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Foreign Executives Consider U.S. Defense Market a Tough Sell

By Yasmin Tadjdeh [✉](#)



LONDON — Navigating the complicated and sometimes murky waters of U.S. defense procurement can make it difficult for foreign companies, executives told National Defense. They said the United States is losing out on innovation because of stringent rules that shut out its defense market to foreign competition.

"I think the U.S. has a tendency to buy U.S. [systems]," Mikael Hult, CEO of CybAero, a Swiss unmanned aerial vehicle manufacturer, said during the Defence and Security Equipment International conference.

Hult also lamented that technology-transfer restrictions make it difficult to do business with the United States. "Anything that has been modified in the U.S. in the area of defense, we can't have any control of. It has to be controlled by a U.S. entity in the U.S. by Americans," he said. "I think that actually is a problem for the U.S."

CybAero works with Monrovia, California-based AeroVironment. Hult said more U.S. manufacturers should consider partnerships with foreign companies.

Ufuk Yilmaz, manager of the product planning and technical sales office of BMC, a Turkish vehicle manufacturer, agreed that the U.S. market is tough to enter because it puts up hurdles for foreign contractors.

"It is a very difficult market for us," he said. "We need special certifications."

The company — whose biggest customer is the Turkish army — plans to visit the Association of the United States Army conference in Washington, D.C. this October for the first time. There it will test the waters and see if there is U.S. interest in its equipment, Yilmaz said.

Many of BMC's vehicles are manufactured with U.S.-built components, which would make them easy to transition into U.S. military fleets, he said.

Ashok Atluri, managing director of Zen Technologies, an Indian simulation systems company, said U.S. government customers tend to go with U.S.-based companies when procuring new equipment.

"In the U.S., they have a very, very clear ... preference for American companies," he said. "It's a very difficult market to penetrate." Adding to that issue is the large amount of red tape foreign companies must go through to sell to the United States.

Instead of trying to tackle the U.S. market head on alone, Zen Technologies would prefer to engage in partnerships with U.S. firms, he said. "We are open to partnerships with American companies to take our products and sell there," he said. "I think that is a better approach for [business with] America."

Last year Zen Technologies and Rockwell Collins signed a memorandum of understanding that would integrate both companies' strengths in simulation and training technology, including software, electronics and visuals," a Rockwell Collins press release said.

Atluri said that as part of the MoU, Zen would be the prime contractor for India-based projects. Rockwell Collins would assist them in securing contracts.

Rather than focus on the U.S. market, Zen is targeting the Middle East, Africa and Southeast Asia regions for new sales, he said.

Atluri said it is natural for governments to support their domestic industrial base. "When you have a domestic capability, you would want to protect it under all circumstances," he said. Other countries around the globe should emulate the United States and invest in their own indigenous industry, he added.

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