

Warehousing and Distribution Agreements

The Department of State is seeking to better publicize to both U.S. and foreign companies the availability and benefit of warehousing and distribution agreements. These agreements can improve efficiency in defense trade via the following mechanism: A single agreement authorizes a U.S. company to export defense articles to a specific company for foreign warehousing and distribution (including U.S. subsidiaries incorporated abroad). The warehousing agreement provides the distributor the authority to re-export these articles to a pre-approved list of countries and end uses.

These agreements enable warehouse distributors to make rapid-turnaround sales of defense articles (generally spare parts) urgently needed by foreign customers approved by the USG. This has the ability to benefit U.S. foreign policy objectives, especially in crisis situations when U.S. allies face unanticipated requirements for spare parts in support of coalition operations. It also supports U.S. industry by facilitating large sales from their stocks. Finally, the warehousing and distribution agreements create a role for foreign companies with specialized knowledge of their regions' supply needs.

Neither U.S. nor foreign companies appear to have fully grasped the potential benefits of these largely under-utilized agreements. The State Department's Office of Defense Trade Controls (ODTC) will provide user-friendly guidelines on the use, construction and requirements for these arrangements.