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The New Dimension of Portuguese Procurements



Portugal was heavily hit by the global economic downturn. It is indicative that the Portuguese Gross Domestic Product (GDP) fell in 2011, as the government implemented austerity measures, including a 5% public salary cut so as to comply with conditions of an EU-IMF financial rescue package agreed in May 2011. The Portuguese defence budget decreased in 2011 following the deterioration of the economic environment of the country. In 2010 total Military expenditure of Portugal was according to SIPRI \$4821 million

US dollars in constant 2010 prices whereas in 2011, declined to \$4285 million. In order to further cut on defence expenses the national ministry of defence put as one of its first priorities to rationalize military spending, by ensuring articulation between the different branches and a more efficient use of resources, particularly in the form of the implementation of the reform of the military health system. Furthermore Portuguese authorities will try to reorganize and rationalize both the Ministry and the command structure of the Armed Forces, emphasizing coordination and the profitable use of synergies.

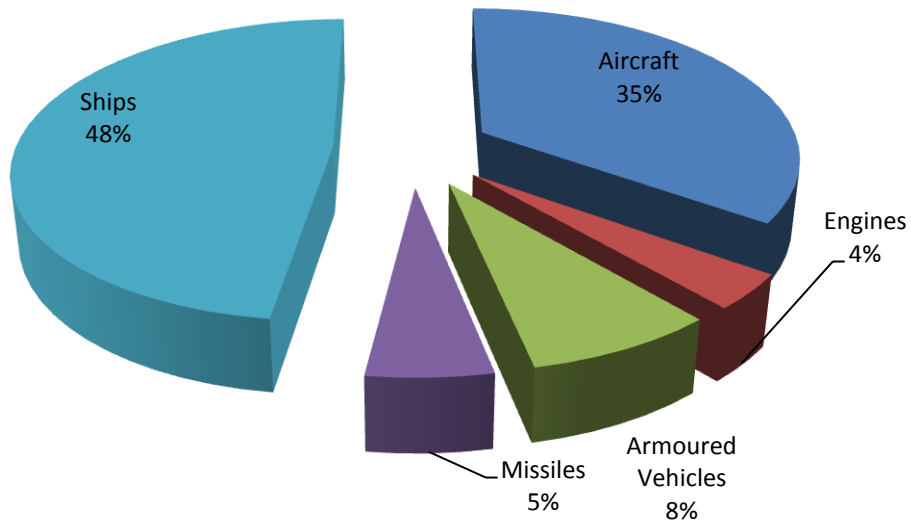
Imports (expressed in US\$ m. at constant 1990 prices)

	2007	2008	2009	2010	2011	Total
Germany				550		550
USA	58	88	90	90	89	414
Netherlands		18	183	137		338
Spain		26	91	78		195

Source: SIPRI Publications, Arms Transfers Database

During the period 2007-2011, Germany had a leading role in the Portuguese armament imports. Apart from Germany, other important countries that exported arms to Portugal were USA, Netherlands and Spain. Imports are rather limited in their geographical structure as (3) of the (4) first countries that exported arms to Portugal, based on the amount of funds allocated were European. This can be easily explained by the intense socioeconomic relations that the country has developed with European Union member as it is a member of EU since 1986.

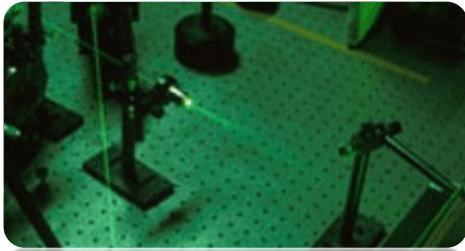
The geographical concentration of Portuguese imports is in accordance with the limited spectrum of imported items. Ship vessels were the predominant area of imports for the period 2007-2011 with a total amount of 798 US\$ m. at constant (1990) prices. The 2nd most important sector was that of aircraft with 581 US\$ m. at constant (1990) prices whereas other areas such as armored vehicles, missiles and engines followed.

Arms Imports to Portugal by category, 2007-2011

Portugal is currently facing a rather difficult socioeconomic situation. This is the reason why the country's authorities were obliged to cut on defence spending. In order to keep having a modern army, Portugal should continue moderately spending on defence taking into consideration the characterizing factors of the existing international environment, with its inherent transnational threats and opportunities.

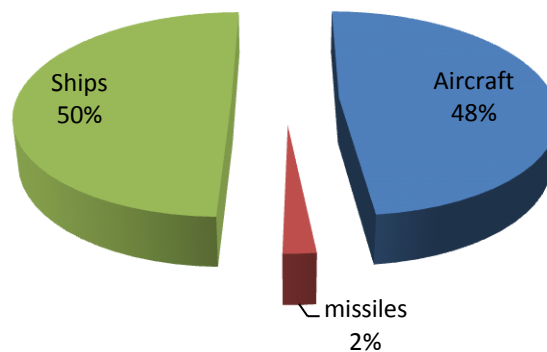
Kyriazis Vasileios,

Epicos Newsletter Head Editor

Portuguese Defence Industry and Exports of Defence Equipment

Portuguese defence industry expanded during the 1960s. The reason was that the country needed to meet the specialized requirements of anti-guerrilla operations in Africa. This created a stable base upon which the Portuguese defence industry was slowly built. Consequently, even after the end of the fighting in the middle 1970's and the subsequent scaling down of the armed forces, the sudden outburst of the production capabilities that occurred the previous years had exceeded the country's needs, something that had as a result a modest level of sales abroad. This helped the Ministry of Defence to keep production lines open for artillery, mortar, and small arms ammunition. Currently, Portuguese arm exports are rather limited in their geographical structure and range of exported items. Four countries (Belgium, Chile, Mozambique, and Uruguay) imported defence equipment from Portugal for the period 2007-2011. Ship vessels are the predominant area of exports for a total amount of \$72 million US dollars expressed at constant (1990) prices. Aircraft follow with \$70 million.

Arms exports from Portugal by category, 2008-2010



Currently, Portuguese companies are developing new capabilities to position themselves in technologically intensive sectors, with strong focus in dual-use ones, and gathering in cooperation networks to attain more integrated products and services, enabling them to ascend in their respective value chains.

The Portuguese defence industry is dominated by some significant companies. One of them is EID (Empresa de Investigação e Desenvolvimento de Electrónica). EID, provides communication systems for the armed forces of Portugal, Spain, Lithuania and the UAE. Another important company is OGMA (Indústria Aeronáutica de Portugal) and Edisoft (Empresa de Serviços e Desenvolvimento de Software). The company is an established and authorized maintenance center for several Original Equipment Manufacturers, including

Lockheed Martin, Embraer, Rolls-Royce among others. Furthermore, Edisoft provides software engineering solutions to national and international customers, such as the Portuguese Ministry of Defence (Ministério da Defesa Nacional -- MDN) and major defence companies like DCNS, Thales and the VT Group. Finally, in the naval sector there is the Arsenal do Alfeite the mission of which is to provide the Navy and other customers with services of design, shipbuilding and ship repair with appropriate quality controls.

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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Vectronics integrated NBC reconnaissance system

NBC equipment manufacturer seeks collaboration for the integration of digital NBC detectors to modern intercoms and vehicle Battle Management Systems. Based on the fact that modern military and peace keeping forces are operating in areas and countries where protection against NBC warfare is necessary, the integration of a low cost digital, smart NBC detector to the vehicles intercom is a promising solution. The integrated NBC reconnaissance system will be able to detect radiation level, blister and nerve gases as well as meteorological parameters. The measured data will be

sent via intercom data bus and BMS system to higher level Echelons. In parallel, alarm will inform all crew members for the present gases or any other type of environmental pollution. Through this system different NBC reports will be rapidly transmitted to upper Echelons providing enhanced situation awareness.

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

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Semi-inertial navigation system to be installed on-board tactical military armored and utility vehicles

A company with long standing experience in the development and production of electromechanical instruments and avionics systems is proposing the installation of a semi-inertial navigation system on tactical armoured vehicles. The system will provide low cost and adequate accuracy to vehicles improving situation awareness and promote the integration of almost all vehicles in a common information network.

The potential utilization of existing know-how in the field of land vehicle navigation in order to fulfil related navigation requirements of future soldier systems (in a miniaturised version) is also proposed.

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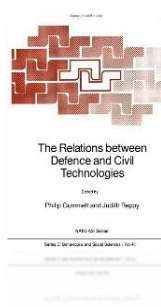


Innovation for All? Learning from the Portuguese Path to Technical Change and the Dynamics of Innovation, by Pedro Conceicao, Manuel V. Heitor



Innovation is a fundamental issue in current entrepreneurship. Innovation is the way in which companies create value by exploiting change. In this case, change can be associated with technological advances, modifications of the regulatory framework of an industry and several other factors. The changes brought about by these conditions ripple throughout an economy, affecting national institutions and individual citizens alike. *Innovation for All?* considers the case of Portugal from the perspective of innovation theory, providing new insights on how knowledge is generated and diffused over time and across space. The lessons from Portugal's experience can be applied more broadly to understand the challenges of developing policies that simultaneously promote scientific and technological innovation, societal creativity, and economic growth.

The Relations between Defence and Civil Technologies, by Philip Gummett and Judith Reppy



Technology is becoming ever more crucial for economic competitiveness. While earlier European fears of the "American challenge" were being replaced on both sides of the Atlantic by concern over Japanese performance, awareness was growing in all industrialised countries about the need for a healthy, growing technology base. An important element of this awareness has been the attention paid to the relationship between civil and defence technology. The relationship is problematic for several reasons, not least the fact that whereas most large industrialised nations spend heavily on military research and development programmes, Japan spends very little. At the same time there has been an increased concern about how to manage the rising cost and complexity of military equipment.



China needs 4,960 planes by 2031: state media

China will need 4,960 commercial planes over the next 20 years, representing a value of \$563 billion, the official Xinhua news agency said Tuesday, as air travel demand is expected to increase.

The Commercial Aircraft Corporation of China (COMAC) also forecast that China would require 4,273 "large" passenger planes from now until 2031, the report said.

The forecast for all commercial planes, large and small, is lower than a similar estimate by US aviation giant Boeing released in September that said China will need 5,260 commercial jets by 2031.

COMAC, which gave the estimate on the sidelines of China's premier airshow held in the southern city of Zhuhai, also said the country's air passenger volume would grow more than seven percent annually in the next two decades.

Air travel demand in China has soared in line with the country's decades of surging economic growth that have made it the world's second-biggest economy and seen its increasingly wealthy consumers take to the skies.

Chinese airlines carried 292 million domestic passengers last year, up 9.2 percent from 2010, according to official figures.

COMAC itself is developing two planes, a regional jet and a larger aircraft aimed at challenging the dominance of industry giants Boeing and Airbus.

The Chinese company said it received 50 orders for the challenger -- a medium-range commercial jet called the C919 -- at the airshow, bringing the total to 380, Xinhua said in a separate report. The company aims to hold the maiden flight of the C919 in 2014 and bring the aircraft to the market in 2016, Xinhua said.

The C919 will have up to 168 seats with a maximum range of 5,555 kilometres (3,450 miles), according to COMAC's website.

Industry officials say the C919 will compete with Boeing and Airbus in the medium-range sector, which represents 70 percent of China's market.

Shanghai-based COMAC is now testing prototypes of its smaller, regional jet -- the ARJ21 -- but it has ambitious plans to assemble 50 of them a year by 2014, state media reported earlier this month.

European consortium Airbus had 853 planes in service in China by the end of October, accounting for about half of China's total fleet of aircraft of over 100 seats, the company said in a statement released at the airshow. It plans to deliver a total of 120 new aircraft, mainly A320s, to Chinese airlines for all of this year, the statement said.

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

THY and Lufthansa discuss more cooperation

Turkish Airlines and Lufthansa are in talks to increase cooperation, Turkish Finance Minister Mehmet Simsek said on Tuesday, Anatolia news agency reported.

"There is work to increase cooperation, particularly to develop financial dialogue in some areas," Simsek was quoted as saying by Anatolia.

"The THY management is working with its counterpart," Simsek added, without elaborating further on what such an increased cooperation might entail.

Earlier this month, Prime Minister Recep Tayyip Erdogan announced that he had discussed a "joint management" between the companies with German Chancellor Angela Merkel during his visit to Germany.

Last week, Financial Times Deutschland reported that Lufthansa and THY were in talks to each take share stakes in the other, quoting sources close to the German carrier.

A day earlier, the German group had rejected rumours of a possible merger between the two as "pure speculation."

Lufthansa and Turkish Airlines are both members of the Star Alliance cooperation network and jointly operate Sun Express, which serves routes between Germany and Turkey.

FT Deutschland said the two partners are eyeing other joint ventures and partnerships as well.

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

Mexico's Interjet buys 40 Airbus A320 planes

Mexican airline Interjet has signed a contract with European aircraft maker Airbus to buy 40 A320 planes for \$3.2 billion, the airline said Monday.

"Last Friday we celebrated a contract to buy 40 A320 planes from Airbus, the new model that reduces fuel costs by 15 percent," Interjet chairman Miguel Aleman said at a business summit in the central city of Queretaro.

Interjet is a company with 100 percent Mexican capital that mainly flies within Mexico but has some routes to the United States, Costa Rica, Guatemala and Cuba.

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

Pentagon chief to visit Australia, Thailand and Cambodia

US Defense Secretary Leon Panetta will travel to Australia, Thailand and Cambodia next week as part of America's strategic tilt to the Asia-Pacific, even as crises in the Middle East demand the Pentagon's attention and resources.

In a week-long trip starting Sunday, Panetta will head to Perth, for an annual US-Australia meeting of ministers that will include Secretary of State Hillary Clinton, the US military's top officer, General Martin Dempsey, and the head of Pacific Command, Admiral Samuel Locklear, officials said Thursday.

The summit comes after the arrival of US Marine and Air Force units to northern Australia, billed as evidence of an American "rebalance" towards the Pacific after a decade of ground wars in Iraq and Afghanistan.

The talks will "provide an opportunity to review the alliance's progress on successful Marine Corps and Air Force deployments to northern Australia and to discuss the next steps in this important cooperation," Pentagon spokesman George Little told reporters.

In his fourth trip to the region since June, Panetta "looks forward to this opportunity to further advance our long-term strategy of rebalancing toward the Asia-Pacific," Little said.

After Australia, Panetta will fly to Thailand, the first visit by a Pentagon chief since 2008, before heading to Cambodia where he will join 10 counterparts at a meeting of the Association of Southeast Asian Nations (ASEAN).

Panetta will stress "the importance of ASEAN unity for regional stability," Little said.

The United States, anxious about China's growing military power and assertive stance on territorial disputes in the South China Sea and elsewhere, has backed calls from some nations in the region for a "code of conduct" designed to avoid clashes over potentially resource-rich waters.

Regional divisions about how to handle China on the issue prevented ASEAN members from issuing a joint statement after a July summit in Phnom Penh, the first such impasse in its 45-year history.

The United States has sought to reassure allies in the region that Washington will sustain and expand its military presence, but some partners question if the Americans have the financial means to back up the vow given fiscal pressures at home. The Pentagon has already deployed additional aircraft and naval ships to the Middle East amid tensions with Iran.

Panetta's tour of Asia reflected his belief that US security and prosperity were tied to the Asia-Pacific region, his spokesman said.

The secretary's trip was announced as tensions flared in the Middle East, with US officials acknowledging that Iranian fighter jets intercepted an American surveillance drone last week over the Gulf and fired at it at least twice.

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

EU freezes controversial aviation carbon tax

The European Union executive caved in to critics of its contested carbon tax on air travel Monday, offering to "stop the clock" and freeze the measure for a year on flights to and from non-European nations.

The EU's climate commissioner Connie Hedegaard said at a hastily arranged news conference that she had just recommended in a phone conversation with the 27 EU nations that the tax be suspended in the interests of negotiating a global CO2 deal.

"Finally we have a chance to get an international regulation on emissions from aviation," Hedegaard said, referring to progress on the matter at a Friday meeting of the International Civil Aviation Organization (ICAO) in Montreal.

"But let me be very clear: if this exercise does not deliver -- and I hope it does -- then needless to say we are back to where we are today with the EU ETS (Emissions Trading Scheme). Automatically!" she stressed.

The suspension of the CO2 tax would affect flights "to and from non-European countries", meaning European airlines will continue to pay.

The International Air Transport Association (IATA) was quick to celebrate the announcement, with IATA chief Tony Tyler saying in a statement that it "represents a significant step in the right direction and creates an opportunity for the international community".

"The commission's pragmatic decision clearly recognises the progress that has been made towards a global solution for managing aviation's carbon emissions," Tyler said.

"The flexibility shown by the European Commission demonstrates that the ICAO process is working," he added.

Hedegaard said she had recommended "stopping the clock for one year", until after the next ICAO general assembly in autumn 2013, due to signs at Friday's ICAO talks of a move towards a global deal, or "market-based mechanism".

The EU imposed the scheme on January 1, but 26 of ICAO's 36 members, including India, Russia, China and the United States, have opposed the move, saying it violates international law.

The EU tax forces airlines operating in the bloc, whatever their flag, to buy 15 percent of their carbon emissions, or 32 million tonnes, to help battle global warming.

Pay-up time however was due only from next year, once billing for 2012 had been completed.

In a statement, the Association of European Airlines (AEA) "cautiously welcomed" the EU decision, saying it hopes the moratorium "will stimulate action within the notoriously slow-moving ICAO, which must come up with concrete progress towards a global approach".

"As international tensions over the issue have escalated, European airlines have been facing the very real prospect of discrimination and retaliation in our most important global markets, said AEA's acting chief, Athar Husain Khan.

Airbus likewise welcomed the suspension, saying it brought the aviation industry "one step closer" to a coordinated approach to civil aviation emissions.

Brussels had said the scheme would help the 27-nation bloc achieve its goal of cutting emissions 20 percent by 2020.

But airlines allege it will cost 17.5 billion euros (\$21.2 billion) over eight years.

The EU counters that the cost is manageable, estimating it could add between four and 24 euros to the price of a round-trip long-haul flight.

India and China have been at the forefront in opposing the scheme. India in April barred its airlines from complying with the EU carbon fee, joining China in resistance.

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