

Part I

Special Focus: Estonian Economy

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Estonia is a modern market economy and one of the most liberal economies in the world. The Wall Street Journal and Heritage Foundation's Index of Economic Freedom 2010 ranks Estonia in the 16th position out of 179 countries. Throughout the last decade Estonia's economy has experienced a significant development as it was growing by an average of almost 9% per year in the period 2000- 2007. In 2007 Gross

Domestic Product (GDP) growth of 6.3% placed the country among the fastest growing economies in the region. The economic expansion, however, was based on macroeconomic risks that eventually resulted into a recession during the year 2009, as GDP dropped nearly 14%.

Flexibility and diversity are the characteristics and prevailing principles of the Estonian economic policy. Several sectors of the economy, such as industry and transport, trade and different kinds of services contribute to the national economy. The service sector plays the most important role as 67% of the national GDP is coming from it. Industrial sectors contribute over 28% and primary sectors (including agriculture) approximately 5.5% of the overall output. Due to the Country's significant amount of available natural resources, the national economy largely relies on the forestry related business. Furthermore, Estonian energy sector is based on oil shale, a resource quite rare elsewhere in the world. Finally, the Estonian economy profits significantly from the business generated by more than 2 million tourists a year, most of whom come from Finland.



Another significant characteristic of the Estonian economy is openness. It is indicative that during the 1990s, Estonia's trade regime was so liberal that adoption of EU and World Trade Organization (WTO) norms actually forced Estonia to impose tariffs in certain sectors, such as agriculture, which had previously been tariff-free.

Estonia's liberal economic policies and the diversity of the economical spectrum have fostered exceptionally strong growth and better living standards than those of most new EU member states. Additionally, the country enjoyed a high average annual GDP growth since 2000. Nevertheless, the economy started to show signs of cooling in 2007 when GDP growth slowed to 6.3%. Furthermore, GDP fell by 3.6% in 2008 and by 14.1 in 2009. The aforementioned economic downturn was caused by rapidly decreasing domestic demand

Real Growth of GDP

	2005	2006	2007	2008	2009
Real growth of GDP (%)	9.4	10.0	7.2	-3.6	-14.1

Source: Statistical Office of Estonia

and fallen export.

The Estonian government is deliberately trying to diverse the aforementioned situation. Thus, thorough structural changes for the support of entrepreneurship and knowledge-based economy have been created.

The government is expecting an economic recovery in 2011, as the export market's economic situation will improve. The traditional economic virtues of the country, such as diversity and flexibility, are once more expected to be the main force behind the new growth cycle of the Estonian economy.

Kyriazis Vasileios,
Epicos Newsletter Head Editor



Estonia is a small country with limited domestic production. Therefore, Estonia has to import a significant amount of goods. In order to keep a viable trade balance, a considerable amount of Estonian products has to be exported as well. That is the

reason why one of the main and solid socio-economical aims of the Estonian government is to increase exports. The country's versatile economy offers an important help to this pursue by providing a wide range of both goods and services for export. Estonia's main imports are machinery and appliances, mineral products, and transport equipment, whereas major exports are mineral products, metals and metal products.

Various investment goods, such as engineering products and machinery, as well as different vehicles and means of transport, have a fairly high percentage amongst the products imported in Estonia. Additionally, raw materials, such as fuel, metals and timber, are imported. Estonia, also imports all kinds of consumer goods as it does not produce household appliances. The same happens for home electronics. Various foodstuffs, clothing articles and design products are also imported. As the Estonian industry is becoming more and more multifaceted, the import of those products has slightly decreased. However, the prices of goods produced in Estonia are often higher than imported goods, and as Estonia has not used any major trade barriers, imported and subsidized goods have in many cases sabotaged the local production initiative.

Main Exports and Imports in 2009 (as a % of total trade)

Main Commodity Groups	Exports	Main Commodity Groups	Imports
Machinery and appliances	19.6	Mineral products	20.1
Mineral products	16.8	Machinery and appliances	19.2
Agricultural products and food preparations	10.0	Agricultural products and food preparations	12.7
Base metals and articles of base metals	8.7	Chemical products	9.4
Wood and articles of wood	8.6	Base metals and articles of base metals	7.7

Source: Statistical Office of Estonia

The majority of imports come from the European Union and more specifically from countries such as Germany, Sweden, Italy, France, Great Britain, Denmark and most important Finland. Numerous Finnish companies have expanded their business into Estonia and raw materials are brought directly from Finland. Furthermore, Estonia imports a notable share of fuel and raw material from the former Soviet Republics. The country gets most of its fuel supply from Lithuania. Additionally, Lithuania supplies Estonia with various food products (including the majority of tobacco products) and chemical products. Latvia provides timber and various engineering products and machinery besides foodstuffs and chemical products; ferrous

metals are brought from Ukraine. Finally, there is a significant amount of fuels that is imported from Russia and is largely transported to other EU countries and to the USA.

Regarding exports, services, mainly transport and tourism, play an important role as they represent one third of total exports. Additionally, the country exports numerous other services, such as construction works, telecommunication services (Estonia hosts the international or regional call centres of many companies) and financial services.

Concerning exported goods the range is wide, from food products to electronic products and

Main Trade Partners in 2009 as a % of total trade

Country	Exports	Country	Exports
1. Finland	18.6	1. Finland	14.5
2. Sweden	12.6	2. Lithuania	10.8
3. Latvia	9.5	3. Latvia	10.4
4. Russia	9.3	4. Germany	10.3
5. Germany	6.1	5. Russia	8.8

Source: Statistical Office of Estonia

precision instruments. Estonia exports metal products, chemical products and different light industry products (clothing, footwear). Also, it exports food products and building materials but their importance is slightly less significant. Finland and Sweden hold a prominent position among Estonia's export partners. Furthermore, a rather notable share of Estonia's export goes to the so-called old EU countries – especially to Germany, Great Britain, Denmark and Holland. Almost one fifth of Estonian export goes to the new EU member states, although the majority of goods ends up on the markets of the closest neighbors Latvia and Lithuania, respectively 8% and 5%.

Kyriazis Vasileios,
Epicos Newsletter Head Editor



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...

[For Further Information Press Here](#)

File and data security system for a large organization



The program involves the development of a file and data security system for a large organization, either the one of the contractor that shall purchase such system, or a public organization (i.e.: Ministry of Defence) that will be requiring such system.

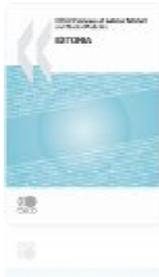
The program is structured to include purchase of IT products from the Hungarian IT industry (a type of program that is preferable from the Ministry of Economy and Transport) but also it can include the installation of such system to a designated customer, preferable a Ministry of Defence from either Hungary or any other country that a prime contractor can have Offset Obligation and that the guidelines will allow such program.

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

Mail at: a-dimou@epicos.com

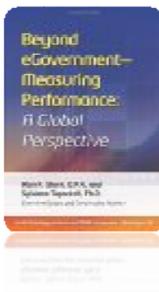


OECD Reviews of Labour Market and Social Policies OECD Reviews of Labour Market and Social Policies: Estonia 2010: Edition 2010, by OECD Organisation for Economic Co-operation and Development



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 the organization review the labour market and social policies in Estonia. It finds that since Estonia regained its independence in 1991, its labour and social policies have been marked by a strong commitment to fiscal prudence, flexible markets, and work incentives. Labour market performance steadily improved during the mid-1990s and beyond, until the advent of the global economic crisis in 2008.

Beyond eGovernment - Measuring Performance: A Global Perspectives, by Alan R. Shark D.P.A (Author), Sylviane Toporkoff



This book focuses on how local governments can best take advantage of performance measurement using best practices and employing new technologies. This book contains chapters from 40 thought leaders from over 17 countries, each with a unique global perspective. As local governments confront and embrace the new social media applications, the center of attention no longer focuses simply on the web portal - instead the spotlight has evolved to many new technology channels of innovation and away from the standard web portal.



MiG-35 stalls in Indian fighter tender contract

MOSCOW, August 10 (RIA Novosti) - Russia's MiG-35 multirole fighter aircraft has failed to make the short-list in a \$10 billion international tender for 126 combat aircraft for the Indian air force, according to Indian media reports quoted by Kommersant daily. The favourites to win the tender are the French Dassault Rafale and the Eurofighter Typhoon, Indian media say. Russia's United Aircraft Corporation (UAC), the holding company for most of the Russian aircraft industry, and its fighter subsidiary MiG, have not officially confirmed the reports. "The official results of the tender have not yet been announced," said UAC's Press Secretary Konstantin Lantratov. "The MiG-35 is not leaving the tender, and I have no official information about this," said UAC First Vice-President Mikhail Pogosyan. A MiG source quoted by Kommersant said it was too early to say what the Indians had decided. "The envelopes with the commercial proposals should be studied by the tender commission only this week," the source said. Several sources quoted by the paper listed a raft of problems around the MiG-35 program, including a lack of financing to support it. One source said the lack of state funding to support the program had been noted by UAC President Aleksei Fyodorov as long ago as the end of 2008, but the issue was not resolved. The MiG-35 is said to be a cheaper aircraft than its rivals but is said to have problems with engine life. "Time between overhauls should be at least 2000 hours and overall life 4000 hours, but the RD-33 doesn't meet these parameters now," said one source. India already operates the early model MiG-29A fighter aircraft and is taking delivery of the MiG-29K naval fighter, which it will operate from a Russian-built aircraft carrier which is currently under refit. The selection of two favored aircraft for the Indian tender follows a long trials process, which also involved Sweden's SAAB Gripen, America's Lockheed Martin with the F-16, and Boeing's F-18 Super Hornet, as well as the Russian MiG-35.

Source: Ria Novosti

Gates plans to slash 'top-heavy' Pentagon hierarchy

US Defense Secretary Robert Gates moved to slash a "top-heavy" military hierarchy Monday, announcing plans to close a major command, eliminate at least 50 posts for generals and admirals, and cut back on the use of contractors.

Mounting the most ambitious Pentagon reform in a decade, Gates said harsh fiscal and economic realities require that it "make every dollar count" as it fights two wars and equips itself to confront potential adversaries elsewhere.

President Barack Obama applauded the effort, acknowledging that "change is never easy."

"These reforms will ensure that our nation is safer, stronger, and more fiscally responsible," he said in a statement.

US defense budgets have doubled to some 700 billion dollars a year since 2001, but Gates warned that the Pentagon now needs to tighten its belt to sustain and modernize the US force.

At a press conference, he unveiled a series of measures targeting the proliferation of personnel in his own office, in military headquarters, defense agencies and intelligence-related units.

"The culture of endless money that has taken hold must be replaced by a culture of restraint," he said.

US military bureaucracies "have swelled to cumbersome and top-heavy proportions, grown over-reliant on contractors, and grown accustomed to operating with little consideration to cost," he said.

Gates said he would recommend closing the Norfolk, Virginia-based US Joint Forces Command, which was set up to oversee training and foster coordination among the US military services.

The command costs 250 million dollars a year to run, employing 2,800 military and civilian personnel and some 3,000 contractors. Its responsibilities will be turned over to the Joint Staff.

Its new commander is the outgoing head of US military operations in Iraq, General Raymond Odierno. The Senate confirmed Odierno to the job in July.

Gates said that he told Odierno that "his assignment is the same as Iraq, to work himself out of a job and then I'll find a new and better one for him."

Gates also questioned the need for US four-star generals in Europe for each of the military services, and directed a review of all top positions to be completed by November 1.

"At a minimum, I expect this effort to recommend cutting at least 50 general and flag officer positions and 150 senior civilian executive positions over the next two years," he said.

"These reductions would represent 50 percent of the total growth in senior military and civilian positions since 2000," he said. "That's the minimum."

In the meantime, he ordered a freeze on the number of positions in his office, defense agencies and at combatant commands for the next three years, and said no positions would be created to replace contractors.

Since September 2001, the number of generals and admirals has grown by more than 100, and there were now 40 four-star positions, Gates said. He put the increase in the number of senior civilian positions at more than 300.

"We need to create a system of fewer, flatter and more agile and responsive structures, where reductions in rank at the top create a virtuous cascading downward and outward," he said.

Additionally, he ordered a freeze in the number of senior executives in defense intelligence organizations and a comprehensive review of the department's intelligence activities to eliminate "needless duplication."

Gates also took aim at the Defense Department's ballooning contractor forces, which he said had grown to be 39 percent of its total workforce.

"Based on the data available after one year, I'm not satisfied with the progress made to reduce our over-reliance on contractors," Gates said.

"Accordingly, to accelerate this process and achieve additional savings, I have directed that we reduce funding for service support contractors by 10 percent a year for each of the next three years," he said, exempting Iraq and Afghanistan.

The Pentagon had said in June that it plans to save 100 billion dollars in operating costs over five years, in order to adapt to tighter budgets.

It was unclear how much money will be saved by the measures announced Monday, or how much support Gates will find for them in the US Congress, whose members jealously protect military-related jobs in their own states.

But Gates said the Pentagon budget needs to grow by two to three percent a year to sustain its current force structure and invest in modernization programs -- one to two percent more than the defense budget is projected to grow.

To avoid a loss in military capabilities, "that spending difference will need to be made elsewhere in the department," he said.

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

Saab awarded multi-year contract for U.S. Marine Corps Range Target Systems

Saab Training USA has signed a contract with the U.S. Marine Corps to produce and field a large number of ranges and facilities under their Range Target Systems (RTS) program. The contract has a ceiling price of approximately MUSD 39, and Saab will receive orders during the next 3 years.

The ranges will provide live fire gunnery training for Marines in a train-as-you-fight environment using Saab's well established target and range control product line and Improvised Explosive Device (IED) simulators. The scope of work includes constructing urban warfare buildings and shoot houses with realistic after action review capabilities and providing logistic support for large number of fielded systems.

Saab is currently delivering its Instrumented Tactical Engagement Simulation System (I-TESS) to the same Marine Corps installations across the continental United States and overseas in Hawaii and Japan.

"We are delighted to have received this important RTS order, which increases Saab's product base with the US Army and Marine Corps to whom we have been supplying range equipment since 1980", says Lars Borgwing, President, Saab Training USA.

Saab Training USA, a subsidiary of the international conglomerate Saab AB, is located in the Orlando Central Florida's Research Park and has supported the U.S. Armed Forces and Homeland Defense with targets, laser simulators and instrumented training products for over thirty years.

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Saab serves the global market with world-leading products, services and solutions ranging from military defence to civil security. Saab has operations and employees on all continents and constantly develops, adopts and improves new technology to meet customers' changing needs.

Source: Epicos, SAAB

Russia to suffer economic loss of \$15 billion from wild fires – analysts

MOSCOW, August 10 (RIA Novosti) - The short term losses for the Russian economy from the heat wave and consequent drought and wild fires may amount to 1% of 2010 GDP, or around \$15 billion, analysts told Kommersant business daily in a report published on Tuesday. There will be no official attempts to estimate the losses from the catastrophe before the end of 2010, the paper said. Losses directly relating to the production of goods and services in July will be published in the Federal State Statistics Service data on industrial production next week. "The main negative effect from the drought and fires will occur in July-August," HSBC's Alexander Morozov said, adding that stagnation may be formally recognized following the third quarter of 2010. He said that 50% of value added in agriculture is created in the third quarter. According to his estimates, due to problems in industry and a reduction in the level of economic activity, the Russian economy "may lose about 4% of value added for the quarter and 1% of GDP growth in 2010." The paper said the only concrete data available was the reduction in the grain harvest to 60-65 million tons. From the temporary ban on grain exports there will be an income loss of about \$ 3 billion until the end of the year and a surge in food inflation, including a rise in prices of food imports. Most analysts still assess the impact of the disaster on the economy more modestly. UBS has lowered estimates of GDP growth in 2010 to 0.5% and increased its inflation outlook for 2010 from 5.5% to 6%, and up to 6.5% in 2011. Uralsib has not yet revised its forecast, but analyst Vladimir Tikhomirov "does not exclude 9% inflation " or more in 2010. His estimate of GDP growth remains within 5-5.5%, but "in view of recent developments, growth may be lower," he said.

Source: Ria Novosti

Lockheed Martin-Built GPS Satellite Surpasses 10 Years On-Orbit

NEWTOWN, Pa., Aug. 9 /PRNewswire/ --The fifth Global Positioning System Block IIR (GPS IIR-5) satellite, designed and built by Lockheed Martin (NYSE: LMT) to provide critical navigation capabilities for military and civilian users worldwide, has reached 10 years of successful on-orbit operations.

The satellite was [launched on July 16, 2000](#), and is one of 30 GPS spacecraft currently on-orbit delivering vital situational awareness and precision weapon guidance for the military, and supporting a wide range of civil, scientific and commercial functions. The GPS constellation is increasing productivity in areas as diverse as farming, mining, construction, surveying, package delivery and supply chain management, while also enhancing public safety by reducing response times for emergency services.

As the prime contractor for the GPS IIR program, Lockheed Martin Space Systems, Newtown, Pa., designed and built 21 IIR spacecraft for the Global Positioning Systems Wing, Space and Missile Systems Center, Los Angeles Air Force Base, Calif. The final eight spacecraft, designated Block IIR-M, were modernized to enhance operations and navigation signal performance. The current fleet of Block IIR and IIR-M satellites within the overall GPS constellation has reached over 100 cumulative operational years on-orbit.

The U.S. Air Force's next-generation GPS spacecraft, known as [GPS III](#), is being built by a Lockheed Martin-led team that includes industry partners ITT of Clifton, N.J. and General Dynamics of Gilbert, Ariz.

"This milestone is yet another example of the talented government-industry team dedicated to delivering GPS capabilities to the warfighter and millions of citizens around the globe," said Joe Trench, Lockheed Martin's vice president of Navigation Systems. "We look forward to many more milestones and to achieving mission success on the next generation GPS III program."

The GPS III team is progressing through the Critical Design Review (CDR) phase of the program and is scheduled to complete the overall space vehicle CDR in mid-August, two months ahead of schedule. This milestone will validate the detailed GPS III design to ensure it meets warfighter and civil requirements, and allow the program to begin the production phase. The first GPS IIIA satellite is projected to launch in 2014.

GPS III will improve position, navigation and timing services and provide advanced anti-jam capabilities yielding superior system security, accuracy and reliability. The next generation GPS IIIA satellites will deliver significant improvements over current GPS space vehicles, including a new international civil signal (L1C) and increased M-Code anti-jam power with full earth coverage for military users.

Headquartered in Bethesda, Md., Lockheed Martin is a global security company that employs about 136,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. The Corporation's 2009 sales from continuing operations were \$44.5 billion.

Low- and high-resolution JPEG image files of GPS satellites are available at:
<http://www.lockheedmartin.com/GPS/>

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Source: Epicos, Lockheed Martin