

## EXPORTING TO THE DoD AND FOREIGN MILITARIES

### OVERVIEW

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Once a company has made the decision to export to an overseas U.S. Department of Defense (DoD) facility, or to a foreign military, it is recommended that the company gain an understanding of the rules and procedures involved in doing business with that government. The trade of specific U.S. technologies with foreign militaries is highly regulated for defense items and technology by the Export Control Act, and overseen by the Departments of State, Defense, Commerce, Energy, and Treasury. Since the specific rules and regulations are well beyond the scope of this document, it is highly recommended that any company seeking to do business with foreign militaries review all applicable regulations pertaining to the product and destination country. The VEDP offers limited assistance when dealing with these federal agencies.

Companies intending to sell to the DoD must adhere to the complex rules and guidelines for becoming a DoD contractor and fully understand the export controls which may apply. Specific contracting rules for all federal government agencies are set forth in the Federal Acquisition Regulation (FAR) and Defense Federal Acquisition Regulation Supplement (DFARS) for DoD. The DFARS can be downloaded from the Defense Acquisition Regulations Directorate website: <http://www.acq.osd.mil/dpap/dars/index.htm>, or can be reviewed at any DoD purchasing or contract administration office and at any Small Business Administration (SBA) office. These rules and guidelines have drastically changed in order to create an entirely new policy environment, which is meant to foster flexibility, efficiency, innovation, and creativity. Additionally, companies seeking procurement opportunities with foreign militaries, or for the purposes of exporting to these militaries, must also adhere to the standard rules stated by the Defense Acquisition Regulations Directorate. Part 225 in the directorate contains policies and procedures for acquisitions for foreign military sales (FMS) under the Arms Export Control Act (22 U.S.C. Chapter 39). This information can be found at: <http://www.acq.osd.mil/dpap/dars/dfars/html/current/tochtml.htm>.

There is no magic formula, nor is there a specific operating procedure that can guarantee success in acquiring a DoD contract. It certainly helps to have prior commercial experience and be willing to learn the best strategies for implementing a performance-based contracting plan from within the company to remain competitive in the defense contracting industry.

### KNOW YOUR PRODUCT OR SERVICE

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- Know the Federal Supply Classification code (FSC) and North American Industry Classification Systems (NAICS) code for your product or service. Many government product/service listings and future procurements are identified by FSC ([www.dlis.dla.mil/h2](http://www.dlis.dla.mil/h2)) and/or NAICS (<http://www.census.gov/epcd/www/naics.html>) codes.
- Obtain a Data Universal Numbering Systems number (DUNS) through Dun and Bradstreet which maintains the system utilized by both government and corporate officials searching for background information on companies. Enter <http://fedgov.dnb.com/webform/displayHomePage.do;jsessionid=63E505B61D3C383E584CEFAB7A389538> to obtain your DUNS number.

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### KNOW YOUR PRODUCT OR SERVICE (cont.)

- Using your DUNS number, register in the Central Contractor Registration (CCR) System and the Automated Clearing House Payment System, and obtain a Taxpayer Identification Number (TIN) and Commercial and Government Entity (CAGE) Code.
- You must be registered in the CCR to be awarded a contract from the DoD. The CCR is a database (<http://www.ccr.gov>) designed to hold information relevant to procurement and financial transactions. CCR affords you the opportunity for fast electronic payment of invoices.
- Regardless of your product or service, do not neglect the very large secondary market, that is Subcontracting Opportunities with DoD Prime Contractors. The DoD lists all major prime contractors by state and provides a point of contact at this website, [http://www.acq.osd.mil/osbp/doing\\_business/index.htm](http://www.acq.osd.mil/osbp/doing_business/index.htm).
- Register in the Wide Area Workflow (WAWF) <https://wawf.eb.mil> which is the DoD's primary electronic system for processing invoices and receiving reports. Information can be submitted and routed electronically so you can get paid more efficiently.

### GENERAL INFORMATION

- The DoD generally uses fixed-price contracts to acquire products and services.
- Purchases over \$100,000 are made by sealed bidding from competitive proposals.
- In FY2008, small businesses accounted for 20% of prime contracts and 32% of subcontracts amounting to a combined \$113.4 billion of DoD spending.
- The DoD's prime contracting 2009 goals are for 22.375% of products and services to be purchased from small businesses, historically underutilized (HUBzone) small business (3%), small disadvantaged (5%), women-owned (5%), historically Black colleges/universities and minority institutions (5%), and service-disabled veteran-owned businesses (3%).
- The DoD awards contracts only to contractors found to be responsible. For consideration, you must be able to demonstrate that you:
  1. have, or are able to obtain, adequate financial resources,
  2. are able to comply with the delivery requirements,
  3. have a satisfactory record of performance,
  4. have a satisfactory record of integrity and business ethics,
  5. have, or are able to obtain, the necessary organization, experience, accounting and operational controls, and technical skills,
  6. have, or are able to obtain, the necessary production, construction, and technical equipment and facilities, and
  7. are otherwise qualified and eligible to receive an award under applicable laws and regulations.
- The DoD has exact specifications for many products and services that it buys repeatedly. You should learn to find and become familiar with the types of specifications related to your firm.

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### HOW TO ACQUIRE SPECIFICATIONS

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The product specifications required by each branch of service (Army, Navy, Air Force, and Coast Guard) may vary so it is good practice to know the needs and requirements of the service branch being targeted. Fortunately, the Department of Defense Single Stock Point (DoDSSP) was created to centralize the control, distribution, and access to its extensive collection of military specifications, standards, and related standardization documents. The responsibilities of the DoDSSP include electronic document storage, indexing, cataloging, maintenance, publish-on-demand, distribution, and sale of military specifications, standards, and related standardization documents and publications comprising the DoDSSP Collection. Below is a list provided by the DoDSSP (<https://assist.daps.dla.mil/online/start/>) stating where to obtain product specifications and departmental procedures.

- Military / Performance / Detail Specifications
- Military Standards
- DoD-adopted Non-Government / Industry Specifications and Standards
- Federal Specifications and Standards
- Military Handbooks
- Qualified Products / Manufacturer's Lists (QPLs/QMLs)
- USAF / USN Aeronautical Standards / Design Standards
- USAF Specifications Bulletins

### LOCAL PROCUREMENT REPRESENTATIVES IN VIRGINIA

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#### **Defense Supply Center Richmond (DSCR/DU)**

8000 Jeff Davis Highway, Richmond, VA 23297-5124

Contact: Judy Sayers (PCR) - SBA Representative e-mail: [jsayers@dscr.dla.mil](mailto:jsayers@dscr.dla.mil)

Tel: (804)279-3690 Fax: (804) 279-6615 <http://www.dscr.dla.mil/>

#### **NASA Langley Research Center**, Bldg. 1209, Rm. 100, MS446, Hampton, VA 23681-2199

Contact: Octavia Turner (PRC) - SBA Procurement Center Representative

E-mail: [Octavia.Turner@nasa.gov](mailto:Octavia.Turner@nasa.gov) Tel: (757) 864-6859 Fax: (757) 864-8096

#### **George Mason University - Entrepreneurship Center**

4400 University Dr., Fairfax, VA 22030

Contact: James Regan E-mail: [ptap@gmu.edu](mailto:ptap@gmu.edu) Phone: (703) 277-7750 Fax: (703) 352-8195

Website: <http://www.vaptap.org>

#### **Southwest Virginia Community College- Economic Development Division**

US Route 19, PO Box SVCC, Richlands, VA 24641

Contact: Glenda D. Calver E-mail: [glenda.calver@sw.edu](mailto:glenda.calver@sw.edu)

Phone: (276) 964 - 7533 Fax: (276) 964 - 7575

Website: [www.sw.edu/pac.html](http://www.sw.edu/pac.html)

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### ECONOMIC OVERVIEW

- Virginia defense-related exports were \$131.2 million in 2008, a significant increase over 2007, and the value through September of 2009 is already over \$142 million.
- Germany remains Virginia's leading importer of military equipment and apparel since 1998 and a major importer of other goods, i.e., vehicles and munitions.
- For at least a decade, the United Kingdom, Japan, Israel, and Egypt have been consistent importers of military goods via Virginia.
- U.S. exports of military goods/supplies has been consistently at \$3.8 billion per year during 2006-08. Major U.S. trading partners during 2003-08 (cumulative \$) were:
  1. Japan, \$2.4 billion
  2. Israel, \$2.2 billion
  3. United Kingdom, \$2.1 billion
  4. Egypt, \$1.7 billion
  5. South Korea, \$1.3 billion
  6. Canada, \$1.2 billion
  7. Australia, \$1.2 billion
  8. Germany, \$1 billion
  9. Taiwan, \$1 billion
  10. Saudi Arabia, \$660 million

### U.S. Exports of Defense-Related Products

		(Millions of U.S.\$)		
HTS	Description	2006	2007	2008
	Total	\$ 3,891.00	\$ 3,866.54	\$ 3,822.02
930690	Bomb Mines; Other Ammo	\$ 1,851.50	\$ 1,804.78	\$ 1,830.61
871000	Motor Armored War Vehicle	\$ 845.65	\$ 1,031.68	\$ 926.07
980320	Exp Unidentified Military Equip	\$ 662.74	\$ 593.11	\$ 501.14
930630	Other Cartridges + Parts	\$ 248.12	\$ 225.06	\$ 299.22
930190	Military Weapons - Not Revolvers	\$ 149.16	\$ 83.38	\$ 109.21
930120	Rocket Launch, Flamethrow, Simulators	\$ 80.12	\$ 31.16	\$ 73.60
980310	Exp All Military Apparel	\$ 30.38	\$ 61.41	\$ 39.57
930621	Shotgun Cartridges	\$ 16.16	\$ 22.39	\$ 27.86
930629	Air Gun Pellet; Other Parts	\$ 7.17	\$ 13.58	\$ 14.75

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### VEDP SERVICES

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The VEDP offers a number of export-related services to Virginia businesses, including group market visits and market research by our Global Network of in-country consultants. These services are available to all Virginia exporters. For more information, please visit our website: [www.exportvirginia.org](http://www.exportvirginia.org)

### ADDITIONAL RESOURCES

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- Doing Business with USAID: <http://www.usaid.gov/business>
- Federal Business Opportunities: <http://www.fedbizopps.gov/>
- National Center for Standards and Certification Information (NCSCI): <http://ts.nist.gov/Standards/Information/index.cfm>
- U.S. Department of Commerce: <http://www.commerce.gov>, <http://www.export.gov>  
Bureau of Industry and Security (BIS): <http://www.bis.doc.gov/>
- U.S. Department of Defense: <http://www.defense.gov>  
Defense Logistics Agency, Procedures: [www.dla.mil/j-3/j-3311/DLAD/PGI/default.htm](http://www.dla.mil/j-3/j-3311/DLAD/PGI/default.htm)  
Defense Security Cooperation Agency: [www.dsca.osd.mil](http://www.dsca.osd.mil)
- U.S. Department of State: <http://www.state.gov/business/>  
Directorate of Defense Trade Controls: <http://www.pmdrtc.state.gov/>  
DSP-83 Authorization Form: [www.pmdrtc.state.gov/licensing/documents/DSP\\_83.pdf](http://www.pmdrtc.state.gov/licensing/documents/DSP_83.pdf)  
DSP-94 Authorization Form: [www.pmdrtc.state.gov/licensing/documents/DSP\\_94.pdf](http://www.pmdrtc.state.gov/licensing/documents/DSP_94.pdf)
- U.S. Department of Treasury, International: [www.treasury.gov/topics/international/index.shtml](http://www.treasury.gov/topics/international/index.shtml)  
Office of Foreign Assets Control: <http://www.treas.gov/offices/enforcement/ofac/>
- Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: <http://www.wassenaar.org/>

### WORKS CITED

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- Global Trade Information Services. World Trade Atlas. U.S. State Export Edition. Available by subscription at: <http://www.worldtradestatistics.com/state/>
- U.S. Department of Defense. Office of Small Business Programs. Program Goals and Statistics. <http://www.acq.osd.mil/sadbu/statistics/goals.htm>
- U.S. Department of Defense. Under Secretary of Defense. Selling to the Military. November 2000. DOD 4205.1. <http://www.acq.osd.mil/sadbu/policy/index.htm>
- U.S. Department of Defense. Under Secretary of Defense for ACQWEB Acquisition, Technology and Logistics. <http://www.acq.osd.mil/>

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