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## Special Focus: Global Trend in Arms Trade



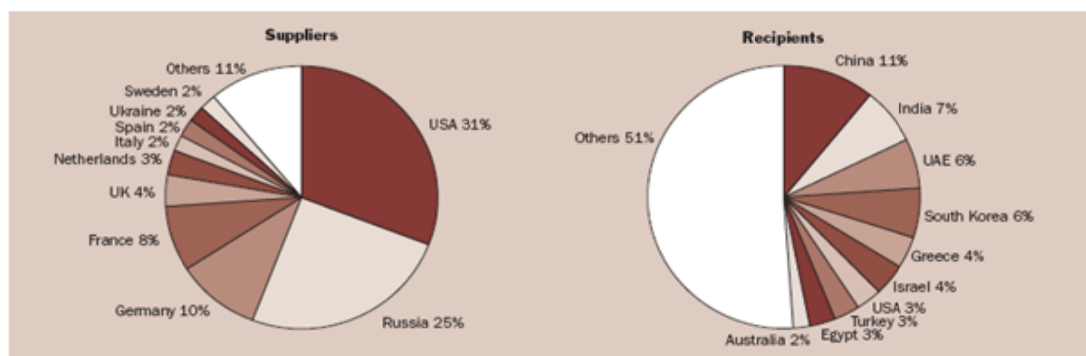
There is a momentous milestone that delimits the composition and the amount of transfer trade globally and this is the end of Cold War. The reason is that the collapse of the Warsaw Treaty Pact and the emerge of a new status quo in the European security created a serious alternation in the structure and purpose of the defense forces of Central and Eastern Europe. It is

indicative that following the end of the cold war there was a steady decline in global arm transfers as they reached their lowest point in 2002, when transfers amounted to only 38% of their cold war high that was recorded in 1982. Nevertheless, after 2002 there has been a more steady increase in transfers something that could be contributed in several factors that will be examined in this article.

The decline that international trade in arms experienced during the 1990s and the first year of the new millennium can be predominately contributed to the collapse of arm transfers from the Soviet Union and its successor states. Two major situations were created by this fact. The first was the end of the Soviet Union as a Superpower and the subsequent discontinuance of supplying weapons to friends and allies for free or on easy credit. The new status quo dictated the creation of a new entrepreneurship model for the Russian companies where new markets should be found.

Additionally, the end of the Cold War highlighted a key differentiation in the structure of the armed forces that was until then created in order to confront a high intensity war.

### The suppliers and recipients of major conventional weapons, 2004–2008



Source: SIPRI Arms Transfers Database, <<http://armstrade.sipri.org>>.

Therefore, defence industry was developed to fulfill the aforementioned demands and after the end of the Cold War they found themselves in a completely different environment in which they had to adjust, as the prospect of a large skill war was not on the table anymore.

Despite the fact that Russia had to adjust in this new environment, it remained one of the five biggest arm suppliers. Actually, from the 1980s until 2008, the Soviet Union, the United States, France, the United Kingdom and Germany were steadily the five largest suppliers of major conventional weapons accounting for an average of 80% of world exports. In the contrary, the group of the largest recipients of major conventional weapons has varied over the years. For the period 1980-1984 the five largest recipients of military equipment -Iraq, India, Libya, Syria and Egypt - accounted for 26% of total imports whereas, for the period 2004–2008 the top 5 -China, India, UAE, South Korea and Greece- accounted for 35% of all imports. In addition, Russian defence industry recuperated and its arms exports were 14% higher in 2004–2008 than in 1999-2003 and furthermore, deliveries to Africa and Latin America have increased by around 200% and 900% respectively.



The ascertainties made in the above paragraph illustrate two major trends; the first is a shift in the major arms import markets from the Middle East- Africa to Asia and the second is that Russia has actually found a new market for its defense industry namely Latin America and especially Venezuela.

Apart from Venezuela Brazil and Colombia are also trying to modernize their armament. Colombian defence budget increased by 2% of 1990's GDP to 6.3% GDP for 2008. Additionally, the Brazilian government decided to significantly augment its national defence budget, as the total sum of budgeted procurements during 2008-2011 is scheduled to be almost 10 billion US dollars more than the previous defence budget.

Arm transfers are an important economical and political issue. It is rather difficult to thoroughly calculate the amount of resources that each country allocates. Nevertheless, we can have a dim idea of the global arm trade and we can surely delineate its main trends and currently the trends are that Asia and Latin America are the new "big spenders" and they have the potential, together with UAE to continue leading this race.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## Arms Trade Trend in Latin America



Overwhelmed with outdated military equipment and technology, Latin America's countries were in a great need of modernising its armament. This was mainly contributed to the fact that military spending remained low during the 1990s and early 2000s. The civilian governments emerged after the end of the military dictatorships of the 1970s and the 1980s tried to gain the control over defence policies and disconnect the future of the country with this troubled past. Nevertheless, in recent years both military spending and arms imports were significantly augmented the last decade. Military spending rose to \$48.1 billion in 2008 and over the decade 1999–2008, it increased by 50%.

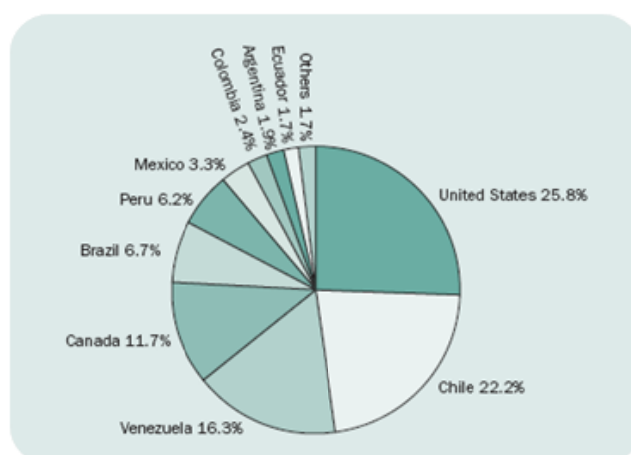


One of the reasons for the increase of military spending in Latin America has been the high prices of products that the region's countries are exporting, such as oil, soya and copper, something that significantly augmented their revenues. Additionally, Latin American countries are undergoing a period of socioeconomic modernisation. Under this inspiration their Armed Forces are undergoing a process of alternation that is parallel and in accordance with this procedure.

Furthermore every country has a different and more customised reason why it should upgrade its arsenal. For example Brazil faces internal security problems, especially in the Amazon Basin area, where it shares around 12,000km of border with seven other countries, over which the government has a weak hold over the rule of law.



National shares of the volume of imports of major conventional weapons by states in South and North America, 2004-2008



Source: SIPRI Arms Transfers Database

Furthermore, Brazil is an important regional power and if it is to sustain its international position then the improvement of its armoury should be considered as a necessity. Therefore, in December 2008 Brazil signed an \$11.3 billion agreement with France for the licensed production of 50 EC-725 helicopters, 4 conventional submarines and 1 nuclear-powered submarine.

On the other hand Colombia is confronting with increasing demands to counter guerrilla warfare operations in the interior of the country something that resulted to the gradual renewal of the Colombian Air Forces' aging fleet.

The champion of imports for the period 2004-2008 in Latin America is Chile. Its defence budget was nearly doubled and the country is now the 11th largest importer of conventional weapons in the world, up from 36th place for 1999–2003. Venezuela was the second in Latin America and the 18th largest in the world, up from 55th place for 1999–2003.

Another important feature that delineates the arm market in Latin America is that Russia is constantly reinforcing its position in the region. It is indicative that Russian deliveries to South America increased by around 900% between 1999–2003 and 2004–2008. The majority of these transfers went to Venezuela.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## Epicos Project Opportunities



Epicos "Project Opportunities" provides a unique set of online tools enabling the structure, identification and implementation of comprehensive Offsets programs, through a searchable database. By introducing different offset projects and ideas proposed by local A&D industry it ensures the optimum cost for Prime Contractors and reassures that the priorities of local industry are fully met...

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### Establishment of Chemical Laboratory capability



A company excelling in the area of Non-destructive Testing (NDT) is willing to expand its capabilities in special services (Special Processes -Chemical- Laboratory) that will complement the productivity chain, attending to the growing demand for the manufacturing of aeroparts and adding value to the machined parts.

[For Further Information Contact our ICO Department](#)

Mail at: [a-dimou@epicos.com](mailto:a-dimou@epicos.com)

### Acquisition of advanced high speed, aerial target technology



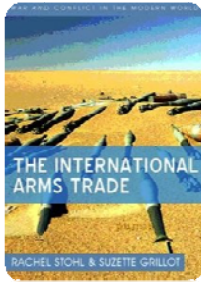
A company with significant experience in air-to-air targets design, development and manufacturing is willing to expand its activities in the field of advanced high speed aerial targets technology, including target systems, ground control hardware and associated software for missile training. The acquisition of these technologies will be achieved through a Technology Transfer offset program.

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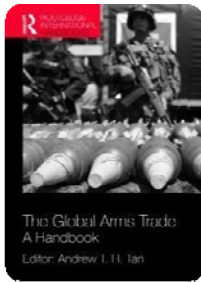
**The International Arms Trade (WCMW - War and Conflict in the Modern World), by Rachel Stohl , Suzette Grillot**



about the conventional arms trade.

International arms trade is a multi-billion dollar business in which virtually every country in the world is involved. The book is trying to delineate the complexities and realities of this global trade. The authors trace the history of the arms trade and examine how it has evolved since the end of the Cold War. In particular, they assess the role of the largest arms exporters and importers, the business of selling conventional arms around the world, and shed new light on the illicit arms trade and the shadowy dealers who profit from their deadly commerce. The International Arms Trade should be considered a must will be invaluable for students and scholars of international relations and security studies, and for policymakers and anyone interested in understanding more

**The Global Arms Trade: A Handbook, by Andrew T. H. Tan**



The Global Arms Trade is a timely, comprehensive and in-depth study of this topic, a phenomenon which has continued to flourish despite the end of the Cold War and has been revived till the middle of the first decade of the new millenium. It provides a clear description and analysis of the demand for, and supply of, modern weapons systems, and assesses key issues of concern. This book will be especially useful to scholars, policy analysts, those in the arms industry, defence professionals, students of international relations and security studies, media professionals, government officials, and those generally interested in the arms trade.



### NATO to deliberate 21st century fighting machine

NATO foreign and defence ministers huddle Thursday to shape the alliance's strategy for the next decade but Germany and France are at odds over the vision for missile defence and nuclear weapons.

The ministers will hold a rare joint meeting at NATO headquarters in Brussels to discuss a draft of the alliance's new "strategic concept" at a time it is fighting in Afghanistan and facing budget cuts among its members.

The mission statement is to be endorsed by NATO leaders at a summit in Lisbon on November 19-20 and replace an 11-year-old document written in another era -- two years before Al-Qaeda struck New York and Washington in 2001.

"My firm intent is that the Lisbon summit will put in place an alliance that is more modern, more efficient and better able to work with our partners around the globe," said NATO Secretary General Anders Fogh Rasmussen.

"The new strategic concept must reconfirm NATO's core task -- territorial defence -- but modernise how we do it, including cyber defence and missile defence," Rasmussen told a news conference on Monday.

The blueprint, drafted by Rasmussen, is around 10 pages long, according to diplomats. It has not been made public but it is expected to touch on 21st century threats, from cyber assaults to missile attacks and global terrorism.

"It is a short, concrete, balanced and a readable document," a senior US official said.

Cyber and missile defences are "critical capabilities" for NATO to develop, the official said.

The threat posed by computer attacks came into full light in 2007 when a cyber strike against Estonia, a NATO member, cost the Baltic state between 19 and 28 million euros.

Building a missile shield is a top priority amid concerns about the intentions of Iran and North Korea.

"We would like NATO to take a decision on missile defence first," the US official said.

France and Germany have differed on atomic weapons, however, as German Foreign Minister Guido Westerwelle wants the anti-missile system to substitute nuclear deterrence while Paris sees them as complementary, diplomats say.

"The Germans wanted the strategic concept to say that NATO commit to nuclear disarmament," a diplomat said on condition of anonymity.

Rasmussen will meet with French President Nicolas Sarkozy in Paris on Friday to ease the concerns of the nuclear-armed nation, diplomats said.

The NATO chief insisted on Monday that "missile defence is not a substitute for nuclear deterrence" and would instead complement each other.

Last week, he said the strategic concept would enshrine US President Barack Obama's goal of a nuclear-free world but at the same time insist on the need to keep nuclear deterrence while other nations keep such bombs.

Despite some disagreements, the senior US official said the final version of the strategic concept "will not diverge that much from the draft."

Rasmussen said NATO faces a "clear threat" from missiles as more than 30 countries possess or are acquiring ballistic missiles.

"Even in this time of budgetary restrictions, we can allow ourselves this kind of spending," he said, reiterating that a missile shield for Europe would cost less than 200 million euros over 10 years.

Russia has been suspicious about US plans to mount a missile shield for Europe, even though the alliance insists that the system would provide a defence against rogue states.

Rasmussen, who wants Russia to cooperate in any missile shield plan, has invited the former Cold War foe to hold a summit with NATO leaders in Lisbon, but Moscow has yet to respond.

Rasmussen also urged the alliance to "engage more actively" with partner countries around the world such as Australia, Japan and South Korea.

**Source:** 2009 AFP, Agence France-Presse (AFP)

### **Taiwan says it is developing unmanned military aircraft**

Taiwan's defence ministry said Tuesday it was developing an unmanned surveillance aircraft, showing that the island's arms race with China has not ended despite improving ties.

Yu Sy-tue, spokesman for defence minister Kao Hua-chu, told AFP that the island's military-run Chung Shan Institute of Science and Technology near Taipei has started research on drones, without elaborating.

Kao denied reports that Taiwan has made it a top priority to acquire Global Hawk, a high-altitude drone, along with new fighter jets from Washington, the spokesman added.

Drones, which are remotely piloted and perform reconnaissance as well as attack missions, are seen as a potential replacement for the venerable U-2 spy plane. China's military already uses such unmanned aircraft.

Taiwan's President Ma Ying-jeou stressed over the weekend that the island will keep buying arms from Washington as it cannot rely solely on improving ties with China to ensure its security.

At the top of Taiwan's wish-list are F-16 C/D fighter jets to replace its ageing fleet of F-5s, as China rapidly builds up its military capability.

Ma was elected in 2008 on a promise to improve Taiwan's economy, mainly by stepping up exchanges with China.

During his time in power, ties between Taiwan and China have improved markedly, but China still refuses to renounce the possibility of using force should the island declare independence.

A sale of F-16 C/Ds to Taiwan would be certain to trigger the ire of Beijing, which reacted furiously when the United States in January announced a a 6.4-billion-dollar arms package for the self-governing island.

**Source:** 2009 AFP, Agence France-Presse (AFP)

### **Russia reveals detailed data on defense spending until 2013**

MOSCOW, October 12 (RIA Novosti) - Russia has made public for the first time in many years a detailed account of its defense spending until 2013, the Vedomosti daily said on Tuesday. State Duma Defense Committee head Viktor Zavarzin said last week that the country's defense spending, including R&D, would total 487 billion rubles (\$16.3 bln) in 2010, 574 bln (\$19.2 bln) in 2011, 726 bln (\$24.3 bln) in 2012, and 1.16 trillion (\$38.8 bln) in 2013. The share of spending on R&D will drop from 22 percent in 2010 to 16 percent in 2013, the lawmaker said. The spending will focus on procurement of RS-24 intercontinental ballistic missiles and Bulave submarine-launched ballistic missiles, Su-34 Fullback fighter-bombers, Su-35 Flanker-E long-range fighter jets, submarines, corvettes and frigates for the Black Sea Fleet, and battlefield command-and-control systems for the Ground Forces. The share of spending on modernization of existing weaponry will be spread almost evenly throughout the four-year period - 13 percent in 2010, 15 percent in 2011-2012, and 14 percent in 2013.

**Source:** RIA Novosti

### **China tells defence forum its military growth is no threat**

China insisted Tuesday its military growth was no threat as Asian and US defence ministers met in Hanoi for their first top-level regional security forum amid concern over Beijing's might.

"China's defence development is not aimed to challenge or threaten anyone, but to ensure its security and promote international and regional peace and stability," China's Defence Minister Liang Guanglie told his counterparts.

He said China -- which has the largest military force in the world -- has made a "strategic decision" for long-term peaceful development.

"China pursues a defence policy that is defensive in nature," Liang said, endorsing the aims of the new defence ministers' forum led by the Association of Southeast Asian Nations (ASEAN).

"China is positive and open to regional security cooperation and supports ASEAN centrality" in the new forum.

Beijing's increased assertiveness, particularly in the South China Sea, has caused jitters among neighbouring nations as well as the United States, which is also at odds with China over trade and currency issues.

US Defence Secretary Robert Gates held talks with Liang on Monday in a bid to improve their military ties after China broke off defence contacts in January over Washington's arms deals with Taipei.

"This meeting is a new and important step forward in ASEAN's defence cooperation," said Vietnamese Prime Minister Nguyen Tan Dung, whose country holds the current ASEAN chairmanship.

The talks are the first-ever between the 10 ASEAN defence ministers and eight regional partners: Australia, China, India, Japan, New Zealand, Russia, South Korea and the United States.

"We are currently facing grave security challenges, both traditional and non-traditional," Dung said, listing trans-national crime and natural disasters as among the key issues.

In his opening remarks, Vietnam's Minister of Defence Phung Quang Thanh said: "We are not here to discuss the benefits of war," but to share ideas about cooperation for peace and development.

China's growing military power and its tough line on territorial disagreements in the South China Sea has helped foster closer ties between the United States and Vietnam.

China on Monday pinpointed weapons sales to Taiwan as the main hurdle to improving military relations with the United States, after talks between Liang and Gates on Monday -- the first such meeting in almost a year.

But Gates voiced frustration at Beijing's stance, saying a military dialogue was too important to be derailed by a largely political issue.

Beijing broke off military ties with Washington in January over American plans to sell Taiwan more than six billion dollars' worth of arms including Patriot missiles.

Japan and China also took steps Monday to mend ties soured by their worst diplomatic dispute in years, with a meeting between Liang and Japanese Defence Minister Toshimi Kitazawa.

The two, meeting for the first time since the row erupted a month ago over Tokyo's detention of a Chinese trawler captain after a collision in disputed waters in the East China Sea, agreed on measures to avoid future maritime conflicts, Japanese media reported.

Gates said territorial disputes in the South China Sea did not come up in his talks with Liang but suggested the issue might be addressed in Tuesday's forum.

"I think that it's clearly on everybody's mind and falls within the rubric of maritime security," he said.

Gates indicated that Washington opposes Beijing's bilateral approach to territorial questions in the South China Sea, saying his country backed a multilateral solution favoured by Vietnam and others in the region.

But Liang said Tuesday that practical cooperation within multilateral frameworks "does not mean settling all security issues".

China claims sovereignty over the Spratly and Paracel archipelagos, as do Vietnam and other ASEAN countries.

ASEAN members proposed that the forum focus on counter-terrorism, disaster relief, maritime security, military medicine and peacekeeping.

China has sharply criticised the United States for joint military exercises with South Korea in the Yellow Sea, and for sailing naval ships in the South China Sea.

**Source:** 2009 AFP, Agence France-Presse (AFP)

#### Russia's oil export duty may rise to \$289-292 per T from Nov. 1

MOSCOW, Oct 12 (RIA Novosti) - Russia's oil export duty may rise to \$289-292 from the current \$266.5 per ton from November 1, while export duties on East Siberian oil may increase to \$98-100 from the current \$82.1 per ton, the Finance Ministry said on Tuesday. "Price monitoring showed that from September 15 to October 11, the average price stood at \$79.7 per barrel. If the price remains within an \$80-85 per barrel range in the next three days, the final monitoring price will amount to \$79.74-80.43 per barrel," Alexander Sakovich, head of Finance Ministry's analytical department, told RIA Novosti. As a result, according to an official formula to calculate the export duty, it may amount to \$289-292 per ton, while export duty on East Siberian oil may stand at \$98-100 per ton from November 1. From July 1, the government has levied a low export duty on oil extracted from some East Siberian fields, which are difficult to access and was not previously subject to export duties. The light oil products export duty may amount to \$207-209 per ton from November 1, while the dark oil products duty may amount to \$111-113 per ton. In the first half of the year, Russian oil prices have risen to \$75.93 per barrel from \$50.82 per barrel year-on-year. The Economic Development Ministry increased its forecast of the average Urals oil blend price to \$75 per barrel from \$54-57 per barrel.

**Source:** RIA Novosti