Being Successful in International Markets

Or......Grow your business beyond (the declining budgets of) the United States

Martin Neill
mneill@dmebusiness.com
Unique Vantage Point & Insights

- Worked in the Pentagon
- Special Advisor to Under Secretary for Acquisition, Technology and logistics
- Worked in the UK MoD for 20 years
  - 2009 – 2012 Counselor for Defence Acquisition and Technology within the UK Embassy in DC
    - Responsible for procuring from USG – Direct Commercial Sales (DCS) and Foreign Military Sales (FMS)
    - Responsible for obtaining all necessary approvals from USG for sales to non-UK customers
    - Responsible for helping UK companies sell to the USG
Show me the Opportunity!

- US federal $ are in decline
  - Deficit reduction, sequestration, draw down from Afghanistan......
- International defense and security spending continues....
  - “Poland defense budget increases over 7% since 2012”
    (The Economist, 17th August 2013)
  - “African defense spending will surpass $20 billion”
    (Defense News, 15th July 2013)
  - “Britain logs best overseas defense sales in 5 years”
    (Defense News, 24th June 2013)
  - Israel, India, Philippines, Turkey, Indonesia, UK, Brazil, Chile are all buying.....
- Foreign Military Sales doubled between FY11 and FY12

As an SME, where do I start?
Are there some helpful do’s and don’ts?
The international market

- Know your market;
  - Africa – low technology; OTS; armoured vehicles; comms
  - South America – medium/high technology; MOTS; comms; weapon systems; transport
  - Europe – high technology; MOTS; sensors; systems
  - Asia – high/low technology; OTS and MOTS; platforms; weapons; sensors
- Know the route
  - Direct Commercial Sale
    - Between you and the Customer
    - Price/terms negotiated by you
    - More work/risk = higher margins
  - Foreign Military Sale
    - Between you and the US Government
    - Price/terms negotiated by US Government
    - Less work/reduced risk = lower margins
What is FMF and FMS?

- Foreign Military Financing (FMF) provides Countries with grants or loans to purchase military equipment
  - Funds allocated by State Department (using Embassy knowledge)
  - FY12 - $6.3 Billion
- Foreign Military Sales (FMS)
  - Agreement between USG and Host Nation
  - Contract between USG and Contractor
  - Can use Host Nation Funds or FMF
  - Managed within DoD by Defense Security Cooperation Agency (DSCA)
  - Approval process involves Army Security Assistance Command, Air Force Security Assistance and Cooperation Directorate, Navy International Programs Office and State Department
  - FY12 - $63 Billion
Who are the Players?

FMS

US Embassy → State Department

FMF

Host Nation → US Embassy → State Department

DCS

Optional For DCS

Contractor

DTSA

ASAC

DCSA

AFSAC

NIPO
Where do I start?

- Consider the market you are in:
  - What is the likely demand from international Customers?
  - Existing Partners already operate in these international markets?
  - Is there a Major Defense Contractor already there?

- Which route best suits you and the Customer?
  - FMS or DCS?
  - Remember the pros and cons of each...

- Consider the expertise that you need:
  - Understanding the potential Customer
  - Understanding the Government (PEO, International Program Office, DDTC, DTSA, DSCA)
  - Negotiating FMS/DCS process, including ITAR

- Check that the margins will be sufficient to make it worthwhile
Do’s and Don’ts.....

- Do get expert advice/guidance – the earlier the better
- Do engage all the relevant USG offices early
  - They can often help from the outset
- Do leverage your existing Partners and assets
- Do use the changing US Export Controls to your advantage

- Don’t be afraid
- Don’t cut corners
- Don’t miss the opportunity to grow...when the US market is in decline
- Don’t forget to consider building/assembling in-country

- Do recognize that growth in defense/security sector only means the international market
Questions

• Martin Neill
• mneill@dmebusiness.com
• 858-900-7369