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Croatia was one of the wealthiest Yugoslav republics, thus its economy suffered badly during the 1991-95 war. Croatian economy practically collapsed and therefore the country missed the early waves of investment in Central and Eastern Europe that followed the fall of the Berlin Wall. In the consequent years economy improved and between 2000 and 2007, started

showing moderate but steady Gross Domestic Product (GDP) growth that fluctuated between 4% and 6%. This positive development was reversed during 2009 when Croatia faced significant pressure as a result of the global financial crisis. For the first time after 1999 the country had a negative development (-5.8%) in GDP during 2009.

The Croatian socioeconomic status quo was hit hard by the war in 2001. Privatization and the drive toward a market economy had barely begun under the new Croatian Government and the war destroyed any change that the national economy had. As a result the economic infrastructure sustained massive damage, particularly the revenue-rich tourism industry, which was one of the main pillars of the national economy. From 1989 to 1993, GDP fell by almost 40.5%. After the war, Croatian economy and mainly tourism started to moderately recover. However, significant structural problems such as corruption and a general lack of transparency blocked any meaningful economic reform. As a result Croatia was not an attractive destination for the much-needed foreign investment and the country's economic development remained underdeveloped.



This was largely changed in 2000. Led by a rebound in tourism and credit-driven consumer spending, Croatian economy started to develop with fast and steady steps. Additionally, in the same period inflation remained disciplined and the currency (kuna), stable. The next two years economy continued to expand, something that was stimulated by a credit boom that was created by newly privatized and foreign-capitalized banks, further growth in tourism, some capital investment and gains by small and medium-sized private companies. Additionally, the integration of Croatia in the international status quo that was signaled with the beginning of European Union accession talks in 2005 and the prospect of NATO membership further help the national economy and more specific attracted foreign direct investment.

GDP rate of growth

	2005	2006	2007	2008	2009
GDP (%)	4,2	4,7	5,5	2,4	-5,8

Source: Croatian National Bank

Source: Croatian National Bank

Nevertheless, structural problems still remained, including a stubbornly high unemployment rate, a growing trade deficit and an uneven regional development.

The above described economical situation continued until 2007. In the first half of this year the stability of the financial system remained high. The main reason was that favorable developments in the macroeconomic environment continued as inflation remained



moderate (2.9%) and the economy grew at a much faster rate than in the previous year (4.7% in 2006 5.5% in 2007). However, the external imbalance of the economy continued to increase a fact that was highlighted by the further increase in the external debt.

The aforementioned positive course that the Croatian economy had was reversed in 2009 as the economy shrunk by -5,8%. The main reasons that led to this negative development was the country's high foreign debt, the fact

that the export sector was rather anemic and finally the risky over-reliance on tourism revenue.

Throughout the last decade Croatia was significantly developed. Though, last year's negative economic development signaled that substantial challenges remain; particularly in reforming the judicial system and reducing corruption that stifled Croatia from the 90's. Additionally, the privatization process that remained incomplete during the first decade of the new millennium must further proceed.

Kyriazis Vasileios,
Epicos Newsletter Head Editor



Ministarstvo turizma
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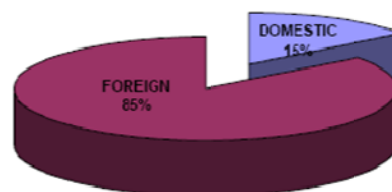
In the second half of the 20th century, tourism has experienced continued growth and diversification to become one of the largest and fastest growing economic sectors in the world. Several companies invested in tourism

development, turning it into a key driver for socioeconomic progress. For Croatia the tourism industry is one of the main income sources creating much needed employment and opportunities for economic development. This is indicated by the fact that when Croatian economy started to develop in 2000, tourism industry was in the forefront of this socioeconomic progress.

The country's picturesque landscape and the relatively calm climate create favorable conditions for the formation of a viable tourism industry. This is reinforced by the fact that Croatia extends in a vast and versatile area that expands from the easterly edges of the Alps in the northwest to the banks of the Danube.

Undoubtedly, tourism is one of the most important generators of economic development in the Republic of Croatia. Either directly or indirectly, it accounted for 20% of GDP in 2005. This trend continued throughout the next two years. According to the Croatian central bureau of statistics in 2007, 9.3 million international tourists arrived in the country, whereas in 2008, 9.41 million. Additionally, foreign tourists accounted for 88.5% of total overnight stays, whilst domestic tourists accounted for just 11.5 % in 2007 and international tourism generated 18.0% of Croatian GDP. The aforementioned development was diverted in 2009 when Croatia received 9.33 million tourists.

Structure According to Tourist Arrivals in 2009



Source: Central Bureau of statistics

Source: Central Bureau of statistics

The main reason behind this negative development was the global financial crisis. Economy slowed and therefore made investment in tourism programs difficult primarily due to the lack of finance liquidity and the struggling economy. Massive hotel investments were suspended and only few new projects started.

The economic crisis posed another imperative problem to the Croatian tourism industry.

Tourist Traffic in Croatia for the Year 2009

	Tourist Arrivals		
	2007	2008	2009
Total	11.162.406	11.260.807	10.934.474
Domestic	1.855.715	1.845.702	1.599.652
Foreign	9.306.691	9.415.105	9.334.822

Source: Central Bureau of statistics

Source: Central Bureau of statistics

Quests on Adriatic coast are mainly tourists from Central European countries, which suffer from reduction in private consumption. Therefore, Croatian government has to find a way to promote their tourism industry on some other markets or stimulate Central European citizens to visit Croatian Adriatic coast.

According to all these experiences, we can conclude that Croatian tourist industry faces a rather significant challenge. The main problem is the reduction of capital inflows caused by the financial crisis in countries of foreign capital origin and the drop of the Central European citizens' income that are the main customers of Croatian tourism industry.



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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Titanium-based Powder Injection Molding Parts for Aircraft/Jet Engine Applications



A company with extensive experience in the development of advanced products and materials applications – complex shape metallic, cermets and ceramic parts – using Powder Injection Molding (PIM), is proposing the development of titanium alloy forming process based on PIM for applications that meet the most demanding standards of aerospace sector. The process development will ultimately lead in the production of complex shape airframe and jet engine parts; the capability for manufacturing of other structural parts (e.g. surgical implants) will also be established.

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

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Regional Diversity and Local Development in the New Member States, by Paulus Blokker, Bruno Dallago



This book responds to an increased concern among scholars, experts and policy makers in recent years for regional and local models of development and policies of local intervention, while 'contextualizing' this concern by means of the analysis of regionally and locally existing socioeconomic disparities, which constrain or facilitate such local possibilities for development and by assessing the impact of EU enlargement and European – in particular regional- policy. It offers a comparative and in-depth analysis of the distinct nature of regional differences within Central and Eastern Europe.

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



The integration of Western Balkan region in the European status quo is a rather complicated subject. One of the most important aspects of this integration is the private sector development. Nowadays the region benefits from a cost-competitive labor force and geographic and cultural proximity to EU markets. However, cost competitiveness as a source of differentiation is not sustainable. Cost levels are increasing gradually in some sectors, reducing firms' profitability. 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. This report examines the apparel manufacturing, automotive components and business process and technology outsourcing sectors, focusing on market competitiveness factors, industry key success factors and policy recommendations.



China seals aircraft deal with Venezuela

BEIJING, July 13 (RIA Novosti) - The China Aviation Industry Corporation (AVIC) has concluded a delivery contract with Venezuela on twenty five multi-purpose Y-12 light aircraft and two helicopters, the China Daily said on Tuesday. The aircraft will be used by a new airline company to be established by the South American state. An AVIC source denied the Chinese side planned to invest \$300 million in the new air carrier. The contract was concluded on Friday between the AVIC subsidiary the AVIC International Holding Corp and Venezuela's Fundagrial fund and the Sireca company. The financial details of the contract have not been revealed. The Chinese company will supply other six planes to Venezuela over the next five years. The contract is expected to enhance aviation ties between the two countries and improve the level of air carrier services in South America. China is Venezuela's second-largest trading partner, while Venezuela is China's fifth-largest trading partner in South America.

Source: RIA Novosti

Russia to deliver 21 transport helicopters to Afghanistan

KABUL, July 12 (RIA Novosti) - Russia will supply Afghanistan with 21 Mi-17 Hip military transport helicopters, an Afghan television channel reported on Monday. According to Tolo television, the contract is worth \$300 million and was concluded with the approval of the NATO command in Afghanistan. Russian envoy to NATO Dmitry Rogozin told RIA Novosti on Monday that NATO had yet to agree on the exact delivery date of some time in July, although the alliance has voiced the need for Russian transport helicopters a long time ago. The Mi-17 is a medium twin-turbine transport helicopter that can also act as a gunship. The Afghan Air Force currently has 25 Mi-17 helicopters, which are widely used for troop and cargo transport, rescue and evacuation missions in the fight against Taliban militants. Afghanistan plans to increase the number of Mi-17 helicopters to 56 by 2012. The majority of Afghan helicopters pilots were trained in the Soviet Union in the 1980s. Meanwhile, Russian Ambassador to Afghanistan Andrei Avetisyan told reporters on Monday that Moscow was ready to supply Russian-made weaponry to the war-ravaged Central Asian state. "We have repeatedly stated our readiness to deliver military equipment to Afghanistan," the diplomat said. In December 2002, Russia's Defense Ministry signed a contract with Afghanistan to provide military-technical assistance to Kabul with deliveries of motor vehicles, fuel and lubricants, communication equipment, topographic maps, truck-mounted repair workshops and automobile and armor equipment spare parts. However, deliveries of Russian weaponry to Afghanistan were suspended in 2005 allegedly in order to avoid "the duplication" of U.S. aid to the country, which that year totaled over \$929 million, more than 80% of which was earmarked for the military and police. Avetisyan said the Western supplies of copycat versions of Russian weaponry to Afghanistan negatively affected the combat capabilities of the Afghan armed forces. "We are mainly talking about

the Kalashnikov assault rifles, which are manufactured under expired licenses in several East European countries," the ambassador said.

Source: RIA Novosti

EU 'to appeal' WTO Airbus-Boeing ruling

The European Union will likely appeal against the decision by the World Trade Organisation last month that subsidies to aircraft giant Airbus were illegal, the bloc's trade chief said Tuesday.

In an interview with German business daily Handelsblatt, Trade Commissioner Karel de Gucht accused US authorities of using the WTO as a political weapon against the EU but said he remained open to talks with his US counterpart.

"We are not happy with the (June 30) ruling because it gives a very one-sided picture. It now looks as if only Airbus broke WTO rules. This is a ruling that we will in all probability appeal in some areas," he said.

The commissioner added: "Everyone knows that Boeing works in a similar way to Airbus. Instead of financial assistance from the state, they get billion-dollar military or civilian contracts."

He said he expected a WTO ruling on Boeing "in September at the latest."

The WTO's confidential interim panel report on US subsidies to Boeing was supposed to come out on July 16, but it was delayed, prompting outrage in Brussels.

"Washington uses the WTO panel on Airbus against us politically, for example in the tanker deal for the US Air Force. That is a problem that I would like to discuss with (US Trade Representative Ron) Kirk," said the commissioner.

Airbus and Boeing are locked in a dogfight to win a contract to build 179 aerial refuelling tankers for the US Air Force worth around 40 billion dollars.

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

China jumbo jet maker picks GE, Eaton as suppliers

State-owned Commercial Aircraft Corporation of China (Comac) has chosen General Electric Co's Chinese joint venture to supply the electronics system for the country's first large passenger jet.

Comac's C919 aircraft -- due to make a trial flight in 2014 and be ready for service around 2016 -- is seen as a potential competitor to the Airbus A320 and the Boeing 737.

A joint venture between GE Aviation and state-owned Aviation Industries of China will supply avionics, display, airborne equipment maintenance and flight data recorder systems, the Chinese aircraft maker said in a statement.

Comac also said it had agreed with diversified industrial manufacturer Eaton Corp to set up a Shanghai-based joint venture to supply fuel and hydraulic systems for the C919.

Eaton said in a separate statement on Monday that based on projected production of 2,500 jets, the programme was expected to be worth 1.8 billion dollars.

The C919 jet is part of China's long-term plan to break the duopoly of Airbus and Boeing in the production of large commercial aircraft.

The first "9" in C919 was chosen because in Chinese the number sounds like a word that means "long time," while "19" reflects the fact that China's first large aircraft will have the ability to carry 190 passengers.

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

Boeing Unveils Unmanned Phantom Eye Demonstrator

ST. LOUIS, July 12, 2010 -- The Boeing Company [NYSE: BA] today unveiled the hydrogen-powered Phantom Eye unmanned airborne system, a demonstrator that will stay aloft at 65,000 feet for up to four days.

"Phantom Eye is the first of its kind and could open up a whole new market in collecting data and communications," Darryl Davis, president of Boeing Phantom Works, said today at the unveiling ceremony in St. Louis. "It is a perfect example of turning an idea into a reality. It defines our rapid prototyping efforts and will demonstrate the art-of-the-possible when it comes to persistent intelligence, surveillance and reconnaissance. The capabilities inherent in Phantom Eye's design will offer game-changing opportunities for our military, civil and commercial customers."

Later this summer, Phantom Eye will be shipped to NASA's Dryden Flight Research Center at Edwards Air Force Base, Calif., to begin a series of ground and taxi tests in preparation for its first flight in early 2011. That debut flight is expected to last between four and eight hours.

"The program is moving quickly, and it's exciting to be part of such a unique aircraft," said Drew Mallow, Phantom Eye program manager for Boeing. "The hydrogen propulsion system will be the key to Phantom Eye's success. It is very efficient and offers great fuel economy, and its only byproduct is water, so it's also a 'green' aircraft."

Phantom Eye is powered by two 2.3-liter, four-cylinder engines that provide 150 horsepower each. It has a 150-foot wingspan, will cruise at approximately 150 knots and can carry up to a 450-pound payload.

Key Phantom Eye suppliers and partners include Ford Motor Company (engines); Aurora Flight Sciences (wing); Mahle Powertrain (propulsion controls); Ball Aerospace (fuel tanks); Turbosolutions Engineering (turbochargers); the Defense Advanced Research Projects Agency; and NASA.

A unit of The Boeing Company, Boeing Defense, Space & Security is one of the world's largest defense, space and security businesses specializing in innovative and capabilities-driven customer solutions, and the world's largest and most versatile manufacturer of military aircraft. Headquartered in St. Louis, Boeing Defense, Space & Security is a \$34 billion business with 68,000 employees worldwide.

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