

# Foreign Sources of Supply

FY 2006 Report

Annual Report of United States Defense Industrial Base Capabilities  
and Acquisitions of Defense Items and Components Outside the United States.



Report Required by Section 812 of the  
National Defense Authorization Act for Fiscal Year 2004  
(Public Law 108-136),  
as amended by Section 841 of the National Defense Authorization Act for Fiscal  
Year 2007 (Public Law 109-364)

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## Executive Summary

Section 812 of the National Defense Authorization Act for Fiscal Year 2004 (Public Law 108-136), as amended by Section 841 of the National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), directs the Secretary of Defense to establish a program to assess the degree to which the United States is dependent on foreign sources of supply; and the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code. The Department is to use existing data for the assessment program. Not later than February 1 of each year, the Secretary is to submit to the Committee on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year.<sup>1</sup>

This report for FY 2006, as required by law, is based on an assessment of DoD prime contracts valued at over \$25,000 for defense items and components exclusively. Other Department of Defense (DoD) reports to Congress provide information on total DoD purchases from foreign entities,<sup>2</sup> and total DoD purchases of supplies manufactured outside the United States.<sup>3</sup>

The Department procures very few defense items and components from foreign suppliers. In Fiscal Year 2006, the Department awarded contracts to foreign suppliers for defense items and components totaling approximately \$1.9 billion, less than 1 percent of all DoD contracts; and only about 2.4% of all DoD contracts for defense items and components.

This report concludes that the Department employs foreign contractors and subcontractors judiciously, and in a manner consistent with national security requirements.

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<sup>1</sup> Although Section 812 provides that the report is due February 1, the information needed for the annual report is not available until after that date.

<sup>2</sup> The Department of Defense Fiscal Year 2006 Report on Purchases from Foreign Entities can be found at <http://www.acq.osd.mil/dpap/policy/congress/pdf/CongressionalReportonFY2006DoDPurchasesfromForeignEntities.pdf>

<sup>3</sup> The Department of Defense Fiscal Year 2006 Report on Purchased of Supplies Manufactured Outside the United States can be found at <http://www.acq.osd.mil/dpap/policy/congress/pdf/CongressionalReportonDoDProductsManufacturedOutsidetheU.S.pdf>

## 1. Section 812 Requirements

Section 812 of the National Defense Authorization Act for Fiscal Year 2004, as amended by Section 841 of the National Defense Authorization Act for Fiscal Year 2007, directs the Secretary of Defense to establish a program to assess:

- the degree to which the United States is dependent on foreign sources of supply; and
- the capabilities of the United States defense industrial base to produce military systems necessary to support the national security objectives set forth in section 2501 of title 10, United States Code.<sup>4</sup>

The Department is to use existing data for the assessment program, and may not require the provision of information from non-Federal entities beyond that currently provided to DoD. The Department, at a minimum, is to use existing information on each prime contract with a value greater than \$25,000 for the procurement of defense items and components.

Not later than February 1 of each year, the Secretary is to submit to the Committee on Armed Services of the Senate and House of Representatives a report on the assessment program covering the preceding fiscal year. The report is to include, with respect to the prime contracts described above:

- The total number and value of such contracts awarded by the Department of Defense;
- the total number and value of such contracts awarded on a sole source basis.
- the total number and value of such contracts awarded to foreign contractors, summarized by country;
- the total number and value of such contracts awarded to foreign contractors through competitive procedures, summarized by country; and
- an itemized list of all Buy American Act waivers granted with respect to such contracts.

The report also is to include:

- the status of the program designed to assess the extent to which the United States is dependent on foreign sources of supply and the capability of the United States to produce military systems necessary to support the national security objectives of section 2501 of title 10, United States Code;

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<sup>4</sup> Section 2501 states that it is the policy of Congress that the national technology and industrial base be capable of: (1) supplying and equipping the force structure of the armed forces; (2) sustaining production, maintenance, repair, and logistics for military operations; (3) maintaining advanced research and development activities; (4) reconstituting within a reasonable time the capability to develop and produce supplies and equipment; and (5) providing for the development, manufacture, and supply of items and technologies critical to the production and sustainment of advanced military weapon systems.

- the status of the Federal Procurement Data System described in section 6(d)(4)(A) of the Office of Federal Procurement Policy Act, or any successor procurement data management systems; and
- other matters as the Secretary considers appropriate.

Section 841 of the National Defense Authorization Act for Fiscal Year 2007 introduced the requirement to report on waivers granted under the Buy American Act. It also contained new requirements to report on:

- the dollar value of any articles, materials, or supplies purchased that were manufactured outside of the United States;
- the total procurement funds expended on articles, materials, and supplies manufactured inside the United States, and
- the total procurement funds expended on articles, materials, and supplies manufactured outside the United States.

DoD provides information on total procurement of articles, materials, and supplies manufactured outside the United States in a separate report to Congress.<sup>5</sup>

Section 841 of the National Defense Authorization Act for Fiscal Year 2007 also stated that Section 812 does not apply to acquisitions made by an agency, or component thereof, that is an element of the intelligence community. We believe that the purpose of this inapplicability provision was to avoid the possibility of releasing sensitive information in this report. However, all of the information provided in this report is described at the aggregate Department of Defense level. None of the data provides insight into purchases by any Department, agency, or component thereof, within the Department of Defense, and none of the data in this report is sensitive since it does not attribute purchases to any particular component. Therefore the report data includes purchases made by elements of the intelligence community.

## **2. Status of the Department of Defense Industrial Assessment Program**

Department of Defense (DoD) industrial assessment programs are designed to be an integral part of the Department's decisions-making processes because such integration is the cornerstone of a successful industrial strategy. The Department and the Defense Components periodically conduct analyses and assessments to identify and evaluate those industrial and technological capabilities needed to meet current and future defense requirements. The Department and its Components then use the results

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<sup>5</sup> The Department of Defense Fiscal Year 2006 Report on Purchases of Supplies Manufactured Outside the United States can be found at <http://www.acq.osd.mil/dpap/policy/congress/pdf/CongressionalReportonDoDProductsManufacturedOutsidetheU.S.pdf>

of these analyses and assessments to make informed budget, acquisition, and logistics decisions.

Title 10 of the United States Code includes several provisions that influence the Department's industrial assessment program:

- Section 2501 establishes national security objectives concerning the national technology and industrial base.
- Section 2503 requires that the Secretary of Defense establish a national defense program for analysis of the national technology and industrial base.
- Section 2504 requires that the Secretary of Defense submit an annual report to the Committee on Armed Services of the Senate and the Committee on National Security of the House of Representatives, by March 1<sup>st</sup> of each year. The report is to include:
  - A description of the departmental guidance prepared pursuant to section 2506.
  - A description of the methods and analyses being undertaken to identify and address concerns regarding technological and industrial capabilities of the national technology and industrial base.
  - A description of the assessments prepared pursuant to section 2505 and other analyses used in developing Department budget submissions.
  - Identification of each program designed to sustain specific essential technological and industrial capabilities.
- Section 2505 requires that the Secretary of Defense prepare selected assessments of the capability of the national technology and industrial base to attain the national security objectives set forth in section 2501.
- Section 2506 requires that the Secretary of Defense prescribe departmental guidance necessary to meet the requirements specified in the other sections, above.

The Department has provided an *Annual Industrial Capabilities Report to Congress*<sup>6</sup> each year since 1997 describing its industrial assessment program.

### **3. General Discussion on the Use of Foreign Suppliers**

The Department is committed to providing the best capability to the warfighter. It wants to promote interoperability with its allies and coalition partners, and take full advantage of the benefits offered by access to the most innovative, efficient, and competitive suppliers—worldwide. It also wants to promote consistency and fairness in dealing with its trading partners while assuring that the U.S. defense industrial base is sufficient to meet its most critical defense needs. Consequently, the Department is willing to use reliable, non-U.S. suppliers—consistent with national security requirements—when such use offers comparative advantages in performance, cost,

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<sup>6</sup> The 2007 *Annual Industrial Capabilities Report to Congress* is available on the Internet ([www.acq.osd.mil/ip](http://www.acq.osd.mil/ip)).

schedule, or coalition warfighting. For this reason, the Department and many friendly governments have established reciprocal procurement agreements that are the basis for waiving their respective “buy national” laws where possible and put each other’s industries on par as potential suppliers.

The Department is not acquiring military materiel produced overseas to the detriment of national security or the U.S. defense industrial base. Focused analyses have shown that the Department employs a small number of non-U.S. suppliers and that the use of those suppliers does not negatively impact the long-term economic viability of the national technological and industrial base. The record indicates there has been no difference in reliability between the Department’s U.S. and non-U.S. suppliers.

#### **4. Assessment of Foreign Dependency**

The Department incorporates foreign items and components into many important systems, and in some cases the Department may be dependent upon foreign suppliers for these items. However, this does not mean the Department suffers from a foreign vulnerability. Foreign dependence usually does not equate to foreign vulnerability. The Department is not vulnerable if it is dependent on reliable foreign suppliers, just as it is not vulnerable when it is dependent on reliable domestic suppliers. Foreign vulnerability would occur only if the Department was dependent upon suppliers from a single or small group of countries that had the capability and political will to halt shipments to DoD in time of need, and when such delivery denial would cause direct and unacceptable impact to operations. In short, for there to be a foreign vulnerability, DoD must be dependent upon the foreign source (no alternative sources available or that could rapidly become available), and there must be a significant, creditable, and unacceptable risk of supply disruption due to political intervention by the host country or countries.

DoD Handbook 5000.60-H, “Assessing Defense Industrial Capabilities” identifies conditions in which reliance on foreign suppliers for specific products may constitute unacceptable foreign vulnerabilities.

- Foreign sources may pose an unacceptable risk when there is a high “market concentration” combined with political or geopolitical vulnerability. For example, a sole source foreign supplier existing only in one physical location and vulnerable to serious political instability may not be available when needed. (Market concentration alone is not sufficient reason to exclude foreign sources; there also must be a credible threat of supply disruption due to political instability. Sheer physical distance from the U.S. is also not by itself a risk which merits foreign source exclusion.)

- Suppliers from politically unfriendly or anti-American foreign countries, as defined by statute or U.S. Government policy, are not used to meet U.S. defense needs.<sup>7</sup>
- A U.S. source may be needed for technologies and products that are either classified, offer unique war fighting superiority, or could be used by foreign nations to develop countermeasures. However, the Department has agreements with many allied and friendly nations for safeguarding classified military information. Foreign sources are not automatically excluded on the basis of a need to protect classified or unique technologies or products; this must be determined by individual circumstance.
- Suppliers that can not or will not provide products for military applications for political reasons are not feasible sources.

The Department of Defense is not aware of any foreign vulnerabilities within its supply chains.

## 5 Prime Contract Assessment

Section 645 of Division F of the Consolidated Appropriations Act, FY 2004 (Public Law 108-199) requires the head of each Federal agency to submit a report to Congress on the amount of acquisitions made by the agency from entities that manufacture the articles, materials, or supplies outside of the United States in that fiscal year. The report includes the dollar value of any articles, materials, or supplies purchased that were manufactured outside the United States; and a summary of the total procurement funds spent on goods manufactured in the United States versus funds spent on goods manufactured outside the United States.

The information used for that report is based on Federal Procurement Data System – Next Generation (FPDS-NG) data compiled and distributed by the Defense Manpower Data Center. The most recent such report, *Department of Defense Fiscal Year 2006 Purchases of Supplies Manufactured Outside the United States*, was submitted to the Congress in June 2007.

The “Prime Contract Assessment” described in this report section addresses a subset of the information provided in that report to Congress. As specified in section 812 of the National Defense Authorization Act for Fiscal Year 2004, this “Prime Contract Assessment” report:

- Includes only prime contracts valued at over \$25,000 dollars.<sup>8</sup>
- Includes only prime contracts for *defense items and components* as categorized by Defense Claimant Program (DCP) codes summarized in the table below. It

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<sup>7</sup> Countries categorically excluded from DoD contracts are countries listed as “terrorist countries” by the Secretary of State under 50 USC App. 2405(j)(1)(A) and countries subject to sanctions implemented by the Department of Treasury Office of Foreign Asset Controls (OFAC).

<sup>8</sup> Foreign Military Sales contracts are included within the data as they are DoD prime contracts. However, they constitute a small percentage of the total DoD prime contracts captured.



does not include contracts for other DCP codes, such as for subsistence, fuel, construction services, and other miscellaneous items.

<b>DEFENSE CLAIMANT PROGRAM (DCP) CODES</b>	
<b>A1A</b>	Airframes and related assemblies and spares
<b>A1B</b>	Aircraft engines and related spares and spare parts
<b>A1C</b>	Other aircraft equipment and supplies
<b>A2</b>	Missile and space systems
<b>A3</b>	Ships
<b>A4A</b>	Combat vehicles
<b>A4B</b>	Non-combat vehicles
<b>A5</b>	Weapons
<b>A6</b>	Ammunition
<b>A7</b>	Electronics and communication equipment

This report is based on Fiscal Year 2006 contract data, which became available in March 2007.

The three tables on the following pages summarize the most current DoD information on prime contracts awarded to foreign entities. The data included in the tables does not indicate significant DoD use of foreign contractors.

The first table is a “Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2006).” It lists, by DCP, the number and value of competitive contracts awarded to both U.S. and foreign suppliers, the number and value of non-competitive contracts awarded to U.S. and foreign suppliers, and the total number and value of all contracts awarded to U.S. and foreign suppliers. In total, the Department awarded 34,400 competitive contracts to U.S. suppliers worth a total of \$23.94 billion in Fiscal Year 2006. During that same period, it awarded a total of 777 competitive contracts to foreign suppliers (2.2%) worth a total of \$836 million (3.4%). The Department awarded 24,106 non-competitive contracts worth \$52.64 billion to U.S. suppliers and 1,037 non-competitive contracts (4.1%) worth \$1 billion to foreign suppliers (1.9%). In all, the Department awarded a total of \$76.57 billion in defense articles and components contracts to U.S. suppliers and \$1.89 billion to foreign suppliers (2.4%).

The second table is a “Percentage Summary of all DoD Contracts for Defense Items and Components (Fiscal Year 2006).” It lists, by DCP, the percentage of the number and value of competitive, non-competitive, and all DoD prime contracts awarded to foreign entities. For example, for DCP A4A (combat vehicles): (1) 95.6% (98.8% by value) of DoD competitive contracts went to U.S. sources and 4.4% (1.2% by value) went to foreign suppliers, (2) 92.3% (97.2% by value) of DoD non-competitive went to U.S. sources and 2.8% (5.4% by value) went to foreign suppliers, and (3) 94.6%

(97.7% by value) of all DoD contracts went to U.S. sources and 5.4% (2.3% by value) went to foreign suppliers.

The third table is a “Summary of All Awards to Foreign Entities (A1A-A7) for Fiscal Year 2006” for defense articles and components. It lists, by country, the number and value of competitive contracts awarded to foreign suppliers, the number and value of non-competitive contracts awarded to foreign suppliers, and the total number and value of all contracts awarded to foreign suppliers. The top five recipient nations (by value) of competitive DoD contracts were, in order, Canada, Iraq, the UK, Romania, and UAE.<sup>9</sup> The top five recipient nations (by value) of non-competitive DoD contracts were, in order, the UK, Canada, Germany, France, and Saudi Arabia. The top five recipient nations (by value) of all DoD contracts were, in order, the UK, Canada, Germany, Sweden, and France.

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<sup>9</sup> The contracts awarded to Iraq, Romania, and UAE were almost exclusively within Federal Supply Group (FSG) 23- Ground Effect Vehicles, Motor Vehicles, Trailers, and Cycles.

Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2006)						
DCP	# of Competitive Contracts	Value of Competitive Contracts	# of Non-Competitive Contracts	Value of Non-Competitive Contracts	Total # of Contracts	Total Value of Contracts
<b>A1A Airframes</b>						
US	5,150	\$ 2,867,947,686	5,873	\$ 22,174,369,503	11,023	\$ 25,042,317,189
Foreign	108	\$ 66,695,874	266	\$ 172,918,651	374	\$ 239,614,525
<b>Total</b>	<b>5,258</b>	<b>\$ 2,934,643,560</b>	<b>6,139</b>	<b>\$ 22,347,288,154</b>	<b>11,397</b>	<b>\$ 25,281,931,714</b>
<b>A1B Aircraft Engines</b>						
US	2,610	\$ 1,158,668,317	3,259	\$ 3,314,344,829	5,869	\$ 4,473,013,146
Foreign	96	\$ 42,016,706	213	\$ 122,391,134	309	\$ 164,407,840
<b>Total</b>	<b>2,706</b>	<b>\$ 1,200,685,023</b>	<b>3,472</b>	<b>\$ 3,436,735,963</b>	<b>6,178</b>	<b>\$ 4,637,420,986</b>
<b>A1C Other Aircraft</b>						
US	3,516	\$ 1,115,104,928	3,630	\$ 3,357,845,261	7,146	\$ 4,472,950,189
Foreign	77	\$ 61,786,542	113	\$ 91,889,840	190	\$ 153,676,382
<b>Total</b>	<b>3,593</b>	<b>\$ 1,176,891,470</b>	<b>3,743</b>	<b>\$ 3,449,735,101</b>	<b>7,336</b>	<b>\$ 4,626,626,571</b>
<b>A2 Missile and Space</b>						
US	203	\$ 36,992,365	1	\$ 277,735	204	\$ 37,270,100
Foreign	5	\$ 958,043	12	\$ 14,897,514	17	\$ 15,855,557
<b>Total</b>	<b>208</b>	<b>\$ 37,950,408</b>	<b>13</b>	<b>\$ 15,175,249</b>	<b>221</b>	<b>\$ 53,125,657</b>
<b>A3 Ships</b>						
US	2,871	\$ 2,739,751,845	3,298	\$ 7,874,183,009	6,169	\$ 10,613,934,854
Foreign	53	\$ 27,404,458	44	\$ 4,867,033	97	\$ 32,271,491
<b>Total</b>	<b>2,924</b>	<b>\$ 2,767,156,303</b>	<b>3,342</b>	<b>\$ 7,879,050,042</b>	<b>6,266</b>	<b>\$ 10,646,206,345</b>
<b>A4A Combat Vehicles</b>						
US	2,284	\$ 1,595,972,494	1,048	\$ 3,356,550,926	3,332	\$ 4,952,523,420
Foreign	104	\$ 19,184,924	87	\$ 97,990,406	191	\$ 117,175,330
<b>Total</b>	<b>2,388</b>	<b>\$ 1,615,157,418</b>	<b>1,135</b>	<b>\$ 3,454,541,332</b>	<b>3,523</b>	<b>\$ 5,069,698,750</b>
<b>A4B Non-combat Vehicles</b>						
US	1,523	\$ 1,993,747,163	955	\$ 2,663,399,599	2,478	\$ 4,657,146,762
Foreign	155	\$ 333,929,632	65	\$ 33,394,506	220	\$ 367,324,138
<b>Total</b>	<b>1,678</b>	<b>\$ 2,327,676,795</b>	<b>1,020</b>	<b>\$ 2,696,794,105</b>	<b>2,698</b>	<b>\$ 5,024,470,900</b>
<b>A5 Weapons</b>						
US	1,344	\$ 1,371,491,551	741	\$ 1,342,444,983	2,085	\$ 2,713,936,534
Foreign	31	\$ 65,515,547	42	\$ 244,124,319	73	\$ 309,639,866
<b>Total</b>	<b>1,375</b>	<b>\$ 1,437,007,098</b>	<b>783</b>	<b>\$ 1,586,569,302</b>	<b>2,158</b>	<b>\$ 3,023,576,400</b>
<b>A6 Ammunition</b>						
US	635	\$ 2,073,428,254	300	\$ 851,497,827	935	\$ 2,924,926,081
Foreign	20	\$ 20,671,205	33	\$ 134,972,187	53	\$ 155,643,392
<b>Total</b>	<b>655</b>	<b>\$ 2,094,099,459</b>	<b>333</b>	<b>\$ 986,470,014</b>	<b>988</b>	<b>\$ 3,080,569,473</b>
<b>A7 Electronics</b>						
US	14,264	\$ 8,984,040,591	5,001	\$ 7,701,517,473	19,265	\$ 16,685,558,064
Foreign	128	\$ 197,739,813	162	\$ 127,628,591	290	\$ 325,368,404
<b>Total</b>	<b>14,392</b>	<b>\$ 9,181,780,404</b>	<b>5,163</b>	<b>\$ 7,829,146,064</b>	<b>19,555</b>	<b>\$ 17,010,926,468</b>
Total US	34,400	\$ 23,937,145,194	24,106	\$ 52,636,431,145	58,506	\$ 76,573,576,339
Total Foreign	777	\$ 835,902,744	1,037	\$ 1,045,074,181	1,814	\$ 1,880,976,925
<b>Totals</b>	<b>35,177</b>	<b>\$ 24,773,047,938</b>	<b>25,143</b>	<b>\$ 53,681,505,326</b>	<b>60,320</b>	<b>\$ 78,454,553,264</b>

Summary of all DoD Contracts for Defense Items and Components Awarded (Fiscal Year 2006)						
DCP	% of Competitive Contracts	Percentage by Value of Competitive Contracts (%)	% of Non-Competitive Contracts	Percentage by Value of Non-Competitive Contracts (%)	Total % of Contracts	Total Percentage by Value of Contracts (%)
<b>A1A Airframes</b>						
US	97.9%	97.7%	95.7%	99.2%	96.7%	99.1%
Foreign	2.1%	2.3%	4.3%	0.8%	3.3%	0.9%
<b>A1B Aircraft Engines</b>						
US	96.5%	96.5%	93.9%	96.4%	95.0%	96.5%
Foreign	3.5%	3.5%	6.1%	3.6%	5.0%	3.5%
<b>A1C Other Aircraft</b>						
US	97.9%	94.8%	97.0%	97.3%	97.4%	96.7%
Foreign	2.1%	5.2%	3.0%	2.7%	2.6%	3.3%
<b>A2 Missile and Space</b>						
US	97.6%	97.5%	7.7%	1.8%	92.3%	70.2%
Foreign	2.4%	2.5%	92.3%	98.2%	7.7%	29.8%
<b>A3 Ships</b>						
US	98.2%	99.0%	98.7%	99.9%	98.5%	99.7%
Foreign	1.8%	1.0%	1.3%	0.1%	1.5%	0.3%
<b>A4A Combat Vehicles</b>						
US	95.6%	98.8%	92.3%	97.2%	94.6%	97.7%
Foreign	4.4%	1.2%	7.7%	2.8%	5.4%	2.3%
<b>A4B Non-combat Vehicles</b>						
US	90.8%	85.7%	93.6%	98.8%	91.8%	92.7%
Foreign	9.2%	14.3%	6.4%	1.2%	8.2%	7.3%
<b>A5 Weapons</b>						
US	97.7%	95.4%	94.6%	84.6%	96.6%	89.8%
Foreign	2.3%	4.6%	5.4%	15.4%	3.4%	10.2%
<b>A6 Ammunition</b>						
US	96.9%	99.0%	90.1%	86.3%	94.6%	94.9%
Foreign	3.1%	1.0%	9.9%	13.7%	5.4%	5.1%
<b>A7 Electronics</b>						
US	99.1%	97.8%	96.9%	98.4%	98.5%	98.1%
Foreign	0.9%	2.2%	3.1%	1.6%	1.5%	1.9%
Total US	97.8%	96.6%	95.9%	98.1%	97.0%	97.6%
<b>Total Foreign</b>	<b>2.2%</b>	<b>3.4%</b>	<b>4.1%</b>	<b>1.9%</b>	<b>3.0%</b>	<b>2.4%</b>

Summary of All Awards to Foreign Entities (A1A -- A7) for Fiscal Year 2006						
Country	# of Competitive Contracts	Value of Competitive Contracts	# of Non-Competitive Contracts	Value of Non-Competitive Contracts	Total Number of Contracts	Total Value of Contracts
Afghanistan	3	\$ 33,343,902	0	\$ -	3	\$ 33,343,902
Anguilla	5	\$ 10,012,393	0	\$ -	5	\$ 10,012,393
Ashmore and Cartier Islands	1	\$ 43,000	0	\$ -	1	\$ 43,000
Australia	5	\$ 3,208,568	4	\$ 2,058,254	9	\$ 5,266,822
Austria	2	\$ 916,153	6	\$ 1,268,321	8	\$ 2,184,474
Bahrain	1	\$ 27,333	0	\$ -	1	\$ 27,333
Belgium	12	\$ 9,685,501	5	\$ 24,014,760	17	\$ 33,700,261
Canada	344	\$ 220,296,966	402	\$ 231,081,288	746	\$ 451,378,254
Colombia	8	\$ 4,889,363	0	\$ -	8	\$ 4,889,363
Croatia	0	\$ -	3	\$ 239,354	3	\$ 239,354
Denmark	2	\$ 57,919	9	\$ 6,506,784	11	\$ 6,564,703
Foreign*	0	\$ -	5	\$ 6,379,010	5	\$ 6,379,010
France	9	\$ 19,654,814	39	\$ 82,567,643	48	\$ 102,222,457
Gabon	1	\$ 1,821,338	8	\$ 13,854,515	9	\$ 15,675,853
Germany	73	\$ 48,236,229	39	\$ 93,538,799	112	\$ 141,775,028
Iraq	3	\$ 99,627,759	0	\$ -	3	\$ 99,627,759
Israel	54	\$ 22,056,491	38	\$ 35,042,836	92	\$ 57,099,327
Italy	21	\$ 2,454,243	7	\$ 656,676	28	\$ 3,110,919
Japan	34	\$ 9,433,881	5	\$ 439,410	39	\$ 9,873,291
Jordan	6	\$ 32,527,243	0	\$ -	6	\$ 32,527,243
Korea	17	\$ 3,511,257	0	\$ -	17	\$ 3,511,257
Kuwait	7	\$ 7,206,126	4	\$ 1,001,968	11	\$ 8,208,094
Malaysia	1	\$ 121,546	0	\$ -	1	\$ 121,546
Netherlands	1	\$ 87,113	4	\$ 305,658	5	\$ 392,771
New Zealand	2	\$ 393,302	0	\$ -	2	\$ 393,302
Norway	1	\$ 2,112,831	7	\$ 23,933,654	8	\$ 26,046,485
Qatar	2	\$ 258,737	3	\$ 122,792	5	\$ 381,529
Romania	10	\$ 72,590,583	0	\$ -	10	\$ 72,590,583
Saudi Arabia	0	\$ -	18	\$ 78,151,615	18	\$ 78,151,615
Senegal	22	\$ 6,546,200	0	\$ -	22	\$ 6,546,200
Singapore	13	\$ 1,286,292	14	\$ 2,364,221	27	\$ 3,650,513
Spain	5	\$ 14,036,809	1	\$ 682,549	6	\$ 14,719,358
Sweden	2	\$ 43,532,650	14	\$ 62,222,875	16	\$ 105,755,525
Switzerland	0	\$ -	2	\$ 549,135	2	\$ 549,135
Thailand	1	\$ 594,350	0	\$ -	1	\$ 594,350
Turkey	2	\$ 71,468	1	\$ 32,216	3	\$ 103,684
UAE	4	\$ 68,674,700	3	\$ 5,370,531	7	\$ 74,045,231
UK	102	\$ 96,532,070	396	\$ 372,689,317	498	\$ 469,221,387
Vanatu	1	\$ 53,614	0	\$ -	1	\$ 53,614
United States**	2	\$ 103,620	2	\$ 1,017,608	4	\$ 1,121,228
<b>Totals</b>	<b>779</b>	<b>\$ 836,006,364</b>	<b>1,039</b>	<b>\$ 1,046,091,789</b>	<b>1,818</b>	<b>\$ 1,882,098,153</b>

\* Classified prime contracts awarded to firms in undisclosed foreign nations.

\*\* Prime contracts awarded to foreign-owned firms located in the United States, that are not incorporated in the United States.

## **6. Buy American Act Waivers**

Section 812(c)(2)(A)(vi) requires an itemized list of waivers granted under the Buy American Act for contracts discussed in this report. The Federal Procurement Data System - Next Generation (FPDS-NG) does not contain this information for FY 2006 data, and it is thus not possible to provide it for this report. However, the Department of Defense started collecting the necessary data in October 2006, and an itemized list of Buy American Act waivers undertaken in FY 2007 will be included in next year's report.

## **7. Status of the Federal Procurement Data System**

The Federal Procurement Data System - Next Generation (FPDS-NG) replaced the former Federal Procurement Data System (FPDS), on October 1, 2003. The General Services Administration (GSA) manages FPDS-NG within the Federal eGov Integrated Acquisition Environment (IAE) initiative. FPDS-NG is the central repository of statistical information on Federal contracting, and all federal agencies subject to the Federal Acquisition Regulations (FAR) are required to submit data about their procurement actions to FPDS-NG. The system uses state-of-the-art technology to streamline the reporting process and allow direct machine-to-machine reporting. This feature provided agencies with the opportunity to shut down legacy data collection systems.

The Department of Defense and GSA worked closely together to ensure DoD data from Fiscal Years 1997 through 2006 were migrated from DoD's legacy data collection systems to FPDS-NG (earlier Fiscal Years' data was migrated directly from FPDS). This provided DoD with a baseline of historic data in the new system from which much of its future reporting would flow. Beginning with Fiscal Year 2006, DoD reporting sites started their transition to take advantage of reporting directly from its contract writing systems to FPDS-NG.

As of October 1, 2006, DoD retired use of its legacy contract reporting format. Since that time, DoD has focused attention on completing the migration of all its contracting offices to FPDS-NG and ensuring they can accurately report required information, as well as implementing data management strategies that support and take advantage of the new reporting environment. DoD also continues its close work with GSA in order to help further develop and mature the FPDS-NG reporting environment into a highly flexible, robust reporting tool.

## **8. Conclusions**

The information presented in this report indicates that the Department employs foreign contractors and subcontractors judiciously, and in a manner consistent with national security requirements. The Department procures very few defense items and components from foreign suppliers. In Fiscal Year 2006, DoD procurement actions totaled \$295 billion. Of that amount, DoD contracts for defense items and components

totaled just over \$78 billion. Of that \$78 billion, the Department awarded contracts to foreign suppliers for defense items and components totaling approximately \$1.9 billion. Therefore, DoD contracts for defense items and components awarded to foreign suppliers represented less than one percent of all DoD contracts; and only about 2.4% of DoD contracts for defense items and components.