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# Challenges and Opportunities for U.S. Defense Companies in South Asia

By

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I am here today to provide the viewpoint of an American businessman actively involved in defense procurement. Although I work for Lockheed Martin and serve on the Board of the American Chamber of Commerce here in Singapore, my views and comments are my own. With those caveats out of the way, I will proceed with what I see as the *Challenges and Opportunities for U.S. Defense Companies in South Asia*.

My overall view is one of optimism. For the most part, South Asia and particularly the ASEAN Region have weathered the economic storm, which began in 1997. Major defense modernization programs and procurements to support them, which were put on hold, are again underway. Some nations in the region, particularly Indonesia, continue to face significant challenges but they are the exception.

The military modernization in Asia is driven by the similar factors, which have been underway in the U.S. and Europe. Military forces are faced with continued and some times increasing commitments, which recently also coincided with declining budgets. The result is a desire to modernize with new equipment, which is more reliable, maintainable and requires less manpower to operate. I do not subscribe to the argument that we are seeing a blossoming arms race in the region. I believe that our customers are trying to face national security challenges with modern cost-effective solutions. The only way you can do "more with less" is by working smarter and going for reliable high technology solutions.

The United States defense industry continues to demonstrate the quality and price competitiveness of our products. On a truly level playing field, we win a vast majority of the time. Our desire is that we be allowed to compete in a fair and open market.

Factors, which affect our ability to fairly compete, are basically in three areas:

- Corruption and bribery.
- A lack of visibility as to customer requirements.
- U.S. government-imposed obstacles.

First, corruption continues to exist although to a much lesser degree than in the past. All of us, both industry and government alike, need to push for its total elimination. Internationally accepted rules need to be established that punish not reward companies that pay bribes.

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Additionally, some supplier countries need to end the practice which allows bribes to be considered a tax-deductible business expense. The key to solving this is concerted international action.

Second, U.S. industry has developed practices that grew from supporting our U.S. government customer. We are in tune with open and systematic procurement systems. As a result, we are much more successful when we have a formal RFI/RFP system. We are also more successful in gaining early U.S. government support for systematic procurements. Our paradigm is often in conflict with the sensitivity of defense procurements in the region.

One of the major reasons that U.S. companies employ agents and consultants is to help us gain a clearer understanding of both the nature and timing of your defense programs. If you are as opposed to agents, as you often indicate, helping us understand your requirements directly mitigates the need for agents.

I fully understand the customer's need to keep their defense planning confidential. I suggest that we, both industry and U.S. government, have the means to protect that information. The more completely we can work with both customers and the U.S. government, the more likely we are to be able to develop cost effective solutions. The earlier we are involved in defining and refining your requirements, the better able we are to provide cost-effective high technology solutions that meet those requirements.

A third major area, which impacts our ability to compete are the U.S. government controls placed on export of defense articles by U.S. companies. This is a reality which will not go away. Our major challenge has been the time it takes to gain export license approval, which often makes U.S. industry appear unresponsive to our customers.

A recent change to the U.S. government *International Traffic in Arms Regulations* should go a long way in solving the problem. The change significantly relaxes the rules for NATO countries, for Australia and for Japan. The benefit to our other customers is that the system will now be able to deal with a much smaller number of applications. We hope for, and expect a major improvement in both industry and U.S. government responsiveness.

The defense industry, through our trade associations, has consistently opposed one element of U.S. export policy unilateral sanctions. We do not think they are effective other than to cost U.S. industry business. Internationally supported sanctions can put the truly bad actors in the penalty box. Independent action by the U.S. government just does not work.

My bottom line message to our international customers today is that U.S. industry can provide cost-effective, technically superior solutions to meet your modernization requirements. We will work to gain U.S. government approval for sales to meet those requirements but we are better able to gain that approval when we have a more complete picture of what you need. The earlier we understand those requirements, the better.

My message to the U.S. government participants is that industry understands the rules and we work within them. But we will continue to press to find better ways to make the system work. The recent changes to the *International Traffic in Arms Regulations* and organizational changes within the Department of Defense system are great steps forward.

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## About the Author

Bob Hammond is the Vice President - South Asia of Lockheed Martin Global, Inc. He has supervision responsibilities for all Lockheed Martin corporate activities in ASEAN and India. He has direct business development responsibilities for all Lockheed Martin product lines for Singapore, Brunei and Thailand.

He completed a thirty-year career as a Colonel in the United States Air Force (USAF). His last posting, from 1993 - 1996 was as the Senior USAF Commander in Singapore and as the United States Commander-in-Chief Pacific Command Representative, Singapore (USCINCPACREP, Singapore).

From 1989 to 1993, Bob Hammond served at the Headquarters, Pacific Air Forces (PACAF), first as Director of Command and Control and then as Assistant Deputy Chief of Staff, Operations. From 1987-1989, he commanded the 5th Tactical Air Control Group in Korea. In that position, he managed the Korean Tactical Air Control System (TACS) and directed all TACS units in PACAF.

He was a Command Pilot with over 3,900 hours in fighter attack and forward air control aircraft including 788 combat hours. In the USAF, he commanded flying units at flight, squadron and group levels. He was an Exchange Instructor Pilot with the Royal Thai Air Force and was awarded Thai Air Force Pilot Wings.

Bob Hammond is a graduate of USAF Pilot Training, Thai Language School, Squadron Officers School, Air Command and Staff College and is a 1987 graduate of the U.S. Army War College.

Mr. Hammond completed a Bachelors Degree in economics from the State University of New York at Buffalo. He earned a Master of Arts with distinction in national security affairs from the United States Naval Post Graduate School.