

Leased Defense Articles

The lease of defense articles can be authorized under the Arms Export Control Act (AECA), Chapter 6, if there are compelling U.S. foreign policy and national security reasons for providing defense articles on a lease rather than a sales basis. Defense articles cannot be leased if they are needed for public use during the period of the lease.

Except for leases entered into for the purposes of cooperative research or development, military exercises or communications or electronics interface projects, the country leasing the defense article(s) must agree to pay, in U.S. dollars, all costs incurred by the United States Government in leasing the article(s). These costs include reimbursement for depreciation of the article(s) while leased. In addition, the country must also pay the cost of restoration or replacement if the article(s) are damaged while leased. If the article(s) is lost or destroyed while leased, the U.S. requires funds to cover the replacement cost (less depreciation, if any) or an amount equal to the actual value (less depreciation) when the article(s) will not be replaced in the U.S. inventory.

The President may waive reimbursement of depreciation for any defense article which has passed three-quarters of its normal service life if the President determines that to do so is important to the national security interests of the United States. In some cases, the President may waive the reimbursement of all lease charges with respect to a lease that is made in exchange with the lessee for a lease on substantially reciprocal terms of defense articles for the Department of Defense. Waivers for depreciation or reciprocity are made before the implementation of the lease agreement.

Leases are conducted for a fixed duration of time not to exceed five years and provide that, at any time during the lease, the U.S. may terminate the lease and require the immediate return of the defense article(s).

Leases Under the Arms Export Control Act Implemented FY 2008

	REPLACEMENT VALUE	TOTAL RENTAL VALUE
<u>East Asia Pacific:</u>		
Singapore	\$747,381.00	\$1,670,099.15
Regional Total	\$747,381.00	\$1,670,099.15
<u>Europe and Eurasia:</u>		
France	\$73,616.34	\$255,332.10
Regional Total	\$73,616.34	\$255,332.10
<u>Western Hemisphere:</u>		
Canada	\$706,691.66	\$7,186,333.66
Regional Total	\$706,691.66	\$7,186,333.66
WORLDWIDE TOTAL	\$1,527,689.00	\$9,111,764.91