

## INTERVIEW (November 2005)

**"The Greek defense industry", an exclusive interview with Constantine Koutsos, Managing Director of MILTECH featured in Universal News**

*Universal News: To begin with, can you please present Miltech to the readers of US News & World Report?*

**Mr. Koutsos:** Miltech Hellas is a Hellenic private Company, specialized in areas where intelligence, engineering and security are needed. 100% of Miltech's development and production work is for the defence sector. Most of the people I hire are engineers and high skilled technicians. These people have been trained abroad as our contracts to this day are with European and American defence companies. As a result, we have to follow specific instructions and guidelines to meet high-level performance. Currently, we are producing the chaff and flare dispensers for the F-16 under the BAE Contract, GPS Systems with Rockwell Collins, Electronics for Aircraft Radars with THALES, electronic parts of Missiles and all harnesses of NH-90 Helicopters for EUROCOPTER.

*Universal News: How big a part of your contracts, in terms of turnover are going to the United States, to the Greek government and to the rest of Europe?*

**Mr. Koutsos:** Approximately 40% goes to the Greek government, 20% to the United States and 40% to European and other countries.

*Universal News: You are not one of the biggest companies in Greece but still you have managed to get access to and to cooperate with some of the leading companies in the world. How have you managed to do this?*

**Mr. Koutsos:** The Defence sector is a very demanding and difficult market. The main reason is the security and technology levels involved. Although Miltech is a small – medium size company, from the very beginning it has managed to penetrate this market by exhibiting its specific skills and performance. Most of our personnel are graduated from American and European Universities. This means that all my people have the necessary scientific qualification and have certainly the ability to communicate within different cultures. Another important factor is that Miltech is following a very strict quality assurance program with continuous training of its personnel. Our performance from the very first Contract was very successful and we managed to deliver results on time and according to the specifications required. Due to our size, we are also a very flexible and cost-effective company, which is appreciated by our major partners. After all, it is well known that the major international defence companies use a large number of specialized Out Sourcing Companies and this is where we fit.

*Universal News: Do you sell on order? Do companies getting in contact with you telling you what the problem is? Do you come up with a solution and then sell it to them?*

**Mr. Koutsos:** There are four ways that Miltech is doing business. The first concerns co-production programs with International companies for defence systems that the Hellenic Ministry of Defence is purchasing from abroad. Miltech takes advantage of the Hellenic Defence Contract Regulations where any foreign company that wishes to sell to the Hellenic MOD is requested to provide a certain percentage of work to a local company (Local Edit Value Requirement). The second way is that Miltech contacts directly the major International companies and provides development works for high-tech programs. We also participate in a number of Development Programs financed by the European Commission. Finally, we sell our products through internet.

*Universal News: This is a typical model and you see that people have to go through you into the Greek market.*

**Mr. Koutsos:** Concerning the Hellenic Defence Market, it is obvious that any foreign company trying to sell to the MOD will have a great advantage if a local company is involved as a co-producer. Miltech takes advantage of this situation and participates as a local partner in most of the defence procurement programs. Miltech provides co-production facilities, engineering services as well as after sales support, which is a customer requirement. Through these co-operations, we absorb technologies and we have created a R&D division, which has developed a number of products totally financed by Miltech.

**Universal News:** *This is something that the Minister would like to see have a stronger focus.*

**Mr. Koutsos:** We are pushing and trying very hard to persuade the Ministry of Finance and the Ministry of Defence that a co-production with a foreign company is something very beneficial for the local economy but once the program has ended, this has a detrimental impact on the local company. The only way to survive is to develop new products like other small countries such as Israel. This country has developed technology because the government made a strategic decision to 'develop instead of buying'. Of course similar decisions are taken by most of European countries except Greece. We hope to change this attitude since defence equipments are very expensive to develop by private investment. Small companies such as Miltech cannot afford to spend this kind of money for development so we definitely need support from the Ministry of Defence.

**Universal News:** *You stated that you export your products to Australia and other countries so you are already reaching out to a sophisticated market. Will these products be used for training?*

**Mr. Koutsos:** All our export products are fully NATO Qualified and used in the field by military personnel. We believe that we are very reliable since we had no claim so far and of course our products are very cost effective.

**Universal News:** *Mr. Konstantinos Tsikos states that the Greek defence industry has the opportunity and the capability to increase its participation in the domestic arms market but it still lags behind in terms of competitiveness and R & D basis to attract foreign markets.*

**Mr. Koutsos:** Yes but this is a very small percentage. As I mentioned before, the major problem in Greece is the lack of financing and development. It seems that nobody wants to understand the major issue. Defence equipment is very expensive and usually the price of the defence system is its weight in gold. On the one hand, there are products, which are extremely difficult to develop and require huge amount of money and many years of experience. For example, we could never develop a missile or an aircraft or a tank in Greece. On the other hand, there are hundreds of smaller products where we can be competitive, because we don't need huge amounts of money in investment, for example to develop a smart system to be used by military personnel. In Greece, to this day we have not financed development projects because we never think ahead.

**Universal News:** *How should the government go about this? What is the solution to this problem? The Ministry of Finance and the government in general are working to reduce the deficit in order to fit into the European standards and they are looking into privatizations*

**Mr. Koutsos:** First of all, the government must decide to privatize all defense companies. There is no future for government owned companies because we live in a free market and I don't think that government institutions can ever be successful. These companies should be privatized immediately and government participation must be limited to 30%. Today, Greece is in a very awkward position in terms of financing development projects because the Minister of Economy wants to reduce the governments' budget deficit. However, without local investment and development, there is no future for the Hellenic Defence Industry. Unfortunately, both the Minister of Finance and the Minister of Defence do not share this vision and for this reason I am very pessimistic and disappointed.

**Universal News:** *Do you still have business in the civilian market?*

**Mr. Koutsos:** Teletel, our affiliated company, started doing business before merging with our company. Five years ago, Teletel used to develop very high tech products for Motorola, Alcatel and Siemens. Today, most of Teletel's engineers develop military products. By joining our forces, we managed to use this experience for the development of defence products.

**Universal News:** *Looking at the market in general we spoke about transparency in the defence sector, about bureaucracy, about how easy it is to do business in the Greek defence sector and of course it has been criticized. From you point of view how would you analysis the situation?*

**Mr. Koutsos:** Of course, doing business with the government is not a easy especially in the military sector, which is very bureaucratic. I believe that with Mr. Zorbas in the position of the General Secretary it is rather impossible to conduct business outside a legal framework. He is absolutely adamant about this. I believe he is doing the right thing and he is the right person for this position. Although formerly he served as a Judge, he is more technocratic than many military people. He understands technical, development and financial

issues more than anyone. I believe that today there is total transparency in the Greek Defence sector.

***Universal News:** How your partners from the United States perceive the Greek governments industry and the defence industry? Do they see that things are changing or did they never ever have the bad perception of the sector?*

**Mr. Koutsos:** The American and European companies are very well aware of the Hellenic Defence Industry capabilities. In all major contracts with the Hellenic MOD, they provide some co-production work but this is generally limited to low-tech work content for each project. This is because, on one hand, they are obliged to provide this work to the Greek Industry but, on the other hand, the Greek Industry cannot absorb high-tech work and as a result, we are limited to manufacture peripheral items. However, there has been a number of very successful co-production programs between small Hellenic companies and foreign large companies but this was limited to specific technologies that the foreign companies allowed to be transferred to Greece. As you know, every company protects its investment by all means.

***Universal News:** As the visionary and the leader of Miltech, where do you see your company ten years from now?*

**Mr. Koutsos:** This is a very difficult question. There are two answers. As far as the first one goes, is where I would like to see Miltech and the other is what happens in reality. As far as I am concerned, I would like to see Miltech as a medium size company with the main task of developing new technology for the defence industry but the missing factor is funding. In reality, I am not very optimistic because of the attitude of people that govern this country for the last 25 years. Unless they look ahead, our business will be very difficult. We will remain a small house doing core production, taking part in big programs and sometimes here and there developing something small just to keep our name in the international market. I'm not very optimistic because I am aware of the Greek mentality. Today people are short sighted and are concerned more with today's issues rather than the future.

***Universal News:** The Olympic Games was one of the biggest successes and many people worked together to get this done.*

**Mr. Koutsos:** When Greek people work in an international environment, they become very successful. If the Olympic Games were to be organized only for the Greek people, they would never have been organised so successfully. Because we had the whole world watching us we had to prove ourselves. Greek people work very well under pressure and that is when they perform their best.

***Universal News:** Where did you get the motivation and the inspiration?*

**Mr. Koutsos:** I want to do things because I was educated and lived for several years abroad and I realized that in order to be successful, you need hard work and motivation. Returned in Greece in 1983, I realized that although there were a number of people with the same attitude as myself, there were no high-tech companies. That was a dream I had early on and history will tell if I will be successful or not.

***Universal News:** What has been the highlight in your career so far?*

**Mr. Koutsos:** When Miltech Hellas receives an order from the other end of the world, no matter how small this order is, it is something that makes me proud and encourages me to continue the work further and increase the number of products with a label "made in Greece by Miltech Hellas".