
SECURITY ASSISTANCE PERSPECTIVES

Security Assistance Organization Defense Industry Relations

by

Colonel Joseph E. Edwards, Jr., USAF

At the December 1994 Pacific Command Security Assistance Conference (PACSAC), a request was made to expand the DISAM Overseas Course to offer more coverage of the role of the overseas Security Assistance Organization (SAO) and the other members of the embassy country team in support of the international marketing efforts of American defense companies. Changes have already been made to the DISAM Overseas and CONUS course syllabi. This article offers suggestions on ways SAOs can assist such contractors--for both Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) programs.

Legislative guidance on this subject is quite explicit. Section 515(f) of the Foreign Assistance Act (FAA) of 1961, as amended states:

“The President shall continue to instruct United States diplomatic and military personnel in United States missions abroad that they should not encourage, promote, or influence the purchase by any foreign country of United States-made military equipment, unless they are specifically instructed to do so by an appropriate official of the Executive Branch.”

This statutory provision has been supplemented over the years by a series of important Executive Branch policy decisions, beginning with then President Carter’s 19 May 1977 public release of a new United States Conventional Arms Transfer (CAT) Policy [Presidential Decision (PD)-13], that announced: “the United States would henceforth view arms transfers as an *exceptional* foreign policy implement. . . .” In accordance with the President’s arms sales restraint policy, the State Department issued a message prohibiting SAO and embassy personnel throughout the world from promoting the sale of arms, and severely restricting their relationship with representatives of U.S. defense firms.

On 8 July 1981, President Reagan announced a new CAT policy which stated: “the United States therefore views the transfer of conventional arms...as...*an indispensable component* of its foreign policy. . . .” The previous restrictive guidance of the Carter Administration governing SAO/Industry relations was rescinded, and USG representatives overseas were instructed, “to provide the same courtesies and assistance to firms that have obtained licenses to market items on the United States Munitions List as they would to those marketing other American products.” State Department guidance throughout the Reagan and Bush Administrations continued to expand the relationship, and in a 10 July 1990 cable to all U.S. Ambassadors, Acting Secretary of State Eagleburger stated: “It is the policy of the United States that our diplomatic posts abroad should support the marketing of U.S. companies in the defense trade arena as in all other spheres of commercial activity.” The Eagleburger message added that, “whenever two or more U.S.

firms are in competition for a sale, it is the U.S. policy that embassy personnel support all American contenders equally.”

Finally, the issue has most recently been addressed in an 18 February 1995 Secretary of State Christopher message concerning Presidential Decision Directive (PDD)-34 on Conventional Arms Transfers. PDD-34 states that the U.S. Government will provide support for U.S. arms transfers when such transfers are approved. USG support will include the following:

“Tasking our overseas missions to support overseas marketing efforts of American companies bidding on defense contracts [as well as] actively involving senior government officials in promoting sales of particular importance to the United States. . . .”

Thus, from the Reagan Administration onward, there has been a liberalization of U.S. policy governing embassy/defense industry relations, and current policy satisfies the FAA statutory provision governing SAO support of U.S. defense sales abroad. Now, how do SAOs best accomplish this support?

Section 602 of the Security Assistance Management Manual (SAMM) (DoD 5105.38-M), provides guidance regarding SAO assistance to defense industry personnel marketing U.S.-produced defense articles and services in the host country. This article provides further detail and offers suggestions based on the author’s personal experience while serving at the Joint U.S. Military Affairs Group-Korea (JUSMAG-K) during 1992-94, and from visits to/contributions from SAOs in Singapore, India, Malaysia, Thailand, Australia, and Germany. These suggestions should help other SAO chiefs determine what type and level of support they can provide, based on their organization’s workload and manpower constraints. Also, this issue of *The DISAM Journal* includes an article contributed by a U.S. contractor (Mr. Hugh Tulloch, Asia-Pacific Regional Manager for Honeywell Military Avionics) that offers a light-hearted, but informative look into international sales from a defense industry point of view. Before we proceed, remember the SAO is in the business of creating markets for U.S. defense products. Rather, if a country asks advice in fulfilling a particular requirement, the SAO can make recommendations concerning U.S. equipment, approved for sale by the USG, that can meet those needs.

1. **Briefings.** To provide pertinent information to visiting defense contractors (and to other dignitaries as well), former JUSMAG-K Chief COL Keith Young developed a modular, command briefing presentation (using a commercially available computer graphics system) that could be easily updated and modified for a specific audience. COL Young’s briefing to defense contractors emphasized the following: JUSMAG-K organization and mission; the defense arms cooperation environment; Republic of Korea (ROK) force improvement program perspectives and spending trends; a summary of ROK purchases of U.S. military equipment; and a primer on the ROK acquisition and procurement process. The briefing also included a general discussion of various types of assistance JUSMAG-K could provide for the defense contractor, e.g., information on the ROK defense organization, government funding limitations, assistance with appointments with U.S. embassy and ROK MOD and service officials, and general advice on doing business in the Republic.

2. **Regularly Scheduled Meetings.** ODC Bonn conducts a periodic “Breakfast with Industry” at the embassy to which U.S. defense contractors are invited to meet with ODC and other embassy country team officials. This forum promotes the discussion of current issues concerning sales of defense equipment to the Federal Republic of Germany (FRG), and permits the distribution of handouts on recent FRG policy or acquisition regulation changes that have occurred. Col Karl Horn, Chief of ODC-Bonn, also schedules a senior representative from the Ministry of Defense or one of the German military services to speak at these occasions. In

Korea, JUSMAG-K holds a semiannual current affairs briefing for members of the local American Chamber of Commerce (AMCHAM) in which similar issues are discussed. These meetings allow the SAO to pass the same information to all participating U.S. defense industry representatives at one time, thereby insuring equal treatment for all, and also provides an opportunity for the SAO to hear from the industry reps regarding their concerns in dealing with the host country defense establishment. In a similar forum, the U.S. Ambassador to Malaysia chairs a weekly meeting of applicable country team members to discuss ways of assisting U.S. industry in making inroads into the Royal Malaysian defense establishment.

3. **Commercial Attaché.** Many of the SAOs visited had a close relationship with the U.S. & Foreign Commercial [Attaché] Service (US&FCS) officer assigned to their respective embassies. In addition to keeping each other (and the rest of the country team) informed of prospective ventures in-country, the Commercial Section is a valuable source for explaining the specific "do's and don'ts" of conducting business with the host country. Many Commercial Sections publish a brochure of the US&FCS services available to industry representatives, both in the U.S. and in the host country. Some of these services include: U.S. Commerce Department district offices around the U.S. who can assess a particular company's export potential; assist in organizing trade events in suitable market areas; provide access (and background) on potential foreign buyers, agents, and other business contacts; furnish leads to potential foreign sales through electronic bulletin boards; and making available a trade-oriented commercial library.

The US&FCS officers in each country can also provide a broad variety of services to U.S. businesses entering the international market, ranging from customized sales surveys, industry subsector analysis reports, local agent/distributor services, and trade opportunities programs, to distributing *Commercial News USA* (a catalog-magazine advertising U.S. companies in search of local agents, distributors, joint-venture partners, or purchasers abroad), or the *World Traders Data Report* (a listing of confidential background reports that assess the credibility and make recommendations on potential local business partners). These commercial officers can also offer their Gold Key Service, which renders a combination of many services, to include market orientation and research briefings, and help in developing market strategies for initial and follow-on ventures. In addition, the National Trade Data Bank (NTDB), released monthly on CD-ROM, is a good source of information concerning international economic and export promotions, as well as identifying international firms looking to import U.S. products. Finally, the Trade Information Center (1 800 USA-TRADE) is an excellent source of information on all available Federal export assistance programs available; this center is operated by the federal agencies responsible for international trade and export promotions. While the US&FCS charges a fee for many of their services, the insight and detailed knowledge of its personnel--especially for an initial overseas venture--can save a lot of time, effort, and money in breaking into the international market.

In addition, the Commerce Department in Washington has developed a Trade Promotion Coordination Center (TPCC) with Commerce's Bureau of Export Administration (BXA) supporting the TPCC through the Defense Trade Information Network (DTIN - (202) 482-4695 [fax - 5650]). This office specifically serves the defense and dual-use industry, as well as SAOs, to access interagency ombudsman services, government advocacy support, and identify market opportunities. SAOs can also contact this office through the Security Assistance Network (SAN) under the Commerce heading. BXA has also developed a series of *Diversification and Defense Market Assessment Guides* to assist industry in identifying the process for defense procurement in international markets and provide complete information on U.S. Embassy and foreign Ministry of Defense contacts. The SAOs were major contributors to these guides--to date a PAC-RIM and a European (to include Central Europe and Russia) guide have been published. Guides for the Middle East and the Americas will be available before year-end.

4. **Brochures.** All of the embassies visited have prepared handouts for visiting industry personnel outlining the types of assistance that SAO personnel can provide them in their marketing efforts with the host-country defense establishment. Col Tim Eastham, Defense Supply Advisor-New Delhi has compiled a comprehensive package for visiting contractors. It includes a paper with his thoughts on doing business in India; economic summaries and investment climate statements developed by the Embassy Economic Section; and Indian defense budgets. He has also prepared a checklist for briefing defense contractors (Tab A is an abridged version for use by most SAOs), and his "10 Commandments for Americans Doing Business in New Delhi." Col Mike Scott, Chief USDAO/ODC-Canberra, provides a similar brochure with a background of international defense cooperation projects in which Australia participates. Their handout also describes the Australian Defence Force acquisition process in terms of methods of procurement, types of contracts, contract administration, etc., and lists several helpful Australian organizations for U.S. companies to contact for help. The handout distributed by LTC Russ Thurber, Chief USDAO/SAO-Kuala Lumpur, lists points of contact, both in the U.S. Embassy and with the Malaysian Ministry of Defence and MILDEPs, and offers suggestions on how to do business in Malaysia. Also available from the Embassy are periodic reports of Malaysian labor and related economic trends. ODC Bonn Germany's handout gives a brief history of the ODC; describes the areas in which they can help industry officials (FMS, armaments research, research and development, and testing and evaluation programs); and gives points of contact and country clearance/visa request procedures. SAO-Singapore provides information on Singaporean culture and traditional values; overseas business services; American presence in Singapore that can assist U.S. businesses; and a pamphlet titled "The Game is Played Different in Singapore," which gives background information and points of contact for the Singapore Ministry of Defence; it also lists seven "commandments" for doing business in Singapore. In addition, the US&FCS Office's publication, "Doing Business in Singapore - 1995 Guide for U.S. Exporters," provides an excellent summary of key economic indicators, investment climate, best prospects for U.S. exports to Singapore, and a schedule of trade events to be held in-country.

5. **Practical Guidelines.** There are many ways for an SAO to interact with U.S. defense industry representatives and provide them with insight for introducing American products into a host country's defense establishment. Appendix 1 provides a briefing checklist for U.S. defense contractors in preparing for their in-country marketing visits. However, with the proposed 15.3% worldwide SAO manpower reduction programmed by FY97, SAOs may be more limited in working with industry officials in order to perform the myriad of other duties for which they are responsible.

During this period of SAO/embassy downsizing, industry officials themselves can help by working with SAO personnel in a number of ways. First, rather than simply dropping in to visit an SAO, they should schedule an advance appointment with the SAO. Several SAOs expressed frustration with getting calls from contractors with little or no prior notice. Others just showed up in the office and expected the SAO to drop everything and meet with them. Some SAOs and host nation defense ministries require a country clearance be requested at least 30 days prior to meeting with foreign industry and government representatives. It behooves the contractor to make the most of their visit by giving the SAO as much advance notice as possible concerning the nature of the visit so that the appropriate embassy and defense ministry officials can be contacted and schedules arranged. Providing applicable product licensing information up front will also help the process by saving the SAO from having to spend time determining whether the equipment has been approved for release in the host country.

Second, industry personnel should meet with all appropriate agencies in the embassy. While the SAO usually has the best information available regarding a country's defense needs, other agencies can provide needed background data covering political and economic issues to which the SAO may not be privy. Defense reps should also call on the political, economic,

US&FCS, and Defense Attaché Office, as applicable, for additional information and assistance. Also, the time to meet with U.S. embassy personnel is at the start of the process--not after a contract has been awarded and a contractor visits the embassy seeking USG assistance to try to get them to intercede with the host government.

Third, contractors should limit their expectations about the types of assistance the SAO can provide. Assistance is provided as a courtesy on a best-effort basis. The SAO is not staffed to arrange for hotel and transportation reservations—this can be handled by the company's local representative. The SAO can assist in setting up appointments, if time and resources permit, with host country defense or military service officials who are responsible for the types of products being offered. Again, the more notice given to the SAO, the better able they will be to facilitate the scheduling of appointments with the proper officials. The SAO can also attend certain meetings, if appropriate within the bounds of neutrality with other U.S. contractors, with the approval of both the contractor and the host government.

Fourth, when there is more than one U.S. competitor bidding on a program, the SAO (and the rest of the embassy country team) must support all American contenders equally, acting in a strictly impartial manner. Companies should not expect more services than those provided to another U.S. competitor.

One note of caution--if after talking to the various country team members at the embassy a contractor chooses to ignore the advice provided, they should not expect the embassy to be able to later help them overturn an adverse contract award decision because of a failure to follow the guidance given. As all of the visited SAOs indicated, U.S. allies and friendly countries have grown more and more sophisticated in determining their defense requirements, and they resent a company providing a bid on what that company thinks the country needs. A suggestion made more than once was that if a company had another proposal for fulfilling the requirement, they should submit two bids--one for what was requested in the tender, and the second for the company's alternative method for accomplishing the requirement.

This article has addressed many of the questions concerning the ways in which the SAO and U.S. defense industry contractors can work together to advance the sale of U.S. weapon systems and equipment that meet the host country's defense requirements and U.S. foreign policy objectives. For additional information, in addition to the previously mentioned Section 602 of the SAMM, we recommend the following: Attachment 4, "SAO-Industry Security Assistance Relations" of Chapter 5 of the DISAM text, *The Management of Security Assistance (15th Edition)*, which contains a series of USG messages and directives on this subject dating back to 1981; and the Spring 1995 issue of *The DISAM Journal* (pp. 35-43) which highlights the recently announced Clinton Administration's "Conventional Arms Transfer Policy."

ABOUT THE AUTHOR

Colonel Joseph E. Edwards, Jr., USAF, is the Commandant of the Defense Institute of Security Assistance Management (DISAM). He is a master navigator with over 2,500 flying hours in KC-135 and F-4 aircraft. Prior to arriving at DISAM in August 1994, he served as the Director of Air Force Programs, HQ Joint United States Military Affairs Group-Korea (JUSMAG-K) from July 1992 to July 1994. He also served in HQ USAF/PRI and SAF/IA from 1988 to 1992 as the Thailand, Australia, and New Zealand Country Manager; and as Chief of the Weapons Branch.

Appendix 1

BRIEFING CHECKLIST FOR U.S. DEFENSE CORPORATIONS

1. Provide a business card.
2. Role of SAO versus Defense Attaché. (Can also discuss other embassy agencies that can provide assistance.)
3. USG normally has no preference on FMS or Direct Commercial Sale (DCS).
4. What equipment are you interested in selling?
5. Do you have an export advisory or export license (and what for--to discuss or sell equipment)?
6. Overview of host country military picture.
 - a. Service organization
 - b. Known current/future requirements
 - c. International order / U.S. relations with neighboring allies (regional balance)
7. Host country procurement strategy.
 - a. MOD organization and key decision makers
 - b. Defense budget
 - c. MOD procurement system (preferences for FMS vs DCS)
 - d. Economic trends and investment climate
8. Do you have an agent? (advantages / disadvantages) Country policy.
9. Do you need a list of consultants registered with the Dept. of Commerce (US&FCS can provide)?
10. Treaties/Agreements that may hinder U.S. entry into the local market
 - a. Non-proliferation Treaty
 - b. Missile Technology Control Regime
 - c. General Agreement on Transfer of Military Technology
 - d. Intellectual Property Rights
11. Have you considered offsets, co-production, counter-trade? Discuss other "ways to do business."
12. Do you need to see other embassy agencies (US&FCS, Economic, Political, DAO, Ambassador)? (Provide phone numbers or call for them.)
13. POCs in host country defense establishment (provide numbers or make appointment for them).
14. Request debrief after meetings with host country.