

Part I

Special Focus: South Africa's Economy

1. Special Focus: South Africa's Economy
2. South Africa's Automotive Industry
3. Epicos "Project Opportunities"
4. Development of a ballistic protection system for re-locatable modular buildings
5. Epicos- Amazon

Part II

Epicos Newsroom

1. Russia to keep 2nd place in fighter jet exports until 2013
2. Ukraine proposes cutting military by 20%
3. Gates in Indonesia to discuss military cooperation
4. Airbus targets more than 400 orders this year
5. SuperJet International: Agreement for 30 Sukhoi Superjet 100, Plus 15 Options with Pearl Aircraft Corporation



South Africa is a middle-income country, with fully developed basic infrastructure. It has abundant natural resources and well-developed financial, legal, communications, energy and transport sectors. Additionally, has a stock exchange ranked among the top 20 in the world and a modern infrastructure supporting efficient distribution of goods throughout the country's region. Furthermore, South Africa is the gateway to other African markets as plays a significant role in supplying energy, relief aid, transport, communications and investments on the continent.

Since the advent of democracy in 1994, the economy has been renovated, as prompt and able macroeconomic reforms have boosted competitiveness, growing the economy, creating jobs and opening South Africa up to world markets.

During this period of solid development the country's annual economic growth rate has averaged over 4%, whereas in the decade prior to 1994, economic growth averaged less than 1% per year. South Africa's real gross domestic product (GDP) rose by 3.7% in 2002, 3.1% in 2003, 4.9% in 2004, 5% in 2005, 5.4% in 2006 - the highest since 1981 - and 5.1% in 2007. It is indicative that in the fourth quarter of 2007, South Africa recorded its 33rd quarter of uninterrupted expansion in real GDP since September 1999.

The aforementioned situation was averted as South Africa's economy started to slow in the second half of 2008 due to the global financial crisis' impact on commodity prices and demand. In 2009 GDP fell nearly 2%.

In the first quarter of 2010 the country's economy has shown signs of retaliation. It is indicative that the seasonally adjusted real GDP at market prices for the first quarter of 2010 increased by a rate of 4,6% compared with the fourth quarter of 2009. The main contributors of this increase for the first quarter of 2010 were the manufacturing industry (1,3 %), the mining and quarrying industry (0,8 %), the finance, real estate and business services industry (0,5%), the wholesale, retail, motor trade and accommodation industry and the general government services (0,4 %). Additionally the African Reserve Bank (SARB) forecasts in its latest projections that South Africa's real output is expected to grow at annual average rates of 2.7% and 3.6% in 2010 and 2011 respectively.



South Africa's economy has been significantly developed throughout the last two decades. Unfortunately, though, daunting socioeconomic problems remain. One of these is

unemployment. The results of the first quarter of 2010 show that between the fourth quarter of 2009 and the first quarter of 2010, the number of unemployed persons in the country increased by 145,000 to approximately 4,3 million resulting in an increase in the unemployment rate by 0,9 % to 25,2%.



In its 2007 annual country report the International Monetary Fund (IMF), noted that South Africa's economy was *"undergoing its longest expansion on record, and in recent years has experienced elevated growth in an environment of rapid credit expansion, booming asset prices, strengthening public finances, and rising international reserves financed by large capital inflows."* In the same report the IMF identified the overwhelming issue of unemployment as one of the biggest challenges to economic growth in the country. Until then the economic environment of the country remains the same. Economic growth is the case whereas unemployment along with other socioeconomic problems such as poverty, large wealth disparities and a high incidence of HIV/Aids continue to be an open wound for the country.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

South Africa's Automotive Industry



National Association of Automobile
Manufacturers of South Africa



South Africa's automotive industry is one of the most important sectors of its national industry. With annual

production of 535,000 vehicles in 2007 the country can be regarded as a minor contributor to global vehicle production, which reached 73-million units in 2007, but locally the automotive sector is gigantic, employing 31,357 people making it a crucial cog in the socio-economic status quo of the country. All of the major vehicle makers are represented in South Africa, as well as eight of the world's top 10 auto component manufacturers. The catalyst for this phenomenal growth has been the government's Motor Industry Development Program (MIDP) which was introduced in 1995.

There are several competitive advantages that the South Africa's automotive industry offers to international manufacturers. World-beating cost ability, competitive tooling costs and a high degree of manufacturing flexibility are some of them. Additionally, the production facilities have access to cheap raw materials and electricity, as well as stable transport and telecommunications infrastructure. Of course the country's national automotive industry still faces a number of challenges. One of the most important is that South Africa and the sub-region remains a relatively small market in global terms, isolated from larger markets and shipping routes.

The South Africa's automotive sector was badly hit by the international economic crisis. Nevertheless it seems that it is recovering as new vehicle sales and exports started to grow again. It was reported by the National Association of Automobile Manufacturers of South African (NAAMSA) that during June 2010 sales reached 39,931 units and recorded an improvement of 6,849 units or 20.7% compared to the 33,082 vehicles sold during the corresponding month in 2009. Additionally, according to Naamsa's data, combined industry sales of the first six months of 2009 remained 23.9% ahead of the corresponding six months of the previous year.



Furthermore, the number of exported South African vehicles during June 2010 was 20,434, a gain of 8,666 units or an improvement of 73.6% compared to the 11,768 vehicles exported during the same months of 2009. However this improvement should be examined in relation with the remarkably reduced sales last year due to the impact that the global financial and economic crisis had in the automotive industry.

As it is already mentioned the MIDP program was the key socioeconomic factor that helped the development of the automotive industry. In September 2008 the South African



government approved the new Automotive Production and Development Program (APDP) that replaced MIDP. The new program aims to stimulate growth in the automotive vehicle production industry to 1.2-million vehicles per annum by 2020. This new program is based on four elements tariffs, local assembly allowance, production incentives and automotive investment allowance. The local assembly allowance will allow vehicle manufacturers with a plant volume of at

least 50,000 units per annum to import a percentage of their components duty-free. This will come in the form of duty credits issued to vehicle assemblers based on 18% to 20% of the value of light motor vehicles produced domestically from 2013. Additionally, APDP would further create import tariffs starting from 2012, set at 25% for completely built up vehicles and 20% for components used by vehicle assemblers.

The first six months of 2010 can be fairly characterized as a positive period for the South Africa's automotive industry. However there is a rising uncertainty about the sustainability of the aforementioned encouraging development. The continuation of the global economic recovery and the stability in financial markets will play their role in the duration of the South Africa's automotive industry recovery.

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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Development of a ballistic protection system for re-locatable modular buildings



A company providing innovative solutions and services for temporary and permanent needs for modular buildings, flooring and infrastructure is interested in developing a ballistic protection system for its modular buildings. Applied throughout the world, the company's proven products are fully re-locatable, environmentally friendly, time saving and cost effective. Based on its existing range of products, the company is seeking potential partners for the development of ballistic protection system which can be used / combined with its existing modular buildings.

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

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The Comparative Political Economy of Development: Africa and South Asia (Routledge Studies in Development Economics), by Barbara Harriss-White , Judith Heyer



This book illustrates the enduring relevance and vitality of the comparative political economy of development approach promoted among others by a group of social scientists in Oxford in the 1980s and 1990s. Contributors demonstrate the viability of this approach as researchers and academics become more convinced of the inadequacies of orthodox approaches to the understanding of development. Detailed case material obtained from comparative field research in Africa and South Asia informs analyses of exploitation in agriculture; the dynamics of rural poverty; seasonality; the non farm economy; class formation; labour and unfreedom; the gendering of the labour force; small scale production and contract farming; social networks in industrial clusters; stigma and discrimination in the rural and urban economy and its politics. Reasoned policy suggestions are made and an analysis of the comparative political economy of development approach is applied to the situation of Africa and South Asia.

Globalisation and Emerging Economies: Brazil, Russia, India, Indonesia, China and South Africa , 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. OECD countries still dominate the world economy, but their share of world trade dropped from 73% in 1992 to 64% in 2005, and some of the worlds most important economies are not members of the OECD. Foremost among these are the so-called BRIICS: Brazil, Russia, India, Indonesia, China and South Africa. This book analyses key elements of the trade performance of the BRIICS in relation to the rest of the world, focusing on trade and other policies influencing that performance.



Russia to keep 2nd place in fighter jet exports until 2013

MOSCOW, July 22 (RIA Novosti) - Russia will most likely continue holding a second place on the global market of new multirole fighter jets until at least 2013, a Russian arms trade expert said. "We are expecting a significant growth of this [fighter jet] market segment both in terms of quantity [68%] and revenues [91%] until 2013 compared to the previous four years [2006-2009]," Igor Korotchenko, head of a Moscow-based think tank on the international arms trade, told reporters on Wednesday. "According to our estimates, Russia will keep a solid second place during the upcoming four-year period," the expert said. According to the Russian think tank, at least 1,589 multirole fighters worth over \$82.5 billion will be sold on the global market in 2006-2013. A total of 476 new fighters worth \$27.7 billion were sold in 2006-2009. This figure will almost double in the next four years with the demand rising from 119 to 200 planes annually. The United States tops the list with 472 new fighters worth over \$19 bln, which were sold in the past four years and have been ordered for the next four. Russia currently maintains a second place with 377 new fighters worth over \$16.3 bln, trailed by China, the U.K., Sweden and France. According to Russia's state arms exporter Rosoboronexport, the country could sign its first contract for the export of Su-35 Flanker-E fighter jets by the end of this year. The Su-35 Flanker-E, a modification of the Su-27, is a heavy class, long-range, multirole fighter, whose technical characteristics can be compared with those of fifth-generation jets.

Source: Ria Novosti

Ukraine proposes cutting military by 20%

KIEV, July 22 (RIA Novosti) - Ukraine is to downsize its Armed Forces by some 20% to 150,000-160,000 personnel in five years, the government press service said on Thursday. The cuts are envisioned under a draft concept for the organizational development of the national Armed Forces. The country presently has about 200,000 servicemen. Alongside the cuts in personnel, the draft concept states that military spending should grow at a rate of 15-20% a year through 2015. The Armed Forces are also to sell off surplus military property, which should yield \$188 million to \$250 million. The concept also directs the Defense Ministry to make a more effective use of its internal resources, saving an additional \$2.4 billion.

Source: Ria Novosti

Gates in Indonesia to discuss military cooperation

US Defence Secretary Robert Gates arrived in Jakarta Thursday to discuss the possible resumption of military ties with Indonesian special forces.

Gates, who arrived from a visit to Seoul, was due to meet President Susilo Bambang Yudhoyono and Defence Minister Purnomo Yusgiantoro later Thursday.

The US defence chief was expected to discuss the possibility of resuming training for an elite Indonesian military unit as part of growing counter-insurgency and intelligence cooperation with Jakarta.

But the move would be controversial as the Kopassus unit has been implicated in human rights abuses, including in East Timor, and some players in US Congress have opposed embracing the force before it has accounted for its past.

The United States broke off ties with the Kopassus in 1998 under a law banning cooperation with foreign troops implicated in rights abuses.

The Indonesian special forces are accused of committing abuses in East Timor and Aceh under then dictator Suharto in the 1990s.

The administration of President Barack Obama, who spent part of his childhood in Indonesia, sees the country as an increasingly important player in East Asia and key ally in the Muslim world.

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

Airbus targets more than 400 orders this year

European aircraft manufacturer Airbus said on Thursday it now hoped to win orders for more than 400 planes this year, reporting a solid performance at the Farnborough International Airshow.

The event, now in its fourth day and scheduled to end on Sunday, had yielded overall aircraft sales totalling 37.5 billion dollars (29 billion euros) by late on Wednesday, event organisers said.

The volume of business highlighted a resurgent civil aviation sector, which had been battered by the global financial crisis and disruptions to European operations earlier this year caused by an Iceland-based volcanic ash cloud.

A major new order was announced early on Thursday when Virgin America said it planned to buy 40 Airbus A320 mid-range aircraft with a list price of 3.25 billion dollars.

"This was a good airshow for us and I think it was a good airshow for the aviation industry," said Airbus chief executive Thomas Enders said.

Airbus, a unit of the European aerospace giant EADS, has won firm orders for 133 planes worth 13 billion dollars at the show along with preliminary orders for 122 aircraft worth 15 billion dollars.

It was unclear whether the Virgin America order had been included in the total.

Prior to Farnborough Airbus had received firm orders for 131 of its planes.

Enders said the company had raised its orders target for this year from 250-300 to more than 400.

"This airshow confirms the recovery trend observed during the last months," Enders said.

Added Airbus finance director John Leahy: "This clearly proves that the market is back and that our new end of year target for over 400 orders is within reach.

"It looks like we have turned the corner."

Brazilian manufacturer Embraer also said Farnborough had been good for business, yielding contracts in the amount of 7.9 billion dollars.

"This is has been a very good show for Embraer and I would say for the entire aerospace industry after a deep crisis," said an Embraer vice president, Horacio Aragones Forjaz.

"We have managed to go through this difficult period by reacting very precisely. We took several cost-cutting measures, we renegotiated contracts with suppliers and cut expensive services.

Virgin America meanwhile said the 40 A320 aircraft it had ordered would be delivered from 2013 through 2016.

The US airline said its fleet was now projected to grow from 28 aircraft currently to 90 by 2016.

British billionaire Richard Branson launched San Francisco-based Virgin America in August 2007 after appeasing regulators that forbid more than 25 percent foreign ownership of US airlines.

The low-cost carrier quickly established itself as a hip operation tuned into the Internet Age lifestyle. Virgin jets were the first to feature plugs at passenger seats for charging laptops, iPods, smartphones or other gadgets.

Virgin set another airborne standard by turning its jets into flying "hot spots" where passengers can get wireless Internet connections for 13 dollars.

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

SuperJet International: Agreement for 30 Sukhoi Superjet 100, Plus 15 Options with Pearl Aircraft Corporation

SuperJet International, a joint venture between Alenia Aeronautica, a Finmeccanica Company, and Sukhoi Holding, signed an agreement with Pearl Aircraft Corporation for the sale of thirty Sukhoi Superjet 100 aircraft, plus fifteen options. The announcement was made today at the Farnborough International Air Show by Mr. Alessandro Franzoni, Chief

Executive Officer of SuperJet International, and Mr. Jan Soderberg, Chief Executive Officer of Pearl Aircraft Corporation. Pearl Aircraft was advised by Aerbiz Business Consultants.

Based on the price list, the order for the thirty aircraft is worth over \$900 million U.S.dollars. "This announcement is of particular value to SuperJet International, as Pearl Aircraft Corporation is a new competitive financial company characterized by an innovative approach to the market", said Mr. Franzoni, CEO of SuperJet International. "This agreement with an international leasing company is a proof of the qualities of this aircraft and further enhances our position the market". "We are excited about the future of the SSJ100", said Mr Soderberg, Chief Executive Officer of Pearl Aircraft Corporation. "After a detailed evaluation, we are convinced it is the best 100-seat aircraft available or proposed. Its superior economics outclass all its competitors. In addition, its low costs and superb payload-range performance will open new market opportunities for our customers, allowing them to serve routes previously not considered viable. Its Pininfarina interior is like nothing else in the sky, with more space per passenger than any other narrowbody. This aircraft marries world-leading Russian aerodynamics and structures with state-of-the art Western systems, and world-class Italian interior design, all in an environmentally friendly product".

The Sukhoi Superjet 100 program represents the most important industrial partnership between Europe and the Russian Federation in the civil aviation sector.

About Pearl Aircraft Corporation:

Pearl Aircraft Corporation is a new aircraft leasing company that provides financial solutions to leading airlines, lessors and lenders. The financial strength of the company, its partners, as well as their industry relationships make the Company strategically well positioned to take advantage of the global cyclicity of supply and demand in commercial aviation. Pearl is in the process of building a \$2.0BN portfolio by the end of 2012.

About SuperJet International:

SuperJet International, a joint venture between Alenia Aeronautica (51%) and Sukhoi Holding (49%), is in charge of marketing, sales, customization and delivery of the Sukhoi Superjet 100 regional jet in Europe, the Americas, Oceania, Africa and Japan. The Company is also responsible for the training and worldwide after-sales support, as well as the design and development of VIP and cargo variants. A SuperJet International branch is active in Moscow, together with a sales office in Washington, DC, USA.

About Sukhoi Superjet 100:

Sukhoi Superjet 100 is a new family of regional jets. The aircraft was rolled out on September 26, 2007 in Komsomolsk-on-Amur. On May 19, 2008, the first Sukhoi Superjet 100 performed its maiden flight there. On October 24, 2008, after successful completion of factory flight tests, the aircraft emerged into certification flight campaign. Since then four flight prototypes have been involved in certification campaign.

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