
Direct Commercial Sales Authorizations for Fiscal Year 2004

The following are excerpts of the report published by the Department of State, pursuant to Section 655 of the *Foreign Assistance Act*. To view the report in its entirety go to the following web site: https://www.pmdtc.org/docs/rpt655_2004.pdf.]

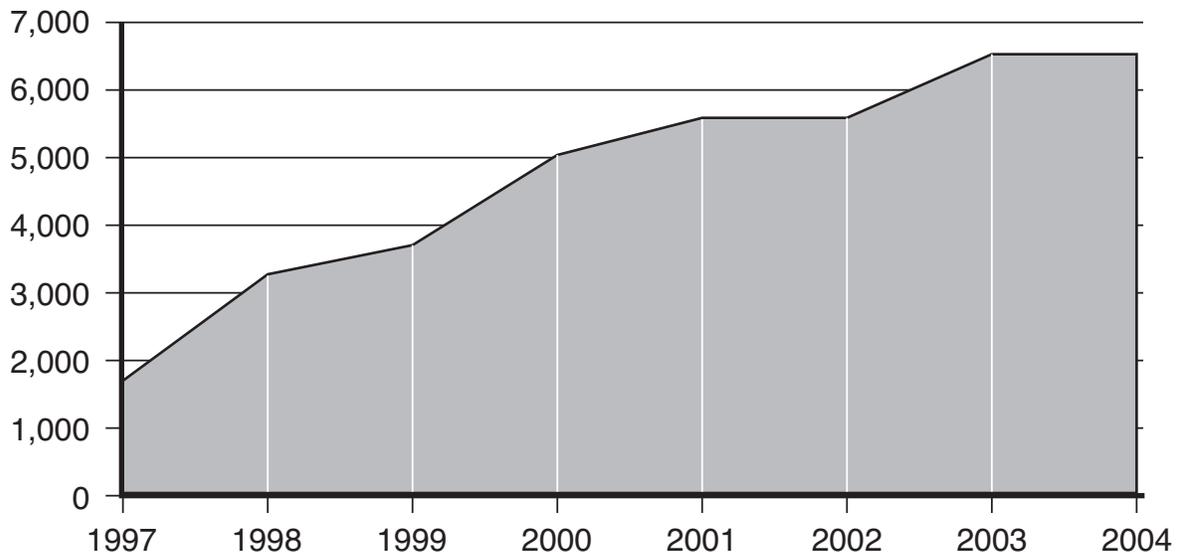
Overview

This report covers defense articles and defense services licensed for export during fiscal year (FY) 2004 under Section 38 of the *Arms Export Control Act*. It is provided pursuant to Section 655 of the *Foreign Assistance Act*, as amended, and, as required by that Section, the report shows the aggregate dollar value and quantity of defense articles and defense services authorized to each foreign country or designation. Sometimes the column for the quantity is blank or 0. The quantity on a license may not be a specified number because of instances where the applicant used the word lot or various left the quantity blank; listed multiple commodities with different quantities; or did not quantify the commodity of technical data.

A separate portion is a report on authorizations for semi-automatic assault weapons. In accordance with subsection (d) of Section 655, this report is also being made available to the public on the internet through the Department of State, Directorate of Defense Trade Controls at www.pmdtc.org.

In view of the growing role of manufacturing license agreements and technical assistance agreements, this year's report has a separate section that distinguishes more clearly between authorizations pertaining to defense articles and those associated with defense services. The overall number of permanent export license applications submitted under Section 38 in FY 2004 was approximately 32,000. The number of manufacturing license agreements and technical assistance agreements submitted was 6,535.

**Manufacturing License and
Tehchnical Assistance Agreements
FY 1997-2004**



This trend appears to reflect the growing complexity of commercial defense trade as international joint ventures, co-production, licensed manufacturing and offset arrangements involving offshore assembly or procurement increasingly characterize major sales.

Part 1 of the report details approximately \$22.4 billion in licenses authorizing the export of defense articles, while Part 2 provides aggregate information by country or designation on authorizations for defense services (i.e., agreements) totaling \$44.7 billion. Importantly, the value of authorizations provided under Section 38 for defense articles and defense services does not correlate to the value of articles actually transferred during this same time frame. Most munitions licenses issued for articles shown in Part 1 are valid for four years and may be used throughout their period of validity to carry out the authorized export transactions.

Similarly, manufacturing license and technical assistance agreements set forth in Part 2 of the report cover a wide range of programmatic activities for multi-year periods (generally exceeding the four-year validity period of defense article export licenses). Because the scope of the Department's regulatory authority over such agreements continues for as long as these multi-year agreements remain in effect, authorizations furnished in FY 2004 also include certain activities occurring in prior years. Such post hoc reporting generally is due to instances where the State Department directed an audit of an agreement (including the value of articles produced) in order to ensure compliance with the *Arms Export Control Act* and, in particular, the oversight by Congress mandated in Section 36 of the Act¹ with respect to major sales and manufacturing abroad of significant military equipment.

The results of such audits frequently disclose higher values than previously reported or initially projected by U.S. defense firms owing to a variety of factors, including extensions in the validity of agreements well beyond the original time frame envisaged.

Authorizations under Section 38 in fiscal year 2004 continued to center principally on a relatively small number of friends and allies of the United States. During this period defense trade with two major allies, the United Kingdom and Japan, and with the United Arab Emirates reflect a large portion of the dollar value of all authorizations furnished under Section 38 (i.e., the overall direct commercial sales program). The \$3.8 billion total for the United Arab Emirates in fiscal year 2004 reflects the sale of F-16 aircraft spare parts (valued at \$3.6 billion) which was notified to Congress under Section 36(c) of the *Arms Export Control Act*. In past years, the United Kingdom and Japan have been the largest cooperative partners of the United States in relation to defense trade carried out under Section 38 (Table 1).

Defense Articles	Fiscal Year 2000	Fiscal Year 2001	Fiscal Year 2002	Fiscal Year 2003	Fiscal Year 2004
Japan	\$3.6	\$2.6	\$3.0	\$3.6	\$2.8
United Kingdom	\$2.5	\$3.3	\$2.6	\$1.8	\$1.7

Part 3 is a separate statement, pursuant to P.L. 107-228, that covers defense articles that are firearms controlled under category I of the United States Munitions 1 Sales of major defense equipment valued at \$14 million or more or other defense articles and defense services valued at

¹ Sales of major defense equipment valued at \$14 million or more or other defense articles and defense services valued at \$50 million or more, and technical assistance and manufacturing license agreements involving the manufacture abroad of significant military equipment, require notification to Congress before an export license may be issued. In the case of a member country of the North Atlantic Treaty Organization (NATO) or Australia, Japan or New Zealand, sales of major defense equipment valued at \$25 million or more or other defense articles and defense services valued at \$100 million or more require notification to Congress before an export license may be issued.

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List that shows the country, aggregate dollar value and quantity of semi-automatic assault weapons, or spare parts for such weapons, the manufacture, transfer, or possession of which is unlawful under 18 USC 922, that were licensed for export during fiscal year 2004.

U.S. Munitions List Categories	
Category I	Firearms, Close Assault Weapons and Combat Shotguns
Category II	Guns and Armament
Category III	Ammunition and Ordnance
Category IV	Launch Vehicles, Guided Missiles, Ballistic Missiles, Rockets, Torpedoes, Bombs, and Mines
Category V	Explosives and Energetic Materials, Propellants, Incendiary Agents, and Their Constituents
Category VI	Vessels of War and Special Naval Equipment
Category VII	Tanks and Military Vehicles
Category VIII	Aircraft and Associated Equipment
Category IX	Military Training Equipment
Category X	Protective Personnel Equipment
Category XI	Military Electronics
Category XII	Fire Control, Range Finder, Optical and Guidance and Control Equipment
Category XIII	Auxiliary Military Equipment
Category XIV	Toxicological Agents, Including Chemical Agents, Biological Agents, and Associated Equipment
Category XV	Spacecraft Systems and Associated Equipment
Category XVI	Nuclear Weapons, Design, and Testing Related Items
Category XVII	Classified Articles, Technical Data, and Defense Services Not Otherwise Enumerated
Category XVIII	Directed Energy Weapons
Category XIX	[Reserved]
Category XX	Submersible Vessels, Oceanographic and Associated Equipment
Category XXI	Miscellaneous Articles