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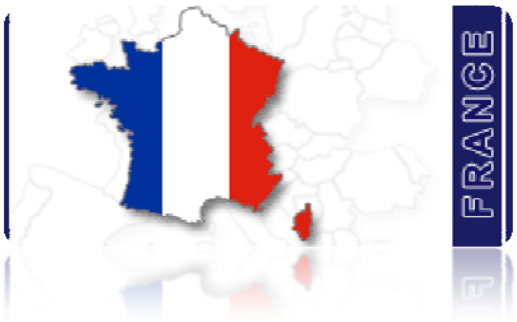
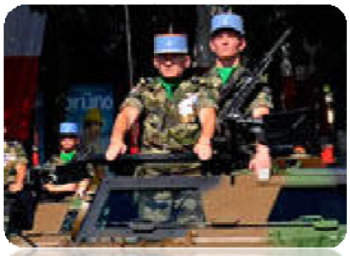
## France, Cuttings in Defence Budget




France unveiled a revised defence triennial spending law for the period 2011-2013 in late September 2010. According to this, total defence spending for the related period will amount to €91.6bn, instead of €95.3bn—as initially planned in the 2009-2014 Military Programming Law (MPL). Between 2011 and 2013, the French armed forces will thus need to save €3.5bn. This initial proposal from the Defence Ministry was validated by the adoption of the budget on 29 December 2010. Regarding the number of defence personnel, no cuts are planned. This is mainly attributed to the fact that significant cuts were already made as part of the implementation of the White Paper's guidance on Defence and National Security from 2008.

It is natural that the France French MOD would have to reexamine some of its future procurement projects in the light of defence cuts. However, there are some specific sectors that are excluded from cuts, such as deterrence and intelligence surveillance and reconnaissance (ISR). Additionally, the MOD is planning to maintain R&D funding at around €700m per year until 2013. Despite a real cut of about €1.7bn in comparison to the previous programmatic law, the procurement budget is also planned to slowly increase from €16bn in 2011 to €16.8bn in 2012 and to €17.3bn in 2013. Additionally, the MOD added an order for 11 Rafale per year between 2011 and 2013. This was mainly done in order to keep Dassault's line of production alive as the French company showcased a difficulty in finding new markets for its fighter. This could be averted if France that is in now in the final stage of negotiations with the United Arab Emirates for the sale of Rafale fighter jets could finally close this deal. However, the governmental effort to keep the aforementioned production lines open will be compensated by postponing the modernisation of the Mirage 2000D fighter and the Scorpion modernisation programme as well as the Multi-Role Transport Tanker.



As it is already mentioned no cuts are planned in the Forces structure as a consequence of the revised defence triennial spending law. The White Paper's guidance on Defence and National Security from 2008 already initiated a transformation of French military forces, including a total personnel reduction of 54,000 to an end-strength of about 225,000 troops by 2015. During the period 2011-13, the total number of personnel is expected to decrease from 314,000 to 276,000. In order to achieve this objective the French MOD is planning to pool logistic and support functions together. In order to do so, a

rationalisation of military bases is foreseen (leading to aggregating all the military forces in 75 major military bases). By the end of the process in 2015, the objective is to have achieved savings of €1.6bn per year.

Also, defence cuttings are not going to affect the commitment of the country to participate in international missions. It is indicative that funding for the mission in Afghanistan will see an overall increase by €60m to €630m in 2011.

In order to further reduce military spending, France also resorts to the option of cooperating with other countries and currently is actively searching for cooperation opportunities. On the 2nd of November 2010 during the Franco-British Summit France reaffirmed this by singing a framework agreement on defence cooperation with the UK. Apart from the co-operation in nuclear testing, 17 topics for further collaboration were identified. London and Paris agreed to pool logistics and training for the A400M. France will use spare UK air-tanker capabilities and research and technology co-operation will be continued with a joint annual budget of €100m. Nevertheless, one essential limitation that France always put in the negotiations about pooling and sharing, is that it will secure its own political capacity to act.

The global economic crisis hit hard the defence budget of France. Procurements were cut and several modernization programs were postponed. Nevertheless, this economic crisis also created opportunities for cooperation with countries that are sharing the same vision with France.

Kyriazis Vasileios
Epicos Newsletter Head Editor

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## French Defence Industry: Exports

After the Cold War, France has sought to remain a strong and independent military power. Thus, authorities have deliberately tried to enhance the capabilities of the domestic defence industry, in order to equip armed forces. Currently, the turnover of the French defence industry is around €15 billion per year. Around one third is related to export. France was one of the five biggest suppliers of major conventional weapons for the period 2006–10 together with the United States, Russia, Germany and the United Kingdom. The volume of arms exports increased by almost 10% per cent between the periods 2001–2005 and 2006–10; however, the share of French arms exports in the global arms trade decreased from 8% to 7%.

France mainly exports ships, aircraft and missiles. Additionally, exports are rather spread-out in their geographical distribution. More than thirty (30) countries imported defence equipment from France during the period 2009-2010, whereas, the four (4) top 'customer' countries, based on the amount of funds allocated were: Singapore, Malaysia, Australia and South Korea. Despite the fact that Brazil is not in the top 'customer' countries for the aforementioned period, it is traditionally one of the main importers of French equipment. It is indicative that in 2008 Brazil signed an €8.6 billion agreement with France for the licensed production of 50 EC-725 helicopters, 4 conventional submarines and a nuclear-powered submarine.

In 2001 Singapore procured (300) ASTER-15 SAAM from France. Deliveries were concluded in 2010. The procurement was part of the 'Project Delta' for La Fayette frigates. The total amount of the procurement was approximately 1.6 billion Dollars.

Furthermore, in 2010 France singed the procurement of (12) EC-225/EC-725 helicopters to Malaysia. Deliveries will be finished in 2012-2013. The total amount of the procurement will reach 500 million dollars. In 2001 France agreed with Australia for the procurement of 22 AS-665 Tiger Combat helicopter. Deliveries were completed in 2010. The procurement also included an offset deal consisting in the production of components and assembly of 18 of them in Australia, while also in the production of EC-120 helicopter for the Asian market.

France is one of the most important exporters of military equipment. It exports a wide variety of products to several different countries throughout the world. For the period 2006–10 France was among the five top suppliers of major conventional weapons confirming a long tradition of defence exports.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

## *Epicos "Industrial Cooperation and Offset Projects"*

Epicos "Industrial Cooperation and Offset Projects" 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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### Radiological Field Food Tester Turk Key solution

A company with significant leading experience in the development and production of chemical defense instruments and nuclear reconnaissance systems is proposing the representation of its Turn Key Solution Radiological Field Food Tester, to other foreign companies specializing on NBC systems in order to gain access to new markets.

For Further Information Contact our ICO Department

Mail at: g-menexis@epicos.com

### Production of complex casting and machined parts and components for the Aerospace and Defense industry

A company specialized in the manufacture of precision castings steel and aluminum parts using the Lost Wax Process for the defense and industrial sectors, is proposing, in the frame of an offset program, the collaboration with Aerospace and Defense (A&D) primes or lower tier companies for the production of complex casting and machined parts and components to be used in specific programs.

For Further Information Contact our ICO Department

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## Epicos- Amazon

### Military Economics: The Interaction of Power and Money, by Ron Smith

Money has always being an important matter for the military. Money is needed to finance fighting and desire to acquire it is often the motive for fighting. Additionally, fighting matters for the economy, since military power and conflict have shaped economic development throughout the history of mankind. Nevertheless, defense economics has long been incomprehensible to many students of security and the military. This book is trying to delineate the issue and must be regarded as a long needed book on the complex and important issues of military economics.

### Enterprise Sustainability: Enhancing the Militarys Ability to Perform its Mission, by Dennis F.X. Mathaisel, Joel M. Manary, Clare L. Comm

Military supply chains are unique because what is supplied to the end user is routinely returned to the supply chain for maintenance, repair, and overhaul (MRO). Offering a blueprint for transforming military depot workload and processes into those of high-performance commercial facilities, **Enterprise Sustainability: Enhancing the Military's Ability to Perform its Mission** provides a powerful system of concepts and tools for enhancing the ability of the military to perform MRO on its weapon systems. These concepts and tools are applicable to any enterprise, military or commercial.

## Epicos Newsroom

### France in 'final' talks with UAE on Rafale sales: minister

France is in the final stage of negotiations with the United Arab Emirates for the sale of Rafale fighter jets, Defence Minister Gerard Longuet said on Monday.

"We are in the final negotiation," Longuet said on LCI television of talks on the UAE acquiring the French-made fighters, adding that the chances were "very strong" that a contract would be signed.

"It's a significant deal for this country," he said. "When you equip an air fleet, it's for 40 years, so the buyer sets his conditions."

Negotiations began in 2008 for the sale of 60 Rafale fighters, the pride of Dassault Aviation used by France's armed forces but yet to be sold abroad.

Abu Dhabi has asked for an improved version fitted with a more powerful engine from Snecma of the Safran group with a thrust of nine tonnes, as well as a higher performing radar system from Thales.

Financing of these improvements "is one of the issues under discussion," a top Dassault Aviation official said in February.

**Source:** 2011 AFP, Agence France-Presse (AFP)

### Iberia eyes low-cost launch in 2012

Spanish airline Iberia aims to launch its low-cost subsidiary Iberia Express by April 2012, it said Tuesday, hoping to improve its fortunes on Spanish routes.

"The project will start for the summer season, from around the end of March or beginning of April," Rafael Sanchez-Lozano, Iberia's managing director, told reporters.

He said Iberia was launching the low-cost airline because its short-haul operations are failing to make money and it is losing out on domestic routes to budget carriers and Spain's AVE high-speed trains.

The competition cost Iberia 78 million euros ($107 million) in losses in the first half of this year, he said, although overall the International Airlines Group (IAG), uniting Iberia with British Airways, was in profit.

"It is going to be difficult to make a profit before 2013, but we are going to try," Sanchez-Lozano said.

Iberia Express will start with a fleet of four Airbus 320 jets which it hopes to expand to 13 aircraft and 500 staff by the end of 2012.

Iberia pilots have threatened to strike, fearing the salaries offered to staff on the new line will be too low.
**Source:** RIA Novosti

## Sri Lanka raises defence spending

Sri Lanka on Tuesday announced it would raise defence spending by over five percent in 2012, more than two years after the government ended a decades-long ethnic conflict with Tamil rebels.

The government allocated 230 billion rupees ($2.1 billion) for the calendar year 2012, up from 215 billion rupees ($1.92 billion) estimated for defence expenses in 2011, according to official figures tabled in parliament Tuesday.

Sri Lanka has maintained that it needs to keep defence spending high, to repay hefty instalments on military hardware bought to fight the separatist Tamil Tigers.

Government forces crushed the rebels in May 2009, ending what had become Asia's longest-running ethnic conflict that claimed up to 100,000 lives since 1972, according to UN estimates.

According to figures tabled in parliament, nearly half of the 2012 defence budget will be spent on the army to maintain its 200,000 personnel.

President Mahinda Rajapakse, who is also finance minister, is due to unveil the full 2012 budget on November 21, when he is expected to announce new revenue raising proposals to meet state expenses.

The government's 2012 expenditure was estimated at 2.22 trillion rupees ($20.1 billion), while revenue was estimated at 1.115 trillion rupees, resulting in a budget deficit of 1.105 trillion rupees.

**Source:** 2011 AFP, Agence France-Presse (AFP)

## NATO claims success with Afghan security forces

Afghan security forces are showing "significant progress" with a swell of new recruits and better training, NATO's head of training said Monday before leaving his post.

Lieutenant General William Caldwell said he was optimistic about the country's ability to "sustain the force we've built them... over the long term" after NATO troops hand over security responsibility to Afghan forces by the end of 2014.

His upbeat assessment comes in stark contrast to widespread fears over the ability of the army and police to protect the country.

A decade into the war, US troops on the ground complain that Afghan forces are still over-reliant on them and fail to take initiative.

But Caldwell said there are now 306,000 Afghan security personnel, exceeding the recruitment target for this year, with 50,000 officers and non-commissioned officers hired, standardised training and better equipment and weapons.

"Two years ago there were real reasons to be sceptical," he said.

"Today we see (a national force) being trained and equipped, which is developing the leaders and the people with the right vocational skills, and the institutions and systems to make this an enduring force."

Better pay and literacy programmes had also been integrated into the national forces, he said, addressing two key issues within the ranks.

The Afghan army and police have grown rapidly from around 190,000 personnel in late 2009, when the current programme to train them began.

The US-led training mission has an $11.6 billion budget for this year alone, and there are now 170,000 troops in the Afghan army, with combined army and police numbers due to peak at 352,000 by November 2012.

Around $2.7 billion worth of vehicles, weapons, communications equipment and aircraft are being provided to Afghan forces between August this year and March 2012, a surge in equipment provision which is part of the overall spending.

**Source:** 2011 AFP, Agence France-Presse (AFP)

## Europe Propylene Glycol (PG) Industry Outlook to 2015 - Market Size, Company Share, Price Trends, Capacity Forecasts of All Active and Planned Plant

GlobalData's report, Europe Propylene Glycol (PG) Industry Outlook to 2015 - Market Size, Company Share, Price Trends, Capacity Forecasts of All Active and Planned Plants provides an in-depth coverage of Europe PG industry. The research presents major market trends affecting PG in the region. It provides capacity growth and presents installed capacity by key feedstock, process and technology. In addition, it presents market size, demand and production forecasts, end use demand forecasts, and company shares of major PG producers in the region. The research also provides price trends and trade balance data. Supply and demand scenario for key countries within the region is also included in the report. Overall, the reports present a comprehensive analysis of the PG in the region covering all the major parameters.

For Further Information Press Here

**Source:** Market Research