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Special Focus: Serbian Economy

Serbian economy has tremendously changed since the last decade of the previous century. In the late 1980s the country underwent a process of economic transition from a planned economy to a market economy. Serbia started with a rather important head start from the other countries of the region, but it was severely impacted by the UN economic sanctions from 1992-1995 and the extensive damage created to infrastructure and industry during the NATO bombing in 1999.

Nevertheless, after the end of the Milosevic era, in October 2000, the country experienced rapid economic growth. This development was leveraged by the implementation of stabilization measures and the embarkation on a market reform program fostered by the Democratic Opposition of Serbia (DOS) coalition government that succeeded Milosevic. It is indicative that the GDP per capita went from 3117.2 US Dollars in 2000 to 6647 US Dollars in 2008.

The noteworthy economic improvement that Serbia experienced was further reinforced by an institutional differentiation that the country experienced and resulted in the restoration of it in the international economical and political scene. Serbia, renewed its membership in the IMF in December 2000, and continued to reintegrate into the international community by rejoining the World Bank (IBRD) and the European Bank for Reconstruction and Development (EBRD). Furthermore, it made some progress towards EU membership, signing a Stabilization and Association Agreement with Brussels in May 2008, and with full implementation of the Interim Trade Agreement with the EU in February 2010.



Additionally, the average growth of Serbia's Gross Domestic Product (GDP) in the last ten years was 4.45% per year. This was diverted in 2009, when total economic activity decreased by 2.9% in comparison to the previous year. The majority of the sectors of the economic activity decreased and it was only the following sections that increased: communications, financial intermediation, agriculture and government sector. It was estimated that growth of agricultural production in 2009 amounted to 2.5% whereas the industrial production decreased by 12.6%. This was mainly caused by the reduction of productivity in the section of manufacturing, while the section of electricity, gas and water supply noted minimal growth.

Furthermore, construction section fall of 19.9% in 2009, the retail trade noted a decrease of 11.7%, while the decrease of wholesale trade was somewhat smaller and it amounted to 4.1%. Finally, section of transport, storage and communications noted a decrease of 14.9%, while telecommunications still showed a significant growth, amounting to 28.5%.

Government Of The Republic Of Serbia
Ministry of Economy and Regional Development

This development had as a result the shrink of the number of employees by 5.1% when compared with the previous year. Number of male employees decreased, by 4.8%, while number of female employees decreased by 5.6%.

Nevertheless, the beginning of 2010 found the country in an enhanced situation, as in the first half of 2010, GDP increased by 1.2%, compared to the corresponding period of the previous year. This positive development continued in the 2nd quarter as GDP increased by 2.0% in comparison with 2009. The economic activities with the highest growth in the gross value added was the follow: the section of financial intermediation – 6.9%, the section of transport – 6.6%, the section of mining and quarrying – 10.4%, and in the section of manufacturing – 5.7%. The highest fall in the gross value added was recorded in the section of construction – 11.9%, and the section of hotels and restaurants – 8.0%.

The last decade stimulus efforts to revive the economy were conducted by the Serbian government. During 2009 the global economic crisis raised several problems that had negative effect in this procedure. Nevertheless, this situation was quickly averted and during 2010 once again the country returned to the path of development.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

The Serbian Trade Structure



In recent years, Serbia has experienced an increasingly swift foreign direct investment trend and a further cultivation of its economic relations with the rest of the world. This is highlighted by the augmentation of the external trade and

with the ratification of key political and economic agreements with important international players and countries. Within this framework the Serbian Ministry of Economy and Regional Development announced on October 1st, 2010 that a free trade agreement between Serbia and EFTA (European Free Trade Association) countries will be effective.

Despite the difficult economic situation that Europe is still facing, Serbia increased its export rate for the period January – August 2010. This is mainly influenced by Dinar depreciation and of course by the increased economy activities over the world that reinforced the export potentiality of the country's products. Therefore, the overall external trade in the Republic of Serbia for the aforementioned period was 12613.4 million Euros, which was an 11.5% increase compared to the same period of 2009. The value of exports was 4596.7 million Euros, which was an increase of 20.3% compared to the same period last year, whereas the value of imports amounted to 8016.7 million Euros, which represented an increase of 7.0%. The external trade deficit amounted to 3420.0 million Euros, which was a decrease of 6.8% compared to last year. The export-import ratio equaled 57.2% and it was higher if compared to 2009 where the correspondent number was 51.2%.



Regarding the main products that Serbia is importing are according to product's utility: reproduction products 55.7%, then consumer goods 16.8% and equipment 9.9%, while unclassified goods amounted to 17.5%. The corresponding export products are reproduction products 65.4%, then consumer goods 26.5% and equipment 8.1%. The items with the greatest export share were, iron and steel, non-ferrous metals, electrical machines and apparatus, fruit and vegetables and cereals. These five sections accounted for 33.0% of the overall exports. The first five products

with the greatest imports share were the following: oil and oil derivatives, natural gas, non-ferrous metals, electrical machines and apparatus and iron and steel. These accounted for 26.1% of the overall imports.

The main foreign trade partners of the country in exports were Italy, Bosnia and Herzegovina and Germany, where the equivalent import partners were the Russian Federation, Germany and Italy.

For the period between January and August 2010 external trade noted the highest level with the counties with which Serbia signed agreements on free trade. Thus, European Union member states account for more than 50% of the total external trade. The second major trade partner of Serbia was the Central European Free Trade Agreement (CEFTA) countries. Hence, the Serbian government continued a proven



and fruitful policy when signed a free trade agreement with the EFTA countries on December 17th, 2009. This agreement was put into effect on October 1st and according to it Serbian businessmen will have free access to the markets of Iceland, Liechtenstein, Norway and Switzerland, in a market of 13 million potential consumers. This agreement creates additional possibilities for new investment from these countries in the Serbian economy and the possibility of mutual cooperation for joint action in third markets.

Furthermore, the agreement will ensure a sort of asymmetrical trade liberalization in Serbia's favor, with the possibility of applying cumulative rules of origin something that will further help the development of trade relations between EFTA countries and Serbia.

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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Complete aerostat based (blimps) day and night surveillance system for military and homeland security applications



A company with many years of experience in providing innovative surveillance solutions using various platforms is proposing the utilization of aerostat technology in order to provide day and night high quality surveillance using tactical aerostat systems. The architecture of the proposed system supports parallel direct communication to any C4I center providing complete networking capabilities.

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

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Serbia's Transition: Towards a Better Future (Studies in Economic Transition), by Milica Uvalic



Over the past decades, the implementation of the transition to a market economy in Serbia has to a large extent been slowed down by events, factors and policies that are essentially non-economic in nature. They derive not only from the fact that the country has been involved in military conflicts during much of the 1990s and has neglected some important objectives of the transition, the features of the political system in Serbia in the 1990s has indeed played a crucial role in determining the highly unsatisfactory performance of the Serbian economy and delays in implementing more radical economic reforms. The book analyzes this situation and offers a comprehensive evaluation of the achievements and failures of the transition, and explains why its course has been more complex and unique than elsewhere in the former socialist world.

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



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 OECD is trying to delineate the benefits that Western Balkan region has from a cost-competitive labour force and geographic and cultural proximity to EU markets. However it states that cost competitiveness as a source of differentiation is not sustainable. Cost levels are increasing gradually in some sectors, reducing firm's profitability. It concludes that 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.



Half of Indian air force equipment obsolete

Half of the weapons and equipment used by the Indian Air Force are obsolete and need urgent replacement, a top Indian defence official has said.

Air Chief Marshal P.V. Naik, pointing to investment by the government in defence, said half of the existing fighter jets, radars, transport aircraft and air defence weapons will be upgraded by 2014-15.

The country is reportedly negotiating a 3.5-billion-dollar aircraft defence deal with the United States that will be signed in November when President Barack Obama visits the Indian capital.

Naik said the air force was also likely to agree a 25-billion-dollar defence deal with Russia by 2010 to buy advanced stealth fifth-generation fighter aircraft.

"Around 50 percent of our equipment is obsolete and needs to be replaced," Naik told reporters on Monday, in comments reported by local media.

"Ten years ago we had no money for modernisation. This caused some delays. Subsequent planning will fructify by 2014-15," he said.

India's air force is just a third of the size of rival China's and far short of what is needed to meet the security challenges facing the country, he said.

In February, New Delhi announced a 32-billion-dollar defence budget, a four percent increase on 2009, when spending was hiked by a quarter.

The Indian Air Force has also contracted 18 Spyder low-level quick reaction missile systems from Israel and is jointly developing a medium-range surface-to-air missile system with them.

The US agreement will see the Indian air force buy 10 C-17 Globemaster transport aircraft, which are expected to replace the ageing fleet of Russian Ilyushin IL-76, India's *The Economic Times* newspaper reported recently.

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

India, Russia to discuss new giant fighter jet deal

India and Russia will hold talks this week on a multi-billion-dollar deal to supply up to 250 advanced stealth fighter jets to the technology-starved Indian Air Force, officials said on Tuesday.

Experts say the deal could be worth 25 billion dollars, making it the biggest in India's military history.

A defence ministry official who did not want to be named said the contract would be the focus of talks on Saturday during a visit to India by Russian Defence Minister Anatoly Serdyukov.

"These are ongoing talks and will definitely come up in the discussions," he told AFP.

The Times of India said New Delhi and Moscow aimed to ink the FGFA (Fifth Generation Fighter Aircraft) preliminary design contract during a trip to India by President Dmitry Medvedev in December. Ministry officials declined to comment on the newspaper report.

On Monday, Air Force Chief P.V. Naik confirmed India would acquire the advanced jets from Russia, which supplies about 70 percent of Indian military hardware -- a legacy of the countries' Cold War ties.

"We are looking to induct 200 to 250 FGFA in phases from 2017," the air chief marshal told reporters, adding that about 50 percent of air force hardware was now out of date.

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The 30-ton FGFA aircraft -- priced at 100 million dollars each, according to the Times of India -- will have "very advanced avionics, stealth to increase survivability (and) enhanced lethality," Naik added.

India plans to mothball its mainstay MiG-21 Soviet-era fighter jets, which have earned the sobriquet "flying coffins" because of their dismal safety record.

The ministry official said India was also seeking 40 additional Sukhoi-30 frontline fighter planes from Russia.

"The original plan was to acquire 230 Sukhoi-MKI planes but the list has now grown to 270 and so far around 100 aircraft have been delivered to us," he said.

Experts estimate the Sukhoi deal would be worth 12 billion dollars.

India is building military airbases on its borders with China to thwart possible attacks.

"As and when more airbases come up in the east, more Sukhois will be added," the ministry official commented, adding the airforce was also on target to commission 20 locally-built Light Combat Aircraft (LCA) by 2011.

India is also poised to hand out a contract for 126 fighter jets as part of a separate 12-billion dollar deal for which six global aeronautical giants are in the race.

India is reportedly also negotiating a 3.5-billion dollar aircraft defence deal with the United States that will be signed in November when President Barack Obama visits the Indian capital.

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

Boeing Receives Contract for Apache Helicopter Rotor Heads

MESA, Ariz., Oct. 4, 2010 -- Boeing [NYSE: BA] today announced that the U.S. Defense Logistics Agency Aviation has awarded the company a three-year contract to manufacture spare main rotor heads for the U.S. Army's fleet of Apache attack helicopters. The fixed-price contract calls for an initial 100 main rotor heads, at a value of \$31 million, and allows for 50 additional rotor heads, which would increase the contract value to \$48 million.

The Army Integrated Logistics division of Boeing Global Services & Support will perform the work at the Boeing facility in Mesa. "This contract award is another testament to Boeing employees' excellent work and their commitment to the Army," said Peri Widener, Boeing director of Army Integrated Logistics. "We look forward to continuing our relationship with the Army and delivering affordable, reliable logistics solutions for the warfighter."

Boeing Army Integrated Logistics and its Apache Worldwide Support subdivision provide a full range of innovative products and services to maximize the readiness of Apaches fielded around the world, including public/private partnerships for depot repairs; obsolescence management; spares and repairs demand forecasting; and inventory optimization.

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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Source: Boeing, Epicos

Boeing, Air Lease Corporation Finalize Order for Up to 60 Next-Generation 737s

SEATTLE, Oct. 4 /PRNewswire/ -- Boeing (NYSE: BA) and new leasing company Air Lease Corporation (ALC) have finalized an order for up to 60 Next-Generation 737-800s.

The order, first announced at the Farnborough Airshow in July, is for deliveries through 2017. In addition to 54 firm orders the deal includes six additional airplanes to be reconfirmed.

"Our management team has been working closely with Boeing for more than 30 years," said Steven F. Udvar-Hazy, chairman and CEO of Air Lease Corporation. "This order for Next-Generation 737-800s continues that great tradition. With this large and long-term commitment we'll be able to offer our clients a most economical, fuel-efficient and versatile airplane, suitable for a variety of profitable missions."

"The Next-Generation 737 is one of the world's best-selling airplanes for a number of very good reasons," said Jim Albaugh, president and CEO, Boeing Commercial Airplanes. "Airlines and lessors remain confident in the airplane's ability to deliver outstanding, dependable operational and financial performance across the widest range of missions. We look forward to providing that continued value to Air Lease Corporation and its clients and to a long and successful continued partnership with Steven Udvar-Hazy and his new leasing company."

About Air Lease Corporation

Air Lease Corporation (ALC), based in Los Angeles, Calif., was founded in February 2010, and is led by two airline industry veterans, Steven F. Udvar-Hazy and John L. Plueger. ALC is a well capitalized and airline-customer-focused operating lessor and market-maker, committed to providing optimized jet fleet solutions to airline clients worldwide.

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Photo(s) and caption(s) are available with this release on <http://boeingmedia.com>

Source: Boeing, Epicos

UTAir to replace Tu-134 with Sukhoi Superjet 100

MOSCOW, October 4 (RIA Novosti) - UTAir, one of Russia's four largest airlines, will replace its Tupolev Tu-134 airliners with Sukhoi Superjet 100 aircraft, the company said on Monday. "Under a fleet modernization program, UTAir has concluded a tender to choose a commercial civilian passenger jet to replace the Tu-134 in its fleet. Two modifications of Sukhoi Superjet 100, RRJ-75B and RRJ-95B, have won the tender," the company said. Eight Russian and foreign companies participated in the tender. The airline did not say when it might place a formal order or how many Superjets it would buy. The Superjet 100 is a family of medium-haul passenger aircraft developed by Sukhoi in cooperation with U.S. and European aviation corporations, including Boeing, Snecma, Thales, Messier Dowty, Liebherr Aerospace and Honeywell. The aircraft is capable of carrying 75-95 passengers up to 4,500 kilometers.

Source: Ria Novosti