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Defense Primer: U.S. Defense Industrial Base

The Department of Defense (DOD) relies on a large and complex *defense industrial base* (DIB) for the materials, products, and services that enable the department's warfighting capabilities and business operations.

Defining the Defense Industrial Base

The DIB encompasses all organizations and facilities that provide DOD with materials, products, and services. The composition of the DIB is diverse and includes entities such as small and medium-sized businesses, university laboratories and research centers, and large multinational corporations. DIB functions are similarly varied, ranging from the production of complex platforms unique to the military (e.g., aircraft carriers) and the provision of highly specialized services (e.g., intelligence analysis) to the provision of general commercial products (e.g., laptop computers) and routine services (e.g., information technology support).

Many analysts and experts distinguish between a domestic DIB and a global DIB. The domestic DIB refers to those commercial, nonprofit, and public sector organizations and facilities that provide goods and services to DOD and are located in the United States. According to the National Defense Industrial Association, in 2021 the domestic DIB included nearly 60,000 companies employing approximately 1.1 million individuals. For fiscal year (FY) 2021, DOD reported that the top five domestic recipients of defense contracts were Lockheed Martin (\$39.2 billion), Boeing (\$23.6 billion), Raytheon Technologies (\$21.4 billion), General Dynamics (\$16.9 billion), and Northrop Grumman (\$15 billion).

The global DIB includes commercial and nonprofit organizations located outside the United States, as well as certain facilities operated by foreign governments with which the United States maintains formal defense cooperation partnerships. Together, the domestic DIB and any "persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States, the United Kingdom of Great Britain and Northern Ireland, Australia, New Zealand, and Canada" form the National Technology and Industrial Base (NTIB), as established by Title 10, *U.S. Code*, Section 4801 (for more on the NTIB, see CRS In Focus IF11311, *Defense Primer: The National Technology and Industrial Base*).

Policy Framework

DOD's Role

Subpart I to Part V of Title 10 of the *U.S. Code* addresses policies and planning related to the domestic industrial base and the NTIB. Per Title 10 U.S.C. §4811, the Secretary of Defense must develop a national security strategy for the NTIB that reflects "a prioritized assessment of risks and challenges to the defense supply chain." Per 10 U.S.C.

§133b, the Under Secretary of Defense for Acquisition and Sustainment (USD (A&S)) is responsible for "establishing policies for access to, and maintenance of, the defense industrial base and materials critical to national security, and policies on contract administration."

Assistant Secretary of Defense for Industrial Base Policy

The Assistant Secretary of Defense for Industrial Base Policy (ASD (IBP)) serves as the principal advisor to USD (A&S) on matters related to the DIB, to include conducting assessments and developing policies to maintain industry's ability to meet DOD requirements. Prior to the creation of the ASD (IBP) position by the FY2021 National Defense Authorization Act (NDAA; P.L. 116-283 §903; 10 U.S.C. §138), many of its functions had been carried out by the now-defunct Deputy Assistant Secretary of Defense for Industrial Policy position.

Within the ASD (IBP) organization, the Deputy Assistant Secretary of Defense for Industrial Base Resilience (DASD (IBR)) is responsible for policies and investments to strengthen resilience, while the Deputy Assistant Secretary of Defense for Industrial Base Development & International Engagement (DASD (IBD&IE)) is responsible for conducting engagement and managing partnerships with domestic DIB entities as well as foreign governments and industry. ASD (IBP) also oversees the Office of Small Business Programs, which manages policy, funding, and coordination of programs intended to increase small-business participation in the DIB.

Selected Industrial Base Authorities

Beyond specific contracting processes established by law (and contracting regulations more generally), there are a number of authorities that allow Congress and DOD to exercise stewardship over the DIB, including the following:

Industrial Base Fund

10 U.S.C. §4817 directs the Secretary of Defense to establish an *Industrial Base Fund* (IBF). The IBF is subject to annual appropriations and was established to

- support the monitoring and assessment of the industrial base;
- address critical issues in the industrial base relating to urgent operational needs;
- support efforts to expand the industrial base; and
- address supply chain vulnerabilities.

Defense Production Act (DPA) of 1950

The DPA of 1950, as last reauthorized in 2018, provides the President with a number of authorities that he or she may utilize to influence domestic industry in the interest of

national defense. The authorities most relevant to the DIB are as follows:

- **Title I: Priorities and Allocations**, which allows the President to require persons (including businesses and corporations) to prioritize and accept contracts for materials and services as necessary to promote the national defense.
- **Title III: Expansion of Productive Capacity and Supply**, which allows the President to incentivize the domestic industrial base to expand the production and supply of critical materials and goods. Authorized incentives include direct purchases and purchase commitments. The President may also procure and install equipment in private industrial facilities.
- **Title VII: General Provisions**, which defines salient terms and provides several distinct authorities, including the authority to establish voluntary agreements with private industry and the authority to block proposed or pending foreign corporate mergers, acquisitions, or takeovers that threaten national security, through the Committee on Foreign Investment in the United States (CFIUS).

Manufacturing Technology (ManTech) Program

Established in 1956, the ManTech program (10 U.S.C. §4841) provides funding to accomplish two broad objectives:

1. Cut acquisition and supportability costs and reduce manufacturing timelines by providing centralized guidance and direction to the military departments and the defense agencies and
2. Focus DOD support for the development and application of advanced manufacturing technologies that are essential to national defense.

Per DOD Directive 4200.15, ManTech investments are intended for cases in which industry “cannot or will not commit private funds to establish manufacturing technology and make it available on a timely basis.” ManTech programs are managed by the service secretaries, the Defense Logistics Agency, and the Office of the Secretary of Defense.

Selected Domestic Sourcing Mandates

Congress has passed several domestic sourcing laws, including the following:

- **The Buy American Act of 1933**, which generally requires federal agencies—including DOD—to purchase “domestic end products” and use “domestic construction materials” on contracts exceeding the micro-purchase threshold performed in the United States.
- **The Berry Amendment (10 U.S.C. §4862)**, which requires textiles, clothing, food, stainless steel flatware and dinnerware, and hand or measuring tools purchased by the DOD to be grown, reprocessed, reused, or produced wholly in the United States.
- **The Specialty Metals Clause (10 U.S.C. §4863)**, which requires that any *specialty metals*, defined as certain metal alloys, contained in any aircraft, missile and space

system, ship, tank and automotive item, weapon system, ammunition, or any components thereof, purchased by DOD be melted or produced in the United States.

Issues for Congress

Industry consolidation. According to a 2022 DOD report, the number of U.S. aerospace and defense prime contractors has shrunk from 51 to 5 since the early 1990s. Some analysts and policymakers suggest that this consolidation has harmed the health of the DIB by reducing overall production capacity, limiting competition, and undermining supply chain resilience. Others view the current composition of the DIB as a necessary consequence of both recent defense spending patterns and the complexity of modern weapon systems. Congress may consider measures to diversify the domestic DIB, including increased oversight of mergers, changes to intellectual property provisions in defense contracting, and strengthening incentives for small businesses and new DIB entrants.

Production constraints and surge capacity. Following the 2022 continued Russian invasion of Ukraine, some Members of Congress and others have expressed concern about the ability of the DIB to meet sudden upticks in demand stemming from unexpected geopolitical developments. Much of this attention has focused on munitions production (especially precision-guided munitions such as the Javelin anti-tank weapon), due in large part to high rates of expenditure. Congress may consider measures to increase the capacity of the domestic DIB, including changes to procurement authorities, increased procurement spending and investments in industrial facilities, and direction to DOD to identify alternative sources for particularly constrained products.

Supply chain security and resilience. Many analysts and policymakers argue that U.S. defense supply chains are not resilient or secure enough to meet military requirements. A 2021 White House report found “long-standing vulnerabilities in [U.S.] supply chains,” driven by factors including “insufficient manufacturing capacity,” “misaligned incentives,” other nations’ industrial policies, concentration of global sourcing, and “limited international coordination.” Congress may consider measures to strengthen defense-critical supply chains, including additional investments in domestic suppliers and modifying sourcing requirements.

Other CRS Products

CRS In Focus IF11311, *Defense Primer: The National Technology and Industrial Base*

CRS Report R43767, *The Defense Production Act of 1950: History, Authorities, and Considerations for Congress*

CRS Report R43354, *Domestic Content Restrictions: The Buy American Act and Complementary Provisions of Federal Law*

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