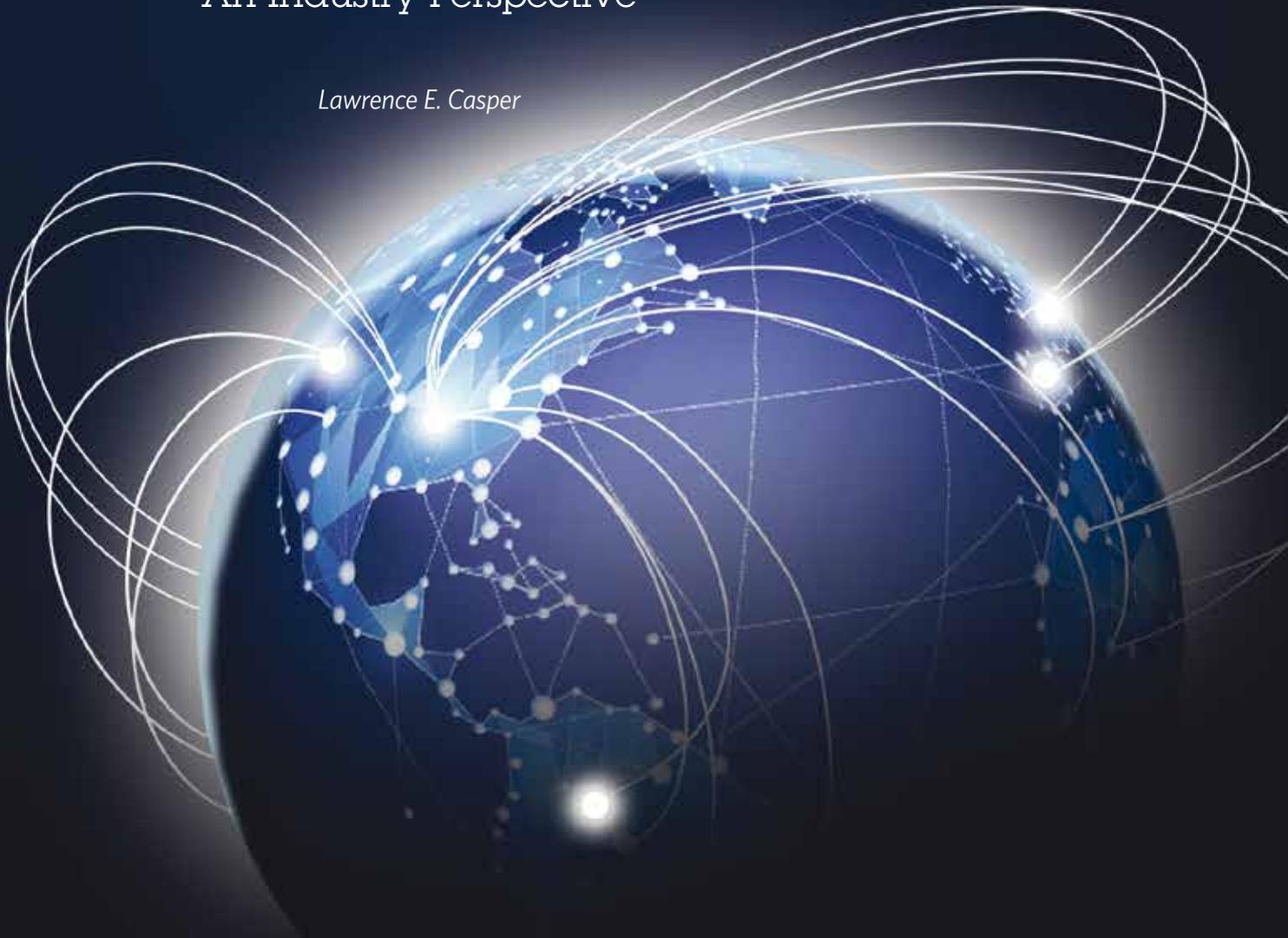


International Arms Sales

An Industry Perspective

Lawrence E. Casper



I have spent a number of years selling sophisticated defense items to countries around the world, representing both a large U.S. defense contractor and the U.S. government. It was fascinating work and brought me in direct contact with some of the brightest and most influential people in many countries.

This article addresses some of the motives for procuring defense items, the effort involved in pursuing international weapons sales, and key elements of success. The article is based on personal experience and provides but a brief overview of what is in reality a very complex process. The opinions expressed are mine alone.

The Motive

Over the years, I have observed that while governments ostensibly procure for the purposes of military defense and national security, their purchases can also reflect contrary or unrelated considerations. Most governments give the defense of the nation a top priority, yet for some that is not always as evident as one might intuitively think. Critically examining what countries ultimately procure may reveal other underlying motives and priorities.

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Technology transfer interests, domestic industrial policies and political alliances can influence national procurement decisions, as can internal/domestic prestige and credibility and high-profile jobs programs. Additionally, defense projects often stir nationalist pride and are frequently more politically appealing than domestic acquisitions. Although these are all valid considerations, I believe governments generally purchase defense items for one of three fundamental purposes.

First, governments seek to equip their militaries to participate in international or coalition operations. They do this for multiple reasons (e.g., international prestige, justification of military force structures, contributing to alliance and coalition requirements, etc.). As an example, New Zealand has no significant military threat to its borders and national integrity. However, because concern over illegal immigration is a national priority, the government has eliminated Royal New Zealand Air Force fighter and strike requirements in favor of transport and surveillance aircraft.

Yet New Zealand also participates with its Army in places like Afghanistan, in the Multinational Forces Observers (MFO) on the Sinai Peninsula, and in other peacekeeping operations throughout the world. This has led to a well-equipped Army outfitted with modern and effective soldier kit, communication systems, vehicles and anti-tank and air defense missiles for the deployed forces. Ireland and Canada are also countries with defense procurement policies focused on commitments and operations both at home and abroad and not driven primarily by direct threats to their individual sovereignty.

Second, some countries face external threats, yet for various reasons are unlikely to participate in external international or coalition operations. Taiwan is an example of such a country, given its proximity to the Peoples' Republic of China and the inherent geopolitical limitations of the role of Taiwan Armed Forces. In a report for the U.S.-China Economic and Security Review Commission on Taiwan's declining defense spending, Craig Murray wrote that, in 2013, Taiwan spent 2.1 percent of its GDP on military equipment modernization, focusing on island defense and not on force projection.

Third, the majority of nations are found between these two ends of this military-priorities spectrum. These countries,

depending on where they fall on such a continuum, equip their armed forces both to defend their borders and to participate in United Nations and coalition operations. The United States is positioned about in the middle of the spectrum, with a force structured to defeat enemies both at home and abroad.

There are a number of ways to categorize or differentiate between customers and the strategy to conclude a sale, but understanding the procurement motive provides a basis for the pursuit.

The Pursuit

While each international pursuit is unique, pursuits can share some similar attributes. It can often take five years or more to close a sale, and during a given country pursuit typically three "campaigns" must be executed simultaneously to complete the sale (Figure 1).

The three campaigns are: (1) convincing the international customer that your product is the best solution; (2) aligning the pursuit with the U.S. government's national security policy objectives and requirements; and (3) selling the effort to your company management to ensure priority and funding for the pursuit.

Convincing the international customer that you have the best solution is not always a quick or easy task. The campaign must be aggressively worked at the political, governmental, industrial and public levels. It involves seeking out indigenous

Figure 1. Three Simultaneous Campaigns Lead to a Successful Sale



- The three campaigns must be initiated and maintained from the time the opportunity is identified throughout the pursuit to contract signing—Foreign Military Sales or Direct Commercial Sale.
- Each campaign is consistent in a theme and overall goal (successful sale), but each campaign is crafted to meet the individual stakeholder's objective.
- No single campaign is more important than the other—a failure in one means a failure of the entire pursuit.
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Some countries are understandably concerned about attacks from other nations, yet for various reasons are unlikely to participate in external international or coalition operations.

champions in the military, political and industrial communities that believe your product best meets their stated and implied needs. Domestic and international business alliances must be established, marketing and communication campaigns developed and relationships solidified with all customers. Your efforts can be complemented by your domestic and international suppliers if they possess relationships in the target country. This campaign can be complex and may require a presence in the country where the business is sought, as well as an abundance of patience and persistence.

In the international defense sales business, it is imperative to partner with the U.S. government. Although selling military systems to international customers is an extension of our government's foreign policy, this support is not provided automatically. A separate campaign must be waged with the government, extending from the military component's program office, throughout the Service agencies to the Departments of Defense, State, and Commerce. This initiative encompasses education about the international customer, prompting action when and where needed, and, in some cases, assisting and supporting the government with communications, briefings, visits and the like. At times, the U.S. defense contractor may initially have more insight than the U.S. government officials into the international customer and the competitive environment involved in its purchase of arms.

International pursuits can be expensive and over time can consume considerable resources before achieving discernible results. This drives the third campaign, which is keeping company management informed, involved and convinced that the effort is buttressed by a compelling business case. The success rate of international pursuits is not high, and other company programs often compete for limited new business funding. The challenge is to keep program momentum moving forward with senior management over the length of the pursuit as they prioritize bookings growth, predictable revenue, solid margins and a sound cash position.

The theme of the three campaigns must be consistent (best solution, best value), yet each of these campaigns must also be crafted to accommodate individual stakeholder objectives. For the international customer, the objectives are performance, price and politics (although performance is often trumped by politics or price). For the U.S. government, the objective is to provide equipment that is compatible with our own military, thereby strengthening ties between the United States and the customer nation. And for the defense contractor, the objective

is a capable and dependable product with a compelling business case. The campaigns must be executed in parallel, with no single campaign necessarily more important than another.

In some cases, objectives overlap. Both the U.S. government and the contractor have an interest in maintaining the industrial base. And both may want to attain interoperability.

Finally, do not underestimate the power of relationships when executing the campaigns. Maintaining close professional relationships with all parties is essential for success.

In the end, a successful international arms pursuit is the culmination of efforts by the U.S. government and industry teams stationed in the customer countries and the support of countless U.S. government and industry employees occupying their offices back in the United States.

The Business

International arms sales can be complex and lengthy regardless of a country's procurement motive. An exception is when a country is in conflict directly supporting U.S. government efforts and objectives. Under these circumstances, arms are often purchased quickly, cutting through government bureaucrat red tape. An example occurred shortly after the Sept. 11, 2001, terrorist attacks on the Pentagon and New York City's Twin Towers. A U.S. government foreign military sales case for a small quantity of Javelin handheld launchers and missiles was processed in fewer than 30 days, followed by training and initial delivery in under 45 days. This herculean effort by government and industry was in support of a coalition partner deploying to Operation Enduring Freedom in Afghanistan.

International arms sales are highly regulated, demanding strict compliance with U.S. laws, policies and procedures, as well as those of the procuring country. Additionally, the business can be unpredictable, as an ally today may not be an ally tomorrow, thereby negating years of effort and investment. Selling weapon systems in the international market takes continued presence, abundant patience and steadfast persistence.

Despite the challenges, selling defense systems internationally strengthens the U.S. industrial base and helps sustain technological and operational advantages, while supplying our allies and coalition partners with the best weapon systems in the world. 

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