

A Strategy for Firms Facing Offset Obligations: The Case of Maryland

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Abstract—The federal government of the United States does not have an offset policy for procurement. Nor does it intervene in private markets where U.S. firms often face steep offset obligations. Although there have been calls for unilateral government intervention, the U.S. is currently engaged in multilateral discussions with other industrialized nations aimed at reducing or limiting offset bids. The reality in most of the relevant markets—particularly defense—is that buyers command significant bargaining power and multilateral talks are likely to fail. This paper offers another approach for firms (in any country) facing offset requirements. I present a case study from the state of Maryland (USA) that demonstrates how cooperation between local firms and the state government can reduce the offset burden at a surprisingly small marginal cost. The case study provides micro-level data and follows several transactions from the initial negotiation stage through offset fulfillment. The analysis details the costs and benefits of this strategy, and the requirements for such a program to be successfully implemented.