business, Innovation and Skills, at <http://www.bis.gov.uk/exportcontrol>.

Visit Security Clearance

This is obtained from the UK Ministry of Defence's (MoD) International Visits Control Office, which is located at Abbey Wood in Bristol.

Further guidance and the required forms are at: <https://www.gov.uk/defence-equipment-and-support-principal-security-advisor#inward-visits>

ARMED FORCES - MILITARY STRENGTH

Source: armedforces.co.uk

Army: 10,900 (plus approximately 30,000 reservists)

Maritime Wing: Approx 60

Air Force: 5,600 (plus approx 8,000 reservists)

Joint: 8,500

Border Guards: 11,000

SECURITY ISSUES

The Hungarian government considers national security as one of the most important areas of development, and has commenced a programme to address this. For instance, the Counter Terrorist Centre (TEK) was established in August 2010 incorporating different police units and the Secret Service under one umbrella. This institution has an initial procurement budget of HUF 10bn (£30m) and is seeking international contacts and purchasing equipment. One of the main tasks of the Minister of Interior Affairs is to equip the police forces appropriately for their tasks, which implies purchasing additional products.

Floods represent a constant risk in Hungary. During the flood in the spring/summer of 2010, some 5 million sandbags were used to protect buildings and roads. In addition, the 'red sludge' disaster of October 2010 – when a dam burst causing flooding of nearby villages and ten deaths – was the country's worst-ever environmental disaster. It also proved to be a positive test of Hungary's management of emergency situations.

In the framework of the National Development Plan (http://www.nfu.hu/the_new_hungary_development_plan) and under urban regeneration (using EU funds), cities will introduce CCTV systems to prevent crime and develop security.

DOMESTIC DEFENCE INDUSTRIAL CAPABILITY

Since the end of the Cold War, Hungarian governments have sought to privatise much of the country's defence industry that possesses competency across the Land and Aerospace sectors. According to recent (but historic) data from the Ministry of Economic Affairs, there are about 65 companies involved in the defence industry: about 35 companies manufacture defence items, while the remainder are primarily import/export trading companies. The ten major defence industry companies are engaged in aircraft maintenance and upgrades, development of armoured vehicles, ammunition production, military simulation devices, radar and missile manufacturing, gas masks and protective clothing, handguns, and defence electronics systems.

DEFENCE IMPORTS & EXPORTS 2007-2011

Source: UKTI DSO Survey of Defence Exports & Various Open Sources

Identified Hungarian Defence Import Procurement:

Total: \$8M

Identified Hungarian Defence Exports:

Total: \$6M

COMPETITORS

Russia and Israel are the prime competitors

PROCUREMENT ORGANISATION

Defence procurement is carried out by the Hungarian Defence Ministry's Department of Economic Planning (<http://www.kormany.hu/en/ministry-of-defence/news/department-for-economic-planning>).

KEY PERSONALITIES

<u>Defence Minister</u>	Dr. Csába Hende
<u>State Secretary</u>	Lajos Fodor
<u>Armed Forces</u>	Chief of General Staff – Lt.-Gen. Tibor Benkő
<u>Joint Forces Command</u>	Commander – Maj.-Gen. József Kovács
<u>Air Force</u>	Commander – Maj.-Gen. Zoltán Pintér
<u>Minister of Interior</u>	Dr. Sándor Pintér
<u>State Secretary</u>	Dr. László Felkai

Further Information:

If you require further information/clarification on anything in this Fact Sheet, please contact:

UKTI Defence & Security Organisation
BD Market Analysis
1st Floor
1 Victoria Street
London SW1H 0ET
Telephone: 020 7215 8209

E-mail: dso.businessservices@ukti.gsi.gov.uk

Next steps - How UKTI can help

British companies wishing to develop their business in the Hungarian market are advised to undertake as much market research and planning as possible in the UK. UKTI's team in Hungary, with its wide local knowledge and experience, can provide a range of services to British-based companies wishing to grow their business in global markets.

This can include:

- Provision of market information
- Validated lists of agents/distributors
- Key market players or potential customers in the Hungarian market
- Establishment of interest of such contacts in working with you

This work is available via our [Overseas Market Introduction Service \(OMIS\)](#) a chargeable service which assists British-based companies wishing to enter or expand their business in overseas markets.

To find out more about commissioning this work, or accessing other UKTI services and specialist advice, please visit the UKTI website to find [contact details for your local UKTI office.](#)

Other Useful Contacts:

Hungary Desk, UKTI Defence & Security Organisation

RD, Desk Officer for Central & Eastern Europe
UK Trade & Investment Defence & Security Organisation
1 Victoria Street
London SW1H 0ET
T: +44 (0)20 7215 8234

Hungarian Embassy London

Embassy of the Republic of Hungary
35 Eaton Place
London SW1X 8BY
Tel: 020 7201 3440
Fax: 020 7823 1348

E-mail: mission.lon@mfa.gov.hu

Internet:

<http://www.mfa.gov.hu/kulkepviselet/UK/en/mainpage.htm>

British Embassy in Hungary

British Embassy Budapest
Harmincad Utca 6
Budapest 1051

Tel: 0036 (1) 266 2888

Fax: 0036 (1) 429 6296

hajnalka.polonyi@fco.gov.uk

Internet:

<http://ukinhungary.fco.gov.uk/>

Other Useful Websites:

Government of the Republic of Hungary: <http://www.kormany.hu/en>

Military Intelligence Office: <http://www.kfh.hu/index2eng.html>

Customs procedures: <http://vam.gov.hu/welcomeEn.do>

Hungary Travel Advice

Travel information and general Embassy contact details can be found at:

<http://www.fco.gov.uk>

<http://ukinhungary.fco.gov.uk/>

Foreign Consular Offices in Hungary

Media, travel, careers, business and state links/information can be found at:

MTI news agency (in English): <http://english.mti.hu/Pages/Login.aspx> (note: this is a chargeable website)

Hungary Around The Clock: <http://www.hatc.hu/index.php>

Tourism: <http://www.gotohungary.com/>

Visa Services and Links

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/europe/hungary>

(UK Nationals do not require visas for Hungary unless for visits of more than 3 months' duration)

BBC Country Profiles

http://news.bbc.co.uk/1/hi/world/europe/country_profiles/1049641.stm

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Published May 2013 by UK Trade & Investment.
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