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*Special Focus: Bulgaria*

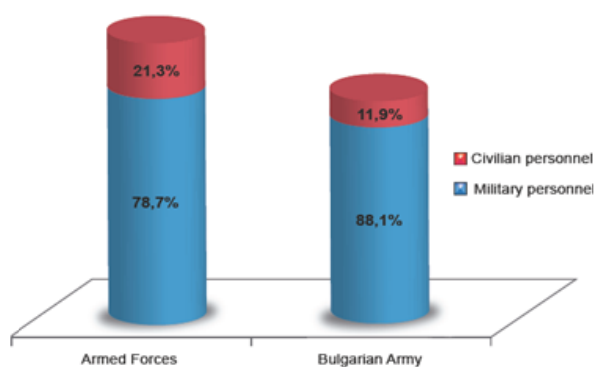
Taking into consideration the new strategic and security environment, the significant build-up of imbalances between planned capabilities and the resources allocated for their creation and maintenance, the ineffective defence management and finally the negative impact of the global economic and financial crisis, the Bulgarian authorities are trying to restructure

the national armed forces, so as to better fit in the new circumstances.

Throughout the last decades Bulgarian socioeconomic environment has seriously been affected by corruption. In order to ensure a transparent and responsible process in the spending of defence resources, Bulgarian authorities are trying to create effective management and to decrease the bureaucratic weight and administrative expenses. The final goal is to create a transparent environment in which funds will be allocated properly and at ratio of 60:25:15 for maintenance of personnel, for ongoing maintenance and for capital expenditure respectively.

The reduction of the defence budget will be followed by a cutback in the existing personnel of the armed forces. The existing capabilities of the Armed Forces are currently realized by 44,100 people. In that number 78.7% are military to a total of around 34,700. The remaining 21.3% are civilian, to a total of around 9400 people. The Bulgarian Army consists of 34,500 people. Of those, the military personnel on active duty comes to 30,400 (88.1%) and civilian personnel 4,100 (11.9%). A gradual decrease of 7,000 people from the total number of the Armed Forces by 2014 is planned, where the military on active duty in the Armed Forces will be decreased by 5,700 and the civilian personnel by 1,300.

**Personnel by Category in 2010**



**Source:** Ministry of Defence of the Republic of Bulgaria

share of the state's budget for the Ministry of Defence until 2014 to no less than 1.5% of GDP. Under this notion the government will try achieve the optimal balance between capabilities planned for the Armed Forces' and the actual resources the state can afford.

Apart from the enhancement of transparency Bulgarian authorities are trying to optimize the funds spend on defence and downsize them. The global financial and economic crisis turned out to have its greatest impact in 2010, something that will naturally affect the funds that the government can allocate to defence. Therefore, the goal of the government is to set the constant



In order to further consolidate the efficient building of the armed forces, Bulgarian authorities have as priority to create effective defence governance under uninterrupted public control, with a great potential of flexibility, planning and effective response. This entails the application of

contemporary defence management, founded on principles of good governance and planning, based on the operational capabilities of the forces and the possible scenarios for their use. The armed forces will be deployable according to a single peacetime and crises personnel establishment, under a single set of training programs, using a single set of doctrines, operational procedures and methodologies and a single command & control system.

It is a common belief that Bulgaria is facing a rather difficult economic situation. Gross Domestic Product (GDP) contracted by approximately 5% in 2009 and stagnated in 2010. Therefore, Bulgarian authorities have as a priority to keep the necessary existing capabilities to the Armed Forces, to use a single set of forces and an adequate defence management structure that will eradicate corruption and the misuse of funds.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## The Future of Bulgarian Defence Procurements



### MINISTRY OF DEFENCE OF THE REPUBLIC OF BULGARIA

During the first decade of the 21<sup>st</sup> century Bulgaria illustrated significant growth. More specifically the period between

2004 and 2008 the country averaged a growth of 6% and according to the World Bank, in 2006 Bulgaria attracted the highest levels of foreign direct investment, as a share of GDP, among Eastern European countries. The global economic crisis altered this situation and stopped 10 years of steady growth. In the 4<sup>th</sup> quarter of 2008 the country's economy fell into recession, in 2009 it minimized by approximately 5% and stagnated in 2010. Under this concept the total sum of military spending followed the economic course of the country. In 2008 total Military expenditure of Bulgaria rose to 1,631 million Leva from 746 million Leva that it was in 2000. Nevertheless, the defence budget, as a percentage of the national Gross Domestic Product (GDP) decreased by 2.8% of GDP that was in 1999 to 2.4% in 2009. Furthermore, the next (4) four years (up to 2014) the constant share of the state's budget for the Ministry of Defence until 2014 is to be no less than 1.5% of GDP and including other defence expenses and the expenses of military pensions – not less than 2%.

#### Military expenditure of Bulgaria

	2005	2006	2007	2008	2009
In Million Leva	1,101	1,171	1,475	1,631	1,548
percentage of gross domestic product	2.6	2.4	2.6	2.4	-

Source: SIPRI Publications (<http://milexdata.sipri.org/result.php4>)

The trend in military spending for Bulgaria is rather diminishing. This is illustrated by the fact that the defence budget that reached 2.4% as a percentage of the national Gross Domestic Product (GDP) will remain around 2.0% for the next four (4) years. Bulgarian authorities set as a goal to achieve the optimal balance between the planning of capabilities to accomplish the Armed Forces' role, missions and tasks and the actual resources available to the state. In other words the optimization of limited resources will be the case for at least the next four (4) years.

Throughout the last decade Bulgaria procured several defence equipment from several countries. Belgium is currently the main exporter of arm in Bulgaria and is followed by France, Italy and USA. Apart from USA all the other countries are from Europe something that highlights the tight relations that Bulgaria has with the other European countries. After all the country entered the EU on 1 January 2007 a fact that further reinforced its ties with the Western European political institutions.

As it is stated above Belgium is the main exporter of military goods to Bulgaria. In 2008 the country procured two (2) MCM class mine countermeasures ships. The ships were in service with the Belgian navy before joining Bulgarian armed forces. Furthermore, in 2005 Bulgaria

procured (6) AS-365/AS-565 Panther Helicopters. The deal included a 354 million Euros

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

	2006	2007	2008	2009	Total
Belgium			90	112	202
France	20	27	14	20	81
Italy		14	14	14	42
USA		4	5	4	13

Source: SIPRI Publications, Arms Transfers Database

offset deal from which 105 million Euros were indirect offsets. In 2006 Bulgaria bought five (5) C-27J Spartan Transport aircrafts for a total amount of funds that reached 91 million Euros. The delivery of the aircrafts was concluded in 2009. Finally in the same year Bulgaria acquired (10) AE-2100 Turboprop ASV-150/M-1117 for using them to the C-27J transport aircraft. The total amount of the procurement reached 10.2 million US dollars.

Bulgaria is currently trying to adapt its procurement program to contemporary realities and available resources. Therefore, the political will of the Bulgarian authorities is to reduce the cost of the national defence procurements-amidst the global economic crisis- without reducing the efficiency of the national armed forces.

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](#)

### Development of an automatic precision landing parachute supply system for military and humanitarian applications



A company which focuses on the development and manufacturing of aerospace instruments and onboard aircraft systems proposes the development of an Autonomously Guided Precision Airdrop System "AmPad" to be used by various tactical transportation aircraft and helicopters. This system ensures precision airdrops for Military and/or Humanitarian Missions.

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

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### Helicopter landing training simulator / Ingress - Egress training



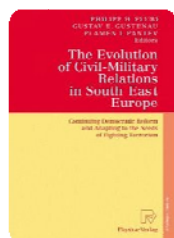
A company proposes the development and installation of a helicopter landing simulator which will provide complete training of soldiers/personnel on Ingress – Egress from/to helicopter under emergency and battle situations. Training will include emergency evacuation, search and rescue (SaR) missions, insertion/ extraction of special operation forces in/from "hot" battle zones, helicopter crashes with post-crash fires, and other relevant operational scenarios.

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**Epicos- Amazon**

**The Evolution of Civil-Military Relations in South East Europe: Continuing Democratic Reform and Adapting to the Needs of Fighting Terrorism, by Philipp H. Fluri, Gustav E. Gustenau, Plamen I. Pantev**



As in the rest of the world, September 11<sup>th</sup> and its global consequences have triggered an intensive security- political debate in the European Union, the effects of which became noticeable in the field of the reform of the security sector. Although there was considerable awareness for the dangers of terrorisms even before the devastating attacks in the United States, after 9/11 the “war of terrorism” was rapidly turned into the central security- political issue and found entrance into all strategic documents and policy and military planning scenarios. This book, authored by a multi-national team, draws a complicated, yet logically evolving picture of the problems in the security sector reform field of South-East Europe, examining the post-totalitarian and post-conflict challenges to be faced.

**Successful Industry Building in Transition Countries: Foreign Direct Investment or Local Effort? Software Industries of Bulgaria, Estonia, and Romania, by Mancheva Svetla**



The work examines the grounds for successful industry development in transition economies, focusing on the two types of ownership: foreign and domestic. The distinction is thus made between industries that are predominantly based on foreign direct investment or on local entrepreneurship, with the aim of establishing which of these contributes more to the development of the local economy and human capital. The method of analysis focuses on case studies of the software industry in three transition countries - Bulgaria, Estonia and Romania, representing different variations of the types of industry ownership. For the purpose of establishing the most successfully developed industry, four factors /groups of factors are analyzed: industry size; production linkages and knowledge transfer; specialization, value-added and innovation; and employment conditions.





### Singapore raises 2011 defence budget

Singapore, which has one of Asia's best-equipped militaries, has raised its national defence budget by 5.4 percent this year, government data showed Friday.

The government plans to spend Sg\$12.08 billion (\$9.5 billion) on defence in the 2011 fiscal year, up from Sg\$11.46 billion the year before.

Singapore's navy, army and air force will get Sg\$11.53 billion to buy and maintain military equipment, for the upkeep of camps and for payment of salaries.

The city-state currently has a population of more than five million, a quarter of whom are foreigners.

Singapore's economy grew 14.5 percent in 2010, the fastest in Asia. The defence budget is about five percent of gross domestic product.

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

### Western arms makers eye lucrative Mideast market

Western arms makers, squeezed by budget cuts at home, jostled to ink deals at the biggest arms fair in the Middle East as crackdowns on anti-regime protestors claimed hundreds of lives in the region.

Shiny fighter jets and armoured vehicles were showcased at the Sunday opening of the 10th International Defence Exhibition and Conference in Abu Dhabi amid reports of a bloodbath in Libya, the latest country in the region gripped by a sweeping pro-democracy uprising and ensuing violence.

"The post-financial crisis reality is that today it is clearly the Middle East that is seeing the biggest growth," said Herve Guillou, president of Cassidian Systems, a subsidiary of European aviation defence group EADS. Cassidian is in talks with a local company on computerising the defence systems of the United Arab Emirates army.

IDEX, which will run until Thursday, hosts more than 1,000 exhibitors with over 30 pavilions mostly belonging to the UAE, the United States, Britain, France and Germany. Nearly 50,000 visitors are expected from around the world. A naval defence industries exhibition, Navdex, is also being organised for the first time this year.

The fair is taking place as the Arab world witnesses a wave of unprecedented revolts that have toppled veteran leaders in Tunisia and Egypt since the start of the year. Some governments have responded with violent repression.



In Libya, rights groups put the death toll at between 200 and 400 in the space of a few days. Yemen, Bahrain, Morocco and Algeria have also faced deadly unrest demanding an end to their decades-old regimes.

That has not stopped contractors from rushing to showcase their wares to Gulf states, whose defense expenditures are set to rise over fears of Iran increased spending power due to high oil prices.

The six Gulf Cooperation Council countries -- Saudi Arabia, Bahrain, UAE, Oman, Qatar, Kuwait -- along with Jordan are set to spend \$68 billion (49.6 billion euros) on defence in 2011, according to research firm Frost & Sullivan. Their spending is expected to reach nearly \$80 billion in 2015.

"Undeniably, in the Gulf there are very big budgets that we don't have in Europe," said Christian Mons, president of French Land Defence Manufacturers Association (GICAT).

The dynamic market is a godsend for Western contractors as defence budgets at home are being curbed, particularly in the United States and in Western Europe. But they are faced with increasing competition from emerging economies. The Chinese, Ukrainian and South African stalls at the event expanded the most this year.

Nevertheless, negotiations are also long and difficult in the region due to demanding clients.

France has been in talks with the UAE since 2008 of 60 Rafale fighter jets designed by Dassault Aviation, but Abu Dhabi is demanding a revamped version of the aircraft with a more powerful engine and an improved radar.

The topic of sharing the costs of touching up the jets is part of the negotiations.

"A negotiation always takes several years," said Eric Trappier, who oversees the international operations of Dassault Aviation.

The new question mark is what long-term effects will the recent waves of revolts have on Arab defence policies.

Some say that the level of expenditures on equipment, which are spread out over years, would not be affected. "I don't think there would be a significant impact on budget," said GICAT's Mons.

On the other hand, European companies that manufacture law enforcement arms often no longer have the permission of their governments to export to certain crisis zones material that could be used against citizens.

French group Lacroix, which produces tear-gas or stun grenades, said exports of the products to the Middle East have been blocked, its international operations director Jean-Marc Puech said.

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

### Sukhoi Superjet enters race for Delta Air Lines contract

MOSCOW, February 21 (RIA Novosti) - Russia's Sukhoi has entered a bid with its Superjet 100 airliner to a request for proposals from America's Delta Air Lines for as many as 200 narrow-body aircraft, according to sources quoted by FlightGlobal.com. The Superjet will be among five bidders for the Delta contract, including the Bombardier C series and Airbus A320neo. The Superjet 100, marketed in the United States by Alenia North America, was awarded Russian type certification earlier in February. Mexican low-cost airline Interjet ordered 15 Superjet 100s in January.

**Source:** Ria Novosti

### Russia, EU prepare gas road map to 2050

MOSCOW, February 21 (RIA Novosti) - Russia and the European Union are preparing a gas road map to 2050, Gazprom CEO Alexei Miller said on Monday. "We are discussing issues covering the time beyond 10 years, including a gas road map. We work on the basis of long-term contracts and we are to make forecasts with a high degree of probability to 2050," Miller said, adding that the map would be discussed during a Russia-EU summit this week. He said that terms of the third EU energy package, under which production and transportation of gas are to be split and access to infrastructure given to third party companies, would also be discussed at the summit. Gazprom, which supplies Europe with a quarter of gas it consumes and also extracts and pumps gas, strongly opposes the package saying it will deprive the gas transportation system of investment. The third energy package will come in force in EU states on March 3. "An optimal decision on a mutually acceptable implementation of the third package is to be made during the talks," he said.

**Source:** Ria Novosti

### Russia's S7 airline says Jan passenger flow down 1.9% to 412,267 people

MOSCOW, February 22 (RIA Novosti) - Passenger flow of Sibir and Globus air companies, part of leading Russian airline S7, decreased by 1.9% in January 2011, year on year, to 412,267 people due to the aircraft fleet upgrade, S7 said on Tuesday. "The decrease in passenger numbers happened because the airline withdrew four long-haul 255-seat Airbus A310s from operation under the program of its aircraft fleet modernization," the company said. Passenger traffic of the S7 air companies amounted to 915,175 passenger-kilometers. Passenger load factor stood at 68% in January 2011, while the cargo load factor was 60.1%. S7 transported 2,871 tons of cargo and mail in January 2011, a 21.2% increase year-on-year. S7 plans to put up to 7 new planes into operation this year. The company will receive the first Boeing 737-800 airliner straight from the plant in the spring of 2011.

**Source:** Ria Novosti