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## USA Defence Budget



On February 2012 US Department of Defense (DoD) went through a complicated process to establish and finalize its budget for the financial year 2013. According to it the \$525.4 billion base budget provides a reduction of \$5.2 billion from the financial year 2012 budget. In this amount we should add the incremental costs of Overseas Contingency Operations (OCO), including ongoing efforts in Afghanistan and support for the Office of Security Cooperation in Iraq, which are funded separately in the financial year 2013 budget and amount at \$88.5 billion, a decrease of \$26.6 billion from the financial year 2012 enacted level.

Actually, this trend is a continuation of the efforts made in the financial year 2012 budget to reduce the amount allocated by identifying opportunities for better use of resources. The financial year 2012 budget proposed more than \$150 billion in efficiencies whereas the 2013 budget proposes an additional \$61 billion in reductions during the period 2013 - 2017. The differentiation now is that the Military Departments are not authorized to keep their savings and invest them in high priority requirements but they will be applied to deficit reduction.

The Department of Army will be the one with the biggest saving accounting for \$18.5 billion. The Department of Air Force and this of Navy follow with \$6.6 billion and \$5.7 billion respectively. More analytically the spending cuts are:



## U.S. DEPARTMENT OF DEFENSE

### Department of Army (\$18.5 billion)

- Streamline installation support functions and reduce installation support (\$5.3 billion)
- Consolidate information technology enterprise services (\$1.4 billion)
- Streamline management headquarters and administrative support functions (\$0.7 billion)
- Reduce civilians supporting overhead functions (\$0.9 billion)
- Reduce recruiting, advertising and enlisted incentives as a result of economic conditions (\$0.7 billion)
- Defer training range revitalization projects (\$1.3 billion)
- Delay MILCON projects and facility restoration and modernization (\$5.8 billion)
- Reduce equipment technical support and ammunition sustainment (\$1.7 billion)
- Streamline Personnel Security administration (\$0.4 billion)
- Other streamlining efficiencies (\$0.3 billion)

### Department of Navy (\$5.7 billion)

- Implement strategic sourcing of commodities and services (\$2.2 billion)

- Consolidate information technology enterprise services (\$1.6 billion)
- Streamline organizations (\$0.7 billion)
- Reduce procurement modifications (\$0.3 billion)
- Increase buying power (\$0.7 billion)
- Other streamlining efficiencies (\$0.2 billion)

**Department of Air Force (\$6.6 billion)**

- Consolidate information technology enterprise services (\$1.1 billion)
- Reduce service support contractors (\$1.2 billion)
- Reduce administrative travel and permanent change of station travel (\$0.5 billion)
- Streamline contracting (\$0.4 billion)
- Reduce inventories (\$0.3 billion)
- Reduce accessions and force development and training (\$0.5 billion)
- Delay MILCON projects (\$2.4 billion)
- Other streamlining efficiencies (\$0.2 billion)

USA is currently facing a difficult period, as the economic circumstances are rather difficult and “shady”. Thus, US DoD must be able to adjust under these circumstances and change the way it acquires military equipment and services. This is clearly highlighted in the defense budget for the financial year 2013, as it provides a reduction of \$5.2 billion from the FY 2012 budget.

Kyriazis Vasileios,  
Epicos Newsletter Head Editor

## USA Arms Sales



U.S. DEPARTMENT OF DEFENSE

The volume of international transfers of major conventional weapons in 2006-10 was 24% higher than in 2001-2005, continuing the upward trend.

The United States and Russia were the largest exporters of major conventional weapons. This trend continued throughout 2011 and on December 3, the U.S. Defense Security Cooperation Agency (DSCA) announced that foreign military sales overseen by them passed the \$30 billion mark for the fourth consecutive year, with the fiscal year 2011 total reaching \$34.8 billion. Sales under the government-to-government Foreign Military Sales (FMS) Program were \$28.3 billion, while sales executed by non-FMS cases managed under various security cooperation authorities were \$6.5 billion.

The top ten FMS customers for fiscal year 2011 were the Afghan Security Forces (\$5.4 billion); the Taipei Economic and Cultural Representative Office in the United States (\$4.9 billion); India (\$4.5 billion); Australia (\$3.9 billion); Saudi Arabia (\$3.5 billion); Iraq (\$2.0 billion); the United Arab Emirates (\$1.5 billion); Israel (\$1.4 billion); Japan (\$0.5 billion); and Sweden (\$0.5 billion). DSCA forecasts FMS sales will continue to be around \$30 billion for fiscal year 2012, but official projections are still being calculated.

One of the latest notifications- thus potential sales of defence equipment-DSCA passed to the Congress was that of a possible sale to the Government of Poland of F-16 support and munitions, as well as associated equipment, parts, training and logistical support for an estimated cost of \$447 million.



More analytically the Government of Poland has requested a possible sale of 93 AIM-9X-2

SIDEWINDER Block II Tactical Missiles, 4 CATM-9X-2 Captive Air Training Missiles, 65 AIM-120C-7 Advanced Medium Range Air-to-Air Missiles, 42 GBU-49 Enhanced PAVEWAY II 500 lb Bombs, 200 GBU-54 (2000 lb) Laser Joint Direct Attack Munitions (JDAM) Bombs, 642 BLU-111 (500 lb) General Purpose Bombs, 127 MK-82 (500 lb) General Purpose Bombs, 80 BLU-117 (2000 lb) General Purpose Bombs, 4 MK-84 (2000 lb) Inert General Purpose Bombs, 9 F-100-PW-229 Engine Core Modules, 28 Night Vision Devices plus 6 spare intensifier tubes, 12 Autonomous Air Combat Maneuvering Instrumentation P5 pods, a Joint Mission Planning System, and five years of follow-on support and sustainment services for Poland's F-16 fleet, spare and repair parts, support and test equipment, publications and technical documentation, system overhauls and upgrades, personnel training and training equipment, U.S. Government and contractor technical support, and other related elements of program support.

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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### UDP communication optimization for inter-UAV communications in modern Network Centric Warfare operations



A company excelling in the design and development of advanced real time data exchange solutions for inter-UAV communication requirements is proposing the installation of a new UDP smart gateway design providing hard real time and secure data exchange between application machines. The proposed system architecture supports specific requirements including: time-critical and mission-critical applications, limited bandwidth, hot redundancy and deterministic behavior. The system will fully support

the new concepts for advanced Network Centric Warfare (NCW) operations using unmanned platforms.

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

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### Development of mission critical rugged displays 8xs/10xs for military and tactical vehicles



A company that designs and produces industrial computers and displays for use in the most demanding environments and also designs industrial displays and produces neural network software and automation solutions is proposing the provision of CEP 8xs/10xs type military displays to be used in an offset project or in an upgrade program.

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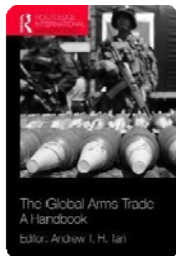


**Economics of War and Peace: Economic, Legal, and Political Perspectives (Contributions to Conflict Management, Peace Economics and Development) ... Management Peace Economics and Development), by Benjamin E. Goldsmith, Jurgen Brauer**



"Economics of War and Peace: Economic, Legal, and Political Perspectives" brings together recent, cutting-edge research on economic factors affecting peace and war. This important area of continuing research was the focus of an international conference held at the University of Sydney in June 2009 and these chapters are partly drawn from among the best contributions to that meeting. The book weaves together threads from a number of themes in current research including new theoretical perspectives on the economic foundations of peace, violence and war within countries, connections between international trade and inter-state conflict, and the role of legal/institutional factors in international and internal conflict.

**The Global Arms Trade: A Handbook, by Andrew T. H. Tan**



*The Global Arms Trade* is a timely, comprehensive and in-depth study of this topic, a phenomenon which has continued to flourish despite the end of the Cold War and has been revived till the middle of the first decade of the new millenium. It provides a clear description and analysis of the demand for, and supply of, modern weapons systems, and assesses key issues of concern. This book will be especially useful to scholars, policy analysts, those in the arms industry, defence professionals, students of international relations and security studies, media professionals, government officials, and those generally interested in the arms trade.



### Pakistan receives US surveillance aircraft

The Pakistani navy took delivery Tuesday of two state-of-the-art, US-made surveillance aircraft nine months after Islamist militants destroyed two similar planes, officials said.

Pakistan said the P3C aircraft, modified with the latest avionics, are designed to improve surveillance in the North Arabian sea, one of the world's most important shipping routes deeply troubled by Somali piracy.

"The two aircraft have been delivered to the Pakistan navy. These aircraft have been provided under the foreign military funding programme," a spokesman for the US embassy in Islamabad, told AFP.

Relations between Pakistan and the United States were severely damaged last year by a covert American raid that killed Osama bin Laden and air strikes that killed 24 Pakistani soldiers, and the alliance remains tense.

The navy said the aircraft would help "maintain requisite vigil in our vital area of interest in the North Arabian Sea", which it said was "home to intense maritime activity both legal and illegal and thus warrants continuous guard".

Pakistan is to receive six P3C aircraft from the United States in three batches. The first two, received in 2010, were destroyed during a 17-hour siege of a key naval base in Karachi last May blamed on the Taliban.

The attack killed 10 personnel and deeply embarrassed the military, just three weeks after bin Laden was killed in the garrison town of Abbottabad.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### Singapore raises defence spending by 4.3%

Singapore will increase its defence budget by 4.3 percent over last year, data in the government's annual budget released Friday showed.

The Ministry of Defence's total expenditure in the financial year 2012 "is projected to be Sg\$12.28 billion (\$9.74 billion)", the budget report said.

This represented an increase of Sg\$504 million or 4.3 percent over the previous year, it added.

The defence expenditure will constitute 24.4 percent of the government's total spending for 2012, making the ministry the biggest beneficiary of the budget allocation.

Most of the money will be spent on "the purchase of military equipment, maintenance of equipment and camps, and the salaries and allowances" of soldiers, the budget report stated.

Singapore's gross domestic product reached Sg\$326.8 billion in 2011, with defence spending forming 3.6 percent of it.

The city-state's defence budget is expected to hit \$12.32 billion by 2015, global research group IHS forecast earlier in the week.

"States like Singapore, have a strong current account and currency, and very sound public finances, so its defence spend looks stable in the near term," said Rajiv Biswas, Asia Pacific chief economist at IHS Global Insight.

Singapore has the biggest defence budget in Southeast Asia and the seventh largest in Asia, according to IHS.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### Putin vows to boost Russian army ahead of vote

Russian strongman Vladimir Putin vowed Monday that Russia would strengthen its military might and offer an "asymmetrical and effective" response to the deployment of a NATO missile shield.

"We must not tempt anyone with our weakness," Putin wrote in a fiercely worded article on national security in the state newspaper Rossiiskaya Gazeta, ahead of his bid for a third Kremlin term in March 4 presidential polls.

"Therefore we will never in any circumstances give away our potential of strategic deterrence and will strengthen it," he said in his sixth campaign article laying out his political beliefs.

Drawing historic parallels with World War II, he cited Marshal Georgy Zhukov and warned against repeating the Soviet Union's disastrous entry to the war, taken by surprise by the Nazi invasion.

Russia must implement strong countermeasures to respond to NATO's planned deployment of a missile shield in Europe, he said, continuing a debate that has simmered for nearly a decade.

The mix of European radar and interceptors -- a key part of a global shield being studied by the United States -- are designed to protect against potential attacks from Iran amid worries about the Islamic state's nuclear programme.

But Russia fears the system could one day make its own shrinking nuclear arsenal ineffective and has outlined a series of retaliatory steps it may take should NATO ignore its concerns.



"The time demands decisive steps to strengthen a single system of air and space defence of our country. We are being pushed towards these actions by the policy of the United States and NATO on the question of deploying a missile shield," Putin wrote.

He said Russia should not try to create a "costly" rival shield but that its strategic nuclear forces and air and space defence forces should aim to "overcome any system of missile defence."

"In this question there cannot be too much patriotism," Putin said.

"Russia's military and technical response to a global American missile shield and its segment in Europe will be effective and asymmetrical."

"And it will fully correspond to the United States' steps on the missile shield."

He said that Russia plans to spend around 23 trillion rubles (\$773 billion) in the next decade on modernising its armed forces and defence industry, which he said must make up for its technical backwardness in the next decade.

"In the next decade we must fully make up for our lagging behind," he said.

**Source:** 2012 AFP, Agence France-Presse (AFP)

#### **PIA orders five Boeing 777s, option for five more**

US aircraft manufacturer Boeing announced Monday that Pakistan International Airlines has ordered five of its 777-300ER long-range passenger jets, with an option for five more.

The planes are "valued at nearly \$1.5 billion at list prices," the US manufacturer said in a statement.

Karachi-based PIA "has been renewing its long-haul fleet to accommodate increased demand for air travel as well as to introduce new routes," Boeing said.

PIA managing director Nadeem Yousufzai lauded the 777-300ER's "excellent operating economics, long range capability and reliability."

Boeing said it had logged 200 net orders for 777s in 2011, by far the best year for the family of aircraft, in service since 1995.

**Source:** 2012 AFP, Agence France-Presse (AFP)

### Philippines aiming to boost Manila airport

The Philippine government said Tuesday it was aiming to boost passenger capacity at its congested Manila airport next year with the long-awaited completion of a controversial terminal.

Upgrading Ninoy Aquino International Airport's Terminal 3 will allow it to handle its maximum design capacity of 13 million passengers a year, four years after its opening, the government said.

The terminal needs a new baggage handling system, a flight information display and 21 other systems identified in a safety audit, Assistant Transportation Secretary Joel Lacsamana said.

"This would allow us to operate the terminal at 100 percent capacity by the end of the year. Right now we are stuck at 48 percent," he told AFP.

The government is expecting to get Japanese firm Takenaka, which was originally hired to build the terminal but never completed it because of a complicated legal dispute, to finish the project, according to Lacsamana.

Manila airport's three terminals have a nominal maximum capacity of 28 million passengers.

But they in fact already handled 27.38 million passengers last year even without Terminal 3 running at full capacity, according to the airport's official data.

Last month the government also began upgrading its much-maligned Terminal 1, the oldest of the three which was built in 1981.

Lacsamana said completion of Terminal 3 would allow the airport to reduce capacity at Terminal 1 and speed up the construction work there.

Then-president Joseph Estrada awarded the Terminal 3 project to a consortium involving Germany's Fraport AG in 1997.

Takenaka, the main sub-contractor, began work in 2000. But Gloria Arroyo, who succeeded graft-tainted Estrada as president after he was ousted in a popular uprising, cancelled the contract and forced the consortium to sell the project back to the government in 2004.

Arroyo's government justified its decision by saying there had been many breaches of contract, including the use of substandard materials and failure to conform to safety standards. It unleashed a raft of lawsuits, including one from Takenaka which was forced out of the operation. The government eventually opened the terminal in 2008, but not to the standard as originally planned.

A number of the suits against the government, including Takenaka's one, remain unresolved although the Japanese company is now open to a settlement that would pave the way for it to do the upgrade, Lacsamana said. Transportation Secretary Manuel Roxas said he planned to fly to Japan next week in an effort to strike a deal.

**Source:** 2012 AFP, Agence France-Presse (AFP)