

## Appendix E: Country Offset Policies

<b>Australia</b>	
Title of Policy:	Australian Industry Involvement (AII) and Defence Materiel Organization (DMO) – not termed offset but Strategic Industry Development Activities (SIDAs)
Agency Handling	(DOD) Defense Acquisition Agency
Part of Procurement Decision	No
Offset Sector	Civilian and military
Minimum Value of Contract	A\$2.5M foreign content/any tender of A\$5M
Minimum Offset Required (%)	Maximized where cost effective
Term	Not defined
Multipliers	None in policy
Penalties	During project, strict SIDAs review, if not completed, not credited: must fulfill obligation
Focus	Local content (Australia & New Zealand), SIDAs
Direct vs. indirect	Both
Eligible Offset Activities	Local production, R&D, tech transfer, training, export sales, infrastructure, collaborative ventures
Website	Defence Materiel Organization: <a href="http://www.dmo.defence.gov.au/DMO/function.cfm?function_id=10">http://www.dmo.defence.gov.au/DMO/function.cfm?function_id=10</a>
<b>Belgium</b>	
Title of Policy:	Industrial Benefit in the Field of Defense Procurement (“economic compensations”)
Agency Handling	Ministry of Economics Affairs
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	Not specified
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	None in policy
Penalties	Penalty for non-executed obligation
Focus	High technology
Direct vs. indirect	Both
Eligible Offset Activities	Co-production, direct supplies & services, tech transfer, R&D
Website	Ministry of Economic Affairs: <a href="http://mineco.fgov.be">http://mineco.fgov.be</a>
	Industrial Benefit in the Field of Defense Procurement (Overview): <a href="http://mineco.fgov.be/organization_market/index_en.htm">http://mineco.fgov.be/organization_market/index_en.htm</a>
<b>Canada</b>	

Title of Policy:	Industrial & Regional Benefits (will not use term “offset”)
Agency Handling	Industry Canada
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	C\$2M preferred – C\$100M required
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	None in policy
Penalties	Performance guarantee utilized
Focus	Economy, job creation, technology, politics
Direct vs. indirect	Both
Eligible Offset Activities	Well defined
Website	Industrial and Regional Benefits (overview): <a href="http://strategis.ic.gc.ca/SSG/ad03657e.html">http://strategis.ic.gc.ca/SSG/ad03657e.html</a>

**Denmark**

Title of Policy:	Industrial Cooperation Agreement (ICA)
Agency Handling	Danish Agency for Trade and Industry (ATI), under the Danish Ministry of Business and Industry
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	25 million DKK (approximately US\$3.8BN)
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	None in policy
Penalties	Performance guarantee utilized
Focus	Local content (Australia & New Zealand), SIDAs
Direct vs. indirect	Both
Eligible Offset	Defense and technology similar to product purchased
Website	Policy guidelines and sample agreement: <a href="http://www.efs.dk/ati/">http://www.efs.dk/ati/</a>

<b>Egypt</b>	
Title of Policy:	No official policy
Agency Handling	Not specified
Part of Procurement Decision	Ad hoc basis
Offset Sector	Military
Minimum Value of Contract	Not specified
Minimum Offset Required (%)	Low
Term	Not defined
Multipliers	None in policy
Penalties	Not defined
Focus	Defense industry development and support
Direct vs. indirect	Direct
Eligible Offset Activities	Direct, technology transfer
Website	No Website Available
<b>Finland</b>	
Title of Policy:	Industrial Participation
Agency Handling	Trade Ministry (& Finish Committee on IP)
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	Contracts exceeding 10 million Euro mandated by Parliament
Minimum Offset Required (%)	100% + marketing consulting
Term	Not defined
Multipliers	1-3 times if Finnish products are exported
Penalties	Exclusion from future bids until contract fulfilled
Focus	Participation of domestic defense industry, technology, export, internationalization of exports
Direct vs. indirect	Both
Eligible Offset Activities	Transactions that benefit economy and industries, technology transfer
Website	New Offset Guidelines: <a href="http://www.vn.fi/ktm/eng/2/2_5.htm">http://www.vn.fi/ktm/eng/2/2_5.htm</a> Rules of Industrial Participation: <a href="http://www.vn.fi/ktm/eng/2/2_6.htm">http://www.vn.fi/ktm/eng/2/2_6.htm</a>

<b>Germany</b>	
Title of Policy:	Industrial Balances, no official policy
Agency Handling	The Federal Office for Defense Technology and Procurement
Part of Procurement Decision	Yes
Offset Sector	Not available
Minimum Value of Contract	Not available
Minimum Offset Required (%)	Aim is 100%
Term	Not defined
Multipliers	Not available
Penalties	Not available
Focus	German company participation from the inception of a project, balance globalization with growth of global companies
Direct vs. indirect	Both
Eligible Offset Activities	If just procurement contract, co-production required
Website	Website not available
<b>Greece</b>	
Title of Policy:	Policy of Offsets Benefits (O/B)
Agency Handling	Hellenic Ministry of National Defense/General Armaments Directorate (GAD)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	250 million drachmas
Minimum Offset Required (%)	80-120%
Term	Not defined
Multipliers	Very complex, depends on value of offset & recipient, maximum is 12
Penalties	10%
Focus	Defense industry and co-production
Direct vs. indirect	Direct
Eligible Offset Activities	Require: (co-production) local content, local subcontracting, joint venture, technology transfers
Website	Armaments General Directorate Description: <a href="http://www.mod.gr/english/index.htm">http://www.mod.gr/english/index.htm</a> (Go to White Paper of Armed Forces, Section 4.1.2.10) Offset Benefits Policy Description: <a href="http://www.3dpaper.gr/eng/defence/offsetbenefits_def040101.shtml">http://www.3dpaper.gr/eng/defence/offsetbenefits_def040101.shtml</a>



<b>Israel</b>	
Title of Policy:	Industrial Cooperation (Industrial Cooperation Benefits – ICB)
Agency Handling	Industrial Cooperation Authority (ICA), Ministry of Trade and Industry
Part of Procurement Decision	No
Offset Sector	Civilian and military
Minimum Value of Contract	US\$100,000
Minimum Offset Required (%)	35%
Term	Usually 3 years, may be extended to 10 years
Multipliers	1-2 times, dependent upon type of offset
Penalties	No liquidated damages clause
Focus	Development of close, long-term working relationships
Direct vs. indirect	No distinction
Eligible Offset Activities	Subcontracts, R&D, technology transfer, investment, global market access and exposure
Website	Industrial Cooperation Authority: <a href="http://www.moit.gov.il/tamas_Mainlink_english.asp?link=bin/goto.asp?{f9966}">http://www.moit.gov.il/tamas_Mainlink_english.asp?link=bin/goto.asp?{f9966}</a>
<b>Korea, South</b>	
Title of Policy:	Policy of Offset Benefits (O/B)
Agency Handling	Defense Procurement Agency, Ministry of National Defense (MND)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	\$10M
Minimum Offset Required (%)	30%
Term	Not defined
Multipliers	0-6 times based on type of offset
Penalties	Disbarment from participating for non-adherence to offset obligation
Focus	High technology must be more than 30% of contract
Direct vs. indirect	No distinction
Eligible Offset Activities	Mainly technology transfers, also employment, equipment, purchases and other
Website	Defense Procurement Agency: <a href="http://www.dpa.go.kr/servlet/kr.go.dpa.dpacals.com.SI_COM_Guest?DIV=12">http://www.dpa.go.kr/servlet/kr.go.dpa.dpacals.com.SI_COM_Guest?DIV=12</a>

<b>Kuwait</b>	
Title of Policy:	Offset Program
Agency Handling	Ministry of Finance, Program Executive Office PEO
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	KD 1 million, sum of contracts in one year
Minimum Offset Required (%)	30%
Term	8 years with intermediary steps of completion (50% completion in 4 years, 100% in 8 years)
Multipliers	2-10 times based on activity and sectors
Penalties	6% of total contract
Focus	Technology transfer and training
Direct vs. indirect	No distinction
Eligible Offset Activities	Expenses of joint ventures with local parties
Website	Offset Program Description: <a href="http://www.mof.gov.kw/offset/">http://www.mof.gov.kw/offset/</a>
<b>Netherlands</b>	
Title of Policy:	Industrial Participation and Offset
Agency Handling	Ministry of Economics
Part of Procurement Decision	No
Offset Sector	Military
Minimum Value of Contract	5 million Guilders
Minimum Offset Required (%)	100%
Term	10 years
Multipliers	1-3 times
Penalties	5% of late portion, must still fulfill obligation
Focus	Technology similar to products purchased
Direct vs. indirect	Mix with original focus on direct
Eligible Offset Activities	Counter-purchase, co-production, licensed production
Website	Industrial Participation and Offset in the Netherlands: <a href="http://www.minez.nl/home.asp?page=/cmp/compensatie/brochure.htm">http://www.minez.nl/home.asp?page=/cmp/compensatie/brochure.htm</a>



<b>New Zealand</b>	
Title of Policy:	Defence Offsets Policy/Industrial Involvement
Agency Handling	Minister of Defense & Ministry of Commerce
Part of Procurement Decision	No
Offset Sector	Military
Minimum Value of Contract	NZ\$5 million
Minimum Offset Required (%)	30%
Term	Not defined
Multipliers	1-3 times
Penalties	Liquidated damages
Focus	Stimulate growth and employment, sustainable activities
Direct vs. indirect	No distinction
Eligible Offset Activities	R&D, technology transfer, joint ventures, training, export marketing, etc.
Website	New Zealand Industrial Involvement: <a href="http://www.defence.govt.nz/scripts/public/nzii.asp#Pt3_Prog_Req_General">http://www.defence.govt.nz/scripts/public/nzii.asp#Pt3_Prog_Req_General</a>
<b>Norway</b>	
Title of Policy:	Offset Program
Agency Handling	Ministry of Finance, Program Executive Office PEO
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	KD 1 million, sum of contracts in one year
Minimum Offset Required (%)	30%
Term	8 years with intermediary steps of completion
Multipliers	2-10 times based on activity and sectors
Penalties	6% of total contract
Focus	Technology transfer and training
Direct vs. indirect	No distinction
Eligible Offset Activities	Expenses of joint ventures with local parties
Website	Guide to Norwegian Armed Forces procurement: <a href="http://balder.dep.no/fd/publ/fdhowtos/index.htm">http://balder.dep.no/fd/publ/fdhowtos/index.htm</a>

<b>Philippines</b>	
Title of Policy:	Countertrade (Implementing Rules & Regulations)
Agency Handling	Department of Trade and Industry through the Philippine International Trading Corporation (PITC)
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	US\$1 million
Minimum Offset Required (%)	50%
Term	3 years after from execution of the contract (2 year grace period)
Multipliers	2-5 subject to the value of the desired activities
Penalties	Non-performance ranging from 5%-100%
Focus	Foreign capital equipment, machinery and services
Direct vs. indirect	Indirect
Eligible Offset Activities	Co-production, countertrade or barter
Website	Philippine International Trading Corporation: <a href="http://www.dti.gov.ph/pitc/PITC">http://www.dti.gov.ph/pitc/PITC</a>
<b>Saudi Arabia</b>	
Title of Policy:	Saudi Arabian Economic Offset Program
Agency Handling	Economic Offset Committee (EOC) (Ministry of Defense and Aviation)
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	Not specified
Minimum Offset Required (%)	35%
Term	Within 10 years
Multipliers	Subject to approval of offset authority
Penalties	Best efforts but reconsidering policy
Focus	Jobs, training, technology transfer and investment
Direct vs. indirect	Mix with original focus on direct
Eligible Offset Activities	Investments in joint ventures with local parties
Website	Economic Offset Program: <a href="http://www.saudioffset.com/">http://www.saudioffset.com/</a>

<b>South Africa</b>	
Title of Policy:	National Industrial Participation
Agency Handling	Department of Trade and Industry
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	Import content greater than US \$10 million
Minimum Offset Required (%)	100%
Term	7 years
Multipliers	1-2 subject to type of IP
Penalties	5% (on unfulfilled performance guarantees)
Focus	Develop industry, technology transfer, job creation
Direct vs. indirect	No distinction
Eligible Offset Activities	Foreign investment, exports, R&D, technology transfer
Website	Strategic Defence Procurement Package Page: <a href="http://www.gov.za/projects/procurement/">http://www.gov.za/projects/procurement/</a>
<b>Spain</b>	
Title of Policy:	Industrial Cooperation
Agency Handling	Ministry of Defense (Industrial Cooperation Directorate/Management Office)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	NA
Minimum Offset Required (%)	100% expected contract value
Term	Not defined
Multipliers	None in policy
Penalties	None in policy
Focus	Technology similar to product purchased, economy, domestic industry
Direct vs. indirect	Both
Eligible Offset Activities	Evaluated on case-by-case basis, prefer partnerships with domestic firms
Website	No website available

<b>Sweden</b>	
Title of Policy:	Offset and Participation Program
Agency Handling	DOD, Defense Material Administration (FMV)
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	100 MSEK
Minimum Offset Required (%)	NA
Term	Not defined
Multipliers	None in policy
Penalties	Performance guarantee utilized
Focus	Strengthen domestic defense industry
Direct vs. indirect	Both
Eligible Offset Activities	Co-production, technology transfer, etc.
Website	Swedish Defence Materiel Administration: <a href="http://www.fmv.se/index.asp?L=UK">http://www.fmv.se/index.asp?L=UK</a>
<b>Switzerland</b>	
Title of Policy:	Defense Procurement and Offset Policy
Agency Handling	Defence Procurement Agency, DOD
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	50 million Swiss francs
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	None in policy
Penalties	Performance guarantee utilized
Focus	Retain domestic industry independence, overcome trade barriers
Direct vs. indirect	Both
Eligible Offset Activities	Co-production, cooperation with universities, export assistance
Website	Defence Procurement Agency (under construction): <a href="http://www.vbs.admin.ch/internet/GR/e/active.htm">http://www.vbs.admin.ch/internet/GR/e/active.htm</a>

<b>Taiwan</b>	
Title of Policy:	Industrial Cooperation Program
Agency Handling	Ministry of Economic Affairs & Industrial Development Bureau (IDB), Committee for Aviation & Space Industrial Development
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	\$50 million
Minimum Offset Required (%)	30-40%
Term	
Multipliers	1-10 times, based on type of offset
Penalties	
Focus	Upgrade industrial technology, increase quality of workforce, globalization
Direct vs. indirect	Both
Eligible Offset Activities	Local procurement, technology transfer, training, R&D, marketing
Website	No website available
<b>Thailand</b>	
Title of Policy:	Countertrade Policy
Agency Handling	Department of Foreign Trade, Ministry of Commerce
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	300 million Baht
Minimum Offset Required (%)	20-50%
Term	2 months prior to end of contract
Multipliers	None in policy
Penalties	5% (on unfulfilled) performance guarantee
Focus	Enhance trade, prevent imbalance of trade
Direct vs. indirect	Indirect
Eligible Offset Activities	Counter-purchase
Website	Countertrade Policy in Thailand: <a href="http://www.dft.moc.go.th/eng/Counter/Ctpol.html">http://www.dft.moc.go.th/eng/Counter/Ctpol.html</a>

<b>Turkey</b>	
Title of Policy:	Military Offset Policy and Guidelines
Agency Handling	Undersecretariat for Defense Industries (SSM)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	US \$5 million
Minimum Offset Required (%)	30% of contract, 50% of project import value, will change to 100%
Term	Not defined
Multipliers	1-5 times, based on type of offset
Penalties	10% (on unfulfilled) & temporary exclusion from future bids
Focus	Self-sufficiency, new business opportunities, increase foreign currency flow, improve quality
Direct vs. indirect	Both
Eligible Offset Activities	Exports, technology transfer, R&D, training, investments, etc.
Website	No website available
<b>UAE</b>	
Title of Policy:	The Defense and Procurement Policy of the UAE
Agency Handling	UAE Offsets Group (UOG)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	US \$10 million
Minimum Offset Required (%)	60%
Term	7 years
Multipliers	Yes but unpublished
Penalties	8.5% of offset obligation or 4.5% of total contract
Focus	Sustainable wealth creation
Direct vs. indirect	No distinction
Eligible Offset Activities	Profits of joint ventures with local parties
Website	Offset Program description: <a href="http://uae.gov.ae/Government/business.htm#Offsets">http://uae.gov.ae/Government/business.htm#Offsets</a>

**United Kingdom**

Title of Policy:	Industrial Participation
Agency Handling	MOD/DESO
Part of Procurement Decision	No
Offset Sector	Military
Minimum Value of Contract	£10 million (\$16.10 million)
Minimum Offset Required (%)	100%
Term	Over period of procurement contract
Multipliers	0-6 times based on type of offset
Penalties	None, however strict enforcement of IP program
Focus	Provide new
Direct vs. indirect	No distinction
Eligible Offset Activities	Mainly technology transfers, also employment, equipment, purchases and other
Website	“Doing Business with the Ministry of Defence”: <a href="http://www.dgcom.mod.uk/dgcom/guides/sect05.htm">http://www.dgcom.mod.uk/dgcom/guides/sect05.htm</a>