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Serbian Defence Procurements, Priorities and Structure

The defence policy of the Republic of Serbia is based on the integrated and multilateral approach to defence and security issues. The country is committed to participate actively in the process of cooperation and joint action with other countries and entities of the international scene in order to promote national, regional and global security. In order to achieve these goals, the efforts of the state authorities are mainly focused on reforming and developing an efficient defence system that will be involved in the European security structures and the NATO Partnership for Peace Program. In order to achieve this, Serbia allocated in 2011 a total of $805 million US dollars in constant 2010 prices whereas in 2007 the country allocated $943 million US dollars in constant 2010 prices. This means that the military expenditure of the country has been significantly reduced. More specifically Serbia has reduced military expenditure by 15% within a period of 5 years.

Table Military Expenditure of Serbia

	2007	2008	2009	2010	2011
In Constant (2008) US Dollars Millions	943	915	872	845	805
Percentage of Gross Domestic Product	2.5	2.3	2.4	2.2	-

Source: SIPRI Publications

Given the limited funds allocated on defence, the Serbian authorities should try to supply the armed forces with weapons and military equipment through research, development and acquisition of new assets and systems and modernization of existing, promising weapon systems. In this process the technological and industrial capacity of the country is primarily used. In procurement of assets from abroad, priority is given to joint projects with foreign partners, primarily those involving technology transfer and engagement of business capacities in the country.

In this direction a set of priorities has been set. The most important are the following: supply with telecommunications and IT equipment for the integrated system of communications, development and supply with equipment of the Center for the Airspace Sovereignty Control; providing radar stations with surveillance radars 3D and computer network for data processing and equipping the army units following M21 model, then equipping with multi-purpose combat and trainer aircraft for basic training “Lasta”, modern reconnaissance means, air defence medium-range missile system, wheeled armed combat vehicles, equipping with trainers and simulators of complex weapon system, equipping with transport planes and transport helicopters, procurement of UAV’s for reconnaissance units and equipping units for participating in multinational operations.

Regarding modernization priorities Serbian aythorities set the above as important: modernization of tanks, combat vehicles and self-propelled artillery weapons, helicopter and air-craft, radars and missile systems and ships' weapons systems.

Kyriazis Vasileios,

Epicos Newsletter Head Editor

Serbia: Participation in International Missions

The defence doctrine of Serbia is based amongst others on cooperating with other states and actors of the international scene in building national and global security. Thus, Serbia participates in (7) different multinational missions with a total of (109) deployed personnel. In the modern era, Serbia participated for the first time in multinational missions in the period 1988-1991 in the UNIMOG, a UN mission in Iraq and Iran. In 1989 Serbian observers participated in the UNTAG mission in Namibia and in the UNAVEM mission in Angola.

Serbia currently participates in the MONUSCO mission in Congo with one aerial evacuation medical team, which consists of (2) doctors, officers in rank and (4) medical technicians, which forms sub-teams and are stationed in Kinshasa. Additionally, Serbia participates in the UN multinational operation in Liberia (UNMIL) with (4) military observers.

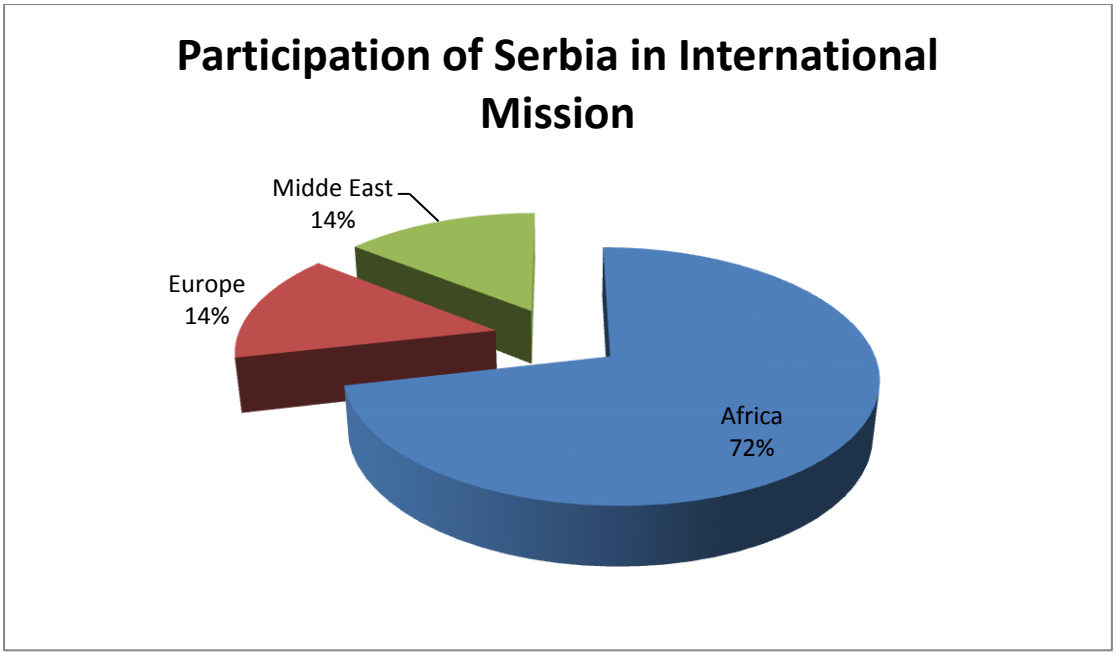
The country also participates in the UN peace Multinational Operation UNFICYP in the Republic of Cyprus with one staff officer, (2) military observers in MOLO liaison team, (6) members of infantry patrols and a platoon composition of (37) persons, in the Hungarian-Slovakian contingent.

Also, the country participates since December 20th, 2010 in the UN peace Multinational Operation UNIFIL in the Lebanon with (5) staff officers in the Spanish contingent. As of October 17th, 2012, (41) members of infantry platoon have also been engaged in the mission.

Mission	Number of Deployed Personnel
DR Congo - MONUSCO	8
Liberia - UNMIL	4
Côte d'Ivoire - UNOCI	3
Cyprus - UNFICYP	46
LEBANON - UNIFIL	46
Middle East-UNTSO	1
EUTM Somalia in UGANDA	1
Total	**109**

Serbian Participation in international Missions

Additionally, Serbia participates in the UN multinational operation in the Middle East (UNTSO) by sending a military observer and in the EU multinational peace operation "EUTM Somalia" in Uganda by sending medical colonel Slavisa Ciric as the head of the medical service in the mission, on April 25th, 2012.



As it is clearly seen at the pie-chart above, Serbia participates in international missions in three different regions, namely Africa, Europe and Middle East. Africa is by far the region with the most mission as 72% of total military mission are contacted in the specific region. More specifically, Serbia participates in (5) missions in Africa. Europe and Middle East follow with (1) mission each. Regarding the deployed personnel, Africa is the region with the largest concentration with (63) people; Europe follows with (46) and Middle East with (1).

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…
For Further Information Press Here

Multi spectral representation device (target) for Dry and Live training

A technology start-up company with registered patent applications in the area of visual products used for day & night forces training, based on technologic platforms which include targets, identification & marking products for the fighting forces is proposing to partner with another company in a targeted country. The partnership can include the provision of a cost effective training solution and a knowledge transfer of the company's multi spectral representation device (target) for Dry and Live training.

For Further Information Contact our ICO Department
Mail at: g-menexis@epicos.com

Smart, user-friendly and easy-to- implement visual production files, route cards, operating and maintenance manuals for Aerospace & Defense applications.

An innovative documentation company specializing in smart, user-friendly and easy-to-implement visual production files, route cards and maintenance manuals is proposing a unique system for preserving accumulated knowledge, best practice and experience, by using universal language, common software and advanced visual elements. The solution is aiming at shortening and simplifying worker's training time in the manufacturing and assembly lines. The proposed system can find several applications in the Aerospace & Defense market resulting in lower costs across the board from R&D through production and manufacturing right to the end-users.

For Further Information Contact our ICO Department
Mail at: g-menexis@epicos.com

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Serbia's Transition: Towards a Better Future (Studies in Economic Transition), by Milica Uvalic

Over the past decades, the implementation of the transition to a market economy in Serbia has to a large extent been slowed down by events, factors and policies that are essentially non-economic in nature. They derive not only from the fact that the country has been involved in military conflicts during much of the 1990s and has neglected some important objectives of the transition, the features of the political system in Serbia in the 1990s has indeed played a crucial role in determining the highly unsatisfactory performance of the Serbian economy and delays in implementing more radical economic reforms. The book analyzes this situation and offers a comprehensive evaluation of the achievements and failures of the transition, and explains why its course has been more complex and unique than elsewhere in the former socialist world.

Competitiveness and Private Sector Development Sector Specific Sources of Competitiveness in the Western Balkans: Recommendation for a Regional Investment Strategy, by OECD Organisation for Economic Co-operation and Development

OECD is an international organization that 30 democracies work together to address the economic, social and environmental challenges of globalization. OECD is also at the forefront of efforts to help governments respond to the new development and concerns, such as corporate governance, the information economy and the challenges of an ageing population. In this book OECD is trying to delineate the benefits that Western Balkan region has from a cost-competitive labour force and geographic and cultural proximity to EU markets. However it states that cost competitiveness as a source of differentiation is not sustainable. Cost levels are increasing gradually in some sectors, reducing firm's profitability. It concludes that in order to sustain competitiveness, the Western Balkans needs to move up the value chain, from investing in automated technology to producing higher-quality goods and enhancing its human capital.

Canadian Defence Procurements; An Overall Analysis

The Canadian authorities spend a fair amount of funds on defence. In 2011, Canada spent $23,082 million USA dollars on defence expenditure according to the Stockholm International Peace Research Institute (SIPRI). Additionally, the defence budget, as a percentage of the national Gross Domestic Product (GDP) increased by 1.2% of GPD that was in 2007 to 1.5% in 2010. Canada imports defence equipment from (9) different countries, a fact that highlights a variety of countries with which Canada is cooperating in the aforementioned subject. However, if we take a closer look in the Canadian defence imports we will see that USA plays an extremely important role that "shades" the participation of the other countries in the Canadian defence procurements.

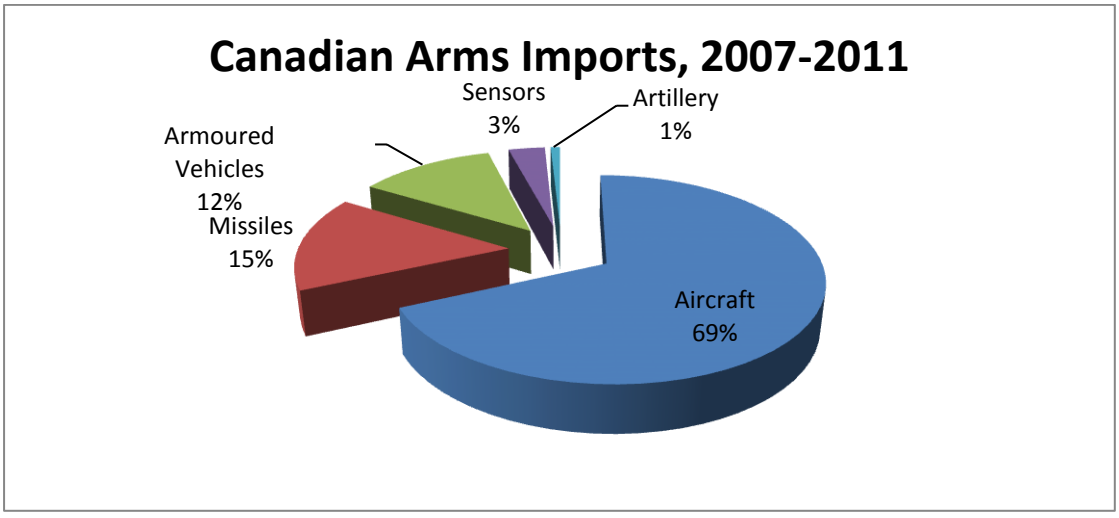
Imports (expressed in US$ m. at constant 1990 prices)

*** '0' indicates that the value of deliveries is less than US$0.5m**

	2007	2008	2009	2010	2011	Total
USA	418	368	107	215	330	1438
Netherlands		64		35		99
Germany	42	0			0	43

Source: SIPRI Publications, Arms Transfers Database

It is indicative that for the period 2007-2011, Canada spent $1641 million US dollars at constant (1990) prices, in procuring defence equipment from foreign countries. From this amount, $1438 million were spent in US made equipment. Netherlands and Germany are the next two countries based on the amount of funds allocated with $99 and $43 million US dollars at constant (1990) prices respectively.



Aircraft are the predominant area of imports for the period 2007-2011 with a total amount of $1438 US million at constant (1990) prices. The 2nd most important sector is that of missiles with $251 US million at constant (1990) prices whereas other areas such as armored vehicles, sensors and artillery follow.

The Canadian authorities have decided to continue making ongoing investments in several capital projects in order to either improve or replace key existing equipment and capabilities of the national armed forces. This has resulted in a significant increase in the Canadian defence budget, a trend that most probably will continue in the future.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Canadian Defence Industry; Exports & Orientation

Canada is an important player in the global aerospace and defence industry. It is indicative that in 2010 Canada according to the Stockholm International Peace Research Institute (SIPRI) was the 11th largest exporter of defence equipment. The Canadian aerospace and defence products and services are competitive in many market segments, including: regional & business aircraft; small gas turbine engines; commercial flight simulators; aero structures; landing gear systems; helicopters; armored vehicles; space-based robotics; remote sensing systems and satellites; avionics and mission systems; and, maintenance, repair and overhaul services. The Canadian industry is a world leader in many of these segments.

Additionally, Canadian companies have a well-deserved reputation for quality, value, performance and reliability. They are recognized by customers around the world for delivering leading-edge and advanced technology solutions on time and at a competitive cost.

Additionally, Canadian industry's commitment to research and development (R&D) keeps it at the forefront of aircraft technology development and applications as aerospace sector is among the leading investors in R&D in Canada.

During the period 2007-2011 the Canadian exports reached the amount of $1277 US m. expressed at constant (1990) prices whereas for the period 2002-2006 this amount was $1165 US m. at constant (1990) prices.

Exports (expressed in US$ m. at constant 1990 prices)

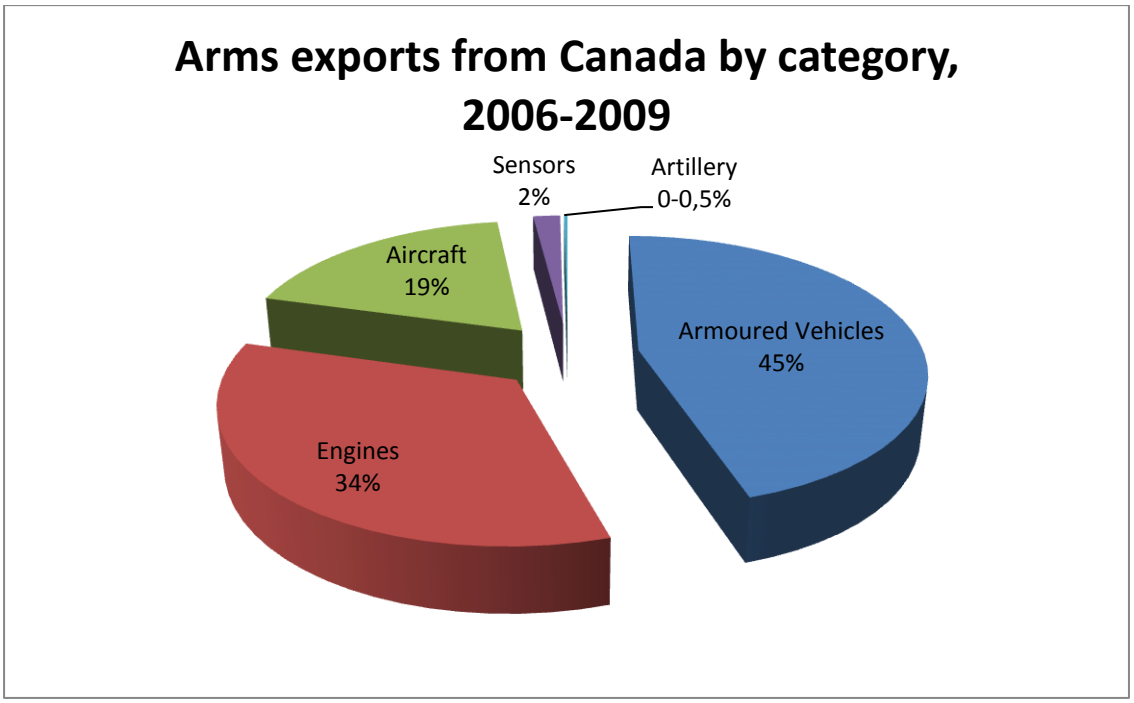
	2007	2008	2009	2010	2011	Total
USA	145	155	115	169	173	756
UK	138					138
Brazil	16	12	16	6	4	53
Saudi Arabia	12	10	3		26	52

Source: SIPRI Publications, Arms Transfers Database

Canadian arm exports are rather diversified in its geographical structure and range of exported items. More than (30) countries imported defence equipment from Canada, whereas, the four (4) first countries, based on the amount of funds allocated are: USA, UK, Brazil and Saudi Arabia. This actually denotes that Canada is exporting in three (3) different continents, Europe (UK) Americas (Brazil and USA) and Asia (Saudi Arabia).

The diversification of the geographical allocation of the Canadian exports is in accordance with the broad spectrum of exported items. Armored vehicles are the predominant area of exports for the period 2007-2011 with a total amount of $579 US m. at constant (1990)

prices. The 2nd most important sector is that of engines with $437 US m. at constant (1990) prices whereas other areas such as aircraft, sensors and artillery follow.



The Canadian defence industry is currently one of the most important worldwide. While the continued success of the industry cannot be guaranteed, the strong base upon which it is built will definitely help its future development.

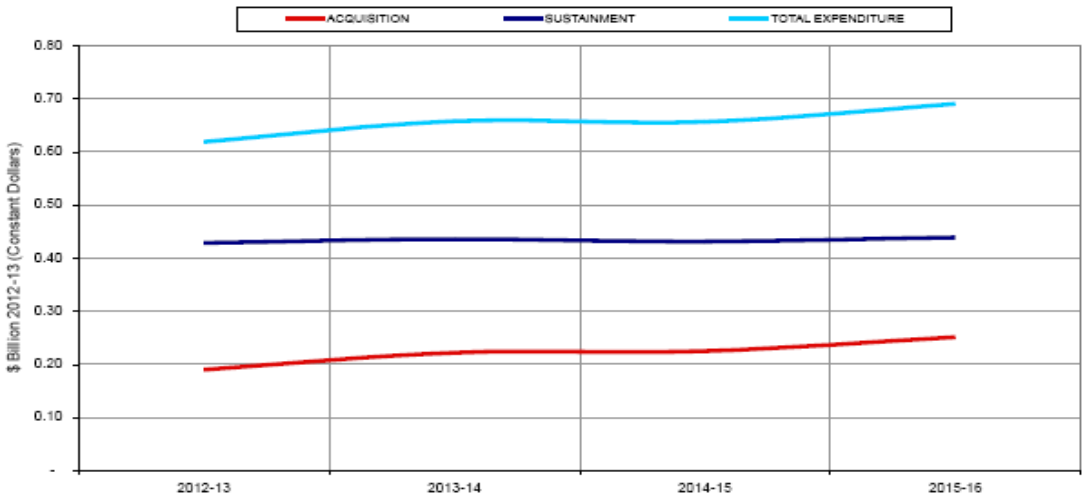
Kyriazis Vasileios,
Epicos Newsletter Head Editor

Australian Future Defence Spending

When compared with forecasts for 2011-12, the Australian sustainment activity for 2012-13 is expected to increase by 1.2% with acquisition declining by 25.3%. Overall, the Australian defence expenditure is expected to decline by 8.2% during 2011-12 and 2012-13. Additionally, it is estimated that there will be a steady growth in sustainment, which rises at a compound annual growth rate of about 2.8%. Below, you can have a thorough preview of the planned Australian defence acquisitions for 2012-2013, placed in five (5) different categories: Maritime, Land & Vehicles, Aerospace, Electronic Systems and finally, Weapons & Ammunition. This categorization is rather schematic as a future procurement may be included in several different categories. For example, expenditure for procuring a new ship may be allocated between (3) industry categories as: Maritime (for the platform), Electronic Systems (for the Command, Control & Communication systems), and Weapons & Ammunition (for the Missiles & Guns).

The in-country sustainment activity in the maritime sector during the period 2012-2013, is expected to increase by 10%, when it is compared with forecasts for 2011-12, while acquisition is expected to decline by 15.7%. Overall, in-country expenditure levels remain broadly stable between 2011-12 and 2012-13. For the period 2012-2016, expenditure is expected to increase at a compound rate of 4.2%/yr, where sustainment expenditure is expected to rise at a compound annual growth rate of 4.7%, primarily associated with support for the Collins class submarines and ANZAC and Adelaide class frigates. Acquisition expenditure is broadly stable, supported by continued activity in (2) large scale maritime projects, the Air Warfare Destroyer and Landing Helicopter Dock ship acquisitions. Growth from 2015-16 is associated with the Future Submarines program.

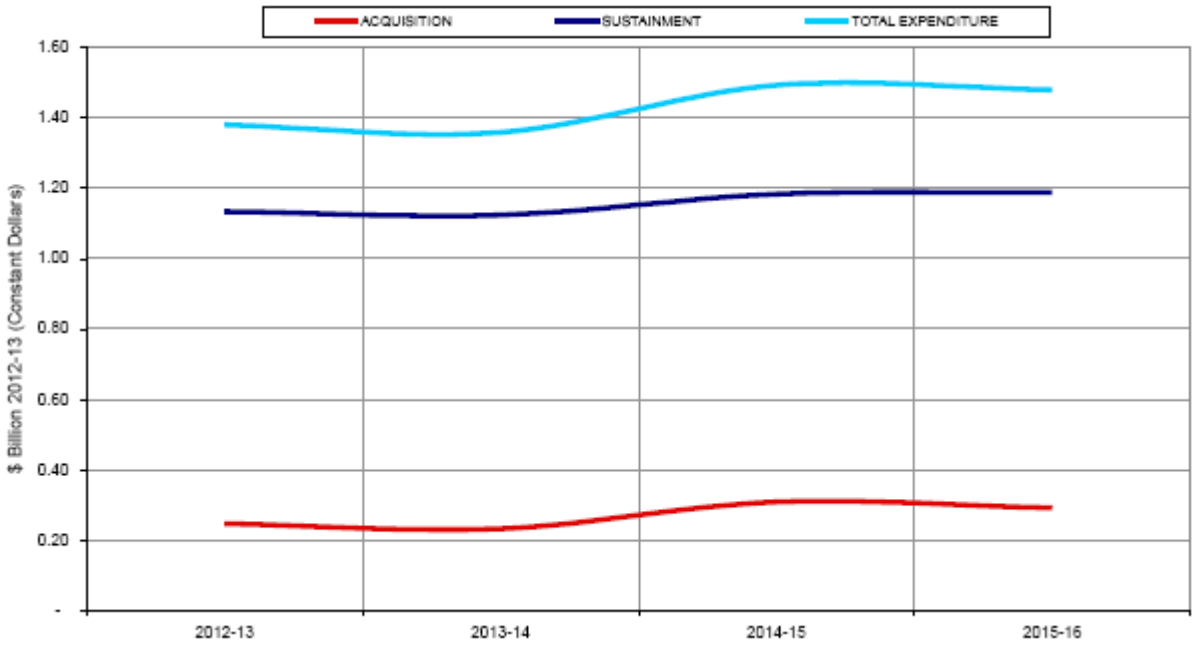
In-Country Expenditure within the Vehicles and Land Sector



Source: http://www.defence.gov.au/publications/CapabilityPlan2012.pdf

When compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to decrease by 17.5% and acquisition is expected to decline by 23.1%, in the land and vehicles sector. For the period 2013-2016 expenditure is estimated to increase at a compound annual average rate of 3.7%. In-country sustainment expenditure is associated with a broad range of activities, including combat clothing and support for the Bushmaster and B-vehicles, growing at a rate of 0.8%/yr across the period 2012-2016. Acquisition expenditure grows at 9.8%, due to the influence of the Bushmaster Protected Mobility Vehicle and Field Vehicles and Trailer procurements.

In-Country Expenditure within the Aerospace Sector



Source: http://www.defence.gov.au/publications/CapabilityPlan2012.pdf

Sustainment expenditure in aerospace sector exceeds acquisition expenditure by a wide margin. When compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to increase by 1.9%, with acquisition declining by 23.8%. Expenditure will increase at a compound annual average rate of 2.3% for the period 2013-2016. Acquisition activity will increase by 2014-15, and this will be associated with the final acquisition elements of the Multi-Role Helicopter project, and the Australian activity in programs such as the Joint Strike Fighter, results in expenditure growth across the period of 5.7% per year.

Regarding the electronics sector, it is estimated that when compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to decrease by 3.4%, while acquisition is expected to decline by 35.7%. Support for the Wide Area Surveillance systems and the Collins class submarines, provide the largest contribution to in-country electronics sustainment, although a number of other smaller equipment systems have high Australian content and contribute strongly to in-country activity.

Finally, for the smallest of the five industry sectors, namely weapons & ammunitions, when compared with forecasts for 2011-12, in-country sustainment activity for 2012-13 is expected to increase by 21.6%, with acquisition declining by 15.2%.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Danish Armed Forces: International Presence

Denmark realizes the need for initiatives to promote a peaceful development in other areas of the world. Therefore, Danish soldiers have taken part in UN peacekeeping activities since 1948. Since then Denmark has contributed with more than 50,000 soldiers, sailors and airmen to international operations under the auspices of the United Nations and NATO. As of April 2010 Danish contributions to international mission was 1,540 deployed persons. Currently, the armed forces additional expenditure for conducting international military tasks within the UN, OSCE, NATO is estimated to be up to DKK 1,030 million (2010 price level), according to the Defence Agreement for 2010-2014. Apart from this amount, armed forces are able to increase or decrease expenditure for international operations.

Since 1948, when Denmark started participating in international missions, the armed forces of the country have been participated in several missions. Nevertheless, the major Danish deployments are Afghanistan and Kosovo. Additionally, the country has contributed to the NATO Maritime Group 1. Additionally Denmark contributes with approximately 30 military UN-observers.

Additionally, there is worth mentioning that when the Danish armed forces provide personnel or support to facilitate the participation of other ministries in international operations, the relevant ministry is to refund the expenditures. One of the missions armed forces could undertake besides peacekeeping is relief assistance, in connection with humanitarian or environmental disasters abroad. In this case assistance provided by the Danish Armed Forces is more effective, more rapid or more economical than would otherwise be the case if the assistance was provided by another public body or private organization.

The intense of Denmark to cooperate with international organizations is also highlighted by the fact that Denmark is positive in pooling and sharing. The country preference in sharing and pooling is NATO than the EU mainly due to the close alliance with the USA. Furthermore, Denmark has signed the Nordic Defence Cooperation (NorDefCo) Memorandum of Understanding in 2009.

The aforementioned examples clearly show that Denmark is consciously trying to participate in international missions and help the international community in facing problems created by non- conventional threats.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

High Demand for Aviation Personnel in Asia Pacific is Forecasted

Despite the fact that the world is experiencing a rather difficult and uncertain economic period, aviation is still growing as an industry. This is highlighted by the fact that the number of passengers grew by nearly 6% in 2011. This number is expected to grow even more by 2015 as it is expected that over 3.55 billion people will travel by air. That is 877 million more than in 2010. Asia-Pacific is expected to be the new industry's centre of gravity. It is indicative that 212 million of 3.55 billion of travelers are expected to be generated by China alone. Additionally, in 2010 about a third of all passengers traveled on routes to, from or within Asia-Pacific. The equivalent number for North America and Europe was 31%. This number is anticipated to change by 2015, as the area of Asia-Pacific will represent the 37% of the global traffic, while traffic associated with Europe and North America will fall to 29%. Therefore, Boeing predicts the Asia-Pacific region will require hundreds of thousands of new commercial airline pilots and maintenance technicians over the next 20 years to support this development.

According to the 2012 Boeing's Pilot & Technician Outlook, the area will need approximately 185,600 new pilots and 243,500 new technicians through 2030. China will have the largest demand in the region, needing 71,300 pilots and 99,400 technicians over the next 20 years.

Regarding the geographical dispersion of these jobs it is worth mentioning that North East Asia will need 18,800 pilots and 26,500 technicians over the next 20 years. South East Asia will require 51,500 pilots and 67,400 technicians. The Oceania region will need 12,900 pilots and 17,100 technicians and South West Asia will need 31,000 pilots and 33,100 technicians.

"This great need for aviation personnel is a global issue, but it's hitting the Asia Pacific region particularly hard," said Bob Bellitto, global sales director, Boeing Flight Services, in a statement acknowledging the trend.

The Asia Pacific region also leads the demand for new commercial airplane deliveries over the next 20 years, with 12,030 new airplanes needed by 2031 according to Boeing's 2012 Current Market Outlook.

Kyriazis Vasileios,

Epicos Newsletter Head Editor