



EIB World Trade Headlines

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Export Control Forum February 23, 2015 Remarks of Eric L. Hirschhorn

Good morning and welcome to BIS's 10th Export Control Forum. Let me begin by thanking Michael Hoffman, our Western Regional Office Director, his hard-working staff, and the many other BIS and U.S. government colleagues who have contributed to this conference. I'd also like to note that Larry Sullivan, an Export Administration Specialist who has worked in our San Jose office since November 2007, is retiring. We'll miss Larry, who has been a valuable member of the BIS team, but want to congratulate him on his retirement and wish him all the best.

Before I begin my report on the Export Control Reform initiative, I'd like to highlight another Administration priority – working with the Congress to pass a bipartisan Trade Promotion Authority bill. Trade agreements help unlock our export potential, and trade promotion authority is a critical part of the President's trade agenda and effort on job creation. There is a lot of pressure from all sides on this issue, but we're comfortable that the agenda the President has laid out will unlock significant opportunities for American businesses to increase their exports and create jobs.

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Now, back to the Export Control reform initiative and the progress we've made over the past year. When I spoke at this conference a year ago, the Commerce Department and our counterpart agencies were just beginning the implementation phase of the new categories under the Administration's Export Control Reform initiative. Today, I want to give you a progress report on how we are moving forward with the new regulatory requirements and share some best practices we've received from the export community. I'll also discuss recent export control policy changes for several countries, including heightened sanctions for Russia and the Crimea region of Ukraine, and export control policy developments with India and Cuba.

My colleagues will be providing you with a wealth of information on the range of export control issues. I encourage you to utilize this forum to ask whatever questions you may have, and benefit from the knowledge and expertise of those around you. This time is only as valuable as you make it, so please ask questions, give us your feedback, and help us improve the process.

ECR Update

After Commerce and State published numerous final rules, 15 out of the 21 categories of the Commerce Control List (CCL) and the U.S. Munitions List (USML) are now effective. I will update you on our most recent changes and share some of the ECR successes we've seen so far.

Satellites

On November 10, 2014, the export control rule changes covering commercial satellites went into effect. The rules transferred many items to the CCL, including commercial communications and lower performing remote sensing satellites, ground control systems, and radiation-hardened microelectronics formerly controlled in Category XV of the International Traffic in Arms Regulations (ITAR). At the request of the semiconductor industry, the portion of the regulations governing "radiation-hardened" chips took effect earlier — on June 27, 2014.

Although only a short time has passed since the satellite rules' effective dates, we have already seen a significant drop in the number of State Department licenses for Category XV of the ITAR.

Electronics

The State and Commerce final military electronics rules, which went into effect on December 30, 2014, added to the CCL certain military electronics and related items formerly controlled by USML Category XI. The rule also added to the CCL certain cryogenic and superconductive equipment that had been formerly controlled under the "catch-all" provisions of the ITAR.

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We are working with our colleagues at the Departments of State, Defense, and Homeland Security to reach consensus on proposed amendments to export controls on Category XII, night vision devices and sensors, and Category XIV, toxins and biological organisms. This spring, State and Commerce hope to publish proposed rules for these categories, which will also include minimal changes to Category XVIII, directed energy weapons.

We are also working with the Department of State on harmonized definitions of some of the most significant terms in our respective regulations, including "publicly available," "fundamental research," "technical data," and "export." As part of this effort, Commerce and State intend to publish a proposal regarding cloud computing. As the proposed rule is still undergoing interagency discussion, I cannot give more details at this time. We expect to publish a proposed rule for public comment in the near future.

Commerce and State will be publishing a Notice of Inquiry to solicit comments from the public on the first implementation rules for ITAR Categories VIII and XIX, for aircraft and related parts, and gas turbine engines, which took effect in October 2013. This is an opportunity for the export community to provide us with feedback on how the reform effort is going. We plan to publish a Notice of Inquiry for each of the ECR rule changes at a reasonable time after its effective date.

USXPORTS

BIS completed the initial round of end-to-end testing for USXPORTS in August 2014. BIS identified many functions that worked correctly. The testing also uncovered a number of development and programming issues that need to be resolved. BIS will continue to work closely with the Department of Defense, the owner and operator of the system, to resolve these issues. None of this work, however, is visible to exporters. It all pertains to the government's internal processing of license applications. Currently, we are working on establishing the ability of all referral agencies to undertake joint processing in USXPORTS.

Once BIS implements USXPORTS, we hope to turn our attention to the next phase which is the development of a single license application, a single portal for submitting license applications, and an automated submission system from exporters' computers. Funding is short, though, so I can make no promises about the timing of this step.

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Scorecard for ECR-Related Transactions

Last October, to mark the one year anniversary of ECR, the Department of State announced that they had seen a 64% reduction in licensing volume in the 13 implemented categories of the USML. This trend doubtless will continue as additional CCL categories become eligible for "600 series" licensing treatment and/or license exceptions. Gerry Horner, BIS's Director of the Office of Technology Evaluation, will discuss these trends in further detail later today.

BIS's Munitions Control Division, which licenses "600 series" items and reviews STA transactions, has processed approximately 11,000 licenses with an average processing time of about 15 days.

Between October 15, 2013 and December 31 of last year, the number of Commerce-specific ECR exports related to "600 series" items surpassed 65,000 transactions, with a value of \$2.3 billion. Exporters have used License Exception STA to export "600 series" items for more than 5,000 transactions, valued at more than \$300 million. It's not surprising that nearly a third of these transactions originated from the State of California.

Exporters also continue to make heavy use of other exceptions such as RPL, GOV, TMP, and LVS. [Note: stats as of 1/21/15; MCD licensing info as of 2/10]

License Exception Strategic Trade Authorization

As I told you last year, BIS is employing a layered approach to verifying compliance with License Exception STA, and we are continuing to refine our procedures and practices to ensure compliance with such streamlined vehicles.

Since October 2013, the Munitions Control Division has found a 95% compliance rate with the use of STA for/to export "600 series" items. This industry compliance rate is laudable, and we are working to help ensure that companies become comfortable with the use of License Exception STA. The U.S. Government can make changes, but it is up to industry to take the leap and begin using and benefitting from those changes.

BIS recognizes that at first glance, License Exception STA can leave the impression that more work is required, but this is *not* the case. We are dedicated to helping industry navigate these new processes, and in that vein, I'd like to highlight some of the STA best practices the Munitions Control Division has identified. They include:

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- **Creating and using an internal checklist of steps to meet STA requirements prior to shipment;**
- **Drafting templates for the prior consignee statement and notification of complete ECCN;**
- **Maintaining complete records for all shipments;**
- **Conducting periodic internal reviews of shipments;**
- **Ensuring that foreign consignees are aware of what STA is and its requirements; and**
- **Training licensing staff to stay on top of changes in**
You may find these best practices helpful as you begin to navigate the new "600 series."

ECR Transition

As we go through the reform process, we have strived to be clear and predictable. These are significant changes, and we want to encourage industry to ask questions and provide feedback to us. We also want to address issues that arise with the reform effort. As rules are published, we seek your comments to rectify any inadvertent outcomes that could be needlessly disruptive to the exporting community.

With that in mind, I'd also like to remind you of a resource we make available to you on a weekly basis, a forum where you can provide this feedback to us. BIS Assistant Secretary Kevin Wolf holds a weekly conference call for exporters where he makes himself available to answer questions directly. Many issues raised and addressed in these calls cut across industries. I encourage you to use this resource.

BIS also provides comprehensive outreach services to exporters, ranging from seminars, online interactive tools, and webinars, to one-on-one exporter counseling. We recognize the importance of our education and compliance effort, and hope that our FY 2016 appropriation will allow us to continue expanding this important effort.

Compliance and Enforcement

Our Export Enforcement arm continues to improve its capabilities through interagency efforts including the Export Enforcement Coordination Center (E2C2) and the Information Triage Unit (ITU). Both the E2C2 and the ITU ensure information is shared among the relevant agencies to support law enforcement efforts and a thorough review of foreign parties on license applications.

Fundamentally, our job is to deprive our adversaries and potential adversaries of the technological advantage we possess, to ensure that our own advances are not employed against us in the battlefield. Export Enforcement works in close cooperation with our interagency colleagues and industry to maintain our military superiority. You will hear more tomorrow from Assistant Secretary for Export Enforcement David Mills and his team on the range of enforcement activities BIS is currently engaged in.

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Beyond ECR – Country Policy

Cuba

Over the past year, there have been a number of country-specific policy changes. On December 17, 2014, President Obama announced changes in our Cuba policy designed to provide U.S. support for the Cuban people. On January 16, BIS and the Treasury Department's Office of Foreign Assets Control published regulations to implement the President's policy. BIS's changes include the creation of a new License Exception – Support for the Cuban People - that authorizes certain exports and reexports to improve living conditions, support independent economic activity, strengthen civil society, and improve the free flow of information to, from and among the Cuban people.



India

We are working to further implement the U.S.-India Bilateral Understanding that was announced by President Obama and India's Prime Minister Singh in 2010. In November 2014, India imposed reexport controls on U.S.-origin items controlled for regional stability and crime control reasons. Accordingly, on January 23, BIS removed license requirements for certain items controlled to India for crime control and regional stability reasons. This rule furthers President Obama's and former Prime Minister Singh's commitment to work together to strengthen the global nonproliferation and export control framework and realize the full potential of the strategic partnership between the two countries.

There has been a change in government in India, but it has not weakened the relationship. Indeed, on January 25, 2015, President Obama and Prime Minister Modi issued the India-U.S. Delhi Declaration of Friendship, which builds on earlier strategic agreements and commits to elevate the Strategic Dialogue to a Strategic and Commercial Dialogue. This reflects the United States and India's commitment to strengthen commercial and economic ties to advance mutual prosperity, regional economic growth, and stability.

Venezuela

Last October, in response to the Venezuelan military's violent repression of the Venezuelan people, BIS imposed new license requirements on the export, reexport, or in-country transfer of certain items to or within Venezuela when intended for a military end use or end user.

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This new licensing requirement complements an existing U.S. arms embargo against Venezuela for its failure to cooperate in areas of counterterrorism.

Russia/Ukraine

In recent months, BIS and the Treasury Department's Office of Foreign Assets Controls have implemented a number of sanctions to deter Russian conduct that violates international norms – specifically, to convince Russia to desist from its territorial claims against Crimea, interference in Ukraine, and potential misconduct elsewhere. BIS's sanctions cover certain exports, reexports, and transfers to the defense and energy sectors, as well as certain transactions with specified foreign persons

Most recently on January 29, BIS published a rule imposing license requirements, with a presumption of denial, for the export and reexport to the Crimea region of Ukraine of all items subject to the EAR other than food and medicine.

As sanctions continue, BIS is coordinating with our international partners on shared definitions, identifying items of strategic concern, and standardizing license decision making. We are prepared to impose additional sanctions if circumstances require. We are also working with the Departments of Energy, State and Treasury, and the National Security Council staff, to harmonize implementation of the Russia sanctions with our European and Asian allies. Deputy Assistant Secretary for Export Administration Matt Borman will discuss these topics in more detail.

Next Steps

For the past several years, as part of the Export Control Reform initiative, Commerce, State and other relevant agencies have focused on regulatory reform through the list review process, and internal coordination and improvements such as USXPORTS. I'd also like to mention our ongoing work in related areas –

We are working to clarify and streamline the EAR to help ease the burden for the export community.

Commerce and State are working on a rule to harmonize the definitions of destination control statements in both the EAR and the ITAR.

Last April, BIS published a proposed rule to revise and clarify support documentation requirements for export licenses. The proposed changes include the removal of the international import certificate requirement for BIS export licenses controlled for national security reasons. This requirement is an outdated and burdensome remnant from the Cold War [COCOM specifically]. We are reviewing those comments and we hope to publish a final rule soon.

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Conclusion

As we move forward with these significant policy and regulatory changes, particularly those related to ECR implementation and the category changes, your input and engagement remains important. These changes will affect the export control landscape for years to come. Your comments and insight help us shape a regulatory regime that fosters our national security, including interoperability with our friends and the continuing vitality of our defense industrial base. Thank you and enjoy the conference.

Egypt Selects the Rafale and the FREMM to Equip its Forces

Thales welcomes the selection by Egypt of the Rafale omnirole combat aircraft and the FREMM multi-mission frigate, which will both equip the Egyptian forces. Twenty-four Rafale aircraft and one FREMM frigate have been ordered by the Egyptian authorities.

Thales provides numerous pieces of state-of-the-art equipment and systems for the Rafale, the FREMM and their respective armaments. They represent around 25% of the total value of the Rafale and 20% of the FREMM.

Thales, a member of the Rafale team with both Dassault Aviation and SNECMA (Safran), equips this combat aircraft with systems providing it with a multi-sensor capability such as the RBE2 AESA, the first European combat radar with active electronic scanning antenna, the SPECTRA electronic warfare system, optronics, the communication, navigation, identification suite, avionics, and the power generation systems.

The Thales systems developed in collaboration with DCNS on board the FREMM derive from the latest state-of-the-art technology. For this multi-mission frigate, Thales provides the Herakles multi-function radar, the communication suite, the anti-submarine sonar suite (ASM), the Artemis infrared search & track system (IRST) and the electronic warfare system (RESM/CESM). This equipment reinforces the anti-air, anti-naval and anti-submarine combat capabilities of the FREMM.

For this contract Thales will also provide missile electronics and inertial systems.

“Thales thanks the Egyptian authorities for the trust that they have shown in Thales and in its partners by choosing their naval and aeronautical systems. We also wish to highlight the strong support of the French authorities in the conclusion of this contract. We are proud to contribute to Egyptian defence with our technological equipment.” Patrice Caine, Chairman & Chief Executive Officer, Thales Group

Source : **Thales**



*24 Rafale and one FREMM ordered by Egypt.
Thales equipment represents 25% of the total value of the
Rafale and 20% of the FREMM.*



Cleared for Take-Off

An important step in making international air travel safer: Rheinmetall's DEB-RA foreign object detection system is now eligible for procurement under the US Federal Aviation Authority's Airport Improvement Programme. The FAA recently issued a special permit authorizing purchase of the world's most advanced system for detecting foreign object debris at airports.

As Luigi Magliocchi, Managing Director of Rheinmetall Defence Italia, explains, "The special permit lets us market our globally leading DEB-RA foreign detection system in the United States. It's an important milestone for us."

"Buy American" regulations actually specify the procurement of US products for the Airport Improvement Programme, or AIP. Under certain circumstances, however, the FAA can issue an exception to policy, which is what happened here. Some 60% of DEB-RA components are American made, and final assembly also takes place in the United States.

Granting of this special permit enables swift procurement of the DEB-RA in AIP projects without the need for further waivers. Furthermore, allocated funds can be quickly disbursed to manufacturers that meet the Buy American criteria.

The tragic loss of the Concorde on 25 July 2000 at Charles de Gaulle in Paris serves as a dramatic reminder of just how dangerous foreign objects on the runway can be. The crash cost the lives of 113 people. True, accidents on this scale are rare, but foreign objects on the runway regularly result in significant material damage.

Rheinmetall's state-of-the-art DEB-RA employs millimetre wave radar in combination with high-resolution electro-optical sensors in order to detect dangerous foreign objects on the runway in real time. This reduces the risk posed by these objects – and with a very low error rate.

A further advantage: DEB-RA can be used as an airport control system for vehicles and aircraft on the ground (Advanced Surface Movement Guidance and Control System / ASMGCS). In this capacity, it can either supplement or replace existing equipment, or serve as a standalone system – regardless of the composition of the runway or the sensor configuration. Here, too, disasters such as the collision in Milan-Linate on 8 October 2001, which left 118 persons dead, show how important it is to have reliable technology.

Source : **Rheinmetall AG**

AgustaWestland Aviation Services LLC to Expand Support Capabilities in the Middle East

AgustaWestland Aviation Services LLC (AWAS), an Abu Dhabi Aviation (ADA) and Finmeccanica-AgustaWestland joint venture, announced today it is expanding its range of support solutions serving the growing fleet of AgustaWestland helicopters in the Middle East.

A three stage capability expansion plan will further grow AWAS' range of support services in line with the continued expansion of the regional helicopter fleet. These plans include the completion of the introduction of helicopter MRO (maintenance, repair and overhaul) and logistics services, expansion of MRO services for a range of components, including a range of AW139 main rotor items, by the second half of this year and the introduction of capabilities to support the latest additions to the AgustaWestland product range, the AW189 and AW169, which have already received important orders by operators in the region. With the introduction of these capabilities AWAS will become a major support hub for the whole AgustaWestland Family of new generation helicopters.

Since its launch in late 2011 and becoming fully operational in 2013, AWAS has made significant steps forward to offer an array of comprehensive services and activities for the planned sale of helicopter spare parts and accessories, helicopter/component repair and overhaul, customization, modification and upgrading.

With more than 200 AgustaWestland helicopters in service in the region today, AgustaWestland and ADA have successfully joined forces thanks to the combination of engineering and maintenance expertise and the local partner's willingness to invest in new technologies. The set-up of a local hub for maintenance services has helped customers to access spare parts locally within a few hours. Annual tests for AW109 legacy and AW139 rafts and floats, repairs and overhauls for both items and a turnaround time reduction of 50% on a range of MRO activities are among major results achieved. AWAS has been offering its customers 24/7 support access in case of AOG (aircraft on the ground) since early 2014.

Source : **AgustaWestland, A Finmeccanica Company (Milan: FNC.MI)**



AAR to Sell Telair Cargo Group to TransDigm for \$725 M

- AAR to Discontinue Precision Systems Manufacturing
- AAR to Build on its Leadership Position in Aviation Services

AAR (NYSE: AIR) today announced it has agreed to sell its Telair Cargo Group to TransDigm for a purchase price of \$725 million in cash, subject to adjustments. The Telair Cargo Group is comprised of Telair International, Telair U.S., and Nordisk Aviation Products. AAR will report its Telair Cargo Group as discontinued operations beginning in the third quarter of FY 2015 and the sale is expected to close in the fourth quarter ending May 31, 2015, subject to regulatory approval. When the sale closes, AAR expects to report a pre-tax gain of approximately \$200 million after expenses and fees.

AAR further announced its intention to sell its unprofitable Precision Systems Manufacturing business and will report it as a discontinued operation and record an impairment charge of approximately \$40 million in the third quarter of FY 2015.

"These transactions are an important strategic step positioning AAR as a pure-play, industry-leading global aviation services company and will allow us to focus our attention where we see the best opportunities for the Company," said David P. Storch, Chairman and Chief Executive Officer of AAR. "We also expect the sale will create value for our shareholders by crystalizing our valuation, improving AAR's overall return profile, and reshaping our balance sheet while returning capital to shareholders."

As a result of these transactions, the Company will report its results in two new segments:

- Aviation Services, comprised of Aviation Supply Chain and Maintenance, Repair and Overhaul (MRO)
- Expeditionary Services, comprised of Airlift & Mobility

Storch continued, "We are very pleased with the double-digit organic growth rate we are experiencing in our new Aviation Services segment and excited by our prospects going forward. And while revenues and earnings in our new Expeditionary Services segment have decreased significantly from the prior year, we have confidence in our industry-leading positions and see substantial opportunities ahead."

The Company also announced today that its third-quarter results will be less than expected due to fewer flying positions in its Airlift operation, costs associated with this transaction, and bid costs for large government contracts.

Citi served as exclusive financial advisor and Winston & Strawn LLP as legal advisor to AAR CORP. on the sale of the Telair Cargo Group. They will also serve as advisors on the sale of Precision Systems Manufacturing.

Boeing, Royal Australian Air Force Test Extended Range Weapon

The Boeing [NYSE: BA] Joint Direct Attack Munition Extended Range (JDAM ER) demonstrated significant range increase while maintaining its expected accuracy during flight testing conducted by Boeing and the Royal Australian Air Force (RAAF).

The testing centered on a new wing kit that, when used in conjunction with the weapon's guidance kit, increases the bomb's range from approximately 15 miles (24 kilometers) to more than 45 miles (72 kilometers), as shown during tests above the Woomera Test Range in Australia.

"The JDAM ER wing kit takes advantage of the conventional JDAM aircraft interface and Small Diameter Bomb glide technology," said Beth Kluba, vice president, Boeing Weapons and Missile Systems. "This keeps integration, development and sustainment costs low while bringing customers the range increase needed to neutralize current and future threats."

The 500-pound (227-kilogram) winged JDAM, jointly developed by Boeing and Australia's Defence Science and Technology Organisation, was dropped from RAAF F/A-18 Classic Hornets from altitudes ranging from 40,000 feet (12,190 meters) down to 10,000 feet (3,048 meters). The weapon deployed its wing kit successfully during each test and flew to a pre-determined aim point, impacting within meters of its target.

"The extended range wing kit will allow the Australian Defence Force to employ JDAM more flexibly and safely in the target area," said Rear Adm. Tony Dalton, responsible for the acquisition of Guided Weapons in Australia. "Additionally, the program also stands to significantly benefit local Australian industry."

Boeing will produce and integrate JDAM ER wing kits for the RAAF under a contract awarded in 2011. Following additional flight and certification testing, production and initial deliveries of JDAM ER to the RAAF are planned for 2015.

Ferra Engineering supplies major sub-assemblies for the JDAM ER modular wing kit to Boeing from its facility in Brisbane, Australia.

JDAM is a low-cost guidance kit that converts existing unguided bombs into near-precision weapons. Including the JDAM ER wing kit, Boeing designed JDAM technology to accept a variety of upgrades such as a laser sensor, improved immunity to GPS jamming, and an all-weather radar sensor. Boeing has built more than 260,000 JDAM tail kits in its St. Charles, Mo., facility since production started in 1998. JDAM is used by 27 international militaries.

LM Australia To Deliver Modern, Affordable C-130J Training Solutions To RAAF

The Royal Australian Air Force (RAAF) has awarded Lockheed Martin Australia a contract to supply a modern C-130J-30 Virtual Maintenance Trainer and a Multi-Function Training Aid (MFTA) to support maintenance and aircrew training at RAAF Base Richmond.

Through this major upgrade, the RAAF will have a standardised curriculum tailored for its operations and based on decades of C-130 training innovation by Lockheed Martin.

“Delivering these training technologies to the RAAF represents Lockheed Martin’s continued commitment to supporting the RAAF air mobility mission,” said Raydon Gates, Chief Executive of Lockheed Martin Australia & New Zealand. “These capabilities, supported by a network of training services and products across Lockheed Martin’s aircrew training programs, enable the most effective training for the next generation of pilots and maintainers.”

Under the maintenance training contract, Lockheed Martin Australia together with Lockheed Martin Mission Systems and Training in Orlando, Florida, will update two classrooms, providing a modern electronic learning environment. The new classrooms will feature high resolution desktop maintenance trainers paired with computer-based training courseware for a realistic, integrated simulation offering. Further support will add two developer stations to enable RAAF C-130J-30 training staff to modify and update the training courseware through the aircraft lifecycle.

In addition, the delivery of Lockheed Martin’s MFTA will provide innovative, aircraft-based simulation to aid the instructors and students. Powered by Prepar3D® simulation software, the MFTA reduces demand on operational aircraft while providing a highly realistic simulation environment for more affordable training.

Source : **Lockheed Martin Corporation (NYSE: LMT)**



CPI Aero Announces \$49 M Multi-Year Contract for T-38C Aircraft Modification Kits

CPI Aerostructures, Inc. (CPI Aero®) (NYSE MKT: CVU) has been awarded a \$49 million indefinite-delivery/indefinite-quantity contract from the United States Air Force to provide structural modification kits for the T-38C Pacer Classic III (PC III) aircraft structural modification program. The Air Force Life Cycle Management Center, Hill Air Force Base, Utah is the contracting activity for this contract, which is a small business set aside.

The T-38C is a twin engine, two seat, supersonic jet trainer used by Air Education Training Command as an advanced trainer in Specialized Undergraduate Pilot Training. As per the terms of the contract, CPI Aero will provide structural modifications kits as part of a modification program designed to enhance operational capability while improving flight safety, reliability, and maintainability. PC III will replace vital, fatigue sensitive structural items including the following: steel dorsal longerons, cockpit longerons, and the upper/lower center longerons. In addition, associated bulkheads/formers, skins, and floors will be included in this remove and replace effort.

CPI Aero will support the T-38C PC III aircraft structural modification program during Phase II. Requirements for Phase I are being fulfilled by Northrop Grumman Technical Services (up to 51 kits) while requirements for Phase II (the remaining 74 kits) will be fulfilled by CPI Aero. CPI Aero will provide the necessary integration of kits, program management, logistics, discrepancy reporting/resolution, and sub-contract management. The Period of Performance and Ordering Period for Phase II commences immediately and will span five years, with an anticipated delivery period of six years, ending in February 2021.

Douglas McCrosson, President and CEO of CPI Aero, stated, "This new military contract comes on the heels of our \$53.5 million F-16 Wing components contract announced just three months ago, and re-establishes CPI Aero as a leading prime contractor of aircraft structural components and kits to the US Government. Our recent F-16 contract and this new T-38 contract are the two largest military programs received directly from the US Government in more than a decade and in the aggregate add over a \$100 million to our total backlog."

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Mr. McCrosson added, "This new contract recognizes our excellent past performance as a prime contractor on the T-38 platform dating back to 2001 and is a validation of our strategy to create a revenue stream from our investment in creating world class engineering, supply chain management and program management capabilities. Additionally, we will require support from and will work closely with Northrop Grumman, a cooperation which will further strengthen our already excellent relationship with this important customer."

Source : **CPI Aerostructures, Inc.**

EDIC's NIMR Automotive & MBDA unveil the HAFEET ADV

MBDA and NIMR Automotive LLC, a light-medium weight military vehicle manufacturer based in Abu Dhabi, UAE and part of the Emirates Defence Industries Company (EDIC), an integrated national defence and services manufacturing platform, have entered into a commercial partnership to address a requirement of the Emirates Defence Forces for a high efficiency V-SHORAD air defence system.

The new HAFEET Air Defence Vehicle (HAFEET ADV) proposed by the two companies features the MBDA MPCS (Multi Purpose Combat System including a turret, sensors, IFF, Mistral missiles, command & firing posts and shelter equipment) that would be installed on NIMR's latest HAFEET 640A all-terrain light armoured vehicle platform.

The combination of the MPCS equipped with MBDA's latest generation Mistral missiles and of the NIMR vehicle would provide an unmatched mobile air defence capability allowing protection of convoys, armoured brigades in their manoeuvres as well as any land infrastructure or assets.

The two companies have already completed preliminary engineering studies and are in the stage of integrating the full system if ordered. Most of the HAFEET ADV components already exist and are modular.

Already in service in several forces in the world, the MPCS turret comprises a gyro-stabilized day/thermal sensor suite with integrated laser rangefinder. With four ready-to-fire, fire and forget, IR Mistral missiles, the HAFEET ADV enables the interception of a large spectrum of threats (high manoeuvring fighters, combat helicopters, UAV, UCAV, cruise missiles) at ranges exceeding 6 km and altitudes up to 5,000 m.

NIMR CEO Dr Fahad Saif Harhara stated "The HAFEET ADV concept is based on NIMR 6x6 tactical platform which combines high levels of mobility and protection to provide a multi-role platform for a broad spectrum of mission requirements".

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The MPCS system allows for low crew workload and short reaction time to provide Air Defence Forces with an outstanding high fire power against stressing attacks: a unit of six HAFEET ADVs can engage up to 24 different targets coming from any direction in less than 20 seconds with a reload capability of 48 Mistral missiles (8 additional Mistral missiles inside the HAFEET ADV shelter).

The HAFEET ADV can be operated in autonomous mode or in coordinated mode with MBDA's latest generation of MCP (Mistral Coordination Post) equipped with 3D radar.

HAFEET ADV can be operated by a two or three man crew including a team leader and is air transportable.

Source : **MBDA**



Canadian Department of National Defence Upgrading Airborne ISR with ViaSat Mobile Satellite System

The Canadian Department of National Defence is upgrading its Lockheed CP-140 Aurora aircraft with advanced airborne satellite communication systems from ViaSat Inc. (NASDAQ: VSAT) in cooperation with L-3 Electronic System Services (ESS), a division of L-3 Aviation Products. The collaboration on this Quick Reaction Capability (QRC) program between the three parties, as well as Canadian aircraft integrator IMP Aerospace, delivered the first system from project start to first flight in less than 90 days. Integration and testing of the remaining fleet is scheduled to follow soon.

The in-flight communication systems enable secure, high-speed data streaming from the aircraft via satellite on the ViaSat global network.

"We're able to meet this kind of urgent timeline because of the global reach of our ViaSat network and the maturity and reliability of our VR-12 mobile satellite system," said John Hoffman, senior director for ViaSat ISR broadband. "We had to make a number of modifications for the Aurora aircraft integration, but to serve this market our team is built for rapid response."

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With the new system the Canadian DND gains improved ability to conduct Intelligence, Surveillance, and Reconnaissance (ISR) operations that can support Canadian military requirements worldwide. Over 600 ViaSat VR-12 systems are installed and in operation on commercial and government aircraft.

Source : **ViaSat, Inc.**



Top 15 Defense Companies Competing in the Middle East Defense Market 2015

Prospects For Leading Military Contractors

The Middle East defence market is certainly among the world's most densely populated and well funded markets. Military expenditures in the region continue to be high, with Saudi Arabia and the United Arab Emirates among the world's top 10 defence spenders. Defence funding in the region per capita outstrips that of any other geographical region worldwide. Both large and small international military and defence companies compete heavily within this market driven by declining military spending across Europe and the United States. Many of the Middle East's biggest spenders, historically heavily depended on the Western nations, particularly the US, for their military imports, are now consciously looking into diversifying their provider base – a significant recent development contributing to the growth of the local, mostly Turkish, defence industry.

- Airbus Group
- ASELSAN A.Ş.
- BAE Systems plc
- The Boeing Company
- Elbit Systems Ltd
- Finmeccanica S.p.A
- General Dynamics Corp
- Harris Corporation
- Israel Aerospace Industries
- L-3 Communications Corp
- Lockheed Martin Corporation
- Northrop Grumman Corp
- Rafael Advanced Systems
- Raytheon Company
- Thales Group

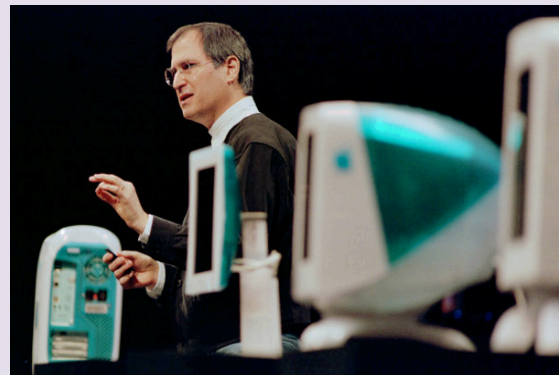
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Outdated Encryption Keys Leave Phones Vulnerable to Hackers

SAN FRANCISCO — A government policy that forbade the export of products with strong encryption in the 1990s has years later left users of devices like Android and [Apple](#) phones vulnerable to hackers when they visit one-third of all websites, including [whitehouse.gov](#) and [nsa.gov](#).

Researchers last month discovered millions of devices and websites were using an outdated encryption key to secure their communications. The weak key resulted from a Clinton administration mandate that software and hardware makers use weak cryptography in products exported outside the United States.

Once those restrictions were relaxed in the late 1990s, many technology makers abandoned the weak cryptography. But researchers said this week that the old keys were included in the code that is still being used in a variety of modern devices and websites.



Steve Jobs with Apple computers in 1999. A policy that forbade the export of products with strong encryption in the 1990s has left users of devices like Android and Apple phones vulnerable. Credit Peter DaSilva for The New York Times

The discovery of the old vulnerability comes as officials in the United States and Britain press the technology industry to create so-called back doors for law enforcement agencies into the new and hard-to-crack encryption used by its products. Those back doors, industry officials argue, can just as well be used by hackers to intercept communications and pose an unnecessary risk to customers.

“When computer scientists say you can’t build a crypto back door without weak encryption for everyone, this is exactly what we’re worried about,” said J. Alex Halderman, assistant professor of computer science and engineering at the University of Michigan.

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The debate over encryption — touched off by Edward J. Snowden’s disclosures of the nation’s efforts to crack and circumvent such protections — has intensified over the last year as technology companies added stronger security that would lock out government agencies.

The National Security Agency and the F.B.I. have urged tech companies to keep a back door open through their security technology for law enforcement agencies. And David Cameron, the British prime minister, has threatened to outlaw encrypted apps like Facebook’s WhatsApp messaging service.

But many tech companies have repeatedly said they have no intentions of changing what they’re doing, as [Timothy D. Cook](#), [Apple’s](#) chief executive, signaled in a speech last month at Stanford.

“If those of us in positions of responsibility fail to do everything in our power to protect the right of privacy, we risk something far more valuable than money — we risk our way of life,” Mr. Cook told an audience of White House officials, executives and cybersecurity experts. “Fortunately, technology gives us the tools to avoid these risks, and it’s my sincere hope that by using them and by working together, we will.”

There is no indication that hackers have exploited the newly discovered flaw, and technology companies say they are working to fix the problem.

Apple said on Wednesday it would patch the vulnerability through software updates for its mobile operating system, iOS, and its Macintosh operating system, OS X, next week. [Google](#) said it had developed a patch to protect Android connections to websites and provided the patch to Android manufacturers. BlackBerry and Amazon, whose products are also affected by the flaw, did not immediately respond to requests for comment.

Researchers are updating a list of vulnerable websites and services on their website, [Freakattack.com](#), and pushing site administrators, device manufacturers and users to upgrade their software. More than a third of the 14 million websites scanned by researchers at the University of Michigan [are still vulnerable](#).

Security researchers are calling the vulnerability Freak — short for factoring attack on RSA export keys — because it can be used to crack a 512-bit encryption key in seven hours, using Amazon’s readily available cloud computer service, at a nominal cost of \$100 per website. A 512-bit key was the strongest allowed for export at the time. Today, that is considered inadequate.

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After researchers from Microsoft and Inria, the French computer science lab, discovered the vulnerability last month, Matthew D. Green, a cryptography researcher at Johns Hopkins University, warned the researchers that it could be more widespread or dangerous than they had thought.

Soon after, the researchers discovered that roughly 36 percent of online servers were vulnerable. Mr. Green alerted the affected technology companies.

Mr. Green said the vulnerability demonstrated the risk inherent in weakening encryption in order to allow law enforcement agencies access to secured communications.

The flaw is the fourth major — and old — security issue to be discovered hidden in a variety of tech products. Critics say that part of the problem is that there are not enough people paid to test and monitor the security of widely used Internet systems. Also, the Internet consists of a lot of moving parts with different people responsible for software, servers, bugs and more — and they often do not communicate.

“Nobody was kind of looking down to see how all these different issues fit together,” Mr. Green said.

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