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2016 Defense Markets Report **Defense Products**

A Market Assessment Tool for U.S. Exporters

June 2016



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DISCLAIMER AND ADDITIONAL INFORMATION

The Defense Market Report is similar to the Top Markets Report Series, but does not attempt to forecast or project defense exports based on a sector-specific methodology as in other Top Markets reports published by the U.S. Department of Commerce. This report uses key economic indicators and various trade data sources to identify potential defense export opportunities for U.S. exporters. Primary data sources include military expenditure data (using the Stockholm International Peace Research Institute, SIPRI, database) and defense export data from the U.S. Bureau of the Census.

Additionally, foreign defense budget data was collected from either a country's Ministry of Defense or sources in U.S. embassies (including the U.S. Foreign Commercial Service). Readers must keep in mind that foreign defense budgets in this report were based upon the best data available prior to final publication and are subject to change based upon further review.

U.S. defense exports are subject to export controls and the licensing regulatory review process, ensuring that exports meet the United States Government foreign policy and national security objectives.

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Table of Contents

Executive Summary	3
Overview and Key Findings	5
Regional and Country Case Studies	
Western Europe	13
<i>United Kingdom</i>	<i>13</i>
<i>Rest of Western Europe.....</i>	<i>14</i>
Eastern Europe.....	17
<i>Poland.....</i>	<i>17</i>
<i>Rest of Eastern Europe.....</i>	<i>18</i>
Middle East	19
<i>United Arab Emirates.....</i>	<i>19</i>
<i>Rest of Middle East.....</i>	<i>20</i>
Asia Pacific	23
<i>Republic of Korea</i>	<i>23</i>
<i>Rest of Asia Pacific</i>	<i>24</i>
Addendum: Resources for U.S. Exporters.....	29
Appendices	
Appendix 1: Military End Use Items Included in this Study.....	31
Appendix 2: U.S. Bilateral Defense Agreements	33
Appendix 3: Citations and Notes.....	35

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Executive Summary

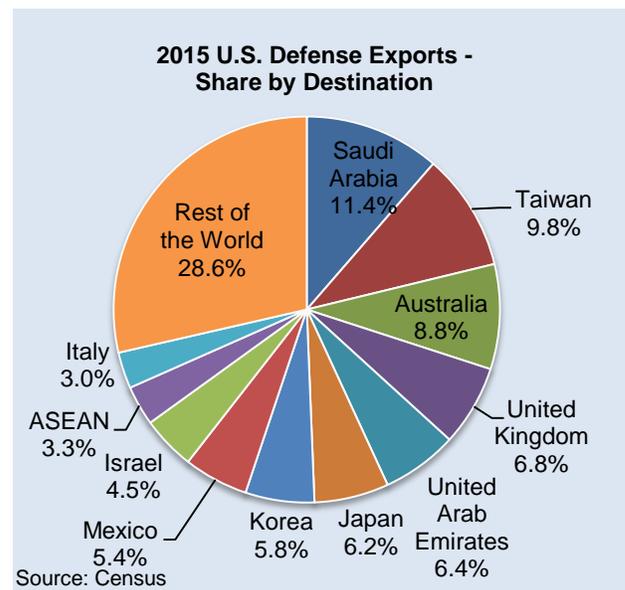
The United States continued to dominate global defense spending in 2015 with 36 percent of total world military spending, but this was a reduction from previous years, causing U.S. industry to face fiscal tightening domestically. European countries are responding to regional instability by reversing defense cuts for 2016. Overall global defense spending increased for the first time in five years, to roughly \$1.68 trillion in 2015, and is projected to maintain this momentum in 2016 due to national security concerns in many regions.¹ Feared aggression from Russia, China and North Korea, combined with increased conflict in the Middle East and global terrorism, will drive defense spending, leading to global market opportunities for U.S. defense exporters.

Demand for U.S. defense exports is expansive and will vary by country, region and capability, as well as by a country's security partnership relationship with the United States. Potential sectors to consider for export include intelligence, surveillance and reconnaissance (ISR) capabilities, manned and unmanned military aircraft and parts, naval platforms, and ground combat systems. Opportunities for smaller and medium-sized enterprises (SMEs) include parts and components to support these platforms and programs. They may also include various sensors, electronic components and tactical equipment to support multiple platforms and programs. The most important market focus for many countries is securing maritime and air supremacy, high-tech naval, missile products and systems, and cyber and border security.

U.S. companies seeking to export defense equipment face additional regulatory, political and government budget hurdles that companies exporting other goods do not. While the current global trend indicates that reductions in global defense spending are reversing, increased spending often prioritizes local content and production and, therefore, may not translate into opportunities for foreign suppliers. Opportunities are often closely linked with partner and ally security priorities, often in the face of shared aggression. Additionally, increased funding must often address delays and cost overruns in ongoing programs, thereby reducing the opportunity for new equipment.

The best opportunities for U.S. exporters exist with America's closest friends and allies, as well as countries with whom the United States has partnered in regional security operations. These two groups compose most of the leaders in global military spending, giving them both the financial and strategic wherewithal to purchase U.S. products. Even within these close relationships, full knowledge of the end-use customer, product end-use, the target market, the relevant military capability and the interoperability of specific equipment remain critical components for successfully exporting defense goods. Additionally, defense exporters who consider those factors, as well as overall economic conditions, foreign procurement and export control laws, trade barriers, and offset restrictions, will find numerous global opportunities.

This Report highlights opportunities for U.S. defense companies to further develop and promote global exports and uncover strategic growth markets. This report provides key trade statistics and trends in the defense sector as well as general challenges and opportunities by region, country and product groupings. This guidance to companies assesses foreign markets based on current, historical and projected export trade data and global industrial indices along with market intelligence from a variety of key data sources. Additionally, this report provides exporters with a general assessment of selected markets by providing regional and country case studies.



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Overview and Key Findings

Introduction

The United States continued to dominate global defense spending in 2015 with 36 percent of total world military spending, but this was a reduction from previous years, causing U.S. industry to face fiscal tightening domestically. This report highlights opportunities for U.S. aerospace and defense companies to further engage in global exports and uncover strategic growth markets. European countries are responding to regional instability by reversing defense cuts for 2016. Overall global defense spending increased for the first time in five years, to roughly \$1.68 trillion in 2015, and is projected to maintain this momentum in 2016 due to national security concerns in many regions.² Global tension, combined with increased conflict in the Middle East and global terrorism, will drive defense spending, leading to global market opportunities for U.S. defense exporters.

Industry Overview and Competitiveness

Product Categories

This report provides a snapshot of defense articles falling broadly into seven military end use categories, using Census export data (note the Census end-use data does not include trade in services).

- *Military aircraft, including all aircraft, helicopters, fighter jets and military spacecraft, and guided missiles* (End use code 50000)
- *Aircraft launching gear, including parachutes* (End use code 50010)
- *Engines and turbines for military aircraft* (End use code 50020)
- *Military trucks, armored vehicles, etc.* (End use code 50030)
- *Military ships and boats* (End use code 50040)
- *Tanks, artillery, missiles, rockets, guns and ammunition* (End use code 50050)
- *Military apparel and footwear* (End use code 50060)
- *Parts for military-type goods: safety fuses, propellers and rotors, undercarriages, and other*

parts for use in military aircraft, spacecraft or spacecraft launch vehicles (End use code 50070)

The aerospace sector comprised over half of total U.S. military exports during 2013 through 2015. The top three defense sectors by value during 2013 through 2015 were:

- During 2015, military aircraft parts (50070) comprised the highest percentage of U.S. military exports (32 percent), while tanks, artillery, missiles, rockets, guns and ammunition (50050) ranked second (23 percent), followed by a lower volume of military aircraft exports (50000) (19 percent).
- In 2014, U.S. military aircraft parts (50070) comprised 30 percent of total military exports, followed by military aircraft (50000) (25 percent). Military aircraft posted the most significant increase from the previous year (2013), up 79 percent. Tanks, missiles, etc. (50050) ranked third (20 percent) in 2014.
- Again in 2013, aircraft parts (50070) comprised the greatest percentage of U.S. military exports (35 percent). Although aircraft (50000) ranked third during 2013 (16 percent), this may be explained by the longer delivery life cycle of aircraft over aircraft parts. Aircraft parts naturally follow military aircraft sales for on-going maintenance, repair and overhaul (MRO).

The Defense Export Handbook, which covers how to export defense items and includes additional resources, is also available separately. It includes export promotion strategies and resources, a brief update on Export Control Reform (ECR) and export controls, as well as defense acquisition resources, highlights and general guidance to navigate the international export process for this sector.

<http://www.trade.gov/td/otm/aero>.

Many of the top U.S. defense companies are market leaders in air platforms, military aircraft manufacturing and military aircraft technology, as well as major service providers in the sea and land domains. An increase in military aircraft sales naturally leads to increased business for manufacturers of missiles, bombs and ammunition associated with those platforms.

The significant demand for U.S. military parts and light attack and surveillance aircraft, in addition to tanks, artillery, missiles, rockets, guns and ammunition, is expected to continue into the next decade and poses a significant opportunity for U.S. manufacturers.

Another projected growing sector is maritime patrol aircraft, with particular growth for this segment expected in Southeast Asia and markets bordering the South China Sea.

A critical export promotion strategy for military parts—whether for air or land-based platforms—requires detailed knowledge of a country's fleet, inventory and overall capability. All defense sales require knowledge of country capacity for a given article or technology, along with its maintenance and production capability.

For more detailed information on markets for aircraft parts, readers should refer to the [Aircraft Parts Top Markets Report](#). For information on "Military Protective Outer wear," please reference the [Technical Textiles Top Markets Report](#). All *Top Markets Reports* are available at www.trade.gov/topmarkets.

New Markets, Trends and Opportunities

Domestically, a whole new wave of innovation and technology is expected to be unleashed in upcoming years, but these items may not be approved for export in the near future. These categories could include hypersonic weapons, robotics, undersea systems, cyber warfare and other cutting-edge technologies. Other new markets on the horizon include programs of significant value, such as the next generation intelligence, surveillance and reconnaissance (ISR) technologies.

It should be noted that many types of sensitive technologies can only be sold to our closest allies;

therefore, companies must work closely with United States Government (USG) if they are uncertain of any export restrictions.

Opportunities will exist for companies able to address new threats, including areas such as cyber security and unmanned combat vehicles on land, at sea and in the air with precision strike.

Global aerospace and defense (A&D) leaders design, develop and produce major platforms and subsystems. According to a 2013 industrial base report published by DOD,³ however, often 60 to 70 percent of defense dollars provided to prime contractors is subcontracted. The subcontractors in turn use many of their own suppliers, who are often small and innovative firms. Major U.S. A&D companies have extensive supply chains, and SMEs are encouraged to visit both domestic and international competitor websites. Italy's Finmeccanica has over 30,000 global suppliers.⁴ Companies seeking to export should explore opportunities and build partnerships in these supply chains.

International Agreements

Key international agreements regarding international defense procurements are the bilateral Reciprocal Defense Procurements Memoranda of Understanding (RDP MOUs) the United States has negotiated with 23 countries. The RDP MOUs include procurement principles and procedures that provide transparency and access for each country's industry to the other country's defense market. The RDP MOU relationship facilitates defense cooperation and promotes rationalization, standardization and interoperability of defense equipment.⁵

The United States has bilateral defense trade treaties with the UK and Australia. The United States and Canada also implement a special defense relationship, which is applied through a variety of agreements and treaties, as well as special terms under the ITAR. Other foreign international partnerships, defense agreements and bilateral agreements may remove barriers and create advantageous conditions for U.S. exporters. Exporters can check various websites to see whether a transaction is treaty eligible and will want to familiarize themselves with which countries have agreements in place to best understand what

exemptions or exceptions may apply to their export. A list of these resources can be found at the end of this report.⁶

Challenges and Barriers

Despite some challenges U.S. defense companies have faced in a declining U.S. military budget environment, many defense companies have done extremely well overall. Several companies are beginning to shift more resources toward international opportunities by increasing partnerships and joint ventures, rather than relying on in-house efforts, and by targeting growth countries with projected wealth and military budgets.

A challenge for exporting companies is learning to successfully navigate the export licensing process. Regardless of target market country, U.S. companies should conduct regular due diligence on export controls and regulations applicable to their specific product and end user. Companies need to ensure they are familiar with the most current regulatory changes based on Export Control Reform and potential export restrictions, sanctions or embargos that may apply to certain countries of destination.

Ultimately, U.S. exporters must comply with U.S. export control requirements, which include, among other things, licensing requirements. License applications are carefully reviewed by the appropriate U.S. Government agencies to ensure that the proposed export of an item (commodity, software or technology) or service is consistent with U.S. laws, regulations, and foreign policy and national security considerations.

Defense purchases by foreign governments are completed via the government-to-government foreign military sales (FMS) system, by direct commercial sales (DCS) or a hybrid of the two systems. This dictates that companies need to understand these acquisition options which are

unique to defense trade. More information on these programs can be found [on the DSCA website](#).

Offsets have become an increasingly important and costly part of international armaments competitions. Offsets are requirements from foreign governments to add back to their economies (e.g. make an investment, form a joint venture, commit to local content sourcing) as a condition for a sale. The U.S. Government, as a policy, does not encourage or assist companies to commit to or enter into offset agreements, even though offsets requirements remain prevalent in the aerospace and defense industries. For further information on factors that need to be considered please refer to *The Defense Export Handbook*. This report can be found on <http://trade.gov/td/otm/aero.asp>.

Global Industry Landscape

Although foreign competition has grown, the United States continues to dominate the international defense market overall, with seven of the 10 top defense companies (based on 2014 defense revenues)⁷ headquartered in the United States. In addition, three other U.S. companies are ranked in the top 20. These top U.S. companies play a critical role to the thousands of small and medium firms that depend on them for work.

Figure 1: Top 10 U.S. Defense Companies for 2015

Rank	Company
1	Lockheed Martin
2	Boeing
4	Raytheon
5	General Dynamics
6	Northrop Grumman
8	United Technologies
10	L-3 Communications
13	Huntington Ingalls
16	Honeywell
17	Textron

Figure 2: Snapshot of Top Global Military Spenders

World Military Expenditure				
Rank		Country	2015	2006-15
2015	2014		(\$b.)	(%)
1	1	USA	596	-3.9
2	2	China	[215]	[132]
3	4	Saudi Arabia	87.2	97
4	3	Russia	66.4	91
5	6	UK	55.5	-7.2
6	7	India	51.3	43
7	5	France	50.9	-5.9
8	9	Japan	40.9	-0.5
9	8	Germany	39.4	2.8
10	10	South Korea	36.4	37
11	11	Brazil	24.6	38
12	12	Italy	23.8	-30
13	13	Australia	23.6	32
14	14	UAE	[22.8]	[136]
15	15	Israel	16.1	15
Top 15 total			1350	
World total			1676	19%

Note: [] = SIPRI estimate; figures are in U.S. \$, at current prices and exchange rates; China and UAE include figures for 2014; Source: SIPRI fact sheet

Figure 2 includes total military spending by each country on total defense purchases, regardless of country of origin. "Military expenditure" is often used as a key indicator of economic resources dedicated to military objectives because it includes actual dollars spent to support military activities. The increase in overall global defense spending in 2015 can be attributed to modernization plans for militaries from countries like Russia and China, new demand—primarily for military aircraft—from emerging markets (Brazil), and a response to regional tensions in the Middle East and Asia Pacific (UAE, Saudi Arabia, South Korea).

The top 15 countries on the World Military Expenditures chart remained essentially the same in 2015 as compared to 2014's ranking. While Saudi Arabia rose one notch among military spenders, the impact of plummeting oil prices since 2014 may shift Saudi Arabia's future military budget for 2016 and beyond. Due to ongoing and heightened conflict in the Middle East with the Yemen crisis, as well as conflicts in Iraq and Syria, however, foreign policy priorities will be important deciding factors in both political and military spending choices. New acquisitions from the Middle East for 2016 have already been published, based on Defense Security Cooperation Agency (DSCA) reporting and other

sources. Saudi Arabia is now seeking ways to diversify its economy in order to reduce its reliance on oil revenues.

U.S.-manufactured defense articles cannot be sold to countries such as China, Russia and other sanctioned entities. Companies should refer to [section 126.1 of the International Trade in Arms Regulations \(ITAR\)](#) to determine which countries are sanctioned, embargoed or have export restrictions.

Europe's three largest spenders on military goods-- France, the United Kingdom and Germany--have retained their positions in the top 10 for two years, even though their spending has remained flat over the past decade. Japan and the Republic of Korea consistently uphold strong spending patterns. Due to multiple regional and global threats, global defense spending is expected to continue to rise. In fact, several countries have already announced 2016 defense budget increases in Asia (i.e., Australia, Japan, the Republic of Korea, Taiwan, Singapore, the Philippines, Indonesia and Vietnam), Western Europe (primarily the UK and Belgium, as well as the Netherlands, Sweden, Norway and Finland), Eastern Europe (i.e., Poland, Hungary, Romania, Czech Republic and Estonia) and Turkey. Middle East forecasts remain uncertain due to the need to balance investments in defense with reduced oil prices and overall budgets.

In addition to spending in individual European countries, cumulative NATO member state spending is expected to increase for the first time since 2010 due to activity in the Mediterranean, ISIL activity and overall regional tensions in Eastern Europe. Germany and Italy are expected to release more detailed defense plans later in 2016. U.S. defense exporters can use these upcoming reports to identify opportunities in these markets.

Top Export Markets

It is no surprise that when comparing the U.S. Census Bureau's data on total military exports from the United States, many of the top global military spenders are also the top importers of U.S. defense items (excluding sanctioned countries). Figure 3 shows the top 15 destinations for U.S. Military Goods (based on 2015 data plus historical data points to reflect long-term trends). This chart

highlights which countries import the largest amount of U.S. defense products by dollar value.

Figure 3: Top Destinations for U.S. Defense Exporters

Rank 2015	Rank 2014	Partner	2015 % of Total U.S. Mil Exports	2015 5-yr CAGR
1	1	Saudi Arabia	11.4%	41.0%
2	2	Taiwan	9.8%	55.0%
3	7	Australia	8.8%	24.3%
4	6	UK	6.7%	4.9%
5	11	UAE	6.3%	20.6%
6	5	Japan	6.2%	2.4%
7	4	Korea	5.7%	-3.0%
8	10	Mexico	5.4%	21.2%
9	8	Israel	4.5%	11.6%
10	14	Italy	3.0%	20.3%
11	3	India	2.9%	45.5%
12	13	Germany	2.3%	2.8%
13	16	Turkey	2.0%	-17.2%
14	15	Canada	1.7%	-21.9%
15	17	Singapore	1.7%	-8.1%

Source: U.S. Bureau of the Census export data

Some additional top importers of U.S. military goods based on 2015 rankings include Egypt (16th), France (17th), Netherlands (18th), Spain (19th), Bahrain (20th) and Poland (30th). Not reflected in this chart are Kuwait ranked 9th in 2014 and 21st in 2015 and Egypt ranked 12th in 2014.

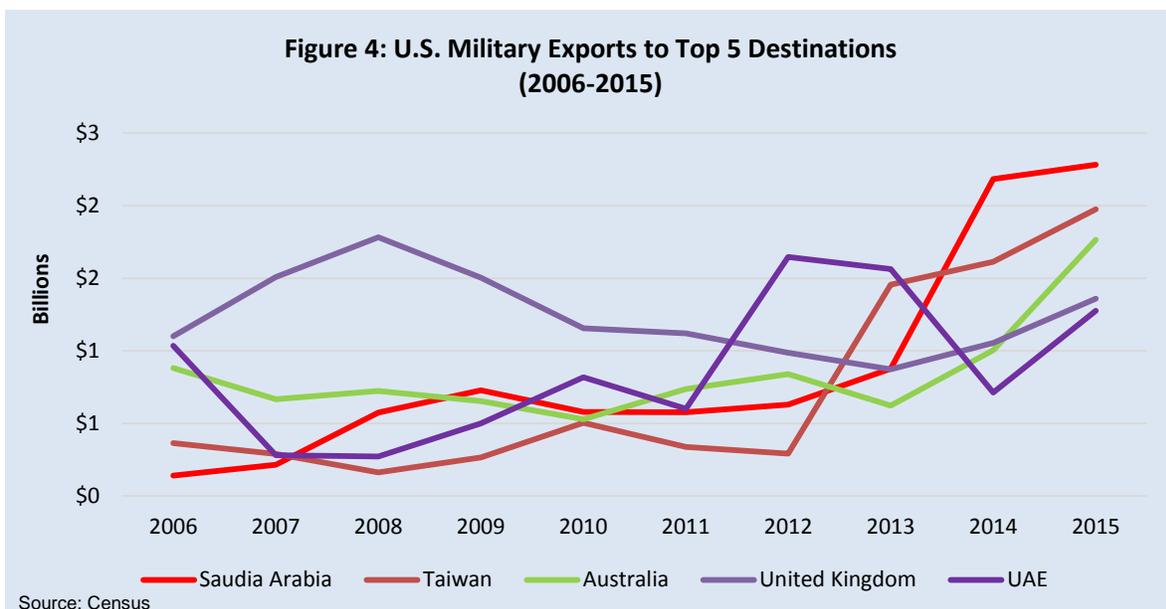
Note regarding Census data

Census-basis export data measure the total physical movement of merchandise out of the U.S. (including items sold via both FMS (foreign military sales) and DCS (direct commercial sales)), and therefore, any contracts that were reduced in scope or canceled are simply not captured. Different factors impact this data relative to defense data from other sources, such as various time-lags due to long-term delivery schedules. For more information on the 50,000 series created by the Bureau of Economic Analysis based on military end-use harmonized tariff codes and for a complete list, see appendix 1.⁸

Exporter Resources

For more detailed resource information on how to enter into the following potential export markets, please refer to the Addendum on Resources for U.S. exporters at the end of this report. The Department of Commerce has many services available to assist companies entering new markets. The [Aerospace team, within the Office of Transportation and Machinery](#), is staffed by experts in various sectors. In addition to defense, these sectors include large civil aircraft, space, unmanned aerial systems and helicopters, among others. See the website for research and services that the team provides (<http://trade.gov/td/otm/aero.asp>).

Figure 4: U.S. Military Exports to Top 5 Destinations (2006-2015)



Source: Census

International Trade Specialists throughout Commerce's International Trade Administration have deep and broad knowledge of industry and market sectors and can help companies identify target markets and screen potential distributors or agents. For a list of International Trade Specialists, please visit <http://export.gov/usoffices/index.asp>.

Regional and Country Case Studies

The following pages include regional outlook and country case studies that summarize U.S. defense opportunities in selected markets. The overviews outline ITA's analysis of the U.S. export potential in each market.

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Western Europe

Similar to the United States, austerity measures and budget cuts curbed European military spending over the past several years. Following ongoing aggression in Ukraine, the terrorist attacks in Paris in November 2015 and Brussels in March 2016, activity in the Mediterranean and Syria, and lessons learned from Libya, NATO allies are providing additional resources to protect national and European security. While Germany, the United Kingdom and France already comprise more than 60 percent of regional military spending in Europe, those countries, plus Belgium, the Netherlands, Norway, Finland and Sweden, are all examples of countries that have increased their defense military budgets for 2016.

UNITED KINGDOM

Based on the 2016 budget, the United Kingdom announced plans to invest over £27.7 billion (USD 39.9 billion) to strengthen military forces during 2016 through 2017 and up to £30 billion through 2020. The United Kingdom continues to have the second-largest defense budget in NATO (behind the United States), despite a weakened economy, and provides one of the best opportunities for U.S. companies hoping to export to this region. The Ministry of Defence has committed to meet NATO's target to spend 2 percent of GDP on defense through 2020.

Additionally, in 2010, The United States and The United Kingdom signed a Defense Trade Cooperation Treaty, with a goal to ease the flow of defense items between the two countries. This agreement includes numerous export licensing exemptions, which are intended to encourage and expedite mutually beneficial and cooperative defense trade.⁹

Opportunities in the United Kingdom

Based on 2015 Census data, the United Kingdom is now ranked as the fourth top destination for U.S. defense exporters. The United Kingdom is a major recipient of weapons systems and ranks among the top 10 importing countries in the world. Although the United Kingdom sources domestically from BAE and other domestic suppliers, it also imports a significant amount of equipment from the United States and other European suppliers. The U.S. companies most successful are those that have been able to distinguish themselves from the competition.

Spending for major programs in the United Kingdom is anticipated to focus on surface ships and submarines, land equipment, and new precision weapons, including the Common Anti-Air Modular Missile (CAMM), the maritime variant CAMM and the delivery of a new anti-surface guided weapon, according to the British budget documents and Commerce Department analysis. The Royal Air Force will increase its F-35 and Typhoon squadrons. The United Kingdom has committed to increasing its intelligence surveillance and reconnaissance aircraft fleets, by purchasing numerous P-8 Maritime Patrol Aircraft, as confirmed in late 2015. The formal contract has yet to be signed, but the first three aircraft are scheduled for delivery by 2020. The country will continue to service and modernize its C-17 and A400M fleets and extend the life of its C-130J transport aircraft. Spending is expected for upgrades to existing helicopter airframes, investment in new airframes and longer term rationalization to four core helicopter fleets: Chinook, Merlin, Apache and Wildcat. These actions will provide increased opportunities for airframe and aircraft parts manufacturers and large manufacturing suppliers.

Challenges

The United Kingdom has a sophisticated and mature defense industry and is therefore highly competitive. U.S. defense companies looking to export into the United Kingdom must demonstrate a clear competitive advantage. Large British defense companies, such as BAE, regularly seek to expand supply chains and remain open to procuring equipment from third parties if those products

demonstrate better value than domestic alternatives.

Trade Promotion

While often a benefit, establishing a local presence and teaming with UK companies may be keys to accessing this market.

The FARNBOROUGH INTERNATIONAL AIR SHOW, held outside of London, United Kingdom in July 2016 is the largest international aerospace and defense trade show being held this year. With a special focus on the internationally developed F-35 Lightning II/Joint Strike Fighter, the 2016 show will provide an excess of opportunities for U.S. manufacturers to establish new relationships with British companies. For more information see: www.farnborough.com

Companies interested in working more closely with British companies should consider resources from the [UK Trade and Industry \(UKTI\) office](#). UKTI aims to connect U.S. and UK companies to increase trade and jobs in both economies.

Other Resources

To contact the UK Commercial Officer within the Department of Commerce, access the following domain: <http://www.export.gov/unitedkingdom/>

To contact a Supplier Relations Team in the United Kingdom, send an email to: DEFComrcISRT-D55@mod.uk or call 011 44 306 793 2832.

Defense Contracts Online (DCO): MOD DCO is the official source of UK MOD contracts, giving companies instant and free access to all of its contract opportunities.

REST OF WESTERN EUROPE

For the past several years, **Belgium** has allotted less than 1 percent of its GDP to defense, however, Belgium has recently established an aggressive defense budget and modernization plan through 2030 and has immediate plans to increase its allotment to 1.3 percent of GDP. The new defense budget will include 9.2 billion Euros (\$10.47 billion) to replace and upgrade its fighter aircraft fleet and to build a fully modernized land component that

includes weapons, vehicles, communications and combat gear, among other items.¹⁰

Belgium's aircraft fleets mainly include F-16A fighter jets and F-16B trainer fighters. The Belgian Government has not expressed equipment preferences regarding needed upgrades for other types of equipment and machinery. While many F-16s are expected to serve until 2022, and could ultimately serve past 2030, Belgium may diversify its procurement through the selection of fighter bombers. Either way, Belgium's selection should result in continued opportunities for F-16 aircraft parts supplies and could lead to increased opportunities for other aircraft parts manufacturers, if a U.S. platform is once again selected.

Belgium has expressed its intention to spend the 9.2 billion Euro defense budget in a way that maintains a balance between its land, sea, air and cyber components without privileging one over the other. To enhance rapid deployability, a NATO trend, Belgium will reduce its personnel to 25,000 fulltime employees (down from 32,000) at an average age of 34 (down from 40). It will also increase training both in the field and in job-knowledge. This will translate to 50 percent of its budget being devoted to personnel costs, 25 percent to overhead and 25 percent to new investments.

With Belgium's new struggle between homeland security and overall defense, the government is developing a more detailed plan that will further define investments in land, air and marine elements as well as in cyber intelligence. Maritime procurements are expected to include new frigates and several minesweepers.

The Netherlands is one of the original nine partner nations for the F-35; is a key contributor to the development, production and sustainment of the program; and has plans to buy at least 37 new fighter aircraft to replace its F-16 fleet. The Dutch approved an initial order for eight Lockheed Martin F-35s in March 2015, which are scheduled for delivery in 2019. "**Norway and Finland** have been slated for high growth in defense spending for 2016, growing 10% and 6% respectively."¹¹ Having been a part of the international development team, Norway has committed to buying 52 F-35 Lightning II/Joint Strike Fighters, but the required budget approvals have not yet been finalized. It is expected that F-35

parts manufacturers will experience significant opportunities as a result. According to *Aviation Week & Space Technology*, **Sweden** also has a new defense acquisition strategy that will include A-26 submarines that are optimal for special operations and intelligence, surveillance and reconnaissance.

Germany has committed to increasing its participation in operations outside of its borders, including Afghanistan, Mali and Iraq. Additionally, Germany completely reversed its planned defense budget by increasing its 2016 spending by roughly 6 percent for new equipment and approximately 3 percent for maintenance, according to the German Defense Ministry. The overall defense budget is projected to grow to 34.3 billion Euros (about \$37.4 billion).¹²

Limited opportunities exist for U.S. defense manufacturers of aircraft parts and defense equipment, however, as additional German funding will likely target existing domestic projects that are delayed or have overruns, such as the *Versorgungsausgaben* or the NH-90. Such allocation may reduce opportunities for U.S. exporters, as Germany seeks to boost domestic returns. Germany appears to be targeting large equipment purchases, including the Eurofighter/Typhoon, Airbus A400M transport aircraft, the Tiger support helicopter, the NH-90 (a medium-sized, twin-engine, multi-role military helicopter) and the F-125 frigate. Companies should explore building in-country networks and representation to assess the potential for future opportunities.

Overall, **France** is known to have one of the world's leading defense manufacturing sectors, with numerous defense companies capable of developing major platforms and weapons across land, air and sea. Therefore, not only does France not import large amounts of major defense systems from the United States (as their absence in Figure 3 indicates), France often runs a defense trade surplus with the United States. Although France does not buy many end-items from the United States, there is often U.S. content in European platforms, leaving potential opportunities for U.S. military engines and military aircraft parts suppliers.

During 2015, France was ranked as the 17th largest destination for U.S. defense exports. Engines for

military aircraft (End use code 50020) and military aircraft parts (End use code 50070) comprised the largest two sectors from 2014 to 2015 (based on Census Bureau data). Engines and turbines for military aircraft exports to France increased significantly from 2013 to 2015 and comprised 39 percent of exports in 2015, followed by aircraft parts, which comprised 37 percent. The top two sectors that spiked high volumes in 2013 were aircraft launching gear (End use code 50010) followed by tanks, artillery, missiles, rockets, guns and ammunition (End use code 50050). These sectors may be potential areas of opportunity for U.S. exporters. Additionally, the United States maintains a technological advantage on UAVs, and niche capabilities represent another export opportunity. To find out about more opportunities in France, contact our Commercial Service office at <http://export.gov/france/>.

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Eastern Europe

According to various sources, growth in defense spending seems most prominent in Eastern Europe, which is primarily in response to tensions in the Crimea. Poland is likely to remain reliant on foreign suppliers for larger subsystems and major platforms in the near term. In addition to Poland, the Czech Republic, Romania and Slovakia offer defense export opportunities, particularly in the air domain. Air domain could include all aircraft and air missions, including fixed-wing, rotary-wing, manned and unmanned, and any parts or components related to this sector.

POLAND

Poland is now spending 2 percent of its GDP on defense. Due to Poland's strong defense budget and the high number and variety of defense orders underway and planned, Poland is expected to generate ongoing demand and has the strongest potential for U.S. defense exporters in the region.

Although Poland has not ranked in the top 15 destinations for U.S. defense exports in the past two years, heightened tensions with Russia has led to Polish government plans strengthening and modernizing its defense forces, mainly through Western equipment and partnerships. Poland leads the former Eastern-bloc countries in transitioning from Soviet-era equipment with plans to spend \$45 billion on its defense modernization program through 2020.

Opportunities

Poland has identified a lengthy list of equipment needs, including the following contract opportunities: a missile shield, anti-aircraft systems, armored personnel carriers, armored vehicles, submarines, drones, multi-role and combat helicopters, land or submarine-launched cruise missiles, short and medium-range air defense systems, and tanker aircraft.¹³ Parts and support equipment for Poland's new fleet of F-16 fighter aircraft will also be needed.

Challenges

Companies exporting to Poland should understand the country's Public Procurement Law, Polonization

and its new Offsets Act. For example, Polonization is part of Poland's long-term plan to become more self-sufficient and to increase and promote local industrial production. Technological quality, industrial participation and cost are important award criteria for procurement tenders in Central and Eastern Europe, as government policies, particularly in Poland, include promotion of local industry and development of the defense industrial base.

In the wake of recent Polish industrial consolidation, U.S. defense exporters are strongly encouraged to perform due diligence in the selection of partners and to closely monitor Poland's evolving defense industrial plans.

The Polish Government also has a new Offset Act in place as of July 2014 which replaces the prior Act from September of 1999. The new law increases the powers of the Polish Ministry of Defence (MON) by shifting the responsibility for overseeing offset agreements from the Ministry of Economy. A key structural change allows the MON to decide whether offsets will be used at all while also determining what shape offsets will take. Historically, Polish offset requirements were automatically implemented, which was unacceptable under European Union law. As a result, Poland adopted the European Union law's format and removed the automatic application. EU law, in accordance with the European Commission, determined that the use of offsets is permissible only when necessary for the protection of essential interests of state security.

Additional Resources

The opportunities listed above demonstrate the wide range of Poland's priorities overall as well as its renewed interest in deepening partnerships with

Western providers. U.S. companies entering the Polish market should seek local representation to build relationships with Polish counterparts, the military and government procurement officials. Poland has already announced several programs via public tender procedures—an area where local representation would help U.S. companies more easily navigate the process. Another market entry strategy to consider is the formation of long-term partnerships or joint ventures with Polish defense companies and suppliers.

Additionally, through the Department of Commerce, services such as the International Partner Search (IPS) and/or the Gold Key Service (GKS) can help U.S. companies identify and screen potential distributors or agents. These services can be utilized in most any country where exporters need assistance.

For a list of International Offices within the Department of Commerce by country, simply type in that country following the domain: <http://export.gov/poland/>

REST OF EASTERN EUROPE

Notably, **Hungary's** Ministry of Defense is aiming to increase its defense spending as much as 22 percent in 2016.¹⁴ Some Hungarian programs and contract opportunities highlighted during 2016 to 2020 include new multi-role helicopters and air defense systems, opportunities for U.S. companies that specialize in these sectors, or the potential to supply parts and components related to these platforms.

The two other major Eastern Europe countries **Romania and the Czech Republic** are also expected to increase their defense spending to 2 percent of their GDP to meet the NATO requirement, however these countries have smaller budgets compared to the scope of Poland's defense modernization plans.

Ukraine and NATO officially signed a joint declaration for defense cooperation in September 2015. Ukraine plans to increase its military budget by approximately 30 percent with a focus on air defense. Ukraine needs to focus on rebuilding from various crises and recent conflicts, in which it lost half of its fighter jets. The best opportunities in Ukraine for U.S. suppliers include aircraft, aircraft parts and MRO services, all depending on capability.

Sources indicate defense cyber security is also a big issue in Ukraine and will be a growing infrastructure concern.

Estonia is now spending approximately 2 percent of its GDP on defense, and some sources indicate that this may go up. Estonia was the first Baltic state to reach 2 percent of its GDP for defense spending. The country has already bought and fulfilled its radar needs. Requirements will be reviewed every four years and will be revised as necessary. Estonia's "wish list" of new weapons and military equipment includes third-generation anti-tank systems and a mid-range air-defense system. Heavy tanks and cyber defense capabilities may also be added to the list. Estonia reportedly does not have funding for new fighter aircraft, but as a small country, will work closely with NATO response teams for support.

Turkey is the 13th largest importer of U.S. defense goods based on 2015 Census Bureau data. It maintains the second largest land force in NATO (after the U.S. Armed Forces) and operates the second largest fleet of F-16s, just second to the United States, leading to significant opportunities for military vehicle and aircraft parts manufacturers. The Ministry of Defense (MOD) has allocated an estimated \$8.7 billion (TL (Turkish Lira) 26.117 billion) for 2016 defense spending, which is a budget increase of approximately 15 percent from 2015. With the refugee crisis and strategic location of Turkey, demand for safety/security and defense imports is escalating, particularly for armored vehicles, and many related opportunities are expected to continue into the future.

Middle East

Although Saudi Arabia surpassed Russia as the third largest global military spender after the U.S. and China in 2015, recent declines in oil prices will likely impact future defense spending in Saudi Arabia and the region. Many governments in the region hold vast currency reserves, but the longevity of these reserves will depend upon the adjustments each government makes. Projections at this point indicate that oil prices could remain low for an indefinite period of time.

UNITED ARAB EMIRATES

In contrast to Saudi Arabia, the United Arab Emirates (UAE) has a more diversified economy, which has reduced its dependency on oil reserves. The UAE was the top importer of U.S. defense articles in 2013, and in 2015, ranking fifth, based on Census Bureau export data. Based on current budget projections for 2016, UAE spending will focus on several sectors, overall economic growth, fiscal prudence and diversification. Both national security and persistent regional conflict will continue to drive UAE's defense budget.

The UAE remains a strong ally of the United States and has a defense cooperation agreement in place.¹⁵ The UAE contributes forces and assistance to U.S. and coalition military actions and has two ports that are crucial to U.S. naval operations in the region, as well as many other factors that signify continued and long-term economic and security ties.

Opportunities

The UAE is a net importer of military assets, offering vast potential for U.S. exporters. Previously signed contracts with U.S. defense companies exporting to the Middle East focused largely on longer-term investments, maintaining existing equipment and building up weapons stocks. More recently, fourth quarter 2015 exports from the United States consisted largely of tactical equipment, such as bombs, missiles, tanks, armored trucks and antitank weapons, needed on the battlefield immediately.

The UAE defense expenditure in 2016 is expected to increase by 7.4 percent to reach about USD 23.5 billion, from USD 21.8 in 2015, with a number of large weapons and systems contracts pending. The

UAE armed forces rely heavily on defense imports, with high-tech requirements for the navy and air force. The biggest needs for the UAE include high-tech naval, air power and surveillance, and missile products and systems. The Air Force traditionally receives the lion's share of UAE's total defense procurement with land forces second, followed by Special Operations and the Navy. The UAE also focuses on border control, cyber, space and reconnaissance, digital warfare, and modernization of telecom and Command and Control centers. The Critical Infrastructure & Coastal Protection Authority (CICPA) is also expanding rapidly and is tasked with protecting key infrastructure, such as water desalination plants, oil and gas platforms, pipelines, and the Barakah nuclear site.

Due to security reasons, many Middle Eastern countries do not publish defense white papers or specific defense procurement plans. Despite low oil prices, the UAE is forecast to increase its defense budget over the next few years and is expected to reach \$41 billion (152 billion AED) by 2025,¹⁶ as the country continues to diversify. It is expected to be one of the world's largest defense spenders and has consistently ranked in the 14 top defense global spenders for the past three years (based on SIPRI data).

Opportunities exist for various sized companies that manufacture these larger platforms as well as smaller companies that manufacture parts, components, military electronics, and MRO and other related services.

The UAE has a number of U.S. military programs in place, including the C-17 and C-130, F-16 E/F and multiple weapon systems associated with this fighter, UH-60 Blackhawk Helicopters, the AH-64 APACHE, and more.

As part of its vision, Abu Dhabi is investing in the Advanced Military Maintenance, Repair and Overhaul Center (AMMROC). AMMROC is a joint venture between Mubadala, a strategic investment arm of the Abu Dhabi Government, and the U.S. firms Sikorsky Aerospace Services and Lockheed Martin. AMMROC aims to provide innovative platform solutions for all fixed and rotary-wing aircraft operated by the UAE Armed Forces and other customers in the region:

<http://www.ammroc.ae/>

In December 2014, Mubadala Development, Tawazun Holding and Emirates Advanced Investment Group (EAIG) finalized the formation of Emirates Defense Industries Company (EDIC) after signing an initial agreement in April 2014 to combine their defense services businesses. EDIC is set to help drive the UAE's defense industry by providing manufacturing, training, mapping, logistics, technology development and communications as well as maintenance, repair and operations services for air, land and sea platforms.

Challenges

Like many countries, as mentioned, the UAE is hoping to expand their local industrial base, so U.S. companies must be strategic to gain access while also ensuring the protection of U.S. technology based on U.S. export controls and national security objectives. UAE companies are in need of high-tech military assets and import largely from the United States, the UK and France, since they have a lack of qualified, high-tech platforms.

Due to the strong competitive nature of the A&D sector in this country, governments will try to secure lucrative offsets. Companies should be aware that although offsets are extremely common in A&D business, the U.S. Government cannot assist and must remain neutral on the subject.

Resources

Foreign firms seeking to sell in the UAE must have a local agent or distributor, so the first important step is to find and select a local partner. Exporters are encouraged to use the International Trade Administration's *International Partner Search (IPS)* to identify and screen potential distributors or agents, or visit <http://export.gov/UAE/>.

Overall, the local defense industry is largely dependent on imports. The local industry will remain in the earlier phases of development in the medium-term. Several U.S. companies are taking advantage of partnerships and are forming joint ventures or subsidiaries as an entry point due to heavy foreign competition, and the UAE is definitely open for business to the U.S.

To learn more about the UAE markets, companies could take advantage of business services offered by the Department of Commerce and should track the contract opportunities. One source to obtain tenders is through the UAE embassy or a [global tender service](#).

Companies should also identify trade show opportunities in the region, which would allow businesses to take advantage of matchmaking services and network opportunities with potential suppliers.

Suggested Trade Show

IDEX 2017

Dates: 19-23 February 2017

Venue: Abu Dhabi, UAE

<http://www.idexuae.ae/>

REST OF MIDDLE EAST

Saudi Arabia

Saudi Arabia ended 2015 with continued high military expenditures, becoming the world's largest defense market for U.S. exporters for two consecutive years, as shown in the previous Census table. This data coincides with the degree of involvement Saudi Arabia has had in leading the fights in Syria and Yemen and is at least partly attributable to the beginning of deliveries of 84 F-15 fighter aircraft. With oil prices remaining at below break-even levels and the fact that Saudi Arabian oil revenues have accounted for more than 90 percent of government income, however, this level of military spending may not be sustainable in the long-run.

As of April 2016, Saudi Arabia's 2016 defense budget has decreased only by a relatively small amount from 2015 levels, as the government appears

determined to support the economy and focus on economic diversification. While education and healthcare account for 35 percent of total spending in 2016, military and security still comprise 25 percent of the total budget, representing a sizable opportunity for U.S. aerospace and defense companies.

Opportunities in Saudi Arabia

In 2014, Saudi Arabia's top military import from the United States was complete military aircraft, followed by tanks and missiles then military aircraft parts ranked third, based on the United States Census Bureau data used in this report. Because Saudi Arabia operates a large fleet of U.S. military aircraft, the country also requires a regular supply of parts and related equipment to support frequent maintenance, repair and overhaul (MRO). The Royal Saudi Air Force uses a wide-range of U.S. military aircraft, including over 300 F-15 fighter aircraft, 42 C-130J transport aircraft, 61 Bell helicopters, 25 Cirrus trainers and 16 S-70 Black Hawks. Saudi Arabia provides tremendous opportunities for defense and aerospace companies that produce both aircraft and aircraft parts, as well as for those that provide MRO services.

Qatar

Recent changes at Qatar's Ministry of Defense have resulted in the reduced release of information on 2016 spending and forecasting. (One source, however, values Qatar's 2016 military expenditure at \$4.4 billion, with an expected increase to \$7 billion by 2020.)¹⁷ The United States and Qatar have extensive economic ties. In fact, the United States is Qatar's largest source of foreign investment, with over 120 U.S. companies operating in the country. The United States and Qatar have also signed a trade and investment framework agreement as well as a 2013 Defense Cooperation Agreement that includes joint training and exercises and other cooperative military actions. Such close interaction will require defense products that work seamlessly across the two countries' services.

Opportunities in Qatar

Based on Qatar's very high per capita income and its strong involvement in nearby regional conflicts, the

potential for defense export opportunities in the future looks very optimistic.

Due to the economy's dual reliance on liquefied natural gas (LNG) and petroleum, Qatar has the lowest break-even point on oil prices in the Middle East at \$56 per barrel. By comparison, the United Arab Emirates break-even point is \$73 per barrel, whereas Saudi Arabia's is \$106 per barrel, according to the International Monetary Fund.

As of April 2016, Qatar was finalizing the purchase of approximately 36 F-15 fighter jets (worth nearly \$4 billion at list prices), balancing the recent Qatari Armed Forces focus on European relations. The Pentagon and the State Department both signed off on this sale and members of Congress wrote a letter asking the White House to come to a decision to approve this sale.¹⁸ This may be an encouraging indication that Qatar is open to U.S. platforms. The March 2016 DIMDEX trade show did not result in many high-value U.S. defense sales. Going forward, U.S. exports to Qatar may continue to increase so long as trade is consistent with U.S. foreign policy objectives.

Historically, Qatar has purchased ballistic anti-missile systems, military electronics and cyber systems, helicopters, light tactical armored vehicles with weapons systems, GBU-35 bunker-buster ammunition, guided air-to-air and air-to-ground missiles, Apache attack helicopters, and Patriot and Javelin air-defense systems.

Future opportunities in Qatar address the expansion of other military branches, such as the Coast Guard. Additionally, Qatar's Naval Forces are relocating to a new base, and several new training initiatives will require new facilities and upgrades as well.

Challenges

U.S. companies are strongly urged to remain current on U.S. export control regulations, including any potential restrictions on certain countries of destination and entities of concern by referring to the "[BIS lists of Parties of Concern](#)" website.

The Consolidated Screening List in the above website consolidates lists from Departments of Commerce, State and Treasury into one spreadsheet to assist in screening.

Resources

For additional resources on Qatar, the Commerce Department's Commercial Service Office in Doha, Qatar can assist companies in many ways, including in how to find tender offers.

<http://export.gov/qatar/>

Suggested Trade Show

MiliPol 2016

Dates: 31 Oct – 02 Nov, 2016

Venue: Doha, Qatar

<http://en.milipolqatar.com>

Asia Pacific

Japan, the Republic of Korea and Taiwan remain long-standing top importers of U.S. defense articles. Southeast Asian defense forces have also increased steadily over the past decade to counter China, as it has become the second largest global military spender. Although the issue over disputed islands is not new, China's development of artificial islands in the South China Sea and beyond has caused increased regional tensions and, hence, an increase in projected defense spending throughout the Asian Pacific Region. Concerns from neighboring countries over North Korean activities are also mounting. This partly results from North Korea's January and February 2016 missile/rocket tests, which have sometimes been described as miniaturized hydrogen bomb tests.

REPUBLIC OF KOREA

The Republic of Korea (ROK) offers enormous market opportunities for defense exporters and was the seventh largest defense export market in 2015. According to *Defense News*, ROK requested \$33.2 billion for its 2016 defense budget, which is roughly 4 percent higher than the previous year. Approximately 30 percent may be set aside for new equipment, indicating strong growth potential for U.S. companies, while other sources confirm that a large portion of the remaining budget will go toward maintenance, improving military culture, and may involve higher wages and benefits for more dangerous missions.

In 2013, the two countries celebrated the 60th anniversary of the "U.S.-ROK Alliance".¹⁹ The 2007 signing of a bilateral free trade agreement further established the ROK as an excellent trade partner and market for U.S. exporters.

Opportunities

The largest sector increase earmarked in the ROK defense budget includes building 3,000 ton submarines. Various submarine projects are in place, and although main platforms and operation systems will be manufactured locally in Korea, the ROK Navy may choose to import some parts and components that cannot be locally sourced. Other contract opportunities in ROK include UAVs, C4ISR (command, control, communications, computers, intelligence, surveillance and reconnaissance), tanks

(although these are also a big export product for ROK) and anti-submarine warfare equipment. Other best prospects include avionics, missile systems sensors, gyros and other high-tech electronic systems, select tactical weapons for various forces (including Special Forces or Marine Corps), and numerous safety and security articles (e.g., bomb detectors, detection systems, etc.)

In addition to the above contract opportunities, U.S. parts for military aircraft represent the largest sector shipped to the ROK, based on Census Bureau export data, and also present a good starting place for exporters new to the ROK. The ROK Air Force uses a wide-range of U.S. military aircraft, including over 158 F-5 and F-5E variants, 59 F-15E and F-15K variants, 71 F-4 Phantom II and F-4E variants, and 118 F-16 and F-16D variants; the F-35 and F-35A variant are on order. Because many aircraft parts sales are channeled through FMS for the ROK, supplying aircraft parts and/or engines for these aircraft fleets is another starting point for U.S. producers—therefore, companies may often participate in the FMS program.

The ROK's key procurement entity is the Defense Acquisition and Procurement Agency (DAPA). All companies who want to engage in defense exports must be registered with this government entity. Specifically, U.S. suppliers delivering their defense goods through direct commercial sale (DCS) would do so directly with the ROK military via DAPA or a Korean defense company.

DCS sales in the defense industry accounted for roughly an average of 44 percent of total DAPA procurement from 2009 to 2013, based on ROK figures.

Potential Challenges for U.S. exporters

Offsets in any country can be an issue, but companies are urged to recognize the important role of offsets in the ROK. The offset requirement will vary depending on the value of the program, the number of competitors and the overall benefit of helping the ROK create an indigenous program. As a reminder, the U.S. Government, as a policy, does not encourage or assist companies to commit to or enter into offset agreements, even though offsets requirements remain prevalent in the aerospace and defense industries.

Resources

U.S. exporters interested in further information on how to increase their ROK market share should reference <http://export.gov/southkorea/> and explore the resources provided at the end of this report.

Additionally, participation in Defense Expo Korea (DX Korea) is an excellent opportunity for companies exploring this market or who would like to network with potential foreign buyers. Although the show is located in Seoul, it also has a regional defense focus and will include delegates from over 44 countries.

Suggested Trade Show

Defense Expo Korea (DX Korea)

Dates: September 7 - 10, 2016

Venue: Seoul, Korea

[See the DX Korea website for details](#)

REST OF ASIA PACIFIC

Defense spending is expected to increase in Japan, Indonesia, the Philippines and Vietnam. "By 2020, total regional spending is expected to reach \$533 billion annually from \$435 billion in 2015, of which Chinese defense spending makes up about 40 percent of all defense spending in the Asia Pacific Region." ²⁰ This ratio of spending suggests that 60 percent, or roughly \$261 billion annually and

growing, represents significant export opportunities for defense companies within the remaining Asia Pacific region (outside of China).

Japan

During 2013, Japan was the third largest importer of U.S. defense goods, based on the Census Bureau's total military export data. In 2015, Japan dropped to sixth, which was indicative only of other countries' increased spending, not a decline from Japan. The requested defense budget for FY2016/2017 is roughly \$40.3 billion, which appears to be over 2 percent higher than 2015, and represents a fourth consecutive increase in defense spending since December 2012.

Japan's defense programs in the short-term will focus on positioning itself in the disputed islands, including investment in more amphibious warfare capabilities. Japan has already procured equipment to address this security concern, including AAV7 amphibious assault vehicles (produced by BAE), Mitsubishi SH-60K anti-submarine warfare helicopters, Bell Boeing V-22 Osprey multi-mission tiltrotor aircraft, Northrop Grumman RQ-4 Global Hawk drones, F-35A Lightning fighter aircraft and more. Other purchases will include tanker aircraft and possibly ship or land-based anti-missile systems.

Opportunities in Japan

The Japanese Ministry of Defense plans to build a military radar station on Yonaguni Island. Parts suppliers for this and the previously listed programs may find opportunities. The Japan Self-Defense Forces (SDF) are the unified military forces of Japan and are controlled by the Ministry of Defense (MOD). The SDF has more equipment in common with the United States military than any other ally and has recently purchased 42 F-35s. Other U.S. military aircraft in Japan's fleet include 12 AH-64D attack helicopters, 47 UH-60J/JA utility helicopters and 32 CH-47J/Jas transport helicopters, providing opportunity again for producers of aircraft parts as a way to break into this market.

Japan is a key U.S. ally and has changed its laws to allow greater arms cooperation and exports in response to concern over China. The United States enjoys a defense agreement with Japan, and with additional provisions and new defense guidelines,

this may lead to an increase in U.S.-Japan cooperation in areas of co-development, co-production and defense technology sharing.²¹ The guidelines for U.S.-Japan Defense Cooperation were revised on April 27, 2015. As of August 2015, “the Japanese Government’s interpretation of article 9 of the new Defense Guidelines apparently allows unlimited expansion of Japan’s defense ability.”²²

Resources

Suggested Trade Show

JAPAN AEROSPACE 2016

Dates: October 2016

Venue: Tokyo, Japan

[See the Japan Aerospace website](http://export.gov/japan/) or contact <http://export.gov/japan/>

Singapore

Singapore is considered a well-established market with many opportunities for U.S. defense exports and jumped from 17th to 14th place from 2014 to 2015.²³ The defense outlook for Singapore over the next five years is very optimistic in light of the regional issues. Although Singapore’s defense spending was flat in 2015, defense spending in 2016 is expected to increase by \$10.5 billion, or roughly 3.4 percent of GDP; these same defense spending levels are expected to continue to increase based on GDP targets over the next five years.

Opportunities in Singapore

Singapore is known to have an excellent business environment and is open to development opportunities for international companies seeking to enter Singapore’s defense market. Due to the country’s geographic location, small size and population, and overall country demographics, Singapore’s defense industry is not sufficient to address increased threats of maritime piracy and the spread of heightened terrorism. For these reasons, Singapore’s defense needs cannot be met solely by domestic defense companies, and the country remains heavily reliant upon imports.

Singapore’s most notable growth sectors and sales opportunities include military aircraft and artillery, including planned upgrades to the country’s F-16 fleet. Singapore also intends to modernize and

develop its navy, coast guard and air force. Demand for aircraft parts and MRO services will offer growth potential as well. Other fighter aircraft in Singapore’s fleet include the A-4 Skyhawk, F-15E Strike Eagle, F-5E Tiger II, military trainers (including the M-346 and SF 260), helicopters (including the SA 332 Super Puma, the UH-1 Huey, AH-64 Apache and CH-47 Chinook), and other special purpose military aircraft such as the KC-135 Stratotanker, F-27 Enforcer and E-2 Hawkeye. Singapore has committed to procuring F-35 fighters but, despite their deep involvement in the multinational program, has yet to confirm an order.

Based on Census Bureau data, Singapore’s top sector for U.S. exporters in 2014 to 2015 was engines and turbines for military aircraft, and notably, the three top engine producers (GE, Pratt & Whitney and Rolls Royce) all have facilities in Singapore. The last major shipment of U.S. military aircraft was in 2012 when military aircraft imports peaked, and aircraft parts naturally followed as the largest sector, peaking in 2013, but continued to rank as the second largest sector for both 2014 and 2015. Aircraft parts are a natural export to allow for maintenance, repair and overhaul of Singapore’s potential future delivery of F-35B aircraft. The main competition U.S. companies could face is with a domestic company called Singapore Technology Engineering (STE) and foreign competition.

Australia

Australia plays an important leadership role in both the Asia Pacific and the global market based on its prosperity and resources; the country is also committed to supporting and collaborating with NATO and other U.S. partners and allies. Australia not only released an aggressive 2016 white paper announcing huge defense plans through 2026 but was also ranked the third top destination for U.S. defense exports in 2015, up from seventh in 2014, based on Figure 3.

Australia claims territorial jurisdiction over 10 million square miles – or 27.2 million square km – of the Earth’s surface, which are evenly split between land and sea, and is on that measure the largest nation in the world. That in itself places a heavy burden on Australia to adequately defend and secure such a broad swath of territory.

Opportunities in Australia

Australia has already begun to increase its defense spending. Australia's total spending commitment on programs and acquisitions is worth roughly AUD 195 billion (USD 141 billion). Major U.S. export opportunities include warships, fighter aircraft, helicopters and missile systems.²⁴ As a partner in the F-35 Lightning II/Joint Strike Fighter program, Australia has scheduled 72 aircraft for purchase, which are intended to replace its fleet of F/A-18F Super Hornets and its F/A-18A/B Hornet multirole fighters.

Australia's military aircraft fleet also includes the new Poseidon P-8A maritime patrol aircraft (replacing the P-3C Orion), E-7A Wedgetail (Airborne Early Warning & Control Aircraft), EA-18G Growler Electric Warfare Aircraft, several types of transport aircraft-- including C-27J Spartans, C-130J Hercules, C-17 Globemasters, KC-30A Multi-Role Tanker/Transports, PC-9/A advanced trainers, Hawk 127s and Beechcraft King Air 250s.

In 2007, the United States and Australia signed a Defense Trade Cooperation Treaty, which further strengthened the two countries' long-standing and close partner relationship. Australia also has significant economic security interests in Southeast Asia, South Asia and the entire Indo-Pacific region.

With a majority of Australia's trade going to China, Japan and the Republic of Korea, two-thirds of the country's trade must transit through the South China Sea. As a result, it is imperative to Australia to ensure that those ocean regions are secured for safe transit from pirates and other aggressive actions, which requires strong investment in Australia's defense architecture. This security reality has led Australia to significant increases in defense spending plans to 2 percent of GDP, making Australia an extremely attractive market for U.S. companies seeking to expand defense exports.

U.S. exporters interested in further information on how to increase their Australian market share could reference the Commercial Service office at Commerce at <http://export.gov/Australia> and explore the resources provided at the end of this report. To review business opportunities advertised by Australian Government agencies, U.S. exporters

are encouraged to visit <https://www.tenders.gov.au/>.

The following trade show is excellent for exporters interested in further exploring markets in both Australia and The Asia Pacific Region.

Resources

Suggested Trade Show

AVALON 2017

Date: 28 February – 5 March, 2017

Venue: Geelong, Australia

<http://www.airshow.com.au/airshow2017/TRADE/>

Indonesia

Indonesia's USD 870 billion GDP makes it the largest economy of the ASEAN grouping. The country has committed to increasing defense spending from .8 percent to 1.5 percent of GDP in order to establish a "minimal essential force" by 2024. Following an economic slowdown in 2014, Indonesia regained momentum in the first quarter of 2015, representing opportunity for U.S. defense exporters.

Historical Census Bureau export data confirms that since 2005, shipments of military aircraft parts from the United States to Indonesia have dominated shipments in other sectors. Indonesia uses an aging and smaller fleet of U.S. military aircraft, including six F-5Es, 13 F-16A/Cs, five F-16B/Ds and 18 C-130B/Hs. The majority of these aircraft are over 30 years old. Also notable, the last major shipment of military aircraft from the United States to Indonesia was in 2005. Due to budget constraints, Indonesia has tended to purchase second-hand aircraft and equipment, but serious accidents in 2013 and 2015 have led to calls for removal of older aircraft from the fleets and the purchase of new, not second-hand aircraft.

As such, opportunities may exist for U.S. aerospace and defense companies to pursue opportunities in Indonesia, particularly for aircraft parts and maintenance equipment. Indonesia's recent interest in Russian fighters, and ongoing maintenance and support problems for U.S. aircraft (as a result of the 1999 to 2005 sanctions related to East Timor), may indicate more difficulty for U.S. companies selling aircraft platforms. Additionally noteworthy was the rapid spike in the tanks, artillery, missiles, rockets,

guns and ammunition sector (50050) from 2014 to 2015, as shipments jumped over 500 percent.

Indonesia is projected to be a major world economy by 2035, as it has experienced the most rapid economic development within Southeast Asia. These current economic indicators and other sources predict that Indonesia will likely become one of the largest (if not the largest) defense spender in Southeast Asia.

Resources

Suggested Trade Show

INDODEFENSE 2016

Date: November 2-5, 2016

Venue: Kemayoran, Jakarta

www.indodefense.com

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Addendum: Resources for U.S. Exporters

The U.S. Government has numerous resources available to help U.S. exporters: from additional market research, to guides to export financing, to overseas trade missions, to staff around the country and the world. A few key resources are highlighted below. For additional information about services from the International Trade Administration (ITA), please visit www.export.gov.

Country Commercial Guides

<http://export.gov/ccg/>

Written by U.S. Embassy trade experts worldwide, the *Country Commercial Guides* provide an excellent starting point for what you need to know about exporting and doing business in a foreign market. The reports include sections addressing market overview, challenges, opportunities and entry strategies; political environment; selling U.S. products and services; trade regulations, customs, and standards; and much more.

Basic Guide to Exporting

<http://export.gov/basicguide/>

A Basic Guide to Exporting addresses virtually every issue a company looking to export might face. Numerous sections, charts, lists and definitions throughout the book's 19 chapters provide in-depth information and solid advice about the key activities and issues relevant to any prospective exporter.

Trade Finance Guide: A Quick Reference for U.S. Exporters

<http://www.export.gov/tradefinanceguide/index.asp>

Trade Finance Guide: A Quick Reference for U.S. Exporters is designed to help U.S. companies, especially small and medium-sized enterprises, learn the basics of trade finance so that they can turn their export opportunities into actual sales and achieve the ultimate goal of getting paid on time for those sales. Concise, two-page chapters offer the basics of numerous financing techniques, from open accounts to forfaiting and government assisted foreign-buyer financing.

Trade Missions

<http://www.export.gov/trademissions/>

Department of Commerce trade missions are overseas programs for U.S. firms that wish to explore and pursue export opportunities by meeting directly with potential clients in local markets. Trade missions include among other activities: one-on-one meetings with foreign industry executives

and government officials that are pre-screened to match specific business objectives.

Certified Trade Fairs

http://www.export.gov/eac/show_short_trade_events.asp?CountryName=null&StateName=null&IndustryName=null&TypeName=International%20Trade%20Fair&StartDate=null&EndDate=null

The Department of Commerce's trade fair certification program endorses overseas trade shows that are a reliable venue and a good market for U.S. firms to sell their products and services abroad. These shows serve as a vital access vehicle for U.S. firms to enter and expand to foreign markets. The certified show/U.S. pavilion ensures a high-quality, multi-faceted opportunity for American companies to successfully market overseas. Among other benefits, certified trade fairs provide U.S. exhibitors with help facilitating contacts, market information, counseling, and other services to enhance their marketing efforts.

International Buyer Program

<http://export.gov/ibp/>

The International Buyer Program (IBP) brings thousands of international buyers to the United States for business-to-business matchmaking with U.S. firms exhibiting at major industry trade shows. Every year, the International Buyer Program results in millions of dollars in new business for U.S. companies by bringing pre-screened international buyers, representatives and distributors to selected shows. U.S. country and industry experts are on site at IBP shows to provide hands-on export counseling, market analysis, and matchmaking services. Each IBP show also has an International Business Center, where U.S. companies can meet privately with prospective international buyers, prospective sales representatives, and business partners and obtain assistance from experienced ITA staff.

The Advocacy Center

<http://www.export.gov/advocacy/>

The Advocacy Center coordinates U.S. government interagency advocacy efforts on behalf of U.S. exporters bidding on public-sector contracts with overseas governments and government agencies. The Advocacy Center helps to ensure that sales of U.S. products and services have the best possible chance competing abroad. Advocacy assistance is wide and varied but often involves companies that want the U.S. Government to communicate a message to foreign governments or government-owned corporations on behalf of their commercial interest, typically in a competitive bid contest.

U.S. Commercial Service

<http://export.gov/usoffices/index.asp>

With offices throughout the United States and in U.S. Embassies and consulates in nearly 80 countries, the U.S. Commercial Service utilizes its global network of trade professionals to connect U.S. companies with international buyers worldwide. Whether looking to make their first export sale or expand to additional international markets, companies will find the expertise they need to tap into lucrative opportunities and increase their bottom line. This includes trade counseling, actionable market intelligence, business matchmaking and commercial diplomacy.

ITA's Aerospace Teams

<http://trade.gov/td/otm/aero.asp>

The International Trade Administration's (ITA) *Aerospace Team* is staffed by industry experts in various aerospace industry sub-sectors, such as

space vehicles, UAVs, general aviation aircraft, military aircraft and aircraft parts. Team members seek to advance government policies, in the United States and abroad, that improve the international competitiveness of U.S. aerospace manufacturers. The team seeks to create or maintain access to markets overseas for U.S. aerospace exporters.

The *Aerospace and Defense home page*, produced by the Global Aerospace Team, is an excellent launching pad for information about ITA's trade promotion resources of special interest for exporters of aircraft parts and other aerospace products. It includes a listing of aerospace trade events in both the United States and overseas, research on aerospace markets outside the United States, contact information for Global Aerospace Team members, and special reports on aerospace activities. The [2014-2015 Aerospace Market Resource Guide](#) contains snapshots of 37 aerospace markets overseas, including market entry strategies and best prospects for U.S. exporters.

www.export.gov/industry/aerospace/index.asp

Defense Export Handbook

www.trade.gov/td/otm/aero.asp

The Defense Export Handbook covers how to export defense items. It includes export promotion strategies and resources, a brief update on Export Control Reform (ECR) and export controls, as well as defense acquisition resources, highlights and general guidance to navigate the international export process for this sector.

Appendix 1: Military End Use Items Included in this Study

HS	HS Description
	End Use Code: 50000; Military Aircraft, complete
'8802110015'	NEW HELICOPTERS, MILITARY, UNLADEN WGT LT= 2000 KG
'8802110060'	USED/REBLT HELICOPTERS,MILITARY,UNLDN WT LT=2000KG
'8802120020'	NEW HELICOPTERS, MILITARY, UNLAD WGT > 2,000 KG
'8802120060'	USED/REBUILT HELICOP,MILITARY,WGT > 2,000 KG
'8802200020'	NEW AIRPLANES, MILITARY UNLADEN WEIGHT 451-2000 KG
'8802200030'	NEW MILITARY AIRCRAFT UNLADEN WT 451-2000 KG NESOI
'8802200070'	USED/REBUILT MILITARY AIRCRAFT UNLAD WT 451-2000KG
'8802300010'	NEW MILITARY AIRCRAFT FIGHTERS,WT(2000-15000 KG)
'8802300020'	NEW MILITARY AIRCRFT,NOT FIGHTERS (2000-15000 KG)
'8802300070'	USED/REBUILT MILITARY AIRCRAFT,(2000-15000 KG)
'8802400015'	NEW MILITARY FIGHTERS, WEIGHT EXCEEDING 15,000 KG
'8802400020'	NEW MILITARY CARGO TRANSPORTS,WEIGHT GT 15,000 KG
'8802400030'	NEW MILITARY AIRCRAFT,NESOI,WEIGHT GT 15,000 KG
'8802400080'	USED OR REBUILT MILITARY AIRCRAFT,WGT GT 15000KG
'8802609020'	MLTRY SPACECRFT & LAUNCH VEH (EXC COMM SATELLITES)
HS Code	End Use Code: 50010; Aircraft Launching Gear, Parachutes, etc
'8804000000'	PARACHUTES(ALSO DIRIGIBLE CHUTES)&ROTOCHUTES&PRTS
'8805100000'	AIRCRAFT LAUNCHING GEAR,DECK-ARRESTOR,ETC.& PARTS
'8805210000'	AIR COMBAT SIMULATORS AND PARTS THEREOF
HS Code	End Use Code: 50020; Engines and Turbines for Military Aircraft
'8407100090'	SPK-IGN REC OR ROT INT COM PST TYP A/C ENG EXC CIV
'8409100080'	PARTS FOR SP-IG OR COMP-IG FOR USE IN A/C EX CIVIL
'8411114050'	TURBOJET A/C TURBINES EXC CIVIL, THRUST LE 25 KN
'8411124050'	TURBOJET A/C TURBINES EX CIVIL, THRUST OVER 25
'8411214050'	TURBOPPELLR A/C TBN, EX CIVIL, POWR NT OV 1100 KW
'8411224050'	TURBOPROPELLER A/C TBN EXCEPT CIVIL, OV 1100 KW
'8411814050'	GAS TURBINE A/C TBN EXC CIVIL, 5000 KW AND UNDER
'8411824050'	GAS TURBINE A/C TBN EXC CIVIL, OVER 5000 KW
'8411917050'	PARTS OF TURBOJET & TURBOPROPELLR A/C ENG,EX CIVIL
'8411997050'	PARTS OF GAS TURBINE A/C ENG, EXC CIVIL A/C
HS Code	End Use Code: 50030; Military Trucks, Armored Vehicles, etc.
'8710000030'	TRACKED (INCLUDING HALF-TRACKED) VEHICLES
'8710000060'	ARMORED FIGHTING VEH,MOTORIZED,NESOI
'8710000090'	PARTS OF ARMORE FIGHTING VEHICLES,MOTORIZED

HS Code	End Use Code: 50040; Military Ships and Boats
'8906100000'	WARSHIPS (INCL SUBMARINES, TROOPSHIPS ETC.)
HS Code	End Use Code: 50050; Tanks, Artillery, Missiles, Rockets, Guns, and Ammunition.
'9301100010'	SELF-PROPELLED ARTILLERY WEAPONS (MILITARY)
'9301100080'	GUNS, HOWITZERS, & MORTARS W/A BORE OF LT 30-MM
'9301200000'	ROCKET LAUNCHERS & SIMILAR PROJECTORS (MIL)
'9301903000'	MILITARY RIFLES
'9301906000'	MILITARY SHOTGUNS
'9301909030'	MACHINE GUNS, MILITARY
'9301909090'	MILITARY WEAPONS, EXC ARMS OF HEADING 9307, NESOI
'9305911000'	PARTS AND ACCESS FOR MILITARY RIFLES
'9305912000'	PARTS AND ACC FOR MILITARY SHOTGUNS
'9305913010'	PTS & ACC MILITARY ARTILLERY WEAPON OF 9301.11/930
'9305913030'	PARTS AND ACC OF MIL WEAPONS HEADING 9301, NESOI
'9306210000'	SHOTGUN CARTRIDGES AND PARTS THEREOF
'9306290000'	PTS FOR SHOTGUN CARTRIDGES AND AIR GUN PELLETS
'9306304110'	CARTRIDGES FOR RIFLE OR PISTOLS .22 CALIBER
'9306304120'	CARTRIDGES FOR RIFLE OR PISTOLS, NESOI
'9306304130'	CARTRIDGES CONTAINING A PROJECTILE, NESOI
'9306304140'	EMPTY CARTRIDGES SHELLS FOR RIFLES OR PISTOLS
'9306304150'	EMPTY CARTRIDGES SHELLS, NESOI
'9306304160'	CARTRIDGES NOT CONTAINING A PROJECTILE & NT EMPTY
'9306308000'	PARTS OF CARATRIDGES, NESOI
'9306900020'	GUIDED MISSILES
'9306900040'	BOMBS, GRENADES, TORPEDOS, & SIML MUNITIONS OF WAR
'9306900060'	PARTS FOR GUIDED MISSILES
'9306900080'	PARTS FOR BOMBS, GRENADES, & SIML MUNITIONS OF WAR
'9307000000'	SWORDS, CUTLASSES, BAYONETS, & SIML ARMS & PARTS
HS Code	End Use Code: 50060; Military Apparel and Footwear
'9803100000'	MILITARY WEARING APPAREL OF ALL TYPES & MATERIALS
'9803200000'	MILITARY EQUIPMENTS NOT IDENTIFIED BY KIND
HS Code	End Use Code: 50070; Parts for Military-Type Goods
'3603000000'	SAFETY FUSES; DETONATING FUSE; PERCUSSION CAPS ETC
'8803100060'	PROPLLR & ROTORS & PRTS THEREOF FOR MLTARY AIRCFT
'8803200060'	UNDERCARRIAGES & PARTS THEREOF FOR MILITRY AIRCFT
'8803300060'	OTHER PARTS,NESOI,OF MILITARY AIRPLANES/HELICOPTRS
'8803909060'	OTHER PARTS,NESOI,FOR OTHER MILITARY AIR&SPACECFT
'9014208080'	INST & APPLN, AERONAUTICAL/SPACE NAVIGATION, NESOI

Appendix 2: U.S. Bilateral Defense Agreements

International partnerships, treaties, and defense agreements. The United States maintains cooperative relationships with many countries around the world. As a product of mutual understanding United States and partner countries have signed many bilateral defense cooperation agreements. **Some** of them are shown below.

Country	Year	Defense Agreement
U.K.	2010	Treaty Between The Government of The United States of America and The Government of The United Kingdom of Great Britain and Northern Ireland Concerning Defense Trade Cooperation
Australia	2007	Treaty Between The Government of The United States of America and the Government of Australia Concerning Defense Trade Cooperation
Canada	1956	Defence Production Sharing Agreement is a bilateral trade agreement between the United States and Canada that aspire to stabilize the quantity of military cross-border purchases. The alike Defence Development Sharing Program also organized sharing of military research and development.
Japan	2015	The US and Japan agreed to a major update in their military relationship strengthening ties between the two nations on cyber, space and industrial programs.
South Korea	2013	In 2013, the two countries celebrated the 60th anniversary of the U.S.-South Korea alliance. A Combined Forces Command coordinates operations between U.S. units and South Korean armed forces. As South Korea's economy has developed (Korea joined the OECD in 1996), trade and investment ties have become an increasingly important aspect of the U.S.-South Korea relationship.
Brazil	2010	The U.S.-Brazil Defence Cooperation Agreement promotes cooperation in areas such as research and development, logistics support, technology security, and the acquisition of defence products and services. It also would encourage information exchanges, combined military training and education, joint military exercises, exchanges of students and instructors, naval ship visits, and defence-related commercial initiatives.
India	2015	The India- US agreement provides highways for high level strategic discussions, continued exchanges between armed forces of both countries, and strengthening of defence capabilities
Israel	2010	Memorandum of cooperation relating to technical assistance in developing and modernizing Israel's civil aviation security infrastructure
UAE	1994	The United States has a Defense Cooperation Agreement with the UAE that permits the United States to base troops and equipment within UAE federation borders. This agreement facilitates cooperation on both training and operational missions.
Saudi Arabia	1951	Agreement on mutual defence assistance. Under this agreement, the United States provides military equipment and training for the Saudi Armed Forces.

Other major U.S. Collective Defense Arrangement:

North Atlantic Treaty. A treaty signed April 4, 1949, by which the Parties agree that an armed attack against one or more of them in Europe or North America shall be considered an attack against them all; and each of them will assist the attacked by taking forthwith, individually and in concert with the other Parties, such action as it deems necessary, including the use of armed force.

Parties: United States, Albania, Belgium, Bulgaria, Canada, Croatia, Czech Republic, Denmark, Estonia, France, Germany, Greece, Hungary, Iceland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Slovak Republic, Slovenia, Spain, Turkey, United Kingdom

Sources: National Sources, BMI; "Market Overview – United States – 2015; U.S. Department of State: <http://pddtc.state.gov/treaties/>; <http://www.state.gov/s/l/treaty/collectivedefense/>

Notes: Some information on the Department of State website page is intended to assist in using the Defense Trade Cooperation Treaties the U.S. has signed with the United Kingdom, Australia, and various countries. The information provided on the above website supports the users of the exemptions to the International Traffic in Arms Regulations (ITAR) created pursuant to the Treaties. Should companies need further assistance, you can contact the Response Team at the Department of State (202) 663-1282. Alternatively, please submit a General Correspondence to the Office of Defense Trade Controls Policy to confirm whether your prospective transaction is Treaty eligible.

While anyone may submit a General Correspondence, to confirm whether a UK or Australian export is Treaty-eligible, for example, please visit <http://www.ecochecker.bis.gov.uk/> or <http://www.defence.gov.au/ustradetreaty/resources.htm> respectively.

Additional Resources for various Trade Agreements and Memoranda of Understanding

The Department of State houses a wealth of information on various treaties and bilateral agreements. Additionally, the Department of Commerce provides many links to country data, and embassy websites often list the various types of agreements that apply to different industries.

Following is a brief list of websites that can help exporters find information on these various types of agreements the United States has with the international community:

<http://www.state.gov/r/pa/ei/bgn/index.htm>

Additionally, exporters can refer to the annual "Treaties in Force" report, which was published by the Department of State and includes both country and sector information.

<http://www.state.gov/s/l/treaty/tif/>

Reciprocal Defense Procurement and Acquisition Policy Memoranda of Understanding

http://www.acq.osd.mil/dpap/cpic/ic/reciprocal_procurement_memoranda_of_understanding.html

The above website contains a link to current Reciprocal Procurement Memoranda of Understanding between the Department of Defense and its counterparts in foreign governments. The countries with which DoD has these MOUs are considered "qualifying countries" (see [DFARS 225.872-1](#)). Simply click on the country name (once in the website) to access the MOU. (All files are pdf.)

Appendix 3: Citations and Notes

¹ "SIPRI Fact Sheet," Stockholm International Peace Research Institute, April 2016.

² "SIPRI Fact Sheet," Stockholm International Peace Research Institute, April 2016.

³ "Annual Industrial Capabilities Report to Congress," October 2013, Department of Defense, p.2

⁴ <http://www.finmeccanica.com/en/nostro-impegno-our-commitment/conduzione-business-conduct/>

⁵ See the Defense Procurement and Acquisition Policy (DPAP)

website:www.acq.osd.mil/dpap/cpic/ic/reciprocal_procurement_memoranda_of_understanding.html

⁶ See Appendix 2 for a list of some of the bilateral or defense agreements the U.S. has with other countries, followed by a list of other resources.

⁷ Defense News, "Top 100 for 2015;" 2014 revenues for non-US firms were calculated using average market conversion rates over each firm's fiscal year to mitigate currency fluctuation.

⁸ See Appendix 1.

⁹ Also see appendix 3 at the end of this report.

¹⁰ Defense Flash, No. 8, December 22, 2015; Commercial Office.

¹¹ "Growing Security Fears Boost Defense Budgets," IHS Jane's, December 2015.

¹² "The Bundeswehr backs away from the brink," <https://www.foreignaffairs.com>, January 2016.

¹³ BMI, Business Monitor, "Industry Forecast - Poland, 2015."

¹⁴ "Russian Aggression Drives Increase in Europe Spending," DefenseNews.com, Feb 2016.

¹⁵ See Appendix 2.

¹⁶ Industry Forecast, United Arab Emirates – April 2016, BMI.

¹⁷ "Future of the Qatari Defense Industry," PR Newswire, 8 March, 2016

¹⁸ "U.S. Urged to Approve Gulf Fighter Deal," Wall Street Journal, 6 May, 2016.

¹⁹ See Appendix 2 at end for information on U.S. and Republic of Korea bi-lateral agreement.

²⁰ "Growing Security Fears Boost Defense Budgets," IHS Jane's, December 2015.

²¹ Also see appendix 2.

²² <http://www.loc.gov/law/help/japan-constitution/interpretations-article9.php>

²³ Census Bureau export data.

²⁴ "2016 Defence White Paper," Australian Government, Department of Defense.

Industry & Analysis' (I&A) staff of industry, trade and economic analysts devise and implement international trade, investment, and export promotion strategies that strengthen the global competitiveness of U.S. industries. These initiatives unlock export, and investment opportunities for U.S. businesses by combining in-depth quantitative and qualitative analysis with ITA's industry relationships.

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