



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



MOU Group Members

Australia

Austria

Belgium

Canada

Denmark

Egypt

Finland

France

Germany

Greece

Israel

Italy

Luxemburg

Netherlands

Norway

Portugal

Spain

Sweden

Switzerland

Turkey

United Kingdom



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

Argentina

Australia

Austria

Belgium

Brazil

Canada

Chile

Denmark

Egypt

Finland

France

Germany

Greece

Indonesia

Israel

Italy

Japan

Korea

Netherlands

New Zealand

Norway

Pakistan

Poland

Portugal

Saudi Arabia

Singapore

Spain

Sweden

Switzerland

Taiwan

Turkey

UK

Yemen





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;
- 2005: Protectionist provisions in 2006 Defense Authorization Bill, 2005 Foreign Relations Authorization Bill, 2006 NASA Reauthorization Bill
- 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 countries
- 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