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Department of Defense Directive

ASD(ISA)

SUBJECT: Standardization and Interoperability of Weapons Systems and Equipment within the North Atlantic Treaty Organization

- Reference: (a) DoD Directive 2010.6 "Standardization and Interoperability of Weapon Systems and Equipment within the North Atlantic Treaty Organization (NATO)," March 11, 1977 (hereby canceled)
(b) Public Law 94-361, section 802, Title 41, United States Code 10a-10d
(c) through (m), see enclosure 1

DTIC
REF ID: A270295

A. REISSUANCE AND PURPOSE

This Directive reissues reference (a) and provides DoD policy and responsibilities for standardization and interoperability of weapons systems and equipment within the North Atlantic Treaty Organization (NATO).

B. APPLICABILITY

The provisions of this Directive apply to the Office of the Secretary of Defense, the Military Departments, the Organization of the Joint Chiefs of Staff, the Unified and Specified Commands, and the Defense Agencies (hereafter referred to as "DoD Components").

C. DEFINITIONS

The definitions used in this Directive and the bibliography, which are essential to the understanding of international defense cooperation, are contained in enclosures 2 and 3.

D. POLICY

1. Objective. As stated in reference (b), it is the policy of the United States that equipment procured for U.S. forces employed in Europe under the terms of the North Atlantic Treaty should be standardized or at least interoperable with equipment of other members of NATO. Accordingly, the Department of Defense shall initiate and carry out methods of cooperation with its Allies in defense equipment acquisition to improve NATO's military effectiveness and to provide equitable economic and

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industrial opportunities for all participants. The Department of Defense will also seek greater compatibility of doctrine and tactics to provide a better basis for arriving at common NATO requirements. The goal is to achieve standardization of entire systems, where feasible, and to gain the maximum degree of interoperability throughout Alliance military forces.

2. Priorities. Priorities for the Department of Defense are established annually in the Consolidated Guidance. In addition, five top priority areas for interoperability and standardization have been established by the Joint Chiefs of Staff (JCS) and endorsed by the NATO Military Committee. The first four areas are: command, control, and information systems; cross-servicing of aircraft; ammunition; and compatible battlefield surveillance/ target designation/ acquisition systems. The fifth, interoperability and standardization of components and spare parts, is a goal in all programs.

3. Consideration of Worldwide Requirements. The need for U.S. forces to meet worldwide commitments is not a basis for failure to maximize interoperability and standardization of systems within NATO. The majority of U.S. general-purpose forces are planned and equipped for a European conflict. In such a conflict, U.S. units shall normally be employed under the operational command of NATO and shall fight as a part of multinational formations. This operational concept makes alliance interoperability and standardization imperative.

4. Three Major U.S. Approaches. The United States shall pursue three major approaches, inter alia, in its effort to achieve increased Alliance standardization and interoperability:

a. Establishment of general and reciprocal procurement Memoranda of Understanding (MOU) with NATO member nations. These are intended to encourage bilateral arms cooperation and establish regular review of armaments programs and trade and to make efficient use of Alliance resources through expanded competition. Waiver of "buy national" restrictions should be sought and applied wherever possible to support this objective.

b. Negotiation of dual production of developed or nearly developed systems. Under this approach, a nation that has already developed a system that is valuable to the Alliance would permit others to produce this system and thus avoid the undertaking of redundant developmental programs. Dual production programs can lead to the near-term introduction of weapons systems with the latest technology in NATO's deployed forces and a more efficient use of resources.

c. Creation of families of weapons (program packages) for systems not yet developed. Under this concept, participating NATO nations would reach early agreement on the responsibility for developing complementary weapons systems within a mission area. The approach is to

examine the weapons that member nations plan to develop in the next few years, aggregate these weapons by mission area, and then coordinate the development of equipment, when feasible.

5. NATO Planning. Fundamental to the success of the three major U.S. approaches is the improvement of the management structure for arms cooperation within the Alliance. To this end, the United States will actively participate in the trials for the NATO Periodic Armaments Planning System (PAPS) and support the NATO Armaments Planning Review (NAPR). DoD Components shall ensure that inputs are consistent with the DoD Planning, Programing, and Budgeting System (PPBS) and the approved Five Year Defense Program (FYDP). It is expected that NAPR will eventually merge into PAPS and form a single system to assist the Conference of National Armaments Directors (CNAD) in armaments cooperation.

6. Economic Guidelines. DoD Components shall apply the following economic guidelines when considering cooperative development and production opportunities with NATO allies.

a. The Department of Defense shall not normally enter government-to-government offset procurement agreements with other nations. Rather, industry shall be relied upon to arrange for efficient means of arms collaboration on each program or project. If commercial industrial arrangements do not satisfy any particular governmental demand for greater industrial or technical participation, then government-to-government agreements, which may include offset arrangements, can be considered in accordance with Deputy Secretary of Defense Memorandum of May 4, 1978 (enclosure 4). The DoD Component proposing an offset arrangement must submit its request for approval to the Assistant Secretary of Defense (International Security Affairs) (ASD(ISA)), with information describing the reasons for the offset arrangements, the likelihood of reaching agreement on cooperative development or production without offset arrangements, the alternatives to cooperative development or production, and expected benefits of the offset agreement. NATO standardization and interoperability will be a positive consideration. The request must also describe in detail how the offset commitment will be met.

b. DoD Components proposing a collaborative project shall ensure that appropriate arrangements are made to exchange cost data between prospective governmental participants. Data exchanged shall allow participants to make cost estimates of alternative modes of development and production.

c. Commercial implications of technology transfers proposed in support of a collaborative project should be considered when weighing the costs and benefits of that project. These considerations should include an estimate of how the commercial applications of the technology transfer might affect U.S. commercial competitiveness in future international markets. The OASD(ISA) shall assist DoD Components in these assessments.

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7. Third Country Transfer and Sales Authorization. In general, the United States shall permit sales and transfers by NATO allies participating in cooperative programs to any nation to whom the United States is willing to sell the same equipment in similar quantity. Specific authorizations will be developed in coordination with the Department of State. Such sales and transfers will be consistent with the Administration's policy of conventional arms transfer restraint, applicable U.S. laws, and the National Disclosure Policy (NDP).

8. Technology Transfer. DoD Components shall encourage the transfer of technology, foreign intelligence, and military information, consistent with the terms of the NDP and applicable U.S. laws and regulations, to include the International Traffic in Arms Regulation (ITAR). Specifically, DoD Components shall:

a. Include political-military considerations to determine the releasability of technical data and other information.

b. Foster an early mutual exchange of technological and other information with NATO allies to promote the development and adoption of standardized or interoperable weapons systems and equipment by NATO nations in accordance with DoD Instruction 5000.2 (reference (c)) and DoD Instruction 2015.4 (reference (d)).

c. Conclude international agreements, when required, for classified data exchange. See DoD Directive 5230.11 (reference (e)), DoD Directive 5530.3 (reference (f)), and DoD Instruction 2050.1 (reference (g)).

d. Consistent with the NDP, take action to provide qualified contractors from NATO nations with the classified and unclassified information necessary to compete for U.S. military contracts. Since the eligibility of foreign governments to receive U.S. classified military information under the NDP must be determined on a case-by-case basis, advance planning must be instituted to ensure that there is consideration of foreign participation early in the development cycle of those programs. See Under Secretary of Defense for Research and Engineering (USDR&E) memoranda of November 10, 1978 (enclosure 5) and February 2, 1979 (enclosure 6). Also see DoD Directive 5200.12 (reference (h)). When full access to such information is not deemed possible:

(1) Solicitation documents and information intended for presolicitation and preaward conferences shall be reviewed to exclude unnecessary technical or security requirements.

(2) Exceptions to the NDP may be sought.

(3) The Deputy Secretary of Defense shall be notified in advance of proposed denials of classified military information that would preclude international cooperative research, development, or logistic undertakings. An information copy shall be provided to the USDR&E and the ASD(ISA).

e. Foreign participation as subcontractors to U.S. prime contractors shall be encouraged, as well as U.S. industry performing as subcontractors to NATO prime contractors.

f. A report to the Foreign Disclosure Automated Data System on DD Form 1822, Report of Disclosure or Denial of U.S. Classified Military Information, must be completed within 15 days of all disclosure actions related to equipment standardization or interoperability in NATO.

9. International Agreements. General and reciprocal procurement MOUs can provide for broad access of signatory nations to each other's acquisition processes. Agreements on specific defense systems may also be developed, when necessary. Interagency coordination through OASD(ISA) should be completed prior to the initiation of negotiations on international agreements. Such agreements are governed by DoD Directive 5530.3 (reference (f)) and DoD Instruction 2050.1 (reference (g)).

10. Foreign Military Sales (FMS) Charges. In accordance with Section 27 of the Arms Export Control Act (AECA), as amended (reference (i)), the Department of Defense may reduce or waive various FMS charges such as nonrecurring research and development (R&D) and production cost recoupment charges, asset use charges, tooling rental charges, and administrative cost charges for sales resulting from Alliance cooperative projects (see enclosure 2, Definitions). In addition, direct costs for services of U.S. Government officials may be reduced or waived for FMS transactions relating to family of weapons-type cooperative projects. In order to be a cooperative project, participating allies must share developmental costs. In order to qualify for a waiver, participating allies must "reciprocate by waiving comparable charges" for their sales under the program, and the magnitude of their contribution to the project must "help the U.S. conserve defense resources and promote a stronger alliance." All such NATO cooperative projects must be properly certified to the Congress (see paragraphs E.2.y. and E.3.g.). Also, pursuant to Section 21h of the AECA, quality assurance, inspection, and contract audit defense services may be provided without charge on FMS or direct commercial contracts with NATO member countries. Or, in connection with NATO infrastructure contracts, the NATO member countries involved have entered into an agreement to provide such services on a reciprocal basis without charge. FMS and commercial sales transactions are exempt from these charges only to the extent provided for in the agreements. At the time that FMS Letters of Offer and Acceptance (LOA) are prepared for such sales, the Military Departments shall identify to the Director, Defense Security Assistance Agency (DSAA), those LOAs that are exempt from any portion of these charges by virtue of their being executed pursuant to an agreement for cooperative projects.

11. Arrangements for NATO Industrial Participation. Teaming, licensing, or subcontracting arrangements between firms of two or more NATO nations are desirable and encouraged. Such arrangements may be entered into prior to or after a contract for a program has been awarded. These arrangements tend to enhance the respective capabilities of each firm

and help to overcome obstacles to improved standardization and interoperability of equipment in NATO. Also see DoD Directive 2000.9, reference (j).

a. In R&D projects which may have application for two or more NATO nations, the acquisition strategy shall encourage NATO industrial participation at the earliest possible time. One possible strategy is to establish NATO industrial participation in the Request for Proposal (RFP) as a primary source selection factor to be considered in the evaluation of proposals, together with technical, schedule, cost, and management elements. In other circumstances, it may be appropriate to obtain an option for the Government to require the prime contractor (and his subcontractors) to license contractors of participating countries at a later date to manufacture the system or components thereof and, in conjunction with such license to provide the data, user rights, know-how, and other technical assistance that may be necessary to establish a viable second production source.

b. In the case of contracts for production of equipment for sale to other NATO nations, the Department of Defense may require NATO industrial participation to enhance NATO standardization and interoperability and, furthermore, may require a minimum level of industrial participation by firms located in those NATO countries. Consistent with the requirements of law, the extent of industrial participation that will be afforded to sources in other NATO countries in these cases will be determined individually in coordination among the Military Department concerned, the USDR&E, the General Counsel, DoD; and the ASD(ISA). When a decision is made to establish a specified level of participation for these sources, the RFP will require that prime contractors' responses contain a detailed proposal for participation by industries located within the NATO countries.

12. Steps to be Taken in the Acquisition Process. To include NATO standardization and interoperability as a basic goal in acquisition programs, DoD Components shall:

a. Seek agreement with Alliance members on threat, doctrine, operational concepts, military mission needs, and weapons systems requirements.

b. Work within NATO to establish cooperative programs early in the acquisition process to attain the most effective approach to interoperable or standard weapons systems and equipment. To the extent possible, the cooperation should begin during the concept definition stage.

c. Establish cooperative program management and review methods.

d. Utilize the family of weapons (program package) and dual production approaches.

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e. Make the strengthening of NATO standardization and interoperability a positive consideration in determining U.S. interest in transferring to NATO technical data packages on weapons systems.

f. Evaluate, during the concept definition phase, already fielded U.S. and allied systems, system derivatives, and subsystems to determine whether they satisfy the mission need.

g. Use, to the maximum extent possible, test data developed by other NATO countries. See DoD Directive 5000.3 (reference (k)).

h. Consider modifying U.S. specifications which preclude U.S. adoption of an otherwise cost-effective allied system or allied adoption of a U.S. system.

i. Consider coproduction of other NATO systems, system derivatives, subsystems, and components.

j. Afford NATO contractors from countries with whom we have general and reciprocal MOU the opportunity to compete for DoD procurements. This applies in all cases not precluded by statute or NDP.

k. Ensure NATO interoperability, especially for the five priority areas established by the JCS (see subsection D.2., above).

l. Ensure, to the maximum extent feasible, compliance with applicable NATO standardization agreements ratified by the United States.

m. Develop logistic support systems that are standardized or at least interoperable with those of other NATO nations.

n. Establish configuration control among participants in cooperative programs.

o. Use the metric system of measurements when it is in the best interest of the Department of Defense, and consistent with operational, economic, technical, and safety requirements.

E. RESPONSIBILITIES

1. The Under Secretary of Defense for Policy shall:

a. Advise the Secretary and Deputy Secretary of Defense on NATO-related issues that need high-level attention.

b. Review DoD participation in the NATO Long Term Defense Program.

c. Review NATO-related matters, including standardization and interoperability, with the USDR&E, ASD(ISA), Assistant Secretary of

Defense (Program Analysis and Evaluation) (ASD(PA&E)), Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) (ASD(MRA&L)), and the Secretaries of the Military Departments in their areas of responsibility, as appropriate.

d. Ensure that the NDP is considered when evaluating proposals for the mutual exchange of R&D information for the development of standardized or interoperable equipment by NATO.

e. Ensure that disclosures by DoD Components are consistent with the criteria of the NDP and are consistent among the Components.

2. The Under Secretary of Defense for Research and Engineering shall:

a. Formulate DoD R&D, acquisition, and program policies for standardization and interoperability and provide guidance for implementation of these policies.

b. Coordinate U.S. positions on Alliance weapons requirements and complementary schedules for new weapons development and production, consistent with the approved FYDP.

c. Coordinate with allies on their R&D efforts in standardization and interoperability of weapons systems and subsystems, consistent with the approved FYDP.

d. Represent the United States at the NATO CNAD and other appropriate international fora; and ensure and monitor DoD representation in appropriate groups and subgroups of the CNAD. Representation shall be coordinated with the Department of State, through the ASD(ISA), the Military Departments, the ASD(MRA&L) for standardization interests at subsystem and component level, the Assistant Secretary of Defense (Command, Communication, Control and Intelligence) (ASD(C³I)), and other DoD Components. All CNAD actions and inputs shall be consistent with the approved FYDP.

e. Ensure that the Military Departments consider standardization and interoperability in the defense system acquisition process. This includes considering applicable new systems and their derivatives, subsystems, and components that are under development or in production by NATO allies, and evaluating and adjusting schedules to accommodate possible joint testing and codevelopment with NATO allies. In addition, NATO allies shall be provided with appropriate opportunities to participate in developing or producing new U.S. systems. The interoperability of U.S. systems shall be ensured, as prescribed by DoD Instruction 5000.2 (reference (c)).

f. Ensure that the opportunities for selection of other than a unique U.S. system are realistically considered throughout the annual PPBS cycle and at each milestone in the system acquisition process in accordance with DoD Directive 5000.1 and DoD Instruction 5000.2 (references (1) and (c)).

- g. Assist the Military Departments and other DoD Components in obtaining information on allied systems and subsystems.
- h. Consult with the JCS on the interaction of standardization and interoperability, strategy, force objectives, and military requirements.
- i. Provide, in conjunction with the Military Departments, technical positions on exchange of technology with NATO allies, and monitor ongoing programs involving transfer of technology.
- j. Initiate actions in conjunction with the milestone review process to prevent unnecessary duplication and encourage configuration control of weapons system production.
- k. Review appropriate DoD responses to inquiries from elements of NATO on planning, programing, and other management aspects of equipment standardization and interoperability.
- l. Issue guidance to the Military Departments on contract placement and contract administration matters necessary to implement NATO standardization policies.
- m. Review DoD acquisition policies and regulations and incorporate revisions to ensure that sources in NATO countries with whom the United States has signed bilateral, general, and reciprocal MOU have an opportunity to compete with U.S. sources for DoD business.
- n. Ensure, in soliciting and evaluating proposals, that consideration is given to potential NATO savings or increased combat capability expected to result from the acquisition of standardized or interoperable items.
- o. Ensure that unique U.S. technical requirements do not unnecessarily preclude acquisition of otherwise cost-effective allied defense articles.
- p. Ensure that the Department of Defense implements the policies for all acquisition programs and activities outlined in this Directive.
- q. Review Military Departments' statements of the potential impact of impending technology transfers on the U.S. economy, when such transfers can be identified as having significant commercial implications.
- r. Inform industry of U.S. policies concerning arms cooperation with NATO and the status of individual initiatives, and encourage U.S. industry involvement in NATO cooperative programs and efforts to implement them.

s. Ensure that military and industry specifications and standards conform to the international agreements with NATO, and that such agreements involving materiel items are implemented to the maximum extent practicable (DoD Directive 4120.3, reference (m)).

t. Foster international agreements with NATO which conform to existing military specifications and standards through representation on NATO committees and working parties (reference (m)).

u. Ensure coordination with the Military Departments concerning programs that are likely candidates for cooperative programs.

v. Ensure, to the maximum extent feasible, that interoperability with NATO equipment is demonstrated during test and evaluation (DoD Directive 5000.3, reference (k)).

w. Emphasize to allied countries that their industry must take the initiative to market their capabilities and products with the Department of Defense and its prime contractors.

x. Present the views of U.S. industry in government-to-government meetings to include problems experienced in implementing the general and reciprocal MOU or other international agreements.

y. Identify, in coordination with ASD(ISA) and the Director, DSAA, projects which qualify as NATO cooperative projects, in accordance with the definition provided in Section 27 of the Arms Export Control Act, (reference (i)), and prepare the necessary certification to the Congress.

3. The Assistant Secretary of Defense (International Security Affairs) shall:

a. Coordinate, in conjunction with USDR&E, overall DoD policy on NATO standardization and interoperability.

b. On matters concerning standardization and interoperability, act as the principal contact within the Department of Defense for the Department of State and other U.S. government agencies and appropriate NATO countries and agencies, and coordinate with those organizations.

c. Initiate action to change policies, procedures, regulations or laws that impede the achievement of standardization and interoperability within NATO.

d. Monitor the political and economic factors that affect standardization and interoperability, to include authorizations for final country transfers.

e. Prepare for the Secretary of Defense the annual report to the Congress on Rationalization and Standardization within NATO.

f. Review, in coordination with USDR&E, ASD(MRA&L), ASD(PA&E), and others, as appropriate, proposals for offset agreements, and recommend action to the Deputy Secretary of Defense.

g. Identify, in coordination with USDR&E, projects which qualify as NATO cooperative projects, in accordance with the definition provided in Section 27 of the Arms Export Control Act (reference (i)), and forward the necessary certification to the Director, DSAA, for transmittal to the Congress.

h. Seek the advice of U.S. Mission NATO (USNATO) and American embassies in NATO capitals on developments in U.S. weapons systems policies, practices, and initiatives that could impact on NATO or individual NATO countries. Also, keep these American embassies, including the Office of Defense Cooperation (ODC), informed of such developments. As appropriate, NATO ODC personnel should advise the Departments of Defense and State of potential opportunities for cooperation stemming from host-country equipment plans or programs.

i. Provide the Chair for the DoD Steering Group for NATO Rationalization and Standardization (see subsection E.10.).

4. The Assistant Secretary of Defense (Manpower, Reserve Affairs, and Logistics) shall:

a. Develop DoD logistic policies and guidelines that support and facilitate USDR&E programs for standardization and interoperability of equipment within NATO.

b. Ensure appropriate representation of the United States at international logistic activities involved in NATO standardization and interoperability.

5. The Chairman of the Joint Chiefs of Staff shall:

a. Advise on the interaction of NATO rationalization, standardization, and interoperability with strategy, military requirements, R&D, and force planning.

b. Monitor R&D matters of concern to the JCS in the area of weapons systems, munitions, and supporting systems.

c. Identify opportunities for and impediments to improved interoperability of U.S. forces within NATO. These opportunities and impediments shall be reported, as appropriate, to the Secretary of Defense and the proper Military Departments for priority attention and action.

d. Monitor harmonization of doctrine and operational concepts with those of our allies.



e. Ensure there is appropriate U.S. representation at international military logistic meetings.

f. Coordinate equipment standardization and interoperability policies and programs with the NATO Military Committee, and the U.S. National Military Representative to the Supreme Headquarters Allied Powers Europe.

g. Ensure that the ODC in American embassies in NATO capitals actively support the cooperative armaments programs.

b. The Secretaries of the Military Departments shall:

a. Ensure that standardization and interoperability are considered in the basic conceptual approach in the development, production, and product improvement of all systems with a partial or total application to NATO.

b. Establish close and parallel relationships with NATO organizations and NATO allies for the development of compatible doctrine and operational concepts. This includes defining mission needs and weapons systems requirements and involves close collaboration in the acquisition of standardized or interoperable systems, subsystems, and follow-on logistic support.

c. In coordination with USDR&E, encourage early contacts between U.S. development activities and NATO allies' developmental organizations to consider reciprocal and mutually beneficial exchange of technology, cooperative R&D programs, and appropriate licensed production arrangements to permit possible adoption of each other's systems.

d. Give appropriate consideration to standardization and interoperability considerations in the source selection process, and include new weapons systems and derivatives of NATO allies' systems in cost analyses to determine whether these systems are the preferred systems to meet the identical need in light of cost, operational effectiveness and affordability.

e. Ensure that, in reviewing purchasing systems and the make-or-buy decision programs of U.S. defense contractors, consideration is given to permitting NATO allies to compete for subcontracts. This will also be consistent with the NDP.

f. Include in applicable System Acquisition Review documentation an analysis of how a program will contribute to NATO standardization and interoperability, including consideration of alternative systems of NATO allies codevelopment, coproduction, and the action program to advocate cooperation in R&D and acquisition programs.

g. Provide representation at appropriate groups under the NATO CNAD and Military Agency for Standardization and other groups, as required, and provide Military Department coordination on standardization matters

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developed within NATO. Proposed U.S. positions shall be coordinated with appropriate DoD components.

h. Ensure that U.S. positions on Standardization Agreements (STANAGs) and Allied Publications (APs) are coordinated with appropriate DoD agencies and that those STANAGs and APs ratified are implemented.

i. Prepare the technical positions on individual exchanges of technology and prepare a statement of the potential impact of impending technology transfers on the U.S. economy when such transfers can be identified as having significant commercial implications. The Military Departments are encouraged to consult with industry and knowledgeable U.S. Government agencies to assess commercial implications of technology transfers.

j. Initiate action immediately upon determination that a weapons program is a candidate for NATO interoperability and standardization, to determine the releasability of the technology and information, or portions thereof, as required for allied participation.

k. Assist ASD(PA&E) in determining the cost implications of proposed cooperative projects, including analyses of alternative approaches.

l. Through USDR&E and ASD(ISA), keep USNATO and the American embassies in NATO capitals apprised of the status of current and potential weapons systems developments and acquisitions or productions, and of potential standardization and interoperability issues.

m. Coordinate with USDR&E and ASD(ISA), in accordance with DoD Directive 5530.3 (reference (f)) and DoD Instruction 2050.1 (reference (g)), before the onset of negotiations on international agreements that involve NATO arms' cooperation and weapons standardization.

n. Ensure that the requirements of the NDP are satisfied, and sponsor exceptions to the NDPs when appropriate.

7. The Assistant Secretary of Defense (Program Analysis and Evaluation) shall:

a. Ensure that standardization and interoperability goals are an integral part of the DoD PPBS.

b. Determine the implications of proposed coproduction and dual production programs in support of NATO standardization and interoperability from the standpoint of overall resource use within the Department of Defense and the NATO alliance. Among other things, this should include an evaluation of the impact of programs on U.S. unit costs, as well as the effect on the FYDP.

c. Advise the ASD(ISA) and the USDR&E of the cost implications of proposed coproduction/dual production programs in support of NATO standardization/interoperability. This should include, among other things, independent estimates of European production costs, learning curve relationships, exchange rate related costs, and other factors likely to affect program costs.

d. Provide Department of Defense with an independent analysis of the economic benefit or cost to the United States of major coproduction or dual production programs in support of NATO standardization and interoperability.

8. The Chair, Cost Analysis Improvement Group, shall:

a. Provide the Defense Systems Acquisition Review Council (DSARC) principals with an independent analysis of cost implications--with special reference to the impact on U.S. unit costs and economies or diseconomies coming as a result of opting for the coproduction and dual production approach to weapons procurement in support of NATO standardization and interoperability.

b. Collect European cost data, where necessary, to add to existing U.S. cost data bases.

9. The Assistant Secretary of Defense (Communications, Command, Control and Intelligence) shall focus DoD efforts to achieve interoperable communications, command, and control within NATO. In coordination with the Military Departments and JCS, the ASD(CI) shall support the development and acquisition of standard or interoperable NATO communications, command, and control equipment.

10. The DoD Steering Group for NATO Rationalization/Standardization shall:

a. Be chaired by the Director, European Region of OASD(ISA), and include members of the DoD Components.

b. Coordinate and provide necessary guidance within established DoD policy for NATO standardization activities.

c. Meet at least quarterly.

d. Submit reports with recommendations to the Secretary of Defense.

e. Supervise preparation of an annual report to the Congress on progress towards standardization and interoperability within NATO.

11. The Defense Systems Acquisition Review Council (DoD Instruction 5000.2, reference (c)) shall:

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a. Consider NATO country participation throughout the acquisition process.

b. Consider NATO doctrine and NATO member threat assessments. Ensure that the mission needs of NATO members were considered in the development of Mission Element Needs Statements (MENS). In general, NOFORN data shall not be included in MENS.

c. Ensure that NATO member contractors are solicited for bids and proposals on U.S. systems and components when such an opportunity is not precluded by statute or by the NDP.

d. Ensure that during the evaluation of alternative system concepts, the DoD Components:

(1) Consider all existing and developmental NATO member systems that might address the mission need. Identify any performance, cost, schedule, or support constraints that preclude adoption of a NATO system.

(2) Determine testing requirements for NATO member candidate systems recommended for future development or acquisition.

(3) Wherever a Secretary of Defense determination has not already been made, determine whether a waiver of Buy American restrictions is appropriate.

(4) Develop plans for further international cooperation in subsequent phases of the acquisition cycle (cooperative development, coproduction subcontracting)

e. Ensure that in subsequent phases of the acquisition cycle, DoD Components shall:

(1) Continue to expand and refine plans for international cooperation.

(2) Recommend U.S. position on third-country sales, recoupment of R&D costs or sharing foreign R&D costs, and release of technology.


(3) Develop plans for host nation support, if applicable.

F. INFORMATION REQUIREMENTS

The annual report for the Congress on Rationalization and Standardization within NATO is assigned Report Control Symbol DD-ISA(A) 1462.

G. EFFECTIVE DATE AND IMPLEMENTATION

This Directive is effective immediately. Recommended changes should be forwarded to the Office of the Assistant Secretary of Defense, International Security Affairs, European Region, NATO Standardization Division, Washington, D.C. 20301. Forward two copies of implementing documents to the Assistant Secretary of Defense (International Security Affairs) within 120 days.


W. Graham Clayton, Jr.
Deputy Secretary of Defense

Enclosures - 6

1. References
2. Definitions
3. Bibliography
4. Deputy Secretary of Defense memorandum, "General Policy on Compensatory Coproduction and Offset Agreements with Other Nations," May 4, 1978
5. Under Secretary of Defense for Research and Engineering memorandum "Access by Foreign Contractors to Technical Information," November 10, 1978
6. Under Secretary of Defense for Research and Engineering memorandum "Access by Foreign Contractors to Technical Information," February 2, 1979

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REFERENCES, continued

- (c) DoD Instruction 5000.2, "Major System Acquisition Procedures," March 19, 1980
- (d) DoD Instruction 2015.4, "Mutual Weapons Development Data Exchange Program (MWDDEP) and Defense Development Exchange Program (DDEP)," November 5, 1963
- (e) DoD Directive 5230.11, "Disclosure of Classified Military Information to Foreign Governments and International Organizations," March 2, 1979
- (f) DoD Directive 5530.3, "International Agreements," December 6, 1979
- (g) DoD Instruction 2050.1, "Delegated Approval Authority to Negotiate and Conclude International Agreements," July 6, 1977
- (h) DoD Directive 5200.12, "Security Sponsorship and Procedures for Scientific and Technical Meetings Involving Disclosure of Classified Military Information," June 15, 1979
- (i) Arms Export Control Act, as amended (22 U.S.C. Sec 2751 et seq.)
- (j) DoD Directive 2000.9, "International Coproduction Projects and Agreements Between the U.S. and Other Countries or International Organizations," January 23, 1974
- (k) DoD Directive 5000.3, "Test and Evaluation," December 26, 1979
- (l) DoD Directive 5000.1, "Major System Acquisitions," March 19, 1980
- (m) DoD Directive 4120.3, "Defense Standardization and Specification Program," February 10, 1979

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DEFINITIONS

- A. Codevelopment. A development project to which more than one government contributes effort or resources.
- B. Collocation (Colocation). The physical placement of two or more detachments, units, organizations, or facilities at a specifically defined location.
- C. Commonality. A quality which applies to materiel or systems possessing like and interchangeable characteristics enabling each to be utilized or operated and maintained by personnel trained on the others without additional specialized training; or having interchangeable repair parts or components; and applying to consumable items interchangeably equivalent without adjustment.
- D. Compatibility. The characteristic or ability of systems to coexist and function in the same environment without mutual interference.
- E. Cooperative Projects (term of reference used in the Arms Export Control Act). A project described in an agreement under which NATO or one or more NATO countries agree to (1) share with the United States the costs of research, development, testing and evaluation (RDT&E) of certain defense articles, and the costs of any agreed joint production ensuing therefrom, in furtherance of NATO standardization and interoperability; or (2) bear the costs of RDT&E of certain defense articles and to have such articles produced for sale to, and licensed for production within, other participant member countries including the United States, and the United States agrees to bear the RDT&E costs of other defense articles and to have such defense articles produced for sale to, and licensed for production within, other participant member countries in order to further the objectives of rationalization of the industrial and technological resources within the NATO.
- F. Cooperative Research and Development. Any method by which governments cooperate to make better use of their collective research and development resources to include technical information exchange, harmonizing of requirements, codevelopment, interdependent research and development, and agreement on standards.
- G. Coproduction. Any program based upon a government-to-government agreement whereby the U.S. Government: (1) enables an eligible foreign government, international organization, or designated commercial producer to acquire the technical information and know-how to manufacture or assemble in whole or in part an item of U.S. defense equipment for use in the defense inventory of the foreign government; or (2) acquires from a foreign government, international organization, or foreign commercial firm, the technical information to manufacture domestically a foreign weapon system or subsystem for use by the Department of Defense. It includes government-to-government licensed production arrangements. It does not

include: (1) overseas or domestic licensed production based on direct commercial arrangements with U.S. contractors in which the U.S. Government is involved solely on the basis of U.S. export or import licensing, or (2) the provision of technical data for maintenance, repair, overhaul, or operation of a defense item, without permission to manufacture the item or its components.

H. Dual Production. As used in the NATO context, it is the production of a weapons system in Europe and the United States. The term can refer not only to independent production lines for the entire weapon system, but also to interdependent production whereby the participants produce for one another parts or components of the system.

I. Electronic Interoperability. A special form of interoperability whereby two or more electronic equipments, especially communications equipments, can be linked together, usually through common interface characteristics and so operate the one to the other. See also interoperability.

J. Family of Weapons. A weapons family is composed of related and complementary weapons systems in a particular mission area. For example, systems in an air-to-ground munitions family could be defense suppression, antiarmor, antipersonnel, and airfield attack.

K. Identical. The degree of standardization where either materiel, doctrines or procedures agree in every detail.

L. Harmonization. The process or results of adjusting differences or inconsistencies to bring significant features into agreement.

M. Independent European Program Group (IEPG). The IEPG was created in November 1975 as an independent forum to promote closer inter-European cooperation in the development, production, and procurement of defense equipment. Its members are Belgium, Denmark, France, Germany, Greece, Italy, Luxembourg, The Netherlands, Norway, Turkey, and The United Kingdom

N. Interchangeability. A condition which exists when two or more items possess such functional and physical characteristics as to be equivalent in performance, fit and durability, and are capable of being exchanged one for the other without alteration of the items themselves or of adjoining items, except for adjustment.

O. Interconnection. The linking together of interoperable systems.

P. Interoperability. The ability of systems, units, or forces to provide services to and accept services from other systems, units, or forces and to use the services so exchanged to enable them to operate effectively together. See also logistic interoperability and electronic interoperability.

Q. Licensed production. See coproduction.

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R. Logistic Interoperability. A form of interoperability whereby the service to be exchanged is assemblies, components, spares, or repair parts. Logistic interoperability will often be achieved by making such assemblies, components, spares, or repair parts interchangeable, but can sometimes be a capability less than interchangeability when a degradation of performance or some limitations are operationally acceptable. See also interoperability.

S. Memorandum of Understanding (MOU). An international agreement between two or more parties. When used in the context of NATO programs, it usually refers to government-to-government agreements negotiated between allied defense agencies and signed by officials of the executive branch of governments, usually at or below the ministerial level. Also see DoD Directive 5530.3 (reference (f)) concerning other international agreements.

T. National Policy and Procedures for the Disclosure of Classified Military Information to Foreign Governments and International Organizations (U) (Short Title: National Disclosure Policy) (NDP-1). Promulgates national policy and procedures in the form of specific disclosure criteria and limitations, definitions of terms, release arrangements, and other guidance required by U.S. departments and agencies having occasion to release classified U.S. military information to foreign governments and international organization. In addition, it establishes and provides for the management of an interagency mechanism and procedures which are required for the effective implementation of the policy.

U. NATO Armaments Planning Review (NAPR). The NAPR is a process which includes annual national submissions to NATO on equipment replacement schedules for major systems thus providing a means to review national armaments plans and identify opportunities for armaments cooperation.

V. Offset Agreements. Offset agreements include any agreement by DoD to purchase items from a foreign country in order to offset some specific amount or percentage of the foreign country's expenditures in the United States for U.S. defense items. This includes any arrangement whereby the U.S. Government, to include the Department of Defense, agrees to assist a U.S. defense contractor in some offset associated with a direct commercial sale. Such offset agreements are entered into only after approval by the Secretary or a Deputy Secretary of Defense and after approval of the Department of State in accordance with its defined procedures. Private offset agreements may be between U.S. companies and foreign companies, entities or governments. They have the effect of obligating the U.S. company to place orders or subcontracts in foreign countries as a condition for the sale of U.S. defense articles to those countries.

W. Periodic Armaments Planning System (PAPS). PAPS is a systematic procedure that the CNAD would use to identify Alliance mission needs, and to seek cooperatively developed equipment.

X. Rationalization. Any action that increases the effectiveness of allied forces through more efficient or effective use of defense resources committed to the Alliance. Rationalization includes consolidation, reassignment of national priorities to higher alliance needs, standardization, specialization, mutual support, improved interoperability, or greater cooperation. Rationalization applies to both weapons/materiel resources and nonweapon military matters.

Y. Specialization. An arrangement within the Alliance wherein a member or group of members most suited by virtue of technical skills, location, or other qualifications assumes greater responsibility for a specific task or significant portion thereof for one or more members.

Z. Standardization. The process by which member nations of NATO achieve the closest practicable cooperation among forces, the most efficient use of research, development and production resources, and agree to adopt on the broadest possible basis the use of: (a) common or compatible operational, administrative, and logistic procedures; (b) common or compatible technical procedures and criteria; (c) common, compatible, or interchangeable supplies, components, weapons, or equipment; and (d) common or compatible tactical doctrine with corresponding organizational compatibility.

AA. Teaming Arrangements. An agreement of two or more firms to form a partnership or joint venture to act as a potential prime contractor; or an agreement by a potential prime contractor to act as a subcontractor under a specified acquisition program; or an agreement for a joint proposal resulting from a normal prime contractor-subcontractor, licensee-licensor, or leader company relationship.

BB. Transatlantic Dialogue (TAD). The TAD comprises negotiations between representatives of the North American nations (United States and Canada) and the IEPG under the auspices of the CNAD concerning the ways to improve cooperation in the development, production, and procurement of NATO defense equipment in order to make the best possible use of Alliance resources.

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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

May 4, 1978

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
UNDER SECRETARY OF DEFENSE FOR RESEARCH AND ENGINEERING
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL
DIRECTOR, DEFENSE SECURITY ASSISTANCE AGENCY

SUBJECT: General Policy on Compensatory Coproduction and Offset
Agreements with Other Nations

The purpose of this memorandum is to outline DoD policy with respect to compensatory coproduction and offset agreements with other nations, and to designate management responsibilities for evaluating and monitoring these agreements. More detailed guidance is provided in Deputy Secretary of Defense Memorandum "General Policy on Purchases by DoD from Foreign Sources in Furtherance of Government-to-Government Offset Agreements," dated 15 November 1976.

The demand for compensatory coproduction and offset agreements is becoming an increasingly common aspect of international defense procurement negotiations. Such agreements often have the effect, or create the impression, of obligating the DoD and other USG agencies to place orders for systems or components in foreign countries, or to require US private contractors to place orders and subcontracts in foreign countries, as a condition for the sale of US defense articles to those countries. This has led to friction between allies when specified goals are not met or even approached.

Because of the inherent difficulties in negotiating and implementing compensatory coproduction and offset agreements, and the economic inefficiencies they often entail, DoD shall not normally enter into such agreements. An exception may be made only when there is no feasible alternative to ensure the successful completion of transactions considered to be of significant importance to United States national security interests (e.g., rationalization of mutual defense arrangements).

When compensatory agreements are deemed necessary, the following general guidelines will apply:

- (1) Agreements should be structured as broadly as possible, to obtain maximum credit for US purchases of both defense and nondefense goods and services, regardless of technology content.

- (2) Specific offset targets should be avoided, whether stated in percentage or money terms.
- (3) Agreements should be used as vehicles for reducing or waiving administrative barriers to Defense trade erected by all parties, e.g., Buy National regulations, practices and procedures.
- (4) Foreign firms bidding on contracts in accordance with the terms of an offset agreement must actively seek bidding opportunities and compete on an equal basis with US firms.
- (5) Agreements involving system specific arrangements should specify that the burden for fulfilling any commitment rests with the US firms directly benefiting from the sale.

The Assistant Secretary of Defense (ISA), in coordination with the Under Secretary of Defense for Research and Engineering, the Assistant Secretary of Defense (MRA&L), Office of General Counsel, and Defense Security Assistance Agency, will be responsible for reviewing all proposed compensatory agreements to which the DoD will be a party to determine if the agreements comply with the above principles. The findings of this review will be forwarded to the Deputy Secretary of Defense, who has authority to approve compensatory agreements with other nations for the DoD.

The Under Secretary of Defense for Research and Engineering, in coordination with ISA, MRA&L, OGC, DSAA, and the Military Departments, will be responsible for publishing a semiannual report setting forth the status of all existing and proposed compensatory coproduction and offset agreements. Such reports will highlight the US financial obligation and provide other detail as required.



DEPUTY



RESEARCH AND
ENGINEERING

THE UNDER SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

10 NOV 1978

MEMORANDUM FOR UNDER SECRETARY OF THE ARMY
UNDER SECRETARY OF THE NAVY
UNDER SECRETARY OF THE AIR FORCE
DIRECTOR, DEFENSE COMMUNICATIONS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE INTELLIGENCE AGENCY
DIRECTOR, DEFENSE ADVANCED RESEARCH PROJECTS AGENCY

SUBJECT: Access by Foreign Contractors to Technical Information

Memoranda of Understanding (MOU) signed with the United Kingdom, Canada, Germany, France, Italy, the Netherlands, and Norway encourage reciprocal purchases with those countries by facilitating open competition among our domestic industry sources and theirs. Similar MOUs are expected to be signed with other NATO countries in the near future. Offset arrangements with Australia and Switzerland also offer sources in those countries opportunities to compete for DoD business.

One of the obstacles to full effectiveness of these MOUs and offset agreements is the inability of countries to gain access to installations, briefings, conferences, and technical data relating to acquisition programs. Under our National Disclosure Policy, classified military information can be made available to foreign governments and their contractors, provided a need-to-know is established and the necessary clearance is obtained on a case-by-case basis. The authority for granting such access has been delegated to the Military Departments.

Generally, DoD policy is that sources in countries with whom the DoD has MOUs and offsets will be provided access to installations; will be permitted to participate in symposia, conferences, and briefings; may participate in individual contractual actions, including pre-solicitation and pre-award conferences; and will be provided data relating to the above, to the same extent as U.S. sources. Opportunities for foreign contractors to participate in these activities depends upon expedient processing of applications for the necessary clearance, including provision for appeal from adverse rulings. In this connection, the past practice of classifying these types of meetings "NOFORN" is not in conformance with DoD Regulation 5200.1-R and must not be utilized in the future.

Decisions to deny these foreign sources access to installations; participation in symposia, conferences, and briefings; participation in individual contractual actions, including pre-solicitation and pre-award conferences; and data relating to the above, must be made at a level no lower than the office of the Service Under Secretary or Director of a Defense Agency. Deputy Secretary of Defense memorandum of 8 October 1977 subject, "Disclosure of Classified Military Information to NATO Nations," requires advance notification of proposed denials of classified military information related to equipment standardization or interoperability in NATO, that could have a political impact or would preclude major international cooperative research, development, and logistic undertakings. That guidance is applicable to the activities discussed herein.

In any case when it can be established that the expertise residing in firms in these countries is not sufficiently advanced to allow a reasonable expectation of winning a competition or, for any other reason, it does not appear feasible for these foreign sources to compete effectively for a specific acquisition, informal discussions should be initiated with representatives of these countries in the U.S. Often, such discussions will result in agreements that such acquisitions are not suitable prime contract competitive opportunities for such foreign contractors. In such cases, any subcontract opportunities should be identified. Where agreement on such exclusion is reached with the country, no referral to this office is required.

I would like to be provided, within 60 days, a copy of the pertinent policy and procedures of each of your Departments promulgated at headquarters level and at major command level which implement the authority delegated the Departments under the National Disclosure Policy, as well as the additional instructions contained in this memorandum. I am particularly interested that these policies and procedures provide for appropriate notification of acquisition programs to countries with which we have reciprocal purchase MOUs.

William J. Perry



RESEARCH AND
ENGINEERING

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THE UNDER SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

2 FEB 1979

MEMORANDUM FOR UNDER SECRETARIES OF THE MILITARY
DEPARTMENTS
DIRECTOR, DEFENSE COMMUNICATIONS AGENCY
DIRECTOR, DEFENSE LOGISTICS AGENCY
DIRECTOR, DEFENSE INTELLIGENCE AGENCY
DIRECTOR, DEFENSE ADVANCED RESEARCH
PROJECTS AGENCY

SUBJECT: Access by Foreign Contractors to Technical Information

- References: (a) USDRE Memorandum, 10 November 1978, "Access
by Foreign Contractors to Technical Information"
(b) DepSecDef Memorandum, 8 October 1977, "Disclosure
of Classified Military Information to NATO Nations"

This memorandum augments references (a) and (b) and provides additional guidance concerning foreign contractor access to U.S. classified military information (CMI). It is essential that all levels of the Department of Defense responsible for the acquisition of defense equipment understand the intent of these references and of the reciprocal procurement MOUs we have with our NATO allies.

In order to ensure that countries with whom we have reciprocal procurement MOUs and offset arrangements are afforded the opportunity to participate in negotiations leading to the award of contracts, measures must be formulated to assure that they have access to technical information required for such participation. These MOUs and offset arrangements are related to contractual opportunities for equipment, weapons systems, or programs which enhance NATO rationalization, standardization, or interoperability (RSI).

Procedures for disclosure of CMI to foreign governments, which must sponsor their respective contractors, are established as a matter of national policy and are enunciated in the National Disclosure Policy (NDP-1). All releases of CMI will be made in accordance with the NDP-1 procedures and criteria. While there may be instances where

full access to CMI may not be possible under the National Disclosure Policy, the excise of non-releasable information from documents and from conceptual, pre-solicitation, and pre-award presentations is to be effected, whenever possible, to permit foreign participation. In those cases when it is in the best interests of the USG and alliance cooperation, exceptions to the NDP are to be requested.

While it is principally the responsibility of the contractors of each country to seek a market for their products, as well as procurement opportunities in the United States, it is incumbent upon the Military Departments in conjunction with OUSDR&E to develop positive procedures whereby foreign countries with whom we have MOUs and offset arrangements are informed of these opportunities by the Departmental procurement authorities and weapon program sponsors. Procedures must be developed whereby qualified foreign firms can be identified early in the development cycle, in order to address foreign disclosure considerations.

When a military organization in conjunction with an Industrial Association is sponsoring a classified symposium, conference, briefing, or other presentation related to the acquisition process, it is incumbent upon that Military organization to consider and plan for the participation of representatives of foreign industry who hold appropriate security clearances and are not otherwise excluded by the provisions of U.S. National Disclosure Policy.

There is nothing in the references or contained herein that is intended to change the present organizations within your Departments or Agencies which process requests for classified military information and visits. However, denials of CMI which would adversely affect international cooperative research, development and logistic undertakings will be processed in accordance with procedures stated in references (a) and (b).

I would like to be provided copies of the policy and procedures developed by your Department or Agency which implement the guidance contained in the references and herein by a revised date of 15 March 1979.

William J. Terry