



FAST FACTS 2007



EXPORTING TO THE DoD & FOREIGN MILITARIES

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, as well as by the Departments of State, Commerce 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 data and regulations pertaining to their product and destination country. The VEDP offers limited assistance when dealing with these agencies.**

Companies seeking procurement with the DoD for the purposes of exporting must adhere to the standard rules and guidelines for becoming a DoD contractor. The 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. 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. Recently, 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 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>. It should be noted that there exists no magic formula, nor is there a specific operating procedure that can guarantee a company success in acquiring a DoD contract. However, applying companies are advised to have prior commercial experience and to learn the best strategies for implementing a performance-based contracting plan from within the company in order to remain competitive in the defense contracting industry.

KNOW YOUR PRODUCT OR SERVICE

- 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) 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 & corporate officials searching for background information on companies. Enter <http://fedgov.dnb.com/webform/displayHomePage.do?jsessionid=63E505B61D3C383E584CEFAB7A389538> to obtain your DUNS number.
- 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



FAST FACTS 2007



EXPORTING TO THE DoD & FOREIGN MILITARIES

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, it is important not to neglect the very large secondary market, 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.
- Register in the Wide Area Workflow (WAWF) <https://wawf.eb.mil> which is the DoD's primary electronic system for processing invoices & receiving reports. Information can be submitted and routed by FTP or EDI so you can get paid more efficiently.

GENERAL INFORMATION

- DoD generally uses fixed-price contracts to acquire products and services.
- Purchases over \$100,000 are made by sealed bidding from competitive proposals.
- In FY2005, small businesses accounted for 24.6% of prime contracts and 36% of subcontracts amounting to \$97.7 billion of DoD spending.
- The DoD's prime contracting goals are for 23% of products and services to be purchased from small businesses, historically underutilized (HUBzone) small business (3%), small disadvantaged (5.8%), women-owned (5%), historically Black colleges/universities and minority institutions (5%), and service-disabled veteran-owned businesses (3%).

Source: <http://www.acq.osd.mil/sadbu/statistics/goals.htm>

- 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.
- DoD has exact specifications for many of the products and services it buys repeatedly. You should be familiar with the types of specifications, and you should know how to obtain them.

Source: Office of the Under Secretary of Defense



FAST FACTS 2007



EXPORTING TO THE DoD & FOREIGN MILITARIES

HOW TO ACQUIRE SPECIFICATIONS

The product specifications required by each of the service branches (Army, Navy, Air Force, and Coast Guard) may vary and 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 (<http://assist.daps.dla.mil/online/start/>) stating where one would look 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

Source: Office of the Under Secretary of Defense

LOCAL PROCUREMENT REPRESENTATIVES IN VIRGINIA

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

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

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 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 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

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

Website: www.sw.edu/pac.html

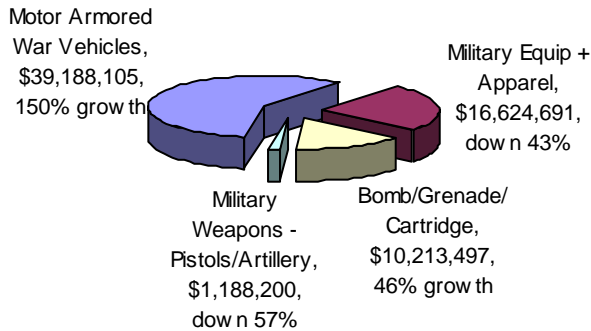


FAST FACTS 2007



EXPORTING TO THE DoD & FOREIGN MILITARIES

2006 Virginia Exports of Military Supplies

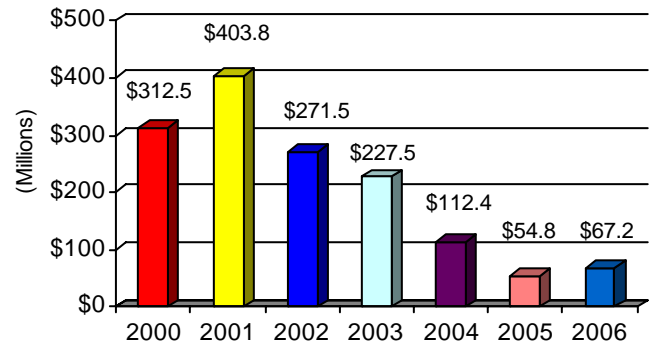


Leading exports to overseas militaries for 2000-2006 falls into four categories (HTS 8710, 9301, 9306, 9803) shown in the pie chart above.

By its very nature, the volume and destination of military exports via Virginia is volatile.

There was a modest recovery in 2006 after a free fall from 2001 with different importing countries moving up in rank by volume.

2000-06 Total Virginia Exports of Military Goods/Supplies



ECONOMIC OVERVIEW

- Total Virginia military exports were \$67.2 million, a 22.6% increase over 2005.
- Germany remains Virginia's leading importer of military equipment & apparel since 1998 and a major importer of other goods, i.e., vehicles & munitions.
- After years of other countries carrying the expense, in 2006 Iraq moved to 2nd with purchases of vehicles via Virginia amounting to \$17.6 million.
- Egypt also made large purchase of vehicles (\$9.4 million) and another million dollars worth of military imports via Virginia to rank 3rd.
- In 2006, Saudi Arabia dropped to fourth with Australia and Canada close behind—all importing over \$2 million of military goods via Virginia.
- For at least a decade, the United Kingdom, Japan, Israel, & Egypt have been consistent importers of military goods via Virginia.
- U.S. exports of military goods/supplies remained consistently in the \$3 billion range per year since 1998. Major U.S. trading partners during 2000-06 (cumulative \$) were:
 1. Japan, \$2.2 billion
 2. Egypt, \$1.89 billion
 3. Israel, \$1.83 billion
 4. United Kingdom, \$1.66 billion
 5. South Korea, \$1.47 billion
 6. Germany, \$1.44 billion
 7. Taiwan, \$1.5 billion



FAST FACTS 2007



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VEDP TRADE EVENTS

The VEDP participates in many international trade events and hosts a number of trade missions. All Virginia companies are welcome to attend.

For a complete listing of the VEDP's international trade events, please visit the "Events" tab on our website: www.ExportVirginia.org

VEDP CONTACT INFORMATION

Virginia Economic Development Partnership—Division of International Trade

P.O. Box 798, 901 East Byrd Street, Richmond, Virginia 23218-0798

Tel: (804) 545-5765 Fax: (804) 545-5751

E-mail: ITR@yesvirginia.org Website: www.exportvirginia.org

ADDITIONAL RESOURCES

- U.S. Department of State: <http://www.state.gov/business/>
Trade Controls: <http://www.pmdtc.org/>
Embargoed Countries: <http://pmdtc.org/country.htm>
- U.S. Department of Commerce: <http://www.commerce.gov>, <http://www.export.gov>
Bureau of Industry and Security (BIS): <http://www.bxa.doc.gov/>
- U.S. Department of Defense: <http://www.defense.gov>, http://www.defenselink.mil/other_info/business.html
- U.S. Department of Treasury:
Office of Foreign Assets Control: <http://www.treas.gov/offices/eotffc/ofac/>
- National Center for Standards and Certification Information (NCSCI):
<http://ts.nist.gov/ts/htdocs/210/ncsci/ncsci.htm>
- The Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies: <http://www.wassenaar.org/>
- Federal Business Opportunities: <http://www.fedbizopps.gov/>
- Doing Business with USAID: <http://www.usaid.gov/business>
- Business Law: <http://www.business.gov>

WORKS CITED

- United States. Department of Defense, Office of the Under Secretary of Defense. SELLING TO THE MILITARY November 2000. DOD 4205.1.<<http://www.acq.osd.mil/sadbu/policy/index.htm>>
- World Trade Atlas 2007. Available by subscription at <www.gtis.com>.
- Office of the Under Secretary of Defense for ACQWEB Acquisition, Technology and & Logistics. <http://www.acq.osd.mil/>

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