Multi-National Relationships

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Topics

- International networks
- Foreign customer perspectives
- Canadian perspective
International Networks

• Two international customer networks with a focus on global defense trade
  – Defense MOU Attachés Group
  – Foreign Procurement Group

• Threats to global defense trade and cooperation
  – Protectionist thinking and “Buy American” legislation
  – Tighter and more onerous export controls
Defense MOU Attachés Group

- 21 countries with bilateral defense procurement agreements with the US
- Founded in 1986
- “Parent” of the Foreign Procurement Group
- Meets monthly except for August
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The Foreign Procurement Group

- Washington DC-based group of countries that participate in Security Assistance; meets bi-monthly
- Customer focal point on initiatives for Foreign Military Sales; founded Feb 1999 as a result of ‘FMS Reinvention’
- Also considers other issues related to global defense trade and international materiel cooperation
- 1999 – 17 members, 2007 – 33 members
## FPG Members

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International Customer Perspectives

“The good, the bad and the ugly”

The good

– DoD and Industry Associations’ support of global defense cooperation and trade
– Accelerated process for coalition requirements
– Partnership and progress in FMS improvements

The bad and ugly

– Protectionist thinking and “Buy American” legislation
– Tighter and more onerous export controls
Partnership and progress in FMS improvements

- Increased transparency and customer participation
- Resolution of transportation issues
- Resolution of case closure problems
- Progress on FMS as a commercial alternative
FMS Challenges

• Concerns with aspects of the recent Administrative Surcharge changes
  – Small Case Management Line
  – Inconsistent application of increased visibility
  – Examples of countries being denied information and suspected continuing incidences of double charging
  – Case writing consolidation

• Cost and schedule metrics at a country level
Buy American

- Congress has the ability to favor its own constituents - most often manifested in House of Representatives
- Legislation aimed at protecting US firms and excluding foreign companies appears in annual rounds of authorization and appropriations legislation
- Particular areas = defense, foreign relations, space, communications and transportation
Buy American (cont’d)

• Why it matters to DOD and US industry?
  – View of international community that such domestic preference legislation is the equivalent of an offset regime
  – More difficult for warfighter to get the best equipment at best cost
  – Does not spur technological innovation
  – Reduced opportunity for cooperative programs and interoperability
  – Increased acquisition costs
Buy American – from past years

- 2004: House Armed Services Committee focused on “punishing” countries who required offsets;
- 2006: Tightening and extending the Berry Amendment, proscriptions on foreign persons that export to China, proposed elimination of exemption from Buy American requirement for MOU countries
Advocacy against Buy American

- DMAG Conference and Defense Trade Round Tables
- Letters to Congress and the Administration from the FPG and DMAG and from individual Embassies – usually in support of the Administration’s Statements of Policy regarding protectionist provisions
- These Statements of Policy authored by DoD
- For the most part, advocacy efforts have succeeded to date
Export Controls

- US Regime was designed for the Cold War
- “Tightened” requirements are leading to increased paperwork, processing time and costs
- Resulting impacts on cost and schedules of allies’ defense programs
- Wastes scarce resources – in the end 99% of all submissions are approved
- Reduces capability of key allies by restricting access to best US technology
- Impedes interoperability
Export Controls (cont’d)

- Treatment of “dual nationals” conflicts with some countries’ human rights legislation
- “Reach” of ITAR into products and technology of other counties
- Hurts US industry by motivating foreign countries and companies to avoid American systems and components
- US may be denying itself valuable technology from its partners when overseas contractors avoid information transfer with their US primes due to ITAR hurdles
Export Controls – Some Solutions

• Redefine what constitutes a third party transfer under Foreign Military Sales
  – Championed by the FPG and PM/RSAT
  – Undergoing final legal review

• Reform of export controls regime
  – Industry coalition proposals for export control modernization
  – DoD initiatives
  – GAO findings and recommendations
A Canadian Perspective

- US and Canadian procurement systems similar in strengths and weaknesses
- Prime directive of best value for the taxpayers through openness, transparency and competition
- Pay the price of cumbersome rules and processes that get in the way of timely delivery
- Echo concerns of the international networks regarding protectionist thinking/legislation and the US export control regime
A Canadian Perspective (cont’d)

- Solution = relationships, relationships, relationships
- Dialogue and cooperation with our US Government partners
- Acquisition and Cross-Servicing Agreement (ACSA) signed 19 January 2007
- More strategic use of FMS
- Together, we have always found a way to cut through the red tape and get what our forces need when they need it