



ALESA INDUSTRY BRIEFING

Defense MOU Attaché Group Orientation

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RAYTHEON INTERNATIONAL INC.**



ALESA

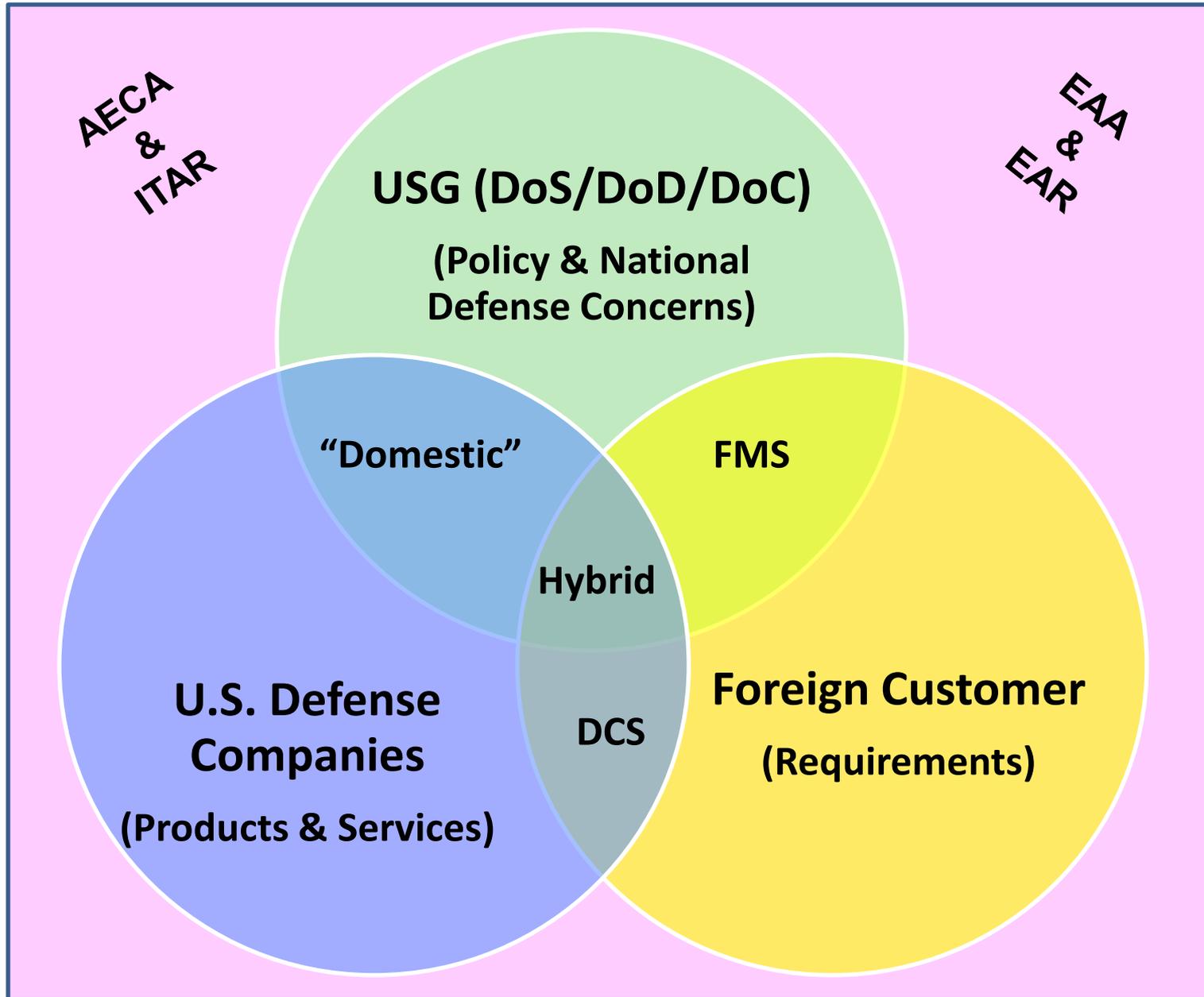
<http://www.alesa.org/>

- American League for Exports and Security Assistance (ALESA)
- Key defense industry advocate for over 35 years
 - Open to all U.S. firms; membership includes major U.S. defense firms
 - Has excellent relationships with DoD, DoS, and Congressional staffs working export control issues
- Works closely with National Defense Industrial Association (NDIA), Aerospace Industries Association (AIA), and other defense industry groups

Overview

- **Principle of Defense Exports**
- **Relationships and Teaming**
- **Common Interests / Challenges**
- **Ethics and Compliance**
- **Take Away**

Understanding Relationships



FMS or DCS or Hybrid?

- Situational dependent
- Considerations;
 - U.S. national security policy concerns
 - Releasability & technology transfer
 - Support for COCOM requirements
 - Interoperability with allies & coalition partners
 - Availability, production & delivery schedules
 - Risk
 - Cost and financing (source of funds)
- Customer's requirements, needs and desires

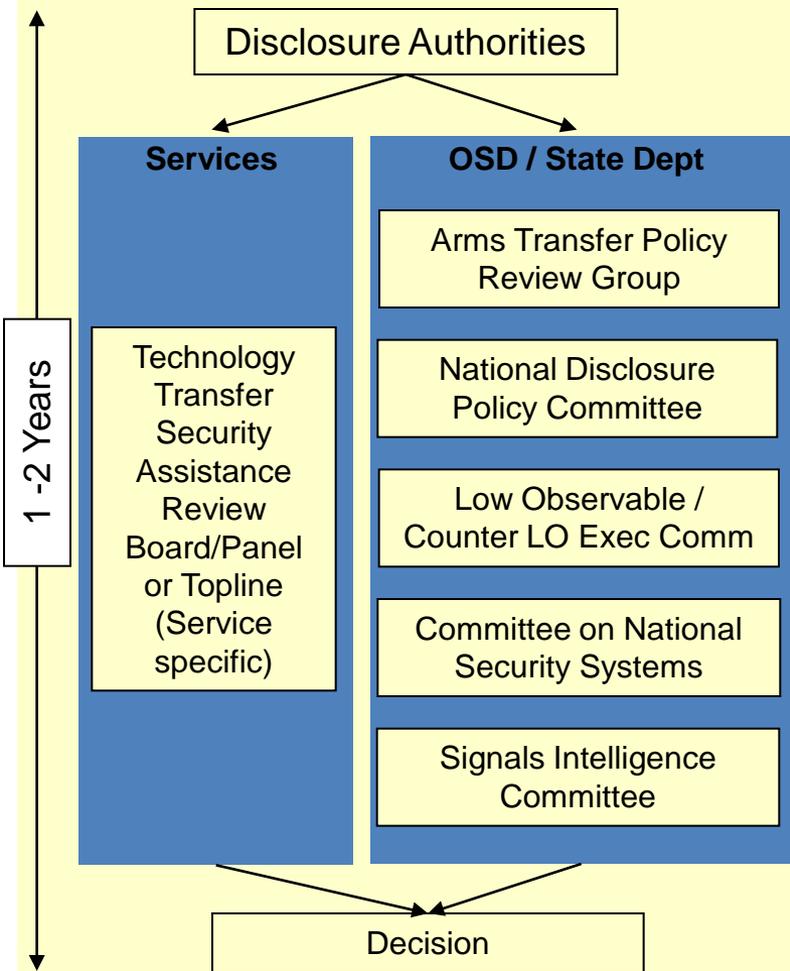
Industry is ready to chosen either modality of sale

Considering the Customer

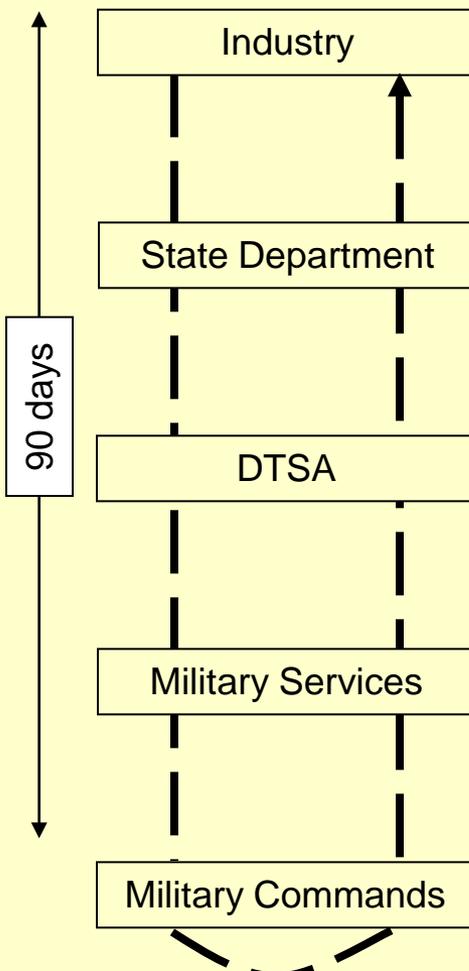
- Both the FMS system and DCS sales can oversell & upsell.
- Both FMS and DCS are losing sales to the foreign 90% solution.
- Many foreign customers do not need, cannot absorb or effectively use the full up systems that the U.S. offers.
- Life-cycle maintenance and logistics support requirements may determine if FMS, DCS or foreign alternative is preferred.
- FMS and DCS result in different cost estimates. Coordination is necessary to avoid customer confusion or displeasure.
- Interoperability is a key factor favoring U.S. products, but USG architecture certification, EUM, retransfer restrictions, ITAR sometimes offends allies.

Disclosure, licensing and notifications are challenging, time consuming and *mandatory*

Disclosure Process



Export Licensing



Congressional Reporting

Javits' Report:

- Submitted to Congress 1 Feb
- Lists eligible FMS/DCS sales, identifies most likely
- Two part classified report; FMS and DCS

Congressional Notification:

- FMS notification is 36(b), DCS notification is 36(c)
- Different \$\$ thresholds
 - Congressional review periods
 - NATO/Japan/Australia/NZ/Israel/South Korea 15 days
 - Other countries 30 days (with 20 days informal advance notification)
- Congress can adopt joint resolution to objecting to sale

Country Team

- Ambassadors and Country Teams are charged with supporting U.S. commercial and defense exports
 - Timely Country Team Assessments (CTA) after receipt of an LOR are critical to success
- The “Office of Defense Cooperation” plays a critical role in supporting FMS and DCS sales:
 - Promoting U.S. products & solutions vice foreign competitors
 - Monitoring local procurement process & USG Advocacy Program
 - Foreign competitor analysis & monitoring improper activities
 - Leveling the playing field for U.S. industry
- The Commercial side of the Embassy is playing an increasing role to the defense sector support.
- Industry welcomes every opportunity to meet with Embassy Officials on our programs and sales campaigns

COCOM and CT Assessment Key to Defense Sales

To Remain Relevant, We Must...

- Collaborate and cooperate
- Realize foreign customers now have alternatives
- Be realistic with the customers; understand their culture
- Understand the customers' requirements
- Understand the importance to U.S. National Security Interests
- Recognize that asymmetric warfare requires continual assessment of alternatives
- Provide greater acuity from a globalized industrial base
- Understand mutual economic benefits accrue and can be shared
- Maintain our technical and sustainment superiority

Culture, Customs & Language

- A challenge for all of us and critical to understand.
- How industry deals with it:
 - Experienced staff
 - Consultants
 - Interpreters
 - On-line services
 - Training
- Understand that “yes” is not always “yes”
- Show interest and be open to new ways
- Good manners go a long way

It's all about Relationships

Ethics and Compliance

- Defense trade is a highly regulated industry: State, Defense, Commerce, Justice, Customs, ATF, FBI, CIA, NSA, NRO, etc.
- Key laws and regulations
 - The Foreign Corrupt Practices Act (FCPA) dictates behavior by U.S. firms and their agents and representatives
 - Proper engagement with USG personnel (gifts, gratuities, etc)
 - Truth in Negotiations Act (TINA) gives USG means to fair and reasonable price
 - Export and Import Compliance (ITAR and EAR)
- Joint responsibility by USG and Industry to get it right
- Industry collaborates and shares Best Business Practices
 - Working Groups; Annual Ethics Conferences
- Ensuring effective compliance requires extensive & expensive due diligence and training

Taken very seriously by U.S. Defense Industry!

Take Away

- **Defense Exports** -- necessary to support U.S. National Interests
- **Relationships , Collaboration, and Cooperation** -- critical to success
- **Teamwork and alignment** -- key to support our common goals and objectives
- **FMS, DCS, or Hybrid sale** -- Industry supports the method that best meets our collective interests and requirements
- **USG Advocacy** -- important to successful sales Campaigns
- **Export Reform** -- will improve competitiveness and USG sales
- **Ethics and Export Compliance** -- everyone's responsibility

International Sales is a Team Sport!

BACK-UPS



ALESA's Objectives

- **Industry/Government Cooperation** - Encourage increased cooperation between the USG and the U.S. defense industry on defense trade issues.
- **Support for Defense Exports** - Improve government and public understanding of the importance of defense exports to the U.S. defense industrial base and economy. Discourage legislation and regulations that unduly restrict U.S. sales of defense equipment.
- **Defense Export Policy Statement** - Encourage the Administration to continue to highlight the contributions of defense exports to national economic strength as well as foreign policy and national security goals.
- **Security Assistance** - Press for adequate levels of security assistance.
- **Technology Transfer** - Encourage greater realism and efficiency in the implementation of regulations on technology transfer, especially the export license review process.
- **International Defense Cooperation** - Promote arms cooperation programs with NATO and other allied countries that mutually benefit all participants in the program.
- **Offsets** - Oppose unilateral controls on offset practices. Secure private sector involvement in negotiations or rule making affecting offset practices.
- **Export Finance/Commercial Sales** - Explore ways to improve support by commercial banks for military exports. Preserve the ability of the defense industry to use FMS loan/credit funders for direct sales without undue restrictions.
- **Corporate Specific Issues** - Assist corporate members in identifying and obtaining access to government decision makers involved in defense export issues.

ALESA Role with the Combatant Commanders

- ALESA has established an excellent working relationship with PACOM and seeks to engage other COCOMS and their Political Advisors (POLADS).
- ALESA has made industry presentations to the past three PACOM ODC conferences.
- PACOM has established 5 focus groups—India, DPRK, Allies & Partners, and Transnational Threats to look long term at issues and carve out strategic goals
 - ALESA members met the India Focus Group to talk about industry's India challenges, opportunities, and observations
 - The meeting discussed bilateral issues such as end use monitoring agreement, COMSEC MOUs, and other legal steps and procedural steps that are prerequisites for FMS and DCS sales to India
- This is an excellent example of industry working with DoD to address how to best meet both COCOM & customer theater requirements

References on Relations w/ U.S. Industry

- **DoS:** SECSTATE Message, 180317Z February 1995.
Subject: “Conventional Arms Transfer Policy”.
- **DoD:**
 - OSD Memorandum, 5 May 1999. Subject: “Department of Defense Policy for Relations with U.S. Industry in Sales of Defense Articles and Services to Foreign Governments”.
 - SAMM, Section C2.5.7, “SCO and Industry Interface Policy and Guidelines”.
 - DISAM’s “The Management of Security Assistance”, Section 4.
- **DoC:** Advocacy Office
www.export.gov/advocacy/index.html

Industry Example

Ethics and Compliance Training

Policies and Procedures on Ethical Business Conduct

[POL 2: Ethical Business Conduct Policy](#)

[PRO 3: Ethical Business Conduct Program Procedure](#)

[PRO 4: Proper Marketing Practices Procedure](#)

[PRO 5: Proper Marketing Practices: Marketing to the U.S. Government Sector Procedure](#)

[PRO 6: Offering Business Courtesies Procedure](#)

[PRO 7: Conflict of Interest Procedure](#)

[PRO 8: Acceptance of Business Courtesies Procedure](#)

[PRO 9: Proper Relationship With Suppliers Procedure](#)

[PRO 10: Proper Use of Company, Customer, and Supplier Resources Procedure](#)

[PRO 11: Former U.S. Government Employees - Conflict of Interest Procedure](#)

[PRO 12: Buying and Selling Securities - Insider Trading Procedure](#)

Questions & Discussion



<http://www.alesa.org/>

For further information or to contact an ALESA member company please contact:

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Some Key Perspectives

- We need each other's **help and cooperation** to support our common goals and objectives for Coalition Partners, Interoperability, and sustaining the U.S. industrial base.
- Whether it is FMS or DCS or Hybrid, **both industry and government have roles and responsibilities** critical to exporting U.S. defense articles and services.
- We have different access and lines of communications with our foreign customers/partners, with neither of us having a complete picture. **The sharing of information is critical!**
- **Our international sales base is in jeopardy** as we become more protective and intrusive into other countries' sovereignty. This presents a challenge that requires speaking with one voice.
- We recognize that there are distinct (and necessary) lines of demarcation between U.S. Government and U.S. defense industry personnel, but those are **the rules that guide us -- not prevent us** – from cooperating and teaming when the outcome is in our mutual best interests.

DEFENSE EXPORTS



Economic and military assistance to allied and friendly governments



Foreign Military Sales



Foreign policy and national security objectives

Transfers are carried out under the principle that if they are essential to the security and economic well being of such governments and international organizations, they are equally vital to the security and economic well being of the United States.



Defense articles, services, and training



Direct Commercial Sales



Sales, leases, grants, loans

Defense Exports -- A Team Effort

- Defense exports are a partnership between the USG & industry
- We have different perspectives, but common areas of interest & concern
 - Giving the U.S. warfighter the very best
 - U.S. National Security considerations
 - Support for COCOM requirements, Allies, & Coalition Partners
 - Maintaining the U.S. industrial base
 - Offsetting production costs with exports
 - Keeping production lines open when domestic demand is insufficient
- Keeping U.S. defense exports competitive requires USG support
- Foreign governments support their national defense industries. So does the USG -- but with far greater restrictions and rules.

Collectively, we need to be able to respond to a foreign request for U.S. defense articles and/or services

USG Advocacy

- USG agencies, Embassies, and “ODC/SAO” personnel can advocate for a specific U.S. product or service. When there are two or more potential U.S. providers, advocacy can be for a U.S. solution without specific reference to U.S. players.
- The Country Team can monitor a foreign procurement to ensure that the host country adheres to its own procurement procedures and to detect any improper conduct on the part of U.S. or foreign bidders.
- If the host country or a bidder acts improperly, the Embassy can “blow the whistle” and seek redress or a new bid.
- Ambassadors, ODC Chiefs, and Attachés play critical and professional roles in supporting U.S. defense exports.

Advocacy makes a difference and is much appreciated by U.S. Industry

Export Reform is a Critical Issue

Elements of improvements for export licensing & ITAR Reform;

- Provide a level playing field for international competitions
- Technology transfer with allies & trusted partners
- Speed, efficiency, and consistency of export approvals
- Ability to export at same levels as foreign competitors
- Consistency in license provisos and Commodity Jurisdiction rulings
- Munitions List update (post-Cold War realities, international availability & Globalization)

Washington, D.C. Liaisons

- Industry maintains close liaison with DoD, DoS, DoC & other USG agencies:
 - ALESA, NDIA, AIA, & other defense industry associations
 - Industry meetings with AT&L, DTSA, DSCA, SAF/IA, NIPO, and DASA(DEC)
 - DSCA Security Cooperation Business Forum (SCBF)
 - Security Cooperation Industry Group (SCIG)
 - International Trade Show DoD-Industry Cooperation & Meetings
 - Participation on the State Department's Defense Trade Advisory Group (DTAG)
 - Working with Defense News, Jane's, Aviation Week & Space Technology, etc.
- Industry associations work closely with the USG and Congress on export reform and Congressional Notifications
- Industry associations work closely with Foreign Attachés; the Foreign Procurement Group; and with embassy procurement offices