

DEPARTMENT OF DEFENSE FISCAL YEAR 2004
PURCHASES FROM FOREIGN ENTITIES
February 2005

Background

Section 827 of the National Defense Authorization Act for Fiscal 1997 (Public Law 104-201), as amended by section 812 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261), requires the Secretary of Defense to submit a report to Congress on the amount of Department of Defense (DoD) purchases from foreign entities in the prior fiscal year. The report is to separately indicate the dollar value of items for which the Buy American Act (BAA) was waived pursuant to any reciprocal defense procurement memorandum of understanding (MOU), the Trade Agreements Act (TAA) or any international agreement to which the United States is a party.

Discussion

The information presented in this report addresses Fiscal Year 2004 and is based on DD Form 350 data compiled and distributed by DoD's Washington Headquarters Services and data published by the Defense Security Cooperation Agency (DSCA). DSCA data include commercial export data from the State Department's Office of Defense Trade Controls. The DD Form 350, Individual Contracting Action Report, includes data on contracting procedures, competition, financing, statutory requirements, socioeconomic programs and other information relating to DoD acquisitions. In some instances, the exact information required by section 827 is not available and DoD has made assumptions in order to complete the report. In those cases, the report identifies the methodology and assumptions made by DoD in responding to the reporting requirement.

Section 1 - All procurements from foreign entities

DoD procurement actions recorded on DD 350's during FY 2004 totaled approximately \$241 billion. Of that amount, approximately \$10.4 billion or 4.3 percent was expended on purchases from foreign entities. Of this amount, \$9.6 billion is for contracts with a place of performance outside the U.S. and the remainder, \$.8 billion, is for contracts with a place of performance within the U.S. A detailed breakout of the dollars by country is contained in Table 1.

The \$10.4 billion covers military hardware, subsistence, fuel, construction, services, and other miscellaneous items that are for use outside the U.S. Services constitute 25.5 percent of the total, with fuel and construction accounting for 21.1 percent and 11.9 percent, respectively. Less than 20 percent is associated with the purchase of military weapons. Table 2 provides a breakout of the \$10.4 billion by category and percentage of total.

Based on DSCA data, foreign purchases of U.S. defense articles and services in Fiscal Year 2004 totaled \$13.5 billion. Export data for U.S. manufacturers for Fiscal Year 2004 is not available at this point. However, it is anticipated that it will be approximately the same as Fiscal Year 2003 that is \$2.7 billion in direct commercial sales licensed under the Arms Export Control Act.

Section 2 - Dollar value of items for which the BAA was waived pursuant to any MOUs, the TAA or other international agreements

The information needed to calculate the dollar value of items to which the BAA applied but for which it was waived is not readily available in the DoD database. Therefore, the following methodology was used to estimate dollars in this category:

1. Since the BAA does not apply to purchases for use outside the U.S., contracting actions by overseas buying offices were excluded from the data. Purchases by these offices are included in the data for Section 1 above.

2. It is assumed that all procurements covered by Memoranda of Understanding (MOUs), the Trade Agreements Act (TAA) and any other international agreement resulted in a waiver of the BAA. It should be noted, however, that using this methodology overstates the dollar value of items for which the BAA was waived. The Act does not apply when a domestic item's cost is unreasonable, the domestic preference is not in the public interest, or sufficient quality and quantity is not available domestically. Since we do not have data on when the Act did not apply in these circumstances, adjustments to the data were not made for those events.

Table 3 contains a detailed breakout of procurement actions by country and type of agreement. This breakout details procurement actions as follows:

1. Actions pursuant to the Caribbean Basin Economic Recovery Act.
2. Actions under the TAA (Agreement on Government Procurement).
3. Actions under Free Trade Agreements (FTAs)
 1. The North American FTA (NAFTA).
 2. Chile FTA
 3. Singapore FTA
4. Actions under MOUs.

Canadian products subject to NAFTA coverage are the same as those subject to the TAA. Accordingly, procurements of Canadian products equal to or exceeding \$25,000 but below the Fiscal Year 2004 TAA threshold of \$175,000 are reported under NAFTA. Procurement actions equal to or exceeding \$175,000 with Canada for TAA code covered products are included under the TAA portion of the report. All other procurements of Canadian products are reported under the MOU section.

All DoD purchases of Mexican products equal to or exceeding \$58,550 are reported under NAFTA. Mexico is not a party to the Agreement on Government Procurement under the TAA and does not have a reciprocal procurement MOU with the U.S.

All DoD purchases of Chilean products equal to or exceeding \$58,550 are reported under the Chile FTA. Chile is not a party to the Agreement on Government Procurement under the TAA and does not have a reciprocal procurement MOU with the U.S.

Singapore products subject to FTA coverage are the same as those subject to the TAA. Accordingly, procurements of Singapore products equal to or exceeding \$58,500 but below the Fiscal Year 2004 TAA threshold of \$175,000 are reported under the Singapore FTA Procurement actions over \$175,000 with Singapore for TAA code covered products are included under the TAA portion of the report. DoD does not have a reciprocal procurement MOU with Singapore.

Using the methodology described above, the various international agreements for which it is assumed that the BAA was waived totaled approximately \$3,022 million in Fiscal Year 2004.

1. Caribbean Basin Economic Recovery	\$.9
2. Trade Agreements Act	1,773.9
3. NAFTA (Canada and Mexico)	33.0
4. Chile FTA	---
5. Singapore FTA	.1
4. MOUs	<u>1,214.1</u>
Total	\$ 3,022.0 Million

A breakout by country is contained in Table 3.

TABLE 1

FISCAL YEAR 2004 DEPARTMENT OF DEFENSE PURCHASES FROM FOREIGN ENTITIES BOTH OVERSEAS AND IN THE UNITED STATES

The following list includes all DoD purchases with foreign entities for supplies, services, fuel and construction.

<u>COUNTRY</u>	<u>DOLLARS (000)</u>	<u>COUNTRY</u>	<u>DOLLARS (000)</u>	<u>COUNTRY</u>	<u>DOLLARS (000)</u>
AFGHANISTAN	76,467,139	GREENLAND	48,816,623	PAKISTAN	97,230,244
ALBANIA	32,873	GUATEMALA	808,483	PANAMA	2,308,887
ANDORRA	118,177	HAITI	1,198,264	PARAGUAY	270,441
ARMENIA	251,140	HONG KONG	979,559	PHILIPPINES	1,707,267
ARUBA	577,871	HUNGARY	1,442,225	POLAND	1,059,766
AUSTRALIA	21,315,437	ICELAND	10,969,505	PORTUGAL	13,695,473
AUSTRIA	1,915,405	INDIA	15,675	PALAU	2,640,447
AZERBAIJAN	68,280	INDONESIA	561,020	QATAR	93,737,706
BAHRAIN	342,038,921	IRAQ	520,735,585	ROMANIA	5,835,563
BELGIUM	117,101,508	IRELAND	227,965	RUSSIA	10,932,410
BELIZE	43,412	ISRAEL	143,884,124	RWANDA	806,323
BERMUDA	379,480	ITALY	294,219,728	SAO TOME AND PRII	3,680,103
BOLIVIA	677,476	JAMAICA	43,055	SAUDI ARABIA	251,732,420
BOSNIA AND HERZEGOVINA	3,644,792	JAN MAYEN	27,353	SENEGAL	150,000
BRITISH INDIAN OCEAN TER	41,997	JAPAN	719,940,569	SERBIA	35,707
BULGARIA	398,711	JORDAN	81,891,666	SIERRA LEONE	5,000
CAMBODIA	24,360	KAZAKHSTAN	5,583,985	SINGAPORE	121,072,926
CANADA	837,314,130	KENYA	852,071	SLOVAKIA	18,433
CHINA	93,438	KIRIBATI	6,574	SLOVENIA	57,300
COLOMBIA	32,543,248	KOREA, DEMOCRATIC	39,145	SOUTH AFRICA	400,035
COMOROS	110,277	KOREA, REPUBLIC OF	502,192,736	SPAIN	243,312,855
COSTA RICA	178,730	KUWAIT	930,489,172	SRI LANKA	11,465
CROATIA	11,235,974	LAOS	1,041,403	ST. VINCENT GRENA	15,156
CUBA	80,352	LATVIA	2,200	SWEDEN	98,543,368
CYPRUS	(67,458)	LITHUANIA	2,000	SWITZERLAND	64,136,265
CZECH REPUBLIC	474,480	LUXEMBOURG	89,896,057	T T PAC ISL	69,020
DENMARK	17,854,500	MACEDONIA	357,960	TAIWAN	121,473
DOMINICAN REPUBLIC	1,450,387	MALAYSIA	1,000,000	TANZANIA, UNITED F	26,200
ECUADOR	19,853,153	MALI	24,000	THAILAND	10,086,618
EGYPT	574,379	MALTA	353,975	TRINIDAD AND TOB	116,429
EL SALVADOR	2,364,482	MARSHALL ISLANDS	37,919	TURKEY	166,251,249
ESTONIA	33,393	MAURITIUS	6,120	UKRAINE	(4,701,369)
FINLAND	11,697,310	MEXICO	2,178,265	UNITED ARAB EMIR/	498,035,020
FOREIGN	60,816,297	MOLDOVA	132,288	UNITED KINGDOM	1,035,393,521
FRANCE	163,162,371	MOZAMBIQUE	514,641	UNITED STATES	845,536,161
GABON	12,614,378	NETHERLANDS	73,909,929	URUGUAY	7,200
GEORGIA	412,578	NETHERLANDS ANTILL	116,981,803	VANUATU	60,000
GERMANY	1,351,317,186	NEW ZEALAND	735,809	VIETNAM	23,650
GHANA	864,460	NIUE	232,923	YEMEN	537,500
GIBRALTAR	(370,731)	NORWAY	4,790,671	ZAMBIA	2,239,122
GREECE	203,538,047	OMAN	1,280,746		
Subtotal	\$ 3,296,361,706	Subtotal	\$ 3,562,393,830	Subtotal	\$ 3,588,057,962

Total	\$ 10,446,813,498
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TABLE 2

FISCAL YEAR 2004 PRIME CONTRACT AWARDS TO FOREIGN CONCERNS/ENTITIES

(Amounts in Thousands)

DoD Claimant Program	Dollars	Percent
Air Frames & Spares	\$ 265,591,589	2.542%
Aircraft Engines & Spares	\$ 97,254,629	0.931%
Other Aircraft Equipment	\$ 204,163,716	1.954%
Missile & Space Sys	\$ 56,763,466	0.543%
Ships	\$ 136,717,475	1.309%
Vehicles - Combat	\$ 349,426,139	3.345%
Non Combat	\$ 104,126,510	0.997%
Weapons	\$ 182,454,015	1.747%
Ammunition	\$ 253,207,232	2.424%
Electronic & Communication Equipment	\$ 314,536,285	3.011%
Petroleum	\$ 2,009,193,098	19.233%
Other fuels & lubricants	\$ 201,439,677	1.928%
Containers and Handling Equipment	\$ 4,074,289	0.039%
Textiles, Clothing & Equippage	\$ 7,302,691	0.070%
Building Supplies	\$ 3,416,311	0.033%
Subsistence	\$ 1,103,576,077	10.564%
Transporation Equipment	\$ 913,299	0.009%
Production Equipment	\$ 809,656	0.008%
Construction	\$ 1,238,081,532	11.851%
Construction Equip	\$ 10,824,902	0.104%
Med & Dental Supplies/Equip	\$ 23,395,212	0.224%
Photographic Supplies/Equip	\$ 2,422,460	0.023%
Materials Handling Equip	\$ 13,154,775	0.126%
All Other Supplies & Equip	\$ 1,204,089,589	11.526%
Services	\$ 2,659,878,874	25.461%
Overall Total	\$ 10,446,813,498	100.000%

TABLE 3

FISCAL YEAR 2004 PURCHASES FROM FOREIGN CONCERNS UNDER TRADE AGREEMENTS AND MEMORANDA OF UNDERSTANDING

MEMORANDA OF UNDERSTANDING

TRADE AGREEMENTS

COUNTRY	DOLLARS	(1)
Caribbean Basin Economic Recovery Act		
Guatemala	\$ 305,659	
Honduras	\$ 612,830	
Total	\$ 918,489	

COUNTRY	DOLLARS	(2)
North American Free Trade Agreement (NAFTA)		
Canada	\$ 31,615,124	
Mexico	\$ 1,398,000	
Total	\$ 33,013,124	

COUNTRY	DOLLARS	(4)
Chile Free Trade Agreement		
Chile	\$ -	
Total	\$ -	

COUNTRY	DOLLARS	(4)
Singapore Free Trade Agreement		
Singapore	\$ 126,400	
Total	\$ 126,400	

COUNTRY	DOLLARS	(1)
Designated Country - Agreement on Government Procurement		
Belgium	\$ 63,721,797	
Canada	\$ 364,092,403	
Denmark	\$ 3,100,314	
Finland	\$ 11,542,390	
France	\$ 4,293,607	
Germany	\$ 124,411,782	
Greece	\$ 195,887,401	
Hungary	\$ 1,241,025	
Israel	\$ 5,327,298	
Italy	\$ 34,591,025	
Japan	\$ 7,822,132	
Korea	\$ 85,678,675	
Netherlands	\$ 20,359,550	
Poland	\$ 225,900	
Portugal	\$ 695,643	
Sao Tome	\$ 3,659,840	
Singapore	\$ 102,719,049	
Spain	\$ 198,949,230	
Sweden	\$ 17,808,355	
Switzerland	\$ 45,178,263	
United Kingdom	\$ 482,596,915	
Total	\$ 1,773,902,594	

COUNTRY	DOLLARS
Covers all purchases not reflected under the Trade Agreements	
Australia	\$ 11,856,003
Austria	\$ 520,990
Belgium	\$ 17,619,130
Canada	\$ 354,624,365
Denmark	\$ 2,647,795
Egypt	\$ 22,740
France	\$ 109,400,579
Germany	\$ 131,294,148
Greece	\$ 376,482
Italy	\$ 119,308,328
Luxembourg	\$ 8,714,533
Netherlands	\$ 15,342
Norway	\$ 1,218,161
Portugal	\$ 3,783,901
Sweden	\$ 37,280
Switzerland	\$ 80,182,532
Turkey	\$ 18,571,706
United Kingdom	\$ 72,343,938
Total	\$ 281,547,630

Grand Total	\$ 3,022,046,090
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(1) The threshold for procurements for both the Agreement on Government Procurement and the Caribbean Basin Initiative is \$175,000.
 (2) Per NAFTA, represents procurements with Canada over \$25K and under the TAA threshold.
 (3) Per NAFTA, represents procurement with Mexico over \$58,550
 (4) Per the Chile and Singapore FTAs, the threshold for procurements is \$58,550