



DEPUTY SECRETARY OF DEFENSE

1010 DEFENSE PENTAGON  
WASHINGTON, DC 20301-1010



APR 30 2002

Honorable Bob Stump  
Chairman, Committee on Armed Services  
House of Representatives  
Washington, DC 20515-6035

Dear Mr. Chairman:

Section 827 of the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201), as amended by section 812 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261), requires the Secretary of Defense to submit to Congress, not later than 60 days after the end of the fiscal year, a report on the amount of Department of Defense purchases from foreign entities in that fiscal year. On January 25, 2002, the Under Secretary of Defense for Acquisition, Technology and Logistics notified you the report would be delayed because the information needed for that report was not available.

I am enclosing the required report for Department of Defense purchases from foreign entities in Fiscal Year 2001. The report separately identifies the dollar value of items for which the Buy American Act was waived pursuant to any memorandum of understanding, the Trade Agreements Act of 1979, or any other international agreement to which the United States is a party.

I am sending a copy of the report to the President of the Senate, the Speaker of the House, and the Chairman of the Senate Armed Services Committee.

Sincerely,

Enclosure:  
As stated

cc:  
Honorable Ike Skelton  
Ranking Member

1121 COUNCIL E OK

**DEPARTMENT OF DEFENSE FISCAL YEAR 2001**  
**PURCHASES FROM FOREIGN ENTITIES**

**Background**

Section 827 of the National Defense Authorization Act for Fiscal Year 1997 (Public Law 104-201), as amended by Section 812 of the Strom Thurmond National Defense Authorization Act for Fiscal Year 1999 (Public Law 105-261), requires the Secretary of Defense to submit to Congress a report on the amount of Department of Defense (DoD) purchases from foreign entities in Fiscal Year 2001. The report is to separately indicate the dollar value of items for which the Buy American Act (BAA) was waived pursuant to any reciprocal defense procurement memorandum of understanding (MOU), the Trade Agreements Act (TAA) or any international agreement to which the United States is a party.

**Discussion**

The information presented in this report addresses Fiscal Year 2001 and is based on DD Form 350 data compiled and distributed by DoD's Washington Headquarters Services and data published by the Defense Security Cooperation Agency (DSCA). DSCA data include commercial export data from the State Department's Office of Defense Trade Controls. The DD Form 350, Individual Contracting Action Report, includes data on contracting procedures, competition, financing, statutory requirements, socioeconomic programs and other information relating to DoD acquisitions. In some instances, the exact information required by Section 827 is not available and DoD has made assumptions in order to complete the report. In those cases, the report identifies the methodology and assumptions made by DoD in responding to the reporting requirement.

**Section 1 - All procurements from foreign entities**

DoD procurement actions during FY 2001 totaled approximately \$154.1 billion. Of that amount, approximately \$5.3 billion or 4% was expended on purchases from foreign entities. Of this amount, \$5.2 billion is for contracts with a place of performance outside the U.S. and the remainder, \$.1 billion, is for contracts with a place of performance within the U.S. A detailed breakout of the dollars by country is contained in Table 1.

The \$5.3 billion covers military hardware, subsistence, fuel, construction, services, and other miscellaneous items that are for use outside the U.S. Services constitute 26.3% of the total, with fuel and construction accounting for 15.5% and 28.2%, respectively. Table 2 provides a breakout of the \$5.3 billion by category and percentage of total.

Export data for Fiscal Year 2001 is not available at this point. However, it is anticipated that it will be approximately the same as Fiscal Year 2000. Based on DSCA data, foreign purchases of U.S. defense articles and services in Fiscal Year 2000 totaled \$12.1 billion. In addition, U.S. manufacturers exported \$.5 billion in direct commercial sales licensed under the Arms Export Control Act.

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

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

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

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

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

1. Actions pursuant to the Caribbean Basin Economic Recovery Act
2. Actions under the TAA (Agreement on Government Procurement).

3. Actions under the North American Free Trade Agreement (NAFTA).

4 Actions under MOUs

Canadian products subject to NAFTA coverage are the same as those subject to the TAA. Accordingly, procurements of Canadian products over \$25,000 but below the Fiscal Year 2000 TAA threshold of \$177,000 are reported under NAFTA. Procurement actions over \$177,000 with Canada for TAA code covered products are included under the TAA portion of the report. All other procurements of Canadian products are reported under the MOU section.

Mexican products over \$54,372 but below the Trade Agreements Act threshold are reported under NAFTA. Mexico is not a designated country under the Trade Agreements Act. One purchase of a Mexican product was made during this period, for approximately \$60,000.

Using the methodology described above, the various international agreements for which it is assumed that the BAA was waived totaled approximately \$1,378.9 million in Fiscal Year 2000

1. Caribbean Basin Economic Recovery	\$ 18.6
2. Trade Agreements Act	884.7
3. NAFTA	22.8
4. MOUs	<u>452.8</u>
Total	\$1,378.9 M

A breakout by country is contained in Table 3.

TABLE 1

## FISCAL YEAR 2001 DEPARTMENT OF DEFENSE PURCHASES FROM FOREIGN ENTITIES BOTH OVERSEAS AND IN THE UNITED STATES

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

<u>COUNTRY</u>	<u>DOLLARS (000's)</u>	<u>COUNTRY</u>	<u>DOLLARS (000's)</u>	<u>COUNTRY</u>	<u>DOLLARS (000's)</u>
Albania	\$ 245	French Polynesia	\$ 81	Netherlands	\$ 44,494
Antarctica	\$ 47	Gabon	\$ 5,050	Netherlands Antilles	\$ 36
Antigua & Barbuda	\$ 389	Georgia	\$ 377	New Zealand	\$ 116
Argentina	\$ 3,662	Germany	\$ 1,100,511	Norway	\$ 7,601
Aruba	\$ 17,665	Ghana	\$ 1,127	Oman	\$ 877
Australia	\$ 6,354	Greece	\$ 217,603	Panama	\$ 442
Austria	\$ 2,962	Greenland	\$ 49,814	Papua New Guinea	\$ 1,216
Azerbaijan	\$ 37	Guam	\$ 974	Peru	\$ 3,126
Bahrain	\$ 45,586	Guatemala	\$ 552	Philippines	\$ 233
Barbados	\$ 549	Honduras	\$ 7,629	Poland	\$ 4,725
Belgium	\$ 97,223	Hong Kong	\$ 344	Portugal	\$ 23,627
Bermuda	\$ 26	Hungary	\$ 2,047	Qatar	\$ 7,842
Bolivia	\$ 5,209	Iceland	\$ 61,873	Russia	\$ 57,164
Bosnia & Herzegovina	\$ 129	Indonesia	\$ 1,376	Saudi Arabia	\$ 215,475
Brazil	\$ 35	Ireland	\$ 7,193	Senegal	\$ 525
British Indian Ocean Territory	\$ 2,305	Israel	\$ 93,119	Serbia	\$ 664
Bulgaria	\$ 775	Italy	\$ 323,581	Singapore	\$ 206,061
Canada	\$ 316,552	Japan	\$ 638,640	Slovakia	\$ 403
Cape Verde	\$ 142	Jordan	\$ 3,495	Slovenia	\$ 648
China	\$ 1,928	Kazakhstan	\$ 442	South Africa	\$ 3,495
Colombia	\$ 14,015	Kenya	\$ 232	Spain	\$ 96,583
Comoros	\$ 554	Korea, Democratic Rep	\$ 9,232	Sweden	\$ 72,828
Costa Rica	\$ 108	Korea, Republic of	\$ 562,901	Switzerland	\$ 4,803
Croatia	\$ 3,041	Kuwait	\$ 183,074	Thailand	\$ 1,003
Cyprus	\$ 640	Latvia	\$ 27	Trinidad & Tobago	\$ 83
Denmark	\$ 13,950	Liechtenstein	\$ 79	Turkey	\$ 24,439
Ecuador	\$ 3,260	Lithuania	\$ 60	Ukraine	\$ 625
Egypt	\$ 7,173	Luxembourg	\$ 56,457	United Arab Emirates	\$ 14,326
El Salvador	\$ 696	Macedonia	\$ 1,112	United Kingdom	\$ 396,368
Estonia	\$ 119	Malaysia	\$ 2,318	United States	\$ 127,359
Finland	\$ 650	Malta	\$ 29,343	Venezuela	\$ 332
Undetermined/Classified	\$ 10,347	Mexico	\$ 497	Yemen	\$ 4,737
France	\$ 65,243	Moldova	\$ 428		
<b>Subtotal</b>	<b>\$ 621,616</b>	<b>Subtotal</b>	<b>\$ 3,361,588</b>	<b>Subtotal</b>	<b>\$ 1,322,256</b>
				<b>Total</b>	<b>\$ 5,305,460</b>

TABLE 2

## FISCAL YEAR 2001 PRIME CONTRACT AWARDS TO FOREIGN CONCERNS/ENTITIES

(Amounts in Thousands)

DoD Claimant Program	Dollars	Percent
Air Frames & Spares	\$ 158,855	1.481%
Aircraft Engines & Spares	\$ 126,735	2.389%
Other Aircraft Equipment	\$ 142,000	2.676%
Missile & Space Sys	\$ 24,550	0.463%
Ships	\$ 131,210	2.473%
Vehicles - Combat	\$ 51,808	0.977%
Non Combat	\$ 27,223	0.513%
Weapons	\$ 43,093	0.812%
Ammunition	\$ 43,824	0.826%
Electronic & Communication Equipment	\$ 163,212	3.076%
Petroleum	\$ 821,045	15.475%
Other fuels & lubricants	\$ 44	0.001%
Containers and Handling Equipment	\$ 219	0.004%
Textiles, Clothing & Equippage	\$ 7,574	0.143%
Building Supplies	\$ 1,567	0.030%
Subsistence	\$ 102,743	1.937%
Transportation Equipment	220	0.004%
Production Equipment	\$ 100	0.002%
Construction	\$ 1,493,187	28.144%
Construction Equip	\$ 4,081	0.077%
Med & Dental Supplies/Equip	\$ 18,640	0.351%
Photographic Supplies/Equip	\$ 2,597	0.049%
Materials Handling Equip	\$ 29,960	0.565%
All Other Supplies & Equip	\$ 517,425	9.753%
Services	\$ 1,393,548	26.266%
<b>Overall Total</b>	<b>\$ 5,305,460</b>	<b>100.000%</b>

**TABLE 3**

**FISCAL YEAR 2001 PURCHASES FROM FOREIGN CONCERNS UNDER TRADE AGREEMENTS AND MEMORANDA OF UNDERSTANDING**

**TRADE AGREEMENTS**

**MEMORANDA OF UNDERSTANDING**

<u>COUNTRY</u>	<u>DOLLARS (000)</u>
Caribbean Basin Economic Recovery Act	
Aruba	\$ 17,665
Guatemala	\$ 306
Honduras	\$ 588
<b>Total</b>	<b>\$ 18,559</b>

<u>COUNTRY</u>	<u>DOLLARS (000)</u>
Designated Country - Agreement on Government Procurement (1)	
Austria	\$ 230
Belgium	\$ 45,148
Canada	\$ 75,817
Finland	\$ 403
France	\$ 4,661
Germany	\$ 2,639
Greece	\$ 209,979
Israel	\$ 4,907
Italy	\$ 61,627
Japan	\$ 33,324
Korea	\$ 93,230
Luxembourg	\$ 1,572
Netherlands	\$ 7,396
Norway	\$ 239
Singapore	\$ 157,545
Spain	\$ 30,109
Sweden	\$ 57,231
United Kingdom	\$ 98,686
<b>Total</b>	<b>\$ 884,743</b>

<u>COUNTRY</u>	<u>DOLLARS (000)</u>
Covers all purchases not reflected under the Trade Agreements	
Australia	\$ 4,343
Austria	\$ 1,616
Belgium	\$ 19,782
Canada	\$ 167,041
Denmark	\$ 3,509
Egypt	\$ 129
Finland	\$ 247
France	\$ 24,427
Germany	\$ 17,675
Greece	\$ 323
Israel	\$ 41,659
Italy	\$ 14,103
Netherlands	\$ 830
Norway	\$ 5,887
Spain	\$ 220
Sweden	\$ 10,110
Switzerland	\$ 2,176
Turkey	\$ 61
United Kingdom	\$ 138,639
<b>Total</b>	<b>\$ 452,777</b>

<u>COUNTRY</u>	<u>DOLLARS (000)</u>
North American Free Trade Agreement (NAFTA)	
Canada	\$ 22,699
Mexico	\$ 60
<b>Total</b>	<b>\$ 22,759</b>

(1) Products subject to the TAA are listed in DFARS 225.403-70. Threshold for application is \$177,000.

(2) Per NAFTA, represents procurements with Canada over \$25K and under the \$177,000 TAA threshold.

(3) Per NAFTA, represents procurement with Mexico over \$54,372