



What It Is & Why It's Important

The foreign purchaser has many options when choosing to buy a major weapon system. They can buy from another country or the US. If buying from the US, they can go directly to the US company/manufacturer/contractor (Direct Commercial Sales {DCS}) or have the USG negotiate and manage the sale for them (Foreign Military Sales {FMS}).

Making the Best Choice

- USG prefers that friends and allies purchase US origin defense products.
- When allies use US equipment, it generates political, military, and economic benefits.
- USG is generally neutral whether purchaser uses FMS or DCS.
- Benefits are the same whether the procurement is FMS or DCS regarding:
 - Military interoperability
 - Political relationships
 - Economic influences

If international customers may procure most defense articles and services through either FMS or DCS, they are understandably interested in determining which method is the best.

Key Terms

AECA - Arms Export Control Act

DCS - Direct Commercial Sales

DSCA - Defense Security Cooperation Agency

DTSA - Defense Technology Security Administration

FMS - Foreign Military Sales

FOS - Follow-On Support

LOA - Letter of Acceptance

SAMM - Security Assistance Management Manual

Key Organizations & Relationships

FMS

- A contractual relationship exists between the USG and the foreign purchaser's government.
- Under FMS, when the USG purchases an item for Bandaria, the procurement contract is between the USG and the manufacturer.
- No direct contractual relationship exists between the foreign purchaser and the manufacturer.
- The manufacturer is selling to the USG.
- The USG then sells to the international purchaser.

DCS

- The foreign purchaser and the US manufacturer directly negotiate the procurement contract.
- The sale of defense articles or services requires the US manufacturer to obtain an export license.
- Without an export license, a direct commercial sale cannot legally proceed.
- The contractor is generally paid directly by the foreign government.

Process

Follow-On Support: FMS and DCS

- The DOD logistics and acquisition infrastructure is established to sustain DOD systems.
- Under FMS, international customers can access this infrastructure to provide similar follow-on support for their defense systems.
- Through combining international sustainment requirements with DOD sustainment requirements, cost savings and improved logistics response times are possible.

Non-standard Support

- Without an active DOD infrastructure, all FMS orders for non-standard items will require procurement from a commercial source.
- The DOD has created some commercial buying service programs to better facilitate the purchase of non-standard FMS items.
- Given the limited internal DOD infrastructure for non-standard items, these requirements make good candidates for DCS procurement.

Offsets

- Offsets are possible under both the FMS and DCS processes.
- However, under FMS, there is the requirement that the LOA be funded entirely by purchaser funds or repayable credit.
- Any negotiations for national benefits of any kind are between the customer and contractor with no involvement of the USG.

The Best Choice

There are more choices for the customer than strictly FMS or strictly DCS. The range of choices goes from full government control under FMS to full customer control under DCS. If the customer wants to use FMS but wants to justify a specific contractor, they can choose FMS, but use a sole source. If the customer wants an FMS case but wants some offsets included, they can negotiate offsets with the contractor, or they can choose a hybrid, with some parts FMS and some parts DCS.