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THE FUTURE OF HUNGARY'S DEFENCE INDUSTRY AFTER 2026

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EXECUTIVE SUMMARY

The Russia–Ukraine war, the European Union's new European Defence Industrial Strategy (EDIS), and the rearmament efforts set in motion across NATO have fundamentally altered Europe's security and industrial policy environment.[1] Over the coming decade, European defence expenditure is expected to exceed one trillion euros, while the European Union is seeking to build a defence industrial base[2] capable of reducing external dependencies and strengthening the continent's strategic autonomy.[3]

Hungary has undertaken significant defence industrial investments in recent years. The Lynx programme, ammunition production in Várpalota, the Gidrán programme, Colt CZ Hungary, Airbus Helicopters Hungary, and the technology and defence industrial structures organised around 4iG and N7 have created capabilities that had not previously existed in the country.[4] The key question after 2026 is therefore no

[1] European Commission and High Representative of the Union for Foreign Affairs and Security Policy, A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry, JOIN(2024) 10 final (Brussels, March 5, 2024), 1–3; NATO, NATO 2022 Strategic Concept (Brussels: NATO, June 29, 2022), paras. 1–8.

[2] European Defence Agency, *Defence Data 2024–2025* (Brussels: European Defence Agency, 2025), 4–6; Jakob Mejino-López and Guntram B. Wolff, *A European Defence Industrial Strategy in a Hostile World*, Policy Brief 29/2024 (Brussels: Bruegel, 2024), 1–3.

[3] Council of the European Union, A Strategic Compass for Security and Defence: For a European Union That Protects Its Citizens, Values and Interests and Contributes to International Peace and Security (Brussels: Council of the European Union, March 21, 2022), 7–13; European Commission and High Representative, A New European Defence Industrial Strategy, 1–3.

[4] Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion," press release, September 10, 2020; Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula." press release, May 28, 2019; Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group," press release; 4iG Plc., *Consolidated Financial and Management Report 2024 Q4* (Budapest: 4iG, 2025).

longer whether Hungary needs a national defence industry, but under what ownership, institutional and national security frameworks the capacities created in recent years should continue to operate.[5]

The central finding of this study is that Hungary's interest does not lie in dismantling its existing defence industrial capacities, but in depoliticising them, increasing their transparency, and establishing a system of strategic state control that balances national security interests with market competitiveness. The study concludes that Hungary's greatest future opportunity may lie not in the independent development of complete weapons systems, but in specialisation in ammunition production, military mobility, logistics, lifecycle support, defence digitalisation, cybersecurity and dual-use technologies.

The historic task facing the next government will be to ensure that Hungary's defence industry becomes a national strategic sector that is independent of party-political affiliations, export-capable, integrated into Europe, and sustainable over the long term.

This study is therefore addressed primarily to a future Hungarian government and its military leadership. Its central policy question is how to preserve the defence industrial capacities created during the previous governmental cycle while removing them from party-political dependency, subjecting them to strategic state control, and integrating them into the force structure, readiness requirements and alliance commitments of the Hungarian Defence Forces. The objective is not ideological reversal, but the conversion of inherited economic-military structures into accountable national capabilities serving Hungary's defence, NATO's deterrence and defence posture, and the European Union's emerging defence industrial policy framework.

[5] European Union, Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union, Official Journal of the European Union L 79I/1, March 21, 2019; European Union, Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the Resilience of Critical Entities, Official Journal of the European Union L 333/164, December 27, 2022.

METHODOLOGICAL NOTE

The study is based on open-source information (Open Source Intelligence – OSINT), official governmental and corporate documents, European Union and NATO sources, academic literature, and international economic and security policy analyses.[6]

The main categories of sources used in the research include:

- European Commission documents, including EDIS, EDIP, ASAP and the EDF
- Reports of the European Defence Agency (EDA)
- NATO strategic documents and summit declarations
- SIPRI databases and studies
- OECD and Bruegel analyses
- Reuters and the *Financial Times*
- Official communications by Rheinmetall, Airbus, Colt CZ, Rába, 4iG and other companies
- Hungarian and European legal instruments

The purpose of the study is not to provide a political assessment of individual companies or ownership groups, but to examine how the defence industrial structures that have emerged may contribute to Hungary's long-term economic, security policy and technological interests.

[6] The methodological approach is based on open-source document analysis, official legal and corporate sources, and policy analysis. With regard to the types of sources used, see in particular: European Defence Agency, *Defence Data 2024–2025*; SIPRI, *SIPRI Yearbook 2024: Armaments, Disarmament and International Security* (Oxford: Oxford University Press, 2024); NATO, *Washington Summit Declaration* (Washington, DC: NATO, July 10, 2024).

PROBLEM MAPPING: WHY DOES HUNGARY'S DEFENCE INDUSTRY REQUIRE A NEW STATE STRATEGY?

The starting point for repositioning Hungary's defence industry after 2026 is not that the capacities created in recent years are without value. On the contrary, the Lynx programme, ammunition production in Várpalota, the Gidrán–Rába line, Airbus's investment in Gyula, Colt CZ Hungary, and the technology and defence industrial structures organised around 4iG and N7 represent genuine economic and national security value.[7] The problem lies not primarily in the existence of these industrial capabilities, but in the institutional, ownership and oversight environment in which they operate.

The first problem is ownership concentration. Defence manufacturing, telecommunications, space industry activities, digital infrastructure, systems integration and data communications have partly emerged within interconnected corporate circles. Concentration as such is not alien to the modern defence industry. In Hungary, however, it is not always clear where economies of scale end, where politically supported corporate expansion begins, and at what point this becomes a national security risk.[8]

The second problem is weak parliamentary and public finance oversight. In the defence industry, certain information necessarily cannot be made public. This, however, cannot mean that state exposures amounting to hundreds of millions or even billions of euros, long-term maintenance obligations, ownership restructurings and strategic contracts should be concluded without meaningful democratic scrutiny. The current system lacks a multi-level oversight model capable both of protecting classified information and ensuring the accountability of public expenditure.[9]

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[7] See the corporate and programme-related sources discussed in Sections 1.1–1.7 of the present study, in particular: Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx"; Rheinmetall AG, "New Ammunition Factory in Hungary," press release, January 17, 2023; Airbus, "Airbus Helicopters and Hungarian Government"; Colt CZ Group SE, *Annual Financial Report 2024* (Prague: Colt CZ Group, 2025); and 4iG Plc., *Consolidated Financial and Management Report 2024 Q4*

[8] European Commission, *Fourth Annual Report on the Screening of Foreign Direct Investments into the Union*, COM(2024) 464 final, Brussels, October 17, 2024. For the most recent overview, see: European Commission, *Fifth Annual Report on the Screening of Foreign Direct Investments into the Union*, COM(2025) 632 final, Brussels, October 14, 2025; National Assembly of Hungary, Act LVII of 2018 on the Control of Foreign Investments Affecting Hungary's Security Interests.

[9] European Union, Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on defence and security procurement, *Official Journal of the European Union* L 216/76, August 20, 2009; National Assembly of Hungary, Act XXX of 2016 on procurements for defence and security purposes; Consolidated Version of the Treaty on the Functioning of the European Union, Article 346.

The third problem is dependence on state orders. A significant share of Hungary's defence industrial actors remains strongly tied to public procurement, force development programmes and politically determined industrial policy decisions. This is partly natural in the case of an emerging defence industry, but it carries long-term risks. Unless companies become integrated into European supplier chains, gain access to export markets and generate independent technological added value, the defence industry will not develop into a competitive sector, but into a system of budgetary dependency.[10]

The fourth problem is the weak performance-conditionality framework attached to state support. The development of a defence industry is difficult to imagine without substantial state involvement, but every form of support must be linked to measurable strategic outcomes. It must be possible to demonstrate what Hungarian added value is being created, what technologies are being brought into the country, what supplier base is being developed, what export potential is being generated, and what crisis-response capability is being secured for the state. Without such conditions, industrial development can easily become a form of politically driven rent financing.[11]

The fifth problem is the private concentration of critical infrastructures. The modern defence industry can no longer be separated from telecommunications, data centres, satellite services, cybersecurity and digital logistics systems. If these capabilities become concentrated in the hands of a small number of politically embedded market actors, the state's room for manoeuvre in a crisis may be constrained. The question is not whether everything must be in state ownership, but whether the state has audit rights, veto rights, emergency powers of direction and strategic access.[12]

The sixth problem is the absence of an export strategy. The defence industry of a small country cannot rely solely on orders from its own armed forces. For Hungary, the realistic path is specialised integration into European and NATO-compatible value chains: ammunition production, military mobility, armoured vehicle lifecycle support, MRO, small-arms components, digital logistics, cybersecurity and dual-use

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[10] European Commission and High Representative, A New European Defence Industrial Strategy, 4–7; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final (Brussels, March 5, 2024), 1–4.

[11] Consolidated Version of the Treaty on the Functioning of the European Union, art. 107; Consolidated Version of the Treaty on the Functioning of the European Union, art. 346; European Commission, *Proposal for a Regulation Establishing the European Defence Industry Programme*, 1–4.

[12] European Union, Directive (EU) 2022/2557 on the resilience of critical entities; European Union, Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on measures for a high common level of cybersecurity across the Union, *Official Journal of the European Union* L 333/80, December 27, 2022; National Assembly of Hungary, Act CLXVI of 2012 on the identification, designation and protection of vital systems and facilities; National Assembly of Hungary, Act LXIX of 2024 on Hungary's cybersecurity.

technologies. This, however, requires a clear export profile, a target-market strategy, an export-control system and an international partnership network.[13]

The seventh problem is the absence of a clear defence-industrial decision architecture. In peacetime, defence industrial policy may appear to be divided among industrial policy, state asset management, procurement, national security screening and foreign trade. In a crisis, however, these functions converge. The state must know who has authority to prioritise military supply, activate emergency production, redirect logistics capacities, secure critical digital and telecommunications systems, suspend or approve ownership transactions, and coordinate with NATO and EU partners. Without such a decision architecture, even valuable industrial assets may fail to become usable military capabilities.

The common denominator of these problems is that Hungary's defence industry has developed more rapidly than the legal, institutional and strategic control system intended to regulate it.[14] Factories, joint ventures, holding structures, technology portfolios and international partnerships have been created, but they have not been accompanied by the democratic and national security framework needed to ensure the sector's long-term political neutrality, export capacity and operation in the public interest.

The logic of the solution is therefore not dismantling, but strategic consolidation. The first step is to map precisely what capacities have been created, who exercises effective control over them, what technological and contractual dependencies exist, and which elements qualify as critical national security infrastructure. A differentiated model should then be applied: what needs to be preserved should be stabilised; what has become politically over-concentrated should be restructured; what affects critical state interests should be brought under strategic control; and where innovation, exports and competition are needed, space should be created for regulated private capital and international partnerships.

The future of Hungary's defence industry will not be determined by whether each individual company is in state or private ownership. It will be determined by whether Hungary can establish a transparent strategic model, grounded in the rule of law and aligned with its alliance commitments, that transforms existing capabilities into

[13] Council of the European Union, Council Common Position 2008/944/CFSP of 8 December 2008 Defining Common Rules Governing Control of Exports of Military Technology and Equipment, Official Journal of the European Union L 335/99, December 13, 2008; United Nations, Arms Trade Treaty, adopted April 2, 2013, entered into force December 24, 2014; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026.

[14] European Union, Directive 2009/81/EC; European Union, Regulation (EU) 2019/452; European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; National Assembly of Hungary, Act XXX of 2016; National Assembly of Hungary, Act LXIX of 2024.

national assets, industrial capacities into export-capable performance, and politically burdened structures into a democratically controlled defence industrial ecosystem.[15]

I. WHAT HAS HUNGARY INHERITED? MAPPING THE HUNGARIAN DEFENCE INDUSTRIAL ECOSYSTEM

Introduction

One of the main problems in public debate on Hungary's defence industry is that the issue is often approached through the lens of political actors, ownership structures heavily dependent on government decisions, or particular business circles, while the central question is pushed into the background: what real industrial, technological and national security capabilities have been created in Hungary over the past decade and a half?

Following a change of government in 2026, one of the most important strategic challenges for a new Hungarian government will be to distinguish between the elements linked to politically favoured ownership groups and those genuine national capabilities whose preservation is in Hungary's long-term interest.

This will not be a simple task. In recent years, Hungary has not merely placed state orders or purchased weapons from abroad. It has gradually developed a defence industrial ecosystem that includes manufacturing facilities, research and development cooperation, international technology partnerships, logistics capacities and an expanding supplier network.

The first step of this study, therefore, must be to set out precisely what Hungary's defence industry consists of today.

The Structure of Hungary's Defence Industry

In 2026, Hungary's defence industry rests on seven principal pillars:

1. armoured fighting vehicle and military vehicle production;
2. ammunition and explosives manufacturing;
3. small-arms production;
4. aerospace and helicopter component manufacturing;

[15] European Union, Directive 2009/81/EC; European Union, Regulation (EU) 2019/452; European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; National Assembly of Hungary, Act XXX of 2016; National Assembly of Hungary, Act LXIX of 2024.

5. military electronics, information technology and communications systems;
6. defence logistics and maintenance;
7. space-related and dual-use technologies.

The following sections examine the main actors in these fields and their strategic significance.[16]

Rheinmetall Hungary and the Lynx-programme

The largest and best-known project in Hungary's defence industry is undoubtedly the Lynx programme in Zalaegerszeg. Established as a joint venture between Germany's Rheinmetall and the Hungarian state, Rheinmetall Hungary is intended to manufacture and provide long-term support for the Lynx KF41 infantry fighting vehicle. The total value of the programme exceeds two billion euros, while the Hungarian Defence Forces have ordered more than two hundred vehicles.[17]

The significance of the project extends well beyond manufacturing. Rheinmetall has not simply established an assembly plant in Hungary; it has brought into the country production, engineering and quality assurance capabilities that had not previously existed there.[18]

From a national security perspective, the Lynx programme means that Hungary will no longer appear on the market for modern land combat vehicles solely as a purchaser, but will also be able, at least in part, to participate in the supply, maintenance and modernisation of its own armed forces. From an economic perspective, the programme opens up long-term supplier and export opportunities for Hungarian industry.

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[16] The seven-pillar typology is the author's own classification, based on publicly available corporate, governmental and EU/NATO strategic sources concerning Hungarian defence industrial investments. See: Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx"; Rheinmetall AG, "New Ammunition Factory in Hungary"; Airbus, "Airbus Helicopters and Hungarian Government"; Colt CZ Group SE, *Annual Financial Report 2024*; 4iG Plc., *Consolidated Financial and Management Report 2024 Q4*.

[17] Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion," press release, September 10, 2020.

[18] Rheinmetall AG, "Rheinmetall Opens Lynx Infantry Fighting Vehicle Factory in Zalaegerszeg, Hungary," press release, August 18, 2023; Rheinmetall AG, "Rheinmetall Hands Over the First Lynx from Hungarian Production," press release, July 26, 2024.

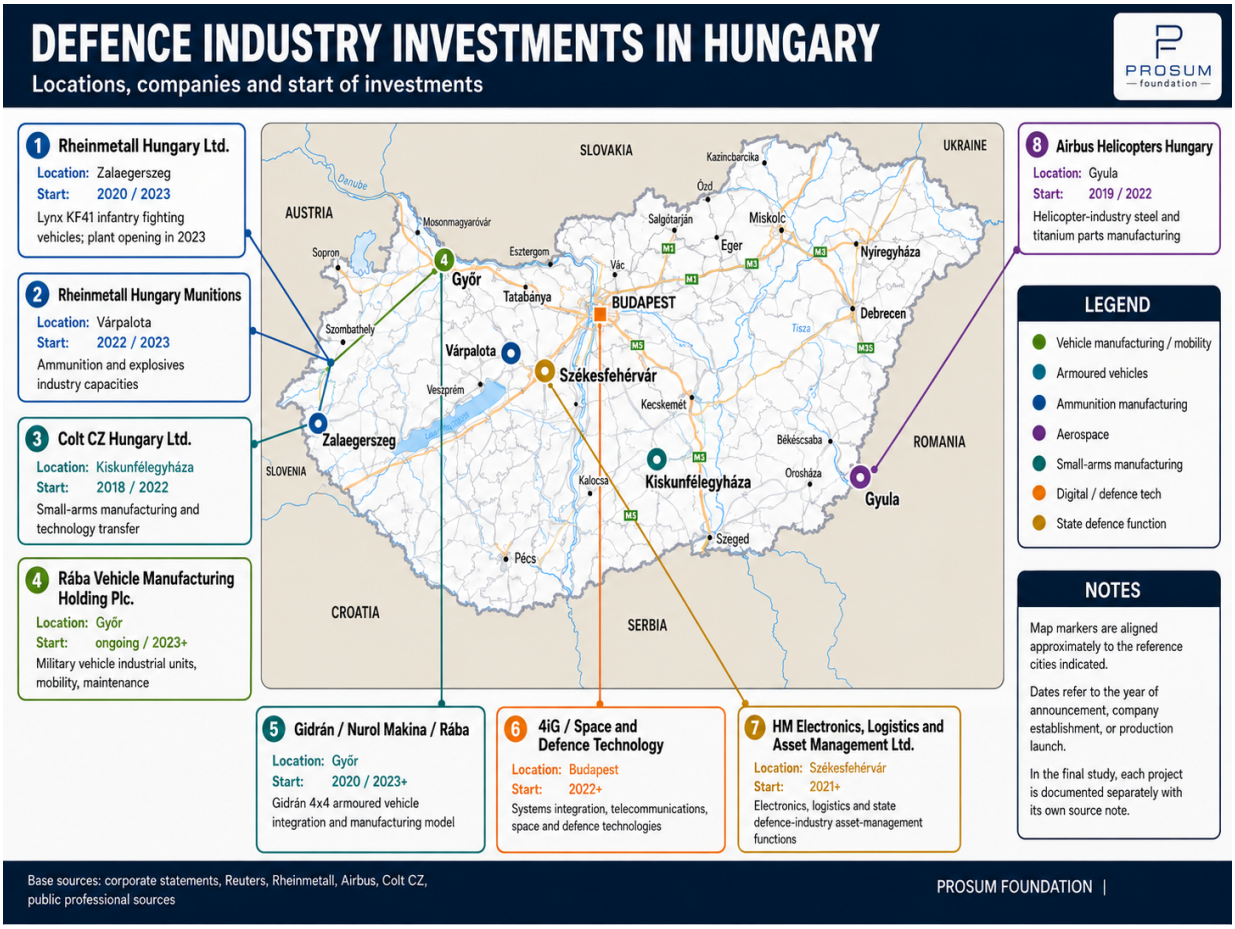

Figure 1. The nationwide geographical distribution of defence industrial production facilities in Hungary in 2026.

(Source: author's own compilation, based on publicly available communications by Rheinmetall AG, Airbus, Nurol Makina Hungary, Colt CZ Group SE, Rába Plc., 4iG Plc. and the Hungarian Defence Forces.)

Rheinmetall Munitions and the Ammunition Industry in Várpalota

The second pillar consists of the ammunition and explosives industry investments in Várpalota. One of the most important lessons of the war in Ukraine has been that Europe's ammunition production capacities fall far short of the requirements of modern conflict.[19] The joint project between Rheinmetall and the Hungarian state offers a partial response to this challenge. The Várpalota plant is not only capable of meeting the needs of the Hungarian Defence Forces, but may also become part of the

[19] European Commission and High Representative, A New European Defence Industrial Strategy, 8–11; European Union, Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on Supporting Ammunition Production (ASAP), Official Journal of the European Union L 185/7, July 24, 2023.

European ammunition supply chain.[20] In the coming years, this capacity may retain strategic importance, particularly if European rearmament proves to be a sustained process.

1.1. Re-establishing Hungary's Defence Industry: The Rheinmetall–Lynx Programme and the Revival of the Land Defence Industrial Sector

To understand the current structure of Hungary's defence industry, it is first necessary to recognise that, until the late 2010s, Hungary essentially lacked the kind of complex land defence manufacturing capacity that would have made the country a relevant actor by European standards. Although certain traditional companies, including Rába, as well as some smaller defence industrial actors, retained elements of their production capabilities, the Hungarian defence industry gradually moved to the periphery in the decades following the democratic transition.[21]

The turning point was the Zrínyi 2026 force development programme.[22] Its original objective was to modernise the equipment of the Hungarian Defence Forces, but it soon became clear that procurement alone would not be sufficient. International experience shows that sustainable military capabilities always require an industrial base behind them. Defence capabilities depend not only on the number of systems acquired, but also on the extent to which a country is able to participate in their production, maintenance and modernisation.

It was in this context that cooperation between Rheinmetall and the Hungarian state emerged, with the domestic production of the Lynx KF41 infantry fighting vehicle as its central element. The contract announced in 2020 was worth more than two billion euros and covered the procurement of 218 Lynx vehicles, together with related support systems.[23] The package included not only the delivery of the vehicles, but also training, simulation, spare-parts supply and sustainment services.

The strategic significance of the project lies in the fact that, in the second phase of production, a substantial share of the vehicles is being manufactured in Hungary. The

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[20] Rheinmetall AG, "New Ammunition Factory in Hungary," press release, January 17, 2023; Rheinmetall AG, "Ammunition Production Capacity Increasing: Várpalota Ammo Plant Continues to Grow," press release, January 30, 2024.

[21] Olivér Balogh, "The Hungarian Governmental Defence and Military Development Program 'Zrínyi 2026' as a National and Regional Security Factor," *Security and Defence Quarterly* 24, no. 2 (2019): 55–70; József Padányi and László Földi, "Military Technical Developments in Hungary in the Frame of Zrínyi 2026 Program," in *Proceedings of the 2019 IEEE 17th International Symposium on Intelligent Systems and Informatics* (Piscataway, NJ: IEEE, 2019).

[22] Balogh, "The Hungarian Governmental Defence and Military Development Program," 55–70; National Assembly of Hungary, Act CXL of 2021 on National Defence and the Hungarian Defence Forces.

[23] Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion."

Zalaegerszeg plant was not established as a simple assembly site, but as part of Rheinmetall's global production network.[24] The company officially opened the facility in 2023, accompanied by a development centre, a test track and several hundred new jobs.

In 2024, Rheinmetall delivered the first Lynx KF41 vehicle manufactured in Hungary to the Hungarian Defence Forces. With this milestone, Hungary joined the small group of European countries capable of producing modern tracked armoured fighting vehicles on their own territory.[25]

The significance of the programme, however, extends beyond the Lynx itself. In the modern defence industry, the most important value is not the final product as such, but the knowledge system that makes its production and sustainment possible. The Zalaegerszeg investment has brought to Hungary capabilities such as military quality assurance, the integration of armoured vehicles, supply-chain management, and the organisation of lifecycle support over several decades.[26]

From an economic perspective, the Lynx programme is of particular importance for three reasons. First, the investment has created high value-added engineering and technology jobs. Second, it offers Hungarian suppliers an opportunity to become integrated into Rheinmetall's international supply chains. Third, it generates export potential that may, over the longer term, become independent of orders from the Hungarian Defence Forces.[27]

From a national security perspective, the impact of the programme is perhaps even more significant. The war in Ukraine has made clear that, in modern conflicts, it is not sufficient merely to possess advanced military equipment. The ability to maintain, repair and supply spare parts for such systems is of at least equal strategic importance to the procurement itself.[28] The Lynx programme lays the foundations for this capability in Hungary.

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[24] Rheinmetall AG, "Rheinmetall Opens Lynx Infantry Fighting Vehicle Factory in Zalaegerszeg, Hungary."

[25] Rheinmetall AG, "Rheinmetall Hands Over the First Lynx from Hungarian Production."

[26] NATO, *NATO Industrial Capacity Expansion Pledge* (Washington, DC: NATO, July 10, 2024); European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11.

[27] Rheinmetall AG, *Annual Report 2024* (Düsseldorf: Rheinmetall AG, 2025), sections on Vehicle Systems and international orders; Rheinmetall AG, "Rheinmetall Opens Lynx Infantry Fighting Vehicle Factory in Zalaegerszeg, Hungary."

[28] NATO, *NATO Industrial Capacity Expansion Pledge*; NATO, *Washington Summit Declaration* (Washington, DC: NATO, July 10, 2024), paras. 5–7.

In the literature, this phenomenon is often described as the **"defence industrial base."**[29] The experience of NATO countries shows that states enjoy greater strategic autonomy when they are not merely users of their own weapons systems, but are also, at least in part, involved in their production and sustainment. From this perspective, Hungarian–German cooperation should not be understood simply as a procurement arrangement, but as a long-term industrial development project.

1.2. The Return of Ammunition Production: Rheinmetall Munitions and Várpalota

If the Lynx programme is the most visible symbol of the revival of Hungary's defence industry, the Rheinmetall Munitions investment in Várpalota may be its most strategically significant component. Public attention naturally tends to focus on more visible armoured vehicles and weapon systems. Yet the experience of modern warfare shows that the outcome of wars is often determined not by the most advanced platforms, but by the availability of ammunition stocks and the capacity to produce them.

One of the most important lessons of the war in Ukraine has been that post-Cold War Europe dramatically underestimated the ammunition requirements of high-intensity conflict. For a long time, European armed forces and NATO decision-makers prepared for operations such as those in Afghanistan or Iraq, where ammunition consumption was incomparably lower than in a conventional interstate war. On the Ukrainian front, however, it quickly became clear that daily artillery ammunition expenditure could exceed by several orders of magnitude the levels for which European production capacities had been designed in peacetime.

In 2022 and 2023, several European countries were confronted with the fact that their own stockpiles had fallen to dangerously low levels. The European Union therefore launched the ASAP programme, the Act in Support of Ammunition Production,[30] with the aim of rapidly expanding European ammunition manufacturing capacity. According to the European Commission, one of the programme's primary objectives was to enable EU Member States jointly to increase ammunition production, particularly in the calibres required for artillery systems, while strengthening European supply chains and reducing external dependencies.

It was in this strategic context that the Rheinmetall investment in Várpalota became particularly important.

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[29] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–7; NATO, *NATO Industrial Capacity Expansion Pledge*.

[30] European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP).

The project, developed in cooperation between Germany's Rheinmetall and the Hungarian state, was originally launched with the aim of enabling Hungary once again to possess significant ammunition production capacities. The outbreak of the war in Ukraine, however, gave the investment an entirely new significance. What had previously appeared primarily as a national force development project became, within a few years, an investment of European strategic importance.[31]

According to Rheinmetall, the Várpalota complex is not simply a new factory, but an integrated centre for the production of ammunition and explosives.[32] The project comprises several production units capable of manufacturing ammunition of different calibres, explosives and propellants. Its purpose is not only to supply the Hungarian Defence Forces, but also to serve European and NATO markets.[33]

The strategic importance of the investment derives in part from the fact that modern ammunition production is not merely an assembly activity. The production chain is highly complex and includes a number of technological elements that are now available only in limited quantities in Europe.[34] The production of explosives, the manufacture of propellants, the development of various ignition systems and military quality assurance are all capabilities that require many years to build.

The literature on defence economics increasingly refers to this issue as **"munitions sovereignty."**[35] The term describes the extent to which a country, or a regional alliance system, is able to secure for itself the ammunition supplies required during conflict. One of post-Cold War Europe's greatest strategic mistakes was precisely that it partly dismantled or outsourced this capability.

The European Defence Agency and several NATO studies have likewise concluded that, in future conflicts, the greatest challenge may not be the absence of weapons

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[31] European Union, *Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on Supporting Ammunition Production (ASAP)*, Official Journal of the European Union L 185/7, July 24, 2023; European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry*, JOIN(2024) 10 final (Brussels, March 5, 2024), 8–11.

[32] Rheinmetall AG, "New Ammunition Factory in Hungary," press release, January 17, 2023; Rheinmetall AG, "Ceremonial Handover in Hungary: Rheinmetall Takes Over Ammunition Factory in Várpalota, Hungary, after Completion," press release, July 30, 2024.

[33] Rheinmetall AG, "Ammunition Production Capacity Increasing: Várpalota Ammo Plant Continues to Grow," press release, January 30, 2024; NATO, *NATO Industrial Capacity Expansion Pledge* (Washington, DC: NATO, July 10, 2024).

[34] European Commission and High Representative, A New European Defence Industrial Strategy, 8–11; European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP), recitals 1–7.

[35] European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11; NATO, *NATO Industrial Capacity Expansion Pledge*; Financial Times, "Europe Builds for War as Arms Factories Expand at Triple Speed," August 11, 2025.

systems, but their sustainment. A modern artillery system or infantry fighting vehicle constitutes a military capability only for as long as an adequate supply of ammunition is available. Ammunition production is therefore not simply an industrial sector; it is a foundational element of warfighting capability.[36]

From this perspective, the Várpalota investment has a dual significance for Hungary.

From a national security standpoint, it reduces the country's dependence on foreign suppliers. Although the Hungarian Defence Forces will not become fully self-sufficient, the existence of domestic production capacity significantly strengthens security of supply in a crisis.[37] This is particularly important at a time when European countries are placing increasing emphasis on replenishing their own strategic stockpiles.

From an economic perspective, the investment offers Hungary an opportunity to become integrated into European ammunition supply chains. EU and NATO Member States are expected to continue placing substantial orders for different types of ammunition over the coming decade. The Várpalota plant may therefore produce not only for the Hungarian market, but also potentially for export markets.[38]

At the same time, the project also highlights one of the most important structural challenges facing Hungary's defence industry.[39] Much of the current system relies on foreign technology partners. Rheinmetall's presence has undoubtedly brought high-level technology and access to international markets to Hungary, but the question of strategic dependency cannot be ignored. One of the key issues in the coming years will be the extent to which Hungarian industry can develop autonomous capabilities from cooperation based on technology transfer.

This question may be particularly important for a new government. The objective should not be to weaken international partnerships, since the modern defence industry operates fundamentally within global and alliance-based systems. At the same time, Hungary's long-term national interest requires that, alongside the

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[36] NATO, *NATO Industrial Capacity Expansion Pledge*; NATO, *Washington Summit Declaration* (Washington, DC: NATO, July 10, 2024), paras. 5–7; European Defence Agency, *Defence Data 2024–2025* (Brussels: European Defence Agency, 2025), 4–7.

[37] European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP); European Commission and High Representative, A New European Defence Industrial Strategy, 8–11; Rheinmetall AG, "Ceremonial Handover in Hungary."

[38] Rheinmetall AG, "Ammunition Production Capacity Increasing"; Rheinmetall AG, *Annual Report 2024* (Düsseldorf: Rheinmetall AG, 2025), sections on Weapon and Ammunition and international capacity expansion.

[39] Rheinmetall AG, "New Ammunition Factory in Hungary"; Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion," press release, September 10, 2020; Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula," press release, May 28, 2019.

production capacities established in the country, domestic engineering, research and development, and supplier capabilities should also be strengthened gradually.

The Várpalota investment is therefore far more than the construction of a new factory. It is a test of whether Hungary can, in the future, appear not only as a user of weapons systems, but also as an active participant in European defence supply chains.[40] If the Lynx programme represents the revival of Hungary's land vehicle industry, Várpalota may become one of the most important pillars of ammunition sovereignty and defence industrial autonomy over the coming decade.

1.3. The Gidrán Programme, Rába and the Hungarian Model of Military Mobility

One of the most interesting features of the development of Hungary's defence industry is that, while public debate has focused primarily on the Lynx programme[41], another process of capability-building has taken place in parallel in the fields of military mobility and wheeled armoured vehicles — one that may prove at least as important in the long term. The Gidrán programme, Rába's renewed military role, and various international partnerships together may lay the foundations for an industrial and logistics ecosystem that could be of even greater strategic significance for Hungary than armoured vehicle production itself.

One of the basic lessons of modern military operations is that most military tasks are not performed by tanks or infantry fighting vehicles. The backbone of day-to-day military activity is provided by various wheeled vehicles, logistics platforms, transport assets, reconnaissance vehicles, command systems and support vehicles.[42] Every army operates these in far greater numbers than heavy armoured platforms.

The Hungarian Gidrán programme is built precisely on this insight.

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[40] European Commission and High Representative, A New European Defence Industrial Strategy, 4–11; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final (Brussels, March 5, 2024), 1–4.

[41] Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group," press release, December 18, 2023; Rába Automotive Holding Plc., "Announcement of RÁBA Automotive Holding Plc. on the Establishment of the Hungarian-Turkish Joint Venture Company," Budapest Stock Exchange disclosure, December 18, 2023.

[42] European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11; NATO, *NATO Industrial Capacity Expansion Pledge;* European Commission, *Action Plan on Military Mobility 2.0*, JOIN(2022) 48 final (Brussels, November 10, 2022), 1–6.

The Gidrán is based on the Ejder Yalçın 4×4 armoured vehicle developed by Turkey's Nurol Makina, adapted to the requirements of the Hungarian Defence Forces.[43] At first, the programme appeared to be a straightforward procurement project, but over the course of a few years it gradually evolved into an industrial development initiative. Hungary's objective was not merely to purchase vehicles, but to build domestic integration and sustainment capacities that could represent independent industrial value over the long term.[44]

From this perspective, the establishment of the company Gidrán Vehicles was an important milestone. The project brought together Turkey's Nurol Makina, Hungary's Rába and actors linked to the Hungarian state. The objective was no longer limited to the assembly of vehicles, but increasingly included gradual localisation, component production, sustainment and support for future development.[45]

Rába's role in the field of military mobility deserves particular attention. The Győr-based company is one of the oldest actors in Hungarian industry and has historically been closely connected to vehicle manufacturing and the defence sector. Although much of its military profile receded after the democratic transition, the company retained the capabilities required for the production of heavy vehicles, axles and specialised vehicle components.[46]

Today, Rába manufactures various major units and components for tens of thousands of commercial vehicles each year. At first glance, this may not appear to be a defence industrial activity. In reality, however, it is precisely the kind of knowledge base on which military vehicle production depends. In the case of a modern military truck or armoured vehicle, the axle system, drivetrain, load-bearing capacity and operational reliability are at least as important as the weaponry itself.

One of the most important questions in the coming years may be what role Rába will play in the transformation of Hungary's defence industry. In the recent period, several forms of cooperation have emerged that seek to strengthen the relationship between the Czech–Slovak Czechoslovak Group, Tatra and Hungarian defence industrial actors. If these projects materialise, Hungary could become a regional centre not only for the

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[43] Nurol Makina, "EJDER YALÇIN 4x4," product information; Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group."

[44] Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group"; Defence.hu, "Hungarian–Turkish Joint Venture Being Formed," December 19, 2023.

[45] Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group"; Rába Automotive Holding Plc., "Announcement of RÁBA Automotive Holding Plc.," December 18, 2023.

[46] Rába Automotive Holding Plc., *Annual Report 2024* (Győr: Rába Automotive Holding Plc., 2025), sections on Axle, Vehicle and Components business units; Rába Automotive Holding Plc., *Q1–Q4 2023 Report* (Győr: Rába Automotive Holding Plc., 2024).

maintenance of Gidrán vehicles, but also for the modernisation, sustainment and partial production of other military vehicles.[47]

The significance of this is often underestimated.

One of the greatest challenges facing modern armed forces is not procurement, but lifecycle support.[48] The acquisition cost of a military vehicle often accounts for only a portion of its total lifecycle cost.[49] The remainder consists of maintenance, repair, spare-parts supply, modernisation, logistics and personnel support.

Those capable of providing these services often generate greater economic value over the long term than the original manufacturer itself. This is the point at which the Gidrán programme extends beyond itself.

Hungary's geographical position enables it to become one of the hubs of military mobility in Central Europe.[50] Since the outbreak of the war in Ukraine, the European Union and NATO have placed growing emphasis on military mobility. It is no coincidence that the EU has launched dedicated programmes to develop military transport infrastructure, modernise railway networks and coordinate military logistics routes.[51] Within this system, the Gidrán and Rába should not be understood merely as a vehicle production project, but rather as the foundation of a potential regional logistics and sustainment ecosystem.

Over the next decade, one of the most important exportable services of Hungary's defence industry may not necessarily be a new weapons system, but the lifecycle management of military vehicles.[52] For NATO and EU Member States, centres capable of repairing, modernising, diagnosing, supplying spare parts for, and providing

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[47] Rába Automotive Holding Plc., "Announcement of RÁBA Automotive Holding Plc.," December 18, 2023; Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group."

[48] NATO, *NATO Industrial Capacity Expansion Pledge*; European Commission, *Action Plan on Military Mobility 2.0*, 1–6; European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11.

[49] IISS, *The Military Balance 2024* (London: International Institute for Strategic Studies, 2024), section on defence procurement and sustainment; RAND Corporation, Expanding Operating and Support Cost Analysis for Major Programs, RR-2527, 2018 (Santa Monica, CA: RAND Corporation, 2018).

[50] European Commission, *Action Plan on Military Mobility 2.0;* Council of the European Union, *A Strategic Compass for Security and Defence* (Brussels: Council of the European Union, March 21, 2022), 30–34.

[51] European Commission, Action Plan on Military Mobility 2.0; European Parliament and Council, Regulation (EU) 2024/1679 of 13 June 2024 on Union Guidelines for the Development of the Trans-European Transport Network, Official Journal of the European Union L, June 28, 2024.

[52] NATO, *NATO Industrial Capacity Expansion Pledge;* European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11.

logistics support to military vehicles are likely to become increasingly valuable.[53] From this perspective, the Gidrán programme carries a particularly important lesson for any future Hungarian government.

The project should not be treated exclusively as a matter of procurement or politics. Its real value lies not in the vehicles themselves, but in the capabilities that have gradually been built around the programme. Engineering expertise, maintenance infrastructure, supplier relationships and logistics competences constitute a form of national asset whose preservation and further development is a matter of national security interest.

For this reason, the question for a new government should not be whether to retain the Gidrán programme, but how to develop it into a central element of Hungary's military mobility and logistics strategy. If the Lynx programme represents the rebuilding of Hungary's heavy land defence capabilities, then the ecosystem emerging around the Gidrán and Rába may constitute one of the greatest future growth opportunities for the Hungarian defence industry.

1.4. Small-Arms Production and Technology Transfer: Colt CZ Hungary and the Kiskunfélegyháza Firearms Industrial Cluster

In debates on the rebuilding of Hungary's defence industry, attention naturally tends to focus on high-value programmes: armoured vehicles, ammunition production or aerospace-related investments. In parallel, however, a less visible but, in the long term, no less important process has also taken place: the reconstruction of domestic small-arms production.[54] Whereas the Lynx or Gidrán programmes symbolise the development of heavy military capabilities, firearms production in Kiskunfélegyháza represents the return of classic defence industrial core competences.

Following the democratic transition, Hungary gradually lost a substantial part of its former small-arms manufacturing capacity. With the decline of FÉG and other traditional Hungarian firearms manufacturers, the country was effectively pushed out of an international market in which it had previously been present for decades. In itself, this did not create an immediate problem, since NATO membership and access to international markets made it possible to procure the necessary weapons. In the longer term, however, it became increasingly clear that, for a modern army, what matters is not only the possession of weapons, but also the existence of the manufacturing, maintenance and development competences associated with them.

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[53] European Commission, Action Plan on Military Mobility 2.0; NATO, Washington Summit Declaration, paras. 5–7.

[54] Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary," press release, December 22, 2022; Colt CZ Group SE, *Annual Financial Report 2024* (Prague: Colt CZ Group SE, 2025).

It was in this context that cooperation emerged between the Czech Česká zbrojovka, later the Colt CZ Group, and the Hungarian state.[55] The original purpose of the Kiskunfélegyháza plant was to modernise the small-arms inventory of the Hungarian Defence Forces, but the project soon outgrew this initial function. Today, Colt CZ Hungary operates not merely as an assembly facility, but is gradually becoming a regional firearms industrial centre that integrates modern manufacturing technologies, NATO-compatible quality assurance systems and international technological links into Hungary.[56]

The core of production consists of weapon systems such as the CZ BREN 2 assault rifle, the Scorpion EVO 3 submachine gun, and various service pistols.[57] These weapons are now in service with the armed forces of several NATO Member States and allied countries. The BREN 2, for example, has appeared not only in the Czech Republic, but also with various specialised units in France, Portugal and a number of other countries. This is important because Hungarian production is therefore not part of an isolated national programme, but is linked to a broader international supply chain.[58]

According to the Colt CZ Group, the Kiskunfélegyháza plant is equipped with modern forging, deep-hole drilling, barrel manufacturing, heat-treatment and quality-control technologies.[59] At first glance, these may appear to be technical details. In reality, however, they are precisely the capabilities that determine whether a country can sustain its own small-arms industry over the long term. In the defence industry, the real value rarely lies in final assembly.[60] Far more important is the manufacturing knowledge that makes it possible to produce components, barrels, locking mechanisms and other critical elements.

The strategic importance of small-arms production is often overshadowed by larger-scale projects, even though history shows that the production and sustainment of infantry weapons are a fundamental part of the functioning of any army. One of the

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[55] Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary."

[56] Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary"; CZ Firearms, "The CZ Brand Expands Production Capacity with Colt CZ Hungary," July 14, 2024.

[57] Colt CZ Group SE, *Annual Financial Report 2024*, section on Colt CZ Hungary and production programme; CZ Firearms, "The CZ Brand Expands Production Capacity with Colt CZ Hungary."

[58] Colt CZ Group SE, *Annual Financial Report 2024*, section on Colt CZ Hungary and production programme; CZ Firearms, "The CZ Brand Expands Production Capacity with Colt CZ Hungary."

[59] CZ Firearms, "The CZ Brand Expands Production Capacity with Colt CZ Hungary"; Colt CZ Group SE, *Annual Financial Report 2024*.

[60] Colt CZ Group SE, *Annual Financial Report 2024*; European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–11.

less visible lessons of the war in Ukraine has been that demand for firearms, spare parts and related logistics systems has not diminished in modern conflicts. Even in the age of drones and precision weapons, hundreds of thousands of soldiers continue to serve with conventional small arms, whose maintenance, repair and replacement require a continuous industrial base.

One of the most important outcomes of the Kiskunfélegyháza investment is therefore not necessarily the number of weapons produced for the Hungarian Defence Forces, but the transfer of technology.[61] The success of modern defence industrial cooperation is often determined by the extent to which the host country is able to transform foreign technology into its own competence. In Hungary's case, cooperation with Colt CZ creates an opportunity for domestic engineers, technicians and suppliers to acquire knowledge that can later be applied in other defence industrial projects as well.

From an economic perspective, the programme is particularly significant because it offers a relatively low threshold of entry for Hungarian suppliers. While the production of an armoured vehicle or an aerospace system is highly capital-intensive and technologically complex, the small-arms industry offers numerous opportunities for component and parts manufacturing in which small and medium-sized enterprises can also participate.[62] This may contribute to the emergence of a broader defence industrial supplier base, which could later become competitive in other areas as well.

At the same time, the Kiskunfélegyháza project offers important lessons for a new Hungarian government. The programme demonstrates that defence industrial development does not necessarily mean full technological self-sufficiency. The modern defence industry is fundamentally built on international cooperation. The question is not whether Hungary can design and manufacture every weapon independently. Rather, it is the extent to which it can participate in high value-added processes, and how successfully it can transform foreign technology into domestic knowledge.[63]

From this perspective, Colt CZ Hungary is far more than a firearms factory. It is a technology transfer project whose success will be determined not primarily by the number of weapons produced, but by the competences acquired, the supplier relationships created and the depth of international integration achieved. From the

[61] Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary"; CZ Firearms, "The CZ Brand Expands Production Capacity with Colt CZ Hungary."

[62] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

[63] European Commission and High Representative, A New European Defence Industrial Strategy, 4–11; OECD, OECD Science, Technology and Innovation Outlook 2023: Enabling Transitions in Times of Disruption (Paris: OECD Publishing, 2023), sections on technology diffusion and industrial innovation.

standpoint of a new long-term defence industrial strategy, the most important question is therefore not who owns the plant, but to what extent the knowledge accumulated in Hungary becomes a lasting part of the Hungarian economy and Hungary's defence capabilities.[64]

1.5. Airbus Helicopters Hungary: The Revival and Strategic Significance of Hungary's Aerospace Industrial Cluster

One of the least visible, yet in the long term potentially one of the most valuable, elements of the development of the Hungarian defence industry is the reconstruction of aerospace industrial capacities. While the Lynx programme or the Gidrán programme can easily capture public attention, the aerospace sector remains a far less visible domain. Nevertheless, its significance from a national economic and technological perspective is often greater than that of traditional defence industry projects, as aerospace is one of the highest value-added industries in the world, characterised by some of the most stringent requirements in quality assurance, engineering and manufacturing.

Following the political and economic transition, Hungary effectively lost a substantial part of its former aerospace industrial position. Although certain companies and research institutes preserved specific competencies, the country did not possess an aerospace manufacturing base of international significance capable of integrating into global aircraft production chains. This situation changed fundamentally when Airbus Helicopters and the Hungarian government reached an agreement in 2019 on the establishment of a new manufacturing facility in Gyula.[65]

The decision by Airbus in itself represented a significant validation of Hungarian industry. One of the world's leading aircraft and helicopter manufacturers did not merely establish an assembly plant in Hungary, but created a manufacturing capacity that is directly integrated into the global production system of Airbus Helicopters.[66] The role of the Gyula facility is to produce high-precision structural and dynamic components for the entire Airbus helicopter portfolio. According to official communications by Airbus, the plant primarily manufactures steel and titanium parts, which belong among the most critical structural components of helicopters.[67]

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[64] Colt CZ Group SE, *Annual Financial Report 2024;* European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15.

[65] Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula," press release, May 28, 2019.

[66] Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula"; Airbus, "Working at Airbus in Hungary," corporate careers page, accessed June 2026.

[67] Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula"; ABT Treuhand Group, "New Airbus Helicopters Factory Inaugurated in Gyula," July 2022.

At first glance, this may appear to be a technical detail; in reality, however, it is of exceptional significance. In the aerospace industry, not all components carry the same value. The production of certain parts can be outsourced relatively easily, whereas other components are subject to such stringent quality requirements that only a limited number of companies are capable of manufacturing them. Titanium and high-strength steel components fall precisely into this latter category.

The significance of the Gyula investment was further reinforced by later statements from Airbus. The company has repeatedly emphasised that, in the case of certain components, the Hungarian facility fulfils an exclusive or near-exclusive supplier role within the helicopter production chain.[68] This means that the plant does not operate as a regional assembly unit, but is directly integrated into the company's global production system.

From a national economic perspective, the importance of this development is difficult to overstate. Aerospace is among the most knowledge-intensive industries in the world. Industrial policy analyses by the OECD and the European Commission regularly point out that aerospace suppliers significantly exceed the manufacturing sector average in terms of productivity, research and development intensity, and export performance.[69] A single supplier relationship with Airbus often represents cooperation lasting several decades, potentially ensuring continuous technological development and a stable presence in international markets.

The strategic importance of the Gyula facility, however, extends beyond its direct economic effects. A defining characteristic of the aerospace sector is that it operates with exceptionally high barriers to entry. Companies that are able to meet the quality requirements of Airbus or other major manufacturers accumulate knowledge that can later be applied in other sectors as well. Precision machining, advanced materials technology, digital quality assurance, automated manufacturing systems and sophisticated engineering processes are all competencies that can raise the technological level of Hungarian industry as a whole.[70]

From a national security perspective, the issue is even more complex. The Airbus investment does not, in itself, mean that Hungary manufactures aircraft or helicopters. In the modern defence industry, however, full self-sufficiency exists almost nowhere. The real strategic value lies in a country's ability to become integrated into critical

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[68] Government of Hungary, "New Joint Venture Serving Strategic and National Interests Established," July 22, 2020; Airbus, "Working at Airbus in Hungary."

[69] OECD, *OECD Science, Technology and Innovation Outlook 2023;* European Commission, *Annual Single Market Report 2024* (Brussels: European Commission, 2024), sections on aerospace, advanced manufacturing and strategic technologies.

[70] European Commission, Annual Single Market Report 2024; OECD, OECD Science, Technology and Innovation Outlook 2023.

technological and manufacturing processes. The presence of Airbus Helicopters in Hungary enables precisely this.

This is particularly important in light of the fact that Hungary has carried out significant helicopter procurements in recent years. The Hungarian Defence Forces have introduced Airbus H145M and H225M helicopters into service, which are set to become defining elements of Hungary's air force and special operations capabilities over the coming decades.[71] Although the Gyula facility was not established directly for the maintenance of these helicopters, Airbus's presence in Hungary may, in the long term, contribute to the country assuming a greater role in maintenance, repair and logistics activities as well.

In terms of the emergence of an aerospace cluster, particular attention should be paid to the potential spillover effects that Airbus may generate within the Hungarian supplier base. International experience shows that major aerospace investments rarely remain isolated projects. Over time, smaller component manufacturers, engineering service providers, software development companies and research and development centres tend to emerge around them. This has been the case around Toulouse in France, in the Hamburg region in Germany, and in south-eastern Poland, where the so-called Aviation Valley cluster now comprises several hundred companies.[72]

For Hungary, this may represent the next stage of development. The Gyula facility is an important investment in its own right, but its true strategic value may become apparent if it is able to attract a broader aerospace ecosystem around itself. Such a cluster would be important not only for the defence industry, but could also accelerate the technological development of Hungarian industry as a whole.

For a new Hungarian government, therefore, Airbus Helicopters Hungary should not be seen merely as a foreign investment. Rather, it represents a technological bridgehead that connects Hungary to one of Europe's most important industries. The strategic question for the future will not be whether the factory remains in operation, but to what extent the country is able to exploit the knowledge and innovation potential emerging around it.

From the perspective of the Hungarian defence industry, the Airbus project occupies a distinctive position. While the Lynx programme is linked to land warfare, the Várpalota project to ammunition supply, and the Gidrán to military mobility, the Gyula facility represents the first truly significant Hungarian example of high-technology aerospace

[71] Airbus, "Hungary Orders 20 H145M Military Helicopters," press release, June 29, 2018; Airbus, "Hungary Orders 16 H225M Multi-Purpose Helicopters," press release, December 14, 2018; Hungarian Defence Forces / Defence.hu, relevant delivery and capability updates.

[72] Aviation Valley Association, About Aviation Valley; European Commission, European Cluster Collaboration Platform: Aviation Valley, accessed June 2026.

integration.[73] In the long term, precisely this may make it one of the most valuable elements of Hungary's defence industrial ecosystem.

1.6. 4iG, N7 Defence and Hungary's Defence Holding Model: Between Technological Sovereignty and Excessive Market Concentration

Debates about the future of the Hungarian defence industry are no longer centred exclusively on factories, weapons systems or traditional defence industrial investments. Increasing attention is being paid to the question of who controls the technological, information, communication and industrial infrastructures that form the operational foundation of modern armed forces and modern states. In this context, the structure that has emerged around 4iG and N7 Defence goes far beyond a simple corporate acquisition or ownership restructuring.[74] In reality, it has become one of the most important tests of the relationship between the Hungarian state and private capital.[75]

The significance of this issue can only be understood if we recognise that twenty-first-century warfare differs fundamentally from the conflicts of the Cold War era or even those of the early 2000s. The functioning of modern armed forces now depends at least as much on data links, communication systems, satellite services, digital logistics and cybersecurity as it does on traditional weapons systems.[76] A modern armoured vehicle or missile system does not constitute a military capability in itself if it is not supported by a functioning communication network, data-processing capacity and real-time information flow.

This transformation has fundamentally reshaped the concept of the defence industry.[77] Whereas the term previously referred primarily to companies producing

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[73] Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula"; Airbus, "Working at Airbus in Hungary"; Government of Hungary, "New Joint Venture Serving Strategic and National Interests Established."

[74] 4iG Plc., *Consolidated Financial and Management Report 2024 Q4* (Budapest: 4iG Plc., 2025); 4iG Plc., "Historical Step in the Hungarian Defence Sector," press release, June 11, 2025; Reuters, "Hungary's Government to Privatise Majority of Its Stake in the Defence Industry," June 12, 2025.

[75] 4iG Plc., "Historical Step in the Hungarian Defence Sector"; Reuters, "Hungary's Government to Privatise Majority of Its Stake in the Defence Industry"; European Union, *Regulation (EU) 2019/452 Establishing a Framework for the Screening of Foreign Direct Investments into the Union*, Official Journal of the European Union L 79I/1, March 21, 2019.

[76] European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union; NATO, NATO 2022 Strategic Concept (Brussels: NATO, June 29, 2022), paras. 24–25; NATO, Washington Summit Declaration, paras. 5–7.

[77] European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union; NATO, NATO 2022 Strategic Concept (Brussels: NATO, June 29, 2022), paras. 24–25; NATO, Washington Summit Declaration, paras. 5–7.

weapons, ammunition or military vehicles, it now also encompasses firms operating telecommunications infrastructure, satellite service providers, cybersecurity companies, data centres and technology enterprises developing various digital systems.

The development of 4iG reflects precisely this global trend. The company originally became known as an information technology and systems integration actor, before gradually expanding into telecommunications, satellite services, the space sector and, ultimately, the defence industry. According to analyses by Reuters and the Financial Times, the company's growth has been built partly on its close relationship with the Hungarian state, while it has progressively acquired positions in strategic sectors that now carry direct national security significance. Its portfolio includes telecommunications services, data communication systems, satellite projects, as well as various defence and technology-related interests.[78]

By the mid-2020s, cooperation between the Hungarian state and 4iG had entered a new phase.[79] N7 Holding was originally established with the purpose of managing state-owned defence and military-industrial shareholdings within a single organisational framework. Over time, strategic assets such as certain interests in Rheinmetall Hungary, Airbus Helicopters Hungary, various arms industry companies and other defence industrial holdings were placed within the N7 portfolio. The original logic of this structure was that the state could coordinate defence industrial development through a professional asset management entity.

The debate became particularly acute when the transfer of a majority stake in N7 Defence to a defence holding linked to 4iG was proposed.[80] According to Reuters reports, the transaction would have involved strategic assets that carried not only economic but also national security significance.[81] At this point, it became clear that the issue extended beyond the traditional dilemma of privatisation versus state ownership.

In reality, two different strategic logics came into conflict.

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[78] 4iG Plc., *Consolidated Financial and Management Report 2024 Q4*, sections on telecommunications, space and defence technologies; 4iG Plc., *Annual Report 2024* (Budapest: 4iG Plc., 2025).

[79] 4iG Plc., "Historical Step in the Hungarian Defence Sector"; 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements Finalising the Defence Industry Portfolio," press release, October 6, 2025.

[80] Reuters, "Hungary's Government to Privatise Majority of Its Stake in the Defence Industry," June 12, 2025; 4iG Plc., "Historical Step in the Hungarian Defence Sector."

[81] Reuters, "Hungary's Government to Privatise Majority of Its Stake in the Defence Industry"; 4iG Plc., "Historical Step in the Hungarian Defence Sector"; European Union, *Regulation (EU) 2019/452*.

According to the first approach, Hungary needs large, integrated technology and defence industrial companies capable of competing internationally. The modern defence industry is extremely capital-intensive, and in most successful countries a certain degree of concentration can indeed be observed. In France, Thales and Airbus; in Italy, Leonardo; in Sweden, Saab; and in Germany, Rheinmetall or Airbus Defence and Space are actors supported by substantial state backing, long-term strategic planning and national industrial policy.[82]

From this perspective, the structure emerging around 4iG may also be interpreted as the beginning of the formation of a Hungarian technology and defence champion. The company is simultaneously present in information technology, telecommunications, the space sector and the defence industry, which, in theory, enables the integration of different technological domains.[83] Such an actor may be capable of developing complex systems in which communication, cybersecurity, satellite-based data links and traditional defence industrial capabilities are combined.[84]

The second approach, however, warns that excessive concentration may itself constitute a national security risk. The concentration of critical infrastructure, defence industrial capacities, telecommunications systems and strategic data assets within a single corporate group may reduce the room for manoeuvre of the state and increase political or economic vulnerability.[85]

International experience suggests that most successful models are based neither on full state ownership nor on complete privatisation. The examples of the United States, France and Israel all indicate that cooperation between the state and private capital is decisive in strategic sectors, while the state maintains the possibility of ultimate

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[82] European Commission and High Representative of the Union for Foreign Affairs and Security Policy, A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry, JOIN(2024) 10 final (Brussels, March 5, 2024), 4–7; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises (Paris: OECD Publishing, 2015).

[83] 4iG Plc., *Annual Report 2024* (Budapest: 4iG Plc., 2025), sections on telecommunications, space and defence activities; 4iG Plc., "Historical Step in the Hungarian Defence Sector," press release, June 11, 2025.

[84] NATO, NATO 2022 Strategic Concept (Brussels: NATO, June 29, 2022), paras. 24–25; European Union, Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on Measures for a High Common Level of Cybersecurity across the Union, Official Journal of the European Union L 333/80, December 27, 2022.

[85] European Union, Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union, Official Journal of the European Union L 79I/1, March 21, 2019; European Union, Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the Resilience of Critical Entities, Official Journal of the European Union L 333/164, December 27, 2022

control through various instruments.[86] These may include golden shares, national security veto rights, mandatory approval of strategic transactions, or special regulatory regimes governing critical infrastructure.[87]

For a new Hungarian government, therefore, the question should not be whether the structures built around 4iG or N7 should be dismantled in their entirety. Rather, the central issue is how the technological and industrial capabilities that have been created can be preserved while ensuring that strategic control remains clearly in the hands of the state. Based on international examples, this does not necessarily require full nationalisation.[88] Instead, institutional safeguards are needed to ensure that critical decisions, control over infrastructure and national security considerations cannot be subordinated exclusively to market logic.

The story of 4iG and N7 is therefore not primarily a question of the past. Rather, it foreshadows the model that Hungary may choose to follow in the coming decades. Modern defence industry is becoming increasingly inseparable from information technology, telecommunications, the space sector and digital infrastructure. Whoever controls these systems also exercises partial control over national sovereignty.[89]

For this reason, the most important strategic task for a new Hungarian government after 2026 should not be the simple dismantling of existing structures, but the creation of a new balance. Such a balance would need to preserve the technological value generated in recent years, ensure competitive operation, and guarantee that ultimate control over critical national security capabilities remains in the hands of the democratic state.[90]

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[86] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises; European Union, Regulation (EU) 2019/452; European Commission, Guidance to the Member States concerning Foreign Direct Investment and Free Movement of Capital from Third Countries, and the Protection of Europe's Strategic Assets (Brussels: European Commission, March 25, 2020).

[87] European Union, Directive (EU) 2022/2557 on the resilience of critical entities; European Union, Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union; National Assembly of Hungary, Act CLXVI of 2012 on the identification, designation and protection of vital systems and facilities; National Assembly of Hungary, Act LXIX of 2024 on Hungary's cybersecurity.

[88] European Union, Regulation (EU) 2019/452; Consolidated Version of the Treaty on the Functioning of the European Union, Article 346; National Assembly of Hungary, Act LVII of 2018 on the control of foreign investments affecting Hungary's security interests.

[89] NATO, *NATO 2022 Strategic Concept*, paras. 24–25; European Union, *Directive (EU) 2022/2555;* European Union, *Directive (EU) 2022/2557*.

[90] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*; European Union, Regulation (EU) 2019/452; National Assembly of Hungary, Act CXL of 2021 on National Defence and the Hungarian Defence Forces.

1.7. Hirtenberger Defence Systems, 4iG's Defence Portfolio and the Strategic Reconfiguration of Europe's Ammunition Market

When assessing the future of the Hungarian defence industry, it is easy to focus on large-scale and highly visible investments. The Lynx programme, the Gidrán system and Airbus's facility in Gyula are indeed defining elements of the emerging defence industrial ecosystem. At the same time, however, one of the most interesting developments of recent years did not take place in Hungary, but in Austria, and may nevertheless have a direct impact on the future of the Hungarian defence industry. This development concerns the ownership structure and strategic cooperation framework that has emerged around Hirtenberger Defence Systems.[91]

Although the name Hirtenberger is not widely known among the broader public, it has long been a well-established brand within the defence industry. The Austrian company's history dates back more than a century and a half, and it possesses significant expertise in the development of mortar systems, mortar ammunition and various specialised artillery systems.[92] Its products are used by the armed forces of numerous countries, and the company is also present in the market for NATO-compatible systems.[93]

From a Hungarian perspective, the story became particularly significant when Hirtenberger gradually entered 4iG's defence portfolio. This process should not be interpreted merely as a corporate acquisition, but rather as part of a broader strategic effort aimed at the possible creation of an integrated Central European defence industrial network.[94]

The particular value of Hirtenberger does not lie solely in its products. Mortars and their associated ammunition constitute one of the most important, yet often underestimated, categories of modern warfare. The war in Ukraine has clearly demonstrated that, even in the age of precision weapons and drones, conventional artillery systems and indirect fire-support capabilities continue to play an exceptionally

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[91] 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements Finalising the Defence Industry Portfolio," press release, October 6, 2025; 4iG Plc., "Extraordinary Announcement of 4iG Plc. on the Acquisition of Ownership in Certain Subsidiaries of N7 Holding," Budapest Stock Exchange disclosure, February 27, 2026.

[92] Hirtenberger Defence Systems, *Company Profile*, accessed June 26, 2026; Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems and Expands Its Capabilities in Mortar Systems and Ammunition," press release, March 31, 2026.

[93] Hirtenberger Defence Systems, *Company Profile*; Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems."

[94] 4iG Plc., "4iG S&D, CSG Expand Defence Alliance, CSG Acquires Hirtenberger Stake," press release, March 31, 2026; Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems."

important role. As a result, NATO and European armed forces have significantly increased their procurement activities in this field.[95]

According to analyses by the Financial Times, SIPRI and several European defence research institutes, one of the most significant consequences of the war in Ukraine has been the radical transformation of the European ammunition market.[96] For a long period, the continent's ammunition production capacities operated according to a peacetime logic. Manufacturers were structured to produce various types of ammunition in relatively limited quantities but at a high technological standard. The war, however, has demonstrated that in an intensive conflict, annual production capacities can be consumed within a matter of months.[97]

The European Commission therefore launched the ASAP programme, while several Member States have supported the expansion of ammunition production capacities through substantial state aid. According to SIPRI analyses, in the period after 2022, ammunition manufacturing became one of the fastest-growing segments of the European defence industry.[98] This applies not only to artillery shells, but also to mortar ammunition, various explosives and specialised tactical systems.

In this environment, the acquisition or partial integration of Hirtenberger can no longer be interpreted as a simple corporate transaction. Rather, it should be understood as a strategic move that may provide access to technologies, patents, manufacturing expertise and export networks that represent considerable value in the current European market.[99]

From Hungary's perspective, the issue is particularly significant because Hirtenberger could potentially be linked to ammunition production in Várpalota and to the

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[95] NATO, *NATO Industrial Capacity Expansion Pledge* (Washington, DC: NATO, July 10, 2024); SIPRI, *Trends in World Military Expenditure, 2024* (Stockholm: SIPRI, 2025); Financial Times, "Europe Builds for War as Arms Factories Expand at Triple Speed," August 11, 2025.

[96] European Union, Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on Supporting Ammunition Production (ASAP), Official Journal of the European Union L 185/7, July 24, 2023; SIPRI, Trends in World Military Expenditure, 2024; Financial Times, "Europe Builds for War."

[97] European Commission and High Representative, A New European Defence Industrial Strategy, 8–11; NATO, NATO Industrial Capacity Expansion Pledge; European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP), recitals 1–7.

[98] SIPRI, The SIPRI Top 100 Arms-Producing and Military Services Companies, 2024 (Stockholm: SIPRI, 2025); SIPRI, Trends in World Military Expenditure, 2024; European Commission and High Representative, A New European Defence Industrial Strategy, 8–11.

[99] 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements"; Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems"; Hirtenberger Defence Systems, *Company Profile*.

manufacturing capacities established by Rheinmetall.[100] In theory, a regional defence industrial system could emerge in which the various production units do not compete with one another, but instead operate in a complementary manner. This model partly resembles the structures observed in the German, French or Italian defence industries, where individual companies fulfil specialised roles within a broader industrial ecosystem.[101]

For a new Hungarian government, however, this is precisely where one of the most important strategic dilemmas arises. The value of Hirtenberger and the related defence industrial portfolios is beyond dispute. The question is not whether these capabilities are needed, but under what institutional framework they should operate.

International experience suggests that successful defence industrial systems are generally underpinned by three factors. The first is a long-term state strategy. The second is substantial private capital and entrepreneurial flexibility. The third is a transparent and predictable regulatory environment. If any of these elements is missing, the system may become unstable in the long term.

In Hungary's case, significant progress has been made in recent years in the first two areas. The state has actively supported defence industrial investments, while financially strong private actors have also emerged, capable of carrying out large-scale transactions. The greatest challenge today lies rather in the development of an appropriate institutional and regulatory environment.[102]

The example of Hirtenberger clearly illustrates that, over the next decade, the future of the Hungarian defence industry will increasingly be about more than classical arms manufacturing. It will instead depend on whether the country is able to integrate into international networks that connect technology, research and development, manufacturing, exports and logistics.[103]

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[100] Rheinmetall AG, "New Ammunition Factory in Hungary," press release, January 17, 2023; Rheinmetall AG, "Ceremonial Handover in Hungary: Rheinmetall Takes Over Ammunition Factory in Várpalota, Hungary, after Completion," press release, July 30, 2024; 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements."

[101] European Commission and High Representative, A New European Defence Industrial Strategy, 4–11; Mejino-López, Jakob, and Guntram B. Wolff, A European Defence Industrial Strategy in a Hostile World, Policy Brief 29/2024 (Brussels: Bruegel, 2024), 1–7.

[102] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises; European Union, Regulation (EU) 2019/452; European Union, Directive (EU) 2022/2557.

[103] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final (Brussels, March 5, 2024), 13–18.

Within this system, Hirtenberger is not merely an Austrian company. It represents a hub of knowledge and strategic connections through which Hungary may move closer to one of the fastest-growing segments of the European defence industry.[104]

For a new Hungarian government after 2026, the most important question should therefore not be how to dismantle these structures. Rather, it should be how to make them more transparent, more competitive and more politically neutral, while ensuring that the technological and industrial value already created is not lost. The case of Hirtenberger demonstrates precisely that the key to the future of the Hungarian defence industry lies not in past ownership disputes, but in the institutional model of the future.[105]

1.8. Ownership Structures, Corporate Cross-Linkages and Strategic Control: Who Ultimately Controls Hungary's Defence Industry?

When assessing the Hungarian defence industry, it is not sufficient to examine which factories have been built, which systems are being produced in Hungary, or what volume of investment has entered the sector. The decisive question is who exercises actual control over the capacities that have been created. In the defence industry, formal ownership stakes do not always correspond to strategic influence. Technological licences, intellectual property, export rights, management rights, access to state procurement, and control over critical infrastructure are often more important than the shareholding structure itself.[106]

- The central element of the current Hungarian model is the state asset management structure that has developed around N7 Holding and N7 Defence. Its original rationale was to enable the Hungarian state to manage strategic defence industrial shareholdings through a centralised organisation, thereby coordinating the investments created in the wake of the Zrínyi 2026 programme. This model is not unusual in itself: state-owned or semi-state defence industrial asset management systems exist in several European countries. The distinctive feature of the Hungarian case, however, is that a significant part of the state portfolio has emerged in joint ventures established

[104] SIPRI, *The SIPRI Top 100 Arms-Producing and Military Services Companies, 2024;* Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems."

[105] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises; European Union, Regulation (EU) 2019/452; European Commission, Guidance to the Member States concerning Foreign Direct Investment.

[106] European Union, Regulation (EU) 2019/452; European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises.

with foreign technology partners, as well as in structures connected to politically sensitive domestic private actors.[107]

- Rheinmetall plays a decisive role in this system. The German company is present in Hungary not merely as a supplier, but as a key actor in the Lynx programme in Zalaegerszeg, the ammunition industry investment in Várpalota, and several related industrial developments.[108] For the Hungarian state, this represents a significant advantage, as Rheinmetall has brought technology, manufacturing culture, quality assurance systems and access to international markets into the country. At the same time, from the perspective of strategic control, it must be clearly recognised that a substantial share of the key technologies, licences and export relationships remains with the German partner.[109] The Hungarian interest, therefore, is not to weaken this relationship, but to ensure that the joint venture models generate genuine domestic added value, supplier development and long-term maintenance capabilities.

- Airbus Helicopters Hungary represents a different type of model. The facility in Gyula is based primarily not on the direct servicing of the Hungarian armed forces, but on integration into Airbus's global helicopter industry supply chain.[110] In this case, Hungary's strategic interest is not the maximisation of ownership control, but the emergence of a high value-added domestic aerospace supplier and engineering ecosystem around the plant. The value of the Airbus project lies in the fact that it connects Hungary to a European industry in which quality assurance, materials technology and precision manufacturing can, in the long term, raise the technological level of Hungarian industry as a whole.[111]

- The role of 4iG is particularly sensitive because the company is connected to the defence ecosystem not as a traditional defence manufacturer, but as an actor in digital technologies, telecommunications, the space sector and

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[107] 4iG Plc., "Historical Step in the Hungarian Defence Sector"; Reuters, "Hungary's Government to Privatise Majority of Its Stake in the Defence Industry," June 12, 2025; 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements."

[108] Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion," press release, September 10, 2020; Rheinmetall AG, "New Ammunition Factory in Hungary"; Rheinmetall AG, "Ceremonial Handover in Hungary."

[109] Rheinmetall AG, *Annual Report 2024* (Düsseldorf: Rheinmetall AG, 2025), sections on Vehicle Systems and Weapon and Ammunition; Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx."

[110] Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula," press release, May 28, 2019; Airbus, "Working at Airbus in Hungary," corporate webpage, accessed June 26, 2026.

[111] European Commission, *Annual Single Market Report 2024* (Brussels: European Commission, 2024), sections on advanced manufacturing and strategic technologies; OECD, *OECD Science, Technology and Innovation Outlook 2023: Enabling Transitions in Times of Disruption* (Paris: OECD Publishing, 2023).

systems integration. In modern warfare, these capabilities are no longer peripheral: military communication, satellite-based data links, cybersecurity, data centre infrastructure and digital logistics are fundamental preconditions of operational readiness.[112] For this reason, the concentration developing around 4iG is not merely a matter of competition law or industrial policy, but also one of national security control. The problem is not that a Hungarian technology company is entering the defence sector, but rather if the state lacks clear audit, veto, access and emergency control rights over such infrastructures.[113]

- Rába, Nurol Makina and the Gidrán programme illustrate a mixed model of military mobility. The technological foundation is provided by Türkiye's Nurol Makina, the Hungarian industrial and vehicle-manufacturing background may be shaped in significant part by Rába, while the state influences the programme from the position of customer and strategic coordinator.[114] In this structure, the most important question is not the ownership ratio in itself, but whether Hungary can transform procurement into lasting industrial capability: maintenance, spare parts supply, modernisation, lifecycle support and regional logistics services. If this is achieved, the Gidrán–Rába line could become one of the most viable export and service-oriented directions within the Hungarian defence industry.[115]

- Colt CZ Hungary and Hirtenberger Defence Systems point towards the integration of the Central European defence industry.[116] The network emerging from Czech, Austrian, Turkish, German and Hungarian connections indicates that Hungary can become competitive not as an isolated defence industrial island, but as part of regional value chains. In the case of Colt CZ, the key issue is technology transfer and the creation of supplier capabilities in the small arms industry. From the perspective of Hirtenberger and CSG, the growing

[112] 4iG Plc., *Annual Report 2024;* 4iG Plc., "Historical Step in the Hungarian Defence Sector"; European Union, *Directive (EU) 2022/2555;* European Union, *Directive (EU) 2022/2557*.

[113] European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; National Assembly of Hungary, Act CLXVI of 2012; National Assembly of Hungary, Act LXIX of 2024.

[114] Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group," press release, December 18, 2023; Rába Automotive Holding Plc., "Announcement of RÁBA Automotive Holding Plc. on the Establishment of the Hungarian-Turkish Joint Venture Company," Budapest Stock Exchange disclosure, December 18, 2023.

[115] European Commission, *Action Plan on Military Mobility 2.0*, JOIN(2022) 48 final (Brussels, November 10, 2022); Nurol Makina Hungary, "Nurol Makina Hungary Announces Strategic Joint Venture with Rába Group"; Rába Automotive Holding Plc., *Annual Report 2024* (Győr: Rába Automotive Holding Plc., 2025).

[116] Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary," press release, December 22, 2022; 4iG Plc., "Hungarian State and 4iG Group Signed Sale and Purchase Agreements"; Czechoslovak Group, "CSG Acquires a 49% Stake in Hirtenberger Defence Systems."

European demand for mortar, ammunition and artillery systems may offer significant opportunities. In these projects, the role of the state is not to acquire ownership at any cost, but to ensure Hungarian added value, export control and security of supply.[117]

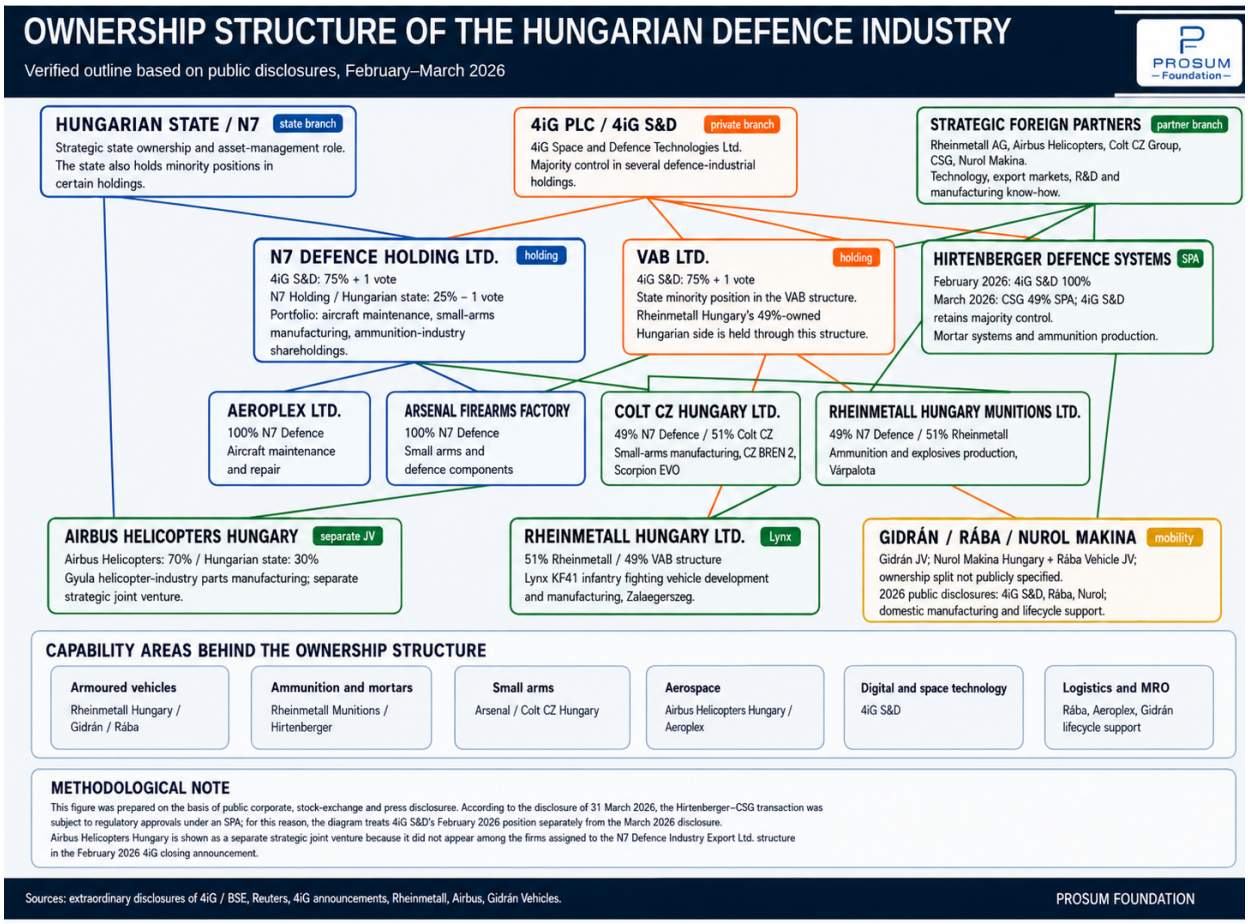

Figure 2. The ownership structure of Hungarian defence industrial companies that emerged over the past decade, as of 2026.
(Source: author's own illustration.)

Taken as a whole, the ownership network shows that control over the Hungarian defence industry is currently multi-layered and distributed. The Hungarian state is present as a customer, partial owner and regulator. A significant share of key technologies remains in the hands of foreign strategic partners. Part of the digital and communications infrastructure is linked to domestic private capital. Access to export

[117] Council of the European Union, Council Common Position 2008/944/CFSP of 8 December 2008 Defining Common Rules Governing Control of Exports of Military Technology and Equipment, Official Journal of the European Union L 335/99, December 13, 2008; United Nations, Arms Trade Treaty, adopted April 2, 2013, entered into force December 24, 2014; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026..

markets, meanwhile, is opened primarily through international companies and alliance-based relationships.

This structure is not inherently flawed, but it serves the Hungarian national interest only if it is accompanied by a clear system of strategic control. The task of the next government should therefore not be to dismantle the ownership network, but to map and regulate it precisely. It must be determined where direct state ownership is necessary, where a golden share or national security veto right is sufficient, where strict export and investment screening is justified, and where space should be left for private capital and foreign technology partners.[118]

Ultimately, the future of the Hungarian defence industry will not be determined by whether every strategic company is in state or private ownership. It will be determined by whether the Hungarian state is capable of enforcing its national security interests in a transparent, rule-of-law-based and NATO/EU-compatible manner within an ecosystem in which control over ownership, technology, exports and infrastructure is distributed among multiple actors.[119]

II. STRATEGIC CONTEXT

2.1. The Re-emergence of Europe's Defence Industry: The EU's New Defence Industrial Strategy

A major paradox in the history of European integration is that, while the European Union has become one of the world's most powerful economic blocs, no genuinely common strategy emerged in the field of the defence industry for decades. Following the end of the Cold War, most Member States regarded military capabilities as an area whose development should primarily remain within national competence, while the ultimate guarantee of the continent's security was provided by NATO and the United States. For a long time, this model appeared politically convenient and fiscally sustainable. At the same time, however, the European defence technological and industrial base gradually became fragmented, underfunded and, in several critical capability areas, dependent on external suppliers.[120]

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[118] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*; European Union, *Regulation (EU) 2019/452*; Consolidated Version of the Treaty on the Functioning of the European Union, art. 346.

[119] NATO, NATO 2022 Strategic Concept; European Union, Regulation (EU) 2019/452; European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555.

[120] European Commission and High Representative, *A New European Defence Industrial Strategy*, 1–7; European Defence Agency, *Defence Data 2023–2024* (Brussels: European Defence Agency, 2024), 4–8.

Russia's full-scale war against Ukraine, launched in 2022, fundamentally undermined this comfortable assumption. Strategic documents issued by the European Commission, the European Defence Agency and the European Council all proceed from the premise that Europe cannot, in the long term, rely exclusively on external security guarantees. Nor can it afford to lack an adequate industrial base in the event of a high-intensity conflict.[121] The first years of the war in Ukraine clearly demonstrated that a significant part of Europe's defence industrial capacity was not suited to meeting the demands of a prolonged, high-intensity conflict. The problem manifested itself not only in the number of military systems available, but also in ammunition production, maintenance capacities, stockpiling, the vulnerability of supply chains and the shortcomings of joint European procurement.[122]

This recognition led, in 2024, to the adoption of the first comprehensive European Defence Industrial Strategy, known as EDIS. The document is not merely another policy communication, but a turning point in the European Union's approach to defence industrial policy.[123] EDIS sets out objectives for strengthening the European defence technological and industrial base over a time horizon extending to 2035. Its central logic is that it is not sufficient for Europe simply to spend more on defence; it must also ensure that a significant share of increased defence expenditure strengthens European manufacturing capacities, European supply chains and European technological sovereignty.[124]

Among the most important political objectives of EDIS is the aim that, by 2030, at least 50 per cent of Member States' defence procurement budgets should be spent within the European defence technological and industrial base, rising to 60 per cent by 2035.[125] The strategy also establishes the objective that Member States should conduct at least 40 per cent of their defence procurement collaboratively. This is important because fragmentation remains one of the most serious structural problems of the European defence market: Member States often purchase equipment

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[121] Council of the European Union, *A Strategic Compass for Security and Defence* (Brussels: Council of the European Union, March 21, 2022), 7–13; European Commission and High Representative, *A New European Defence Industrial Strategy*, 1–3.

[122] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–11; European Defence Agency, *Defence Data 2023–2024*, 11–15.

[123] European Commission and High Representative, *A New European Defence Industrial Strategy*, 1–3; European Commission, "First Ever Defence Industrial Strategy and a New Defence Industry Programme to Enhance Europe's Readiness," press release, March 5, 2024.

[124] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–11.

[125] European Commission and High Representative, *A New European Defence Industrial Strategy*, 19–21; Carnegie Endowment for International Peace, "Understanding the EU's New Defense Industrial Strategy," March 8, 2024.

separately, maintain separate systems and thereby create parallel, costly and difficult-to-interoperate structures.[126]

The European Defence Industry Programme, or EDIP, emerged as the legal and financial implementation instrument of EDIS.[127] The purpose of EDIP is to translate the strategic objectives of EDIS into concrete EU-level financing, procurement and industrial policy tools. The proposed regulation would establish a framework to support joint procurement, the timely availability of defence products, the expansion of industrial capacities and security of supply in crisis situations. A particularly important feature of the document is that it treats the defence industry not merely as a market sector, but as a strategic system of supply security whose functioning is directly linked to the European Union's security policy objectives.[128]

Before EDIS and EDIP, the European Union had already introduced targeted instruments designed to respond to the immediate consequences of the war. A key example was ASAP, the Act in Support of Ammunition Production, adopted by the European Union in 2023. The objective of the ASAP Regulation was to rapidly expand Europe's ammunition and missile production capacities, particularly in the field of ground-to-ground and artillery ammunition. Its significance lies in the fact that it created, for the first time, an EU-level legal and financial framework for the emergency expansion of defence production capacities. This was not a traditional research and development programme, but a crisis-response industrial policy instrument. It recognised that ammunition production was not merely a matter of national defence industry policy, but a strategic European bottleneck.[129]

Taken together, these documents also provide a new framework for interpreting the Hungarian defence industry. The Lynx programme, ammunition production in Várpalota, Airbus Helicopters Hungary, Colt CZ Hungary and the Gidrán programme are not solely Hungarian force development projects. They may potentially become elements of the European defence industrial system that the European Union seeks to build over the next decade. For Hungary, therefore, the question is no longer merely whether these investments can meet the needs of the Hungarian Defence Forces, but whether they can become integrated into European joint procurement, production,

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[126] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–7; European Defence Agency, *Defence Data 2023–2024*, 11–15.

[127] European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final (Brussels, March 5, 2024).

[128] European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 1–5; European Commission and High Representative, A New European Defence Industrial Strategy, 8–11.

[129] European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP), recitals 1–7; European Commission and High Representative, A New European Defence Industrial Strategy, 8–11.

maintenance and supply chains.[130] The future value of Hungary's defence industrial capacities will be determined to a significant extent by the extent to which they fit into the logic of EDIS and EDIP: that is, whether they can demonstrate European added value, interoperability, export capability and a meaningful role in security of supply.

2.2. NATO, Defence Spending and the Political Economy of European Rearmament

By the mid-2020s, a fundamental shift had also taken place at the level of NATO. Following the 2014 Wales Summit, Member States formally committed[131] themselves to moving their defence expenditure towards 2 per cent of GDP, but for a long time this objective functioned more as a political guideline than as a binding obligation. After Russian aggression, and especially after the full-scale invasion of Ukraine in 2022, however, increasing defence expenditure became not merely a matter of American pressure or allied compliance, but a central element of European security policy.[132]

According to the declaration of the 2024 NATO Summit in Washington, defence expenditure by European Allies and Canada increased by 18 per cent in 2024, representing the largest rise in decades. The document also states that more than two-thirds of Allies had reached the level of defence spending equivalent to 2 per cent of GDP, while NATO made clear that, in many cases, expenditure above 2 per cent would also be necessary to eliminate existing capability shortfalls and to implement the new regional defence plans.[133]

Among the most important industrial policy documents of the Washington Summit was the NATO Industrial Capacity Expansion Pledge. This commitment recognises at Alliance level that collective defence requires not only force structures, but also industrial capacity. According to the document, Allies will accelerate the expansion of defence industrial capacity and production, in line with Articles 2 and 3 of the North Atlantic Treaty.[134] NATO therefore no longer treats defence industrial capacity merely as an economic background condition, but as a fundamental element of deterrence, defence planning and support for Ukraine.[135]

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[130] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

[131] NATO, *Wales Summit Declaration* (Newport: NATO, September 5, 2014), paras. 14–15.

[132] NATO, *NATO 2022 Strategic Concept*; NATO, *Washington Summit Declaration* (Washington, DC: NATO, July 10, 2024), paras. 5–7.

[133] NATO, Washington Summit Declaration, para. 6.

[134] NATO, *NATO Industrial Capacity Expansion Pledge*; North Atlantic Treaty, Washington, DC, April 4, 1949, arts. 2–3.

[135] NATO, NATO Industrial Capacity Expansion Pledge; NATO, Washington Summit Declaration, paras. 5–7.

This shift is particularly important for Hungary. NATO's new regional defence plans require not one-off procurements, but sustained industrial, logistical and stockpiling capabilities. The Alliance does not need every Member State to produce every weapons system independently; rather, it requires the development of specialised industrial and sustainment hubs within the Alliance that can provide reliable capacity in specific areas. Ammunition production, military mobility, vehicle lifecycle support, repair and maintenance capacities, digital logistics and secure communications are precisely such fields.

NATO's approach also entails an important legal distinction compared with the European Union. The EU primarily seeks to strengthen the European defence industry through regulatory, financial and industrial policy instruments. NATO, by contrast, defines military requirements, regional defence plans, interoperability standards and capability targets. The two systems do not substitute for one another, but complement each other. For Hungary, therefore, the optimal strategy is not to think separately in either an EU or a NATO logic, but to develop domestic defence industrial capacities in such a way that they fit simultaneously into the EU's defence industrial programmes and NATO's capability planning requirements.[136]

From a military-policy perspective, the ultimate measure of success for Hungary's defence industry is not the number of factories, the value of investments or the ownership structure as such, but the extent to which the capacities created contribute to the readiness of the Hungarian Defence Forces, the fulfilment of capability targets under the NATO Defence Planning Process, the implementation of NATO's regional defence plans, and the security of supply of the Alliance. Hungarian defence industrial policy should therefore be assessed not only as an economic development strategy, but also as an instrument of national and allied capability generation.

2.3. Critical Infrastructure, Strategic Resilience and National Security in the Twenty-First Century

The third defining element of the strategic context is the transformation of the legal and security policy concept of critical infrastructure. Earlier approaches focused primarily on energy supply, transport, water provision and other classical public utility systems. By the 2020s, however, it had become clear that the functioning of a modern

[136] NATO, *NATO Industrial Capacity Expansion Pledge;* NATO, *NATO Defence Planning Process*, official description, accessed June 26, 2026; European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15.

state is shaped at least as much by digital networks, data centres, telecommunications infrastructure, satellite services, financial networks and cybersecurity systems.[137]

The European Union responded to this shift through two complementary legal instruments: the Critical Entities Resilience Directive, known as the CER Directive, and the NIS2 Directive.[138] The objective of the CER Directive is to strengthen the resilience of critical entities that provide essential societal and economic functions against natural, technological, hybrid and human-made threats. The Directive applies not only to traditional infrastructure, but also to sectors including energy, transport, banking and financial market infrastructures, healthcare, drinking water and wastewater systems, digital infrastructure, public administration, the space sector and the food chain.[139]

In parallel, the NIS2 Directive reshapes the cybersecurity regime. Whereas the earlier NIS Directive applied to a narrower range of actors, NIS2 introduces broader sectoral coverage and stricter requirements for risk management, reporting and governance.[140] The essence of the legislation is that it treats cybersecurity not merely as a matter of IT compliance, but as a corporate governance and national security risk. This is particularly important from the perspective of the defence industry, as military production, logistics, maintenance, military communications and supply chains now depend on deeply digitalised systems.[141]

In Hungary's case, the question of critical infrastructure therefore cannot be separated from the ownership structure of the defence industry. If a corporate group simultaneously holds interests in telecommunications, the space sector, data communications, systems integration and the defence industry, the issue is no longer merely one of market concentration or competition law. It becomes a matter of national security, because several elements of the state's crisis-response capacity may

[137] European Union, Directive (EU) 2022/2557 of the European Parliament and of the Council of 14 December 2022 on the Resilience of Critical Entities and Repealing Council Directive 2008/114/EC, Official Journal of the European Union L 333/164, December 27, 2022, arts. 2–3 and annex; European Union, Directive (EU) 2022/2555 of the European Parliament and of the Council of 14 December 2022 on Measures for a High Common Level of Cybersecurity across the Union, Official Journal of the European Union L 333/80, December 27, 2022, arts. 2–3 and annexes I–II.

[138] European Union, Directive (EU) 2022/2557 on the Resilience of Critical Entities; European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union.

[139] European Union, Directive (EU) 2022/2557 on the Resilience of Critical Entities, annex.

[140] European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union, arts. 20–23.

[141] European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union, arts. 21–22 and annex I; NATO, NATO 2022 Strategic Concept (Brussels: NATO, June 29, 2022), paras. 24–25.

fall under the control of the same economic actor.[142] This does not mean that all such infrastructure must be brought under direct state ownership, but it does mean that the state must maintain clear legal, regulatory and emergency control mechanisms.[143]

Based on the logic of the CER and NIS2 Directives, the Hungarian state must distinguish between ownership, governance, operation and emergency control rights. In the case of a critical data centre, military communications network or satellite service, the decisive issue is not ownership in itself, but whether the state possesses audit rights, access rights, a security clearance system, an incident reporting mechanism, visibility over the supply chain and emergency powers that can be activated in extraordinary circumstances. This is the point at which defence industry, cybersecurity and critical infrastructure protection become a unified strategic domain.[144]

2.4. Logistics, Supply Chains and Defence Technologies: Hungary's Underexplored Strategic Opportunity

The fourth defining element of the strategic context is the growing importance of military logistics and supply chains.[145] A key European lesson of the war in Ukraine has been that, in modern warfare, possessing weapons systems is not sufficient. They must also be moved, repaired, supplied, tracked through digital systems and sustained over long periods of time. Logistics, therefore, is not a background service, but a strategic capability in its own right.[146]

The European Union had recognised the problem of military mobility even before the war, but after the 2022 invasion the issue acquired new political weight. The objective of the Military Mobility 2.0 Action Plan is to make military movement within the EU

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[142] European Union, Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 establishing a framework for the screening of foreign direct investments into the Union, *Official Journal of the European Union* L 79I/1, March 21, 2019, Article 4; National Assembly of Hungary, Act LVII of 2018 on the control of foreign investments affecting Hungary's security interests, National Legislation Database, Sections 1–2.

[143] European Union, Directive (EU) 2022/2557 on the resilience of critical entities, Articles 4–6 and 13; National Assembly of Hungary, Act CLXVI of 2012 on the identification, designation and protection of vital systems and facilities, National Legislation Database, Sections 1–4.

[144] European Union, Directive (EU) 2022/2557 on the resilience of critical entities; European Union, Directive (EU) 2022/2555 on measures for a high common level of cybersecurity across the Union; National Assembly of Hungary, Act LXIX of 2024 on Hungary's cybersecurity, National Legislation Database, preamble and Sections 1–3.

[145] European Commission and High Representative of the Union for Foreign Affairs and Security Policy, *Action Plan on Military Mobility 2.0*, JOIN(2022) 48 final (Brussels, November 10, 2022), 1–5; NATO, *NATO Industrial Capacity Expansion Pledge* (Washington, DC: NATO, July 10, 2024).

[146] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–6; NATO, *Washington Summit Declaration* (Washington, DC: NATO, July 10, 2024), paras. 5–7.

faster, more predictable and better supported by infrastructure. The document is directly linked to the objectives of the EU Strategic Compass and is based on the premise that, in a crisis, military forces must be able to move rapidly, in large numbers and without cross-border obstacles.[147]

The legal and infrastructure policy dimension of military mobility is further reinforced by the TEN-T regulatory framework.[148] The Trans-European Transport Network can no longer be interpreted merely as a civilian transport policy project, but also as a potential dual-use infrastructure system. The European Commission explicitly states that the TEN-T network may serve both military and civilian purposes, and seeks, in cooperation with the Member States, to ensure that infrastructure meets both sets of requirements.[149] This approach is particularly important for Hungary, as the country's geographical position places it at the intersection of logistical connections between the Balkans, Central Europe, Ukraine and the Black Sea region.[150]

Modern military logistics, however, is no longer limited to road, rail or port capacities. Digital logistics platforms, predictive maintenance, inventory management systems, the cybersecurity of military supply chains, and asset and stock management supported by drones, artificial intelligence and sensor networks are becoming increasingly important.[151] This is precisely the area in which Hungary's main opportunity may not necessarily lie in the most capital-intensive forms of defence manufacturing, but rather in the development of specialised logistics, maintenance, lifecycle support and digital defence services.[152]

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147 European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–6; Council of the European Union, *A Strategic Compass for Security and Defence* (Brussels: Council of the European Union, March 21, 2022), 30–34.

148 European Parliament and Council, Regulation (EU) 2024/1679 of 13 June 2024 on Union Guidelines for the Development of the Trans-European Transport Network, Amending Regulations (EU) 2021/1153 and (EU) No 913/2010 and Repealing Regulation (EU) No 1315/2013, Official Journal of the European Union L, June 28, 2024.

149 European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 6–9; European Parliament and Council, *Regulation (EU) 2024/1679*, recitals and arts. 1–4.

150 European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 6–9; European Parliament and Council, *Regulation (EU) 2024/1679*, annexes on the trans-European transport network corridors.

151 European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union, arts. 21–22; European Commission and High Representative, Action Plan on Military Mobility 2.0, 8–11.

152 European Commission and High Representative of the Union for Foreign Affairs and Security Policy, A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry, JOIN(2024) 10 final (Brussels, March 5, 2024), 8–15; European Commission and High Representative, Action Plan on Military Mobility 2.0, 1–6.

From this perspective, existing elements of the Hungarian defence industry may fit well with European and NATO requirements.[153] Combat vehicle lifecycle support built around the Lynx and Gidrán programmes, Rába's mobility and vehicle industry competencies, Aeroplex's aircraft maintenance capabilities, the ammunition production capacities in Várpalota and digital defence technology companies could together form an ecosystem that goes beyond simple manufacturing. Hungary's realistic strategic objective, therefore, is not necessarily to become an independent developer of complete weapons systems, but to develop into a regional hub for logistics, maintenance, supply chains and defence technologies.[154]

In the next decade, defence industrial competitiveness will not be determined solely by the number of factories or the volume of procurement contracts. It will be equally important how effectively a country can ensure the long-term operation of military equipment, the resilience of supply chains, the protection of critical infrastructure and interoperable integration into NATO and EU systems.[155] Hungary can be successful in this space if it treats the defence industrial capacities created in recent years not as isolated projects, but as elements of a new defence economic strategy embedded in the European context.

III. POLICY RECOMMENDATIONS FOR A POST-2026 HUNGARIAN GOVERNMENT

3.1. Reclaiming Strategic Control without Dismantling Existing Capacities

The most important starting point for Hungarian defence industrial policy after 2026 may be that a new government should not regard the dismantling of the defence industrial capacities created in recent years as a political objective.[156] The current structure of the Hungarian defence industry is undoubtedly politically burdened, opaque at several points and based on highly concentrated ownership relations. At the

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[153] European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–15; NATO, *NATO Industrial Capacity Expansion Pledge*.

[154] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9; European Parliament and Council, *Regulation (EU) 2024/1679;* NATO, *NATO Industrial Capacity Expansion Pledge*.

[155] European Union, Directive (EU) 2022/2557 on the Resilience of Critical Entities; European Union, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union; NATO, NATO 2022 Strategic Concept, paras. 24–25.

[156] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–15; Consolidated Version of the Treaty on the Functioning of the European Union, art. 346.

same time, it is also clear that genuine industrial, technological and national security capabilities have been created.[157] Eliminating these capacities would not primarily weaken politically favoured ownership circles, but rather Hungary's long-term defence, industrial and European position.

The appropriate strategic objective, therefore, is not the "rollback" of the defence industry, but the restoration of strategic control, transparency and democratic state oversight.[158] For a new Hungarian government after 2026, the first task would not be to dismantle existing defence industrial capacities, but to audit them, depoliticise them and place them under a coherent system of strategic control.

A modern European defence industrial model is identical neither with full nationalisation nor with complete privatisation. The European Union's new defence industrial strategy, EDIS, and the proposed EDIP Regulation both proceed from the premise that Europe needs a strong, competitive, export-capable and technologically advanced defence industrial base. At the same time, control over critical capacities, security of supply and military infrastructure cannot be governed purely according to market logic.[159]

The Hungarian model should therefore be hybrid in nature. Where genuine manufacturing performance, export capability and innovation are required, there is a legitimate role for private capital, international partners and joint venture structures. Where, however, critical infrastructure, military communication, strategic data assets, military supplies, logistics of national security significance or monopoly defence capacities are involved, the state must be present not merely as a regulator, but as the actor exercising ultimate control.[160]

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[157] See the programme references discussed earlier in the present study and supported by corporate sources: Rheinmetall AG, "NATO Member Hungary Orders 218 Lynx Infantry Fighting Vehicles from Rheinmetall Worth More Than €2 Billion," press release, September 10, 2020; Airbus, "Airbus Helicopters and Hungarian Government to Establish Manufacturing Site in Gyula," press release, May 28, 2019; Colt CZ Group SE, "Colt CZ Group Signed a Joint Venture Agreement in Hungary," press release, December 22, 2022.

[158] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises (Paris: OECD Publishing, 2015), 17–30; European Union, Regulation (EU) 2019/452, arts. 4–6.

[159] European Commission and High Representative, A New European Defence Industrial Strategy, 8–15; European Union, Directive (EU) 2022/2557 on the Resilience of Critical Entities, arts. 4–6 and 13; European Union, Regulation (EU) 2019/452, art. 4.

[160] European Union, Directive (EU) 2022/2557 on the resilience of critical entities, Articles 4–6 and 13; European Union, Regulation (EU) 2019/452, Article 4; National Assembly of Hungary, Act CLXVI of 2012, Sections 1–4; National Assembly of Hungary, Act LVII of 2018, Sections 1–2.

3.2. Strategic Capabilities to Be Preserved

The first and most important policy task is to identify and preserve the genuine capabilities that have been created. The Hungarian defence industry now contains elements that, regardless of their political origins, represent national strategic value. These include the armoured vehicle industrial capacity in Zalaegerszeg built around the Lynx programme, the ammunition industry investment in Várpalota, the military mobility ecosystem based on the Gidrán and Rába capacities, small arms production in Kiskunfélegyháza, Airbus's aerospace supplier presence in Gyula, Aeroplex's maintenance capabilities, and the mortar and ammunition-related expertise linked to Hirtenberger.

These assets must not be treated as party-political spoils. The first step for a new government should therefore be an independent national security, industrial policy and financial audit.[161] Its purpose should not be to pass a predetermined political judgement on the companies concerned, but to distinguish between three categories: genuine strategic value, marketable industrial capacity and politically motivated rent-seeking.

All capacities that contribute to the security of supply of the Hungarian Defence Forces, the maintenance of NATO-compatible capabilities or integration into European defence industrial value chains should be preserved.[162] Ammunition production, combat vehicle maintenance, spare parts supply, lifecycle support for military vehicles and aerospace supplier competence are particularly important. These are the areas in which, due to its size, Hungary can realistically become not a full-spectrum defence industrial power, but a specialised regional service and manufacturing hub.[163]

International technology partnerships should also be preserved. The presence of Rheinmetall, Airbus, Colt CZ, Nurol Makina, CSG or other European actors is not a problem in itself, but an opportunity. The problem arises when the Hungarian state does not know precisely what technology, added value, export opportunities and domestic supplier development it obtains from these partnerships. A strategic task of the post-2026 governmental cycle should therefore not be to push out foreign

[161] European Union, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act LVII of 2018, Sections 2–6; OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 17–30.

[162] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final (Brussels, March 5, 2024), 13–18.

[163] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9; European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–15.

partners, but rather to renegotiate contractual conditions, technology transfer obligations, supplier ratios and long-term Hungarian industrial benefits.[164]

Defence industrial knowledge must also be preserved. A factory can be closed and a contract can be terminated, but the replacement of lost engineering, manufacturing, quality assurance and logistics competencies takes many years. For this reason, any measure that, in the name of political cleansing, would lead to the loss of specialists, engineers, technicians or international relationships would constitute a strategic mistake.[165]

3.3. Strategic Structures to Be Reformed

Preservation, however, cannot mean maintaining the current structure unchanged. The main problem of the Hungarian defence industry is not that certain capabilities have been created, but that a significant part of them operates within an ownership and governance system that is politically concentrated, opaque and subject to weak democratic control.[166]

The first area requiring reform is the state asset management model. The original logic of N7 Holding and its related structures was, in principle, defensible: managing the state's strategic industrial shareholdings within a professional holding structure is not, in itself, a flawed model. The problem arises when such a holding system is not transparent, is not subject to parliamentary oversight, and ultimately moves strategic assets towards a politically connected private holding.[167]

For a new Hungarian government after 2026, it would therefore be justified to establish a new National Defence Industrial Asset Management and Oversight Framework enshrined in law. This would not necessarily require the creation of a new institution, but rather a legal and governance system that clearly defines which defence industrial shareholdings qualify as strategic state assets, which can be

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[164] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58.

[165] European Commission and High Representative, A New European Defence Industrial Strategy, 8–15; OECD, OECD Science, Technology and Innovation Outlook 2023: Enabling Transitions in Times of Disruption (Paris: OECD Publishing, 2023), chapters on technology diffusion and industrial capabilities.

[166] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30 and 45–58; European Union, Regulation (EU) 2019/452, arts. 4–6.

[167] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 45–58; European Union, Regulation (EU) 2019/452, Article 4; National Assembly of Hungary, Act LVII of 2018, Sections 1–2.

operated on a market basis, where a golden share or special veto right is required, and where a national security approval mechanism is sufficient.[168]

The ownership test should be based on function rather than ideology. Full or majority state ownership should be reserved for capacities that directly determine the wartime supply of the Hungarian Defence Forces, the continuity of critical military infrastructure, classified data flows, or sovereign decision-making in a crisis. Strategic minority ownership, golden shares, veto rights and emergency access rights should be used where private or foreign ownership is compatible with national security but the state must retain ultimate control over key decisions. Regulated private ownership should be encouraged where market competition, innovation, exports and international technology partnerships generate higher value without compromising readiness, security of supply or allied obligations.

Second, the public procurement and defence procurement system must be reformed.[169] Due to the specific characteristics of the defence industry, full public disclosure is not always possible, but this cannot justify a complete absence of transparency. A multi-level oversight model should be established in defence procurement, under which detailed technical and national security-related information remains protected, while the contractual logic, budgetary frameworks, implementation deadlines, supplier ratios and state risk exposure become subject to scrutiny.[170]

Third, Hungarian defence industrial strategy cannot remain a mere aggregation of corporate transactions. At present, many developments appear to result more from business and political agreements than from a clear national industrial policy concept. A new Hungarian government after 2026 would therefore need a ten-year National Defence Industrial Strategy aligned with EDIS, EDIP, NATO capability planning

[168] European Union, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act LVII of 2018, Sections 2–6; Government of Hungary, Government Decree 246/2018 (XII. 17.) on the implementation of Act LVII of 2018 on the control of foreign investments affecting Hungary's security interests, National Legislation Database.

[169] European Union, Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on defence and security procurement, *Official Journal of the European Union* L 216/76, August 20, 2009; National Assembly of Hungary, Act XXX of 2016 on procurements for defence and security purposes, National Legislation Database, Section 1.

[170] European Union, Directive 2009/81/EC on defence and security procurement, recitals 1–18 and Articles 1–2; National Assembly of Hungary, Act XXX of 2016, Sections 1–3.

objectives, CER and NIS2 requirements, and the development needs of the Hungarian Defence Forces.[171]

Fourth, the relationship between universities, research institutes, start-ups and defence industrial companies must be restructured. The Hungarian defence industry can become export-capable only if it does not rely solely on licensed production and assembly. In the next decade, software, artificial intelligence, drone technology, cybersecurity, sensors, predictive maintenance and digital logistics will be at least as important in defence technology competition as traditional manufacturing.[172] In these fields, Hungarian start-ups, universities and engineering companies may have genuine opportunities to enter the market.

3.4. Critical Capabilities and Assets Requiring Ultimate State Control

The most sensitive question concerns which assets cannot merely be regulated, but must, in some form, be placed under state control. In this context, it is important to distinguish between state ownership and state control. Not every strategic asset needs to be brought under full state ownership. At the same time, ultimate state authority must be ensured over all assets that, in a crisis situation, affect the operational capacity of the state, the readiness of the Hungarian Defence Forces or the fulfilment of NATO obligations.[173]

All military communications, encrypted data transmission, satellite-based or strategic data centre infrastructure connected to defence or public administration functions should fall under state control. In these cases, private ownership is not excluded in itself, but it can be accepted only if the state possesses special access rights, audit rights, incident reporting mechanisms, security clearance powers and emergency control rights. The logic of the CER and NIS2 Directives points precisely in this

[171] European Commission and High Representative, *A New European Defence Industrial Strategy*; European Commission, *Proposal for a Regulation Establishing the European Defence Industry Programme*; NATO, *NATO Defence Planning Process*, official description, accessed June 26, 2026; European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; National Assembly of Hungary, Act CXL of 2021 on National Defence and the Hungarian Defence Forces, National Legislation Database.

[172] European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15; European Union, *Directive (EU) 2022/2555*, annexes I–II; NATO, *NATO 2022 Strategic Concept*, paras. 24–25.

[173] European Union, Directive (EU) 2022/2557, Articles 4–6 and 13; National Assembly of Hungary, Act CLXVI of 2012, Sections 1–4; National Assembly of Hungary, Act CXL of 2021, provisions on defence administration and defence tasks under special legal orders.

direction: the resilience of critical entities is not merely a matter of market operation, but a public security and national security responsibility.[174]

Strategic bottlenecks in the supply of military materiel should also fall under state control. This applies particularly to ammunition production, explosives, propellants, critical components and stockpiling systems without which the operational capacity of the Hungarian Defence Forces or the fulfilment of allied obligations would be impaired within a short period of time. The ammunition industry capacity in Várpalota therefore cannot be treated as a simple private industrial investment. It may operate in the form of a joint venture, but the state must retain ultimate control over stockpile policy, emergency authority, export restrictions and national supply priorities.[175]

Strategic ownership transactions should likewise fall under state control. The European Union's FDI screening framework is already based on the premise that foreign investments affecting security or public order must be examined at both Member State and EU level.[176] The Hungarian model, however, must address not only foreign investment, but also domestic strategic concentration. If a corporate group becomes dominant simultaneously in telecommunications, data communications, satellite services, the defence industry and state procurement, the issue is no longer merely one of competition law, but also of national security.[177]

Export licensing of national security significance must also fall under state control. Increasing the export capability of the Hungarian defence industry is a desirable objective, but only within a system that complies with the EU Common Position on arms export control, international sanctions regimes and NATO alliance obligations. An export-oriented Hungarian defence industry can be credible only if it is supported by a

[174] European Union, Directive (EU) 2022/2557, recitals 1–5 and Articles 4–6; European Union, Directive (EU) 2022/2555, Articles 20–23; National Assembly of Hungary, Act LXIX of 2024 on Hungary's cybersecurity.

[175] European Union, Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on Supporting Ammunition Production (ASAP), Official Journal of the European Union L 185/7, July 24, 2023, recitals 1–7; European Commission and High Representative, A New European Defence Industrial Strategy, 8–11; Consolidated Version of the Treaty on the Functioning of the European Union, art. 346.

[176] European Union, Regulation (EU) 2019/452 Establishing a Framework for the Screening of Foreign Direct Investments into the Union, arts. 1 and 4–6.

[177] European Union, Regulation (EU) 2019/452, Article 4; European Union, Directive (EU) 2022/2557; National Assembly of Hungary, Act LVII of 2018, Sections 1–2.

clear, rule-of-law-based export control system that cannot be politically manipulated.[178]

3.5. The Strategic Role of Private Capital

Excluding private capital from the Hungarian defence industry would be a serious mistake. The modern defence industry is a capital-intensive and technology-intensive sector characterised by rapid innovation cycles.[179] The state alone is rarely able to finance and operate efficiently those developments in which the fast-changing market logic of software, artificial intelligence, sensors, space technologies, drone technology or cybersecurity is dominant.

Private capital has a role primarily in areas where competition, innovation and export capability are required.[180] Such areas may include defence software development, cybersecurity, drone-based logistics, predictive maintenance, military fleet management, digital twin models, training simulation, industrial automation and the development of dual-use technologies. In these sectors, the role of the state is not direct ownership, but the creation of demand, standardisation, certification, the provision of testing environments and export support.[181]

Private capital may also have a place in manufacturing capacities, particularly where an international partner brings technology, market access and management expertise. Joint ventures established with partners such as Rheinmetall, Airbus, Colt CZ or Nurol Makina serve the Hungarian interest if the Hungarian side participates in them not as a passive minority shareholder, but with clear industrial policy objectives. The goal is not

[178] Council of the European Union, Council Common Position 2008/944/CFSP of 8 December 2008 Defining Common Rules Governing Control of Exports of Military Technology and Equipment, Official Journal of the European Union L 335/99, December 13, 2008; United Nations, Arms Trade Treaty, adopted April 2, 2013, entered into force December 24, 2014; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026.

[179] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

[180] European Union, Regulation (EU) 2021/821 of the European Parliament and of the Council of 20 May 2021 Setting Up a Union Regime for the Control of Exports, Brokering, Technical Assistance, Transit and Transfer of Dual-Use Items, Official Journal of the European Union L 206/1, June 11, 2021; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026.

[181] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18; NATO, NATO Defence Planning Process.

the maximisation of ownership shares in itself, but the increase of Hungarian added value, supplier participation, technology transfer and export opportunities.[182]

At the same time, private capital cannot have an unlimited role over strategic infrastructure. In the defence industry, market efficiency can be accepted as a primary consideration only as long as it does not undermine security of supply, national security control or alliance obligations. A new Hungarian government after 2026 therefore needs not an anti-private-capital strategy, but an anti-concentration and control-oriented strategy.[183]

The key to the success of the Hungarian model may lie in using private capital not to build a logic of political-economic patronage, but to foster competition, innovation and export performance. This requires transparent tendering systems, a defence innovation fund, independent professional certification and EU- and NATO-compatible public procurement frameworks.[184] International experience suggests that successful countries are those in which the state acts as a strong strategic customer without distorting market competition on political grounds.

3.6. Towards an Export-Capable and Politically Neutral Hungarian Defence Industrial Strategy

The fundamental precondition for the export capability of the Hungarian defence industry is its political neutralisation. This does not mean that the defence industry could ever be a politics-free domain, since every defence industrial strategy is based on state decisions, budgetary priorities and foreign policy orientation. Political neutralisation means that the functioning of the sector should not be tied to a particular party, to companies linked to politically embedded ownership groups, or to clientelistic networks, but should instead operate within a long-term national strategic framework.[185]

The first condition for this is the adoption of a National Defence Industrial Strategy aimed at achieving parliamentary consensus. The document should define, over a time horizon of at least ten years, the areas in which Hungary intends to specialise. Based on current realities, these are unlikely to include the full-spectrum development

[182] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58.

[183] European Union, Regulation (EU) 2019/452, arts. 4–6; European Union, Directive (EU) 2022/2557, arts. 4–6; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30.

[184] European Union, Directive 2009/81/EC on defence and security procurement; National Assembly of Hungary, Act XXX of 2016 on procurements for defence and security purposes; NATO, *NATO Defence Planning Process*.

[185] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30; European Commission and High Representative, A New European Defence Industrial Strategy, 4–7.

of weapons systems. Rather, they may include the production and sustainment of armoured vehicles, ammunition manufacturing, the small arms industry, aerospace supplier activities, military mobility, maintenance, digital logistics, cybersecurity and certain space-related services.[186]

For the purposes of governmental and military prioritisation, these areas should not be treated as being of equal urgency. A three-tier hierarchy would be justified. Tier One should include ammunition and explosives production, military mobility, Host Nation Support, lifecycle support, MRO and spare-parts supply, because these directly affect wartime readiness and allied reinforcement. Tier Two should include secure communications, cyber resilience, digital logistics, supplier certification and NATO-compatible quality assurance. Tier Three should include longer-term innovation, dual-use technologies, aerospace niches and space-related services. This prioritisation would allow the state to distinguish between immediate military necessities, medium-term industrial enablers and long-term technological opportunities.

The National Defence Industrial Strategy should include a NATO Alignment Matrix, linking Hungary's existing and proposed defence industrial capacities to concrete allied capability needs. This would prevent the strategy from becoming a general industrial policy document and would ensure that each priority area is assessed against NATO-relevant capability, readiness, interoperability and security-of-supply criteria.

[186] European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15; NATO, *NATO 2022 Strategic Concept*, paras. 24–25; European Union, *Directive (EU) 2022/2555*, annex I.

NATO/EU requirement	Hungarian capacity	Main gap	2027–2030 policy step	Indicator
Ammunition supply and stockpiling	Várpalota, Hirtenberger-related portfolio, explosives and propellant capacities	limited surge capacity, stockpiling and supply-chain resilience	national ammunition and stockpiling plan aligned with NATO and EU requirements	annual production and reserve targets
Military mobility and reinforcement	Rába, Gidrán, Lynx, MÁV, Magyar Közút, logistics infrastructure	infrastructure bottlenecks, cross-border procedures, limited certified corridors	Hungarian Military Mobility Centre and National Military Mobility Strategy	number of certified NATO/EU mobility routes
Lifecycle support and MRO	Lynx, Gidrán, Aeroplex, selected vehicle and aviation maintenance capacities	fragmented MRO ecosystem, limited regional service role	regional sustainment and repair hub for land and aviation systems	repair turnaround time and availability rates
Digital resilience and secure communications	4iG, cybersecurity, satellite and dual-use digital capacities	concentration risk, cyber compliance, state access rights	CER/NIS2/NATO-compatible critical infrastructure control regime	number of audited and certified systems
Supplier integration and interoperability	Hungarian SMEs and mid-sized industrial firms	weak certification base, limited NATO-compatible quality assurance	Defence Supplier Development Programme	number of AQAP/ STANAG/NATO-codification-ready suppliers

Table 1. NATO and EU Alignment Matrix for Hungary's Defence Industrial Capacities, 2027–2030[187]
(Source: author's own compilation based on NATO, EU and Hungarian strategic, legal and defence-industrial documents, including the NATO Defence Planning Process, the NATO Industrial Capacity Expansion Pledge, the NATO Washington Summit Declaration, the European Commission's new European Defence Industrial Strategy, the EDIP proposal, EDA Defence Data 2024–2025, and relevant Hungarian legislation on defence, security, cybersecurity and critical infrastructure protection.)

The second condition is the establishment of a Defence Industrial Transparency and National Security Oversight System. Its purpose would not be to make every contract public, but to ensure that strategic decisions are subject to scrutiny. Such a system should include a register of strategic companies, the classification of critical

[187] The matrix does not constitute an official NATO or EU classification. It is a policy proposal developed for the purposes of this study, designed to show how existing and potential Hungarian defence industrial capacities could be aligned with allied requirements relating to capability development, readiness, interoperability and security of supply.

infrastructures, prior national security screening of ownership changes, risk assessment of supply chains and emergency control rights.[188]

The third condition is the integration of the Hungarian defence industry into European financing and procurement frameworks. EDIS, EDIP, ASAP, the European Defence Fund and Military Mobility programmes are not merely sources of financial support, but market-building mechanisms.[189] Hungarian companies will have a realistic chance of entering export markets only if they participate in joint European consortia, comply with NATO and EU certification requirements, and do not build their business models exclusively on domestic state procurement.[190]

The fourth condition is the strengthening of the Hungarian supplier base, not in a protectionist manner, but on the basis of quality. Hungarian small and medium-sized enterprises can become integrated into defence industrial value chains only if they meet the relevant quality assurance, cybersecurity and NATO-compatibility requirements.[191] This would require the creation of a Defence Supplier Development Programme offering training, certification, export preparation and technological modernisation for potential Hungarian suppliers.

The fifth condition is the reduction of corruption risks and political exposure. The Hungarian defence industry can become a credible export market actor only if it operates within a system that is predictable, transparent and rule-of-law-based from the perspective of international partners as well. Politically overburdened ownership structures may provide capital and networks in the short term, but in the long term they weaken export capability, as they create trust, reputational and sanctions-related risks.[192]

The historical opportunity facing a new Hungarian government after 2026 lies precisely in its ability to move the Hungarian defence industry beyond the logic of

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[188] European Union, Directive (EU) 2022/2557, Articles 4–6 and 13; European Union, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act CLXVI of 2012; National Assembly of Hungary, Act LVII of 2018.

[189] European Commission and High Representative, A New European Defence Industrial Strategy; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme; European Union, Regulation (EU) 2023/1525 on Supporting Ammunition Production (ASAP); European Union, Regulation (EU) 2021/697 of the European Parliament and of the Council of 29 April 2021 Establishing the European Defence Fund, Official Journal of the European Union L 170/149, May 12, 2021; European Commission and High Representative, Action Plan on Military Mobility 2.0.

[190] NATO, *NATO Defence Planning Process*; NATO, *NATO Industrial Capacity Expansion Pledge*; European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15.

[191] NATO, *NATO Defence Planning Process*; European Union, *Directive (EU) 2022/2555*, arts. 20–23; European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15.

[192] Council of the European Union, Council Common Position 2008/944/CFSP; United Nations, Arms Trade Treaty; European Union, Regulation (EU) 2021/821 on Dual-Use Items.

weakly controlled ownership concentration, without destroying the capabilities created in recent years. The objective should be to establish a national strategic sector that simultaneously serves the security of supply of the Hungarian Defence Forces, the fulfilment of NATO obligations, integration into the European defence industrial system, Hungarian technological development and export-capable industrial growth.[193]

The key to the future of the Hungarian defence industry, therefore, is not whether every individual company is in state or private ownership. The key questions are who exercises strategic control, according to what rules ownership and procurement decisions are made, how much genuine Hungarian added value is generated, and whether the sector is capable of operating within a national industrial policy framework that extends beyond political cycles.[194] If a new Hungarian government after 2026 can provide an institutional answer to these questions, the Hungarian defence industry may become not merely a problematic legacy of the Orbán era, but the foundation of a new Hungarian national strategic sector embedded in Europe.

IV. INSTITUTIONAL AND LEGAL FRAMEWORK FOR THE STRATEGIC REPOSITIONING OF HUNGARY'S DEFENCE INDUSTRY

4.1. Ownership Due Diligence and Strategic Asset Protection: Towards a Hungarian Model

The first precondition for repositioning the Hungarian defence industry after a change of government is not political, but legal and institutional in nature. A significant share of the defence industrial and defence technology structures created in recent years has developed through mixed ownership models, cooperation between state and private actors, and the involvement of foreign strategic partners. This is not an exceptional phenomenon in itself.[195] Modern European defence industries almost everywhere rely on mixed ownership and partnership models. The problem arises when the state does not possess an accurate picture of the extent to which it

[193] North Atlantic Treaty, Washington, DC, April 4, 1949, arts. 3 and 5; NATO, *Washington Summit Declaration*, paras. 5–7; NATO, *NATO Industrial Capacity Expansion Pledge*.

[194] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30; European Commission and High Representative, A New European Defence Industrial Strategy, 4–7.

[195] European Commission and High Representative, A New European Defence Industrial Strategy, 4–15; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58; European Union, Regulation (EU) 2019/452, art. 4.

exercises actual control over particular assets, where critical dependencies are located, and which corporate structures carry national security risks.[196]

For a new Hungarian government, the first step should therefore be a comprehensive ownership, contractual and national security due diligence process. Its purpose should not be to justify predetermined political conclusions, but to establish, on a factual basis, how the Hungarian defence industrial ecosystem actually operates.[197] Such an assessment cannot stop at the level of direct ownership. In the defence industry, it is particularly important to identify ultimate beneficial owners, asset management foundations, holding structures, indirect ownership chains, option agreements, creditor exposures, state guarantees and strategic supplier relationships. The formal owner of a company is not always identical with the actor exercising actual influence over strategic decisions.[198]

The legal model for ownership due diligence should be constructed on four levels. The first level would consist of a classical corporate ownership map, identifying direct and indirect owners, voting rights, minority protection rights, veto rights and any option agreements. The second level would examine contractual dependencies: who holds the key licences, who provides the technology, who possesses the rights necessary for export authorisation, and under what conditions a given cooperation arrangement may be terminated or modified.[199] The third level would assess national security exposure, examining whether the company is connected to military communications, data centres, satellite systems, ammunition supply, logistics infrastructure or the handling of classified information. The fourth level would analyse state exposure and dependence on public funds: the extent to which the company relies on state orders, state subsidies, state guarantees or politically driven markets.

Such a model would be consistent with the emerging European approach that treats the defence industry not merely as an economic sector, but as a strategic system of security of supply. According to the European Commission's 2024 European Defence Industrial Strategy, Europe needs a defence technological and industrial base capable of reducing dependencies, strengthening the resilience of supply chains and increasing European manufacturing capacities. This logic can also be applied in

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196 European Union, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act LVII of 2018, Sections 1–2; Government of Hungary, Government Decree 246/2018 (XII. 17.).

197 OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 17–30; European Union, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act LVII of 2018.

198 European Union, Regulation (EU) 2019/452, art. 4; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58.

199 European Union, Directive (EU) 2022/2557; European Union, Directive (EU) 2022/2555; National Assembly of Hungary, Act LXIX of 2024 on Hungary's cybersecurity; National Assembly of Hungary, Act CXL of 2021 on National Defence and the Hungarian Defence Forces.

Hungary: the purpose of ownership due diligence is not to eliminate market-based operation, but to determine where market supervision is sufficient, where state strategic control is justified, and where direct state ownership or golden-share-type intervention is necessary.

The Hungarian model should therefore be based not on general nationalisation, but on differentiated strategic asset protection. Where a company produces export-capable products, operates according to competitive market logic and does not manage critical state or military infrastructure, private ownership and international partnership are both natural and desirable. Where, however, the company's operation directly affects the readiness of the armed forces, the supply of military materiel, military data communications, satellite services or crisis logistics, the state must ensure ultimate authority regardless of the ownership share. This may take the form of a golden share, a strategic veto right, emergency control powers, security audit rights, export restriction powers or mandatory national security approval for any change in ownership.

4.2. The EU State Aid Framework and the Strategic Development of Hungary's Defence Industry

The repositioning of the Hungarian defence industry cannot take place without regard to the European Union's state aid rules.[200] At the same time, the defence industry is distinctive in that it lies at the intersection of the internal market, industrial policy, national security and foreign policy.[201] Its legal environment is therefore more complex than that governing traditional economic development subsidies.

Article 107 of the Treaty on the Functioning of the European Union generally prohibits state aid that distorts competition and affects trade between Member States.[202] In the defence industry, however, a specific logic of exception exists: Article 346 TFEU allows Member States to take certain measures for the protection of their essential security interests in relation to the production of or trade in arms, munitions and war material.[203] This exception, however, is not unlimited. According to the case law of the

[200] European Union, *Consolidated Version of the Treaty on the Functioning of the European Union*, Official Journal of the European Union C 326/47, October 26, 2012, arts. 107–109.

[201] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, arts. 107, 346; European Commission and High Representative of the Union for Foreign Affairs and Security Policy, A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry, JOIN(2024) 10 final, Brussels, March 5, 2024, 4–7.

[202] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, art. 107(1).

[203] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, art. 346(1)(b); Council of the European Union, Council Decision 255/58 of 15 April 1958 Determining the List of Products to Which Article 346(1)(b) of the Treaty Applies.

European Union and the interpretation of the European Commission, reliance on Article 346 must be necessary, proportionate and justified by a specific security interest.[204] It cannot be used as a general industrial policy loophole, nor can it serve merely to justify support for politically favoured companies.

This is particularly important for a new Hungarian government. The development of the Hungarian defence industry may continue to require public funding, guarantees, procurement orders and long-term industrial policy support. At the same time, such support must be clearly linked to defence capabilities, European security of supply, NATO obligations or the preservation of critical technological capacities. State aid is defensible when it serves a strategic objective, commits to measurable outcomes and does not finance the rents of a politically connected ownership group.[205]

EDIS and EDIP open new opportunities in this respect.[206] The European Commission now regards the strengthening of the defence industry as a strategic objective of the Union, and the proposed EDIP Regulation explicitly seeks to create instruments that support the expansion of European defence industrial capacities, joint procurement and crisis-related production capabilities. For Hungary, this means that, in the future, part of defence industrial development may be financed not as a national exception, but as a programme embedded within an EU industrial policy framework.[207]

The Hungarian defence industrial strategy can therefore be successful if it does not rely on the overuse of Article 346 TFEU, but instead connects Hungarian capacities to European programmes.[208] Ammunition production in Várpalota, for example, can be understood not only as a Hungarian national security project, but also as part of the expansion of European ammunition production capacities. The ASAP Regulation already recognised in 2023 that increasing ammunition and missile production

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[204] European Commission, Commission Interpretative Communication on the Application of Article 296 of the Treaty in the Field of Defence Procurement, COM(2006) 779 final, Brussels, December 7, 2006, 6–9; European Union, Directive 2009/81/EC of the European Parliament and of the Council of 13 July 2009 on Defence and Security Procurement, Official Journal of the European Union L 216/76, August 20, 2009, recitals 16–18.

[205] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, art. 107(1); OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises (Paris: OECD Publishing, 2015), 17–30.

[206] European Commission and High Representative, A New European Defence Industrial Strategy, 4–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final, Brussels, March 5, 2024, 1–5.

[207] European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 1–5 and 13–18; European Parliament and Council, Regulation (EU) 2021/697 of 29 April 2021 Establishing the European Defence Fund, Official Journal of the European Union L 170/149, May 12, 2021.

[208] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, art. 346; European Commission, Commission Interpretative Communication on the Application of Article 296 of the Treaty in the Field of Defence Procurement, COM(2006) 779 final, 6–9.

capacities had become an EU-level priority.[209] For every development involving the ammunition industry, explosives production, missile components, military mobility or lifecycle support, the Hungarian state should therefore examine whether it can be integrated into the EDIP, ASAP, EDF or Military Mobility framework.[210]

For a new Hungarian government after 2026, the essence of state aid policy would therefore not be the abolition of support, but its transformation from clientelist financing into strategic performance-based financing. Support could be made conditional on increasing the share of Hungarian suppliers, generating export revenues, obtaining NATO or EU certification, ensuring technology transfer, engaging in research and development cooperation, establishing university partnerships, meeting cybersecurity requirements or accepting crisis-readiness obligations. In this way, the state would not simply provide money to the defence industry, but would purchase measurable national capabilities.[211]

4.3. Public Procurement, Defence Procurement and Strategic Oversight

Transparency in defence procurement is a difficult issue in every democratic state. Due to the specific characteristics of the defence industry, certain technical, tactical, national security-related and contractual information cannot be made fully public.[212] At the same time, secrecy cannot mean that defence procurement is placed entirely outside the scope of rule-of-law, parliamentary and financial oversight.[213]

The European Union sought to address this problem through Directive 2009/81/EC, which lays down European rules for defence and sensitive security procurement.[214] The Directive pursues a dual objective: it recognises, on the one hand, that defence procurement is complex and sensitive and therefore requires special rules; on the

[209] European Parliament and Council, *Regulation (EU) 2023/1525 of 20 July 2023 on Supporting Ammunition Production (ASAP)*, Official Journal of the European Union L 185/7, July 24, 2023, recitals 1–7 and arts. 1–3.

[210] European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme; European Parliament and Council, Regulation (EU) 2023/1525 on Supporting Ammunition Production; European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund; European Commission and High Representative, Action Plan on Military Mobility 2.0, JOIN(2022) 48 final, Brussels, November 10, 2022.

[211] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58.

[212] European Union, Directive 2009/81/EC on Defence and Security Procurement, recitals 16–18 and arts. 1–2; European Union, Consolidated Version of the Treaty on the Functioning of the European Union, art. 346.

[213] European Union, Directive 2009/81/EC on defence and security procurement, recitals 1–6 and 16–18; National Assembly of Hungary, Act XXX of 2016 on procurements for defence and security purposes, National Legislation Database, Sections 1–3.

[214] European Union, Directive 2009/81/EC on Defence and Security Procurement.

other hand, it also makes clear that the national security character of a procurement cannot serve as an automatic justification for the complete exclusion of competition and transparency.[215]

The Hungarian defence procurement system should institutionalise this duality. The objective should not be to make every detail of every contract public, but to ensure that decisions involving public funds and strategic interests are subject to scrutiny. A modern Hungarian model could apply a three-level oversight system. The first level would consist of public financial accountability, recording at least the type, purpose, approximate value, financing logic and implementation status of the contract.[216] The second level would involve closed professional oversight, which could be carried out by a parliamentary committee, the State Audit Office, a defence procurement authority or a classified expert body. The third level would consist of national security-classified oversight, dealing with genuinely sensitive technical, intelligence-related or operational data.

Such a model is particularly important in the case of high-value procurements involving long-term lifecycle costs. The cost of an armoured vehicle, helicopter or communications system is not limited to its acquisition price. Over the full lifecycle, maintenance, spare parts supply, modernisation, training, software updates and logistics often represent greater costs than the original procurement itself. The Hungarian state must therefore have visibility over financial and national security exposures not only at the moment of purchase, but throughout the entire lifecycle of the system.[217]

In the Hungarian system, reliance on Article 346 TFEU should be subject to a strict obligation to provide justification.[218] If a procurement is exempted from general competition or public procurement rules, it should be recorded in writing which specific essential security interest justifies the derogation, why the chosen procedure

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[215] European Union, Directive 2009/81/EC on Defence and Security Procurement, recitals 16–18; European Commission, Commission Interpretative Communication on the Application of Article 296 of the Treaty in the Field of Defence Procurement, 6–9.

[216] National Assembly of Hungary, Act XXX of 2016 on procurements for defence and security purposes, Sections 1–3; Government of Hungary, Government Decree 225/2016 (VII. 29.) on the central oversight and authorisation of procurements for defence and security purposes, National Legislation Database; Government of Hungary, Government Decree 226/2016 (VII. 29.) on the detailed parameters of military equipment and services falling within the scope of Act XXX of 2016 on procurements for defence and security purposes, National Legislation Database.

[217] European Union, Directive 2009/81/EC on Defence and Security Procurement, arts. 1–2; NATO, NATO Industrial Capacity Expansion Pledge, Washington, DC, July 10, 2024.

[218] European Union, Consolidated Version of the Treaty on the Functioning of the European Union, Article 346; European Commission, *Commission Interpretative Communication on the Application of Article 296 of the Treaty in the Field of Defence Procurement*, 6–9; Government of Hungary, Government Decree 225/2016 (VII. 29.), Sections 1–2.

is necessary, and what control mechanisms ensure that the derogation does not become an instrument of political or economic abuse. This would not weaken defence procurement, but strengthen it by increasing its international credibility.

4.4. FDI Screening, Strategic Ownership Protection and National Security Control

Foreign direct investment screening has become one of the central instruments of European economic security in recent years.[219] Regulation (EU) 2019/452 established a framework designed to enable Member States and the European Commission to identify, assess and, where necessary, mitigate investment risks affecting security or public order.[220] The Regulation has been fully applicable since October 2020 and places particular emphasis on critical infrastructure, critical technologies, dual-use items, the defence industry, data, energy, transport and strategic raw materials.[221]

From Hungary's perspective, FDI screening is crucial for two reasons. First, a significant part of the Hungarian defence industry operates in cooperation with foreign technology partners.[222] This is not a disadvantage; in many cases, it is a precondition for development. Without Rheinmetall, Airbus, Colt CZ, Nurol Makina or CSG, Hungary would not be able to build, within a short period of time, industrial capacities that are relevant at the European level. Second, however, in every such partnership it must be clearly understood who exercises actual control over technology, licences, export markets, know-how and the supply of critical components.[223]

Strategic ownership protection is therefore not an anti-foreign-capital policy. On the contrary, a predictable, rule-of-law-based and transparent screening system increases the confidence of high-quality investors, because it clarifies the rules under which entry into strategic sectors is possible.[224] The problem is not that a foreign company

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[219] European Parliament and Council, Regulation (EU) 2019/452 of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union, Official Journal of the European Union L 79I/1, March 21, 2019, arts. 1 and 4–6.

[220] European Parliament and Council, *Regulation (EU) 2019/452*, art. 4.

[221] European Parliament and Council, *Regulation (EU) 2019/452*, art. 4(1).

[222] European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15; European Parliament and Council, *Regulation (EU) 2019/452*, art. 4.

[223] European Parliament and Council, Regulation (EU) 2019/452, art. 4(1); OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 45–58.

[224] European Commission, Guidance to the Member States concerning Foreign Direct Investment and Free Movement of Capital from Third Countries, and the Protection of Europe's Strategic Assets, Brussels, March 25, 2020; European Parliament and Council, Regulation (EU) 2019/452, arts. 3–6.

brings technology to Hungary. The problem arises when the state lacks the tools to prevent undesired ownership changes affecting critical capacities, the transfer of know-how outside the country, or the acquisition of strategic assets by actors that may pose a security risk.

In the defence industry, the Hungarian FDI screening system should also cover indirect changes in ownership.[225] It is not sufficient to examine only cases in which a foreign investor directly acquires a Hungarian defence company. Scrutiny is also required when a foreign actor acquires influence over the parent company, financier, licence holder or critical supplier of a Hungarian company. In modern supply chains, control often emerges not at the factory gate, but through software updates, export authorisations, spare parts supply or financing agreements.

The direction of the EU-level FDI reforms prepared in 2025 also indicates that the Union intends to operate a stricter and more harmonised system for the screening of strategic investments in the future.[226] According to Reuters reporting, the extension of Member State screening mechanisms would cover sensitive areas, including military equipment, dual-use items, critical raw materials, energy, transport and advanced technologies. This will also provide guidance for Hungarian regulation.

4.5. Export Control, Strategic Credibility and the International Positioning of Hungary's Defence Industry

An export-capable Hungarian defence industry can only be successful in the long term if it is supported by a reliable export control system.[227] Defence exports are not equivalent to conventional industrial exports. The export of weapons, ammunition, military technologies and dual-use items directly affects foreign policy, human rights, regional stability, alliance obligations and international law.[228]

The foundational document of the European Union's arms export control regime is Council Common Position 2008/944/CFSP, which defines common rules governing

[225] European Parliament and Council, Regulation (EU) 2019/452, Articles 4–6; National Assembly of Hungary, Act LVII of 2018 on the control of foreign investments affecting Hungary's security interests, National Legislation Database, Sections 1–2; Government of Hungary, Government Decree 246/2018 (XII. 17.) on the implementation of Act LVII of 2018 on the control of foreign investments affecting Hungary's security interests, National Legislation Database.

[226] European Commission, Proposal for a Regulation on the Screening of Foreign Investments in the Union and Repealing Regulation (EU) 2019/452, COM(2024) 23 final, Brussels, January 24, 2024.

[227] Council of the European Union, Council Common Position 2008/944/CFSP of 8 December 2008 Defining Common Rules Governing Control of Exports of Military Technology and Equipment, Official Journal of the European Union L 335/99, December 13, 2008; United Nations, Arms Trade Treaty, adopted April 2, 2013, entered into force December 24, 2014.

[228] Council of the European Union, Council Common Position 2008/944/CFSP, art. 2; United Nations, Arms Trade Treaty, arts. 6–7.

the control of exports of military technology and equipment. The document requires export licence applications to be assessed on the basis of eight criteria.[229] These include international obligations and sanctions, the human rights situation, the internal situation of the country of final destination, regional peace and stability, the security of allies, the behaviour of the buyer country, the risk of diversion or re-export, and the compatibility of the export with the sustainable development of the recipient country.

For Hungary, this is not merely a matter of legal compliance. If the Hungarian defence industry is to become a genuinely export-capable sector, it must also appear as a reliable actor in reputational terms.[230] A politically unpredictable or opaque export licensing system may facilitate certain transactions in the short term, but in the long term it weakens the confidence of international partners, increases sanctions-related risks and hinders participation in EU or NATO consortia.

The Hungarian export control system should therefore serve two objectives simultaneously. On the one hand, it should support lawful exports that are compatible with alliance commitments and EU frameworks. On the other hand, it must prevent military equipment manufactured in Hungary, or sold through Hungarian intermediaries, from reaching end users where it could be linked to human rights abuses, regional instability or military use contrary to allied interests.[231]

To this end, it would be advisable to establish a Hungarian Defence Export and Compliance Authority.[232] This would not merely be a licensing body, but also an export support and compliance centre. Its tasks would include analysing export markets, preparing companies for EU- and NATO-compatible export requirements, coordinating end-user controls, assessing sanctions-related risks and supporting international cooperation.[233] In this way, the Hungarian state would not obstruct defence exports, but would channel them into a professional institutional framework.

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[229] Council of the European Union, Council Common Position 2008/944/CFSP, art. 2.

[230] Council of the European Union, Council Common Position 2008/944/CFSP, arts. 1–2; United Nations, Arms Trade Treaty, arts. 6–7; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026.

[231] Council of the European Union, Council Common Position 2008/944/CFSP, art. 2; United Nations, Arms Trade Treaty, arts. 6–7.

[232] National Assembly of Hungary, Act CIX of 2005 on the authorisation of the manufacture of military equipment and the provision of military technical services, National Legislation Database, Sections 2–2/B; Government of Hungary, Government Decree 156/2017 (VI. 16.) on the detailed rules governing the authorisation of military technical activities and the certification of enterprises, National Legislation Database.

[233] Council of the European Union, Council Common Position 2008/944/CFSP, Article 2; United Nations, *Arms Trade Treaty*, Articles 6–8; National Assembly of Hungary, Act CIX of 2005, Section 2/B; Government of Hungary, Government Decree 156/2017 (VI. 16.).

The Wassenaar Arrangement, the Arms Trade Treaty and United Nations arms embargoes provide an additional international framework for such a system.[234] Hungary's export strategy can be successful only if it does not simply seek markets, but develops a politically and legally sustainable export profile. This is particularly important in the case of certain markets in the Western Balkans, the Middle East, Africa and Asia, where business opportunities are often accompanied by higher political and reputational risks.

V. IMPLEMENTATION ROADMAP

5.1. The First 200 Days: Immediate Priorities for Strategic Control and Institutional Reform

The main task of the government's first 200 days should not be rapid ownership intervention, but an accurate assessment of the situation. In the defence industry, rushed decisions carry exceptionally high risks. A premature contract termination, nationalisation or leadership change could easily undermine the confidence of international partners, disrupt supply chains or endanger the security of supply of the Hungarian Defence Forces. The logic of the first 200 days should therefore be one of due diligence, stabilisation and institutional preparation.[235]

The first step should be the launch of a National Defence Industrial Audit. Within this framework, the government would establish an independent expert body involving financial, legal, national security, industrial policy and military experts.[236] The task of this body would be to map strategic companies, joint ventures, state shareholdings, critical contracts and high-value state exposures. The audit should cover the structures linked to N7, 4iG's defence portfolio, the Rheinmetall and Airbus

[234] Wassenaar Arrangement Secretariat, The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements; United Nations, Arms Trade Treaty; United Nations Security Council, Consolidated United Nations Security Council Sanctions List, maintained by the Security Council Committee.

[235] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 17–30; European Parliament and Council, Regulation (EU) 2019/452, arts. 4–6; Hungarian National Assembly, Act LVII of 2018, §§ 1–2.

[236] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 17–30 and 45–58; Hungarian National Assembly, Act CXL of 2021 on National Defence and the Hungarian Defence Forces, National Legislation Database.

partnerships, the Gidrán/Rába/Nurol branch, ammunition industry capacities and all digital or telecommunications infrastructure with defence significance.[237]

In parallel, the first national inventory of critical defence infrastructure should be prepared. This would not be a public list, but a classified governmental instrument defining which factories, data centres, communications systems, logistics bases, satellite services, military materiel stockpiles and maintenance capacities qualify as strategically significant. Based on the CER and NIS2 Directives, this inventory would include not only ownership-related considerations, but also resilience and cybersecurity aspects.[238]

During the first 200 days, the government should also begin negotiations with the main international partners. It should make clear to Rheinmetall, Airbus, Colt CZ, Nurol Makina, CSG and other actors that Hungary does not intend to dismantle functioning industrial relationships on political grounds, but seeks to establish a more transparent, more predictable and more clearly regulated framework from a national security perspective.[239] This confidence-building process would be essential, since the export capability and technological development of the Hungarian defence industry cannot be imagined without stable international partnerships.

5.2. The First Year: Institutional Consolidation and Strategic Repositioning

The objective of the first year should be to translate the results of the due diligence process into an institutional and legal framework. By this point, the National Defence Industrial Strategy should be completed, defining Hungary's areas of specialisation over a time horizon of at least ten years.[240] The strategy cannot be a general wish list. It must clearly identify the areas in which Hungary seeks to become a regional or European actor: ammunition production, combat vehicle lifecycle support, military

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[237] European Parliament and Council, Directive (EU) 2022/2557 of 14 December 2022 on the Resilience of Critical Entities, *Official Journal of the European Union* L 333/164, December 27, 2022, annex; European Parliament and Council, Directive (EU) 2022/2555 of 14 December 2022 on Measures for a High Common Level of Cybersecurity across the Union, *Official Journal of the European Union* L 333/80, December 27, 2022, annexes I–II; Hungarian National Assembly, Act LXIX of 2024 on the Cybersecurity of Hungary, National Legislation Database.

[238] European Parliament and Council, Directive (EU) 2022/2557 on the Resilience of Critical Entities; European Parliament and Council, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union.

[239] European Parliament and Council, Regulation (EU) 2019/452, arts. 4–6; Hungarian National Assembly, Act LVII of 2018, §§ 1–2.

[240] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–15; NATO, *NATO Industrial Capacity Expansion Pledge*, Washington, DC, July 10, 2024.

mobility, aerospace MRO, small arms manufacturing, digital logistics, cybersecurity or space-related services.[241]

During the first year, a new legal framework for critical defence infrastructure should also be adopted. This could take the form of a standalone act or a comprehensive amendment to existing legislation on critical infrastructure, cybersecurity and national defence. The essential point is to make legally clear which defence industrial and technological capacities require prior national security approval, state audit rights, emergency control powers or strategic veto rights.[242]

Another central task of the first year would be the reform of the state asset management model.[243] A holding logic similar to that of N7 is not flawed in itself, but it can be accepted only if it operates with a clear mandate, professional management, parliamentary oversight and a public reporting obligation. A state-owned or mixed state entity managing defence industrial shareholdings must not become a political holding area or a transaction platform serving private interests.[244] Its role should be to represent the strategic interests of the state, ensure professional cooperation with international partners and increase Hungarian added value.

During the same period, the Defence Innovation Hungary and Defence Supplier Development Programme initiatives should be launched.[245] The former would support innovation in drone technology, cybersecurity, artificial intelligence, sensors, digital logistics and the space sector. The latter would help Hungarian SMEs and engineering companies become NATO- and EU-compatible suppliers. Together, these two programmes could create the Hungarian supplier and innovation base without which the defence industry would easily remain an assembly capacity built on foreign licences.[246]

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[241] European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–15; European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9; European Parliament and Council, *Directive (EU) 2022/2555*, annex I.

[242] European Parliament and Council, Directive (EU) 2022/2557 on the Resilience of Critical Entities, arts. 4–6 and 13; European Parliament and Council, Regulation (EU) 2019/452, arts. 4–6; Hungarian National Assembly, Act CLXVI of 2012 on the Identification, Designation and Protection of Critical Systems and Facilities, National Legislation Database; Hungarian National Assembly, Act LXIX of 2024 on the Cybersecurity of Hungary.

[243] OECD, *OECD Guidelines on Corporate Governance of State-Owned Enterprises*, 17–30 and 45–58; Hungarian National Assembly, Act CVI of 2007 on State Assets, National Legislation Database.

[244] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30, 45–58.

[245] European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

[246] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund.

5.3. By the End of the Four-Year Term: Consolidating Strategic Control and Export Capability

By the end of the four-year term, the objective should no longer be the management of inherited structures, but the stabilisation of a new and functioning Hungarian defence industrial model.[247] The measure of success should not be how many companies have been brought under state ownership or how many contracts have been reviewed, but whether Hungary is able to operate a defence industrial system that is more transparent, more export-capable, more technologically advanced and more useful at alliance level.

By the end of the term, Hungary should possess a comprehensive strategic defence industrial asset inventory, a functioning ownership monitoring system, a strengthened export control institution, an EU- and NATO-compatible defence procurement system and a clear framework for the control of critical infrastructure.[248] The objective should be to ensure that changes in the ownership of strategic companies cannot take place on the basis of political bargaining or closed business arrangements, but only after prior national security, financial and industrial policy assessment.[249]

By the end of the four-year term, it would be realistic to prepare at least several hundred Hungarian companies for participation as defence suppliers, secure several dozen NATO- or EU-compatible supplier certifications, ensure Hungarian participation in multiple European defence industrial consortia and substantially increase domestic added value in strategic projects.[250] The most important indicator would not be export revenue alone, but the depth of integration of Hungarian companies into European supply chains: as component manufacturers, maintenance providers, software developers, logistics service providers, integrators or technology partners.

By the end of the term, Hungary should also be capable of positioning itself as a regional military logistics and lifecycle support hub.[251] This could be achieved through

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[247] OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, 17–30; European Commission and High Representative, A New European Defence Industrial Strategy, 4–15.

[248] Council of the European Union, Council Common Position 2008/944/CFSP; European Parliament and Council, Directive 2009/81/EC on Defence and Security Procurement; European Parliament and Council, Directive (EU) 2022/2557 on the Resilience of Critical Entities; European Parliament and Council, Directive (EU) 2022/2555 on Measures for a High Common Level of Cybersecurity across the Union.

[249] European Parliament and Council, Regulation (EU) 2019/452, arts. 4–6; Hungarian National Assembly, Act LVII of 2018, §§ 1–2; Government of Hungary, Government Decree No. 246/2018 (XII. 17.).

[250] European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18; European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund.

[251] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9; NATO, *NATO Industrial Capacity Expansion Pledge*.

the coordination of the Gidrán, Rába, Lynx, Aeroplex and ammunition industry capacities. The objective should not be for Hungary to develop its own national version of every weapons system, but to provide specialised services of value to NATO and the EU: repair, maintenance, modernisation, spare parts supply, inventory management, logistics planning and digital support.[252]

Ultimately, the real success of the four-year term would be measured by whether the Hungarian defence industry is able to move beyond the logic of party-political spoils. If the sector continues to rest on the business model of a small number of politically connected actors, the capacities created will remain vulnerable in the long term. If, however, a transparent, rule-of-law-based system operating under strategic control can be established, the Hungarian defence industry can be understood not as the problematic legacy of the previous era, but as a new national industrial policy success story embedded in Europe.

POLICY RECOMMENDATIONS

Before individual measures are launched, the next government should establish a clear defence-industrial decision chain. Political responsibility should lie with the government; military-requirements validation should lie with the Hungarian Defence Staff; national security screening should be coordinated by the competent security services; ownership and asset-management decisions should be handled through the state asset-management framework; and EU/NATO programme alignment should be coordinated jointly by the Ministry of Defence and the ministry responsible for European affairs and economic development. This decision chain should ensure that defence industrial policy is not managed as a set of isolated corporate transactions, but as a national capability-development system.

1. National Defence Industrial Audit Programme

The first task of the next government should be the launch of a comprehensive National Defence Industrial Audit Programme. Its purpose should not be political accountability or retrospective punishment, but the factual mapping of the Hungarian defence industrial ecosystem in terms of ownership, finance, technology and national security exposure. The audit should be carried out under the political coordination of the Prime Minister's Office, with the involvement of the Ministry of Defence, the State Audit Office, the national security services, the Hungarian Competition Authority and independent industrial policy experts. Within this process, the Hungarian Defence Staff should have a mandatory military-requirements validation role. Its task should not

[252] European Commission and High Representative, *A New European Defence Industrial Strategy*, 8–15; European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9.

be to make industrial policy decisions, but to assess whether each strategic defence industrial investment contributes to force readiness, NATO capability targets, interoperability, sustainment capacity, wartime scalability and the long-term operational requirements of the Hungarian Defence Forces. No strategic defence industrial programme should be classified as a national capability without such military validation.

The audit should have a two-stage structure. Within the first ninety days, the government and the military leadership should receive a restricted strategic triage identifying which capacities must be preserved without interruption, which require immediate national security safeguards, which ownership structures should be reviewed, and which projects can continue under market-based conditions. The full public audit could follow later, but the first-stage assessment should be prepared as a restricted implementation document, because it would necessarily concern vulnerabilities, dependencies, contractual exposures and continuity risks that should not be disclosed in detail.

The legal basis of the programme could be established through a dedicated government resolution and, if necessary, a specific due diligence act. This framework should define the obligation to provide data, the rules governing the handling of classified information, and the precise scope of the audit. The assessment should be completed within 12 months, with an estimated cost of EUR 15–20 million. The audit should cover every strategic defence investment exceeding EUR 50 million, every defence industrial company with state ownership, and every company connected to critical defence infrastructure.

The main risks of the programme would be political resistance, legal disputes and the potential loss of confidence among international partners. These risks could be mitigated if the government makes clear from the outset that the purpose of the audit is not to dismantle functioning industrial partnerships, but to restore strategic control, transparency and national security compliance. The expected outcome would be a comprehensive strategic asset inventory, an ownership map, a report on technological dependencies and a classified list of critical defence infrastructure.

2. National Critical Infrastructure Act

The second recommendation is the adoption of a new National Critical Infrastructure Act, which would provide an integrated framework for traditional, digital and defence-related infrastructures, building on the logic of the CER and NIS2 Directives. The preparation of the legislation could be led by the Ministry of Justice, the Ministry of Defence, the ministries responsible for energy and transport policy, and the national cybersecurity institutional framework.

The legislation should establish a specific category for military communications systems, strategic data centres, satellite and telecommunications services, military materiel production, defence logistics infrastructure, and digital systems that support the operation of the armed forces or crisis-related state decision-making. The Act would not necessarily require all such infrastructure to be brought under state ownership, but it should ensure state audit rights, prior approval of ownership changes, emergency control powers and mandatory cybersecurity compliance.

A realistic timeline for the adoption of the Act would be 18 months, with preparatory and institutional costs estimated at EUR 5–10 million. The main risks would be overregulation and investor uncertainty. For this reason, the legislation should clearly distinguish strategic control from the unjustified restriction of market-based operation. The expected outcome would be a legal framework capable of ensuring full CER and NIS2 compliance for designated critical infrastructures by 2030.

3. National Defence Industrial Asset Manager

The third recommendation is the reform of the N7 model or the establishment of a professional National Defence Industrial Asset Manager in its place. Its role would not be to accommodate political appointees, but to manage strategic state shareholdings in a professional, transparent and national security-controlled manner. Responsibility for the reform would lie with the Ministry for National Economy, the Ministry of Defence and the relevant committees of the National Assembly.

The legal instrument could be a dedicated Defence Industrial Asset Management Act, defining the scope of strategic state shareholdings, the mandate of the asset manager, parliamentary reporting obligations, professional requirements for senior appointments and national security veto rights. The reform could be implemented within 24 months, with estimated institutional costs of EUR 20–30 million.

The main risk is that the new asset manager could become merely a renamed version of the old structure. This could only be avoided through strong governance rules, a public annual strategic report, an independent supervisory board and operation aligned with OECD corporate governance principles. The expected outcome would be a state ownership model capable of simultaneously ensuring strategic control, the confidence of international partners and the professional rationality of market-based operation.

4. Defence Innovation Hungary Programme

The fourth recommendation is the launch of a multi-year Defence Innovation Hungary Programme. Its purpose would be to ensure that Hungary does not remain merely a country of licensed production or assembly, but develops independent capabilities in

selected areas of defence technology. The programme could focus on drone technology, artificial intelligence, military logistics, sensors, cybersecurity, the space sector, predictive maintenance and digital battlefield systems.

The programme could be jointly managed by the Ministry of Culture and Innovation, the National Research, Development and Innovation Office, HIPA and the Ministry of Defence. Its legal basis could be provided by a government resolution on a national defence innovation programme and by a multiannual budgetary framework. Between 2027 and 2035, the programme could operate with annual funding of EUR 100–150 million, financed partly from the national budget and partly through links to the European Defence Fund, EDIP, Horizon Europe and NATO DIANA.[253]

The main risks would be brain drain, weak market demand and the possibility that funding could be channelled to politically selected actors without genuine innovation performance. These risks could be mitigated through an open, competition-based grant system, international expert evaluation and military validation test environments.[254] The expected outcome by 2035 would be at least 200 dual-use start-ups, 50 military technology spin-offs and a cumulative defence R&D investment volume of at least EUR 1 billion.[255]

5. Defence Supplier Development Programme

The fifth recommendation is the establishment of a targeted Defence Supplier Development Programme designed to prepare Hungarian SMEs and mid-sized companies for entry into European and NATO-compatible defence value chains. The programme could be jointly operated by HIPA, the Hungarian Chamber of Commerce and Industry, the Ministry of Defence and the Hungarian Development Bank.[256]

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[253] European Parliament and Council, Regulation (EU) 2021/697 of 29 April 2021 Establishing the European Defence Fund, Official Journal of the European Union L 170/149, May 12, 2021; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme and a Framework of Measures to Ensure the Timely Availability and Supply of Defence Products, COM(2024) 150 final, Brussels, March 5, 2024; European Parliament and Council, Regulation (EU) 2021/695 of 28 April 2021 Establishing Horizon Europe, Official Journal of the European Union L 170/1, May 12, 2021; NATO, Defence Innovation Accelerator for the North Atlantic (DIANA): Annual Report 2024, Brussels: NATO, 2025.

[254] European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund, arts. 10–12; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, arts. 24–31; NATO, DIANA Annual Report 2024.

[255] European Commission and High Representative, A New European Defence Industrial Strategy: Achieving EU Readiness through a Responsive and Resilient European Defence Industry, JOIN(2024) 10 final, Brussels, March 5, 2024, 12–15; European Parliament and Council, Regulation (EU) 2021/697 Establishing the European Defence Fund.

[256] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

The legal basis of the programme would be a national supplier development framework supporting the acquisition of quality assurance certifications, cybersecurity compliance, alignment with NATO AQAP standards, export readiness and technological modernisation.[257] To avoid treating supplier development as a purely economic programme, its success indicators should include explicit interoperability and standardisation metrics. These should include the number of companies obtaining NATO AQAP-compatible quality assurance certification, the number of products or components aligned with relevant STANAG requirements where applicable, the number of items entering NATO codification systems, the number of suppliers passing cybersecurity and export-control audits, and the number of Hungarian companies integrated into the supply chains of prime contractors operating in NATO and EU Member States. For the period between 2027 and 2035, a budgetary envelope of at least EUR 300 million would be justified.[258]

The main risks are the relatively low technological preparedness of Hungarian SMEs, insufficient access to capital and the lack of defence industrial certifications. The success of the programme would therefore not depend simply on the distribution of subsidies, but on whether it can offer a genuine pathway for certification, mentoring and supplier integration. The expected outcome by 2035 would be at least 500 certified Hungarian defence suppliers,[259] as well as an increase in the share of Hungarian added value in strategic defence projects to at least 30 per cent.[260]

6. Hungarian Military Mobility Centre

The sixth recommendation is to develop Hungary into a Central European military mobility and logistics hub. This is one of the most important strategic proposals of the study, as Hungary's geographical position, rail and road connections, and the

[257] NATO Standardization Office, AQAP-2110: NATO Quality Assurance Requirements for Design, Development and Production, Edition D, Version 1, June 2016; NATO Standardization Office, AQAP-2310: NATO Quality Assurance Requirements for Aviation, Space and Defence Suppliers, Edition B, Version 1, December 2017.

[258] The cost estimate is the author's own policy assessment, based on the possible financing logic of the EDF, EDIP, and national supplier-development programmes.

[259] The 2035 target value is a policy recommendation proposed by this study; for a reference framework, see: European Commission and High Representative, *A New European Defence Industrial Strategy*, 12–15.

[260] The 30 percent domestic value-added target is a policy recommendation proposed by this study, not a current statistical figure.

combined potential of the Gidrán, Rába, Lynx, Aeroplex and ammunition industry capacities create a genuine regional opportunity.[261]

Responsibility for the programme would lie with the Ministry of Defence, the Ministry of Construction and Transport, MÁV, Magyar Közút, HIPA and the relevant defence industrial actors. Its legal basis could be provided by a National Military Mobility Strategy and an associated infrastructure development package. For the period between 2027 and 2032, an investment requirement of EUR 1–2 billion would be realistic, financed in part through EU Military Mobility, CEF, EIB and NATO-compatible funding sources.[262]

The programme should focus on the development of rail-based military mobility, road throughput capacity, storage bases, repair centres, military materiel logistics, MRO services and digital supply chain management. In operational terms, the centre should be designed around Host Nation Support and Reception, Staging and Onward Movement requirements. It should map and certify Hungary's key military mobility corridors in terms of rail loading gauge, axle-load limits, bridge military load classification, tunnel and terminal capacity, border-crossing procedures, fuel and ammunition storage, protected logistics nodes, heavy equipment transporter availability, emergency repair capacity and digital movement-control systems. The purpose would be to ensure that Hungary is not only geographically located on NATO's eastern reinforcement routes, but is also technically and institutionally capable of supporting large-scale allied movement in a crisis. For defence planning purposes, the centre should be assessed against crisis-time readiness benchmarks. These should include the ability to support allied movement within D+30 and D+90 planning horizons, the availability of certified rail and road corridors for heavy equipment, the repair turnaround time for priority land systems, the accessibility of fuel and ammunition storage nodes, and the resilience of digital movement-control systems under cyber pressure. These indicators should be reviewed jointly by the Ministry of Defence, the Hungarian Defence Staff and the relevant civilian infrastructure authorities. The main risks are the shortcomings of Hungarian infrastructure, regional competition with Poland and Romania, and the possibility that the project's civilian transport policy objectives and military mobility goals may not be sufficiently integrated. The expected outcome would be a regional military logistics centre that

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[261] European Commission and High Representative of the Union for Foreign Affairs and Security Policy, Action Plan on Military Mobility 2.0, JOIN(2022) 48 final, Brussels, November 10, 2022, 1–9; European Parliament and Council, Regulation (EU) 2024/1679 of 13 June 2024 on Union Guidelines for the Development of the Trans-European Transport Network, Official Journal of the European Union L, June 28, 2024; NATO, NATO Industrial Capacity Expansion Pledge, Washington, DC, July 10, 2024.

[262] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 6–9; European Parliament and Council, *Regulation (EU) 2021/1153 of 7 July 2021 Establishing the Connecting Europe Facility*, Official Journal of the European Union L 249/38, July 14, 2021; European Investment Bank, *EIB Group Strategic Roadmap 2024–2027*, Luxembourg: European Investment Bank, 2024.

connects Hungary to the NATO and EU defence system not only as a manufacturer, but also as a service provider.[263]

7. National Defence Export Strategy

The seventh recommendation is the adoption of a dedicated National Defence Export Strategy. The long-term sustainability of the Hungarian defence industry cannot rely exclusively on orders from the Hungarian Defence Forces. Becoming an export-capable sector requires a clear product and service profile, target market priorities, international partnerships, and an export control system that is rule-of-law-based and compatible with alliance commitments.[264] Responsibility for the strategy could lie with the Ministry of Foreign Affairs and Trade, the Ministry of Defence, HIPA and a newly established Defence Export Office. The legal framework would be provided by the rules governing arms export licensing, foreign trade in military technology, the control of dual-use items, EU Common Position 2008/944/CFSP, the Arms Trade Treaty and the Wassenaar Arrangement.[265]

Priority regions should be defined with caution. The Western Balkans, Central Europe, the Baltic region, the Middle East and NATO partner countries may appear as potential target markets, but every export decision must be based on end-user control, human rights risks, the EU sanctions regime and alliance interests.[266]

The strategy should therefore classify potential exports into three categories. The red category should include destinations, end-users or transaction structures that are incompatible with EU sanctions, the Arms Trade Treaty, Council Common Position 2008/944/CFSP, alliance interests or Hungary's reputational security. The conditional category should include markets where exports may be authorised only subject to enhanced end-use monitoring, re-export restrictions, political risk assessment and

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[263] European Commission and High Representative, *Action Plan on Military Mobility 2.0*, 1–9; NATO, *Washington Summit Declaration*, Washington, DC, July 10, 2024, paras. 5–7; NATO, *NATO Industrial Capacity Expansion Pledge*.

[264] Council of the European Union, Council Common Position 2008/944/CFSP of 8 December 2008 Defining Common Rules Governing Control of Exports of Military Technology and Equipment, Official Journal of the European Union L 335/99, December 13, 2008; United Nations, Arms Trade Treaty, adopted April 2, 2013, entered into force December 24, 2014; Wassenaar Arrangement Secretariat. The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: Initial Elements. Vienna: Wassenaar Arrangement Secretariat. Accessed June 26, 2026.

[265] Hungarian National Assembly, Act CIX of 2005 on the Authorisation of the Manufacture of Military Equipment and the Provision of Military Services, National Legislation Database; Government of Hungary, Government Decree No. 156/2017 (VI. 16.) on the Detailed Rules for the Authorisation of Military-Technology Activities and the Certification of Undertakings, National Legislation Database; Government of Hungary, Government Decree No. 13/2011 (II. 22.) on the Authorisation of the Foreign Trade in Dual-Use Items, National Legislation Database.

[266] The target regions are policy recommendations proposed by this study; in the case of export authorisation, Council Common Position 2008/944/CFSP, the Arms Trade Treaty, and the UN/EU sanctions regimes must be applied in all cases.

interministerial approval. The preferred category should include EU and NATO Member States, closely aligned partner countries, and projects that strengthen allied security of supply, interoperability and industrial resilience.The objective should not merely be to increase export volume, but to develop a Hungarian defence export profile that is reputationally defensible, legally sound and sustainable in the long term.

CONCLUDING ASSESSMENT

By the mid-2020s, Hungary had entered a situation without precedent since the democratic transition. The country once again possesses significant defence industrial manufacturing capacities, international technology partnerships and strategic infrastructures that may enable it to become a regional actor within the European defence industry.[267]

The question is no longer whether Hungary needs a defence industry. The question is who exercises strategic control over it, and within what institutional framework.[268] The success of the next decade will not be determined by how many armoured vehicles or rounds of ammunition Hungary produces. It will depend much more on whether the country is able to integrate into European defence supply chains, generate high value-added technological knowledge and turn the defence industry into one of the engines of national competitiveness.[269] Ultimately, the future of the Hungarian defence industry is not merely an industrial policy issue, but a matter of state strategy.[270] If Hungary is able to preserve the capabilities that have been created, ensure strategic state control, and at the same time provide space for competition, innovation and private capital, the current investments may represent not only the legacy of the Zrínyi programme, but also the foundations of a new Hungarian defence industry that is export-capable and embedded in Europe.[271]

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[267] European Commission and High Representative, *A New European Defence Industrial Strategy*, 4–15; NATO, *NATO Industrial Capacity Expansion Pledge*.

[268] European Parliament and Council, Regulation (EU) 2019/452 of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union, Official Journal of the European Union L 79I/1, March 21, 2019, arts. 4–6; OECD, OECD Guidelines on Corporate Governance of State-Owned Enterprises, Paris: OECD Publishing, 2015, 17–30.

[269] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18.

[270] Council of the European Union, *A Strategic Compass for Security and Defence*, Brussels, March 21, 2022, 7–13; NATO, *NATO 2022 Strategic Concept*, Brussels, June 29, 2022, paras. 24–25; European Commission and High Representative, *A New European Defence Industrial Strategy*, 1–7.

[271] European Commission and High Representative, A New European Defence Industrial Strategy, 12–15; European Commission, Proposal for a Regulation Establishing the European Defence Industry Programme, 13–18; NATO, NATO Industrial Capacity Expansion Pledge.

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