



Connecting the Dots

Newsletter

Welcome to the March 2021 NCDIDI Newsletter

— Michael Mullins, Director, North Carolina Defense Industry Diversification Initiative (NCDIDI)

According to the Office of the U.S. Trade Representative, over 95% of the world's population and 80% of the world's buying power lies outside the United States. That means if you want to take your business to the next level, then exporting may need to be a key part of your plan. Selling to foreign nations is different than selling to the Pentagon. For many small to medium-sized aerospace and defense contractors, this requires increasing their familiarity with the details of how it's done.

In this issue of the NCDIDI newsletter, the focus is on international business development. John Loyack, Economic Development Partnership of North Carolina, will explain how to locate international sales

opportunities through website optimization. Derek Chen, Strategic International, will discuss the benefits of conducting business overseas and resources to assist you in identifying, developing and executing international contracts. Michael Mullins, NCDIDI, will provide information on Foreign Military Sales and federal resources to assist you if you are interested in selling your products through the DoD to foreign nations.

MSI Defense Solutions, located in Mooresville, NC, is spotlighted as one of the 30 companies currently participating in the NCDIDI program. MSI Defense Solutions employs a rapid, innovative engineering-to-manufacturing process to quickly deliver, design and engineer capabilities for all systems—suspension, mechanical design, as well as electronic controls and mechatronics in support of the Department of Defense (DoD).

Finally, we have included links to relevant articles, international business development websites and a calendar of upcoming events for April and May 2021 that we believe are relevant to defense contractors.

Finding International Sales through Website Optimization

— John Loyack, VP, Global Business Services, Economic Development Partnership of North Carolina

The word spreads quickly in the world of international trade and, in late January 2020, NC companies looking to do business overseas were coming to the realization that an unprecedented year was upon us. Every year, North Carolina manufacturers travel to hundreds of international trade shows and suddenly, those trade shows came to a halt.

The Economic Development Partnership of North Carolina (EDPNC) was impacted as well. Most years see the EDPNC International Trade team-leading delegations of NC companies to upwards of 40 international trade shows focused on the defense industry, aerospace, life sciences and more. By mid-February, we realized that the playbook for 2020 had to be rewritten completely.

Rather than sitting back and waiting for the situation to change, the EDPNC International Trade team shifted their focus into what they could control and immediately began to roll out new approaches to help North Carolina exporters sell internationally.

One approach included expanding the website globalization program that helps exporters develop new international sales online. The EDPNC website globalization program helps businesses seeking new ways to conduct international business virtually during the pandemic and beyond. Through the program, businesses translate their website into the languages of their targeted international markets. And those sites are hosted on local domains with search-engine optimization that makes them easy to find in other countries.

In addition, through the EDPNC, businesses with



fewer than 500 employees are eligible for \$10,000 federal grants to support localizing their websites in other countries. In 2020, more than 20 North Carolina businesses had either completed website globalization through the program or were in the process or grant application pipeline to do so.

Other EDPNC services include helping North Carolina businesses access international market intelligence, meet vetted distributors and connect to financing opportunities. We locally administer federal grants that enable small-business exporters to exhibit at key international trade events. We also host export-education workshops on topics ranging from export documentation and licensing requirements to how the pandemic is affecting markets for specific North Carolina product

For more information on these programs, visit edpnc.com/export •

Foreign Military Sales

— Michael Mullins, Director, North Carolina Defense Industry Diversification Initiative (NCDIDI)

As pointed out by the Defense Security Cooperation Agency (DSCA), foreign governments buy billions of dollars of defense products through the U.S. Defense Department's Foreign Military Sales (FMS) program. Most recently, in Fiscal Year 2020, according to the DCSA, the U.S. sold more than \$50 billion worth of defense equipment and services to foreign governments to advance U.S. security and economic interests.

FMS is one component of defense trade and arms transfers which also includes Foreign Military Financing and Excess Defense Articles. In this article, the focus will be on FMS, a program that is a form of security assistance authorized by the Arms Export Control Act (AECA) and a fundamental tool of U.S. foreign policy.

As stated in Joint Publication 3-20, Security Cooperation, "FMS is the sale of defense articles, military training and defense-related services to eligible foreign governments and international organizations. The majority of FMS cases are paid with national funds from the Partner Nation. The FMS program is measured in billions of dollars of sales annually and is the largest of the SA programs under the Department of State that are administered by DSCA."

According to DCSA, FMS is one of two methods through which a foreign country can purchase new military equipment from the U.S. The other method is Direct Commercial Sales (DCS). DCS is the commercial export of defense articles and services licensed under the Arms Export Control Act (AECA), made by the U.S. defense industry directly to a foreign government.

There are important benefits for companies that participate in FMS contracts. First, there is no need for an export license; the DSCA will take care of all required certifications and licenses. A company also significantly minimizes its risk since its contract is with the US Government, not the foreign country. You are guaranteed to get paid! FMS also allows a company to expand its international market.

However, if you decide to pursue FMS opportunities, you need to be aware if your company's products are on the restricted U.S. Munitions List or Commercial Control List. You also need to know if your business falls under the International Traffic in Arms Regulations requiring you to register with the Department of State.

If you are a small to medium business and interested in learning more about FMS, Charles W. Hooper, retired U.S. Army Lieutenant General, and most recently the Commander of the DSCA, describes FMS to small and medium-sized businesses on this DSCA video:

[youtube.com/watch?v=JQPZ1CvN4w8](https://www.youtube.com/watch?v=JQPZ1CvN4w8) •

FMS links:

- [Defense Security Cooperation Agency](#)
- [Foreign Military Sales Program General Information](#)
- [Department of State, U.S. Arms Sales and Defense Trade Fact Sheet](#)



Out of the Kiddie Pool, into the Ocean: Making The Case for Exports

— Derek Chen, J.D., *Strategic International*

Business today moves at an unprecedented pace. Formal written letters and faxes have been replaced with emails, Zoom calls and electronic file transfers unimaginable only a few years ago. The internet has transformed the business world effectively by “shrinking” the gap between countries, companies, products and consumers. Technology has enabled emerging companies to compete with much larger companies and enter markets previously unattainable. New competitors are becoming more global, more numerous and more formidable than ever before.

In the face of these mounting pressures, incumbent companies must be flexible enough to adapt to these new realities and become more efficient, nimble and yes, global. Defending domestic market share in many cases is simply not sufficient to counter the rapidly shifting worldwide competitive landscape.

Fortunately, there are tremendous benefits available for those companies willing to invest in developing their international market share. These benefits can be enduring, applying to companies across industries and countries:

- **Profit.** Companies that export are, on average, 17 percent more profitable than those that do not. International orders are usually more sizable than local orders. Additionally, products that are considered unique or innovative abroad have the potential to grow much more rapidly in new markets.
- **Risk Mitigation.** A popularly held belief is that international business is inherently risky. Contrary to this belief, exporting actually helps to de-risk a company by smoothing business cycles and diversifying a company’s customer base. In actuality, companies that export are more likely to remain in business than those that do not.
- **Value.** Companies with international business have an increased value relative to those that do not. This is a consideration for those looking to ultimately sell their business or for acquiring entities. Similarly, the value of a company’s intellectual property is increased if properly protected as numerous options including exclusive distribution and international licensing are available.
- **Profile.** Companies that export are considered higher profile than those that do not.
- **Efficiencies and Innovation.** By maximizing their production capacity, companies that export are, on average, more efficient and responsive to global customers. International companies are exposed to innovative global products and technologies which, in turn, strengthen their product lines and increase their competitiveness across all markets.





Included in the plethora of benefits that exporting affords to small and medium-sized companies is the potential for selling to the US DoD. In large part, this is because many of these companies are overly dependent on US government contracting as their primary source of revenue. This carries an enormous risk—that of budget sequestration and austerity measures. Pursuing international markets is one of the best ways to reduce the risk of overreliance.

Moreover, the US is known for providing innovative, high-quality products supported by sound business practices. This is perhaps even more true for US defense companies as nations around the world look to the US as the leading supplier of defense products worldwide. I've heard some version of the following statement at defense trade shows around the world: "If the US military is using it, we're interested". There are numerous avenues to pursue in order to sell defense products including Foreign Military Sales, Direct Commercial Sales, selling through suppliers to NATO and partnering with international OEMs.

In my experience, one of the greatest benefits of exporting has less to do with the "sale" and more to do with the "system". By this I mean, a defense contractor who wants to properly export will take additional steps over other companies. They'll develop enhanced internal processes, ensure compliance with US export control laws and invest resources to expand their market share and pursue these opportunities. In essence, they will leave the kiddie pool for larger waters, but in so doing become much stronger, more resilient and a much more

formidable competitor.

The good news is that qualifying NC exporters also have a tremendous set of resources to support them in this transition—from assistance at the state and federal level, to grant opportunities through NCDIDI specifically designed to help them diversify by developing their international markets or compliance infrastructure. (I've included a link to a few of these agencies below as well as my contact information, please don't hesitate to let us know how we can help).

According to the US Department of Commerce, exporting is one of the leading predictors of a company's future success. Exporting strengthens companies on numerous levels including increased sales, decreased reliance on a single domestic market, enhanced credibility and innovation and improved company processes. Global competition has indeed increased but so have the resources available to NC defense contractors looking to strengthen their operations and diversify their sale

Strategic International, LLC Derek Chen dchen@strategicintl.com (919) 307-5040 •

Company of the Quarter

MSI Defense Solutions

—David Holden, President / CEO of MSI Defense Solutions

MSI Defense Solutions was founded with one goal in mind—to transfer our 300 plus years of contemporary motorsports experience to military vehicles and systems in the form of components, technology, and processes. Historically, our employees have enjoyed success at the highest levels of racing and vehicle design, testing and development. Along the way, they have accumulated countless years of experience in off-road racing, motorcycle and motocross

racing, NASCAR, Formula 1 and premium road car development. As a result, MSI produces some of the most technologically advanced, highest performance vehicle and integration systems for use on land, air and water. It's the collaborative expertise and shared technologies that allow MSI to design the right part, the first time, for your mission now and years ahead.

MSI rapidly deploys innovative techniques and the latest technologies to programs accomplishing accelerated manufacturing timelines to quickly design, engineer and deliver capabilities for numerous systems – suspension, mechanical design and integration, communications



Articles of Interest

NC State Leads New UNC System Partnership With Military

Security Assistance Programs - A Guide for the Perplexed

Engagement vs. Estrangement: Arms Sales Strengthen Key Alliances And Keep Partners Close To Washington

Value of Foreign Military Sales Exceeds Profits

DoD / DoS International Business Links

Defense Security Cooperation Agency
dsca.mil

U.S. Army Security Assistance Command (USASAC)
army.mil/usasac

U.S. Air Force Security Assistance Command
afsac.wpafb.af.mil/

U.S. Navy International Programs Office
secnav.navy.mil/nipo

International Trade Administration
trade.gov/exporting-services

The International Traffic in Arms Regulations (ITAR)
bit.ly/3bLvCp5

The United States Munitions List
ecfr.gov/cgi-bin/

infrastructures, command and control, electronic controls, mechatronics and as an ATF FFL Level 9 holder, weapon systems.

Using MSI's vast breadth of complete vehicle design experience, and an array of analytical and mechanical testing tools, users can rest assured that their delivered solutions have been validated. MSI vehicles have been airdropped, EMI chamber tested, performance and durability tested through the extreme rigors of the Nevada Automotive Testing Center (NATC) and other proving grounds for thousands and thousands of real-mission miles.

In 2020, MSI began expanding drivetrain, powertrain and weapon system integration development to include an increased range of ATVs, UTVs and Non-Standard Commercial Vehicles (NSCV) with a few objectives in mind: Deliver smart, concise solutions which enhance tactical readiness, recovery and mobility by solving the ever-evolving mechanical and electrical complexities present in the current generation of fielded vehicles.

Increased engineering service capabilities founded upon MSI's extensive use of Computer-Aided Design (CAD), Finite Element Analysis (FEA) and in-house fabrication capabilities are available for bespoke vehicle integration to serve strategic, tactical and logistical needs in areas of drivetrain and powertrain development, module design, weapon system integration, comms system integration and remote field testing and tuning for MSI equipped vehicles.

MSI Defense Solutions' international business presence has been growing organically over the last several years. With efforts surrounding trade shows (DSEi, IDEX, Eurosatory, etc) and leveraging NCDIDI's export training, MSI has found more frequent industry success internationally, selling tactical vehicle systems and components. •

Upcoming Events

Global Travel & Tourism Team Check In: India	4/13/21	7:00 p.m.	Sponsored by Export.gov
The 2021 Europe Webinar Series: Doing Business in Germany	4/15/21	11:00 a.m.	Sponsored by Export.gov
SBA's HUBZone Program	4/13/21	9:00–11:00 a.m.	Sponsored by SBTDC
NSF SBIR/STTR Program Overview - Spring 2021	4/22/21	1:00 p.m.	Sponsored by SBTDC, SBDC, SBIR and STTR
Marketing to the Federal Government — Capture Management with NC PTAC & SBA	4/27/21	9:30–11:30 a.m.	Sponsored by SBTDC
Marketing to the Federal Government—Proposal Development with NC PTAC & SBA	4/28/21	9:30–11:30 a.m.	Sponsored by SBTDC
SBA's Small Business Certification Programs	5/11/21	9:00–11:00 a.m.	Sponsored by SBTDC
The 2021 Europe Webinar Series: Doing Business in Russia	5/13/21	11:00 a.m.	Sponsored by Export.gov
SBA – Contract Bonds & Surety Bond Guarantee Webinar	5/26/21	10:00 –11:00 a.m.	Sponsored by SBTDC
SBA's HUBZone Program	6/08/21	9:00–11:00 a.m.	Sponsored by SBTDC
Trade Americas - Business Opportunities in the Caribbean Region Conference	10/24-10/29/21	8 a.m.–5 p.m.	Sponsored by Export.gov

On Demand Events

Business Startup & Resource Webinar and Training	SBTDC	Register Here
Fostering a Global Mindset	Harvard Business	Register here
The Ultimate Vendor Risk Assessment Checklist	Cybersecurity Hub	Register here
Manufacturing 2021 - 4 Industry Trends to Watch and 3 Smart Moves to Make	Ultra Consultants and Sage	Register here
Education: The Road to Recovery and Resiliency	NC Chamber	Register here
Preparing for a Safe Return to Work	NC Chamber	Register here
The Road to Recovery and Resiliency	NC Chamber	Register here
Additive Manufacturing	IES/NCDIDI	Access here Access Password: @w+ahE6E
Cybersecurity	IES/NCDIDI	Access here Access Password: @w+ahE6E
Workforce Development	IES/NCDIDI	Access here Access Password: @w+ahE6E
State of Defense Contracting/Outlook for FY 2021	IES/NCDIDI	Access here Access Password: 2S*n%LAX
Leveraging Unmanned Aircraft Systems	IES/NCDIDI	Access here Access Passcode: +.x+h0g8



NC Defense Industry Diversification Initiative (NCDIDI)

The State of North Carolina is home to a diverse military industry, with varied military and defense missions, needs and opportunities.

In a proactive response to changes in federal defense budgets, NCDIDI was created. The program has been managed through a partnership between **NC State Industry Expansion Solutions** and the **North Carolina Department of Military and Veterans Affairs**.

The intended goal is to help companies maximize their growth potential and cybersecurity resiliency and enhance their strategic development planning and sustainability efforts to see impact beyond NCDIDI the funding period.

This program is funded through a grant awarded by the United States Department of Defense **Office of Local Defense Community Cooperation**.

NC STATE

Industry Expansion Solutions



DMVA

Industry Expansion Solutions

Industry Expansion Solutions (IES), the administrator for **NCMEP**, is the engineering-based, solutions-driven, client-focused extension unit of NC State's College of Engineering. Our broad portfolio and deep industry expertise help organizations grow, innovate and prosper. Our extensive partnerships with business, industry, education and government generate a unique culture of collaboration that provides access to cutting-edge expertise, research and technology.