

Part I

Special Focus: Indonesia

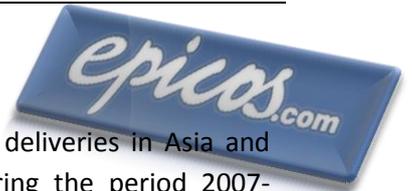
1. **Indonesia: Defence Budget and Future Purchases**
2. **Indonesian Defence Industry**
3. **Epicos “Industrial Cooperation and Offset Projects”**
4. **Advanced Fiber Optics Cable Repair System**
5. **Advanced fully digital optical flame detector for fire detection in hangars housing critical assets, such as aircraft, helicopters and various ammunitions**
6. **News from our A&D Business Network**

Part II

Epicos Newsroom

1. **Australia backs Japan's collective defence shift**
2. **Boeing, Turkish Airlines Finalize Order for 15 Additional 737 MAX 8s**
3. **Canada to choose new fighter jets in coming weeks**
4. **Moscow cuts gas supplies to Ukraine**
5. **More U. S. troops go to Iraq**

Indonesia: Defence Budget and Future Purchases



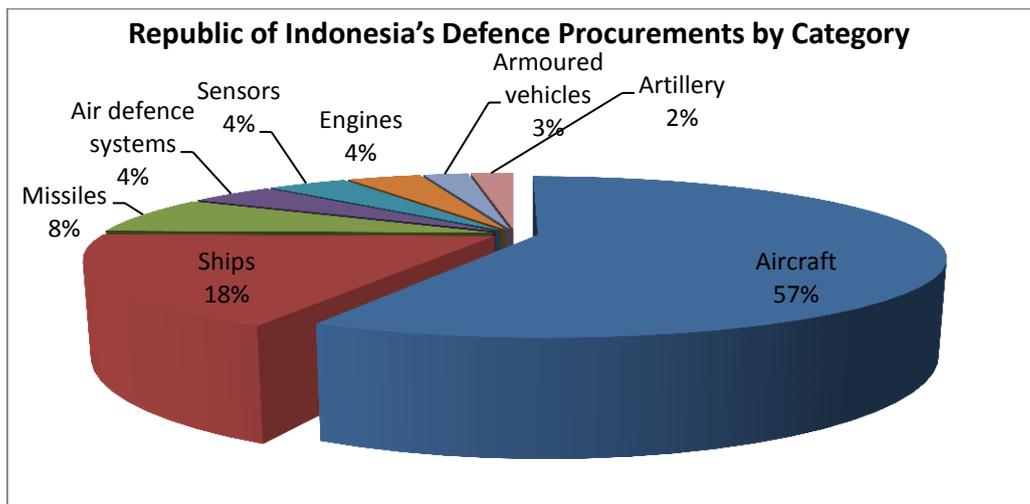
Ministry of Defense

The volume of major weapons deliveries in Asia and Oceania increased by 24% during the period 2007-2011 while compared to 2002-2006 period. The Republic of Indonesia followed this trend as deliveries rose by 144%. In 2009, the total military expenditure of the county was according to the Stockholm International Peace Research Institute (SIPRI), 4,336 billion US dollars, in constant 2011 prices, whereas in 2013, it reached 8,356 billion US dollars (again in constant 2011 prices), exhibiting an increase of more than 90% over the concerned period. This trend is due to continue, as the Republic of Indonesia’s President Susilo Bambang Yudhoyono announced on August 16th 2013 that the 2014 defence budget will increase by 9% over the previous year.

Defence Spending	2009	2010	2011	2012	2013
US \$ billion (at constant 2011 prices and exchange rates)	4,336	5,092	5,838	7,975	8,356
Share of GDP (%)	0.6	0.7	0.7	0.9	0.9

In the past, the Republic of Indonesia purchased a variety of defence equipment. Aircraft were the predominant area of imports for the period 2009-2013, constituting the 57% of the total imports over the period. The 2nd most important imports category was that of ships (constituting 18% of total imports), whereas other areas such as missiles, air defence systems, sensors and engines follow.

Russia played a leading role in the Republic of Indonesia’s armament imports. Apart from Russia, other important countries that exported arms to Indonesia, in the last five years, were South Korea, the Netherlands, China and France.



The Republic of Indonesia's government is currently working towards the expansion and modernization of its armed forces with the outmost goal of reaching a Minimum Essential Force (MEF) in 2024.

Under this context, Indonesian authorities plan to create a 274-ship 'green-water' navy by 2024, consisting of 110 surface combatants, 66 patrol vessels and 98 support ships. It also seeks to operate 12 new diesel-electric submarines.

Currently the country operates a 213-ship navy, comprising 11 major surface combatants, 72 patrol and coastal combatants, 11 ships for mine warfare and mine countermeasures, 5 major amphibious ships, 26 landing ships, 54 landing craft, 2 submarines and 32 logistics and support vessels.

Among the most important procurements the country concluded regarding its Navy, was that of 1 SIGMA-105 Frigate, purchased in 2012 from the Netherlands. The total amount of the procurement reached \$220 m and includes the production of components and the assembly in the Republic of Indonesia. Delivery is scheduled in 2017. Additionally, the country procured 3 Type-209/1200 Submarines from South Korea. More specifically, Daewoo won a contract to build three 1,400-ton Chang Bogo-class submarines for \$1.4 billion. Deliveries will be carried-out in 2015-2016.

Regarding the Air Force, Indonesia aims to operate 10 fighter squadrons by 2024. Additionally, the country wants to enhance its tactical transport capabilities and seeks to invest in tactical unmanned aerial vehicles, thus modernizing/updating its inventory.

In this direction, Indonesia has become a partner in the development of the Korean Aerospace Industries KF-X/IF-X aircraft. It joined the program in June 2010 and is to bear 20% of the associated development costs.

The Republic of Indonesia's Army retains 13 territorial commands across the country and is by far the largest force of the country. Indonesian authorities have set as a primary goal for their Land Forces to develop a more agile and rapidly deployable force that will be able to cope with the challenges of the modern battlefield.

Kyriazis Vasileios,
Epicos Newsletter Head Editor

Indonesian Defence Industry

The Republic of Indonesia's defence industry currently assists/covers a wide spectrum of applications. In this context there is a substantial number of companies providing services and/or products to the industrial domain of Aircraft, Helicopter, UAV, Spacecraft & related equipment. One of these companies is PT Dirgantara Indonesia/Indonesian Aerospace (IAe). PT Dirgantara is one of the few indigenous aerospace companies in Asia with core competence in aircraft design, development and manufacturing of civilian and military regional commuter aircraft. Since its establishment in 1976, the company has managed to diversify its product portfolio, not only in the field of aircraft, but also in other areas such as Information Technology, Automotive, Maritime, Simulation Technology, Industrial Turbine and Engineering Services.

Taking into consideration that Indonesia is an archipelago of 18,110 islands, the operational needs of the Republic of Indonesia's Armed Forces must be aligned with this quite 'particular' geographical profile of the country. Therefore, there are several companies which provide services and/or products for the Ships, Vessels, Submarines & Related Equipment industrial domain. PT PAL INDONESIA (PERSERO) is one of the most prominent companies in this category. The main activities of the company are the manufacturing of naval and merchant ships, docking repairs and maintenance, and general engineering based on commercial orders. PT Palindo Marine is a shipyard located in Batam Island, which also provides products to the Ships, Vessels, Submarines & Related Equipment industrial domain. The products of PT. Palindo Marine include patrol boats, passenger ferries, crew boats, rescue boats, barge and various ships made of steel, aluminium, and combinations between steel and aluminium.



Several other domestic companies provide services and/or products in other industrial directions related to the Defence Industry. One such is PT MULTIINTEGRA. This company is a leading supplier and System Integrator in IT Navigation, Solution at Sea, Ashore & Port Terminals, Simulation & Training Systems, Radio Communications, including GMDSS Systems, an Inmarsat Terminal & Service Provider. The company is supported by around 30 staff with more than 10 well-trained certified engineers. It has its own workshop with a modern measurement test set facility and a Software House Dept.

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...

[For Further Information Press Here](#)

Advanced Fiber Optics Cable Repair System

A company specializing in high-precision optical passive devices, equipment and fiber optic network systems, in the frame of an offset program, is proposing collaboration with a foreign company active in fiber optic equipment sales and/or manufacturing, in order to act as a local representative for its Advanced Fiber Optics Cable Repair System.

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

Mail at: g-menexis@epicos.com

Advanced fully digital optical flame detector for fire detection in hangars housing critical assets, such as aircraft, helicopters and various ammunitions

A leading company in the design, manufacturing and installation of advanced automatic fire alarm & extinguishing systems, used in diversified applications, is proposing the utilization of a new optical, fully digital flame detector, to be integrated into fire detection and extinguishing systems installed in military hangars, providing improved fire detection sensitivity (almost all open flames), high false alarm immunity and wide area coverage. The proposed project will include the

development of a flame detector tester to be used for continuous sensor performance evaluation.

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

Mail at: g-menexis@epicos.com



AAR Awarded New Contract to Support U.S. Navy Vertical Replenishment



AAR (NYSE: AIR) announces the Military Sealift Command awarded its Airlift division a contract to provide vertical replenishment (VERTREP) services to its 5th and 7th Fleets in the Mediterranean Sea, Arabian Gulf, and Indian and Western Pacific oceans.

The contract is valued at approximately \$34 million, inclusive of all options.

Military Sealift Command (MSC) is the leading provider of ocean transportation for the Navy and the U.S. Department of Defense, operating approximately 110 ships daily around the globe. AAR has been performing commercial VERTREP services including ship-to-shore replenishment, ship-to-ship underway replenishment, search and rescue, and support for humanitarian aid operations for MSC since 2007.

AAR Airlift will provide two helicopters, personnel, and operational and technical support to the detachment. The new contract will be the third helicopter detachment operated by the Company for MSC. "AAR Airlift Group has provided exceptional service to the U.S. Navy at an excellent value for seven consecutive years," said Randy J. Martinez, President and CEO, Airlift Group. "We're honored to be awarded another contract to provide this critical service for our military personnel."

AAR provides expeditionary airlift services in support of contingency operations worldwide. The Company owns and operates a fleet of fixed-wing and rotary-wing aircraft to transport personnel, supplies and mail for the U.S. Department of Defense in Afghanistan, Africa and the Western Pacific.

About AAR

AAR is a global aerospace and defense contractor that employs more than 6,000 people in 17 countries. Based in Wood Dale, Illinois, AAR supports commercial, government and defense customers through two operating segments: Aviation Services and Technology Products. AAR's services include inventory management and parts distribution; aircraft maintenance, repair and overhaul; and expeditionary airlift. AAR's products include cargo systems and containers; mobility systems and shelters; advanced aerostructures; and command and control systems. More information can be found at www.aarcorp.com

Contact: Kathleen Cantillon at 630-227-2081 | Kathleen.Cantillon@aarcorp.com or email editor@aarcorp.com

Israel Aerospace Industries Plans to Integrate its Advanced NAVGUARD Radar Protection System With Rheinmetall's Combat Ship Self Defense System



Israel Aerospace Industries (IAI) plans to integrate its advanced radar self-protection system - NAVGUARD with Rheinmetall's Multi Ammunition Softkill System (MASS) for naval vessels. The system has performed successfully beyond expectations in a live fire demonstration test scenario when confronted with incoming missiles launched from both sea and land.

The ELM-2222S NAVGUARD Self Protection System, developed by ELTA Systems, a group and subsidiary of IAI, is a lightweight, modular, self-protection system designed to cope with new maritime and land-based threats in order to increase ship survivability. The NAVGUARD features a digital phased-array radar based Missile Approach Warning System (MAWS), which automatically detects, classifies and verifies incoming threats, and consequently triggers the ships self-defense systems. The defense systems utilize various techniques such as smoke dispensers or chaff and flares to defeat incoming missiles and avert a direct strike. The NAVGUARD provides small and medium combat ships with an affordable and low-detection protection system, allowing safe passage and patrol in areas which were previously denied due to conventional or asymmetric-warfare missile threats.

"NAVGUARD is an advanced digital phased-array radar system built as a solution for missile approach warning, and especially designed to confront the ever-increasing asymmetric warfare challenges", said IAI's VP and ELTA's President, Mr. Nissim Hadas "we are proud to collaborate with Rheinmetall, who are world leaders in naval softkill protection systems, and together tailor an affordable and effective protection system for maritime vessels."

Israel Aerospace Industries Ltd. (IAI) is the largest aerospace and defense industry in Israel and provides unique system-of-systems solutions for a broad spectrum of needs in space, air, land, sea, and homeland defense, including: unmanned aerial vehicles (UAVs), radars, mission aircraft, AEW, EW, ELINT/ESM, SIGINT, and COMINT/COMJAM, aerial refueling, Anti-Tactical Ballistic Missiles (ATBM), missiles, smart weapons, satellites and launchers, navigation, upgrading of military aircraft and helicopters, maintenance and conversion of commercial aircraft, and many other core technologies, products, and services.

ELTA Systems Ltd., a group and wholly owned subsidiary of IAI, is one of Israel's leading defense electronics companies and a leader in Intelligence, Surveillance, Target Acquisition and Reconnaissance (ISTAR), Early Warning Command and Control, Homeland Security (HLS), Self-Protection and Self-Defense, and Fire Control applications.

Rheinmetall AG is a financially strong, internationally successful player in the markets for automotive components and defence equipment. The groups' Defence sector is Europe's foremost supplier of army technology and a longstanding partner of the armed forces. Rheinmetall Defence products set the global standard for excellence in a wide array of disciplines: from vehicle, force protection and weapon systems to infantry equipment and air defence, and from network-enabled warfare capabilities to electro-optics and simulation technology.

For further information, please contact:

Eliana Fishler

Senior VP for Communications

Tel: 972 (3) 935-8509

Fax: 972 (3) 935-8512

e-mail: dmalek@iai.co.il, efishler@iai.co.il

or visit

http://www.iai.co.il/32981-46021-en/MediaRoom_News.aspx



Australia backs Japan's collective defence shift

Australia on Thursday backed Prime Minister Shinzo Abe's drive to expand the use of Japan's military, hailing it as a "more normal defence posture", a day after Tokyo and Canberra stepped up ties.

Shinzo Abe is pushing to reinterpret Japan's strict pacifist constitution to allow its well-equipped armed forces to fight in defence of an ally, something currently barred.

But he faces opposition at home from those attached to the decades-old constitutional ideal, as well as criticism from China, which accuses him of seeking to remilitarise Japan.

"Australia can see great benefits to our country and to our region, should Japan continue to play a greater constructive role in global and regional peace and security," Australian Foreign Minister Julie Bishop said in Tokyo.

"We certainly support Japan working towards a more normal defence posture to help it play a greater global and regional role," she told a news conference.

Referring to military cooperation in past peace-keeping operations in countries including Iraq and South Sudan, Bishop said: "any decision by Japan to exercise that right to collective self-defence would only help our cooperation grow stronger."

The comments came hours after Bishop, together with Defence Minister David Johnston, met with their respective opposite numbers in Japan Fumio Kishida and Itsunori Onodera and agreed to step up their alliance.

The remaking and strengthening of relations is part of a wider regional pattern as countries warily eye China's growing assertiveness, including in rows that have flared badly with Vietnam, the Philippines and Japan.

Johnston said Thursday that security and defence cooperation is "very, very important to Australia. In fact it is the central pillar of our bilateral relationship."

But he brushed off suggestions that Australia, Japan and the United States are looking to control the Asia Pacific region, saying humanitarian and disaster relief operations were the ultimate aim of collaborations.

"We have a very close and productive relationship with China and I will be in China later this year... discussing many of the issues that we've also discussed here," he said.

"The relationship between China and Australia is not mutually exclusive. Australia... has a very strong and successful relationship with China and with Japan," he said.

But he added: "One thing I should emphasise is that we do want to see territorial disputation resolved according to international law, that is fundamentally, very, very significant."

"In the South China Sea and the East China Sea, things must be resolved through negotiation, disputation must be resolved around the table and pursuant to the international law," he said.

Source: 2014 AFP, Agence France-Presse (AFP)

Boeing, Turkish Airlines Finalize Order for 15 Additional 737 MAX 8s

Boeing and Turkish Airlines today finalized an order for 15 additional 737 MAX 8s, valued at \$1.6 billion at list prices. The order follows the announcement in May 2013 when the Turkish flag carrier placed the largest Boeing order in the airline's history for 50 737 MAXs and 20 Next-Generation 737s.

"Today's order represents another component of our continuous growth strategy, with the 737 MAX providing Turkish Airlines with increased flexibility across our ever expanding network," said Dr. Ahmet Bolat, chief investment and technology officer of Turkish Airlines. "Our strong partnership with Boeing has been a significant factor in Turkish Airlines' success and we look forward to taking delivery of these highly efficient airplanes."

With today's announcement, Turkish Airlines has more than 100 unfilled orders for Boeing airplanes; 65 737 MAXs, more than 25 Next-Generation 737s and 20 777-300ER (Extended Range) airplanes. The Istanbul-based carrier currently operates a fleet of more than 100 Next-Generation 737s and 15 777-300ERs.

"With a fleet of more than 100 Next-Generation 737s, Turkish Airlines has experienced firsthand what the capabilities this family of airplanes has to offer," said Todd Nelp, vice president of European Sales, Boeing Commercial Airplanes. "The 737 MAX is the most advanced single-aisle offering and today's order for additional airplanes underlines Turkish Airlines' confidence in the efficiency, reliability and passenger comfort of the 737 MAX."

The 737 MAX has surpassed 2,000 orders from 41 customers, bringing the most advanced engine technologies to the world's best-selling airplane, building on the strengths of today's

Next-Generation 737. The 737 MAX incorporates the latest-technology CFM International LEAP-1B engines to deliver the highest efficiency, reliability and passenger comfort in the single-aisle market. Airlines operating the 737 MAX will see an 8 percent operating cost per seat advantage over tomorrow's competition.

Turkish Airlines currently serves 254 cities in 106 countries around the world from its base at Istanbul's Ataturk Airport.

Contact:

Daniel Mosely
International Communications
Boeing Commercial Airplanes
+44 208-235-5665
daniel.mosely@boeing.com

Source: Epicos, Boeing

Canada to choose new fighter jets in coming weeks

The Canadian government said Thursday (12 June) it will choose one of four fighter jets in competition to replace its aging fleet of CF-18s "in the coming weeks."

Critics, however, contend the procurement process -- which was reset in 2012 amid complaints of several manufacturers being shut out of it -- is rigged in favor of the American Lockheed Martin F-35 stealth fighter jet.

Over the past 14 months, an independent review panel compiled the costs, capabilities and weaknesses of Boeing's F-18 Super Hornet, the Eurofighter Typhoon, Dassault's Rafale and the F-35.

Prime Minister Stephen Harper said this week his cabinet would now review the panel's report, which has not been made public. However, reporters were briefed Thursday on the methodology to calculate the pros and cons of the jets in the running.

"Ministers... will make a decision on the path forward to replace the CF-18 fleet in the coming weeks," the government said in a notice.

Opposition leader Tom Mulcair, however, claimed "the prime minister still seems poised to blindly push ahead with the expensive and risky single engine F-35."

Ottawa started the procurement process anew two years ago after coming under fire over the spiralling costs and an apparent lack of transparency and competition in a process that was focused on the F-35, which Canada had spent 15 years helping to develop.

The F-35 has been touted as a technological wonder and the ultimate stealth attack plane able to evade radar detection.

However, it has suffered setback after setback, notably with troublesome software. It is seven years behind schedule with a budget blow-out of US\$167 billion to more than \$390 billion, making it the costliest weapons program in US history.

At last count, it involved 72 Canadian companies.

Australia, Britain, Denmark, Italy, the Netherlands, Norway and Turkey have also taken part in the development of the jet, along with the United States.

Australia and Turkey are the latest this year to place orders. South Korea is also expected to finalize plans to buy F-35 jets by year's end.

Source: 2014 AFP, Agence France-Presse (AFP)

Moscow cuts gas supplies to Ukraine

MOSCOW — Russia cut off gas supplies to Ukraine on Monday, a move that will inflict immediate pain on its turbulent neighbor and could eventually affect other gas-dependent European nations. The cutoff intensifies pressure on Ukraine. [For Further Reading Click Here](#)

Source: Press Display

More U. S. troops go to Iraq

The U.S. is urgently deploying several hundred armed troops in and around Iraq and considering sending an additional contingent of special forces soldiers as Baghdad struggles to repel a rampant insurgency. [For Further Reading Click Here](#)

Source: Press Display