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**THE DEVELOPMENT OF THE ROMANIAN DEFENSE
INDUSTRY FOLLOWING THE WALES SUMMIT- CASE
STUDY- IAR BRASOV**

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Abstract:

The Wales Summit has meant a leap forward for Defense Budgets in Member States. In accordance to decisions taken during the Summit member countries will allocate two percent from their GDP in order to increase Defense Expenditures in military acquisitions, building capabilities, being part of different military exercises with fellow NATO member states.

These decisions mean a possible development of the defense industry of member states. It is the purpose of this paper to follow an example of the Romanian Defense Industry, namely IAR Brasov who has been developing military helicopters for almost 100 years. It is the aim of this paper to analyse how Romania's membership in NATO has impacted the economic evolution of IAR.

Key words: economic growth, defense industry, military capabilities, economic impact

1.Introduction

allocate 2% of their GDP to the national defense budget [1], the defense industry in countries like Romania is in a rebuilding process. One of the most successful companies to have been developed in the defense industry is IAR in Brasov, a city in Transylvania, Romania.

IAR S.A. Brasov is a leading Romanian aerospace company with a proud history of aircraft production stretching back beyond 1952 to the early days of aviation. IAR S.A. Braşov is a MRO specialized unit for Puma and Alouette III helicopters IAR S.A. owns full capacities, experience and certifications to develop and manufacture aeronautical products. IAR SA is an open company, being listed on Bucharest Stock Exchange under the symbol:”iarv”. [2]

The current military equipment upgraded at the IAR factors is as follows:

- Puma CSH – Combat Support Helicopter
- Puma for Military Multi-role missions
- Puma MEDEVAC
- Puma SM
- Puma for ASW, ASuW & SAR missions
- Puma in VVIP and VIP configurations
- Flight Simulators Puma, Mi 8 / 17 / 24, Alpha Jet
- C-130 upgrade

So besides the Puma helicopters, IAR also upgrades the C-130 Hercules, a military transport aircraft, part of one of the DoD capabilities.

In the landscape of the regional economical area surrounding Brasov, Iar will take the following 3 vital roles:

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1. Developing and upgrading the Romanian Helicopter Industry using the capacities and the experience available at IAR S.A. Brasov.
2. Increasing Airbus Helicopter Group profitability and competitiveness in the world market for helicopter overhauls, repairs and upgrading.
3. Creating at Brasov a major industrial pole within the Airbus Helicopters Group.

2. The impact of IAR on the local economic growth

In terms of the importance of the Romanian Defense Industry, IAR has had a key role over the years. The company has recently signed a partnership with Airbus Helicopters, for ten year, Brasov being the place where the new multirole H215M helicopters are to be developed. In this agreement IAR will act as the main contacting unit in terms of negotiating all sell of helicopters to the Romanian DoD. This agreement also establishes a collaboration between Airbus and IAR in terms of production, assembly, support activities and maintenance for the H215M that will be destined for the Romanian Armed forces, as well as any helicopters destined for potential exports.

The role of this agreement can have an important key role in the development of the local economy in Brasov. IAR has stopped production several years ago, so the partnership with Airbus can mean restarting production and increasing economic growth in the area, in terms of unemployment rate, to take just one example into consideration. The role of the Romanian DoD is vital in this process as the Romanian Army will have specific requirements for its helicopters that only IAR will be able to handle when production begins. [3]

The first 16 helicopters that will be produced in Brasov are designated to the Romanian Army which is in the process of replacing the current fleet of Puma helicopters that have served the Romanian Army for several decades but are close to becoming obsolete.

The aim of this paper is to analyse the impact that developing the defense industry brings in the total economic output of Romania. The production of the helicopters in Brasov, in the IAR factories would mean the development of several other annex production factories or companies. Such is the case of the Turbomecanica factory that would produce the engines for the helicopters as well as other mechanical parts. Aerostar in Bacau, another city in Romania, would produce the landing gear. IAR will also work together with other companies situated in the same industrial area in the Brasov suburban area (figure 1) Aerofina would work on the avionics and Aerotech would be in charge of the hydraulic equipment that would be installed on the helicopters. Because of these one of the key roles of IAR, to become a major economical pillar in Brasov's economic development would be achieved. Production in these companies would mean that the economic development for the local areas were the factories operate would increase because of the defense industry. Estimated productions by Airbus is somewhere between 15 and 20 helicopters per year, depending also on the requirements that the Romanian DoD demands.

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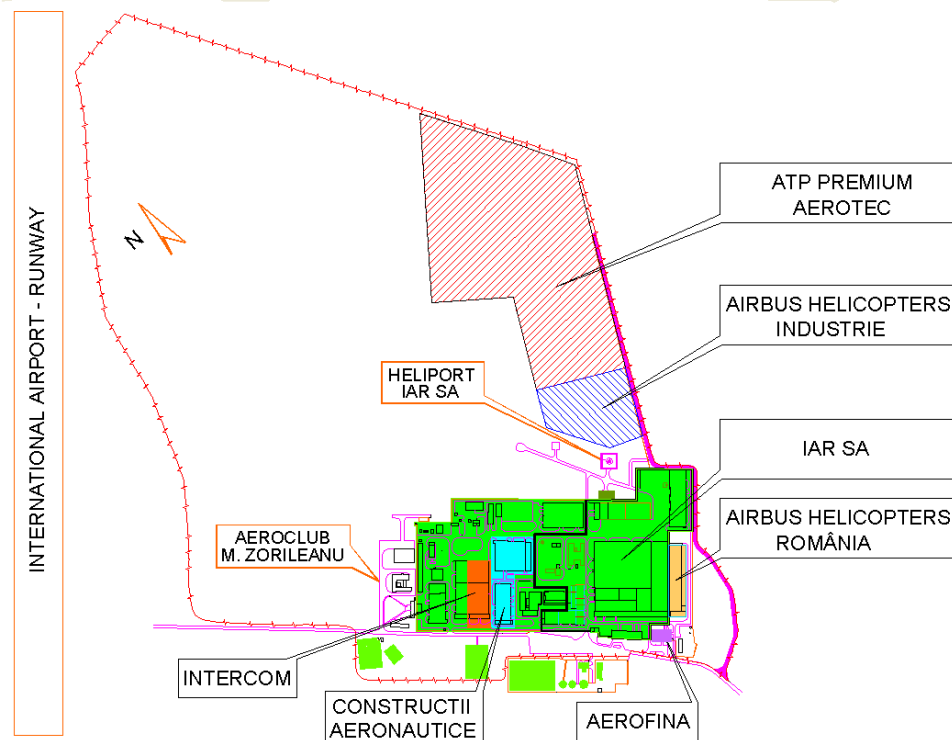


Fig. 1

In terms of reducing unemployment rate in Brasov it should be noted that at this moment IAR has 348 personnel working in the company, but the problem of enlarging staff has been addressed. [4] For this reason IAR will work together with Transylvania Technical College to undergo an education program so as to specialize workforce needed in the defense industry.

3. Further Development of IAR in terms of Romania's Defense Capabilities

Because of IAR's structure in which Airbus owns just part of the factory (**figure 2**) the company can develop other projects as well.

Romania's defense capabilities can include the necessity for both transport and multirole helicopters like the H215M is, but also attack anti-tank helicopters.

It is for this reason that IAR is considering another partnership for the development of attack-helicopters capabilities. [5]

After negotiating on the defense market, IAR has identified the possibility of collaborating with Bell Helicopters and has signed a memorandum for this reason. The protocol considers the idea of IAR building in Brasov the Bell AH17 Viper attack helicopters, if the Romanian Army programs of acquisition will consider that developing an attack-helicopter capability is to be founded.

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AIRBUS HELICOPTER ROMANIA

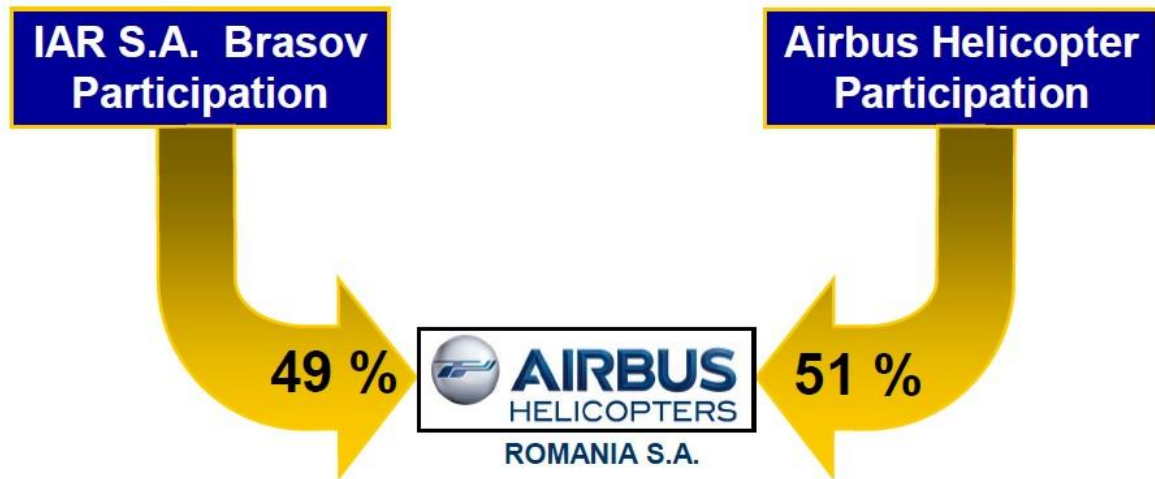


Fig.2

4. Conclusion

IAR can be an example of how to manage Romania's National Defense Industry in the context of NATO requirements of increasing the GSP to 2%. IAR can also be a starting point when taking into consideration the implementation of the CSDP, the European Union Common Defense Policy, which requires defense industry from inside the EU to work together. [6] The collaboration between the French Defense Industry and Romanian Defense Industry has been a beneficial one for economic growth in both countries. As presented in the paper, the introduction of Airbus in Romania has helped other annex companies that work in the field of defense to expand their development in Brasov industrial area as well.

In order for IAR and other similar companies in the Defense Industry to prosper, the Romanian DoD must continue to develop procurement programs, develop its military capabilities in order to collaborate with different companies in the defense area. If this will happen the Defense Industry in Romania will have its role in the economic development of the country.

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