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Special Focus: Swedish Economy

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Traditionally, Sweden's economy is highly developed. By using a combination capitalism based on high-tech investment and a comprehensive welfare system, Sweden managed to achieve and maintain one of the highest standards of living in the world. From the early 1990s until 2008, the national economy enjoyed a long-term upswing. The main reasons were strong exports and increased domestic demand. This situation was averted during 2008 and the country entered a recession, created by contraction in external demand due to the global financial and economic crisis.

Throughout the second half of the 20th century, Sweden formulated an enviable socio-economic scheme, fostered by a modern distribution system, excellent internal and external communications, and a skilled labor force. Another characteristic of the Swedish economy is that it is highly privatized. Privately owned firms account for about 90% of industrial output, out of which the engineering sector accounts for 50% of output and exports. Agriculture accounts for little more than 1% of GDP and of employment. Such an economic environment created patterns that are largely accepted by the citizens of the country, a fact that was highlighted in September 2003, when Swedish voters turned down entry into the euro system concerned about the impact that a potential entry of the country in the EU will have in these patterns.

Following the early 90's recession, one of the most severe of their history, Sweden enjoyed a sustained economic upswing fueled by strong exports and rising domestic demand up to 2008. This situation was averted in the fourth quarter of 2008, when the country entered a recession. The reason was that Swedish economy was heavily dependent on exports of autos, telecommunications, construction equipment and other investment goods that were hard hit due to the global financial and economic crisis. Year-on-year exports fell by 17% in June 2009.

Nevertheless, the economic downturn was not long-standing. In the first quarter of 2010, Gross Domestic Product (GDP) was a 3% higher than the previous year, and it is expected to continue rising at a healthy rate throughout the year. Additionally, the situation on the labor market is also improving. Employment has risen during the past half year, and new jobs continued to be created.



Percentage change in GDP 2003-2009

	2003	2004	2005	2006	2007	2008	2009
GDP change (%)	1.9	4.1	3.3	4.2	2.5	-0.2	-4.9

Sources: Statistics Sweden and the Ministry of Finance

The primary reasons for this upturn are an expansionary economic policy and the rising international demand for Swedish exports of goods. Strengthened by the worldwide economic upturn, exports were fostered during the first quarter of 2010. This mainly happened due to the development of stock building in the recipient countries. Since this adjustment of inventories is nonrecurring in nature, growth in Swedish exports will drop to a lower level till the end of the year. Nevertheless, exports will be up by about 7 percent this year as well as in 2011 and 2012. Additionally, the expansionary fiscal policy that will continue to apply during 2010 and 2011 will contribute, according to the Swedish authorities, to an overall increase of 6 percent in real household disposable income in the years 2010–2012. Thus, domestic demand will gradually be driven more and more by rising consumption and investment.

Kyriazis Vasileios,
Epicos Newsletter Head Editor



Swedish society traditionally has a high standard of living. This is achieved by creating a welfare state with the main purpose of reducing the gaps between different social groups while giving people security, the opportunity to develop and an acceptable economic standard. The public sector, that includes the state, municipalities and county councils, plays

an important role in the creation of the aforementioned social situation as it provides services that are important to people's welfare, such as health and medical care, elderly care and education. Additionally, Swedish authorities and more precisely the Ministry of Health is deliberately trying to give more people the opportunity to take part in working life.

Through a meticulously structured system the state operates policies of benefits to households, such as child benefit and insurance systems including sickness insurance, unemployment insurance and pensions. Regarding pensions, these are based on the lifetime earnings principle, which means that all income a person earns in the course of their life affects the size of his pension. Public sector expenditure is chiefly funded by taxes, social insurance contributions, and in some part patient fees. Health and medical care, and social services are provided directly by central or local government or by private actors, and are wholly or partly funded and regulated by the state.



Another important element of the Swedish social model is undoubtedly the institutional framework of the labor market. The Swedish system still builds on the Rehn-Meidner model which aims to simultaneously achieve low inflation, low unemployment, high economic growth and an equitable distribution of income. Furthermore there is a clear division of roles, through which the social partners are responsible for wage-setting and the government is responsible for helping the unemployed back into work. It is widely accepted that the Swedish labor model achieved its goals and have largely contributed to the realization of significant social objectives such as an even income distribution, relatively peaceful labor market conditions, relatively low unemployment and a wage behavior compatible with



competitiveness requirements and the low inflation regime. However, lately there is a low rate of employment growth and a relative lack of consistence is observed something that can be attributed to the lack of incentive that the system sometimes produces. Of course this is natural for an ambitious model like the Swedish, which have to bridge the trade-offs between equity and efficiency in an economical system dominated by a competitive and strong private sector.

A rather safe indicator that evaluates the socio- economical progress of the country is the Human development index (HDI) that measures human development of a country and is being published by the United Nations Development Program (UNDP). The factors that are taken into consideration in order to form the aforementioned index are life expectancy, education (measured by adult literacy and gross enrolment in education) and standards of living (measured by purchasing power parity, PPP, income). The prices of the index fluctuate from 0 to 1. Countries with index below 0.5 are characterized as underdeveloped; countries with index between 0.5-0.8 are characterized as medium developed; and countries with indexes more than 0.8 are characterized as highly developed. The HDI for Sweden is 0.963, which gives the country a rank of 7th out of 182. Additionally, it is important to state that between 1980 and 2007 Sweden's HDI rose by 0.32% annually from 0.885 to 0.963 today.

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...

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Advanced Ethernet encryption solution for Rapid Deployment Networks and Network Centric Operations



Over time, military means and methods have evolved as has technology. In fact, warfare is undergoing essential changes right now. The threat to today's military is real. It's coming from the vast amounts of voice, data and video that need to be transported and shared to give the troops a complete picture of the battle. A leading company in the design, development and production of networking infrastructure equipment for carrier and service provider networks, is proposing the implementation of an advanced Ethernet encryption solution to be used in IP based technology Rapid Deployment (data on the move) Networks as well as in backbone NCW systems. The unit will also provide data encryption in critical military and governmental installations, such as C2 Centers, Ministries, Embassies and other Institutions.

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

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Population Ageing - A Threat to the Welfare State? The Case of Sweden (Demographic Research Monographs), by Tommy Bengtsson



Population ageing, the shift on age distribution towards older ages, is of immense global concern, it is taking place to a varying degree all over the world, more in Europe and some Asian countries, less on the African continent. This book is the first to take a comprehensive view of the challenges that population ageing present in the near future taking Sweden as the case. Can the increasing number of retirees per worker be stopped by immigration or increasing fertility or will we need to increase pension age instead? Cost for the social-care system is readily increasing; even more is the costs for health care. Can the galloping costs be funded by an increase in taxes or do we need to make reforms, similar to the ones already made in the pension system, which has been used as a model for many other countries?

The Evolution of Modern States: Sweden, Japan, and the United States, by Sven Steinmo



The Evolution of Modern States begins with a simple question: Why do rich capitalist democracies respond so differently to the common pressure in the early twenty-first century? Drawing on insights from revolutionary theory, the author challenges the common equilibrium view of politics and economics and argues that modern political economies are best understood as complex adaptive systems. Therefore, The Evolution of Modern States is a significant contribution to the literatures on political economy, globalization, historical institutionalism, and social science methodology. In order to do that the book examines the political, social, and economic history of three different nations - Sweden, Japan, and the United States.



France concerned over Russia's S-300 deployment in Abkhazia

PARIS, August 12 (RIA Novosti) - The French Foreign Ministry has said the deployment of Russian S-300 air defense systems in the former Georgian republic of Abkhazia undermines stability in the region. Russian Air Force head Col. Gen. Alexander Zelin said on Wednesday S-300 systems had been placed in Abkhazia to protect the airspace of Abkhazia and the other former Georgian republic of South Ossetia. He did not say how many S-300s had been deployed. "We are concerned about [Russia's] announcement about the deployment of air defense systems in Abkhazia and South Ossetia. It [deployment] harms stability in the region," a spokeswoman for the French Foreign Ministry told a news conference in Paris. France acted as an intermediary in the settlement of a five-day conflict between Russia and Georgia over South Ossetia in August 2008. Russia recognized Abkhazia and South Ossetia two days after the conflict, which began when Georgian forces attacked South Ossetia in an attempt to bring it back under central control. Russia signed agreements with South Ossetia and Abkhazia earlier this year on establishing permanent military bases in the republics. The bases are located in Gudauta, on Abkhazia's Black Sea coast, and in South Ossetia's capital, Tskhinvali. Each base hosts up to 1,700 servicemen, T-62 tanks, light armored vehicles, air defense systems and a variety of aircraft. On Wednesday, the Georgian Foreign Ministry described the Russian move as "extremely dangerous and provocative," saying it threatened "not only the Black Sea region, but European security as a whole." Washington later downplayed the Russian move by saying that the move was not a new development as Moscow had been deploying S-300 missiles in Abkhazia for the past two years.

Source: Ria Novosti

U.S. unsurprised with Russia's missile deployment in Abkhazia

WASHINGTON, August 12 (RIA Novosti) - Washington is not surprised with the reports that Russia deployed S-300 air-defense systems on the territory of former Georgian republic of Abkhazia, the U.S. Department of State said. Russian Air Force head Col. Gen. Alexander Zelin said on Wednesday S-300 systems had been placed in Abkhazia to protect the airspace of Abkhazia and South Ossetia. He did not say how many S-300s were deployed. "I believe it's our understanding that Russia has had S-300 missiles in Abkhazia for the past two years," Philip Crowley, the department's assistant secretary, told a daily press briefing. "There have been systems in Abkhazia for two years. We can't confirm whether they [Russia] have added to those systems or not... this is by itself is not necessarily a new development. That system has been in place for some time," he added. The Georgian Foreign Ministry described the Russian move as "extremely dangerous and provocative" and threatening "not only the Black Sea region, but European security as a whole." Russia recognized Abkhazia and South Ossetia two weeks after a five-day war with Georgia in August 2008, which began when Georgian forces attacked South Ossetia in an attempt to bring it back under central control. Russia signed agreements with South Ossetia and Abkhazia earlier this year on establishing permanent military bases in the republics. The bases are located in Gudauta, on Abkhazia's

Black Sea coast, and in South Ossetia's capital, Tskhinvali. Each base hosts up to 1,700 servicemen, T-62 tanks, light armored vehicles, air defense systems and a variety of aircraft.

Source: Ria Novosti

Pentagon sees budget uncertainties ahead

By promising to drastically slash spending, the Pentagon hopes to convince the US Congress not to reduce its colossal budget. But experts say that may not be enough in a tough fiscal climate.

Defense Secretary Robert Gates on Monday announced measures to save 100 billion dollars over five years, including pared budgets for contractors, a cut in senior military and civilian posts, and closure of a major military command.

The aim is not to reduce the defense budget but to put its funds to better use, Gates said, stressing "the services will be able to keep the savings they generate to reinvest in higher priority warfighting needs and modernization programs.

"It is important that we not repeat the mistakes of the past, where tough economic times or the winding down of a military campaign leads to steep and unwise reductions in defense," he said.

Spared from a freeze on spending imposed by President Barack Obama's administration, the Pentagon has been allocated slightly more than 700 billion dollars in fiscal 2011.

But it is positioning itself for an anticipated decline in the budget from the highs of recent years, when the George W. Bush administration poured huge amounts of money into defense coffers.

At a time of flagging economic growth, the efforts may not be enough to keep intact a titanic defense budget that has more than doubled since 2001 and now accounts for more than 40 percent of the world's military budgets combined.

"I think that this was a necessary but not necessarily sufficient step to preserve small growth of the defense budget," said Maren Leed, an expert at the Center for Strategic and International Studies and a former staffer on the Senate Armed Services Committee.

"There is massive pressure that is now growing in Congress on the defense budget as a whole, and so the danger is that they offer up a bunch of cost reductions or shifts and people sort of accept the cuts but don't accept all of the reinvestments," she said.

Winslow Wheeler, an expert at the Center for Defense Information, said he suspected Gates knew he would lose a fight to maintain the defense budget as is, and was taking steps to prepare the Pentagon for cuts that are on the way.

Even so, he said, "these efficiencies are inadequate."

"They will not transform the Pentagon into something that can survive significant budget reductions and be anything but the same institution at a lower level of spending," he said.

On the other hand, he gave Gates credit for "starting a process to attempt to deal with the fringes of the defense problem."

"He is the first secretary of defense to attempt to do so in decades, and he is earnest in his efforts, I believe. There is a long, long way to go, however."

In the meantime, Gates must manage a classic paradox of political Washington: withstand congressional pressure to cut costs while at the same time enduring the anger of members of Congress whose districts stand feel the pain of losing funds and jobs.

His plan to close the Joint Forces Command in Norfolk, Virginia, which employs 5,000 people, has already drawn the ire of Virginia lawmakers.

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

Ukraine could avoid grain export quotas

KIEV, August 11 (RIA Novosti) - Ukraine could evade imposing grain export quotas, Deputy Prime Minister Serhiy Tigipko said on Wednesday. "It would be a good idea to do without quotas," he said. "However, if we have to introduce quotas, we will say that openly." Russia froze the export of grain, including wheat, barley, rye and corn, from August 15 to December 31, following a drought and wildfires that have destroyed some 11 million hectares of crops. Forecasts for this year's harvest have fallen as low as 60 million tons, 38% less than last year. Tigipko said if Ukraine had to introduce quotas, they would not affect all grains. "[Quotas] will not apply to all grains - possibly to wheat and barley," he said. He said Ukraine would not have a bread shortage even with the current drought. The Ukrainian deputy prime minister said about 46 million tons of grain crops were expected to be harvested this year, but now the forecast was revised down to 42 million tons. "This is absolutely plenty for the country. Furthermore, we will be able to export approximately 15 million tons of grain," he said.

Source: Ria Novosti

Medvedev orders amendments to procurement law

MOSCOW, August 11 (RIA Novosti) - Russian President Dmitry Medvedev has ordered the government to amend the procurement law after a recent overpricing row, business daily Vedomosti said on Wednesday. Medvedev saw red after presidential aide Konstantin Chuichenko reported on a gross overpricing of medical equipment in the Rostov region, where several x-ray machines, were bought on a government contract for 90.3 million rubles (\$3 million) each - almost three times the manufacturer's price, 34.5 million rubles (\$1.1 million). The price soared because the x-ray machines were bought via two intermediaries, one in Britain and the other in Russia, Chuichenko said. "This is an absolutely cynical and gross theft of government money. This cannot be tolerated anymore," Medvedev said. "First of all, it attracts wild hatred from our people and, secondly, it creates a negative image of

the country," he said. The amendments will see that medical equipment is bought with regard to manufacturers' prices. The government will also introduce unified requirements for the equipment and price monitoring. But the overpricing, however gross, was quite legal, a government official said, since the maximum price of a government contract is not stipulated by law and is set by the customer with regard to the budget limit. The procurement law originally contained mistakes and amendments would be of little help, Alexander Stroganov from the government contract center said. Unless there is a centralized control over purchases, overpricing and corruption will continue to thrive. The Russian Federal Anti-Monopoly Service official said, however, that medical equipment should be sold in an auction.

Source: Ria Novosti