



Center for Strategic & International Studies  
Washington, DC

July 22, 2004

TO: Members, US-Poland Defense Industry Working Group  
Participants and Interested Organizations, May 20 Conference

FROM: George W. Handy  
Director  
CSIS International Action Commissions Program

RE: May 20 Conference Report – US-Poland Defense Industry Cooperation

**OVERVIEW.** On May 20 and 21, 2004, it was our privilege to organize two conferences in order to identify and develop opportunities for Polish and American defense industry cooperation (May 20) and for science and technology cooperation, both defense and non-defense (May 21). This report presents the results of the May 20 Defense Industry Conference, and identifies our next steps, to include preparation for a fall conference in Warsaw.

**HOW TO USE THIS REPORT.** This report includes highlights of the May 20 conference on defense cooperation and is augmented by (1) the conference agenda, (2) participant list, (3) transcript of the conference speakers, and (4) presentation materials used by the speakers. You can find the four attachments to this report on our website at <http://csis.org/eaac/index.htm>

**AGREEMENTS AND NEXT STEPS RESULTING FROM THIS CONFERENCE.**

1. It was agreed that Polish and American economic cooperation is not up to the level that matches political cooperation. Continued work by the defense industry working group is therefore still useful and should continue.
2. The initiative for increased cooperation on R&D should also continue. Defense R&D was discussed in detail during the May 21 Science and Technology Conference, and is summarized in this report, as follows:
  - There are five primary sources for financing from the US (Department of Defense, Department of Energy, National Science Foundation, National Aeronautic and Space Agency, and National Institute of Health).
  - Poland is placing emphasis on five major technology areas (Biomedicine, Information and Communication, Advanced Materials, Environmental Friendly Technologies, and National Specialty Areas).

- Major areas of interest for US defense R&D are:
    - Advance technology for energy and power
    - Surveillance and knowledge systems
    - National Aerospace Initiative
  - The US Air Force, Navy, Army and the Department of Energy identified immediate targets for Polish-American cooperative efforts. (See the full report of the May 21 meeting by visiting our website at <http://csis.org/eaac/index.htm>)
    - Progress has already been accomplished through coordination between the US Air Force (Dr. Mark Maurice) and Minister of Science Kleiber for specific opportunities.
    - Discussion is underway with the Department of Energy (Dr. Barry Gale) about US research and study opportunities for Polish students.
    - These conference exchanges and activities can be used as a basis for other actions that will contribute to improved targeting approaches for new research programs.
  - General agreement was reached for cooperation to draft a plan for a bilateral foundation to increase R&D cooperation between the US and Poland. This foundation would be seeded with funds from both governments. Operation of this fund would draw on examples of similar funds.
  - Polish presentations made clear that Polish businesses, universities, and government institutes are prepared to be full partners with interested American organizations.
3. Education programs for the Polish defense industry will continue to be supported by this working group through practical measures to be developed over the next several months. Emphasis areas were clearly identified by government and business speakers. Practical measures could include particular education programs, improved cooperative relationships, and government action.
  4. Actual opportunities exist and need to be better described. Among the steps to be taken:
    - Support for the Collier County Florida – Poland Trade Mission scheduled for October 2004.
    - Identification of actual co-production and cooperative R&D opportunities.
    - Support for improved government-business cooperative measures in key areas such as offset policies.
  5. Identification of Polish-American business inputs for security cooperation across the expanded Euro-Atlantic community.
    - Preparation for new forward basing of NATO forces.
    - Logistical support for a more complex set of NATO missions.
    - Incorporation of improved procedure, technology applications, and facilities for emergency management.

## **MAJOR OBSERVATIONS.**

*Note: The following observations are supported by transcripts and/or presentation materials found at our website.*

**US-Poland Relations:** Michael Mozur emphasized the momentum generated in US-Poland relations resulting from our shared values. With regards to Euro-Atlantic community enlargement, he explained that the US firmly rejects the notion that Poland or any other country has to choose between the US and the EU.

**US-Polish Cooperation:** Deputy Minister of Economy Krzysztof Krystowski noted that economic statistics make it clear that economic cooperation is significantly behind US-Polish political cooperation. He challenged both sides to act to change this situation, noting that the Polish defense sector is ready for increased US-Polish industry cooperation. Krystowski further explained that for defense and other sectors, recent performance indicates that Polish companies make good partners for manufacturing ventures and for R&D projects. He highlighted Poland's recent law for, "... stable financial support for investment in technology innovation..."

**Polish-American Industry Cooperation:** Mr. Dan Nielsen, Deputy Director of Procurement and Acquisitions Policy, US Department of Defense, stressed the US goal of buying the best product and service that offer the "best value". He went on to explain the realities that impact on this goal, and consequently, the practical steps that foreign companies should take in competing for US contracts.

- US acquisition managers are sensitive to the concept of reciprocity; that is, buying from a country that buys from the US and resists protectionism. Other realities affect certain US sectors that in turn limit US actions in support of reciprocity.
- Foreign companies have the right to bid on any US government procurement. If a foreign company feels that competition for that contract is not fair, Mr. Nielsen serves as the US Office of the Secretary of Defense (OSD) ombudsman to receive such complaints and investigate.
- Subsidies are another divisive issue and this fairness is difficult to judge in absolute terms – rather, judgments depend on conditions of a specific subsidy.
- Poland's push for reciprocity is not without risk. If foreign markets are opened to Poland, and Poland's market is opened in turn, Poland could lose jobs if it is not prepared to compete in this newly opened market.
- Risk is also a factor for the US. Best value implies not only low cost but required quality; the purchased product or services must meet the requirement and actually work.
- Offsets are not part of US government contracts; however, the US OSD defends offset requirements by foreign governments as a mechanism by which US companies become more competitive.
- Accessibility of information is essential to foreign government and business cooperation with the US; however, protection of that shared information is essential to US national security and must be enforced.
- In order to enter the US defense market, it is suggested that foreign companies consider the following:

- Cooperate on a proposal with a US prime contractor or involve US subcontractors.
- Establish a strategic alliance with a US company that operates globally.
- Recognize and account for the fact that US Department of Defense (DoD) presents requirements in more general terms that require judgment and experience from the company in preparing its proposal.
- Insure that the proposal addresses the requirements of the solicitation; there are no short cuts.
- Place particular emphasis on systems engineering and subcontract management.

**US-Industry Observations on Industry and Industry Cooperation:**

- There is a gap between opportunities and Polish capabilities. Ed Arner of Lockheed Martin suggested that in part, this may be solved by improved packaging and communication of Polish capabilities by Poles.
- Polish engineers have performed well but need to extend their involvement in projects to demonstrate and realize their full potential. In explaining this, David Manke of Pratt & Whitney noted that the engineers are like a muscle, they must be used regularly to be healthy and grow.
- Extensive discussion took place on the matter of “out-sourcing”, and the political pressures that require careful planning and clear presentation of facts for US-foreign partnerships to grow.

**Looking to Future Defense Opportunities:**

- Mr. Bill Brown of US Joint Force Command established the baseline by destabilizing the evolving transformation of defense. He cited four elements: concept development, experimentation, interoperability, and jointness. He explained that multinational interdependence is fundamental to successful defense transformation and emphasized the importance of the “joint national training capability” and its global nature.
- Colonel Jozef Makuchowski presented a summary of a more extensive presentation of Polish defense trends and priorities that are available from the Polish Defense Attaché.

**US Priorities for Homeland Security:** Dr. Mel Bernstein added to the understanding of this new US government department, its requirements, and especially its university program for science and technology.

**US and Poland Opportunities:** US and Polish defense industry and institute experts discussed opportunities that are good possibilities. Please note transcript and presentation materials. You may wish to contact the individual presenters for more details.

- Mr. Greg Daniels, AM General: tactical wheeled vehicle co-production.
- Mr. William Sharman, Raytheon: more effective use of offsets and cooperation on improved logistics management.
- Mr. Maciej Mroczkowski, Technical Military Academy: Unmanned Aerial Vehicles (UAV).
- Mr. Andrzej Witczak, Technical Military Academy: lasers and electronics.

- Mr. Jozef Jakubczyk, Center for Maritime Technology: maritime application of C2 and sonar detection systems.
- Mr. Witold Wisniowski, Institute for Aviation: proven record of center for:
  - Supplier of parts and components.
  - Designated laboratory services for engines, aerodynamics, and testing.
  - Production of special avionics equipment.

Mr. Lance MacLean of Skytruck explained the path to success on this joint US-Polish venture. This was complimented by presentation on the Collier County, Florida partnership with Gdansk; through very able presentations by:

- Ms. Tammie Nemecek, Collier County
- Mr. Fred Glickman, Enterprise Florida

**Fostering Increased Cooperation through Education:** The conference closed with comments by Dr. Elizabeth Wright of the US Naval Post-Graduate School

- The School exports courses in resource management, specifically in defense acquisition, logistics, programming, and budgeting systems.
- It began exporting courses to Poland for the Ministry of Defense and the Armed Forces in 1997.
- There is an opportunity to establish a relationship with the Military University of Technology (MUT).
- Signed agreement in March 2004
- There is opportunity for MUT to institutionalize the knowledge necessary to train and educate, junior- and mid-level officers in the Armed Forces and civilians within the Ministry of Defense and other ministries.
- Team teaching and research is beginning in July in Warsaw.