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Special Focus: Defence Spending in Europe and Africa

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Part II

Epicos Newsroom

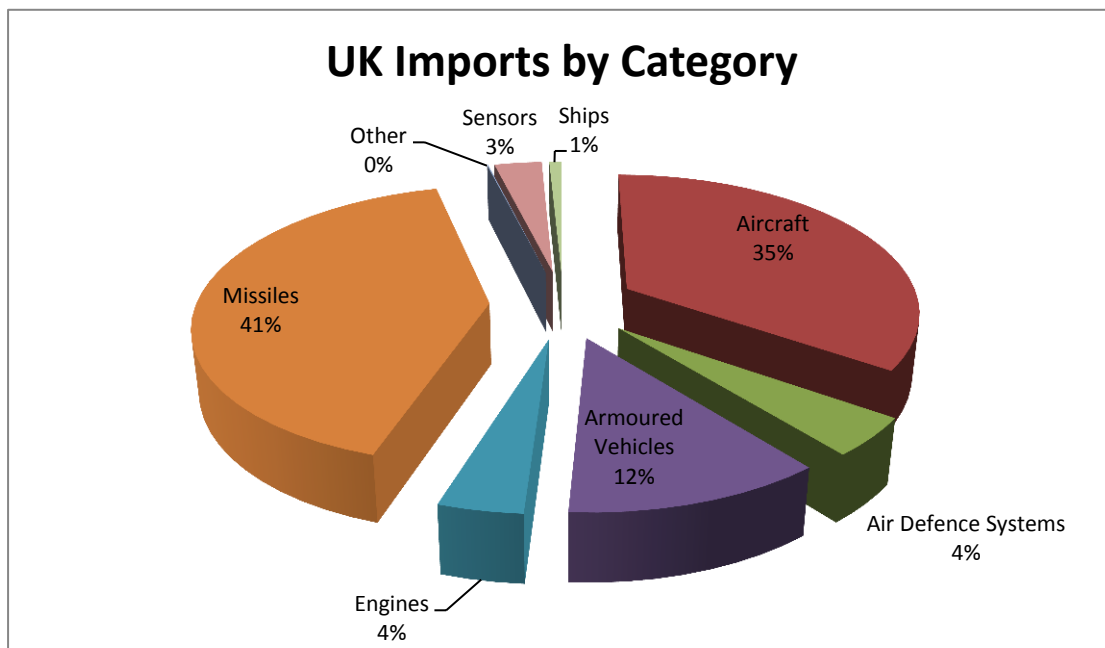
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Defence Spending in Europe, The Impact of Economic Crisis



The role of the European states in the international market of defence equipment is diminishing. According to the Stockholm International Peace Research Institution (SIPRI), imports made by the European states decreased by 20% between 2008-2012 and 2003-2007. Additionally, it is worth mentioning that the European Union (EU) member states accounted for the 12% of international arms imports in 2008-2012. UK was the largest importer of major conventional weapons in the continent, followed by Greece and Norway. It is important to state that several other European countries, such as Germany, France, UK and Italy are among the one with the biggest military expenditure, however, they import relatively small volumes of weapons, as they are significant arms' manufacturers.

As it is already mentioned UK was the largest importer of major conventional arms in Europe. The European country was the 14th largest arms importer during both 2008-2012 and 2003-2007, but its volume of imports increased by 18% between these two periods. The USA supplied 70% of British arms imports and other EU member states 27%. Missiles were the predominant area of imports for the period 2008-2012 with a total amount of 1041 US\$ m. at constant (1990) prices. The 2nd most important sector is that of aircraft with 877 US\$ m. at constant (1990) prices whereas other areas such as armoured vehicles, air defence systems and sensors followed.



Greece, one of the “big spenders” of Europe has currently declined to the 15th position for the period 2008-2012. The north European country was the fourth largest arms' importer in 2003-2007 and its volume of imports declined by 61% between the periods 2003-2007 and 2008-2012. Several new orders for major conventional weapons was delayed or cancelled

during 2012, including the acquisition of 6 FREMM frigates from France. USA has a leading role in the Greek armament imports. Apart from the North America country, other important countries that export arms to Greece, for the period 2008-2012, were Germany, Sweden, Netherlands France, UK, Brazil and Italy.

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

	2008	2009	2010	2011	2012
Brazil	48				
France	1		11	47	11
Germany (FRG)	294	285	417	10	10
Italy	15		3		3
Netherlands	28	20	28	5	
Sweden	120				
UK			50		
USA	15	922	150	18	11

Source: SIPRI Publications, Arms Transfers Database

The defence spending in Europe has drastically reduced, mainly due to the economic crisis that the continent is currently experiencing. According to a statement Mr. Van Rompuy, President of the European Council made on March 21st at the annual conference of the European Defence Agency (EDA), if this trend continues by 2017 EU is risking losing 17% of the total defence expenditures since the economic crisis started.

Kyriazis Vasileios,

Epicos Newsletter Head Editor

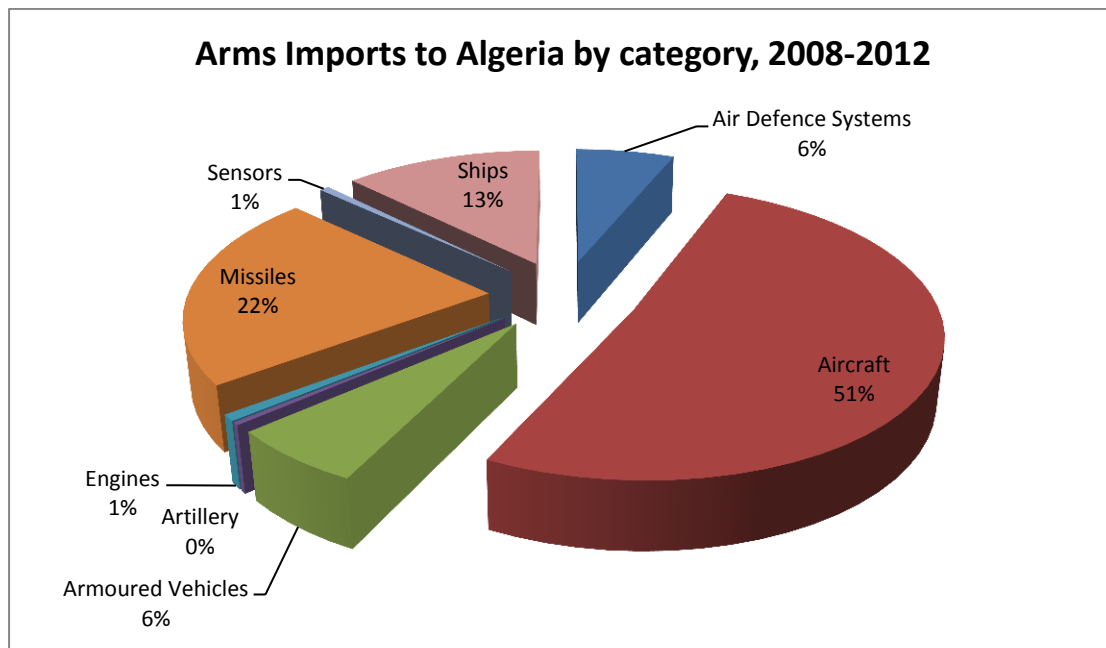
Defence Spending in the African Continent



According to the Stockholm International Peace Research Institute (SIPRI) the volume of deliveries of major conventional weapons to states in Africa increased by 104% between 2003-2007 and 2008-2012. Algeria, Morocco and South Africa were by far the largest arms importers in the continent for the period 2008-2012. It is indicative that the volume of deliveries to Algeria increased by 277% between 2003-2007 and 2008-2012 as the country rose from being the 22nd to 6th largest recipient. On the other hand the volume of deliveries to Morocco increased by 1460% between 2003-2007 and 2008-2012 and Morocco rose from being 69th to 12th largest recipient. Finally, South Africa accounted for the 24% of imports by sub-Saharan African states in the period 2008-2012. However, having completed a substantial modernization of its forces, the country's imports were 40% lower than during the period 2003-2007.

Russia holds the lion's share in the Algerian armament imports. Other important countries that export arms to Algeria, for the five last years, were France, UK, Ukraine, Italy, USA, China and South Africa. Additionally, aircraft were the predominant area of imports for the period 2008-2012 with a total amount of 2682 US\$ m. at constant (1990) prices. The 2nd most important sector is that of missiles with 1162 US\$ m. at constant (1990) prices whereas other areas such as ships, armored vehicle and air defence systems followed.

Arms Imports to Algeria by category, 2008-2012



For the period 2008-2012, Morocco mainly imported defence equipment from USA and France. Amongst others the African country, imported (24) F-16C combat aircraft from the USA, (27) MF-2000 combat aircraft from France, (3) SIGMA frigates from the Netherlands and (54) Type-90-2 tanks from China.

On the other hand South Africa procured (170) MILAN anti-tank missiles from Germany in 2008. Deliveries were completed in 2010 and the total amount of the procurement was 11

million Euros. Additionally, the country procured (10) Litening Aircraft EO systems from Israel in 2009. The JAS-39 combat aircraft will be equipped with this system. Deliveries were completed in 2011. Furthermore, in 2008 the country procured (264) DI-12 diesel engines from Sweden in order to equip with them the (264) AMV APC/IFV procured from Finland. Finally, South Africa procured (100) Paveway guided bombs from USA. This is an interim solution until South African Umbani is available.

Kyriazis Vasileios,
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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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Provision and Installation of an Airborne Video Surveillance System for Homeland Security applications to a targeted country



A company excelling in the area of embedded systems and avionics is willing to undertake the task of collaborating with a local partner in a targeted country for the provision and installation of its Airborne Video Surveillance System to be used on Homeland Security (HLS) platforms (UAV, UGV, stationary posts). The system can be installed as stand-alone equipment or integrated in a major HLS system.

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

Mail at: g-menexis@epicos.com

Low power data acquisition system for UAVs



A company designing, developing and supplying embedded computer hardware and software for civil and defence use is looking to expand its activities in the aerospace and defence sector and in particular in the field of UAVs. Next to standard COTS products, the company's offers a product line of customised equipment which covers a wide variety of devices and applications, also for avionic and military applications.

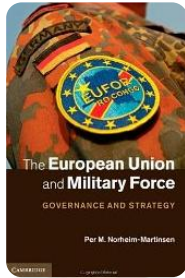
The company has got long standing experience in developing advanced HW and SW products and equipment according to international A&D standards. In particular, the company has developed a low power data acquisition system for use in e.g. UAV. This small, embedded control system can perform several tasks in the area of health monitoring, data storage and auto pilot. It can destroy recorded data by itself (independent from software) in case of an aircraft crash, thus preventing the enemy from gathering sensitive information. In the context of this, the company would be interested in expanding the use of its data acquisition system to new UAV platforms. The system could be adapted for a specific UAV upgrade program or the development of a new UAV.

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The European Union and Military Force: Governance and Strategy, by Per M. Norheim-Martinsen



The Common Security and Defence Policy maps out how the EU - established primarily to be an economic organisation - can purposefully prepare for and apply the use of military force. In this insightful work, Per M. Norheim-Martinsen argues that, since the EU is not a state but nevertheless does embody some non-intergovernmental characteristics, neither EU studies nor strategic studies is sufficient for fully understanding the Policy itself. Combining the two fields, the author utilises the instrumentality and clarity of the strategic approach, while retaining an understanding of the unique character of the EU as a strategic actor. In so doing, he provides a fruitful conceptual framework for analysing the development of the CSDP, how it functions in practice and how it will continue to evolve in the face of the challenges which lie ahead. This book will appeal to scholars and advanced students of European studies, international relations and strategic studies.

European Security in NATO's Shadow: Party Ideologies and Institution Building, by Stephanie C. Hofmann



NATO has been a successful forum for managing European security policy. Yet European governments have repeatedly tried to build a new security institution in NATO's shadow. In this innovative book, Stephanie C. Hofmann asks why governments attempted to create an additional institution despite no obvious functional necessity and why some attempts failed while others succeeded. *European Security in NATO's Shadow* considers security cooperation through the lens of party ideologies to shed new light on these questions. She observes that political parties are motivated to propose new institutions by their multidimensional ideologies. Moreover, the success of efforts to create such institutions depends on the degree of ideological congruence among parties in power. In particular, the relationship between the values of multilateralism, sovereignty and Europe informed the impetus and success rate of the attempts made during negotiations for the Maastricht, Amsterdam and Nice treaties to create a European security institution.



Delivery of Extended Transportable Universal Link System (ULS) capabilities to US Navy – SPAWAR

March 2013, Athens, Greece: As a follow-on to the deliveries of the Transportable Universal Link System (ULS) to the US Navy Space and Naval Warfare Systems Command (SPAWAR) System Center Atlantic (SSCA), ISI S.A has fulfilled a new contract for the delivery of a number of capability enhancements to the ULS in order to satisfy SSCA's project specific requirements.

The Transportable ULS with Command & Control (C2) and Link 11 capabilities is used in a Maritime Patrol Aircraft (MPA) program as part of the ground support equipment. Amongst the new capabilities of the ULS is the propagation of the tactical display, as exchanged in Link 11, to the SSCA ground C2 system.

[For further information Click Here](#)

Source: Epicos

Aircraft sales push up US durable goods orders

New orders for durable goods in the United States surged 5.7 percent in February to \$232.1 billion, driven by a sharp rise in civilian aircraft sales, the Commerce Department said Tuesday.

But excluding often-volatile transport equipment sales, durable goods orders fell 0.5 percent on a seasonally adjusted basis, compared to a 2.9 percent gain in January.

Computer orders were relatively strong, adding 4.9 percent to \$2.4 billion, while communications equipment fell 7.6 percent to \$3.5 billion.

Meanwhile inventories mounted, rising 0.4 percent in the month to \$376.9 billion, the highest level since data on them was first published in 1992.

For the first two months of the year, new durable goods orders hit \$432.2 billion on an unadjusted basis, up just 0.6 percent from the same period a year earlier.

The Commerce Department release was "another report suggesting that the economy is not as strong as the labor market data implies," said Steven Ricchiuto, chief economist at Mizuho Securities.

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

Indian aviation face huge hurdles to meet potential: IATA

India's highly competitive aviation sector still has to overcome "huge" obstacles to get onto a sound financial footing, the industry's global chief said on Tuesday.

India's combined passenger numbers shrank by 2.1 percent last year compared with global growth of four percent, according to industry figures.

The country of 1.2 billion people, most of whom still travel using the vast rail network, "is a great potential market", said International Air Transport Association (IATA) chief Tony Tyler.

"But to realise that potential, some huge issues must be overcome," he said, referring to its dilapidated airport infrastructure, high operating costs and expensive fuel.

India's airline sector was once vaunted as a symbol of the country's economic vibrancy. But its fortunes have tumbled amid over-expansion, inadequate infrastructure, cut-throat fare competition, expensive fuel and other costs.

"Globally, fuel averages a third of an airline's cost. In India it accounts for 45 percent. And on top of that India imposes a service tax" which goes against international aviation rules, Tyler told a seminar of industry executives in New Delhi.

"Running an airline is a tough business and operating in India presents bigger challenges than most other markets," Tyler added.

But he said some progress was being seen in the sector after it lost a combined total of close to \$2 billion in the previous financial year.

While Kingfisher Airlines, controlled by liquor tycoon Vijay Mallya and once India's second-largest carrier, has been grounded since last year due to a cash crunch, the biggest airline, no-frills IndiGo, is profitable.

Smaller rival SpiceJet and Jet Airways, India's second-biggest carrier, swung to profit in the most recent financial quarter.

Importantly, India's government "deserves congratulations" for opening up the airline sector to vital foreign investment, allowing overseas carriers to buy up to 49-percent stakes in their Indian peers, Tyler added.

Reports have abounded about possible alliances between local carriers and international airlines since India eased the investment regulations last September.

Jet has said it is in discussion with Abu Dhabi-based Etihad Airways, with media reports saying the Indian carrier could sell up to a 24 percent holding for some \$300 million.

Also, the Foreign Investment Promotion Board has cleared a plan by no-frills Kuala Lumpur-based airline AirAsia to own a 49 percent stake in a joint venture with the steel-to-tea Tata group and private investor Telestra.

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

Japan to lend Philippines \$570 mn for rail, airport

The Philippines said Tuesday it would borrow more than \$570 million from Japan to fund an expansion of the capital's light rail system and a new airport for one of the nation's top tourist attractions.

More than three-quarters of the package will be for the Manila Light Rail Transit system's expansion to two neighbouring provinces, the foreign department and the Japanese embassy said in separate statements.

The transport department is expected to tender shortly for the 81.3-billion-peso (\$1.98-billion) project, which will provide urgently needed alternatives for people commuting between Manila and nearby areas.

"This project... (will be) contributing to the mitigation of road congestion in Metro Manila," a Japanese embassy statement said.

The light rail expansions, covering 15.7 kilometres (9.7 miles), are due to be completed by 2015.

The loan will also provide part of the financing of a \$190.5-million airport planned on Panglao island adjacent to Bohol island.

This will replace a small airport now in operation on Bohol, which has seen massive growth in tourist traffic in recent years, the embassy statement said.

Japanese ambassador to Manila Toshinao Urabe signed and exchanged notes on the projects on Monday, the two governments said.

Neither side disclosed details about the terms of the loan, worth 54.03 billion yen (\$573 million), nor when the money would be distributed.

Japan has accounted for about a third of all official development assistance to the Philippines in recent years, according to the embassy.

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

Two Chinese airlines record falls in 2012 profits

Higher fuel costs and weak demand for air travel caused a slump in the net profits of two of China's biggest airlines last year, according to annual reports released on Tuesday.

China Southern Airlines, the country's biggest airline by fleet size, said that its net profits plunged 48.7 percent year-on-year to 2.62 billion yuan (\$422 million) in 2012.

In a separate exchange filing, flag carrier Air China said net profits dropped 34.5 percent from a year earlier to 4.64 billion yuan in 2012.

Both companies blamed high fuel costs, fierce competition and sluggish demand for international air travel for the decline in profits last year.

Guangzhou city-based China Southern said fuel costs, which accounted for 44.2 percent of its total operating costs, rose 14.5 percent year-on-year to 37.4 billion yuan in 2012.

Air China said its fuel costs increased 5.5 percent from a year earlier to 35.64 billion yuan in 2012, adding higher fuel prices would have a "relatively big impact" on future earnings.

Shares of China Southern dropped 2.33 percent to 3.78 yuan in Shanghai trading on Tuesday, while Air China fell 2.23 percent to 5.71 yuan.

In Hong Kong, where both companies are also listed, China Southern lost 1.15 percent to HK\$4.29 (\$0.55) while Air China fell 0.44 percent to HK\$6.72.

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