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Appendix A: Section 309 of the Defense Production Act

THE DEFENSE PRODUCTION ACT OF 1950, AS AMENDED

(50 U.S.C. App. 2061, et seq.)

Section 309.

(a) Annual Report on Impact of Offsets--

(1) Report Required -- Not later than 18 months after the date of the enactment of the Defense Production Act Amendments of 1984, and annually thereafter, the President shall submit to the Committee on Banking, Finance and Urban Affairs of the House of Representatives and the Committee on Banking, Housing, and Urban Affairs of the Senate, a detailed report on the impact of offsets on the defense preparedness, industrial competitiveness, employment, and trade of the United States.

(2) Duties of the Secretary of Commerce (hereafter in this subsection referred to as 'the Secretary'' shall--

(A) prepare the report required by paragraph (1);

(B) consult with the Secretary of Defense, the Secretary of the Treasury, the Secretary of State, and the United States Trade Representative in connection with the preparation of such report; and

(C) function as the President's Executive Agent for carrying out this section.

(b) Interagency Studies and Related Data—

(1) Purpose of Report-- Each report required under subsection (a) shall identify the cumulative effects of offset agreements on—

(A) the full range of domestic defense productive capability (with special attention paid to the firms serving as lower-tier subcontractors or suppliers); and

(B) the domestic defense technology base as a consequence of the technology transfers associated with such offset agreements.

(2) Use of Data--Data developed or compiled by any agency while conducting any interagency study or other independent study or analysis shall be made available to the Secretary to facilitate the execution of the Secretary's responsibilities with respect to trade offset and countertrade policy development.

(c) Notice of Offset Agreements--

(1) In General--If a United States firm enters into a contract for the sale of a weapon system or defense-related item to a foreign country or foreign firm and such contract is subject to an offset agreement exceeding $5,000,000 in value, such firm shall furnish to the official designated in the regulations promulgated pursuant to paragraph (2) information concerning such sale.

(2) Regulations--The information to be furnished under paragraph (1) shall be prescribed in regulations promulgated by the Secretary. Such regulations shall provide protection from pubic disclosure for such information, unless public disclosure is subsequently specifically authorized by the firm furnishing the information.

(d) Contents of Report--

(1) In General--Each report under subsection (a) shall include--

(A) a net assessment of the elements of the industrial base and technology base covered by the report;

(B) recommendations for appropriate remedial action under the authority of this Act, or other law or regulations;

(C) a summary of the findings and recommendations of any interagency studies conducted during the reporting period under subsection (b);

(D) a summary of offset arrangements concluded during the reporting period for which information has been furnished pursuant to subsection (c); and

(E) a summary and analysis of any bilateral and multilateral negotiations relating to the use of offsets completed during the reporting period.

(2) Alternative Findings or Recommendations--Each report required under this section shall include any alternative findings or recommendations offered by any departmental Secretary, agency head, or the United States Trade Representative to the Secretary.

(e) Utilization of Annual Report in Negotiations—

The findings and recommendations of the reports required by subsection (a), and any interagency reports and analyses shall be considered by representatives of the United States during bilateral and multilateral negotiations to minimize the adverse effects of offsets.

Appendix B: Department of Commerce Regulations Regarding Reporting of Offset Activity

[Federal Register: December 2, 1994]

DEPARTMENT OF COMMERCE

Bureau of Export Administration

15 CFR Part 701

[Docket No. 940364-4064]

Offsets in Military Exports

AGENCY: Bureau of Export Administration, Department of Commerce.

ACTION: Final rule.

SUMMARY: The Bureau of Export Administration (BXA) is amending the National Security Industrial Base Regulations to require U.S. firms entering into offset agreements associated with the sale of defense articles and/or defense services to foreign governments or foreign companies to provide BXA certain information regarding those agreements when they exceed $5,000,000 in value. This new regulation is being promulgated pursuant to the Defense Production Act of 1950, as amended.

DATES: This rule is effective December 2, 1994. Annual reports must be submitted on or before June 15 of the succeeding year, except that the report for calendar year 1993 must be submitted on or before March 15, 1995.

ADDRESSES: Annual reports should be sent to Brad Botwin, Director, Strategic Analysis Division, Office of Strategic Industries and Economic Security, Attention: Offset Regulation Report, Room 3878, U.S. Department of Commerce, 14th Street and Pennsylvania Avenue N.W., Washington, DC 20230.

FOR FURTHER INFORMATION CONTACT: Erin Finn, Offsets Program Manager, Strategic Analysis Division, Office of Strategic Industries and Economic Security, Room 3878, U.S. Department of Commerce, 14th Street and Pennsylvania Avenue N.W., Washington, DC 20230. Telephone 202-482-2322 or Fax 202-482-5650.

SUPPLEMENTARY INFORMATION:

BACKGROUND: The Defense Production Act Amendments of 1992 amended the Defense Production Act of 1950 (the Act). The Act now requires that U.S. firms entering into contracts for the sale of defense articles or defense services to foreign countries or foreign firms that are subject to offset agreements exceeding $5,000,000 in value to furnish information regarding such sales to the Secretary of Commerce (the Secretary). The Act also now requires the Secretary to establish regulations to collect this information and to protect it from public disclosure unless public disclosure is specifically authorized by the firm furnishing the information. The Act further requires the Secretary to serve as the President's executive agent in preparing an annual report to Congress on the impact of offsets on the United States.

This report will include an aggregated summary of information provided to the Secretary by U.S. industry pursuant to the regulation provided here. It will address the impact of offsets on the defense preparedness, industrial competitiveness, employment, and trade of the United States.

On April 26, 1994, BXA published in the Federal Register (59 FR 21678) a proposed rule on reporting of offsets in military exports designed to elicit comments, suggestions, information, or advice relative to the proposed regulation. 20 responses were received commenting on the proposed rule. The two major comments concerned the requirements to submit semi-annual reports and to report each individual transaction undertaken to fulfill an offset commitment. The rule has been amended to address these concerns.

Rulemaking Requirements

1. This rule has been determined to be “significant'” for purposes of Executive Order 12866.

2. This rule involves collections of information subject to the Paperwork Reduction Act of 1980 (44 U.S.C. 3501 et seq.). These collections have been approved by the Office of Management and Budget under control number 940364-4212. Public reporting burden for this collection of information is estimated to be 5 to 60 hours per response, with an average of 10 hours, including time for reviewing instructions, searching existing data sources, gathering and
maintaining the data needed, and completing and reviewing the collection of information.

3. This rule does not contain policies with Federalism implications sufficient to warrant preparation of a Federalism assessment under Executive Order 12612.

4. The General Counsel of the Department of Commerce has certified to the Chief Counsel for Advocacy of the Small Business Administration that this rule will not have a significant economic impact

on a substantial number of small entities. It is anticipated that the rule will primarily affect large defense contractors that engage in offset agreements with foreign governments. Moreover, the rule is not expected to pose a burden because firms engaging in offset transactions already must prepare periodic accounts of progress toward fulfillment of offset obligations for the foreign entity that is party to the offset agreement. The information to be collected pursuant to these regulations is less than that required by these foreign parties. With regard to new offset agreements entered into, the information requested is readily available and will take a minimum amount of time to assemble by the parties involved.

List of Subjects in 15 CFR Part 701

Administration practice and procedure, Arms and munitions, Exports, Offsets, Reporting requirements.

Accordingly, the National Security Industrial Base Regulations (15 CFR parts 700-709) are amended by adding part 701 to read as follows:

PART 701--REPORTING OF OFFSETS AGREEMENTS IN SALES OF WEAPON SYSTEMS OR DEFENSE-RELATED ITEMS TO FOREIGN COUNTRIES OR FOREIGN FIRMS

Sec.

701.1 Purpose.
701.2 Definitions.
701.3 Applicability and Scope.
701.4 Procedures.
701.5 Confidentiality.

Authority: Title I, sec. 124, Pub. L 102-558, 106 Stat. 4207 (50 U.S.C App. 2099).

Sec. 701.1 Purpose.

The Defense Production Act Amendments of 1992 require the Secretary of Commerce to promulgate regulations for U.S. firms entering into contracts for the sale of defense articles or defense services to foreign countries or foreign firms that are subject to offset agreements exceeding $5,000,000 in value to furnish information regarding such agreements. The Secretary of Commerce has designated the Bureau of Export Administration as the organization responsible for implementing this provision. The information provided by U.S. firms will be aggregated and used to determine the impact of offset transactions on the defense preparedness, industrial competitiveness,

employment, and trade of the United States. Summary reports will be submitted annually to the Congress pursuant Section 309 of the Defense Production Act of 1950, as amended.

Sec. 701.2 Definitions.

(a) Offsets--Compensation practices required as a condition of purchase in either government-to-government or commercial sales of defense articles and/or defense services as defined by the Arms Export Control Act and the International Traffic in Arms Regulations.

(b)Military Export Sales--Exports that are either Foreign Military Sales (FMS) or commercial (direct) sales of defense articles and/or defense services as defined by the Arms Export Control Act and International Traffic in Arms Regulations.

(c) Prime Contractor--A firm that has a sales contract with a foreign entity or with the U.S. Government for military export sales.

(d) United States--Includes the 50 states, the District of Columbia, Puerto Rico, and U.S. territories.

(e) Offset Agreement--Any offset as defined above that the U.S. firm agrees to in order to conclude a military export sales contract. This includes all offsets, whether they are ``best effort'' agreements or are subject to penalty clauses.

(f) Offset Transaction--Any activity for which the U.S. firm claims credit for full or partial fulfillment of the offset agreement. Activities to implement offset agreements may include, but are not limited to, co-production, licensed production, subcontractor production, overseas investment, technology transfer countertrade, barter, counterpurchase, and buy back.

(g) Direct Offset--Contractual arrangements that involve defense articles and services referenced in the sales agreement for military exports.

(h) Indirect Offset--Contractual arrangements that involve defense goods and services unrelated to the exports referenced in the sales agreement.

Sec. 701.3 Applicability and scope.

(a) This rule applies to U.S. firms entering contracts for the sale of defense articles or defense services (as defined in the Arms Export Control Act and International Traffic in Arms Regulations) to a foreign country or foreign firm for which the contract is subject to an offset

agreement exceeding $5,000,000 in value.

(b) This rule applies to all offset transactions completed in performance of existing offset commitments since January 1, 1993 for which offset credit of $250,000 or more has been claimed from the foreign representative, and new offset agreements entered into since
that time.

Sec. 701.4 Procedures.

(a) To avoid double counting, firms should report only offset transactions for which they are directly responsible for reporting to the foreign customer (i.e., prime contractors should report for their subcontractors if the subcontractors are not a direct party to the offset agreement).

(b) Reports should be delivered to the Offsets Program Manager, U.S. Department of Commerce, Office of Strategic Industries and Economic Security, Bureau of Export Administration, Room 3878, 14th Street and Pennsylvania Avenue, N.W., Washington DC 20230. The first industry reports should be submitted to the Bureau of Export Administration not later than March 15, 1995 and should cover offset transactions completed during the calendar year 1993, as well as information regarding unfulfilled offset agreements. After this initial submission, companies should provide information once yearly not later than June 15 covering the preceding calendar year. All submissions should include a point of contact (name and telephone number) and should be by a company official authorized to provide such information.

(c) Companies may submit this information in computerized spreadsheet/database format (e.g., Lotus 1-2-3, Quattro Pro, dbase IV) using a 3.5 inch 1.44 megabyte diskette, accompanied by a printed copy.

(d) Offset Transaction Reporting.

(1) Reports should include an itemized list of offset transactions completed during the reporting period, including the following data elements (Estimates are acceptable when actual figures are unavailable; estimated figures should be followed by the letter ``E''):

(i) Name of Country--Country of entity purchasing the weapon system, defense item or service subject to offset.

(ii) Name or Description of Weapon system, Defense Item, or Service Subject to Offset.

(iii) Name of Offset Fulfilling Entity--Entity fulfilling offset transaction (including first tier subcontractors).

(iv) Name of Offset Receiving Entity--Entity receiving benefits from offset transaction.

(v) Offset Credit Value--Dollar value credits claimed by fulfilling entity including any intangible factors/multipliers.

(vi) Actual Offset Value--Dollar value of the offset transaction without multipliers/intangible factors.

(vii) Description of Offset Product/Service--Short description of the type of offset (e.g., co-production, technology transfer, subcontract activity, training, purchase, cash payment, etc.).

(viii) Broad Industry Category--Broad classification of the industry in which the offset transaction was fulfilled (e.g., aerospace, electronics, chemicals, industrial machinery, textiles, etc.). Firms may request a list of the Standard Industry Classification (SIC) codes to assist in identifying an appropriate industry category. Forward such requests to the Offsets Program Manager, U.S. Department of Commerce, Office of Strategic Industries and Economic Security, Bureau of Export Administration, Room 3878, 14th Street and Pennsylvania Avenue, N.W., Washington, D.C. 20230 or Fax 202-482-5650.

(ix) Direct or Indirect Offset--Specify whether the offset transaction was direct or indirect offset.

(x) Name of Country in Which Offset was Fulfilled--United States, purchasing country, or third country.

(2) Offset transactions of the same type (same fulfilling entity, receiving entity, and offset product/service) completed during the same reporting period may be combined.

(3) Any necessary comments or explanations relating to the above information should be footnoted and supplied on separate sheets attached to the report.

(e) Reporting on Offset Agreements Entered Into. (1) In addition to the itemized list of offset transactions completed during the year as specified above, U.S. firms should provide information regarding new offset agreements entered into during the year, including the following elements:

(i) Name of Country--Country of entity purchasing the weapon system, defense item, or service subject to offset;

(ii) Name or Description of Weapon System, Defense Item, or Service Subject to Offset;

(iii) Names/Titles of Signatories to the Offset Agreement;

(iv) Value of Export Sale Subject to Offset (approximate);

(v) Total Value of the Offset Agreement;

(vi) Term of Offset Agreement (months);

(vii) Description of Performance Measures--(e.g., ``Best Efforts," Liquidated Damages, (describe)).

Sec. 701.5 Confidentiality.

(a) As provided by Sec. 309(c) of the Defense Production Act of 1950, as amended, BXA shall not publicly disclose the information it receives pursuant to this Part, unless the firm furnishing the information subsequently specifically authorizes public disclosure.

(b) Public disclosure must be authorized in writing by an official of the firm competent to make such an authorization.

(c) Nothing in this provision shall prevent the use of data aggregated from information provided pursuant to this part in the summary report to the Congress described in Sec. 701.1.

Dated: November 28, 1994.

Sue E. Eckert,

Assistant Secretary for Export Administration.

[FR Doc. 94-29645 Filed 12-1-94; 8:45 am]

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Appendix C: Executive Order 12919

Executive Order 12919 of June 3, 1994

NATIONAL DEFENSE INDUSTRIAL RESOURCES PREPAREDNESS

By the authority vested in me as President by the Constitution and the laws of the United States of America, including the Defense Production Act of 1950, as amended (64 Stat. 798; 50 U.S.C. App. 2061, et seq.), and section 301 of title 3, United States Code, and as Commander in Chief of the Armed Forces of the United States, it is hereby ordered as follows:

PART I - PURPOSE, POLICY AND IMPLEMENTATION

Section 101. Purpose. This order delegates authorities and addresses national defense industrial resource policies and programs under the Defense Production Act of 1950, as amended ("the Act"), except for the amendments to Title III of the Act in the Energy Security Act of 1980 and telecommunication authorities under Executive Order No. 12472.

Sec. 102. Policy. The United States must have an industrial and technology base capable of meeting national defense requirements, and capable of contributing to the technological superiority of its defense equipment in peacetime and in times of national emergency. The domestic industrial and technological base is the foundation for national defense preparedness. The authorities provided in the Act shall be used to strengthen this base and to ensure it is capable of responding to all threats to the national security of the United States.

Sec. 103. General Functions. Federal departments and agencies responsible for defense acquisition (or for industrial resources needed to support defense acquisition) shall: (a) Identify requirements for the full spectrum of national security emergencies, including military, industrial, and essential civilian demand; (b) Assess continually the capability of the domestic industrial and technological base to satisfy requirements in peacetime and times of national emergency, specifically evaluating the availability of adequate industrial resource and production sources, including subcontractors and suppliers, materials, skilled labor, and professional and technical personnel; (c) Be prepared, in the event of a potential threat to the security of the United States, to take actions necessary to ensure the availability of adequate industrial resources and production capability, including services and critical technology for national defense requirements; more (OVER) 2 (d) Improve the efficiency and responsiveness, to defense requirements, of the domestic industrial base; and (e) Foster cooperation between the defense and commercial sectors for research and development and for acquisition of materials, components, and equipment to enhance industrial base efficiency and responsiveness.

Sec. 104. Implementation. (a) The National Security Council is the principal forum for consideration and resolution of national security resource preparedness policy. (b) The Director, Federal Emergency Management Agency ("Director, FEMA") shall: (1) Serve as an advisor to the National Security Council on issues of national security resource preparedness and on the use of the authorities and functions delegated by this order; (2) Provide for the central coordination of the plans and programs incident to authorities and functions delegated under this order, and provide guidance and procedures approved by the Assistant to the President for National Security Affairs to the Federal departments and agencies under this order; (3) Establish procedures, in consultation with Federal departments and agencies assigned functions under this order, to resolve in a timely and effective manner conflicts and issues that may arise in implementing the authorities and functions delegated under this order; and (4) Report to the President periodically concerning all program activities conducted pursuant to this order. (c) The head of every Federal department and agency assigned functions under this order shall ensure that the performance of these functions is consistent with National Security Council policy and guidelines.

PART II - PRIORITIES AND ALLOCATIONS

Sec. 201. Delegations of Priorities and Allocations. (a) The authority of the President conferred by section 101 of the Act to require acceptance and priority performance of contracts or orders (other than contracts of employment) to promote the national defense over performance of any other contracts or orders, and to allocate materials, services, and facilities as deemed necessary or appropriate to promote the national defense, is delegated to the following agency heads: (1) The Secretary of Agriculture with respect to food

resources, food resource facilities, and the domestic distribution of farm equipment and commercial fertilizer; (2) The Secretary of Energy with respect to all forms of energy; (3) The Secretary of Health and Human Services with respect to health resources; (4) The Secretary of Transportation with respect to all forms of civil transportation; more 3 (5) The Secretary of Defense with respect to water resources; and (6) The Secretary of Commerce for all other materials, services, and facilities, including construction materials. (b) The Secretary of Commerce, in consultation with the heads of those departments and agencies specified in subsection 201(a) of this order, shall administer the Defense Priorities and Allocations System ("DPAS") regulations that will be used to implement the authority of the President conferred by section 101 of the Act as delegated to the Secretary of Commerce in subsection 201(a)(6) of this order. The Secretary of Commerce will redelegate to the Secretary of Defense, and the heads of other departments and agencies as appropriate, authority for the priority rating of contracts and orders for all materials, services, and facilities needed in support of programs approved under section 202 of this order. The Secretary of Commerce shall act as appropriate upon Special Priorities Assistance requests in a time frame consistent with the urgency of the need at hand. (c) The Director, FEMA, shall attempt to resolve issues or disagreements on priorities or allocations between Federal departments or agencies in a time frame consistent with the urgency of the issue at hand and, if not resolved, such issues will be referred to the Assistant to the President for National Security Affairs for final determination. (d) The head of each Federal department or agency assigned functions under subsection 201(a) of this order, when necessary, shall make the finding required under subsection 101(b) of the Act. This finding shall be submitted for the President's approval through the Assistant to the President for National Security Affairs. Upon such approval the head of the Federal department or agency that made the finding may use the authority of subsection 101(a) of the Act to control the general distribution of any material (including applicable services) in the civilian market. (e) The Assistant to the President for National Security Affairs is hereby delegated the authority under subsection 101(c)(3) of the Act, and will be assisted by the Director, FEMA, in ensuring the coordinated administration of the Act.

Sec. 202. Determinations. The authority delegated by section 201 of this order may be used only to support programs that have been determined in writing as necessary or appropriate to promote the national defense: (a) By the Secretary of Defense with respect to military production and construction, military assistance to foreign nations, stockpiling, outer space, and directly related activities; (b) By the Secretary of Energy with respect to energy production and construction, distribution and use, and directly related activities; and (c) By the Director, FEMA, with respect to essential civilian needs supporting national defense, including civil defense and continuity of government and directly related activities. more (OVER) 4

Sec. 203. Maximizing Domestic Energy Supplies. The authority of the President to perform the functions provided by subsection 101(c) of the Act is delegated to the Secretary of Commerce, who shall redelegate to the Secretary of Energy the authority to make the findings described in subsection 101(c)(2)(A) that the materials (including equipment), services, and facilities are critical and essential. The Secretary of Commerce shall make the finding described in subsection 101(c)(2)(A) of the Act that the materials (including equipment), services, or facilities are scarce, and the finding described in subsection 101(c)(2)(B) that it is necessary to use the authority provided by subsection 101(c)(1).

Sec. 204. Chemical and Biological Warfare. The authority of the President conferred by subsection 104(b) of the Act is delegated to the Secretary of Defense. This authority may not be further delegated by the Secretary.

PART III - EXPANSION OF PRODUCTIVE CAPACITY AND SUPPLY

Sec. 301. (a) Financing Institution Guarantees. To expedite or expand production and deliveries or services under government contracts for the procurement of industrial resources or critical technology items essential to the national defense, the head of each Federal department or agency engaged in procurement for the national defense (referred to as "agency head" in this part) and the President and Chairman of the Export-Import Bank of the United States (in cases involving capacity expansion, technological development, or production in foreign countries) are authorized to guarantee in whole or in part any public or private financing institution, subject to provisions of section 301 of the Act. Guarantees shall be made in consultation with the Department of the Treasury as to the terms and conditions thereof. The Director of the Office of Management and Budget ("OMB") shall be informed when such guarantees are to be made. (b) Direct Loan Guarantees. To expedite or expand production and deliveries or services under government contracts for the procurement of industrial resources or critical technology items essential to the national defense, each agency head is authorized to make direct loan guarantees from funds appropriated to their agency for Title III. (c) Fiscal Agent. Each Federal Reserve Bank is designated and authorized to act, on

behalf of any guaranteeing agency, as fiscal agent in the making of guarantee contracts and in otherwise carrying out the purposes of section 301 of the Act. (d) Regulations. The Board of Governors of the Federal Reserve System is authorized, after consultation with heads of guaranteeing departments and agencies, the Secretary of the Treasury, and the Director, OMB, to prescribe regulations governing procedures, forms, rates of interest, and fees for such guarantee contracts.

Sec. 302. Loans. (a) To expedite production and deliveries or services to aid in carrying out government contracts for the procurement of industrial resources or a critical technology item for the national defense, an agency head is authorized, subject to the provisions of section 302 of the Act, to submit to the Secretary of the Treasury or the President and Chairman of the Export- Import Bank of the United States (in cases involving capacity expansion, technological development, or production in foreign countries) applications for loans. more 5 (b) To expedite or expand production and deliveries or services under government contracts for the procurement of industrial resources or critical technology items essential to the national defense, each agency head may make direct loans from funds appropriated to their agency for Title III. (c) After receiving a loan application and determining that financial assistance is not otherwise available on reasonable terms, the Secretary of the Treasury or the President and Chairman of the Export-Import Bank of the United States (in cases involving capacity expansion, technological development, or production in foreign countries) may make loans, subject to provisions of section 302 of the Act.

Sec. 303. Purchase Commitments. (a) In order to carry out the objectives of the Act, and subject to the provisions of section 303 thereof, an agency head is authorized to make provision for purchases of, or commitments to purchase, an industrial resource or a critical technology item for government use or resale. (b) Materials acquired under section 303 of the Act that exceed the needs of the programs under the Act may be transferred to the National Defense Stockpile, if such transfer is determined by the Secretary of Defense as the National Defense Stockpile Manager to be in the public interest.

Sec. 304. Subsidy Payments. In order to ensure the supply of raw or non-processed materials from high-cost sources, an agency head is authorized to make subsidy payments, after consultation with the Secretary of the Treasury and the Director, OMB, and subject to the provisions of section 303(c) of the Act.

Sec. 305. Determinations and Findings. When carrying out the authorities in sections 301 through 303 of this order, an agency head is authorized to make the required determinations, judgments, statements, certifications, and findings, in consultation with the Secretary of Defense, Secretary of Energy or Director, FEMA, as appropriate. The agency head shall provide a copy of the determination, judgment, statement, certification, or finding to the Director, OMB, to the Director, FEMA, and, when appropriate, to the Secretary of the Treasury.

Sec. 306. Strategic and Critical Materials. (a) The Secretary of the Interior, in consultation with the Secretary of Defense as the National Defense Stockpile Manager and subject to the provisions of section 303 of the Act, is authorized to encourage the exploration, development, and mining of critical and strategic materials and other materials. (b) An agency head is authorized, pursuant to section 303(g) of the Act, to make provision for the development of substitutes for strategic and critical materials, critical components, critical technology items, and other industrial resources to aid the national defense. (c) An agency head is authorized, pursuant to section 303(a)(1)(B) of the Act, to make provisions to encourage the exploration, development, and mining of critical and strategic materials and other materials. more (OVER) 6

Sec. 307. Government-owned Equipment. An agency head is authorized, pursuant to section 303(e) of the Act, to install additional equipment, facilities, processes, or improvements to facilities owned by the government and to install government-owned equipment in industrial facilities owned by private persons.

Sec. 308. Identification of Shortfalls. Except during periods of national emergency or after a Presidential determination in accordance with sections 301(e)(1)(D)(ii), 302(c)(4)(B), or 303(a)(7)(B) of the Act, no guarantee, loan or other action pursuant to sections 301, 302, and 303 of the Act to correct an industrial shortfall shall be taken unless the shortfall has been identified in the Budget of the United States or amendments thereto.

Sec. 309. Defense Production Act Fund Manager. The Secretary of Defense is designated the Defense Production Act Fund Manager, in accordance with section 304(f) of the Act, and shall carry out the duties specified in that section, in consultation with the agency heads having approved Title III projects and appropriated Title III funds.

Sec. 310. Critical Items List. (a) Pursuant to section 107(b)(1)(A) of the Act, the Secretary of Defense shall identify critical components and critical technology items for each item on the Critical Items List of the Commanders-in-Chief of the Unified and Specified Commands and other items within the inventory of weapon systems and defense equipment. (b) Each agency head shall take appropriate action to ensure that critical components or critical technology items are available from reliable sources when needed to meet defense requirements during peacetime, graduated mobilization, and national emergency. "Appropriate action" may include restricting contract solicitations to reliable sources, restricting contract solicitations to domestic sources (pursuant to statutory authority), stockpiling critical components, and developing substitutes for critical components or critical technology items.

Sec. 311. Strengthening Domestic Capability. An agency head, in accordance with section 107(a) of the Act, may utilize the authority of Title III of the Act or any other provision of law, in consultation with the Secretary of Defense, to provide appropriate incentives to develop, maintain, modernize, and expand the productive capacities of domestic sources for critical components, critical technology items, and industrial resources essential for the execution of the national security strategy of the United States.

Sec. 312. Modernization of Equipment. An agency head, in accordance with section 108(b) of the Act, may utilize the authority of Title III of the Act to guarantee the purchase or lease of advance manufacturing equipment and any related services with respect to any such equipment for purposes of the Act.

PART IV - IMPACT OF OFFSETS

Sec. 401. Offsets. (a) The responsibilities and authority conferred upon the President by section 309 of the Act with respect to offsets are delegated to the Secretary of Commerce, who shall function as the President's Executive Agent for carrying out this authority. more 7 (b) The Secretary of Commerce shall prepare the annual report required by section 309(a) of the Act in consultation with the Secretaries of Defense, Treasury, Labor, State, the United States Trade Representative, the Arms Control and Disarmament Agency, the Director of Central Intelligence, and the heads of other departments and agencies as required. The heads of Federal departments and agencies shall provide the Secretary of Commerce with such information as may be necessary for the effective performance of this function. (c) The offset report shall be subject to the normal interagency clearance process conducted by the Director, OMB, prior to the report's submission by the President to Congress.

PART V - VOLUNTARY AGREEMENTS AND ADVISORY COMMITTEES

Sec. 501. Appointments. The authority of the President under sections 708(c) and (d) of the Act is delegated to the heads of each Federal department or agency, except that, insofar as that authority relates to section 101 of the Act, it is delegated only to the heads of each Federal department or agency assigned functions under section 201(a) of this order. The authority delegated under this section shall be exercised pursuant to the provisions of section 708 of the Act, and copies and the status of the use of such delegations shall be furnished to the Director, FEMA.

Sec. 502. Advisory Committees. The authority of the President under section 708(d) of the Act and delegated in section 501 of this order (relating to establishment of advisory committees) shall be exercised only after consultation with, and in accordance with, guidelines and procedures established by the Administrator of General Services.

PART VI - EMPLOYMENT OF PERSONNEL

Sec. 601. National Defense Executive Reserve. (a) In accordance with section 710(e) of the Act, there is established in the Executive Branch a National Defense Executive Reserve ("NDER") composed of persons of recognized expertise from various segments of the private sector and from government (except full-time federal employees) for training for employment in executive positions in the Federal Government in the event of an emergency that requires such employment. (b) The head of any department or agency may establish a unit of the NDER in the department or agency and train members of that unit. (c) The head of each department or agency with an NDER unit is authorized to exercise the President's authority to employ civilian personnel in accordance with section 703(a) of the Act when activating all or a part of its NDER unit. The exercise of this authority shall be subject to the provisions of subsections 601(d) and (e) of this order and shall not be redelegated. (d) The head of a department or agency may activate an NDER unit, in whole or in part, upon the written determination that an emergency affecting the national security or defense preparedness of the United States exists and that the activation of the unit is necessary to carry out the

emergency program functions of the department or agency. more (OVER) 8 (e) At least 72 hours prior to activating the NDER unit, the head of the department or agency shall notify, in writing, the Assistant to the President for National Security Affairs of the impending activation and provide a copy of the determination required under subsection 601(d) of this order. (f) The Director, FEMA, shall coordinate the NDER program activities of departments and agencies in establishing units of the Reserve; provide for appropriate guidance for recruitment, training, and activation; and issue necessary rules and guidance in connection with the program. (g) This order suspends any delegated authority, regulation, or other requirement or condition with respect to the activation of any NDER unit, in whole or in part, or appointment of any NDER member that is inconsistent with the authorities delegated herein, provided that the aforesaid suspension applies only as long as sections 703(a) and 710(e) of the Act are in effect.

Sec. 602. Consultants. The head of each department or agency assigned functions under this order is delegated authority under sections 710(b) and (c) of the Act to employ persons of outstanding experience and ability without compensation and to employ experts, consultants, or organizations. The authority delegated by this section shall not be redelegated.

PART VII - LABOR SUPPLY

Sec. 701. Secretary of Labor. The Secretary of Labor, identified in this section as the Secretary, shall: (a) Collect, analyze, and maintain data needed to make a continuing appraisal of the nation's labor requirements and the supply of workers for purposes of national defense. All agencies of the government shall cooperate with the Secretary in furnishing information necessary for this purpose, to the extent permitted by law; (b) In response to requests from the head of a Federal department or agency engaged in the procurement for national defense, consult with and advise that department or agency with respect to (1) the effect of contemplated actions on labor supply and utilization, (2) the relation of labor supply to materials and facilities requirements, and (3) such other matters as will assist in making the exercise of priority and allocations functions consistent with effective utilization and distribution of labor; (c) Formulate plans, programs, and policies for meeting defense and essential civilian labor requirements; (d) Project skill shortages to facilitate meeting defense and essential civilian needs and establish training programs; (e) Determine the occupations and skills critical to meeting the labor requirements of defense and essential civilian activities and, with the assistance of the Secretary of Defense, more 9 the Director of Selective Service, and such other persons as the Director, FEMA, may designate, develop policies regulating the induction and deferment of personnel for the armed services, except for civilian personnel in the reserves; and (f) Administer an effective labor-management relations policy to support the activities and programs under this order with the cooperation of other Federal agencies, including the National Labor Relations Board and the Federal Mediation and Conciliation Service.

PART VIII - DEFENSE INDUSTRIAL BASE INFORMATION AND REPORTS

Sec. 801. Foreign Acquisition of Companies. The Secretary of the Treasury, in cooperation with the Department of State, the Department of Defense, the Department of Commerce, the Department of Energy, the Department of Agriculture, the Attorney General, and the Director of Central Intelligence, shall complete and furnish a report to the President and then to Congress in accordance with the requirements of section 721(k) of the Act concerning foreign efforts to acquire United States companies involved in research, development, or production of critical technologies and industrial espionage activities directed by foreign governments against private U.S. companies.

Sec. 802. Defense Industrial Base Information System. (a) The Secretary of Defense and the heads of other appropriate Federal departments and agencies, as determined by the Secretary of Defense, shall establish an information system on the domestic defense industrial base in accordance with the requirements of section 722 of the Act. (b) In establishing the information system required by subsection (a) of this order, the Secretary of Defense, the Secretary of Commerce, and the heads of other appropriate Federal departments and agencies, as determined by the Secretary of Defense in consultation with the Secretary of Commerce, shall consult with each other for the purposes of performing the duties listed in section 722(d)(1) of the Act. (c) The Secretary of Defense shall convene a task force consisting of the Secretary of Commerce and the Secretary of each military department and the heads of other appropriate Federal departments and agencies, as determined by the Secretary of Defense in consultation with the Secretary of Commerce, to carry out the duties under section 722(d)(2) of the Act. (d) The Secretary of Defense shall report to Congress on a strategic plan for developing a cost- effective, comprehensive information system capable of identifying on a timely, ongoing basis vulnerability in critical components and critical technology items. The plans shall include an assessment of the performance and cost-effectiveness of procedures

specified in section 722(b) of the Act. (e) The Secretary of Commerce, acting through the Bureau of the Census, shall consult with the Secretary of Defense and the Director, FEMA, to improve the usefulness of information derived from the Census of Manufacturers in carrying out section 722 of the Act. more (OVER) 10 (f) The Secretary of Defense shall perform an analysis of the production base for not more than two major weapons systems of each military department in establishing the information system under section 722 of the Act. Each analysis shall identify the critical components of each system. (g) The Secretary of Defense, in consultation with the Secretary of Commerce, and the heads of other Federal departments and agencies as appropriate, shall issue a biennial report on critical components and technology in accordance with section 722(e) of the Act.

PART IX - GENERAL PROVISIONS

Sec. 901. Definitions. In addition to the definitions in section 702 of the Act, the following definitions apply throughout this order: (a) "Civil transportation" includes movement of persons and property by all modes of transportation in interstate, intrastate, or foreign commerce within the United States, its territories and possessions, and the District of Columbia, and, without limitation, related public storage and warehousing, ports, services, equipment and facilities, such as transportation carrier shop and repair facilities. However, "civil transportation" shall not include transportation owned or controlled by the Department of Defense, use of petroleum and gas pipelines, and coal slurry pipelines used only to supply energy production facilities directly. As applied herein, "civil transportation" shall include direction, control, and coordination of civil transportation capacity regardless of ownership. (b) "Energy" means all forms of energy including petroleum, gas (both natural and manufactured), electricity, solid fuels (including all forms of coal, coke, coal chemicals, coal liquification, and coal gasification), and atomic energy, and the production, conservation, use, control, and distribution (including pipelines) of all of these forms of energy. (c) "Farm equipment" means equipment, machinery, and repair parts manufactured for use on farms in connection with the production or preparation for market use of food resources. (d) "Fertilizer" means any product or combination of products that contain one or more of the elements -- nitrogen, phosphorus, and potassium -- for use as a plant nutrient. (e) "Food resources" means all commodities and products, simple, mixed, or compound, or complements to such commodities or products, that are capable of being ingested by either human beings or animals, irrespective of other uses to which such commodities or products may be put, at all stages of processing from the raw commodity to the products thereof in vendible form for human or animal consumption. "Food resources" also means all starches, sugars, vegetable and animal or marine fats and oils, cotton, tobacco, wool, mohair, hemp, flax fiber, and naval stores, but does not mean any such material after it loses its identity as an agricultural commodity or agricultural product. (f) "Food resource facilities" means plants, machinery, vehicles (including on-farm), and other facilities required for the production, processing, distribution, and storage (including more 11 cold storage) of food resources, livestock and poultry feed and seed, and for the domestic distribution of farm equipment and fertilizer (excluding transportation thereof). (g) "Functions" include powers, duties, authority, responsibilities, and discretion. (h) "Head of each Federal department or agency engaged in procurement for the national defense" means the heads of the Departments of Defense, Energy, and Commerce, as well as those departments and agencies listed in Executive Order No. 10789. (i) "Heads of other appropriate Federal departments and agencies" as used in part VIII of this order means the heads of such other Federal agencies and departments that acquire information or need information with respect to making any determination to exercise any authority under the Act. (j) "Health resources" means materials, facilities, health supplies, and equipment (including pharmaceutical, blood collecting and dispensing supplies, biological, surgical textiles, and emergency surgical instruments and supplies) required to prevent the impairment of, improve, or restore the physical and mental health conditions of the population. (k) "Metals and minerals" means all raw materials of mineral origin (excluding energy) including their refining, smelting, or processing, but excluding their fabrication. (l) "Strategic and Critical Materials" means materials (including energy) that (1) would be needed to supply the military, industrial, and essential civilian needs of the United States during a national security emergency, and (2) are not found or produced in the United States in sufficient quantities to meet such need and are vulnerable to the termination or reduction of the availability of the material. (m) "Water resources" means all usable water, from all sources, within the jurisdiction of the United States, which can be managed, controlled, and allocated to meet emergency requirements.

Sec. 902. General. (a) Except as otherwise provided in subsection 902(c) of this order, the authorities vested in the President by title VII of the Act may be exercised and performed by the head of each department and agency in carrying out the delegated authorities under the Act and this order. (b) The authorities which may be exercised and performed pursuant to subsection 902(a) of this order shall include (1) the power to redelegate authorities, and to authorize the successive redelegation of authorities, to

departments and agencies, officers, and employees of the government, and (2) the power of subpoena with respect to authorities delegated in parts II, III, and IV of this order, provided that the subpoena power shall be utilized only after the scope and purpose of the investigation, inspection, or inquiry to which the subpoena relates have been defined either by the appropriate officer identified in subsection 902(a) of this order or by such other person or persons as the officer shall designate. more (OVER) 12 (c) Excluded from the authorities delegated by subsection 902(a) of this order are authorities delegated by parts V, VI, and VIII of this order and the authority with respect to fixing compensation under section 703(a) of the Act.

Sec. 903. Authority. All previously issued orders, regulations, rulings, certificates, directives, and other actions relating to any function affected by this order shall remain in effect except as they are inconsistent with this order or are subsequently amended or revoked under proper authority. Nothing in this order shall affect the validity or force of anything done under previous delegations or other assignment of authority under the Act.

Sec. 904. Effect on other Orders. (a) The following are superseded or revoked: (1) Section 3, Executive Order No. 8248 of September 8, 1939, (4 FR 3864). (2) Executive Order No. 10222 of March 8, 1951 (16 FR 2247). (3) Executive Order No. 10480 of August 14, 1953 (18 FR 4939). (4) Executive Order No. 10647 of November 28, 1955 (20 FR 8769). (5) Executive Order No. 11179 of September 22, 1964 (29 FR 13239). (6) Executive Order No. 11355 of May 26, 1967 (32 FR 7803). (7) Sections 7 and 8, Executive Order No. 11912 of April 13, 1976 (41 FR 15825, 15826-27). (8) Section 3, Executive Order No. 12148 of July 20, 1979 (44 FR 43239, 43241). (9) Executive Order No. 12521 of June 24, 1985 (50 FR 26335). (10) Executive Order No. 12649 of August 11, 1988 (53 FR 30639). (11) Executive Order No. 12773 of September 26, 1991 (56 FR 49387), except that part of the order that amends section 604 of Executive Order 10480. (b) Executive Order No. 10789 of November 14, 1958, is amended by deleting "and in view of the existing national emergency declared by Proclamation No. 2914 of December 16, 1950," as it appears in the first sentence. (c) Executive Order No. 11790, as amended, relating to the Federal Energy Administration Act of 1974, is amended by deleting "Executive Order No. 10480" where it appears in section 4 and substituting this order's number. more 13 (d) Subject to subsection 904(c) of this order, to the extent that any provision of any prior Executive order is inconsistent with the provisions of this order, this order shall control and such prior provision is amended accordingly.

Sec. 905. Judicial Review. This order is not intended to create any right or benefit, substantive or procedural, enforceable at law by a party against the United States, its agencies, its officers, or any person.

Appendix D: Defense Offsets Disclosure Act of 1999

Public Law 106-113

Title XII

Subtitle D--Defense Offsets Disclosure

SEC. 1241. SHORT TITLE.

This subtitle may be cited as the “Defense Offsets Disclosure Act of 1999”.

SEC. 1242. FINDINGS AND DECLARATION OF POLICY.

a)Findings.--Congress makes the following findings:

(1) A fair business environment is necessary to advance international trade, economic stability, and development worldwide, is beneficial for American workers and businesses, and is in the United States national interest.

(2) In some cases, mandated offset requirements can cause economic distortions in international defense trade and undermine fairness and competitiveness, and may cause particular harm to small- and medium-sized businesses.

(3) The use of offsets may lead to increasing dependence on foreign suppliers for the production of United States weapons systems.

(4) The offset demands required by some purchasing countries, including some close allies of the United States, equal or exceed the value of the base contract they are intended to offset, mitigating much of the potential economic benefit of the exports.

(5) Offset demands often unduly distort the prices of defense contracts.

(6) In some cases, United States contractors are required to provide indirect offsets which can negatively impact nondefense

industrial sectors.

(7) Unilateral efforts by the United States to prohibit offsets may be impractical in the current era of globalization and would severely hinder the competitiveness of the United States defense industry in the global market.

(8) The development of global standards to manage and restrict demands for offsets would enhance United States efforts to mitigate the negative impact of offsets.

b) Declaration of Policy.--It is the policy of the United States to monitor the use of offsets in international defense trade, to promote fairness in such trade, and to ensure that foreign participation in the production of United States weapons systems does not harm the economy of the United States.

SEC. 1243. DEFINITIONS.

In this subtitle:

(1) Appropriate congressional committees.--The term “appropriate congressional committees” means--

(A) the Committee on Foreign Relations of the Senate; and

(B) the Committee on International Relations of the House of Representatives.

(2) G-8.--The term “G-8” means the group consisting of France, Germany, Japan, the United Kingdom, the United States, Canada, Italy, and Russia established to facilitate economic cooperation among the eight major economic powers.

(3) Offset.--The term “offset” means the entire range of industrial and commercial benefits provided to foreign governments as an inducement or condition to purchase military

goods or services, including benefits such as coproduction, licensed production, subcontracting, technology transfer, in-country procurement, marketing and financial assistance, and joint ventures.

(4) Transatlantic economic partnership.--The term "Transatlantic Economic Partnership" means the joint commitment made by the United States and the European Union to reinforce their close relationship through an initiative involving the intensification and extension of multilateral and bilateral cooperation and common actions in the areas of trade and investment.

(5) Wassenaar arrangement.--The term "Wassenaar Arrangement" means the multilateral export control regime in which the United States participates that seeks to promote transparency and responsibility with regard to transfers of conventional armaments and sensitive dual-use items.

(6) World trade organization.--The term "World Trade Organization" means the organization established pursuant to the WTO Agreement.

(7) WTO agreement.--The term "WTO Agreement" means the Agreement Establishing the World Trade Organization entered into on April 15, 1994.

SEC. 1244. SENSE OF CONGRESS.

It is the sense of Congress that--

(1) the executive branch should pursue efforts to address trade fairness by establishing reasonable, business-friendly standards for the use of offsets in international business transactions between the United States and its trading partners and competitors;

(2) the Secretary of Defense, the Secretary of State, the Secretary of Commerce, and the United States Trade Representative, or their designees, should raise with other industrialized nations at every suitable venue the need for transparency and reasonable standards to govern the role of offsets in international defense trade;

(3) the United States Government should enter into discussions regarding the establishment of multilateral standards for the use of offsets in international defense trade through the appropriate multilateral fora, including such organizations as the Transatlantic Economic Partnership, the Wassenaar Arrangement, the G-8, and the World Trade Organization; and

(4) the United States Government, in entering into the discussions described in paragraph (3), should take into account the distortions produced by the provision of other benefits and subsidies, such as export financing, by various countries to support defense trade.

SEC. 1245. REPORTING OF OFFSET AGREEMENTS.

(a) Initial Reporting of Offset Agreements.--

(1) Government-to-government sales.--Section 36(b)(1) of the Arms Export Control Act (22 U.S.C. 2776(b)(1)) is amended in subparagraph (C) of the fifth sentence, by striking “and a description” and all that follows and inserting “and a description of any offset agreement with respect to such sale;”.

(2) Commercial sales.--Section 36(c)(1) of the Arms Export Control Act (22 U.S.C. 2776(c)(1)) is amended in the second sentence, by striking “if known on the date of transmittal of such certification)” and inserting “and a description of any such offset agreement”.

(b) Confidentiality of Information Relating to Offset Agreements.--Section 36 of the Arms Export Control Act (22 U.S.C. 2776) is amended--

(1) by redesignating the second subsection (e) (as added by section 155 of Public Law 104-164) as subsection (f); and

(2) by adding at the end the following new subsection:

“(g) Information relating to offset agreements provided pursuant to subparagraph (C) of the fifth sentence of subsection (b)(1) and the second sentence of subsection (c)(1) shall be treated as confidential information in accordance with section 12(c) of the Export Administration Act of 1979 (50 U.S.C. App. 2411(c)).”.

SEC. 1246. EXPANDED PROHIBITION ON INCENTIVE PAYMENTS.

(a) In General.--Section 39A(a) of the Arms Export Control Act (22 U.S.C. 2779a(a)) is amended--

(1) by inserting “or licensed” after “sold”; and

(2) by inserting “or export” after “sale”.

(b) Definition of United States Person.--Section 39A(d)(3)(B)(ii) of the Arms Export Control Act (22 U.S.C. 2779a(d)(3)(B)(ii)) is amended by inserting “or by an entity described in clause (i)” after “subparagraph (A)”.

SEC. 1247. ESTABLISHMENT OF REVIEW COMMISSION.

(a) In General.--There is established a National Commission on the Use of Offsets in Defense Trade (in this section referred to as the “Commission”) to address all aspects of the use of offsets in international defense trade.

(b) Commission Membership.--Not later than 120 days after the date of enactment of this Act, the President, with the concurrence of the Majority and Minority Leaders of the Senate and the Speaker and Minority Leader of the House of Representatives, shall appoint 11 individuals to serve as members of the Commission. Commission membership shall include--

(1) representatives from the private sector, including--

(A) one each from--

(i) a labor organization,

(ii) a United States defense manufacturing company dependent on foreign sales,

(iii) a United States company dependent on foreign sales that is not a defense manufacturer, and

(iv) a United States company that specializes in international investment, and

(B) two members from academia with widely recognized expertise in international economics; and

(2) five members from the executive branch, including a member from--

(A) the Office of Management and Budget,

(B) the Department of Commerce,

(C) the Department of Defense,

(D) the Department of State, and

(E) the Department of Labor.

The member designated from the Office of Management and Budget shall serve as Chairperson of the Commission. The President shall ensure that the Commission is nonpartisan and that the full range of perspectives on the subject of offsets in the defense industry is adequately represented.

(c) Duties.--The Commission shall be responsible for reviewing and reporting on--

(1) the full range of current practices by foreign governments in requiring offsets in purchasing agreements and the extent and nature of offsets offered by United States and foreign defense industry contractors;

(2) the impact of the use of offsets on defense subcontractors and nondefense industrial sectors affected by indirect offsets; and

(3) the role of offsets, both direct and indirect, on domestic industry stability, United States trade competitiveness and national security.

(d) Commission Report.--Not later than 12 months after the Commission is established, the Commission shall submit a report to the appropriate congressional committees. In addition to the items described under subsection (c), the report shall include--

(1) an analysis of--

(A) the collateral impact of offsets on industry sectors that may be different than those of the contractor providing the offsets, including estimates of contracts and jobs lost as well as an assessment of damage to industrial sectors;

(B) the role of offsets with respect to competitiveness of the United States defense industry in international trade and the potential damage to the

ability of United States contractors to compete if offsets were prohibited or limited; and

(C) the impact on United States national security, and upon United States nonproliferation objectives, of the use of coproduction, subcontracting, and technology transfer with foreign governments or companies that results from fulfilling offset requirements, with particular emphasis on the question of dependency upon foreign nations for the supply of critical components or technology;

(2) proposals for unilateral, bilateral, or multilateral measures aimed at reducing any detrimental effects of offsets; and

(3) an identification of the appropriate executive branch agencies to be responsible for monitoring the use of offsets in international defense trade.

(e) Period of Appointment; Vacancies.--Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(f) Initial Meeting.--Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its first meeting.

(g) Meetings.--The Commission shall meet at the call of the Chairman.

(h) Commission Personnel Matters.--

(1) Compensation of members.--Each member of the Commission who is not an officer or employee of the Federal Government shall be compensated at a rate equal to the daily equivalent of the annual rate of basic pay prescribed for level IV of the

Executive Schedule under section 5315 of title 5, United States Code, for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(2) Travel expenses.--The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(3) Staff.--

(A) In general.--The Chairman of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(B) Compensation.--The Chairman of the Commission may fix the compensation of the executive director and other personnel without regard to the provisions of chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(4) Detail of government employees.--Any Federal Government

employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(5) Procurement of temporary and intermittent services.--The Chairman of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(i) Termination.--The Commission shall terminate 30 days after the transmission of the report from the President as mandated in section 1248(b).

SEC. 1248. MULTILATERAL STRATEGY TO ADDRESS OFFSETS.

(a) In General.--The President shall initiate a review to determine the feasibility of establishing, and the most effective means of negotiating, a multilateral treaty on standards for the use of offsets in international defense trade, with a goal of limiting all offset transactions that are considered injurious to the economy of the United States.

(b) Report Required.--Not later than 90 days after the date on which the Commission submits the report required under section 1247(d), the President shall submit to the appropriate congressional committees a report containing the President's determination pursuant to subsection (a), and, if the President determines a multilateral treaty is feasible or desirable, a strategy for United States negotiation of such a treaty. One year after the date the report is submitted under the preceding sentence, and annually thereafter for 5 years, the President shall

submit to the appropriate congressional committees a report detailing the progress toward reaching such a treaty.

(c) Required Information.--The report required by subsection (b) shall include--

(1) a description of the United States efforts to pursue multilateral negotiations on standards for the use of offsets in international defense trade;

(2) an evaluation of existing multilateral fora as appropriate venues for establishing such negotiations;

(3) a description on a country-by-country basis of any United States efforts to engage in negotiations to establish bilateral treaties or agreements with respect to the use of offsets in international defense trade; and

(4) an evaluation on a country-by-country basis of any foreign government efforts to address the use of offsets in international defense trade.

(d) Comptroller General Review.--The Comptroller General of the United States shall monitor and periodically report to Congress on the progress in reaching a multilateral treaty.

Appendix E: Department of Defense Production Act Reauthorization of 2003 (Pub. L. 108-195)

Department of Defense Production Act Reauthorization of 2003 (Pub. L. 108-195)

SEC. 7. REPORT ON IMPACT OF OFFSETS ON DOMESTIC CONTRACTORS AND LOWER TIER SUBCONTRACTORS.

(a) **EXAMINATION OF IMPACT REQUIRED**.--

(1) **IN GENERAL**.--As part of the annual report required under section 309(a) of the Defense Production Act of 1950 (50 U.S.C. App. 2099(a)), the Secretary of Commerce (in this section referred to as the ``Secretary'') shall--

(A) detail the number of foreign contracts involving domestic contractors that use offsets, industrial participation agreements, or similar arrangements during the preceding 5-year period;

(B) calculate the aggregate, median, and mean values of the contracts and the offsets, industrial participation agreements, and similar arrangements during the preceding 5-year period; and

(C) describe the impact of international or foreign sales of United States defense products and related offsets, industrial participation agreements, and similar arrangements on domestic prime contractors and, to the extent practicable, the first 3 tiers of domestic contractors and subcontractors during the preceding 5-year period in terms of domestic employment, including any job losses, on an annual basis.

(2) **USE OF INTERNAL DOCUMENTS**.--To the extent that the Department of Commerce is already in possession of relevant data, the Department shall use internal documents or existing departmental records to carry out paragraph (1).

(3) **INFORMATION FROM NON-FEDERAL ENTITIES**.--

(A) **EXISTING INFORMATION**.--In carrying out paragraph (1), the Secretary shall only require a non-Federal entity to provide information that is available through the existing data collection and reporting systems of that non-Federal entity.

(B) **FORMAT**.--The Secretary may require a non-Federal entity to provide information to the Secretary in the same form that is already provided to a foreign government in fulfilling an offset arrangement, industrial participation agreement, or similar arrangement.

(b) **REPORT**.--

(1) **IN GENERAL**.--Before the end of the 8-month period beginning on the date of enactment of this Act, the Secretary shall submit to Congress a report containing the findings and conclusions of the Secretary with regard to the examination made pursuant to subsection (a).

(2) **COPIES OF REPORT**.--The Secretary shall also transmit copies of the report prepared under paragraph (1) to the United States Trade Representative and the interagency team established pursuant to section 123(c) of the Defense Production Act Amendments of 1992 (50 U.S.C. App. 2099 note).

(c) **RESPONSIBILITIES REGARDING CONSULTATION WITH FOREIGN NATIONS**.--Section 123(c) of the Defense Production Act Amendments of 1992 (50 U.S.C. App. 2099 note) is amended to read as follows:

``(c) **NEGOTIATIONS**.--

``(1) **INTERAGENCY TEAM**.--

``(A) **IN GENERAL**.--It is the policy of Congress that the President shall designate a chairman of an interagency team comprised of the Secretary of Commerce, Secretary of Defense, United States Trade Representative, Secretary of Labor, and Secretary of State to consult with foreign nations on limiting the adverse effects of offsets in defense procurement without damaging the economy or the defense industrial base of the United States or United States defense production or defense preparedness.

``(B) **MEETINGS**.--The President shall direct the interagency team to meet on a quarterly basis.

``(C) **REPORTS**.--The President shall direct the interagency team to submit to Congress an annual report, to be included as part of the report required under section 309(a) of the Defense Production Act of 1950 (50 U.S.C. App. 2099(a)), that describes the results of the consultations of the interagency team under subparagraph (A) and the meetings of the interagency team under subparagraph (B).

``(2) **RECOMMENDATIONS FOR MODIFICATIONS**.--The interagency team shall submit to the President any recommendations for modifications of any existing or proposed memorandum of understanding between officials acting on behalf of the United States and 1 or more foreign countries (or any instrumentality of a foreign country) relating to--

``(A) research, development, or production of defense equipment; or

``(B) the reciprocal procurement of defense items.".

Appendix F: Selected Legislation Concerning Offsets

Selected Legislation Concerning Offsets

Source: U.S. Government Accountability Office
"Defense Trade: Issues Concerning the Use of Offsets in International Defense Sales." (GAO-04-954T)

Statute	Information Gathering	Actions to Mitigate Adverse Effects
Defense Production Act Amendments of 1984 (Pub. L. 98-265)	Requires the President to submit an annual report on the impact of offsets on the defense preparedness, industrial competitiveness, employment, and trade of the United States	
Defense Production Act Amendments of 1986 (Pub. L. 99-441)	Requires the President's Annual Report to be a "detailed" study that includes (1) summaries of interagency studies on the effect of offsets, (2) the long- and short-term effects of offsets, and (3) the direct and indirect effects on lower-tier defense subcontractors and non-defense industry sectors.	
National Defense Authorization Act, Fiscal Year 1989 (Pub. L. 100-456)	Requires firms entering into a defense contract subject to an offset arrangement exceeding $50 million to notify the Secretary of Defense of the proposed sale.	(1) Requires the President to establish a comprehensive offset policy that addresses the effect of offsets on specific subsectors of the industrial base and how to prevent or ameliorate any serious adverse effects on those subsectors. (2) Directed the President to enter into negotiations with foreign countries to limit the adverse effect of offsets on the defense industrial base. Requires the President to report to Congress every year for four years (1989-1992) on the status of negotiations. (3) Required a report by March 15, 1990, discussing actions the United States could take in reaction to offsets, such as requiring an offset or other equivalent advantage when buying goods from a country that requires U.S. firms to offer offsets.

Statute	Information Gathering	Actions to Mitigate Adverse Effects
National Defense Authorization Act for Fiscal Years 1990 and 1991 (Pub. L. 101-189)		Directed the President to "make every effort" to achieve an agreement that would limit the adverse effect of offsets during negotiations of memoranda of understanding between the United States and other countries.
Defense Production Act Amendments of 1992 (Pub. L. 102-558)	(1) Designated the Secretary of Commerce to prepare the annual report on offsets, and required the report to address the cumulative effect of offset agreements on domestic defense production capability, especially the lower-tier subcontractors or suppliers, and the effect on the defense technology base of technology transfers that occur to fulfill offset agreements. (2) Required companies to notify Commerce Department officials when entering into a contract that is subject to an offset agreement exceeding $5 million in value.	Required the President to (1) designate the Secretary of Defense to lead an interagency team to consult with foreign nations on limiting the adverse effects of offsets in defense procurement and (2) report annually on the results of these consultations.
Foreign Relations Authorization Act, Fiscal Years 1994 and 1995 (Pub. L. 103-236)	Amended sections 36(b) and (c) of the Arms Export Control Act to require that notifications to Congress of impending sales of defense goods indicate whether any offset agreement if proposed in connection with the sale and required a description of the agreement proposed.	
Defense Offsets Disclosure Act of 1999 (Pub. L. 106-113, App. G.)	Established a National Commission on the Use of Offsets in Defense Trade. Required a report within 12 months on (1) the collateral impact of offsets on industry sectors unrelated to the item sold, (2) the role of offsets with respect to U.S. competitiveness in international trade, and (3) the impact on national security of technology transferred to fulfill offset	(1) Directed the U.S. government to enter into discussions through multilateral forums to establish standards for the use of offsets in international trade. (2) Required the National Commission on the Use of Offsets in Defense Trade to submit an analysis of proposals for unilateral, bilateral, or multilateral measures to reduce the detrimental effect of offsets and to

Statute	Information Gathering	Actions to Mitigate Adverse Effects
	obligations.	identify the appropriate agencies to monitor the use of offsets.
Department of Defense Appropriations Act, 2004 (Pub. L. 108-87)	Requires the Secretary of Defense to report to Congress by March 1, 2005, on the effect of offset arrangements on specific subsectors of the U.S. industrial base; what actions have been taken to prevent or mitigate any serious adverse effects; and the extent to which offsets and other arrangements have provided for technology transfer that would significantly and adversely affect the national technology and defense industrial base.	
Defense Production Act Reauthorization of 2003 (Pub. L. 108-195)	Required the Secretary of Commerce to prepare a report on the impact of offsets on domestic contractors and subcontractors. The Secretary was to (1) detail the number of offset agreements and export contracts involving U.S. contractors for a five-year period (1998-2002), (2) calculate the aggregate, median, and mean value of the contracts and the offset agreements during the period, (3) describe the impact of offset agreements and related export contracts on domestic prime contractors and subcontractors in terms of employment.	

Appendix G: Offset Transactions by Economic Sector

Offset Transactions by Industry (SIC Code)
1993 - 2003

SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
07	Agriculture		$45,010,954		$45,010,954		$57,191,954		$57,191,954
07	Agriculture		$44,968,954		$44,968,954		$56,768,954		$56,768,954
721	Crop Planting & Cultivating		$42,000		$42,000		$423,000		$423,000
13	Crude Petroleum & Natural Gas		$19,638,000		$19,638,000		$66,887,000		$66,887,000
13	Petroleum		$2,178,000		$2,178,000		$49,427,000		$49,427,000
1311	Crude Petroleum & Natural Gas		$17,460,000		$17,460,000		$17,460,000		$17,460,000
15	Building Construction	$10,962,000	$8,670,000		$26,648,359	$11,559,000	$15,541,359		$27,100,359
15	Building Construction	$10,962,000	$7,800,000		$18,762,000	$10,962,000	$7,800,000		$18,762,000
1521	General Contractors, Family Houses		$870,000		$870,000		$1,322,000		$1,322,000
1541	Buildings	$597,000	$6,419,359		$7,016,359	$597,000	$6,419,359		$7,016,359
16	Heavy Construction	$1,217,000	$259,867		$1,476,867	$14,706,000	$259,867		$14,965,867
16	Heavy Construction		$259,867		$259,867		$259,867		$259,867
1611	Highway Construction	$1,217,000			$1,217,000	$14,706,000			$14,706,000
17	Construction - Specialty Trades		$20,163,542		$20,163,542		$20,163,542		$20,163,542
1731	Electrical Work		$16,289,542		$16,289,542		$16,289,542		$16,289,542
1761	Roofing, Siding, & Sheet Metal Wk		$3,874,000		$3,874,000		$3,874,000		$3,874,000
20	Food & Kindred Products		$15,466,000		$15,466,000		$15,665,000		$15,665,000
20	Food & Kindred Products		$9,556,000		$9,556,000		$9,556,000		$9,556,000
2033	Canned Fruits & Vegetables		$2,145,000		$2,145,000		$2,144,000		$2,144,000
2079	Shortening & Oils		$1,068,000		$1,068,000		$1,268,000		$1,268,000
2084	Wine, Br&y, & Br&y Spirits		$2,697,000		$2,697,000		$2,697,000		$2,697,000
22	Textile Mill Products		$6,362,020		$6,362,020		$6,363,020		$6,363,020
22	Textile Mill Products		$6,067,000		$6,067,000		$6,068,000		$6,068,000
2211	Broadwoven Fabric Mills, Cotton		$295,020		$295,020		$295,020		$295,020
23	Apparel & Other Finished Products		$3,813,418		$3,813,418		$3,813,418		$3,813,418
23	Apparel & Other Finished Products		$3,813,418		$3,813,418		$3,813,418		$3,813,418
24	Lumber & Wood Products, Exc. Furniture		$338,417		$338,417		$338,417		$338,417
2441	Fabricated Metal Products		$338,417		$338,417		$338,417		$338,417
25	Furniture & Fixtures		$253,691		$253,691		$253,691		$253,691
252	Office Furniture		$253,691		$253,691		$253,691		$253,691
26	Paper Mills & Allied Products		$21,089,000		$21,089,000		$30,234,000		$30,234,000
2621	Paper Mills		$7,819,000		$7,819,000		$16,964,000		$16,964,000
2655	Fiber Cans, Tubes, Drums, Etc.		$289,000		$289,000		$289,000		$289,000
2671	Packaging Paper		$5,981,000		$5,981,000		$5,981,000		$5,981,000
2672	Coated & Laminated Paper		$7,000,000		$7,000,000		$7,000,000		$7,000,000
27	Printing & Publishing	$23,911,008	$5,183,000	$4,800,000	$33,894,008	$23,886,624	$5,183,000	$4,800,000	$33,869,624
2741	Technical Publications	$23,911,008	$5,183,000	$4,800,000	$33,894,008	$23,886,624	$5,183,000	$4,800,000	$33,869,624
28	Chemicals & Allied Products	$14,675,000	$174,617,187		$189,292,187	$14,675,000	$198,137,297		$212,812,297
28	Chemicals & Allied Products	$14,675,000	$108,629,566		$123,304,566	$14,675,000	$129,765,566		$144,440,566
281	Industrial Inorganic Chemicals		$11,727,202		$12,332,092		$11,727,202		$11,727,202
2819	Industrial Inorganic Chemicals		$604,890		$604,890		$0		$0
282	Plastics		$3,863,000		$3,863,000		$3,863,000		$3,863,000
2834	Pharmaceutical Preparations		$3,181,000		$3,181,000		$6,170,000		$6,170,000

Offset Transactions by Industry (SIC Code)
1993 - 2003

SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
2851	Paints, Varnishes & Llied Products		$5,000,000		$5,000,000		$5,000,000		$5,000,000
286	Industrial Organic Chemicals		$18,822,246		$18,822,246		$18,822,246		$18,822,246
2865	Cyclic Organic, Crude/Intermediate		$2,470,000		$2,470,000		$2,470,000		$2,470,000
289	Miscellanious Chemical Products		$6,411,578		$6,411,578		$6,411,578		$6,411,578
2892	Explosives		$2,438,447		$2,438,447		$2,438,447		$2,438,447
2895	Carbon Black		$8,600,000		$8,600,000		$8,600,000		$8,600,000
2899	Chemicals & Preparations, Nec		$2,869,258		$2,869,258		$2,869,258		$2,869,258
29	Petroleum Refining		$3,160,000		$3,160,000		$3,160,000		$3,160,000
2911	Petroleum Refining		$3,160,000		$3,160,000		$3,160,000		$3,160,000
30	Rubber & Misc Plastics Products		$5,883,322		$5,883,322		$5,883,322		$5,883,322
30	Rubber & Misc Plastics Products		$1,573,020		$1,573,020		$1,573,020		$1,573,020
3053	Gaskets, Packing, & Sealing Devices		$2,947,734		$2,947,734		$2,947,734		$2,947,734
3089	Plastics Products, Nec		$1,362,568		$1,362,568		$1,362,568		$1,362,568
32	Cut Stone & Stone Products		$12,885,000		$12,885,000		$12,844,000		$12,844,000
3229	Roofing, Siding, & Insulation Materials		$506,000		$506,000		$479,000		$479,000
3241	Cement, Hydraulic		$1,035,000		$1,035,000		$1,021,000		$1,021,000
3264	Porcelain Electrical Supplies		$9,710,000		$9,710,000		$9,710,000		$9,710,000
3281	Cut Stone & Stone Products		$1,164,000		$1,164,000		$1,164,000		$1,164,000
3291	Abrasive Products		$470,000		$470,000		$470,000		$470,000
33	Primary Metal Industries	$9,111,000	$247,101,439		$256,212,439	$14,011,000	$251,942,909		$265,953,909
33	Primary Metal Industries		$96,778,763		$48,678,763		$96,780,763		$37,307,536
3312	Steel Blast Furnaces & Mills		$33,770,750		$33,770,750		$34,447,220		$34,447,220
3315	Steel Wiredrawing		$1,091,000		$1,091,000		$1,091,000		$1,091,000
3316	Cold-Rolled Steel Sheet, Strip & Bars		$2,368,000		$2,368,000		$1,539,000		$1,539,000
332	Iron & Steel Foundries		$21,915,823		$21,915,823		$21,874,823		$5,186,823
3324	Investment Castings		$165,000		$165,000		$5,197,000		$5,197,000
3325	Steel Foundries, Nec		$310,000		$310,000		$310,000		$310,000
3334	Primary Aluminum	$4,203,000	$33,880,858		$38,083,858	$4,203,000	$33,880,858		$38,083,858
3339	Primary Metal, Exc. Alum. & Copper	$3,688,000	$11,373,000		$15,061,000	$3,688,000	$11,374,000		$15,062,000
3341	Nonferrous		$5,375,543		$5,375,543		$5,375,543		$5,375,543
3351	Copper Drawing & Extruding		$4,735,000		$4,735,000		$4,735,000		$4,735,000
3357	Wire		$558,000		$558,000		$558,000		$558,000
336	Nonferrous Foundries		$301,408		$301,408		$301,408		$301,408
3366	Copper Foundries		$121,500		$121,500		$121,500		$121,500
3369	Alluminum & Copper		$840,492		$840,492		$840,492		$840,492
3399	Primary Metal Products, Nec	$1,220,000	$33,516,302		$34,736,302	$6,120,000	$33,516,302		$39,636,302
34	Fabricated Metal Products	$148,520,492	$344,986,892	$103,857,000	$597,364,384	$188,945,492	$345,539,228	$106,242,000	$641,849,720
34	Fabricated Metal Products	$39,849,708	$158,833,557	$795,000	$199,478,265	$39,849,708	$158,833,557	$3,180,000	$201,863,265
3411	Fabricated Structural Metal	$432,000			$432,000	$432,000			$432,000
3423	H& & Edge Tools	$270,201			$270,201	$270,201			$270,201
3433	Warm Air		$680,000		$680,000		$680,000		$680,000
3441	Fabricated Structural Metal		$12,319,000		$12,319,000		$12,319,000		$12,319,000
3443	Fabricated Plate Work (Boiler Shops)	$27,374,184	$25,024,073		$52,398,257	$27,374,184	$25,367,073		$52,741,257

Offset Transactions by Industry (SIC Code)
1993 - 2003

SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
3444	Sheet Metal Work		$6,571,000		$6,571,000		$6,571,000		$6,571,000
3451	Screw Machine Parts		$4,472,676		$4,472,676		$4,472,676		$4,472,676
3452	Industrial Fasteners		$3,114,160		$2,344,000		$3,114,160		$2,344,000
346	Metal Forgings & Stampings		$131,700		$131,700		$131,700		$131,700
3462	Iron & Steel Forgings	$7,000,000	$10,843,856		$10,843,856	$7,000,000	$10,843,856		$17,843,856
3463	Nonferrous Forgings	$13,578,210	$27,494,159	$103,062,000	$144,134,369	$13,578,210	$27,494,159	$103,062,000	$144,134,369
3465	Automotive Stampings		$1,320,000		$1,320,000		$1,320,000		$1,320,000
3469	Metal Stampings, Nec		$601,881		$601,881		$601,881		$601,881
3471	Electroplating, Plating, Etc.		$378,000		$378,000		$378,000		$378,000
3479	Coating, Engraving, & Allied Serv.		$3,177,333		$3,177,333		$3,177,333		$3,177,333
348	Ordnance & Accessories	$47,430,926	$17,071,503		$64,502,429	$87,855,926	$17,071,503		$104,927,429
3483	Ammunition	$255,562	$6,336,200		$6,336,200	$255,562	$6,336,200		$6,336,200
3489	Ordnance & Accessories, Nec	$4,744,000	$41,636,734		$46,380,734	$4,744,000	$41,846,070		$46,590,070
349	Valves		$1,722,000		$1,722,000		$1,722,000		$1,722,000
3491	Industrial Valves	$2,190,000			$2,190,000	$2,190,000			$2,190,000
3499	Machined Parts, Not Specified	$5,395,701	$23,259,060		$28,654,761	$5,395,701	$23,259,060		$28,654,761
35	Industrial Machinery, Except Electrical	$140,331,727	$1,346,625,499		$1,486,957,226	$173,826,674	$1,623,007,369		$1,796,834,043
35	Industrial Machinery	$107,002,252	$393,946,464		$500,948,716	$138,381,782	$413,023,744		$551,405,526
351	Engines & Turbines		$1,411,000		$1,411,000		$1,411,000		$1,411,000
3511	Hydraulic Generator Components		$11,843,000		$11,843,000		$11,843,000		$11,843,000
3519	Internal Combustion Engines		$77,359,022		$77,359,022		$98,061,022		$98,061,022
3523	Farm Machinery & Equipment	$392,000	$4,298,000		$4,690,000	$2,940,000	$4,516,000		$7,456,000
3531	Construction Machinery		$6,365,076		$5,180,616		$6,365,076		$5,180,616
3532	Mining Machinery		$14,199,000		$14,199,000		$17,009,000		$17,009,000
3535	Conveyors & Conveying Eqmt.		$3,544,954		$3,544,954		$3,544,954		$3,544,954
3537	Industrial Trucks, Tractors, Etc.		$41,270,596		$41,270,596		$58,456,596		$58,456,596
354	Metalworking Machinery & Equipment	$72,750	$66,220,871		$66,293,621	$72,750	$66,220,874		$66,293,624
3541	Metal Cutting Machine Tools	$3,466,867	$180,665,925		$184,132,792	$3,473,257	$194,068,115		$197,541,372
3542	Metal Forming Machine Tools	$1,349,917	$43,608,374		$44,958,291	$1,349,917	$44,313,374		$45,663,291
3544	Fixtures	$20,671,000	$15,359,963		$36,030,963	$20,671,000	$15,359,963		$36,030,963
3545	Metal Cutting Tools & Accessories		$4,966,041		$4,325,041		$4,966,041		$4,325,041
3547	Rolling Mill Machinery & Eqmt.		$3,037,136		$1,228,000		$3,037,136		$1,228,000
3548	Welding Equipment		$25,913,000		$25,913,000		$40,225,000		$40,225,000
3549	Metalworking Machinery, Nec		$4,617,398		$4,617,398		$4,617,398		$4,617,398
3552	Textile Machinery		$93,946,568		$93,946,568		$93,946,568		$93,946,568
3553	Woodworking Machinery		$605,000		$605,000		$1,885,000		$1,885,000
3554	Paper Industries Machinery		$25,158,000		$25,158,000		$26,240,000		$26,240,000
3555	Printing Trades Machinery		$7,830,000		$7,830,000		$8,039,000		$8,039,000
3559	Special Industry Machinery, Nec	$1,466,000	$11,924,521		$13,390,521	$1,466,000	$35,244,581		$36,710,581
356	Equipment	$5,264	$838,761		$844,025	$5,264	$838,761		$844,025
3561	Pumps & Pumping Equipment		$5,124,245		$5,124,245		$5,124,245		$5,124,245
3562	Ball & Roller Bearings	$1,340,000	$447,000		$1,787,000	$1,340,000	$448,000		$1,788,000
3563	Air & Gas Compressors		$52,350,737		$52,350,737		$52,350,737		$52,350,737

Offset Transactions by Industry (SIC Code)
1993 - 2003

SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
3564	Industrial Fans & Blowers		$1,076,734		$1,076,734		$1,076,734		$1,076,734
3565	Packaging Machinery		$190,000		$190,000		$190,000		$190,000
3566	Speed Changers & Gears		$402,000		$402,000		$402,000		$402,000
3567	Industrial Furnaces & Ovens		$35,208,000		$35,208,000		$35,340,000		$35,340,000
3568	Equipment		$368,494		$368,494		$368,494		$368,494
3569	General Industrial Machinery, Nec		$26,043,754		$26,043,754		$112,206,754		$112,206,754
357	Computer & Office Equipment	$1,739,822	$69,175,571		$70,915,393	$1,739,822	$95,826,021		$97,565,843
3571	Electronic Computers	$889,909	$18,134,684		$19,024,593	$1,418,909	$24,806,684		$26,225,593
3572	Computer Storage Devices	$1,935,946			$1,935,946	$967,973			$967,973
3575	Computer Terminals		$2,338,000		$2,338,000		$2,338,000		$2,338,000
3577	Computer Peripheral Eqipment		$24,502,118		$24,502,118		$25,850,118		$2,128,325
358	Machinery		$6,002,206		$3,565,146		$6,002,206		$3,565,146
3585	Equipment		$45,537,727		$45,537,727		$80,439,614		$80,439,614
3589	Service Industry Machinery		$6,092,000		$6,092,000		$10,817,000		$10,817,000
359	Machinery		$2,902,331		$2,480,331		$2,902,331		$2,480,331
3593	Fluid Power Cylinders & Actuators		$1,768,228		$1,768,228		$1,768,228		$1,768,228
3594	Fluid Power Pumps & Motors		$2,400,000		$2,400,000		$2,400,000		$2,400,000
3599	Nec		$7,633,000		$7,633,000		$9,118,000		$9,118,000
36	Electronic/Electrical Equipment	$1,560,482,619	$2,549,568,658	$12,703,820	$4,122,755,097	$1,915,542,492	$2,860,533,593	$16,453,820	$4,792,529,905
36	Electronic & Other Electrical Eqmt	$407,031,069	$501,329,806		$908,360,875	$457,973,782	$576,419,806		$1,034,393,588
361	Electric Transmission & Distr. Eqmt.	$18,900,000			$18,900,000	$18,900,000			$18,900,000
3612	Power Distribution Transformers		$1,209,000		$1,209,000		$1,209,000		$1,209,000
3613	Switchgear & Switchboard Apparatus		$3,311,793		$3,311,793		$3,561,963		$3,561,963
362	Electrical Industrial Apparatus	$450,042	$678,483		$1,128,525	$450,042	$678,483		$1,128,525
3621	Electric Motors & Generators		$27,700,712		$27,700,712		$27,700,712		$27,700,712
3625	Relays & Industrial Controls		$1,727,000		$1,727,000		$1,727,000		$1,727,000
3629	Electrical Apparatus Misc.		$1,499,129				$2,998,258		
363	Household Appliance Stores		$4,743,046		$2,070,046		$4,838,000		$4,838,000
3632	Household Refrigerators		$10,002,000		$10,002,000		$12,670,000		$12,670,000
3639	Household Appliances, Nec		$22,000,000		$22,000,000		$22,000,000		$22,000,000
364	Electrical Lighting & Wiring Eqmt.		$833,000		$833,000		$833,000		$833,000
3641	Electric Lamp Bulbs & Tubes		$921,000		$921,000		$800,000		$800,000
3643	Contacts, Electrical		$4,501,314		$4,501,314		$4,501,314		$4,501,314
3644	Noncurrent-Carrying Wiring Devices		$1,800,000		$1,800,000		$1,800,000		$1,800,000
3651	& Audio		$13,919,850		$13,919,850		$13,919,850		$13,919,850
366	Telecommunications Equipment	$17,720,504	$161,691,650	$4,228,800	$183,640,954	$80,968,504	$232,691,650	$4,228,800	$317,888,954
3661	Telephone & Telegraph Apparatus		$16,886,688		$16,886,688		$16,935,492		$16,935,492
3663	Equipment	$15,481,621	$58,363,557		$73,845,178	$23,821,621	$58,548,657		$82,370,278
3669	Communications Equipment, Nec		$9,297,277		$6,956,277		$9,297,277		$6,956,277
367	Electronic Components	$1,004,945,106	$1,419,434,363	$1,115,000	$2,425,494,469	$1,218,854,266	$1,568,828,907	$1,115,000	$2,788,798,173
3671	Electron Tubes		$18,845,045		$18,845,045		$20,147,246		$20,147,246
3672	Printed Circuit Boards	$1,168,000	$86,610,028		$87,778,028	$1,168,000	$86,610,028		$87,778,028
3674	Semiconductors & Related Devices	$3,991,000	$39,111,511		$43,102,511	$3,991,000	$39,111,511		$43,102,511

Offset Transactions by Industry (SIC Code)
1993 - 2003

SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
3678	Electronic Connectors		$930,000		$930,000		$930,000		$930,000
3679	Electronic Components, Nec	$46,499,109	$121,922,975	$7,360,020	$175,782,104	$60,968,109	$129,036,975	$11,110,020	$201,115,104
369	Batteries, Not Specified By Type	$4,426,168	$400,000		$4,826,168	$8,577,168	$400,000		$8,977,168
3691	Storage Batteries		$872,172		$472,172		$872,172		$472,172
3694	Combustion Engines		$3,826,669		$3,826,669		$3,866,669		$3,866,669
3699	Electrical Equipment & Supplies, Nec	$39,870,000	$15,200,590		$55,070,590	$39,870,000	$17,599,623		$57,469,623
37	Transportation Equipment	$6,257,688,894	$7,098,934,693	$482,473,613	$13,847,052,200	$7,613,123,816	$8,427,461,435	$546,270,283	$16,603,835,534
37	Transportation Equipment	$10,906,341	$100,786,761		$111,693,102	$10,906,341	$143,346,761		$154,253,102
371	Equipment	$20,022,568	$421,398,405	$1,698,518	$423,096,923	$20,022,568	$427,064,405	$2,522,095	$429,586,500
3711	Bodies	$35,893,086	$207,978,844		$534,790,025	$35,893,086	$207,978,844		$740,837
3713	Truck & Bus Bodies		$740,837		$740,837		$740,837		$740,837
3714	Motor Vehicle Parts & Accessories	$4,034,000	$290,463,320		$294,497,320	$4,034,000	$292,738,320		$296,772,320
3715	Truck Trailers	$15,830,322	$26,868,572		$26,868,572	$15,830,322	$37,351,560		$36,365,560
372	Aircraft & Parts	$2,905,324,534	$2,675,544,628	$358,726,849	$5,939,596,011	$4,024,769,506	$3,658,401,616	$416,923,264	$8,100,094,386
3721	Aircraft	$323,015,024	$261,684,671		$584,699,695	$332,574,561	$356,212,363		$688,786,924
3724	Aircraft Engines & Engine Parts	$585,383,913	$322,952,982	36,419,923	$944,756,818	$632,543,601	$326,788,182	$36,719,923	$996,051,706
3728	Nec	$2,237,707,846	$2,146,128,177	$67,628,323	$4,451,464,346	$2,397,894,745	$2,250,565,023	$72,105,001	$4,720,564,769
3731	Ship Building & Repairing	$23,843,215	$518,129,609	$18,000,000	$559,972,824	$38,822,215	$553,720,637	$18,000,000	$610,542,852
3743	Railroad Equipment		$7,142,901		$7,142,901		$7,142,901		$7,142,901
3759	Auxiliary Eqpmt	$5,093,561			$5,093,561	$5,093,561			$5,093,561
376	Parts	$10,563,560	$49,950,742		$60,514,302	$10,893,560	$87,900,742		$98,794,302
3761	Guided Missle & Space Vehicles	$3,998,000	$6,270,000		$10,268,000	$3,998,000	$6,270,000		$10,268,000
3764	Propulsion Units		$684,963		$684,963		$3,479,963		$3,479,963
3769	Nec	$9,509,344	$3,763,281		$13,272,625	$8,414,170	$3,763,281		$12,177,451
3795	Tanks & Tank Components	$55,390,000	$58,446,000		$113,836,000	$60,260,000	$63,996,000		$124,256,000
3799	Transportation Equipment, Nec	$11,173,580			$11,173,580	$11,173,580			$11,173,580
38	Measuring & Analyzing Instruments	$736,998,208	$539,428,764		$1,276,426,972	$927,568,282	$664,276,012		$1,591,844,294
38	Measuring & Analyzing Instruments		$48,431,731		$48,431,731		$48,498,501		$5,000,000
381	Search & Navigation Instruments		$3,163,312				$3,163,312		
3812	Guidance Instruments	$656,479,595	$290,143,065		$946,622,660	$742,665,240	$367,284,601		$1,109,949,841
382	Laboratory Apparatus		$5,424,536				$40,424,536		
3823	Control		$846,000		$846,000		$846,000		$846,000
3825	Electrical	$24,701,700	$1,140,955		$25,842,655	$120,557,700	$1,140,955		$121,698,655
3827	Optical Instruments & Lenses	$30,951,397	$71,582,500		$102,533,897	$37,951,397	$71,429,500		$109,380,897
3829	Measuring & Controlling Devices, Nec	$323,516	$2,312,842		$104,048,495	$1,851,945	$2,312,842		$4,164,787
384	Medical Instruments & Equipment	$17,966,000	$86,082,495		$104,048,495	$17,966,000	$97,448,437		$115,414,437
3841	Surgical Instruments		$467,000		$467,000		$607,000		$607,000
3842	Appliances		$2,573,000		$2,573,000		$3,859,000		$3,859,000
3844	X-Ray Apparatus & Tubes		$19,900,000		$19,900,000		$19,900,000		$19,900,000
3861	Photographic Equipment & Supplies	$6,576,000	$1,457,273		$8,033,273	$6,576,000	$1,457,273		$8,033,273
3873	Watches, Clocks, Timing Devices		$5,904,055		$5,904,055		$5,904,055		$5,904,055
39	Miscellaneous Manufacturing Industries	$31,000	$5,117,200		$5,148,200	$31,000	$5,117,200		$5,148,200
3944	Games, Toys, Children's Vehicles		$4,500,000		$4,500,000		$4,500,000		$4,500,000

Offset Transactions by Industry (SIC Code)
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SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
3999	Manufacturing Industries, Nec	$31,000	$617,200		$648,200	$31,000	$617,200		$648,200
42	Motor Freight & Warehousing		$1,451,000		$1,451,000		$1,451,000		$1,451,000
422	Public Warehousing & Storage		$1,451,000		$1,451,000		$1,451,000		$1,451,000
44	Water Transportation		$40,208,237		$40,208,237		$40,208,237		$40,208,237
4412	Ocean Freight Shipping		$5,208,237		$5,208,237		$5,208,237		$5,208,237
444	Water Transportation Of Freight, Nec		$35,000,000		$35,000,000		$35,000,000		$35,000,000
45	Transportation By Air	$55,084,489	$14,989,615		$70,074,104	$55,761,089	$29,009,615		$84,770,704
4512	Transportation	$54,746,189	$109,915		$54,856,104	$54,746,189	$109,915		$54,856,104
4581	Terminal Serv	$338,300	$14,879,700		$15,218,000	$1,014,900	$28,899,700		$29,914,600
47	Transportation Services	$29,284	$3,445,637		$3,474,921	$29,284	$3,445,637		$3,474,921
47	Transportation Services		$277,832		$277,832		$277,832		$277,832
472	Tourist Transportation Services		$2,500,000		$2,500,000		$2,500,000		$2,500,000
4724	Travel Agencies	$29,284			$29,284	$29,284			$29,284
4731	Freight & Cargo		$667,805		$667,805		$667,805		$667,805
48	Communications	$21,369,420	$73,851,830		$95,221,250	$58,923,602	$83,651,830		$142,575,432
48	Communications		$51,563,810		$51,563,810		$51,563,810		$32,396,000
481	Telephone Communications		$17,607,000		$17,607,000		$27,407,000		$27,407,000
4812	Radiotelephone Communications	$14,303,420				$2,300,602			
4813	Radio Type		$1,902,501		$1,902,501		$1,902,501		$1,902,501
4899	Communications Services, Nec	$7,066,000	$2,778,519		$9,844,519	$56,623,000	$2,778,519		$59,401,519
49	Electric, Gas, & Sanitary Services		$2,496,688		$2,496,688		$2,496,688		$2,496,688
49	Power Generation		$11,488		$11,488		$11,488		$11,488
493	Utilities		$1,699,200		$1,699,200		$1,699,200		$1,699,200
4941	Water Supply		$786,000		$786,000		$786,000		$786,000
61	Non-Depository Credit Institutions	$10,212,427	$648,708,883		$658,921,310	$77,029,235	$684,554,949		$761,584,184
61	Credit Extension	$10,212,427	$648,708,883		$658,921,310	$77,029,235	$733,098,421		$810,127,656
62	Security Brokers, Dealers, Exchanges, and Servi		$46,521,414		$46,521,414		$53,921,414		$53,921,414
6282	Financial Advice, Investment		$46,521,414		$46,521,414		$53,921,414		$53,921,414
67	Holding & Other Investment Offices	$194,626,544	$368,213,245	$23,556,000	$589,405,789	$213,751,544	$620,592,875	$74,261,000	$963,255,419
67	Holding & Other Investment Offices	$8,300,000	$276,536,185	$19,843,000	$304,679,185	$8,300,000	$505,963,513	$39,687,000	$553,950,513
679	Investment Operations	$183,601,544	$63,353,060	$3,713,000	$250,667,604	$200,101,544	$80,631,362	$34,574,000	$315,306,906
6794	Patent Owners & Lessors	$2,725,000	$2,500,000		$5,225,000	$5,350,000	$2,500,000		$7,850,000
6799	Venture Capital		$25,824,000		$25,824,000		$31,498,000		$31,498,000
73	Business Services	$316,309,966	$885,373,547	$10,740,098	$1,294,364,012	$373,075,118	$1,100,366,353	$35,025,098	$1,598,176,853
73	Business Services	$5,113,950	$427,912,825		$433,026,775	$9,826,000	$435,407,505		$445,233,505
7359	Equipment Rental & Leasing, Nec		$572,000		$572,000		$1,272,000		$1,272,000
7361	Employment Agencies		$7,500,000		$7,500,000		$7,500,000		$7,500,000
737	Software & Data Processing	$155,767,909	$202,170,742		$357,938,651	$185,585,011	$381,988,040		$567,573,051
7371	Computer Programming Services	$58,106,491	$83,472,794	$3,025,098	$144,604,383	$58,106,491	$83,472,794	$3,025,098	$144,604,383
7372	Prepackaged Software	$16,700,000	$30,627,648		$30,627,648	$1,400,000	$36,096,398		$36,096,398
7373	Computer Integrated Systems Design	$26,076,787	$57,455,315		$83,532,102	$31,426,787	$72,819,315		$104,246,102
7374	Computer Prossing & Data Preparation		$3,064,522		$3,064,522		$3,064,522		$3,064,522
7376	Services	$32,374,829	$421,000		$32,795,829	$32,374,829	$3,872,000		$36,246,829

Offset Transactions by Industry (SIC Code)
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SIC Broad Economic Sectors 2-Digit SIC Detailed Economic Sector 2-4 Digit Industry Detailed Sector (Available Data)		Actual Values of Offset Transactions 1993-2003 by Detailed Economic Sector				Credit Values of Offset Transactions 1993-2003 by Detailed Economic Sector			
		Direct	Indirect	Unspecified	Total	Direct	Indirect	Unspecified	Total
7378	Computer Maintenance & Repair		$2,836,608		$2,836,608		$2,836,608		$2,836,608
7379	Computer Related Services, Nec	$12,934,000	$31,077,355		$44,011,355	$31,120,000	$31,077,355		$62,197,355
7389	Business Services, Nec	$9,236,000	$38,262,738	$7,715,000	$55,213,738	$23,236,000	$40,959,816	$32,000,000	$96,195,816
76	Miscellaneous Repair Shops	$2,372,336	$6,112,893		$8,485,229	$2,372,336	$6,112,893		$8,485,229
76	Miscellaneous Repair Shops	$22,336	$2,336		$24,672	$22,336	$2,336		$24,672
769	Misc. Repair Shops & Related Services		$691,270		$691,270		$691,270		$691,270
7699	Repair Shops & Services, Nec	$2,350,000	$5,419,287		$7,769,287	$2,350,000	$5,419,287		$7,769,287
80	Health Services		$28,000		$28,000		$282,000		$282,000
8099	Health & Allied Services, Nec		$28,000		$28,000		$282,000		$282,000
81	Legal Services		$75,000		$75,000		$3,125,000		$3,125,000
8111	Legal Services		$75,000		$75,000		$3,125,000		$3,125,000
82	Educational Services	$272,648,860	$219,150,209		$566,957,468	$290,605,789	$286,689,972		$654,364,160
82	Educational Services	$250,172,860	$107,500,319		$357,673,179	$266,932,699	$172,481,374		$439,414,073
8221	Schools	$500,000	$27,306,463		$27,806,463	$500,000	$27,306,463		$27,806,463
8249	Vocational Schools, Nec	$5,800,000	$3,500,000		$9,300,000	$5,800,000	$3,500,000		$9,300,000
8299	Schools & Educational Services, Nec	$16,176,000	$80,843,427		$97,019,427	$17,373,090	$83,402,135		$100,775,225
87	Technical Services & Consultants	$394,104,378	$776,398,470	$1,654,000	$1,268,035,055	$462,471,260	$1,016,869,021	$1,654,000	$1,669,189,488
87	Technical Services & Consultants	$52,458,152	$98,686,722		$151,144,874	$79,770,152	$140,259,408		$220,029,560
871	Engineering & Architectural Services	$8,201,077	$2,250,000		$2,250,000	$8,201,077	$2,250,000		$2,250,000
8711	Engineering Services	$276,774,983	$349,109,303		$625,884,286	$307,033,615	$451,840,663		$758,874,278
8712	Nuclear Engineering Services		$4,448,527		$4,448,527		$4,448,527		$4,448,527
873	Services		$1,821,784		$1,821,784		$29,343,784		$29,343,784
8731	Science	$910,000	$22,825,000		$23,735,000	$910,000	$28,715,000		$29,625,000
8732	Ed Research		$14,081,000		$14,081,000		$14,081,000		$14,081,000
8734	Testing Laboratories		$6,698,900		$6,698,900		$6,698,900		$6,698,900
874	Management and Public Relations			$330,000				$330,000	
8741	Management Services	$14,378,832	$19,516,300		$33,895,132	$14,531,082	$38,449,500		$52,980,582
8742	Management Consulting Services	$41,381,334	$241,648,959	$1,324,000	$284,354,293	$52,025,334	$285,470,264	$1,324,000	$338,819,598
8744	Services		$1,800,000		$1,800,000		$1,800,000		$1,800,000
8748	Business Consulting, Nec		$13,511,975		$13,511,975		$13,511,975		$13,511,975
89	Misc. Services	$37,403,818	$23,056,648		$60,460,466	$37,403,818	$23,056,648		$60,460,466
89	Misc. Services	$37,403,818	$23,056,648		$60,460,466	$37,403,818	$23,056,648		$60,460,466
99	Undetermined	$70,349,482	$61,954,410		$386,268,247	$62,456,000	$136,945,682		$496,126,769
99	Undetermined	$70,349,482	$61,954,410		$132,303,892	$94,829,482	$136,945,682		$231,775,164

Source: BIS Offsets Database

Appendix H:
Country Offset Policies

Australia	
Title of Policy:	Strategic Industry Development Activities (SIDAs) Defence Industry Investment Recognition Scheme (DIIREC)
Agency Handling	Defense Material Organization, Industry Division, as Australian Industry Involvement Authority (AIIA)
Part of Procurement Decision	Yes, for military procurement
Offset Sector	Civilian and military
Minimum Value of Contract	Civilian – A$10 million; Military – A$5 million
Minimum Offset Required (%)	Maximized local content where cost effective
Term	7 years unless otherwise defined in agreement
Multipliers	None in policy
Penalties	Strict SIDAs review; penalties negotiated in each agreement
Focus	Local content (Australia & New Zealand), SIDAs
Direct vs. indirect	Both
Eligible Offset Activities	Subcontract, R&D, tech transfer, training and skills transfer, export sales, infrastructure, venture capital
Website	http://www.defence.gov.au/dmo/id/diirec/diirec.cfm

Austria	
Title of Policy:	Offset Guidelines
Agency Handling	Federal Ministry of Economic Affairs
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	Not stated
Minimum Offset Required (%)	100-200%
Term	Not stated
Multipliers	0.3%
Penalties	3-7%
Focus	High technology projects and R & D only
Direct vs. indirect	Both
Eligible Offset Activities	Direct investment, R&D, technology transfer, subcontracting
Website	Federal Procurement http://www.bbg.gv.at (in German only)

Belgium	
Title of Policy:	Industrial Benefit in the Field of Defense Procurement ("industrial offset")
Agency Handling	Ministry of Economics Affairs, Directorate Economic Relations, Defense and Technology Office
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	€11 million (if invited to tender), €1.1 million (if negotiated procedure)
Minimum Offset Required (%)	100% (no extra points in bidding process for over 100%)
Term	Well-determined and reasonable time period
Multipliers	None in policy
Penalties	At least 10% of non-fulfilled industrial benefit
Focus	High technology, create new or additional business flow
Direct vs. indirect	Both
Eligible Offset Activities	(Not tech transfer or investment) Co-production, R&D cooperation
Website	Ministry of Economic Affairs: http://mineco.fgov.be (Select English, Guide for Companies, Commerce)

Canada	
Title of Policy:	Industrial & Regional Benefits (IRB)
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	Holdbacks and liquidated damages
Focus	Long term development of export markets, high technology
Direct vs. indirect	Both
Eligible Offset Activities	Well defined
Website	Industrial and Regional Benefits (overview): http://strategis.ic.gc.ca/epic/internet/inad-ad.nsf/en/home

Denmark	
Title of Policy:	Industrial Cooperation Agreement (ICA)
Agency Handling	National Agency for Enterprise and Housing (NAEH), under the Ministry of Economic and Business
Part of Procurement Decision	Yes
Offset Sector	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	Maintain and strengthen technological base and export potential, Technology must be at same level as defense procurement
Direct vs. indirect	Both
Eligible Offset Activities	Direct procurement of Danish products, collaborative/joint ventures, strategic alliances, subcontracting
Website	Policy guidelines and sample agreement: http://www.ebst.dk (Choose English – Enterprise – Industrial Cooperation)

Finland	
Title of Policy:	Industrial Participation
Agency Handling	Finish Committee on IP (CIP), Ministry of Trade and Industry
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	€10 million
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	0.3-3 for exports of Finnish products, tech transfer multipliers are negotiated
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	Subcontract, exports and internationalization of SMEs, technology transfer
Website	New Offset Guidelines: http://www.ktm.fi (Select English, Promotion of Export, Industrial Participation)

Germany	
Title of Policy:	Industrial Balances, no official policy

Agency Handling	German Defense Procurement Office (BWB)
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	www.bwb.org

Greece	
Title of Policy:	Policy of Offsets Benefits (OB)
Agency Handling	Hellenic Ministry of National Defense/General Armaments Directorate (GAD), Division of Offsets (DO)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	€10 million
Minimum Offset Required (%)	80% (often exceeds this, average is understood to be around 120%)
Term	Same as period of procurement contract
Multipliers	Very complex, depends on value of offset & recipient, up to 12 (expected to drop to the 1-9 range)
Penalties	10%
Focus	Upgrade production and technology infrastructure, reinforce armed forces, reduce procurement costs
Direct vs. indirect	Direct
Eligible Offset Activities	Require: local subcontracting, purchase and/or co-production; Other options: direct investment, material/services to armed forces directly, others defined in specific agreement (training and technical support do not count)
Website	Hellenic Defense Contracts Bulletin 2002 (Part 1): http://www.mod.gr/ENGLISH/newver/BULLETIN1.rtf

Israel	
Title of Policy:	Industrial Cooperation (Industrial Cooperation Program – ICP)
Agency Handling	Industrial Cooperation Authority (ICA), Ministry of Trade and Industry
Part of Procurement Decision	Yes (Tenders Law Regulations require ICP)

Offset Sector	Civilian and military
Minimum Value of Contract	US$500,000
Minimum Offset Required (%)	35%
Term	Length of time of the contract, may be extended
Multipliers	1-1.5 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	Subcontract (preferred), purchase, direct investment, R&D
Website	Industrial Cooperation Authority: http://www.moit.gov.il/root/Hidden/Ica/directives/RASPATIC.htm

Korea, South	
Title of Policy:	Policy of Offset Benefits (OB)
Agency Handling	Defense Procurement Agency, Ministry of National Defense (MND)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	US$10M
Minimum Offset Required (%)	30%
Term	Not defined
Multipliers	1-6 times based on type of offset
Penalties	10% of unfulfilled value
Focus	Acquiring high technology, manufacturing and exporting parts and components
Direct vs. indirect	Both
Eligible Offset Activities	R&D project, subcontracting, co-production, license production—always with a Korean company—Korean Industry Participant (KIP)
Website	Defense Procurement Agency: http://www.dpa.go.kr (Select English, Introduction, Major Businesses, Offset Program)

Kuwait	
Title of Policy:	Counter-trade 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	Defense: USD 3.4 million (KD 1million); civil: USD 34 million (KD 10 million)
Minimum Offset Required (%)	35%
Term	8 years (50% in first 4 years)
Multipliers	1-3.5 times based on activity and sectors
Penalties	6% of total contract, by bank guarantee
Focus	Technology transfer and training for high-skill employment, attracting foreign investment
Direct vs. indirect	No distinction
Eligible Offset Activities	Establish joint business venture, establish offset venture with 100% equity share
Website	Offset Program Description: http://www.mof.gov.kw/offset/

Lithuania	
Title of Policy:	Guidelines for Industrial Cooperation Agreements
Agency Handling	Commission on Compensation Matters, Ministry of Economy
Part of Procurement Decision	Yes
Offset Sector	Defense
Minimum Value of Contract	5 million Litas (US $1.75 million)
Minimum Offset Required (%)	100%
Term	Not defined
Multipliers	Determined by Ministry of Economy, not to exceed 5
Penalties	Should follow contract, not to exceed 10 years
Focus	Strengthen domestic defense industry
Direct vs. indirect	Both
Eligible Offset Activities	Joint ventures, advanced technologies
Website	Not available

Netherlands

Title of Policy:	Industrial Participation and Offsets
Agency Handling	Ministry of Economics
Part of Procurement Decision	Yes
Offset Sector	Military and civilian
Minimum Value of Contract	€5 million
Minimum Offset Required (%)	100%
Term	No longer than 10 years
Multipliers	To be negotiated
Penalties	Negotiated percentage of late portion, must still fulfill obligation
Focus	Technological innovation, marketing support for innovative products
Direct vs. indirect	Both
Eligible Offset Activities	Co-production, licensed production, technology transfer of equal technological level to procurement,
Website	Industrial Participation and Offset in the Netherlands: http://www.ez.nl

New Zealand	
Title of Policy:	Informal Voluntary Offsets Policy
Agency Handling	Ministry of Economic Development
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	Technology improvements, encourage internationally competitive manufacture and services, open up new markets, logistical benefits
Direct vs. indirect	No distinction
Eligible Offset Activities	Joint manufacture, sub-contract, R&D collaboration, technology transfer, training
Website	New Zealand Industrial Involvement: http://www.med.govt.nz (See Government Procurement, 2002 Policy Guide for Purchasers, Annex)

Norway	
Title of Policy:	Offset Program
Agency Handling	Ministry of Defense, Offset Advisory Group

Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	NOK 75 million; sometimes required for less than NOK 50 million
Minimum Offset Required	100%
Term	By completion of procurement contract
Multipliers	0.1-5, based on activity and sectors
Penalties	10% of total contract
Focus	Strengthen and maintain technical ability, capacity, and marketing position of the defense industry
Direct vs. indirect	Equally rated
Eligible Offset Activities	Purchases of defense equipment, purchase of high-tech services and products, R&D cooperation, technology transfer, direct investment, improvement of export opportunities
Website	Guide to Norwegian Armed Forces procurement: http://balder.dep.no/fd/html/fdhowtos/ (Select Defense Procurement - How to do Business with Norwegian Armed Forces)

Philippines	
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 (%)	60 – 100 % (depends on value amount)
Term	3 years after from execution of the contract (2 year grace period)
Multipliers	1 - 4 subject to the value of the desired activities
Penalties	Non-performance penalties ranging from 5%-100%
Focus	Foreign capital equipment, machinery and services, armed forces modernization
Direct vs. indirect	Indirect & direct
Eligible Offset Activities	Co-production, countertrade, subcontract
Website	Philippine International Trading Corporation: http://www.dti.gov.ph/contentment/37/index.jsp (Select Special Programs - Counter Trade)

Poland	
Title of Policy:	Offset Act, Dziennik Ustaw 99.80
Agency Handling	Committee for Offsets Agreements
Part of Procurement Decision	Yes
Offset Sector	Civilian and military

Minimum Value of Contract	€5 million
Minimum Offset Required (%)	100% (usually larger)
Term	No longer than 10 years
Multipliers	0.5-2% (2-5% only in special cases)
Penalties	Equivalent to value of non-performed offset
Focus	Industrial development, increasing export market potential, technology transfer, creating new employment facilities
Direct vs. indirect	Both, but direct must equal no less than 50%
Eligible Offset Activities	Co-production, technology transfer, R&D, export promotion, training
Website	http://www.wp.mil.pl (select English)

Portugal	
Title of Policy:	Offset Policy
Agency Handling	Economic Defense Agency (AED), Ministry of Defense and the Ministry of Economic Affairs
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	€5 million
Minimum Offset Required (%)	100%
Term	Accomplished within the term allowed for final payment of supply contract.
Multipliers	1.25 for defense-related industries and 1-3 according to activities.
Penalties	Up to 25%, based on fulfillment of intermediate steps.
Focus	Defense and Civil, including export assistance, training, technology transfer, and foreign direct investment.
Direct vs. indirect	Some preference for Direct.
Eligible Offset Activities	Purchase of local products and services, subcontracting, technology transfer, training, and foreign direct investment.
Website	Not available

Saudi Arabia	
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	Not specified

Contract	
Minimum Offset Required (%)	35%
Term	Within 10 years
Multipliers	Subject to approval of EOC
Penalties	Unlisted
Focus	Promote privatization/private industry, high-value employment, technology transfer, diversification of industrial base
Direct vs. indirect	Mix with original focus on direct
Eligible Offset Activities	Investments in joint ventures with local parties
Website	Not available

South Africa	
Title of Policy:	Defense Industrial Participation (DIP) Programme, managed by Armscor
Agency Handling	Department of Trade and Industry
Part of Procurement Decision	Yes
Offset Sector	Civilian (86% of all IP) and military
Minimum Value of Contract	US $10 million; US $ 2 million for IP contracts
Minimum Offset Required (%)	50% for contracts between US $ 2 and US $ 10 million; contracts greater than US $ 10 million, DIP 50% and NIP 30%
Term	7 years
Multipliers	No multipliers
Penalties	5%
Focus	Investment, export promotion, job creation
Direct vs. indirect	No distinction
Eligible Offset Activities	Foreign investment, counterpurchase, co-production, R&D, technology transfer
Website	Strategic Defence Procurement Package (SDP) Page: http://www.gov.za/projects/procurement/

Spain	
Title of Policy:	Policy of Armament and Material Agency
Agency Handling	Ministry of Defense, General Direction of Armaments and Material (DGAM)
Part of Procurement Decision	Yes
Offset Sector	Military and Civilian
Minimum Value of Contract	NA
Minimum Offset	100%, but varies

Required (%)	
Term	Within term of supply contract
Multipliers	Generally not used (between 2 and 5 when used)
Penalties	Negotiated individually, usually 5-10%
Focus	Technology similar to product purchased, improve armed forces and defense-related industry, increase research and development, increase employment
Direct vs. indirect	Both
Eligible Offset Activities	Direct purchases, cooperative agreements, licensed technologies, training services to armed forces
Website	No website available

Sweden	
Title of Policy:	Industrial Participation Program
Agency Handling	DOD, Defense Material Administration (FMV)
Part of Procurement Decision	Yes
Offset Sector	Military
Minimum Value of Contract	100 MSEK
Minimum Offset Required (%)	100%
Term	Within timeframe of procurement program
Multipliers	Not applied unless as agreed on for R&D projects (in these cases, maximum is 3)
Penalties	5% must meet milestone goals
Focus	Gain know-how, promote exports, internationalization of domestic defense industry
Direct vs. indirect	Both
Eligible Offset Activities	Co-production, technology transfer
Website	Swedish Defence Materiel Administration: http://www.fmv.se Select English

Switzerland	
Title of Policy:	Policy on Industrial Participation in Foreign Defense Equipment Acquisition
Agency Handling	Defense Procurement Agency (DPA), soon to become the Procurement and Technology Centre, DOD
Part of Procurement Decision	Yes
Offset Sector	Civilian and military
Minimum Value of Contract	Sfr 20 million
Minimum Offset Required (%)	100%
Term	Not defined

Multipliers	1-1.5
Penalties	Not defined
Focus	Retain domestic industry independence, overcome trade barriers, not specifically geared toward employment promotion, tech transfers
Direct vs. indirect	Both (indirect not preferred)
Eligible Offset Activities	Co-production, cooperation with universities, export assistance/purchase, international marketing
Website	Defence Procurement Agency: http://www.vbs.admin.ch

Taiwan	
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	No
Offset Sector	Military (Civilian procurement follows guidelines "in principle")
Minimum Value of Contract	Defense: US $10 million (c.$15 million); Civilian: US $50 million
Minimum Offset Required (%)	40%
Term	Not stipulated
Multipliers	1-10
Penalties	5%
Focus	Upgrade industries and industrial infrastructure, stimulation for domestic investment, introduce high-tech and critical technologies, support export growth
Direct vs. indirect	Both
Eligible Offset Activities	Local procurement, technology transfer, training, R&D, international marketing, local investment
Website	http://www.cica.com.tw Select English

Thailand	
Title of Policy:	Countertrade Policy
Agency Handling	Department of Foreign Trade, Ministry of Commerce
Part of Procurement Decision	Yes
Offset Sector	Civilian
Minimum Value of Contract	300 million Baht
Minimum Offset Required (%)	50%
Term	None in policy
Multipliers	None in policy
Penalties	5% (on unfulfilled) performance guarantee

Focus	Enhance trade, prevent imbalance of trade, diversify exports
Direct vs. indirect	Indirect
Eligible Offset Activities	Counter-purchase
Website	http://www.dft.moc.go.th/eng/Counter/Ctpol.html

Turkey	
Title of Policy:	SSM Offset 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 (%)	50% of project import value
Term	Maximum 2 years more than period of procurement agreement
Multipliers	1-10, some bonus multipliers granted
Penalties	Calculated according to formula—2-10% (on unfulfilled)
Focus	Compensate deficit of balance of payments, strengthen defense industrial infrastructure, expanded investment and R&D cooepration
Direct vs. indirect	Both
Eligible Offset Activities	Exports, technology transfer, R&D, training, investments, co-production
Website	Not available

UAE	
Title of Policy:	Government Policy of Diversification, Offsets Program
Agency Handling	UAE Offsets Group (UOG)
Part of Procurement Decision	Yes
Offset Sector	Military and Civilian
Minimum Value of Contract	US $10 million
Minimum Offset Required (%)	60% (negotiated with UOG or lump sum payments paid to UOG)
Term	7 years
Multipliers	Yes but unpublished
Penalties	8.5% of unfulfilled offset obligation
Focus	Sustainable growth and security of economic environment
Direct vs. indirect	Indirect
Eligible Offset Activities	Profitable joint ventures with local partners
Website	http://www.uaeoffsets.org (Select Guidelines or Terms)

United Kingdom	
Title of Policy:	Industrial Participation Policy
Agency Handling	MOD, Defense Export Services Organization
Part of Procurement Decision	No
Offset Sector	Military
Minimum Value of Contract	£10 million ($16.9 million)
Minimum Offset Required (%)	100%
Term	Over period of procurement contract
Multipliers	No multipliers for IP credit
Penalties	None, however strict enforcement of IP program
Focus	Competitive and leading-edge domestic industry and added overseas business
Direct vs. indirect	Both
Eligible Offset Activities	Technology transfers, R&D, Marketing Assistance, Subcontracts, Purchases
Website	http://www.deso.mod.uk/ip.htm

Appendix I: Glossary and Offset Example

GLOSSARY AND OFFSET EXAMPLE

***Offsets*:** Industrial compensation practices required as a condition of purchase in sales of defense articles and/or defense services.

***Offset Agreement*:** Contract specifying the percentage of the total sale to be offset, the forms of industrial compensation required, the duration of the agreement, and penalty clauses, if any.

***Offset Transaction*:** Any activity for which the defense prime contractor claims credit in fulfillment of the offset agreement. For the purpose of analysis, BIS divides offset transactions into nine different categories. These are also the required categories for the offset reporting requirement.

Technology Transfer: Transfer of technology that occurs as a result of an offset agreement and that may take the form of research and development conducted abroad, technical assistance provided to the subsidiary or joint venture of overseas investment, or other activities under direct commercial arrangement between the defense prime contractor and a foreign entity.

***Subcontractor Production*:** Overseas production of a part or component of a U.S.-origin defense article. The subcontract does not necessarily involve license of technical information and is usually a direct commercial arrangement between the defense prime contractor and a foreign producer.

***Co-production*:** Overseas production based upon government-to-government agreement that permits a foreign government or producer(s) to acquire the technical information to manufacture all or part of a U.S. origin defense article. Co-production includes government-to-government licensed production, but excludes licensed production based upon direct commercial arrangements by U.S. manufacturers.

***Licensed Production*:** Overseas production of a U.S.-origin defense article based upon transfer of technical information under direct commercial arrangements between a U.S. manufacturer and a foreign government or producer.

***Purchases*:** Procurement of off-the-shelf items from the offset recipient. Often, but not always, purchases are indirect by nature. Indirect purchases are similar in definition to countertrade, while direct purchases are analogous to buy-backs.

***Training*:** Generally includes training related to the production or maintenance of the exported defense item. Training may be required in unrelated areas, such as computer training, foreign language skills, or engineering capabilities.

***Investment*:** Investment arising from the offset agreement, taking the form of capital invested to establish or expand a subsidiary or joint venture in the foreign country.

***Marketing*:** Marketing assistance to foreign companies in either defense or unrelated industries. In some cases, countries require marketing in addition to the offsets. Also encompasses export assistance.

***Other*:** Any other form of offset required or offered by a defense company/foreign government.

***Offset Recipients*:** Foreign firms that receive the benefits of offset transactions from defense firms. For example, a U.S. company sells a defense item to a foreign country, with an offset obligation requiring that components worth 50 percent of the export contract be built in the foreign country. The foreign companies manufacturing these components would be the "offset recipients."

Offset Fulfiller: The company that provides the offset compensation, which is usually the defense firm who signed the offset agreement. However, there are times when the obligation is not related to the defense firm's specialty and therefore is contracted out. For example, if

marketing is a component of the offset requirement, the defense firm may hire a marketing company to satisfy the obligation. The marketing firm would then be the "offset fulfiller."

***Actual Value of Offset Transactions*:** The market value of the offset transaction measured in U.S. dollars.

Credit Value of Offset Transactions: The value credited for the offset transaction by application of a multiplier or other method. The credit value may be greater than or equal to the actual value of the offset.

Multiplier: A factor applied to the actual value of certain offset transactions to calculate the credit value earned. Foreign governments use multipliers to provide firms with incentives to offer offsets in targeted areas of economic growth. When a multiplier is applied to the off-the-shelf price of a more desirable service or product offered as an offset, the defense firm receives a higher credit value toward fulfilling an offset obligation.

> Example: A foreign government interested in a specific technology may offer a multiplier of "six" for offset transactions providing access to that technology. A U.S. defense company with a 120 percent offset obligation from a $1 million sale of defense systems ordinarily would be required to provide technology transfer through an offset equaling $1.2 million. With a multiplier of six, however, the U.S. company could offer only $200,000 (actual value) in technology transfer and earn $1.2 million in credit value, fulfilling its entire offset obligation under the agreement.

***Direct Offsets*:** Offset transactions that are directly related to the defense items or services exported by the defense firm. These are usually in the form of co-production, subcontracting, training, production, licensed production, or possibly technology transfer or financing activities.

***Indirect Offsets**:* Offset transactions that are not directly related to the defense items or services exported by the defense firm. The kinds of offsets that are considered "indirect" include purchases, investment, training, financing activities, marketing/exporting assistance, and technology transfer.

Penalties: Measures used to motivate defense firms to fulfill their offset obligation within the timeframe allotted by the contract.

Liquidated damages: If a firm fails to fulfill all required offsets by the stipulated deadline, it must pay a percentage (usually 5-20 percent) of the total value of the export contract. The percentage for liquidated damages is specified in the contract.

Non-performance penalties: Firms must pay a prearranged percent (2-10 percent) of all obligations not fulfilled within the allotted time.

***Best efforts clauses*:** With a "best efforts" clause, there is no penalty for non-fulfillment of the contract; the firm is judged to be acting in good faith to meet its obligations. However, firms' reputations can be jeopardized if offset obligations are not fulfilled as stated in the contract; non-fulfillment would likely result in the U.S. defense firm being excluded from future procurements by that purchasing government.

OFFSET EXAMPLE

This example is for illustrative purposes only and in no way represents an actual offset agreement. The fictitious nation of Atlantis purchased ten KS-340 jet fighters from a U.S. defense firm, PJD Inc. (PJD), for a total of $500 million with 100 percent offset. In other words, the offset agreement obligated PJD to fulfill offsets equal to the value of the contract, or $500 million. The government of Atlantis decided what would be required of PJD in order to fulfill its

offset obligation, which would include both direct and indirect compensation. The government also assigned the credit value for each category.

Direct Offsets (i.e., related to the production of the export item, the KS-340 jet fighter)

Technology Transfer: The technology transfer requirement was assigned 36 percent of the total offset obligation. PJD agreed to transfer all the necessary technology and know-how to Atlantis firms in order to repair and maintain the jet fighters. The Atlantis government deemed this capability to be vital to national security and, therefore, gave a multiplier of six. As a result, the transfer of technology actually worth $30 million was given a credit value of $180 million.

Co-production: Atlantis firms manufactured some components of the KS-340 jet fighters, totaling $220 million, which accounted for 44 percent of the offset obligation.

Indirect Offsets (i.e., not related to the production of the export item, the KS-340 jet fighter)

Purchase: PJD purchased marble statues from Atlantis manufacturers for eventual resale. These purchases accounted for 7 percent of the offset obligation, or $35 million.

Financing Activities: PJD made investments in non-defense related industries in Atlantis; this accounted for 4 percent of the offset obligation, or $20 million.

Technology Transfer: PJD provided submarine technology to Atlantis firms, which accounted for 6 percent of the offset obligation, or $30 million.

Marketing: Commercial assistance was provided for Atlantis fisheries to market their fish in the United States, which fulfilled the remaining 3 percent, or $15 million of the offset obligation. In this example, the Atlantis fisheries are *offset recipients* because they received marketing services for their product. PJD hired an American advertising firm, the *offset fulfiller*, to market the Atlantis fish.

The duration of the offset agreement was 10 years with a three-year grace period. A timetable was created by the Atlantis government outlining which obligations should be fulfilled, to what extent, and when. If PJD did not meet the deadlines given, the company was required to pay the Atlantis government 5 percent of the unfulfilled offset amount in liquidated damages. For example, if after 10 years, only 98.5 percent of the offset obligation of $500 million was fulfilled, PJD would be required to pay liquidated damages in the amount of 5 percent of the 1.5 percent unfulfilled portion of the offset obligation, or $375,000.

Appendix J: List of U.S. Government Offset Reports

List of U.S. Government Reports on Offsets

October 1985 Assessment of the Effects of Barter and Countertrade Transactions on U.S. Industries - U.S. International Trade Commission.

December 1985 The Impact of Offsets in Defense-Related Exports - Office of Management and Budget.

December 1986 Second Annual Report on the Impact of Offsets in Defense-Related Exports - Office of Management and Budget.

December 1987 Impact of Offsets in Defense-Related Exports: A Summary of the First Three Annual Reports - Office of Management and Budget.

December 1988 Offsets in Military Exports - Office of Management and Budget.

April 1990 Report on Offsets in Military Exports - Office of Management and Budget.

April 1996 Military Exports: Offset Demands Continue to Grow - U.S. General Accounting Office.

May 1996 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

June 1997 Policy Issues in Aerospace Offsets: Report of A Workshop - Board on Science, Technology, and Economic Policy, National Research Council.

August 1997 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

January 1998 Symposium Papers on: Trends and Challenges in Aerospace Offsets - Board on Science, Technology, and Economic Policy, National Research Council.

August 1998 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

December 1998 Defense Trade: U.S. Contractors Employ Diverse Activities to Meet Offset Obligations – U.S. General Accounting Office.

March 1999 Trends and Challenges in Aerospace Offsets - Board on Science, Technology, and Economic Policy, National Research Council.

October 1999 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

January 2001 Status Report of the Presidential Commission on Offsets in International Trade

May 2001 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

February 2003 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended - U.S. Department of Commerce.

July 2003 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended – U.S. Department of Commerce.

July 2004 Offsets in Defense Trade: A Study Conducted Under Section 309 of the Defense Production Act of 1950, as Amended – U.S. Department of Commerce.

August 2004 Offsets in Defense Trade and the U.S. Subcontractor Base: A Report to Congress – U.S. Department of Commerce

Appendix K:
Publication List

Office of Strategic Industries and Economic Security
Strategic Analysis Division
PUBLICATIONS LIST

The U.S. Department of Commerce's Strategic Analysis Division is the focal point within the Department for conducting assessments of defense-related industries and technologies. The studies are based on detailed industry-specific surveys used to collect information from U.S. companies and are conducted on behalf of the U.S. Congress, the military services, industry associations, or other interested parties.

PUBLICATION TITLE	*Italics* indicate forthcoming studies
10th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 – December 2005	
National Security Assessment of the Cartridge- and Propellant-Actuated Device Industry: Third Review – December 2005	
Defense Industrial Base Assessment: U.S. Imaging and Sensors Industry – Fall 2005	
Economic Impact Assessment- Air Force C-17 Program – Spring 2005	
9th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 – March 2005	
National Security Assessment of the Munitions Power Sources Industry – December 2004	
Offsets in Defense Trade and the U.S. Subcontractor Base – August 2004	
8th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 – July 2004	
National Security Assessment of the Air Delivery (Parachute) Industry – May 2004	
Industry Attitudes on Collaborating with DoD in R&D – Air Force – January 2004	
Army Theater Support Vessel Procurement: Industrial Base/Economic Impact Assessment – December 2003	
A Survey of the Use of Biotechnology in U.S. Industry – October 2003	
U.S. Textile and Apparel Industries: An Industrial Base Assessment – October 2003	
7th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - July 2003	
Technology Assessment: U.S. Assistive Technology Industry – February 2003	
6th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - February 2003	
Heavy Manufacturing Industries: Economic Impact and Productivity of Welding – Navy – June 2002	
The Effect of Imports of Iron Ore and Semi-Finished Steel on the National Security – October 2001	
National Security Assessment of the U.S. High-Performance Explosives & Components Sector –June 2001	
National Security Assessment of the U.S. Shipbuilding and Repair Industry - May 2001	
Statistical Handbook of the Ball and Roller Bearing Industry (Update) - June 2001	
5th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - May 2001	
National Security Assessment of the Cartridge and Propellant Actuated Device Industry: Update - December 2000	
The Effect on the National Security of Imports of Crude Oil and Refined Petroleum Products - November 1999	
4th Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - October 1999	
U.S. Commercial Technology Transfers to The People's Republic of China – January 1999	
Critical Technology Assessment: Optoelectronics - October 1998	

3rd Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - August 1998
National Security Assessment of the Emergency Aircraft Ejection Seat Sector - November 1997
2nd Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 – August1997
Critical Technology Assessment of the U.S. Semiconductor Materials Industry - April 1997
1st Offsets in Defense Trade - Conducted under §309 of the Defense Production Act of 1950 - May 1996
National Security Assessment of the Cartridge and Propellant Actuated Device Industry - October 1995
A Study of the International Market for Computer Software with Encryption – NSA -1995
The Effect of Imports of Crude Oil and Petroleum Products on the National Security - December 1994
Critical Technology Assessment of U.S. Artificial Intelligence - August 1994
Critical Technology Assessment of U.S. Superconductivity - April 1994
Critical Technology Assessment of U.S. Optoelectronics - February 1994
Critical Technology Assessment of U.S. Advanced Ceramics - December 1993
Critical Technology Assessment of U.S. Advanced Composites - December 1993
The Effect of Imports of Ceramic Semiconductor Packages on the National Security - August 1993
National Security Assessment of the U.S. Beryllium Industry - July 1993
National Security Assessment of the Antifriction Bearings Industry - February 1993
National Security Assessment of the U.S. Forging Industry - December 1992
The Effect of Imports of Gears and Gearing Products on the National Security - July 1992
Natl. Sec. Assessment of the Dom. and For. Subcontractor Base~3 US Navy Systems - March 1992
Natl. Security Assessment of the U.S. Semiconductor Wafer Processing Equipment Industry - April 1991
National Security Assessment of the U.S. Robotics Industry - March 1991
National Security Assessment of the U.S. Gear Industry - January 1991

Archived Studies	
The Effect of Imports of Uranium on the National Security – Sept. 1989	Investment Castings: A Natl. Security Assessment – Dec. 1987
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