REPORTING ON OFFSETS AGREEMENTS IN SALES OF WEAPON SYSTEMS

REPORTING ON OFFS

A response to this data inquiry is required by law (50 USC § 4568). Willful violation of the provisions o
and upon conviction, a person may be punished by fine or imprisonment, or both as provided in section
court of appropriate jurisdiction to prohibit the continuance of any violation of, or to enforce complianc
protected pursuant to the appropriate exemptions from disclosure under the Freedom of Information Ac

BURDEN ESTIMATE AN

A Federal agency may not conduct or sponsor, and a person is not required to respond to, nor shall a pe
of the Paperwork Reduction Act of 1995 unless the information collection has a currently valid OMB C
this approval, we could not conduct this information collection. Public reporting for this information co
instructions, searching existing data sources, gathering, and maintaining the data needed, and completin
aspect of this information collection, including suggestions for reducing this burden to the U.S. Departn

BUSINESS CONFIDENTIAL - Per S

OMB Control Number: 0694-0084
Revision Number: March 2024

OR DEFENSE-RELATED ITEMS TO FOREIGN COUNTRIES OR FOREIGN FIRMS

ETS IS REQUIRED BY LAW

of section 705 of the Defense Production Act of 1950, as amended, and related statutes or this part is a crime
705 of the Defense Production Act of 1950, as amended. The Government may seek an injunction from a
e with, the Defense Production Act of 1950, as amended, and this regulation. The information will be
t (FOIA), should it be the subject of a FOIA request.

D REQUEST FOR COMMENT

rson be subject to a penalty for failure to comply with an information collection subject to the requirements
Control Number. The approved OMB Control Number for this information collection is 0694-0084. Without
llection is estimated to be approximately 15 hours per response, including the time for reviewing
g and reviewing the information collection. Send comments regarding this burden estimate or any other
nent of Commerce, Bureau of Industry and Security, Room 2099, Washington, D.C. 20230.

ection 723(c) of the Defense Production Act

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BUSINESS CONFIDENTIAL - Per Section 723(c) of

the Defense Production Act

REPORTING ON OFFSETS AGREEMENTS IN S
FOREIGN C

General Instructions

Reports must be submitted on OMB control number 0694-0084. Reports must be su
Office of Strategic Industries and Economic Security as an e-mail attachment to Off
format. If unable to submit a report in computerized format, companies should conta
number, and e-mail address) and must be submitted by a company official authorize
three years, and have no offset agreements or offset transactions to report for the cu
include the information described below. Any necessary comments or explanations
701.4(b) of the Offset Reporting Regulation.

Please provide the infromation required in sections 701.4(c)(1) and 701.4(d) under t

Please provide the infromation required in sections 701.4(c)(2), 701.4(d), and 701.4

BUSINESS CONFIDENT

SALES OF WEAPON SYS
OUNTRIES OR FOREIGN

[redacted]

bmitted no later than June 15 of each year
'setReport@bis.doc.gov. E-mail attachmen
act the Offset Program Manager for guidar
d to provide such information. U.S. firms
rrent reporting period, should notify the U.
relating to the information shall be footnot

Reporting Offset Agreements

he "Reported Offset Agreements" tab.

Reporting Offset Transactions

(e) under the "Reported Offset Transactior

TIAL - Per Section 723(c) of the Defe

TEMS OR DEFENSE-RELATED ITEMS TO
N FIRMS

to the U.S. Department of Commerce, Bureau of Industry and Security,
ıts must include the information in a computerized spreadsheet or database
ıce. All submissions must include a point of contact (name, telephone
that previously reported offset agreements or offset transactions in the last
.S. Department of Commerce via the e-mail listed above. Reports must
ted and supplied on separate sheets attached to the reports. See section

ıs" tab.

ense Production Act

Name of Foreign Country	Foreign Party to Offset Agreement
Identify the country of the foreign government agency or branch involved in the offset agreement associated with the military export sales contract(s). §701.4(c)(1)(i)	Identify the foreign government agency or branch that is the signatory to the offset agreement. §701.4(c)(1)(ii)

Date Offset Agreement was Signed		Offset Agreement Value	Offset Agreement Term
Provide the date (month and year) the offset agreement was signed. §701.4(c)(1)(iii)		Provide the U.S. dollar value of the offset agreement. §701.4(c)(1)(iv)	Identify the term of the offset agreement in months (provide numeral value). §701.4(c)(1)(v)
Month	**Year**		

Repor

Offset Agreement Performance Measures

Identify each category that describes the offset agreement's performance measures: best efforts, accomplishment of obligation, or other (please describe). §701.4(c)(1)(vi)

Category	Description (if "OTHER")

'ted Offset Agreements

Offset Agreement Penalties for Non-Performance

Identify each category that describes the offset agreement's penalties for non-performance: liquidated damages, debarment from future contracts, added offset requirements, fees, commissions, bank credit guarantees, or other (please describe).
§701.4(c)(1)(vii)

Category	Description (if "OTHER")

Description of the Military Export Sale(s)	Date of Military
Provide a name and description of the military export sale(s). If multiple military export sales are associated with one offset agreement, please indicate by creating providing information for each military export sale on seperate lines. §701.4(c)(1)(viii)	Provide the date (month and sale(s) contract(s) was entered offset agreement.
	Month

y Export Sale(s)	Military Export Sale(s) Classification
year) that the military export into that is associated with the §701.4(c)(1)(ix)	Identify the six-digit North American Industry Classification System ("NAICS") code(s) associated with the military export sale(s). Refer to U.S. Census Bureau''s U.S. NAICS Manual for a listing of up-to-date and applicable NAICS codes (https://www.census.gov/naics/). §701.4(c)(1)(x)
Year	

Military Export Sale Value
Provide the U.S. dollar value of the military export sale. Should the military export sale involve more than one NAICS code, please separately list the values associated with each NAICS code. §701.4(c)(1)(xi)

Name of Foreign Country	**Foreign Party to Offset Agreement**
Identify the country of the foreign government agency or branch involved in the military export sales contract(s) subject to the offset agreement associated with the offset transaction. §701.4(c)(2)(i)	Identify the foreign government agency or branch that is the signatory to the offset agreement. §701.4(c)(2)(ii)

Date Offset Agreement was Signed		Description of the Military Export Sale(s)
Provide the date (month and year) the offset agreement was signed. §701.4(c)(2)(iii)		Provide a name and description of the military export sale(s) subject to the offset agreement associated with the offset transaction. If multiple military export sales are associated with one offset agreement, please indicate by creating providing information for each military export sale on seperate lines. §701.4(c)(2)(iv)
Month	**Year**	

Date of Military Export Sale(s)

Provide the date (month and year) that the military export sale(s) subject to the offset agreement was entered into. §701.4(c)(2)(v)

Month	Year

Re

Military Export Sale(s) Classification	Offset Transacti
Identify the six-digit North American Industry Classification System (“NAICS”) code(s) associated with the military export sale(s). Refer to U.S. Census Bureau’’s U.S. NAICS Manual for a listing of up-to-date and applicable NAICS codes (https://www.census.gov/naics/). §701.4(c)(2)(vi)	Identify each category that describes the offse transfer, subcontracting, training, licensing of assistance, multiple categories (two or more categ transaction involves multiple categories, please above.
	Category

ported Offset Transactions

on Category		Offset Transaction Classification
t transaction as co-production, technology ‘ production, investment, purchase, credit ories), or other (please describe). If the offset provide the categories involved from the list §701.4(c)(2)(vii)		Identify the six-digit NAICS code(s) associated with the offset transaction. Refer to U.S. Census Bureau's U.S. NAICS Manual for a listing of applicable NAICS codes (http://www.census.gov/epcd/www/naics.html). §701.4(c)(2)(viii)
	Description (if MULTIPLE CATEGORIES" or "OTHER")	

Offset Transaction Type	Name of Offset Performing Entity
Identify the offset transaction as a direct offset transaction, an indirect offset transaction, or a combination of both. §701.4(c)(2)(ix)	Identify, by name, the entity performing the offset transaction on behalf of the U.S. firm that is party to the offset agreement. §701.4(c)(2)(x)

Name of Offset Receiving Entity	**Offset Transaction Performance Location**
Identify the foreign entity receiving benefits from the offset transaction. §701.4(c)(2)(xi)	Name the country where each offset transaction was fulfilled, such as the purchasing country, the United States, or a third country. §701.4(c)(2)(xii)

Actual Offset Value	**Offset Credit Value**
Provide the U.S. dollar value of the offset transaction without taking into account multipliers or intangible factors. Should the offset transaction involve more than one NAICS code, please list the U.S. dollar values associated with each NAICS code. §701.4(c)(2)(xiii)	Provide the credit U.S. dollar value received, including any multipliers or intangible factors. §701.4(c)(2)(xiv)

Definitions	
Term	
Co-production §701.2(a)	(1) Transactions that are based upon govern foreign companies to manufacture all or pa specifically referenced in Foreign Military Memorandums of Understanding (MOU). C (2) Example: Company A, a U.S. firm, cont a U.S.-origin defense article subject to an o to country C pursuant to a FMS and the pro government-to-government co-production M production transactions, be direct as it is di sales contract.
Credit Assistance §701.2(b)	(1) Credit assistance includes direct loans, b credit extensions, and lower interest rates. C exceed the requirement of the offset agreem obligation). Credit assistance is nearly alwa (2) Example. Company A, a U.S. firm, mak firm located in country C, so that Company and country C. The transaction would be ca unrelated to an item covered by the offset a
Credit Purchase §701.2(c)	(1) A credit purchase occurs when credit fo Credit purchase is an indirect offset. (2) Example. Company A, a U.S. firm, pays agreement. The transaction would be catego article(s) or service(s) exported or to be exp
Direct Offset §701.2(d)	An offset transaction directly related to the agreement. Co-production, credit assistance technology transfer, and training are all typ
Indirect Offset §701.2(e)	An offset transaction unrelated to the article agreement. Credit assistance, credit purchas transfer, and training are all types of transac

Investment §701.2(f)	(1) Investment arising from an offset agreer unrelated to the defense sale or to expandin either a direct or indirect offset. (2) Example. Company A, a U.S. firm, mak B can create a new production line to produ Company A and country C. The transaction involves the article(s) exported or to be exp
Licensed Production §701.2(g)	(1) Overseas production of a U.S.-origin de arrangements between the U.S. manufacture co-production government-to-government M a defense system, rather than a complete de (2) Example. Company A, a U.S. firm, cont a U.S.-origin defense article that is subject t Company B is a FMS and Company A licer component. There is no co-production agre as licensed production and would be direct export sales contract.
Military Export Sales §701.2(h)	Exports that are either Foreign Military Sal (1) Defense articles and/or defense services Regulations; or (2) Items controlled by the Export Adminis the numeral “6” as its third character in the than semi-submersible and submersible ves attachments specially designed therefor con ECCN 8B620.b; software controlled in EC
Multiple Categories §701.2(i)	(1) Activities to fulfill offset agreements tha credit purchase, investment, licensed produ categories can be either direct offsets, indir (2) Example. Company A, a U.S. firm, enga a technology transfer related to the military be direct.
Offsets §701.2(j)	Compensation practices required to enter in can include, but is not limited to, activities industrial and technological benefits; and se

Offset Agreement §701.2(k)	An agreement, arrangement, or understandi offsets. This includes all offsets, whether th (1) Are “best effort” agreements, arrangem (2) Exclude performance measures or are s (3) Are described as other activities, such a technology benefits, or security of supply.
Offset Transaction §701.2(l)	Any activity for which the U.S. firm claims agreements are categorized as co-productio investment, purchases, credit purchase, mul
Other §701.2(m)	An offset transaction other than co-producti subcontracting, technology transfer, training describe the transaction.
Person §701.2(n)	Includes an individual, corporation, partner representative thereof.
Prime Contractor §701.2(o)	Any person who directly enters into a prime
Purchases §701.2(p)	(1) Purchases involve the procurement of o (2) Example. Company A, a U.S. firm, purc C, but none of these items will be used by C Company A and country C. The transaction indirect because the purchase is unrelated to sales contract.
Subcontractoring §701.2(q)	(1) In the offset context, subcontracting is t subcontract does not necessarily involve the arrangement between the defense prime cor (2) Example. Company A, a U.S. firm, cont a U.S.-origin defense article subject to an o for a direct commercial sale and Company A categorized as subcontracting and would, li article(s) exported or to be exported pursua
Subcontractor §701.2(r)	Any person, other than the prime contractor any kind under a prime contract or a subcor who offers to furnish or furnishes general su

Technology Transfer §701.2(s)	(1) Transfer of technology that occurs as a r conducted abroad, technical assistance prov direct commercial arrangement between the direct or indirect offset. (2) Example. Company A, a U.S. firm, tran Company B to conduct research and develo between Company A and country C. This tr the research and development is directly rel export sales contract.
Training §701.2(t)	(1) Generally includes training related to th either direct or indirect, may be required in capabilities. Training can be categorized as (2) Example. Company A, a U.S. firm, arra The training is related to the production and between Company A and country C. The tra directly related to the production and maint contract.
United States §701.2(u)	Includes the 50 states, the District of Colum
U.S. Firm §701.2(v)	Any person located in the United States.

ıment-to-government agreements authorizing the transfer of technology to permit
:t of U.S.-origin defense articles. Such transactions are based upon an agreement
Sales (FMS) Letters of Offer and Acceptance (LOA) and government-to-government
Co-production is always classified as a direct offset.

tracts for Company B, a foreign firm located in country C, to produce a component of
ffset agreement between Company A and country C. The defense article will be sold
duction role of Company B is described in the LOA associated with that sale and a
MOU. This transaction would be categorized as co-production and would, like all co-
:ectly related to the article(s) exported or to be exported pursuant to the military export

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ɔrokered loans, loan guarantees, assistance in achieving favorable payment terms,
Credit assistance specifically excludes the use of “banked” offset credits (credits that
ıent and are permitted, by the terms of the agreement, to be applied to future offset
ys classified as an indirect offset but can also be direct.

:es arrangements for a line of credit at a financial institution for Company B, a foreign
B can produce an item that is not subject to the offset agreement between Company A
tegorized as credit assistance and would be indirect because the credit assistance is
greement.

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r full or partial fulfillment of the offset agreement is received by monetary payment.

s a certain amount of money to receive credit for full or partial fulfillment of the offset
ɔrized as credit purchase and would be indirect because the purchase is unrelated to the
ɔorted pursuant to the military export sales agreement.

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article(s) or service(s) exported or to be exported pursuant to the military export sales
:, investment, licensed production, multiple categories, other, subcontracting,
es of transactions that either are or can be classified as a direct offset.

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e(s) or service(s) exported or to be exported pursuant to the military export sales
se, investment, licensed production, multiple categories, other, purchases, technology
:tions that either are or can be classified as an indirect offset.

nent, often taking the form of capital dedicated to the establishment of a foreign entity
g the U.S. firm's subsidiary or joint venture in the foreign country. Investment can be

es an investment in Company B, a foreign firm located in country C, so that Company
ce a component of a defense article that is subject to an offset agreement between
would be categorized as investment and would be direct because the investment
orted pursuant to the military export sales contract.

fense article based upon the transfer of technical information under direct commercial
er and the foreign government or producer. Licensed production is not pursuant to a
MOU. In addition, licensed production almost always involves a part or component for
fense system. Licensed production transactions can be either direct or indirect offsets.

racts for Company B, a foreign firm located in country C, to produce a component of
to an offset agreement between Company A and country C. The contract with
ses Company B to use Company A's production technology to produce the
ement between the United States and country C. The transaction would be categorized
because it involves the article(s) exported or to be exported pursuant to the military

es (FMS) or commercial (direct) sales of:

as defined by the Arms Export Control Act and International Traffic in Arms

tration Regulations under an Export Control Classification Number (ECCN) that has
Commerce Control List found in supplement no. 1 to part 774 of this chapter other
sels specially designed for cargo transport and parts, components, accessories and
trolled under ECCN 8A620.b; test, inspection and production equipment controlled in
CN 8D620.b; and technology controlled in ECCN 8E620.b.

at are categorized under two or more of the following: co-production, credit assistance,
ction, purchases, subcontracting, technology transfer, training, and other. Multiple
ect offsets, or both depending on the activities identified.

ages in activities to fulfill offset agreements that are categorized as subcontracting and
export sale. The transaction would be categorized as multiple categories and would

to either government-to-government or commercial military export sales. The term
referred to as industrial participation; industrial cooperation; industrial return;
ecurity of supply.

ng between a U.S. firm and a foreign country under which a U.S. firm agrees to
ıey:

ıents, or understandings.

subject to penalty clauses.

as industrial participation, industrial cooperation, industrial return, industrial and

credit for full or partial fulfillment of the offset agreement. Activities to fulfill offset
n, technology transfer, subcontracting, credit assistance, training, licensed production,
tiple categories, and other.

ion, credit assistance, credit purchase, investment, licensed production, purchases,
g, or multiple categories. If a U.S. firm reports “other” as a type of transaction, please

ship, association, or any other organized group of persons, or legal successor or

e contract with a foreign entity or with the U.S. Government for military export sales.

ff-the-shelf items from the offset recipient. Purchases are always indirect offsets.

chases various off-the-shelf items from Company B, a foreign firm located in country
Company A to produce the defense article subject to the offset agreement between
would be categorized as purchases and would, like all purchase transactions, be
the article(s) or serve(s) exported or to be exported pursuant to the military export

he overseas production of a part or component of a U.S.-origin defense article. The
e licensing of technical information. Instead, it is usually a direct commercial
ıtractor and a foreign producer. Subcontracting is always a direct offset.

tracts for Company B, a foreign firm located in country C, to produce a component of
ffset agreement between Company A and country C. The contract with Company B is
A does not license Company B to use any technology. The transaction would be
ke all subcontracting transactions, be direct as the subcontract is directly related to the
nt to the military export sales contract.

, who offers to furnish or furnishes any supplies, materials, equipment, or services of
ıtract entered into in connection with such prime contract; and includes any person
upplies to the prime contractor or a higher tier subcontractor.

result of an offset agreement and that may take the form of research and development
vided to the subsidiary or joint venture of overseas investment, or other activities under
e defense prime contractor and a foreign entity. Technology transfer can be either a

sfers technology to Company B, a foreign firm located in country C, which allows
pment directly related to a defense article that is subject to an offset agreement
ransaction would be categorized as technology transfer and would be direct because
ated to the article(s) or service(s) exported or to be exported pursuant to the military

e production or maintenance of the exported defense item. Training, which can be
unrelated areas, such as computer training, foreign language skills or engineering
either a direct or indirect offset.

nges for training of personnel from Company B, a foreign firm located in country C.
l maintenance of a U.S.-origin defense article that is subject to an offset agreement
ansaction would be categorized as training and would be direct because the training is
enance of an article(s) exported or to be exported pursuant to the military export sales

ıbia, and U.S. territories.

723(c) of the Defense Production Act