



Center for Strategic and Budgetary Assessments

TESTIMONIES

The Defense Industrial Base: A National Security Imperative

October 24, 2011 | **Barry Watts**

Resources: Strategy & Policy

Chairman Shuster, Mr. Larsen, and Members of the Defense Business Panel, thank you for inviting me to testify at today's hearing on the imperative to preserve essential elements of U.S. defense industrial base.

As you are aware, I and my CSBA colleague Todd Harrison recently published a report on the challenge of sustaining the most critical components of the U.S. defense industrial base (DIB) (<http://www.csbaonline.org/publications/2011/09/sustaining-critical-sectors-of-the-u-s-defense-industrial-base/>). This report focused on the need to develop a coherent, long-term government strategy for sustaining design and production capabilities in a small number (less than ten) of areas critical to meeting the principal challenges to American national security during the next couple decades.

I should point out that our analysis was based on examining major defense acquisition programs and first-tier or "prime" suppliers. We did not delve into lower-tier subcontractors, materials suppliers or the services aspects of the DIB. Nor did we address, as Jacques Gansler has done in his 2011 book, *Democracy's Arsenal*, regulatory constraints affecting the DIB—particularly the International Traffic in Arms Regulations (ITAR) or the "special metals" restrictions in Title 10 of U.S. Code that grew out of the Berry Amendment.

The Nature of the U.S. Defense Industrial Base

Before discussing the prospects for developing a strategy that will preserve the few truly critical elements of America's arsenal, it is important to understand what sort of an economic enterprise the defense industrial base is. In the Department of Defense's September 2011 report to Congress on the defense industry, the Office of Manufacturing & Industrial Base Policy (MIBP) stated that maintaining a "strong, technologically vibrant, and financially successful defense industry is . . . in the national interest." I wholeheartedly agree. As Norm Augustine, the former chief executive officer of Lockheed Martin, has observed, the U.S. defense industry helped to win the Cold War and has produced weaponry and equipment that have been the envy of the world's militaries. I believe that a healthy defense industrial base will continue to be a source of strategic advantage for the United States in the decades ahead.