The Pakistani Defense Industry - Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017

Description:
This report is the result of extensive market and company research covering the Pakistani defense industry, and provides detailed analysis of both historic and forecast defense industry values including key growth stimulators, analysis of the leading companies in the industry, and key news.

Why was the report written?

The Pakistani Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 offers the reader an insight into the market opportunities and entry strategies adopted by foreign original equipment manufacturers (OEMs) to gain market share in the Pakistani defense industry.

What is the current market landscape and what is changing?

Pakistan's domestic defense industry is able to fulfill the majority of the national requirements for low and mid-market technology defense systems, but is largely unable to supply technologically advanced defense systems. As a result, Pakistan was the third-largest importer of arms during 2007-2011, behind India and South Korea. The country has strong relations with both the US and China, and these nations cater to the majority of Pakistan's defense requirements. China was the major arms supplier to Pakistan during 2007-2011 as well as in 2012. Pakistan also imports diesel engines for submarines from Germany, early warning systems from Russia, and air propulsion systems for submarines from Sweden.

What are the key drivers behind recent market changes?

The annual increases in the Pakistani defense budget are largely due to the country's long-standing territorial dispute with neighboring India and the internal instability caused by radical terrorist groups. Furthermore, the country receives substantial military aid from the US for its participation in the 'war on terror', which is used to procure advanced fighter jets and missile systems. Furthermore, the country develops, manufactures and exports a wide variety of military equipment such as unmanned aerial vehicles (UAVs), modern fighter jets, battle tanks, armored vehicles, frigates, submarines, high tech firearms and personal grenade launchers. Therefore, over the forecast period, opportunities are expected to exist in the development and export of this military equipment.

What makes this report unique and essential to read?

The Pakistani Defense Industry Market Opportunities and Entry Strategies, Analyses and Forecasts to 2017 provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators. It also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

Key Features and Benefits

The report provides detailed analysis of the current industry size and growth expectations from 2013 to 2017, including highlights of key growth stimulators, and also benchmarks the industry against key global markets and provides a detailed understanding of emerging opportunities in specific areas.

The report includes trend analysis of imports and exports, together with their implications and impact on the Pakistani defense industry.

The report covers five forces analysis to identify various power centers in the industry and how these are expected to develop in the future.

The report allows readers to identify possible ways to enter the market, together with detailed descriptions of how existing companies have entered the market, including key contracts, alliances, and strategic initiatives.
The report helps the reader to understand the competitive landscape of the defense industry in Pakistan. It provides an overview of key defense companies, both domestic and foreign, together with insights such as key alliances, strategic initiatives, and a brief financial analysis.

Key Market Issues

Due to the lack of a structured defense budgeting policy until 2008, the Pakistani defense industry has experienced widespread corruption in the use of allocated funds. Although defense procurements are supposed to be made through competitive bidding, this rule is not strictly enforced, which leads to a lack of transparency in the awarding of defense deals. Furthermore, while efforts have been made to streamline the defense budget, Pakistan does not disclose the portion of US military aid assigned for expenses.

Pakistan often aligns its defense procurement strategy with that of India, with which it is in territorial dispute, so that its armed forces will be equal in the event of an armed conflict. As a result, Pakistan continues to increase its defense budget despite its relatively small economy. However, Pakistan’s dispute with India has begun to effect its relations with other supplying counties. The US is currently reviewing its arms supplies to Pakistan on the grounds that the country is amassing the systems to use in conflict with India.

Pakistan established the Defense Export Promotion Organization (DEPO) in early 2000 to facilitate customer inquiries and coordinate the export of high quality, ISO certified defense products and services, including Al-Khalid battle tanks, KL-8 basic and advanced trainer aircraft, surface-to-air and anti-tank missile systems, sophisticated surface and subsurface naval craft, air delivered munitions, small arms, and a large range of ammunition and explosives. The country has also announced investment in R&D organizations in order to update its defense production capabilities to satisfy the changing requirements of its customers.

Key Highlights

During the review period, the total defense expenditure of Pakistan increased at a CAGR of XX% to value US$XX billion in 2012, excluding US$XX billion of US military aid. As a result, the country was the world’s third-largest importer of arms during 2007-2011 as per Stockholm International Peace Research Institute (SIPRI). Furthermore, defense expenditure is expected to record a CAGR of XX% over the forecast period, to value US$8.9 billion by 2017.

Foreign firms have primarily entered the Pakistani defense industry through government-to-government deals. Foreign OEMs such as Lockheed Martin, Raytheon, and Boeing have entered the market through the supply of F-16 fighter jets and missile systems for US-Pakistani contracts. The increased availability of qualified and experienced defense engineers has contributed to a growth in domestic ship building, through Karachi Ship Building, and aircraft building, through Pakistan Aeronautical Corporation (PAC). By constructing submarines in Karachi Shipyard and Engineering Works (KSEW), the German company Howaldtswerke-Deutsche Werft supplies the Pakistani Navy with naval defense systems, and the Chinese Chengdu Aircraft Corporation formed a technology transfer agreement with Pakistan in order to develop the JF-17 fighter jet at the PAC.

Under the heading of public order and safety, an amount of US$XX million was provided in the budget for 2012-13 compared with US$XX million in the previous budget. A major chunk of XX% was allocated for police in the 2012-13 budget. While XX% of the budget was earmarked for law courts, XX% was allocated to administration, and the remaining share was earmarked for fire protection, prison administration, and research and development. In 2010 there was a huge increase of XX% in the public order and safety budget, mainly driven by an increase in the police budget.

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