

Future of Defense Procurement **Canada, U.K., and U.S.**

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Background:

Our common heritage and our shared challenges in the world will help us to promote an increased use of cooperative projects and reciprocal defense procurement actions among our nations. We share a common culture, common legal systems, and a common language. Our nations share a strong heritage and prosperity through global trade. It is natural, therefore, that we should share strong ties in defense procurement, and we do. Since the beginning of World War II, our defense procurement arrangements have been exemplified in the Hyde Park Agreement between the U.S. and Canada and in the Lend-Lease and many other defense procurement arrangements between the U.S. and the U.K.

Emerging Trends Affecting the Future of Defense Procurement:

Several trends today will cause us to work together more closely in the future:

- **First, smaller discretionary budgets, reduced defense spending, and more routine use of multilateral and coalition defense actions will require greater rationalization, standardization, and interoperability of conventional defense equipment.** We will fight together and keep the peace together. So, we will need to be able to communicate and operate seamlessly as allied forces. The best way to ensure rationalization, standardization, and interoperability of conventional defense equipment is through an increasing reliance on cooperative projects to design, produce, and support such defense equipment. We also will support the continued promotion of full and open competition for the procurement of defense equipment consistent with the guiding principles of our respective reciprocal defense procurement memoranda of understanding.
- **Second, the growth in global trade and the further proliferation of multilateral corporations will support a trend toward greater interdependence and engagement in defense procurement.** Increasingly, this is the way large corporations do business, and it is reflected in the organization of cooperative projects.
- **Third, we should expect to see further efforts toward acquisition reform nationally and increasing transparency, integrity, and accountability in multinational organizations.** The adoption of the European Defence Agency's (EDA's) Procurement Directive, the Transfers Directive, and Code of Conduct are positive, encouraging steps.

- **Fourth, we expect to update and renew our bilateral reciprocal defense procurement agreements with Canada and the U.K. respectively.**
 - The U.S. and Canada have had a joint U.S./Canada Defense Production Sharing Agreement as part of the North American defense industrial base since 1956. The U.S. and Canada have completed some preparatory work toward consolidating the relevant content from several of our bilateral agreements into a single reciprocal defense procurement agreement to provide an appropriate underpinning for defense procurement matters.
 - The US and the UK renewed their Reciprocal Defense Procurement Memorandum of Understanding in 2004.
 - Some of our common focus areas are: Cooperative Projects and Programs; Harmonization of Defense Requirements; Logistics; Export Controls; Security of Supply/Industrial Collaboration; Market Access; and Security of Information.
- **Finally, we can expect the Department of State to continue making improvements in the processing of export control license applications and to continue its support our cooperative efforts and defense procurement exchanges.**

Our sovereign nations are close allies, and we will engage in even more defense procurement exchanges, because it is in our mutual interest to do so.

Conclusion/Recommendations:

- We face a future of increasing cooperation in defense procurement, increasing complexity of weapons systems, continued consolidation of our defense industries, and growth of defense industries in other countries.
- We have a strong baseline in our defense procurement agreements and our cooperative projects, but we have a continuing need to share best practices in our requirements definitions, program management practices, and cooperative program developments.
- We plan to consult early and often with each other, use multi-national staffs, and take advantage of cooperation among multi-national corporations in defense development, production, and logistics support.
- Finally, we need to match requirements with mature technologies, maintain disciplined systems engineering integrated with testing, and avoid sacrificing cost and schedule for promises of improved performance.

Defense News
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Carter: Protect U.S. Industrial Base

“Senior Pentagon officials must weigh the industrial implications of major program decisions and may have to protect key niche areas like stealth and space systems, said Pentagon acquisition chief Ashton Carter. ...

“As deficits mount and the White House looks for ways to reduce military spending, defense observers said, the Pentagon will have to buy from foreign firms, either because certain components are no longer produced in the United States or because they offer the only competition to a consolidated U.S. industry. ...

“Carter said the Obama administration, like the Bush administration before it, is open to purchasing foreign-made systems that satisfy U.S. requirements and provide best value. The new administration wants more international cooperation and engagement, a message Carter said he would carry to Europe in early October for his first meeting with his fellow NATO armament directors. ...”

BACKGROUND INFORMATION--

Survey of Current Defense Procurement:

U.S and Canada:

Canada and the U.S. are longstanding allies, with over 80 treaty-level defense agreements, 150 bilateral forums, 250 Memoranda of Understanding (MOUs) and many military exchanges. We consult on defense policy in the Permanent Joint Board on Defense and both work to protect continental airspace through the North American Aerospace Defense Command (NORAD). Canada was granted an International Traffic in Arms Regulations (ITAR), which allows for license-free transfer of most U.S.-origin unclassified defense goods and technology.

U.S and U. K.:

- **The U.S.-UK Reciprocal Defense Procurement MOU Memorandum of Understanding (RDP MOU)** was signed by the US and UK in December 2004. This MOU is a cornerstone in promoting standardization, rationalization, and interoperability as well as transparency in our bilateral and multilateral defense procurement activities.
- **U.S.-UK Defense Trade Cooperation Treaty** was signed by President Bush and Prime Minister Blair in 2007. The purpose of the Defense Trade Treaty with the UK is to streamline defense exports by eliminating the time-consuming administrative burden of obtaining individual export license approvals for defense technology and equipment developed and produced for U.S. and U.K. military forces. The Treaty was ratified by UK Parliament in December 2007 and is still pending U.S. Senate ratification.
- **U.S.-UK Bilateral Defense Acquisition Committee (BDAC)** is a senior forum between the United States Department of Defense (DoD) and the United Kingdom Ministry of Defence (MOD). Its purpose is to increase the effectiveness of defense acquisition cooperation between the two nations.