

Publications

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Enhancing Efficiency in Foreign Defense Sales: Key Takeaways from Recent Executive Order

On April 9, 2025, President Trump issued an Executive Order (EO) titled “Reforming Foreign Defense Sales to Improve Speed and Accountability.” This EO aims to reform the foreign defense sales (FDS) system, which encompasses U.S. sales of defense products and services to foreign governments through both Foreign Military Sales (FMS) and Direct Commercial Sales (DCS) by:

- Improving accountability and transparency throughout the FDS system;
- Consolidating parallel decision-making by granting simultaneous certifications and approvals during the FMS process. The current FMS process involves various steps that generally must be completed sequentially. These steps include securing approvals from multiple government agencies for the Letter of Offer and Acceptance, congressional approvals for sales exceeding certain thresholds and export licenses as necessary;
- Reducing rules and regulations involved in the development, execution and monitoring of FDS and transfer cases;
- Increasing government-industry collaboration to achieve cost and schedule efficiencies in the execution of the FMS program;
- Advancing U.S. competitiveness abroad, revitalizing the defense industrial base and lowering unit costs for the U.S. and its allies and partners by integrating exportability features in the design phase, improving financing options for partners and increasing contract flexibility overall.

The EO will follow a phased implementation. The EO immediately directs the Secretary of State (SecState) and the Secretary of Defense (SecDef) to:

- Implement National Security Presidential Memorandum 10 of April 19, 2018 (United States Conventional Arms Transfer Policy) or any successor policy directive;
- Reevaluate restrictions imposed by the Missile Technology Control Regime on Category I items and consider supplying certain partners with specific Category I items, in consultation with the Secretary of Commerce (SecCom);
- Submit a joint letter to Congress proposing an update to statutory congressional certification thresholds of proposed sales under the FMS and DCS programs in the

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Arms Export Control Act (22 U.S.C. 2751 et seq.). SecState is also tasked with working directly with Congress to review congressional notification processes to ensure the timely adjudication of FMS and DCS cases.

Additional key deadlines in the EO include:

- By June 8, 2025, SecState in consultation with SecDef must:
 - Develop a list of priority partners for conventional arms transfers, issue updated guidance to Chiefs of the United States Diplomatic Missions regarding this list and update and reissue the list annually;
 - (1) Develop a list of priority end-items for potential transfer to priority partners, (2) ensure the transfer of priority end-items to priority partners would not cause significant harm to U.S. force readiness and (3) ensure the transfer of priority end-items to priority partners would advance the Trump Administration's goal of strengthening allied burden-sharing.
- By July 8, 2025:
 - SecState and SecDef, in consultation with SecCom, must prepare a plan to (1) improve transparency of U.S. defense sales to foreign partners by developing metrics for accountability, (2) secure exportability as a requirement in the early stages of the acquisition process and (3) consolidate technology security and foreign disclosure approvals.
- By August 7, 2025:
 - SecDef, in collaboration with SecState and SecCom, must prepare a plan to develop a single electronic system to track all DCS export license requests and ongoing FMS efforts throughout the case life cycle.

Potential Impact on Defense Contractors

Once implemented, these actions will simplify the landscape for contractors to sell defense products and services to foreign governments. These changes should lead to increased opportunities for defense contractors as the approval process is expected to be substantially streamlined and the regulatory barriers reduced. Despite some U.S. allied countries seeking to develop in-country defense manufacturing capabilities, the streamlining of the FDS regulations may lead to increased sales opportunities for contractors with offerings that are sought by foreign militaries.

While not called out specifically in the EO, Foreign Military Financing (FMF) is a popular facilitating mechanism for DCS. FMF provides grants and loans to certain foreign governments to purchase U.S. defense products and services. The FMF rules are also likely to be streamlined by the EO. The specific effects of the EO will remain unclear until the agencies' final plans are released. In the meantime, contractors should remain diligent in tracking changes to the FDS approval process.

What Happens Next?

Polsinelli will be closely following movements by the Trump Administration in this area. If your business needs strategic guidance or anticipates potential impacts resulting from the new announcement, contact the authors of this article, Polsinelli's Executive Action Working Group or your Polsinelli contact.