

Contents

1.1	Setting the scene	3
1.2	Why the need for this book?	5
1.3	Global offsets obligation and trends	6
1.4	Offsets in international procurement	8
1.5	Key research on offsets	9
1.6	Costs and benefits of offsets	9
1.7	Offsets stakeholders and their views	11
1.8	The need for an offsets framework	15
1.9	Structure of the book	16
2	Key aspects to offsets management	20
2.1	Background	20
2.2	Nonconventional International Trade Financing (NITF)	20
2.3	How have offsets projects evolved?	35
2.4	Origins of offsets	36
2.5	Understanding offsets terminologies	37
2.6	Offsets case study: use of offsets multipliers	43
3	Theoretical underpinning to the study of offsets	45
3.1	Introduction	45
3.2	Technological self-sufficiency leading to independence in defence and security	46

3.3	<i>Industrialisation, or 'take-off'</i>	48
3.4	<i>Reducing the technological gap</i>	50
3.5	<i>Building dynamic capability</i>	52
3.6	<i>Industrialisation through clusters</i>	53
3.7	<i>Sustaining firm competitiveness through technological absorption capability (TAC)</i>	54

PHASE II

59

4 Role of government: offsets strategy and policy formulation: development phase

61

4.1	<i>Background</i>	61
4.2	<i>Role of offsets in international defence procurement</i>	61
4.3	<i>The offsets management cycle (OMC)</i>	63
4.4	<i>Offsets strategy development</i>	64
4.5	<i>Offsets policy formulation</i>	66
4.6	<i>Responsibilities for offsets policy formulation</i>	67
4.7	<i>Determining offsets objectives</i>	67
4.8	<i>Identifying stakeholders</i>	69

5 Role of government in offsets implementation: pre-, during and post-contract phase

72

5.1	<i>Background</i>	72
5.2	<i>Role of offsets management authority (OMO)</i>	72
5.3	<i>Offsets implementation process</i>	74
5.4	<i>Common issues in offsets implementation</i>	84

6 Sellers' offsets strategy and implementation

87

6.1	<i>Background</i>	87
6.2	<i>Sellers' perception of offsets</i>	87
6.3	<i>Essential features of offsets in a company</i>	89
6.4	<i>Sellers' offsets management life cycle</i>	91
6.5	<i>Five forces that influences sellers' successful offsets strategy and delivery</i>	93
6.6	<i>Issues to consider for sellers when managing offsets</i>	96

PHASE III

99

7 Technology, competitiveness and offsets valuation

101

7.1	<i>Background</i>	101
7.2	<i>Defining technology</i>	101

7.3	<i>Elements of transfer of technology in offsets (TOT)</i>	106
7.4	<i>Technology acquisition and offsets – justification for national competitiveness</i>	108
7.5	<i>Technology valuation, process and approach</i>	110
7.6	<i>Critical factors for successful transfer of technology through offsets</i>	114
7.7	<i>Case study</i>	115
8	Transparency in offsets	120
8.1	<i>Is offsets a corrupt practice?</i>	120
8.2	<i>What does Transparency International (TI) say about offsets?</i>	121
8.3	<i>Possible malpractice in offsets dealings</i>	122
8.4	<i>Defence sales and allegations of corrupt practice in offsets</i>	123
8.5	<i>Recommendation on best practices for greater offsets transparency</i>	124
9	Managing offsets risks	129
9.1	<i>Awareness to risk in offsets</i>	129
9.2	<i>Evaluating risks in offsets management life cycle: buyer perspective (offsets obligee)</i>	129
9.3	<i>Evaluating risks in offsets management life cycle: seller perspective (offsets obligor)</i>	134
9.4	<i>Case study</i>	137
10	Conclusion and future of offsets	139
10.1	<i>Offsets is here to stay</i>	139
10.2	<i>Future of offsets</i>	139
<i>References</i>		145
<i>Glossary</i>		172
<i>Index</i>		174