Dear [Name],

Thank you for your e-mail of 10th November, addressed to [Name]. In your e-mail you requested:

"copies of all the speeches and presentations made at the UKTI DSO Symposium on 3 November 2010 (apart from the Chris Baker presentation available online)".

The attached documents represent what we hold of speeches and presentations and I have outlined below the programme for completeness.

Please note that speeches of Rt Hon Dr Vince Cable; Richard Paniguiian and Mark Prisk MP are speaker notes and are not "as delivered", therefore there will be variation between what we have given you and what was actually said on the day.

Also I have become aware that the Symposium event website has stated that a copy of Dr Cellucci's presentation is available on request. The website is however wrong on this matter as there was no presentation and it should have stated that a copy of the Homeland Security pack is available for companies wishing to do business with the US Homeland Security sector. I have requested that the site be updated.

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Welcome
Richard Paniguian CBE
Head of UKTI Defence & Security Organisation

Keynote Address
Rt. Hon. Dr. Vince Cable MP
Secretary of State, Department for Business Innovation & Skills

Plan for the Day
Prof. Michael Clarke
Director, Royal United Services Institute for Defence & Security Studies

Defence & Security Market Review
Chris Baker OBE
Operations Director, UKTI DSO

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<tr>
<td>Welcome</td>
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<tr>
<td>Richard Paniguian CBE</td>
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<tr>
<td>Keynote Address</td>
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<td>Rt. Hon. Dr. Vince Cable MP</td>
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<td>Chris Baker OBE</td>
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<tr>
<td>The Future of Defence &amp; Security Exporting</td>
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<td>Richard Paniguian CBE</td>
<td>Head of UKTI Defence &amp; Security Organisation</td>
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<td>Keynote Address</td>
<td>(S21) Information accessible to applicant by other means. As delivered speech available on MOD website. (Link below). Presentation attached</td>
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<tr>
<td>Gerald Howarth MP</td>
<td>Minister for International Security Strategy</td>
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<tr>
<td>Winning Business &amp; Developing Partnerships</td>
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<td>Murad Bayar</td>
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<td>Chang, Soo-Man</td>
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<td>What is the UK Getting Right and What Can We Do Better?</td>
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<td>Rt. Hon. Baroness Neville-Jones</td>
<td>Minister of State for Security</td>
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<td>Meeting the Security Challenge: A Malaysian Perspective</td>
<td>We do not hold the speech. There was no slide presentation.</td>
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<tr>
<td>Dato' Seri Hishammuddin Tun Hussein</td>
<td>Minister of Home Affairs &amp; Internal Security, Malaysia</td>
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<tr>
<td>The View from the U.S.A: Equipping Ourselves For Future Threats</td>
<td>We do not hold the speech. There was no slide presentation.</td>
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<tr>
<td>Dr. Thomas Cellucci</td>
<td>Chief Commercialization Officer, Department of Homeland Security, U.S.A</td>
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<tr>
<td>Shared Perspectives on Security</td>
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<tr>
<td>Overseas Speakers in Conversation with Professor Clarke</td>
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<td>Keynote Address</td>
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<td>Mark Prisk MP</td>
<td>Minister of State Business &amp; Enterprise</td>
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Roundtable Discussion
Panel Session
- Overseas Customer
- UK Industry
- UK Government

Close & Thanks
Richard Paniguian
Head of UKTI Defence & Security Organisation

Gerald Howarth Speech -
http://www.mod.uk/DefenceInternet/AboutDefence/People/Speeches/MinISD/20101103UktiDsoSymposium.htm

If you are dissatisfied with the handling of your request, you have the right to ask for an internal review. Internal review requests should be submitted within two months of the date of receipt of the response to your original letter and should be addressed to: @ukti.gsi.gov.uk.

Please remember to quote the reference number in any future communications.

If you are not content with the outcome of the internal review, you have the right to apply directly to the Information Commissioner’s Office, Wycliffe House, Water Lane, Wimslow, Cheshire, SK9 5AF.

Yours sincerely,

Signed [redacted]

UKTI Defence & Security Organisation
Policy & Resources Secretariat
Good morning ladies and gentlemen.

My objective today is to share with you DSO’s assessment of the defence and security market.

UK defence export performance is based on data provided by many of you, and this is an opportunity to thank you for that. It is a vital part of our understanding of the shape and trends in the market.

We now hold historical data going back 25 years. Please keep it coming in when we launch our 2010 survey early next year.
An Analysis of the Global Defence & Security Export Market

Presentation Outline:

• Key economic & political indicators
• Review of export performance
• Business prospects
• Export challenges

I’m going to cover four areas.

First, a review of the key economic and political indicators that affect our business.

Second, a review of our export performance compared to our main competitors,

Third, a review of business prospects

And finally, some pointers to the challenges that we will face in the years ahead, on which Richard Paniguian will elaborate in the following presentation.

*Don’t worry about taking notes. This presentation will be made available afterwards.*
First some of the economic background.

This is the latest IMF forecast for world growth. Red shows last year’s forecast, and blue is the 2010 update.

The recession ended for most countries in the last quarter of 2009, with a mixed regional recovery underway, led primarily by Asia and Latin America.

Growth this year is expected to be much stronger than was forecast last year, and recovery will continue, but European growth is expected to be weak.

The key point is that the global economy is firmly back into growth.
This shows in red UK, and in blue US, GDP growth rates projected out to 2015.

UK growth is better than last year’s forecast, but we still have a bumpy road ahead.

The US - one of our biggest export markets - is also recovering and is expected to have consistent growth over the next 5 years.
This shows the growth in world trade since 2003, with prospects for this year and next.

Red highlights last year’s forecast, when a small - but positive - growth was expected for this year.

In the event growth in world trade this year is significantly above last year’s forecast, and positive growth is expected in 2011 as well.
But, as our customers are predominantly governments and public bodies, we need to contrast the predictions for the global economy with that for government finance.

This shows the latest government fiscal balance as a percentage of GDP for four major economic blocks.

It’s the difference between total receipts into, and total expenditure, out of the government.

G7 countries in the Euro zone are running large budget deficits which will affect all areas of government spending, including defence budgets. In July, France announced that over 3 billion Euros is to be cut from the defence budget through 2011-2013; and Italy’s 2011 defence allocation – already set to be reduced, will have an additional 10% removed. A similar story in Germany and Greece, and of course in the UK, as announced in SDSR. On the other hand, Asian economies – shown in green - have good fiscal balances and are enjoying a period of growth and government spending.
How is the Defence Sector Fairing?

This is a comparison of Aerospace and defence share prices – shown in blue – over the last couple of years, with the FTSE all share index shown in red.

Despite falling share prices across most sectors, with significant falls in banking, retail and construction, defence has been more resilient.

The aerospace and defence sector indices show an improvement of about 12% over a year: amongst the more successful sectors. And that of course builds on the more substantial outperformance which characterised the deeper part of the recession.

Some nervousness about SDSR outcomes resulted in a small dip in defence share prices, but they quickly recovered.
Oil has featured in previous reviews because a fluctuating price can significantly affect confidence either way in our business.

This is especially so in markets in the Middle East where, as you will see later, UK defence business has a high stake. Oil exporters must achieve a certain price to sustain a budget surplus. For Saudi Arabia that figure is about $50 a barrel.

Last year we reported in the shadow of extreme oil-price volatility, but the last 12 months have been much more stable. The dotted line is the Department of Energy and Climate Change’s mid-range projection. But it could be wrong!

The expected average oil price for 2010 is about $80. **Today's spot price is around 83.**
This is a revealing graph. World military spending in 2009 is estimated to have reached 1.5 trillion dollars.

It represents a 6% increase in real terms since 2000.

I suggest that what we are seeing here is the post Cold War peace dividend on the left, replaced by the new uncertainties of the multi-polar and terrorist-challenged world on the right.

This trend could continue. European spending will be lower, but in contrast, Asia leads the way in global growth, with more cash for defence; and the maintenance of relatively high oil prices - at least in the short-term - will help underpin spending in Middle East markets who are also increasingly concerned about regional stability.
The 15 countries with the highest spending account for over 80% of the total, with the United States standing out as the overwhelmingly predominant spender.
US defence spending has increased steadily since the late 90s, and particularly since 9/11. Despite the impact of the recession, the President’s budgetary request for FY11 reflects a 1.8% real increase in the base budget to $549 billion, which, together with $159 billion for Overseas Contingency Operations, amounts to $708 billion for FY11. Congress has not yet approved the budget - not expected until after the mid-term election.

The budget request also sets out the DoD’s projections for the next 5 years in which the budget is set to increase by 1% a year in real terms, but Overseas Contingency Operations expenditure is set to reduce.

The DoD is aiming to find savings of $100 billion over the period in overheads, including measures to cut procurement costs through greater competition and other contracting changes. Secretary Gates has said that effort is not about reducing the “defence top line” but getting more bang for the buck.

There is a debate going on right now about whether the more hawkish Republican Congress, likely to result from the Mid-Terms will secure that real underlying budget growth which the Pentagon is projecting; or whether the politics of debt reduction will trump that of strong security. It is worth noting that even if the outcome is less than shown on this projection, US spending will still remain at historically high levels.
This is the trend in the world defence export market since 1987.

From 1987 to the end of the millennium, there’s a clear downward trend, reflecting big reductions in spending following the end of the Cold War and Gulf war.

But over the last ten years, there’s a clear upward trend, reflecting an increase in spending associated with global terrorism and conflicts in the Middle East.

This year’s world market looks to be heading to fall back to about $45 billion – more in line with the longer-term average of about $50 billion. But we won’t know for certain until early next year when we have a complete set of figures.
This shows on - the left-hand side - the broad breakdown by value of global defence exports over the last ten years.

And on the right-hand side, a similar breakdown for the UK.

The disproportionate share of UK Air sector exports has been a feature of our business for many years, and has become more accentuated over the past year.

If we are to rebalance this picture, then I suggest we will need to look at significant emphasis on the exportability of our future Land and Sea platforms – FRES, LPPV and the Global Combat Ship.
And this is the UK’s export performance compared to our main competitors over the last ten years. The UK is the red line.

The peak is our record year in 2007.

**Last year we won £7.2 billion of new business and 18% world market share - a very impressive outturn in a very challenging market.**

The United States continues to dominate the market. But France has posted some good results, and recent press reports indicate that it expects to do even better this year.

Our assessment is that the competition is stiffening, as domestic demand in our major competitors reduces. The focus on defence deals in overseas visits by Clinton, Medvedev, Berlusconi and Sarkozy is intensifying. Our own Prime Minister is now also on that wavelength.
Focusing in, this shows the UK’s global market share going back to 1985.

We have applied a ten-year rolling average to smooth out the peaks and troughs – shown by the red trend line.

The trend is a gradually increasing market share through the 1990s, to a plateau of around 20% over the past seven years, with a peak 22% in 2007.
So far, I have not mentioned Security exports. We now have manufacturing export figures for the last three years – showing year-on-year growth exceeding 10%.

The UK is now the 5th largest security exporter, behind China, America, Japan and India.

Be aware that these figures currently estimate manufacturing and do not include the export of services, which we know is a notable portion of the market.

I would still want to be cautious about trends given the short database, but tentatively industry seems to be generating some growth here, in a significantly growing global market.

I’m looking forward to hearing about how HMG can further assist the security sector effort from Baroness Neville Jones this afternoon.
And here are the defence and security export figures together for comparison. £8.7 billion in 2009.

We will continue to produce separate sets of figures for the time being.
This is an update of cumulative exports over the last ten years.

The United States remains well ahead, but with the UK confirmed in second place.

There is little change from last year in the position of the other countries.
This picture is basically sustained if we look across shorter windows over the past 5 years on the left, and 2 years on the right.

But look at the French closing the gap in the last couple of years on the right!
And these are the top importers, with Saudi Arabia in first, and India in second place.

Greece has slipped down – to be expected spending $4 billion less over the decade compared to last year’s analysis – and Brazil has climbed following contracts signed with France last year.

Incidentally, the top 3 have added $13 billion to their combined total in the space of a year, illustrating the buoyant nature of the top end of the market.
Let's look at imports by region. You will recall this pattern from last year.

Yellow shows the UK’s market share in each region.

Against our 20% benchmark share, we need to make more impact in Asia where we are well below 10%, and in Latin America where we are hardly out of the blocks.

Our exports remain firmly skewed towards the Middle East and North America, as the next slide shows in more detail.
These were our top customers over the last ten years.

The heavy reliance on Saudi Arabia and the United States, accounting for nearly three quarters of our business is evident.

We also looked at the pattern over three shorter timeframes: the last five, three and a single year.

[slides will then appear in quick succession].
UK Defence Exports – Top Destinations 2005-09
UK Defence Exports – Top Destinations 2007-09
UK Defence Exports – Top Destinations 2009

There is little change to the overall pattern, it would seem, but look at an artist’s impression of this year ,.
This is what 2010 is looking like at the moment.

You will recall that we focussed on the opportunity of India at the last seminar.

The success of Hawk and AW101 in particular could make India a market comparable with the United Sates.

We'll confirm that when we stop counting at the end of the year.
If we exclude Saudi Arabia and the United States there is a more even spread of markets, albeit with smaller values.

India is established as our third largest market over this period. And this year’s figures for India will show exports for one year almost equalling our achievement over the past decade.

This also shows that we are winning business in Europe, but it is small compared to the level achieved by the United States.
This shows customers for UK Security exports.

The United States is our most important market with nearly a quarter of all exports.

BRIC countries - Brazil, Russia, India and China - are also important, as is Western Europe.

This slide clearly shows the less concentrated nature of the security market.
Competitor Activity in South America

- **HIGH-LEVEL POLITICAL SUPPORT**
- **G2G & CO-OPERATION AGREEMENTS**
- **ENERGY DIPLOMACY**
- **SPECIAL FINANCIAL ARRANGEMENTS**

I’ll just focus on Latin America to examine some of the tactics used by competitors.

High-level political support. Italy's Prime Minister Berlusconi in Panama supported Finmeccanica and has also pushed hard in Brazil. President Sarkozy supported the French successful bid in Brazil for helicopters and submarines, and President Medvedev supported Russian business in Peru.

G2G activity is more prevalent. State-negotiated deals can comprise “package solutions” such as France’s helicopter and submarine offering to Brazil. And in September this year, South Korea signed a defence science and technology co-operation accord with Columbia.

Selling “arms for energy” is becoming increasingly important for China and Russia. China sees Ecuador as a strategic energy ally – now jointly developing oil fields in the Amazon, with Ecuador the defence customer, buying Chinese aircraft and radars.

Innovative financial arrangements include debt write-off, flexible pricing and export credit arrangements. In April this year, Russia agreed to lend Bolivia $100 million to buy helicopters.
These are DSO's current priority markets.

We shall be reviewing these in the new year, consulting some of you via the Defence Advisory Group to make sure that industry and government are joined up in their thinking.

Those at last year’s symposium may note that Greece has dropped off the list because of its high level of debt.

Of course, this is just a rough guide for prioritising effort and resources. It does not imply that we will not be active across many more markets; either for one-off opportunities, or to position for the future. One question to pose in the context of the CSR and SDSR outcomes is to explore whether we should broaden effort, deepen it, or both: with less resource!
Now let’s turn to future prospects. The regional values shown here are aggregations of potential export market opportunities for the UK, identified in our 2010 Business Plan. It’s a snapshot of what we are pursuing with industry. In total, it’s nearly £55 billion of potential business - £1.3 billion more than last year.

Our leading prospects – Asia-Pacific, Middle East and North America – are relatively closely grouped in terms of value.

Despite the developed nature of this market, we have significant potential business in Europe.

Africa is currently dominated by opportunities in the North of the continent, while our activities in Latin America could lead to greater business going forward.
This chart breaks down those prospects into major sectors.

Unsurprisingly aircraft, helicopters and related equipment form the largest single category of equipment we are campaigning for in the Asia-Pacific, North American and European markets.

The Maritime sector is showing signs of growth, underpinned in part by our efforts to market the Global Combat Ship. It accounts for close to 25% of prospects by value, contrasting with that historic achievement of only 8% I mentioned earlier.

C4 is strongest in the Middle East and Asia-pacific, while the Land sector is particularly significant in Asia-Pacific and Europe. We hope that FRES and LPPV can play their part here.

Security sector prospects feature strongly in the Middle East, reflecting major programmes. This looks a bit distorted because there will be many prospects in the USA, but they are too fragmented to feature in this data.
Trends in Military & Security Capability Requirements

- **Air:** UAVs/UCAVs, Air-lift, helicopters, ISTAR, precision weapons
- **Land:** Counter-IED, force protection, missile defence, ISTAR, unmanned systems
- **Naval:** OPVs, multi-role frigates, submarines, ASW, ISTAR, unmanned systems
- **Space:** Surveillance, communications
- **Security:** Cyber security, personal protection, integrated surveillance, cargo screening, biometrics

Here, I’ve summarised the main trends we see in military and security capability requirements in the world market. We have, or will have, products to meet many of these requirements. But not all.

Across all military domains there’s an increasing demand for networked battlefield awareness, the introduction of unmanned systems and precision strike.

In the **Air domain,** the demand for combat aircraft continues, but the longer-term trend is for unmanned systems. Mobility, both fixed wing and helicopters, together with precision strike, are also significant.

In the **Land domain,** the need to meet counter-insurgency requirements is driving demand for counter-IED technologies and increased levels of force protection, including better ballistic protection for vehicles.

And the emphasis on littoral operations in the **Maritime domain** will emphasise, multi-purpose vessels. We see a significant market for a modern GCS–type ship, complemented by adaptable OPV–sized platforms.

The acquisition of submarines will support the continuing demand for ASW capabilities.

The **security sector** will see increasing demand for cyber-security, but also for equipment related to identification, surveillance and screening to protect borders.
EXPORT CHALLENGES

- Impact of SDSR/CSR
- Increase market share
- Intensifying competition
- MoD & industry to embrace exportability
- Declining product base
- Reduce dependency on two markets
- Improve after-sales support
- Exploit security opportunities
- Better marketing of “brand UK” with Government-to-Government support

In conclusion, my view of the market may be suggests some of the main challenges that together, the government and industry face in the future.

Here is a selection of issues.

I now hand over the Richard to explore these challenges, and our possible responses.