

Trade and Export Pilot Program

Summary Report



Adamant
strategies 



Department of Commerce

Washington
MilitaryAlliance 

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Executive Summary

From June – September 2016, the Washington State Department of Commerce, in collaboration with the Washington Military Alliance, conducted the Trade and Export Pilot Program, a short-term pilot project designed to help the State better understand how defense contractors can leverage foreign export opportunities as a diversification strategy in preparation for potential reductions in domestic defense spending. The program was funded by a grant from the U.S. Department of Defense Office of Economic Adjustment, and provided four small to medium-sized Washington-based defense contractors (Zepher, Jorgensen Forge, Cascade Aviation Services, and Systima) with export opportunity identification and planning assistance from Seattle based-global advisory firm Adamant Strategies, whose senior leadership are recognized experts in global business and the international defense trade.

Adamant Strategies worked directly with each of the four contractors to identify top exporting opportunities and develop a strategic roadmap to most effectively capture those opportunities, utilizing a methodology for market entry that has been proven to effectively facilitate international sales efforts for companies of all sizes, including small businesses and the Fortune 500.

The program provided a clear window into the needs of the Washington State defense contracting community during a time of imminent Department of Defense spending cuts, verified the Washington defense industry's interest in pursuing trade and export as a diversification strategy, and elucidated a clear, effective path toward growth and diversification for Washington's defense industry that is achievable in the near term.

A thorough market analysis indicated that for each of the four participating defense contractors, there are significant supply relationship and partnership opportunities with foreign prime contractors in U.S.-allied East Asian countries where there is a verified need for design/manufacture/test capabilities. The seven-step analysis included an assessment of the international competitive landscape for each contractor within multiple markets, examined salient trade and regulatory considerations, identified high-value opportunities for sales in multiple markets, included a thorough risk analysis for potential sales opportunities, conducted stakeholder mapping exercises to identify which persons or entities in selected marketplaces have the authority to authorize procurements, synthesized the findings obtained into a final top market prioritization, and provided an assessment of possible future due diligence concerns with respect to those particular opportunities as appropriate.

The scope of work of the Trade and Export Pilot Program was limited to identifying export opportunities and articulating a plan to capture those opportunities. To access those potential international partners and successfully position any of the four participating defense contractors for success will require external support, because the companies lack the organic ability and resources to forge the kinds of relationships required to be successful. Each has expressed an interest in such. One of the four is interested in pursuing an externally-supported opportunity

“The program elucidated a clear, effective path toward growth and diversification for Washington’s defense industry that is achievable in the near term.”

capture effort immediately. There was recognition that undertaking alternative strategies (hiring IMRs, attending trade shows, engaging in a land-and-expand strategy, etc.) would be ineffective means of accessing the identified opportunities, and often costlier.

Based upon the results and findings of the Trade and Export Pilot Program, we recommend that Department of Commerce:

- Release \$5000 matching funds to [Company], which has taken steps to begin an international export opportunity capture effort immediately;
- Extend and expand Department of Commerce support for trade and export in the near term and medium term, to include:

“The Trade and Export Pilot Program has verified the appetite within the Washington State defense sector for ongoing/increased support for trade and export as a diversification strategy.”

-- an ongoing trade and export assistance program, with an indefinite enrollment period;

-- financial support for Washington defense contractors' international opportunity capture efforts;

-- closer collaboration between Department of Commerce, WMA, and the selected consultant in identifying a more diverse set of defense contractors within the service, IT, and other sectors;

-- recognizing specifically that defense contractors of all sizes can avail themselves of trade and export opportunities, and that firms of all sizes often lack the in-house expertise and pre-existing relationships necessary to efficiently succeed in the global defense marketplace.

Noting that the Trade and Export Pilot Program has verified the appetite within the Washington State defense sector for ongoing/increased support for trade and export as a diversification strategy, and that there is potentially much more to be learned on the state level about the potential benefits of adopting new avenues for trade and export assistance as a core component of diversification, we recommend that the Washington State Legislature:

- Strongly consider providing the Department of Commerce funding for a full-time employee (FTE) to support defense sector trade and export activities, including directing companies to the correct resource(s) in an environment rich with ineffective options. There is the opportunity, now, for an experienced, dedicated FTE to make a positive and substantial difference in the Washington State defense sector on behalf of the State of Washington.

Noting that the resiliency, agility, and reliability of Washington State's defense sector is critical to our national security, we recommend that the Department of Defense continue support of the Washington State Department of Commerce through the Office of Economic Adjustment.

Introduction

From June–September 2016, the **Washington State Department of Commerce** (Commerce), in collaboration with the **Washington Military Alliance** (WMA), conducted the **Trade and Export Pilot Program**, a short-term pilot project designed to help the State better understand how defense contractors can leverage foreign export opportunities as a diversification strategy in preparation for potential reductions in defense spending.

Funded by a grant from the **U.S. Department of Defense Office of Economic Adjustment**, Commerce contracted with **Adamant Strategies**, a Seattle-based global advisory firm with extensive experience in helping aerospace and defense companies identify and capture overseas opportunities, to select a group of four Washington-based defense contractors to receive consulting services to help them prepare for increased success in international markets.

“For each defense contractor, Adamant Strategies assisted in developing a focused international market entry strategy designed to identify and capture potentially high-value export opportunities and better position contractors for strategic growth.”

Adamant Strategies worked directly with the four defense contractors to increase understanding of their product’s competitiveness in international markets and how to leverage the market advantage of their products. For each defense contractor, Adamant Strategies assisted in developing a focused international market entry strategy designed to identify and capture potentially high-value export opportunities and better position contractors for strategic growth.

Defense Contractor Participants

The defense contractors selected represented the geographic and industrial diversity that is one of Washington State’s greatest assets. Primarily serving the U.S. Department of Defense, the U.S. military services, U.S. prime manufacturers, and NASA, together the four contractors have over a half million square feet of manufacturing, engineering, assembly, and test space. They maintain numerous compliance certifications and accreditations, and they employ hundreds of Washingtonians.

To be considered for the program, each contractor had to demonstrate that a substantial amount of revenue was derived from defense contracts or subcontracts and show that sales and/or production had decreased – or would decrease imminently – due to reduced domestic defense expenditures. While not a prerequisite for participation in the program, export sales have been extremely limited for three of the four companies. While a fair portion of the fourth’s revenues are derived from export sales, those are limited to the commercial marketplace – the company had not yet successfully penetrated overseas government or military markets.



Located in Marysville, WA (Snohomish County), **Cascade Aviation Services** is an aerospace company with capabilities that include design and engineering, testing and certification, and manufacturing and assembly. It is an FAA PMA parts manufacturer and holds a large number of Supplemental Type Certificates. It has a great deal of experience in aircraft interiors, reconfigurations, and structures (cockpit security doors, video provisioning, closets, dividers, seats, avionics, panel fabrication, structural parts and modifications, etc.). Cascade Aviation Services is a U.S. government/military approved vendor.



Located in Kirkland, WA (King County), **Systema Technologies** is a premier manufacturer of fully qualified energetic and ordnance systems supporting the aerospace and defense, space, and commercial markets, including: military and fixed wing aircraft, UAVs, tactical and strategic missiles, NASA based vehicles and special programs, commercial space, and black programs. Recognized for its contributions to the market, Systema is known for its qualified design, rapid response, and low cost solutions. Systema's Kirkland campus sits on 10 acres and has over 100,000 square feet of engineering, assembly, and test space.

Located in Bingen, WA (Klickitat County), **Zepher** is a quality-focused contract manufacturer with proven experience developing products in highly regulated industries. Zepher specializes in precision assembly and integration, procurement and supply chain management, manufacturing engineering, and project and program management. It operates as a turn-key manufacturer working out of 10,000+ square feet of manufacturing space.



Located in Tukwila, WA (King County) and operational since 1940, the **Jorgensen Forge Corporation** manufactures high-quality forgings from material grades including low alloy steels, 300, 400, ph stainless, aluminum alloys, titanium alloys, and nickel base alloys. Its processes and products are manufactured in accordance with national and international standards, and it routinely makes specialty grade items to order. Jorgensen Forge employs 110 people on a 22-acre site with 350,000 square feet of manufacturing space.

Adamant Strategies

Adamant strategies at a Glance

Adamant Strategies is a Seattle-based global advisory firm. Its leadership is comprised of international trade professionals drawn from the senior ranks of the defense, diplomatic, and intelligence communities. The leadership team at Adamant Strategies are recognized experts in international defense industry marketing, defense export strategy, and overseas execution of defense export strategies. One of Adamant Strategies’ core competencies is identifying and capturing international business opportunities, and Adamant’s leadership team has effected, originated, and managed over \$55 billion in foreign investment, joint ventures, and sales efforts over the last decade, primarily in the aerospace and defense sectors. Adamant brought to the Trade and Export Pilot Program:



100+ years of senior-level experience in international trade, joint venture, development-finance, and export deal-making



90+ years of senior-level defense-related experience



10+ years of senior-level experience in defense trade and export regulation (ITAR, etc.)



20+ years of experience providing technical assistance, advisory services, and embedded support internationally to a range of governments, international organizations, and businesses

UNIQUELY POSITIONED TO PERFORM THIS FUNCTION IN WASHINGTON STATE, ADAMANT STRATEGIES:

- boasts long experience in global defense trade;
- possesses insight into defense industry decision-making processes in potential importing countries on six continents;
- maintains longstanding, trusted relationships with highest-level decision-makers in U.S.-allied countries around the globe;
- utilizes proven market research/analysis and market entry processes;
- has supported successful overseas market entry efforts for many small businesses as well as Fortune 500 firms.



“ Reliable solutions for challenging environments. ”

Trade and Export Pilot Program

The Trade and Export Pilot Program took place June–September and consisted of three stages:

Outreach and Selection: Adamant Strategies and Commerce announced the Trade and Export Pilot Program to potential participants through WMA and multiple other channels. Selection was based on fitness for the pilot, including the perceived likelihood of successfully pursuing export opportunities by implementing a detailed plan of action. Discussions held throughout this (approximately three-week) process yielded valuable information about the WA defense industry’s keen interest in identifying and pursuing export opportunities as a diversification strategy in preparation for potential reductions in defense spending.

Export Opportunity Research and Evaluation: In close consultation with each participating defense contractor, Adamant Strategies applied a seven-part analysis which reflects its formula for helping US companies capture overseas defense-industry sales and procurement opportunities: assessing the international competitive landscape for their product or service within multiple markets; identifying salient trade and regulatory considerations; identifying key, unique opportunities for sales in multiple international markets; conducting a thorough risk analysis for multiple potential sales opportunities; conducting stakeholder mapping exercises to identify which persons or entities in selected marketplaces have the authority to authorize, or the ability to influence or interfere with, procurements of the contractors’ products; synthesizing the findings obtained in the previous steps into a final top market prioritization; and providing an assessment of possible future due diligence concerns with respect to those particular markets, persons, and opportunities as appropriate.



Develop Tailored Strategic Roadmap to Market Entry: For each participating defense contractor, Adamant Strategies designed a roadmap to most effectively enter the selected markets. Deliverables for this stage included contractor-specific briefings (both mid-point and final) with a supporting PowerPoint presentation (20-30 pages). The briefings covered the seven steps above and provided the contractors the most efficient pathway to effectively enter the selected markets.

The program provided a clear window into the needs of the Washington State defense contracting community during a time of imminent Department of Defense spending cuts. We articulate the results of the program, as well as our findings and recommendations pursuant to those results, in the sections below.

Program Results

The program methodology described above, the program results detailed here, and the considerations, findings, and recommendations below are informed by decades of successful, executive-level international defense trade work. Together, they elucidate a clear and effective path toward growth and diversification for the Washington State defense industry that is achievable in the near term.

The four defense contractors chosen for participation in the Program were each design/manufacture/test firms in the aerospace/defense sector, which defined their suitability for certain global markets. In selecting target markets for these firms, the following considerations applied to all four program participants:

1. International sales are simpler and more successful when limited to U.S. allies and other countries that have favorable relationships with the U.S. relative to arms transfer policies. (For example, non-allied countries such as Russia and China are immediately off the table regardless of possible interest.) Certain non-NATO allies – where defense sales are sometimes allowed by U.S. government regulators depending on prevailing political/operational circumstances – such as Thailand, were removed from the list of possible markets for present-day political considerations that have caused at least short-term disruptions in arms transfer policies. Also considered was the likelihood of the loss of intellectual property or a high risk of unauthorized retransfer of U.S.-produced goods.

The combined defense budgets of Japan, Korea, Australia, and Singapore exceeded \$100 billion in 2015, and spending increases are expected over the next decade. There is a verified need in those markets for design/manufacture/test capabilities. They are U.S. allies, and defense procurements there are more dependent on national priorities than on personalities and are therefore more predictable and reliable.

2. That the four participating firms were each design/build/manufacture firms further reduced the potential target markets. The allied MENA and Sub-Saharan Africa countries do not have a domestic production capability and therefore typically only purchase whole systems. Allied Europe is inherently protectionist, especially in the design/manufacture/test sector – European countries will buy first (and almost always exclusively) from domestic design/manufacture/test firms. If those capabilities do not already exist, European nations will often choose to create those capabilities domestically rather than enter a substantial, long-term purchase relationship with a U.S. supplier, making success – and certainly longer-term success – less likely in those markets.
3. Many markets simply do not have the domestic defense spending programs required to support any serious sales effort there. SE Asia and Sub-Saharan Africa in particular are markets in which spending is not consistent, contract enforcement can be a significant challenge, and often supply relationships depend more on personalities (which can quickly change) than on institutions. These personalities can often dictate or alter a purchaser’s commitment to moving forward with any particular line of effort/spending. While many of the SE Asian countries are supported by larger, wealthier (NE Asian) nations to bolster their domestic defense programs, these supply relationships are most easily entered into once a relationship has already been established with the donor nation. (For example, Japan will often support its SE Asian allies with equipment, training, and other capacity building programs – but this arrangement is sometimes difficult for a U.S. firm to access absent a pre-existing relationship with Japan).
4. Because each of the four contractors were aerospace suppliers, we then focused our selection process towards markets that were active consumers of aerospace products for Maintenance, Repair and Operations (MRO), had large fleets of U.S.-made military aircraft and missile or space systems, and those with active domestic aerospace manufacturing and design programs.
5. The markets emerging as most desirable for each of the four partner defense contractors were located in the Asia-Pacific region, and each has a strong and reliable relationship with the U.S. and therefore a favorable regulatory position. Within the region, Japan is the leader in terms of both size of defense budget and reliability of relationship with the U.S., has a large U.S.-made military aircraft fleet, and has an active aerospace development and manufacturing industry. Korea has a stable defense budget, large numbers of U.S. aircraft, and a growing aerospace manufacturing industry. Singapore is a global leader in MRO for itself and others and maintains a large fleet of U.S.-made aircraft, while its domestic aerospace manufacturing industry is limited. Australia has a fairly stable budget, a sizeable U.S.-made military aircraft fleet, and many planned aircraft upgrades in the short and medium terms.

“The defense contractors selected represented the geographic and industrial diversity that is one of Washington State’s greatest assets.”

There is a proven and verified need in these markets for design/manufacture/test capabilities. The countries are U.S. allies with substantial budgets, and defense procurements there are more dependent on national priorities than on personalities and are therefore more predictable and reliable.

In future iterations of the Trade and Export Program, it is very possible that other markets may be considered outside of the Asia-Pacific region, especially if non-design/manufacture/test firms participate in the Program. There are needs outside of Asia-Pacific for whole systems (the Middle East in particular) and for services (Latin America is a good candidate), but so long as we were focused on Tier II and Tier III suppliers, those options were foreclosed.

“Primarily serving the U.S. DOD, the U.S. military services, U.S. prime manufacturers, and NASA, together the four contractors have over a half million square feet of manufacturing, engineering, assembly, and test space. They maintain numerous compliance certifications and accreditations, and they employ hundreds of Washingtonians.”

For the size of the contractors in the program, Adamant recommended developing an approach to the top three markets for consideration. During discussions with the contractors, each wished to focus on one or two markets in which to begin their export expansion effort, and three is a manageable number to consider given those targets. In one case, we offered analysis of four markets, because the criteria for that contractor did not allow for an easy decision between the number three and four markets.

When presenting our findings to partner defense contractors, we organized the opportunities by target market. For each target market, we discussed objectives and methodology; opportunity overviews by country and sector; key stakeholders;

acquisition environment; analysis on market penetration, including upsides, downsides, and risks; and competition analysis. (This section is abbreviated / redacted in a manner that preserves the internal information / intellectual property of Adamant Strategies and the participating defense contractors.)

- [Contractor One] had a preference towards a partnership supply relationship with foreign prime contractors. Direct government sales (B2G) are also possible, but less likely to be successful. In particular, [Contractor One] is presently very interested in pursuing partnership and supply opportunities in Japan, and possibly improving the terms of their sales relationship in [Country].
- [Contractor Two] was able to identify opportunities to pursue immediately, with a preference towards a partnership supply relationship with foreign prime contractors. Direct government sales (B2G) are also possible, but less likely to be successful. In particular, [Contractor Two] is presently very interested in pursuing partnership and supply opportunities in Japan.
- [Contractor Three]'s best opportunities lie with countries that possess large fleets of U.S. made military aircraft and engaging to supply parts to their MRO efforts. Conversations with [Contractor Three] have resulted in enthusiasm for potential business in Japan, South Korea, Singapore, and Australia, also with a preference towards a partnership supply relationship with foreign prime contractors. Direct government sales (B2G) are also possible, but less likely to be successful.

- [Contractor Four]’s top opportunities are in Japan (partnerships with three primes – some potential competition), Korea (partnerships with two primes – little potential competition), and Singapore (partnership and supply relationship for upcoming defense programs – some potential competition but without the integrating capabilities of [Contractor Four]). We also considered the EU, Poland, India, and Israel for [Contractor Four], and provided [Contractor Four] the reasons that we did not prioritize these markets. [Contractor Four] was interested – as were the other partner defense contractors above – in completely understanding potential time to market if certain opportunities were pursued.

Subsequent to our final presentations to the participating defense contractors, each of the four expressed interest in continued assistance from Commerce (and Department of Defense) to support efforts to capture the opportunities Adamant Strategies identified during the course of the Trade and Export Pilot Program. ***One of the four has requested the immediate release of matching funds (as articulated in the program guidelines) to support such an effort beginning immediately.***

International Business Considerations

Certain key considerations adhere when contemplating an international opportunity capture effort. Outside of Europe, countries with large defense budgets are typically “managed economies,” where the economy itself is controlled from the top of the food chain, and individual decision-makers answer to only a small handful of more senior individuals. Managed economies are typically less transparent, and in government procurements there is seldom recourse (such as there is in the U.S.) for firms that do not prevail. In managed economies, there is a premium on trust, and trust can only either be earned or conveyed.

In order for the participating defense contractors to access the identified opportunities, they will most likely require the support of an outside advisor with the relationships to support their introduction to the appropriate decision-makers. While it is technically possible for a U.S.-based contractor to establish a new relationship on its own, the odds of success are significantly higher if it enlists a representative who can connect them directly with the potential international partners while conveying the trust that must otherwise be earned, often over many years.

U.S. defense firms seeking international business – particularly those for whom the vast majority of experience is in selling to U.S.-based purchasers – often make (and repeat) the same mistakes. Especially in the defense industry, trusted relationships are the key to success, and this is too often overlooked. The value of reaching out across borders to form a relationship that will stand the test of time – well before there is a hard “ask” on the table – can be counter-

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intuitive to business leaders who believe their product is superior and that a superior product alone is sufficient to attract a foreign buyer. (Similarly, when a product is not necessarily superior, business leaders often think “why my firm when there are so many others?”) While foreign buyers are indeed concerned with quality, they are often looking also for “organizational fit,” which (importantly) includes a shared commitment to the goals and ambitions of the buyer, a willingness to adjust to unorthodox challenges in the foreign market, and trust. To demonstrate these takes following a proven path, and though that path appears at first relatively more circuitous than what CEOs are accustomed to, it is the most reliable way to success.

“It is important to consider the value to small and medium-sized enterprises of enlisting U.S.-based outside assistance with experience and pre-existing high-value relationships.”

Enlisting a representative who can convey the requisite trust is by far the most reliable means of positively influencing decision-makers in foreign markets. While alternative strategies – trade delegations, attending trade shows, pursuing a “land-and-expand” program, hiring international manufacturers’ representatives / brokers / distributors – are appropriate in certain situations, they are less efficient and often costlier. Similarly, waiting for, and responding to a foreign RFP is too often a snipe hunt. Responding to RFPs typically requires a great deal of invested time and effort, but by the time an RFP is issued, a competitor is likely already very far ahead of the firm in question, helping the buyer set specifications and developing the relationships that will assure them the win.

Finally, it is important to consider the value to small and medium-sized enterprises of enlisting U.S.-based outside assistance with experience and pre-existing high-value relationships. Trade shows and trade delegations can be relatively inexpensive, but the chances of their leading to significant new business opportunities are minimal. A “land-and-expand” effort requires establishing a foreign presence – either virtual or physical – which is costly and, with few exceptions, can take many years to lead to significant sales. (Land-and-expand also lends itself more to complete systems sales than to creating supply relationships.) While hiring foreign IMRs / distributors / brokers on a commission-only basis can appear to be the most conservative means of entering an international market, U.S. companies often find themselves locked in a “black box” scenario, unsure to what extent their representative is cutting into their margins, and additionally unsure whether their foreign interlocutor is also representing competitors. (There is no shortage of Washington State-based defense firms who have terminated relationships with their international sales representatives after extended periods of poor performance.) Even if an IMR is working on a commission-only basis, the sunk time and human capital is often very costly. While the up-front cost of retaining an experienced advisor who can present a firm directly to decision-makers therefore appears riskier at first blush, upon deeper consideration it is far less risky and far more predictable.

Each of the participants of the Trade and Export Pilot Program had a great desire for export sales, but lacked the organic ability and resources to forge the kinds of overseas relationships it takes to be successful. Most had tried a less costly method such as a trade show or an IMR relationship, but confirmed for themselves that there was little chance of success. The surest route for these companies to successful foreign market entry takes into account the methodologies and considerations presented above. The same is true for most Washington State defense contractors, no matter their size or product/service.

Program Findings

In only three weeks of outreach, we identified (in collaboration with Commerce) four defense contractors – collectively employing hundreds of Washingtonians – willing to participate in the Trade and Export Pilot Program because they were concerned about future cuts to domestic defense spending. This indicates to us that the desire among Washington defense contractors to pursue export as a diversification strategy is substantial.

It also suggests the need for a more comprehensive approach to promoting export as a means of diversification. The scope of the Trade and Export Pilot Program covered only “opportunity identification and planning” – it did not cover the “opportunity capture” phase of an international sales effort. Like the identification and planning phases, the capture phase requires an investment of resources, and some companies – especially smaller (and often more agile) firms – are unwilling to risk expending capital when they are not certain of the outcome. Increased government support for export activities would be beneficial in such scenarios, because in the end, the substantial returns in successful cases will far outweigh the small up-front investment.

“As a strategy for creating resilience in Washington State’s defense industry, diversification to the foreign defense market is compelling. The foreign defense market is substantial, and the formula outlined in this paper for accessing that market is proven. This leads us to believe that trade and export assistance for Washington State’s defense industry is a viable programmatic option.”

Throughout the Trade and Export Pilot Program, the participating defense contractors gained a much clearer understanding of the best potential pathways to significant sales that are worth the investment to pursue. They are able to better distinguish between effective and less effective means of accessing the international marketplace, so they are less likely to sink resources into activities that would not, in all probability, lead to results. As a strategy for creating resilience in Washington State’s defense industry, diversification to the foreign defense market is compelling. The foreign defense market is substantial, and the formula outlined in this paper for accessing that market is proven. This leads us to believe that trade and export assistance for Washington State’s defense industry is a viable programmatic option.

It was clear to us that the four participating defense contractors gained an increased confidence that pursuing export sales would be a realistic and worthwhile effort. This indicates to us that along the Department of Defense supply chain in Washington State, there are likely many Tier I, II, and III suppliers that are good candidates for integrating export into their sales strategy, but are perhaps unaware of the extent to which this is the case.

Much progress was made during four months in the Trade and Export Pilot Program. The appetite for trade and export as a diversification strategy in the Washington State defense community has been verified. One participating defense contractor is aggressively pursuing the export opportunities identified during the program, and it is possible that – even absent additional support for a capture effort – more will follow suit. With additional financial support, that probability increases significantly, as does the probability of tangible return on investment.

Recommendations

Based upon the results and findings of the Trade and Export Pilot Program, we recommend:

To the Washington State Department of Commerce:

- **Release the \$5000 matching funds to [Company], which has taken steps to begin an international export opportunity capture effort immediately** (see the bolded sentence in the Program Results and Considerations section above). As indicated in the Program Results and Considerations section above, it is unlikely [Company] can capture the opportunities identified during the Trade and Export Pilot Program absent the support of an experienced defense trade advisor with pre-existing relationships in the markets and institutions in question. These funds will mitigate [Company]’s upfront financial commitment.
- **Extend and expand Department of Commerce support for trade and export in the near term and medium term.** The Trade and Export Pilot Program has verified (a) the appetite within the Washington State defense sector for ongoing/increased support for trade and export as a diversification strategy, and (b) that there is potentially much more to be learned on the state level about the potential benefits of adopting new avenues for trade and export assistance as a core component of diversification. To fully realize the opportunities identified and to further explore additional possibilities, we recommend:
 - a. An **ongoing trade and export assistance program, with an indefinite enrollment period** so Washington defense contractors can avail themselves of the program as business circumstances merit;
 - b. **Increased financial support for the program, specifically to include financial assistance for Washington defense contractors’ international opportunity capture efforts** (matching is suggested, so participating Washington defense contractors retain a sense of agency), to be provided to a private contractor with the defense trade expertise and relationships necessary to actually assist contractors in capturing export opportunities (as opposed to increasing the frequency of trade delegations or local educational events);
 - c. That the selected consultant work more closely with Department of Commerce and WMA from the outset to **collectively identify a more diverse set of companies within the service, IT, and other sectors**; to initiate direct contact with ideal potential beneficiaries; and if possible to allow flexibility to adjust program requirements and scope as necessary to align them with contractors’ stated needs;
 - d. That any such extended/expanded support recognize explicitly that **while the export opportunity identification and capture “formula” works for businesses of all sizes, small and medium-sized businesses especially lack the resources to hire in-house expertise on a full time basis**, and thus the only viable option for them is to retain an experienced trade advisor with pre-existing relationships in the global marketplace.

To the Washington State Legislature:

- **Strongly consider providing the Department of Commerce funding for a full-time employee (FTE) to support defense sector trade and export activities**, including directing companies to the correct resource(s) in an environment rich with ineffective options. In this report, we discuss in detail the high level of expertise required to effectively understand and support defense sector trade and export. We also state that the Trade and Export Pilot Program has verified (a) the appetite within the Washington State defense sector for ongoing/increased support for trade and export as a diversification strategy, and (b) that there is potentially much more to be learned on the state level about the potential benefits of adopting new avenues for trade and export assistance as a core component of diversification. There is the opportunity, now, for an experienced, dedicated FTE to make a positive and substantial difference in the Washington State defense sector on behalf of the State of Washington.

To the U.S. Department of Defense:

- The Trade and Export Pilot Program has verified (a) the appetite within the Washington State defense sector for ongoing/increased support for trade and export as a diversification strategy, (b) that there is potentially much more to be learned on the state and national levels about the potential benefits of adopting new avenues of trade and export assistance as a core component of diversification. **To fully realize the opportunities already identified and to further explore additional possibilities, we strongly endorse your continued support of the Washington State Department of Commerce through the Office of Economic Adjustment.** We have seldom worked with a more capable, dedicated team.

We believe these recommendations will position Washington State well in the near, medium, and long terms to help create resiliency, agility, and reliability in Washington's defense industry which is so critical to our state and national economy, as well as to our national security.

Recognitions

We are grateful to the diligent teams at the Washington Department of Commerce and the Washington Military Alliance for the opportunity to serve the defense industry in the State of Washington. As a team of individuals who have been closely involved with national security issues at nearly every level of government and industry – and as a business whose core mission is to make Washington State and the Pacific Northwest more competitive globally – we were privileged to have performed this work.