

Part I

Special Focus: South Africa

1. The New Dimension of South African Procurements
2. South African Armed Forces, Adjusting in the New Era
3. Epicos “Industrial Cooperation and Offset Projects”
4. Design and Development of a UAV Nuclear Reconnaissance System
5. Smart wearables for Future Soldier and Homeland Security applications
6. Epicos- Amazon

Part II

Epicos Newsroom

1. Global military spending growth slowest since 2001
2. Chinese airlines to buy 35 Embraer planes
3. S. Korea preferred bid for Indonesian jet contract
4. Russia's Gazprom to negotiate gas supplies to China this week
5. Russia to develop S-500 air defense system by 2016

The New Dimension of South African Procurements



Throughout the last decades the South African Department of Defence (DoD) is playing an important role in helping the government political objectives. Under this aspect DoD seeks to promote the stability of the Republic, its constitutional order and its institutions; create an environment in which South Africans are secure; and contribute towards creating a stable African continent enabling peace and development. Nevertheless, these objectives were difficult to be met as the global economic crisis affected many sectors of the South African society, something that had a negative impact on the government's plans in the defence sector.

Despite the fact that in 2010 South Africa organized the FIFA World Cup, its economy experienced a recession. In 2009 Gross Domestic Product (GDP) fell nearly 2%. In 2010 economy rebounded but did not reach its previous levels of positive development. The positive past developments were highlighted by the fact that in the fourth quarter of 2007, South Africa recorded its 33rd quarter of uninterrupted expansion in real GDP since September 1999. Apart from the global economic recession, there are several other structural problems that led the country in the 2009 recession. Most of them remain from the apartheid era and are poverty, lack of economic empowerment among the disadvantaged groups, and a shortage of public transportation.

Military expenditure of South Africa

	2005	2006	2007	2008	2009	2010
Million Rands.	24,880	25,102	26,746	29,556	33,235	32,922
Percentage of gross domestic product	1.5	1.4	1.3	1.3	1.3	-

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

The defence budget of the country did not follow the aforementioned economic fluctuation. In 2008 total Military expenditure of South Africa was according to SIPRI 29,556 million Rands whereas in 2009, reached 33,235 million Rands. In 2010 defence budget was slightly reduced to 32,922 million Rands, but this shrink was overwhelmed by the increase that took place in 2009. This can be largely explained by the increased need, due to the fact that the country organized the FIFA World Cup. Defence forces had to work together with the police forces in cross border operations and other internal law enforcement operations, something that significantly increased their operational readiness and therefore their operating costs.

During the last years the country procured a variety of defence equipment. Germany has a leading role in the South African armament imports. Apart from Germany, other important countries that export arms to South Africa the five last years are Sweden, UK and USA.

As it is already mentioned Germany is the first country that exports defence equipment to South Africa. In 2008 South Africa procured (170) MILAN anti-tank missiles from Germany. The total amount of the procurement was 11 million Euros. The deliveries of the missiles were completed in 2010.

The collaboration between Sweden and South Africa commenced in the beginning of the 21st century when the African country procured 25 Gripen fighting aircrafts. This collaboration

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

	2006	2007	2008	2009	2010	Total
Germany	500	725	226	6	1	1458
Sweden			138	110	165	413
UK	120	53	80			253
USA	14	30	13	10	15	82

Source: SIPRI Publications, Arms Transfers Database

intensified in 2008 when South Africa bought (264) DI-12 diesel engines in order to use them in Patria's AMV APC vehicles.

Finally in 2002 South Africa procured (12) Hawk-100 aircrafts from UK. The delivery was concluded in 2008.

South African armed forces are trying to provide, manage, prepare and employ defence capabilities that will match the needs of the country. The above is been provided through the proper management, provision, preparedness and employment of defence capabilities that are in line with the domestic and global needs of South Africa. Nevertheless, these objectives should be in accordance with the economic limitations that the national defence budget is imposing.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

South African Armed Forces, Adjusting in the New Era



defence

Department:
Defence:
REPUBLIC OF SOUTH AFRICA

REPUBLIC OF SOUTH AFRICA

South African armed forces play an important role in the structuring of the national policy. The missions that they undertaken include conventional, non-conventional, unconventional, health support, peace support operations, special operations, special force operations,

defence diplomacy, support to other Government departments, presidential tasks, disaster relief and humanitarian assistance. Taking into consideration the aforementioned variety of missions and the rapidly changing geostrategic and macro-economic environment, the armed forces will be obliged to change and adjust in the new environment in order to meet these ever-changing challenges. This must be accomplished within a given budget. The budget for the current period is impacted by the cancellation of the strategic airlift capability program and by the higher than planned salary adjustments for Government employees and additional allocations for the South African Defence Force's new remuneration system. After the cancelation of the strategic airlift capability program, landward defence became the dominant program within the Defence.

As it is already mentioned after the cancellation of the A400M aircraft contract, landward Defence became the dominant program consuming 30.5% of the department's total budget. Air defence takes up 23.7%, while general support and administration take up 12.8% and 10.6% of the total budget respectively.

Landward Defence Programme: Financial Resources for FY2010/11 to FY2012/13

2010-2011	2011-2012	2012-2013
9 982.9 (R'000)	10 431.2 (R'000)	11 062.1 (R'000)

Source: <http://www.dod.mil.za/documents/strategicbusinessplan/DEFENCE%20FINAL%20DOCUMENT.pdf>

The main responsibility of the landward defence program is to provide prepare and support landward defence capabilities for the defence and protection of South Africa. This is accomplished by preparing an infantry capability to provide 3 infantry battalions a year sustained for external deployment, 1 airborne battalion as Chief of the South African National Defence Force Reaction Force, 1 multi-role battalion for internal safety and security, 1 battalion in support of internal security operations and 4 battalions involved in exercises. Additionally it should prepare an armoured capability by exercising 1 tank regiment and 1 armoured car regiment with one squadron for internal deployment a year. Additionally, it should prepare an artillery capability by exercising 1 composite artillery regiment and 1 light (airborne) artillery battery, having 1 light artillery battery in reserve and 1 battery for internal deployment a year. Finally it must be ready to prepare an air defence artillery capability, an engineer capability and a signal capability by providing 2 signal regiments a year for external deployment, internal reserve and involvement in exercises.

Air Defence Programme: Financial Resources for FY2010/11 to FY2012/13

2010-2011	2011-2012	2012-2013
6 059.1 (R'000)	7 910.5 (R'000)	8 361 .9 (R'000)

Source: <http://www.dod.mil.za/documents/strategicbusinessplan/DEFENCE%20FINAL%20DOCUMENT.pdf>

Air defence is the second most costly program of the South African armed forces. It aims at defending and protecting South Africa and its airspace by providing 4 helicopter squadrons and 1 combat support squadron a year, 3 medium transport squadrons, 1 maritime and transport squadron, 1 light transport squadron and 9 reserve squadrons at the required readiness levels a year. Finally, it must also provide 1 air combat squadron a year and an around the clock air command and control capability.

Developments in the South African region and on the world necessitate that the South Africa armed forces should participate in different and divert missions. In order to be successful it must try to adjust into this new environment. In this process landward programs have the main priority and they are followed by air defence programs.

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...

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Design and Development of a UAV Nuclear Reconnaissance System



A large company with significant leading experience in the development and production of chemical defense instruments and nuclear reconnaissance systems, is proposing collaboration with a company specializing in the design and production of Unmanned Aerial Vehicles in order to develop a UAV nuclear reconnaissance system. Fields of application could be: reconnaissance of widely contaminated areas; localization of single radiation sources; nuclear accidents; atomic explosion.

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

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Smart wearables for Future Soldier and Homeland Security applications



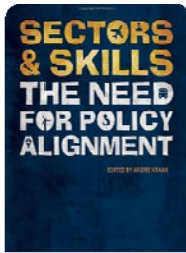
In today's rapidly transforming armed forces, the infantryman continues to play a central role in new operational scenarios. The infantryman has to operate in urban areas and under extreme climatic conditions supporting peace keeping operations in several countries all over the world. He has to confront new asymmetric threats, and frequently faces attacks from irregular forces. In this frame, a Portuguese company with extensive experience in providing customized cutting edge solutions in the field of information technology, telecommunications and image processing is proposing the development of smart wearable to be used in several Future Soldier and homeland security applications. The proposed wearables will pinpoint the exact location of Future Soldier, monitor biostatistics and atmospheric readings with precision, and relay this information by automatically switching between GSM/GPRS, UMTS, Wi-fi/Wimax, Tactical IP networks and satellite communications.

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Sectors & Skills: The Need for Policy Alignment, by Andre Kraak



This book argues the case for greater alignment between industrial and skills development policies. Alignment is important for two reasons. Firstly as a pragmatic level of micro-economic, science, technology and industrial strategies have recently been adopted by government. Following a large-scale study of skill demands, this survey presents the results of five economic clusters in South Africa. Covering all vital elements, this report provides an overview of the high-tech sector, the resource-based sector, the labor-intensive sector, the services sector, and public infrastructure. Drawing on the skills of scholars and expert consultants throughout South Africa, these findings point to highly differentiated socioeconomic conditions and divergent prospects for future growth in each area. Economic policymakers, small business development and funding agencies, academics, development planners, and human resource strategists will find this a vital resource in conceptualizing and formulating new skills-development strategies.

The Comparative Political Economy of Development: Africa and South Asia (Routledge Studies in Development Economics), by Barbara Harriss-White , Judith Heyer



This book illustrates the enduring relevance and vitality of the comparative political economy of development approach promoted among others by a group of social scientists in Oxford in the 1980s and 1990s. Contributors demonstrate the viability of this approach as researchers and academics become more convinced of the inadequacies of orthodox approaches to the understanding of development. Detailed case material obtained from comparative field research in Africa and South Asia informs analyses of exploitation in agriculture; the dynamics of rural poverty; seasonality; the non farm economy; class formation; labour and unfreedom; the gendering of the labour force; small scale production and contract farming; social networks in industrial clusters; stigma and discrimination in the rural and urban economy and its politics. Reasoned policy suggestions are made and an analysis of the comparative political economy of development approach is applied to the situation of Africa and South Asia.



Global military spending growth slowest since 2001

Growth in global military spending slowed to its lowest level since 2001 last year as the world economic crisis hit defence budgets, Swedish think-tank SIPRI said Monday.

World military spending rose only 1.3 percent in 2010 to \$1.63 trillion (1.14 trillion euros), after average annual growth of 5.1 percent between 2001 and 2009, the Stockholm International Peace Research Institute (SIPRI) said as it released its latest report on international military expenditures.

"In many cases, the falls or slower increase represent a delayed reaction to the global financial and economic crisis that broke in 2008," the group said in a statement.

The United States significantly slowed its military investments last year but remained by far the biggest defence spender in the world and still accounted for almost all of global growth.

US defence spending grew by only 2.8 percent in 2010 to \$698 billion, after averaging growth of 7.4 percent between 2001, when SIPRI began publishing its reports, and 2009.

Despite the slowdown, the United States' spending increase of \$19.6 billion still accounted for nearly all of the \$20.6 billion global increase last year.

"The USA has increased its military spending by 81 percent since 2001, and now accounts for 43 per cent of the global total, six times its nearest rival China," Sam Perlo-Freeman, the head of SIPRI's Military Expenditure Project, said in a statement.

"At 4.8 percent of GDP, US military spending in 2010 represents the largest economic burden outside the Middle East", he said.

The region with the largest increase in military spending last year was South America with 5.8 percent growth, reaching a total of \$63.3 billion

"This continuing increase in South America is surprising given the lack of real military threats to most states and the existence of more pressing social needs," said Carina Solmirano, the project's Latin America expert.

In Europe, military spending fell by 2.8 percent as governments cut costs to address soaring budget deficits, SIPRI said, noting that cuts were particularly heavy in the more vulnerable economies of Central and Eastern Europe and in Greece.

In Asia, the region's weaker economic performance in 2009 saw defence expenditures grow by only 1.4 percent, with China leading the way with an estimated \$119 billion in defence spending last year.

"The Chinese government, for example, explicitly linked its smaller increase in 2010 to China's weaker economic performance in 2009," SIPRI said.

Countries in the Middle East spent \$111 billion on arms last year, an increase of 2.5 percent over 2009, with Saudi Arabia the region's biggest spender.

In Africa, spending increased by 5.2 percent, led by major oil-producers such as Algeria, Angola and Nigeria.

The think tank, which specialises in research on conflicts, weapons, arms control and disarmament, was created in 1966 and is 50-percent financed by the Swedish state.

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

Chinese airlines to buy 35 Embraer planes

Brazilian aircraft manufacturer Embraer will sell 35 E190 planes to two Chinese airlines in a deal to be signed during President Dilma Rousseff's visit to China, Brazilian officials said Tuesday.

Rousseff was due to meet her Chinese counterpart Hu Jintao on Tuesday, and the deal -- which, based on the plane list price of \$40 million, would be worth \$1.4 billion -- was expected to be made public at that time, they said.

Under the agreement, state-owned giant China Southern and Hebei Airlines, a regional carrier based in the north of the country, will purchase 20 and 15 E190 planes, respectively. The aircraft can seat 98 to 114 people.

Embraer is also due to sign an agreement with state-owned Aviation Industry Corporation of China (AVIC) to manufacture the firm's Legacy 600 business jet in the Asian nation, the officials said.

China Southern, the country's biggest carrier by fleet size, has been operating ERJ 145 Embraer jets on regional routes since 2004.

With more than 17,000 employees, Embraer is the third largest airplane manufacturer behind global giants Boeing and Airbus. Around 80 of its planes are currently in operation in China's lucrative aviation market.

Rousseff, on her first major foreign trip since taking office in January, on Tuesday suggested a new model for trade ties between the two countries based on technological cooperation and the exchange of high value-added products.

China has in recent years become Brazil's largest trading partner, overtaking the United States, and in 2010 was the largest investor in the South American nation.

Brazil, which mainly exports soybeans, iron ore and oil to China, is seeking to diversify the range of products it sells to Beijing.

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

S. Korea preferred bid for Indonesian jet contract

Indonesia has chosen South Korea as preferred bidder for its jet trainer project, officials said Tuesday, despite a reported attempt by Seoul's spies to steal secrets from a visiting Jakarta delegation.

The country's sole aircraft maker Korea Aerospace Industries (KAI) announced it had won the status from Indonesia's defence ministry, although the two sides have yet to complete negotiations on price and other details.

A final deal, if sealed, would pave the way for the first export of South Korea's T-50 Golden Eagle supersonic trainer jet, defence ministry officials said.

"Today is meaningful as we became the sixth country to export a supersonic jet after the US, Russia, Britain, France and Sweden," KAI president Kim Hong-Kyung told reporters, anticipating a final deal.

He said the T-50 beat competitors from Italy, Russia and other advanced aircraft makers.

South Korea unveiled the T-50 in 2005 with technology provided by US aircraft maker Lockheed Martin. It hopes to export 16 T-50 jets worth about a total of \$400 million to Indonesia, Yonhap news agency said.

Indonesia plans to replace its ageing Hawk Mk-53 trainer jets that are scheduled to be decommissioned this year.

South Korean officials say the T-50 can carry out light attack as well as training roles. The South's air force plans to start deploying a more heavily armed version.

South Korea's spy agency came in for criticism in February following reports that its agents tried to steal commercial secrets from the hotel room of a visiting Indonesian trade delegation. Newspapers said three agents from the National Intelligence Service entered the room on February 16 in an attempt to steal information on possible Indonesian arms purchases.

The intruders reportedly fled after a delegate abruptly entered the room and saw them copying files from a laptop computer.

South Korea and Indonesia have maintained close defence cooperation.

In 2008 Seoul signed a \$90 million deal with Jakarta to buy four transport planes for the coastguard. Last July Indonesia agreed to join a South Korean project to develop fighter jets.

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

Russia's Gazprom to negotiate gas supplies to China this week

MOSCOW, April 11 (RIA Novosti) - Russia's state-run gas export monopoly Gazprom will start on Monday commercial negotiations with China on gas supplies, Pavel Oderov, head of

Gazprom's international business department said. In response to a question about the possibility of using China's project financing for gas supplies, Oderov said that "commercial negotiations next week will be held in China where all these issues will be discussed." Gazprom Deputy CEO Valery Golubev earlier said he was sure that Gazprom would reach agreement with China on gas supply prices. The new \$14 billion Altai pipeline construction project is currently the base option of gas supplies to China, Golubev said. At the initial stage, the new Altai pipeline is planned for construction within the existing transmission route to Novosibirsk with a follow-up extension across the mountains to the western part of the Russian-Chinese border. There it will tap into the Chinese West - East pipeline that will carry gas up to Shanghai. Gazprom is currently holding talks with China's largest oil and gas company, China National Petroleum Corporation (CNPC) on specific terms of gas supplies. The document on the basic terms of Russia gas supplies to China was signed on September 27, 2010 during an official visit by Russian President Dmitry Medvedev to China. It stipulates key commercial terms of future natural gas supplies via the western route, including volumes and the starting date, the 'take-or-pay' level, the period of increasing supplies and the level of guaranteed payments. The companies plan to sign an export contract in the middle of 2011, while the starting date is scheduled for the end of 2015. According to the agreements, the contract's validity period will be 30 years, while annual supply volumes will reach 30 billion cubic meters of gas. Gazprom CEO Alexei Miller has said the negotiations are in their closing phase and Gazprom is ready to launch the construction of the Altai pipeline in the middle of 2011 and complete it in late 2015.

Source: Ria Novosti

Russia to develop S-500 air defense system by 2016

SOFRINO (Moscow region), April 8 (RIA Novosti) - Russia's Almaz-Antei design bureau is planning to complete the development of the advanced S-500 air defense system by 2015-2016, the company's deputy general director Yury Solovyev said Friday. The S-500, a long-range missile system, is expected to become the backbone of a unified aerospace defense system being formed in Russia. "Our design bureau is working to complete the development of the S-500 system by 2015-2016," Solovyev said. He said the designers were facing a number of problems, including a lack of reliable and efficient electronic components. "But we will be able to resolve them," the official said. The S-500 is expected to have an extended range of up to 600 km (over 370 miles) and simultaneously engage up to 10 targets. Russia's Defense Ministry has demanded that the system must be capable of intercepting ballistic missiles and hypersonic cruise missiles.

Source: Ria Novosti