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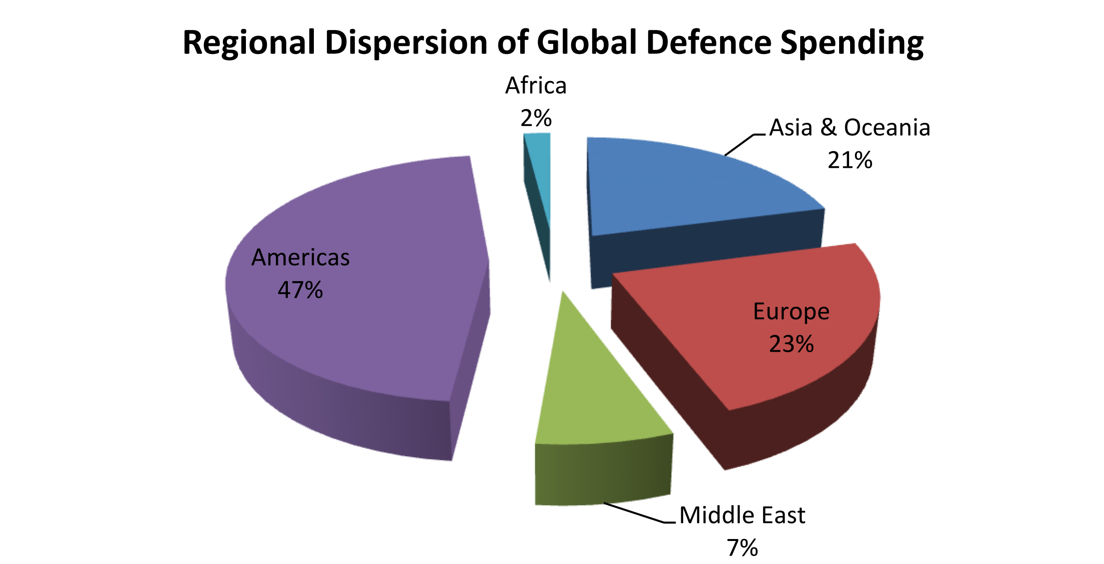
Defence Spending in Europe, The Impact of Economic Crisis

Defence Industry is one of the most significant and complex industries in terms of the high technological content of its products, the high financial risks related to considerable development costs, the complex structure of the supply chain and the political implications procurements of Defence products have. Therefore, the cost of defence is rather high. Europe is currently experiencing one of the worst global economic crises in more than 80 years. This is limiting the available funds that national authorities can allocate on defense. It is indicative that several European countries "axed" their defense budgets. According to Center for Strategic and International Studies the total defense spending in (37) European countries decreased from €263.1 to €220.0 billion euros between 2001 and 2011. Despite minor growth during the years 2004 to 2006 and again in 2009 to 2010, total defense spending decreased significantly during this period.

Further analyzing the European defence spending we can also conclude to the fact that only two countries, namely Greece and United Kingdom, met NATO's minimal goal of at least 2% of the total GDP spent on defence. Additionally, it is important to state that for 2011 the "biggest" spenders are outside Europe. Americas is on the lead as they accounted for the 47% of the global arms spending. Europe was second with a share of 23% of the global spending Asia and Oceania third with 21%; Middle East and Africa were the two last regions with 7% and 2% respectively.



Additionally, the five biggest importers of conventional weapons for 2011 were outside Europe, namely India, Australia, Pakistan, Morocco and UAE. It is indicative that the first European country was United Kingdom, as it was the 19th biggest importer of conventional weapons. Greece, a traditional importer of conventional weapons, was for 2011 only in the 37th position regarding its defence spending. It is indicative for the period 2006-2010 Greece

was the sixth biggest importer of conventional weapons. The reason for this reduction was that the country's authorities enacted austerity measures, including military spending cuts, as deficit reduction was given added urgency.

Even countries that are not facing economic difficulties, such as Germany, reduced its funds they allocate to defence as the country's budget will gradually reach €30.43 billion Euros by 2015. In order to meet the aforementioned objective, the country will implement some cost-saving measures such as the gradual downsizing of civilian and military manpower. Additionally, some immediate decommissioning has already taken place and more are planned to come. Furthermore, old armament is going to be replaced by new and more effective.

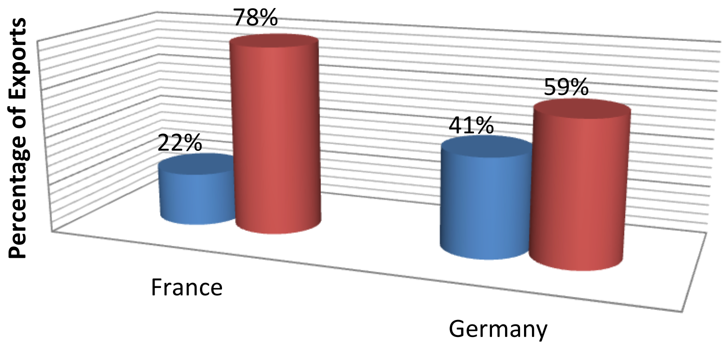
Kyriazis Vasileios,

Epicos Newsletter Head Editor

European Defence Industry Faces a "Stern Dilemma"

European defense industry faces a stern dilemma as it must try to keep being competent in a rather difficult period. European market is shrinking due to the severe economic crisis that most of the members in the European Union are facing. Thus, the European defense industry must explore and find new markets to sell their products in order to counterbalance this. Unfortunately, this comes with a cost, as the global "big spenders", such as India, require offset packages, which most of the times include provisions of transfer of technology, in order to conclude purchases of defense equipment. This may threaten in the long term the competitiveness of the European defense industry, mainly due to the fact that if transfer of technology occurs incorrectly, it will increase competition from foreign companies. New international competitors could arise and eventually claim a part of the international market.

Arms' Exports of France & Germany



	France	Germany
Europe	22%	41%
Rest of the World	78%	59%

The problem seems to be bigger if we take into consideration that most of the European countries are selling a respectful amount of their production outside European Union. It is indicative that according to the Stockholm International Peace Research Institute (SIPRI) Oceania was the largest recipient regions of French arms' exports for the period 2007-2011, accounting for the 51% and was followed by Europe with 22% and the Middle East with 12%. France exported arms' equipment to almost (50) countries demonstrating a broad geographical spreading. Only one of the five first countries, based on the amount of funds allocated is from the European Union, namely Greece. The remaining four, Singapore, Morocco, China and Australia are from Asia, Africa and Oceania.

Germany seems to face the same problem. The regions that received the biggest proportion of German weapons was Europe (accounting for the 41% of exports), followed by Asia and Oceania (27%) and the Americas (12%). Greece was the largest recipient of German exports in 2007–11, accounting for the 13% of the total volume. Greece was followed by South Korea, South Africa, Turkey and Austria. German arm exports are diversified in its geographical structure and range of exported items. More than (55) countries imported defense equipment from Germany, whereas, the five first countries, based on the amount of funds allocated (Greece, South Korea, South Africa, Turkey and Austria) represent three different continents, Europe (Greece, Austria and Turkey) Asia (South Korea) and Africa (South Africa).

The European defence industry is a vital economical aspect of the European industry. Therefore, several European organizations, such as the European Commission and the European Defence Agency are taking important initiatives in order to strengthen the potentiality of it and to overcome any difficulties the "stern dilemma" described in this article may create.

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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High purity mobile Nitrogen generator for cooling homing heads of infra-red head missiles

A company specializing in the production of PSA Oxygen Generators, Nitrogen Generators and Cylinder Filling Stations, is proposing the design; manufacture and final testing of a mobile Nitrogen generator of High Purity, for cooling homing heads of infra-red head missiles.

For Further Information Contact our ICO Department

Mail at: g-menexis@epicos.com

Development of an airborne multi-system platforms upgrade system with state of the art data bus recording and evaluation capabilities

A company world leader in avionics communication board and system level products, is proposing, in the frame of an offset program, the collaboration with prime contractors or military and homeland security authorities for the development of an airborne multi-system platforms upgrade system with state of the art data bus recording and evaluation capabilities. The proposed system will be based on an existing and fielded product of the company.

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The Security and Defence Policy in the European Union, by Jolyon Howorth

The European Union is shaping a new political notion that of a common European Security and Defence Policy (ESDP). The author of this book is trying to present a full assessment of the historical, political and systemic reasons behind the rise of the aforementioned policy. The author argues that the key issues involved - the challenges of defining a more balanced partnership between the two sides of the Atlantic and of transforming the EU from a civilian power into a new type of crisis management actor - are the most significant since the creation of NATO and the EU at the end of World War 2.

European Defence Policy: Beyond the Nation State, by Frédéric Mérand

State formation in Western Europe was a constant process of centralized capital and means of coercion away of smaller units thus a process of creating strong and centralized national states. Nowadays, this process has been altered as states are willing to delegate a part of their power and national coercion to a hyper national level, the European Union. Therefore, the aforementioned situation has altered the way we think about the state in the 21st century. This book is trying to delineate the creation of the European Union's Security and Defence Policy one of the European politics that has altered our perception of the state.

Epicos Newsroom

China-owned BOC Aviation says ordering 50 Airbus A320s

China-owned plane-leasing company BOC Aviation said Tuesday it has ordered 50 Airbus aircraft of the medium-haul A320 family, including 25 of the more fuel-efficient "neos".

The statement did not disclose the value of the deal, but price tags in the 2012 catalogue ranged from $4.41 billion (3.3 billion euros) for 50 classic A320s to $5.66 billion for 50 A321neos. Customers placing large orders, however, are typically able to secure substantial discounts on the list price.

BOC Aviation said an announcement on the exact make-up of the order, which is scheduled for delivery between the second half of 2014 and the end of 2019, would be made later. The order was the first by BOC Aviation for Airbus's new engine option.

Robert Martin, BOC Aviation's managing director and chief executive officer, said the firm was keen to offer its clients the latest energy efficient aircraft, explaining the presence of the new neo engine option in the order.

The A320neo series is designed to reduce emissions and cut fuel consumption by up to 15 percent.

"The announcement from BOC Aviation is another vote of confidence in the long-term appeal of our popular A320 Family," said John Leahy, Airbus's chief operating officer -- customers.

The company said that to date, more than 8,800 aircraft from the A320 series have been ordered and some 5,300 delivered to 380 customers and operators worldwide.

The plane competes with Boeing's 737 airliner, of which a 737 MAX version is scheduled for launch in 2017. Airbus said last week that Irish aircraft leasing group Avolon had confirmed an order for 20 A320neo jets.

And on Monday it said that Citilink, the low-cost branch of Indonesian airline Garuda, had ordered 25 A320neo aircraft. Airbus is to release its annual results on Thursday, and sector analysts said this week they expected the company to unveil additional orders before then.

In early December, the European aircraft manufacturer said it had received a net number of orders, after accounting for cancellations, for 585 planes last year up to November 30.

Meanwhile Boeing reported a total of 1,203 net orders last year.

BOC Aviation, which is owned by the Bank of China but based in Singapore, owns or manages 203 aircraft operated by airlines worldwide with another 100 planes on firm order. The firm says it has one of the youngest fleets in the industry with an average aircraft age of less than four years.

Source: 2013 AFP, Agence France-Presse (AFP)

China approves second Beijing airport: state media

Chinese leaders have given final approval for a long-awaited new international airport in Beijing, costing $11.2 billion, to ease crushing congestion at the existing facility, state-run media said Monday.

The huge new airport south of the capital will have six runways for civilian aircraft and a seventh for military use, the China Daily said, citing CAAC News, a paper linked to the country's civil aviation administration.

Approval of the airport comes despite China's Communist leaders saying they want to retool the economy away from such big ticket infrastructure projects, which have been a key driver of economic growth in recent decades.

Beijing Capital International Airport, north of the city, has been ranked as the world's second busiest airport for three years, handling 81.8 million passenger movements in 2012, the China Daily noted.

"The plan for a new airport has been approved by the State Council (China's cabinet)," it quoted a Beijing aviation spokesman as saying.

Official confirmation was not immediately available.

Reports said the new airport was scheduled to open by the end of 2018 and have a capacity of 70 million passengers a year by 2025.

It will cost at least 70 billion yuan ($11.2 billion), CAAC News reported, adding that the proposal was made as long ago as 2008 but not approved by the Central Military Commission until the end of last year.

The military enjoys priority over China's airspace, which has worsened congestion for civilian flights forced to ply narrow air corridors.

"The current law on civil aviation was made in 1995, and it should be revised after 18 years of tremendous changes in society and rapid economic development," the China Daily quoted Liu Weimin, professor at the Civil Aviation Management Institute of China, as saying.

Beijing Capital -- the world's second busiest airport after Hartsfield-Jackson in Atlanta -- saw a major expansion in the run-up to the 2008 Olympics, reflecting China's relentless economic rise, but passengers have long complained of delays.

A new airport would put Beijing alongside the likes of New York, London, Paris and Tokyo as cities with more than one major facility.

Source: 2013 AFP, Agence France-Presse (AFP)

Indonesian Citilink orders 25 Airbus airliners: Airbus

Citilink, the low-cost branch of Indonesian airline Garuda, has ordered 25 Airbus A320neo airliners with a catalogue value of $2.4 billion (1.8 billion euros), Airbus said on Monday.

In 2011, Garuda ordered 15 of the A320, and 10 A320neo aircraft -- the new low-fuel-consumption version of the A320 which is much used by low-cost operators.

The A320neo is due to enter into service at the end of 2015, Airbus said.

Citilink already operates 12 A320 aircraft on a leasing basis.

Airbus has nonetheless remained behind US group Boeing, its main rival, in terms of total orders for 2012.

The chief executive of Citilink Arif Wibowo said in the Airbus statement that the A320 was the ideal aircraft for his airline because of low operating costs, quick turnaround times and popularity with passengers.

Citilink also operates Boeing B737 airliners, which compete with the A320, made by the US Boeing corporation, the main rival to Airbus. It uses these aircraft to serve 11 cities.

Citilink announced on January 3 that it had ordered 25 regional ATR 72-600 regional-distance airliners made by a joint venture between the Airbus parent company EADS and Italian firm Alenia, a subsidiary of Finmeccanica.

Airbus is to release its annual results on Thursday, and sector analysts expect the company to unveil additional orders by then.

In early December, the European aircraft manufacturer said it had received a net number of orders, after accounting for cancellations, for 585 planes last year up to November 30, and has since added five more deals for an additional 115 jets, making a 2012 total of 700.

But one analyst said that the main question was how many A380 super jumbo jets will have been ordered, since Airbus has already warned that it will miss its annual target of 30 planes.

Only nine orders have been announced so far, five of which came on Friday.

Meanwhile Boeing reported a total of 1,203 net orders last year.

Source: 2013 AFP, Agence France-Presse (AFP)

Emirates thinking to order 30 more A380s

Emirates said it is studying “ways and means” to accommodate an order for 30 more Airbus SAS A380 superjumbos, reports Bloomberg.

Emirates president Tim Clark said: “We know what we want to do, we know where we could put more than 90 A380s today. It’s a question of can we actually fit them in? The economics of Houston are very powerful. That would be an extremely attractive proposition.”

Analyst Saj Ahmad commented: "Emirates has capitalised on its Dubai base with the A380 to increase capacity on lucrative markets like London and New York where slots can be an issue - so it's not really a surprise that they want more A380s. Tim Clark has been on record before saying that the carrier ideally would like a fleet of around 120 Airbus A380s.

“The problem is gate space at Dubai International Airport - the opening later this year of the new Al Maktoum International Airport will provide new capacity, but it's no clear whether Emirates plans to split or shift operations, if at all.”

Ahmad added: “While Airbus has improved the A380 performance, the company has become unstuck with the wing crack issue - leading to significant down time for repairs, damaging Emirates capability to grow. And with no suitable fix until later next year, Emirates is most afflicted given its growing A380 fleet and has rightfully demanded compensation as a result.

“The real question is whether any new A380 order means these will be used to replace early models - by the time the 90th A380 arrives into Emirates' fleet, the earliest models will be over a decade old and will be far less efficient."

Source: Arabian Aerospace

India's SpiceJet shares jump on stake sale talk

Shares in India's budget airline SpiceJet rose nearly five percent on Tuesday as the airline said foreign carriers had expressed interest in acquiring a stake.

Shares in SpiceJet, which has a 19.5 percent market share, closed up 4.75 percent at 45.85 rupees, having climbed eight percent at one stage, after it said a "few investors have evinced interest" in the company.

SpiceJet gave no names.

A Times of India report which sparked the share surge said Qatar Airways was "the most likely suitor" for the low-cost carrier, which was likely to see foreign direct investment in the current quarter to March.

But the Gulf carrier later in the day denied interest in any Indian airline until it was sure "regulations and laws are properly liberalised".

SpiceJet itself said it would be "very premature" to comment on the possibility of any fresh equity issuance or to confirm or deny the name of any specific entity.

Speculation about foreign interest in Indian carriers has been brewing since the government in September said it would allow overseas airlines to take up to a 49 percent stake in domestic operators as part of economic reforms.

Indian carriers need money to fund expansion and cut debt after several years of losses caused by fierce price battles and rising fuel costs.

Only one of India's six main scheduled carriers -- privately held low-cost carrier IndiGo -- was in profit last year, helped by a strict business plan and punctual performance.

Earlier this month loss-making private Indian carrier Jet Airways said it was in talks with Etihad Airways to sell a stake to the Abu Dhabi-based airline.

Aviation consultancy firm Centre for Aviation has said SpiceJet and fellow low-cost GoAir were the carriers "with the greatest prospect" to attract investment from a foreign airline.

Source: 2013 AFP, Agence France-Presse (AFP)