



April 20, 2018

Defense Primer: U.S. Defense Industrial Base

The Department of Defense (DOD) relies on a wide-ranging and complex industrial base for products and services required to support DOD’s stated mission “to provide the military forces needed to deter war and to protect the security of our country.” This *defense industrial base* comprises public-sector (government-owned, government-operated) facilities and private-sector (commercial) companies.

The commercial companies that contract with DOD are diverse and range in size from small businesses to some of the world’s largest corporate enterprises. These commercial companies provide a wide variety of products to DOD, encompassing everything from complex military-unique platforms such as aircraft carriers to common commercial items such as laptop computers, clothing, and food. They also provide a wide variety of services — from routine services (e.g., information technology (IT) support) to highly specialized services (e.g., launching space vehicles). Domestically owned firms and foreign-owned firms that engage in direct investment, hire U.S. workers, and are governed by U.S. laws, are parts of the nation’s defense industrial base.

DOD’s Role

Chapter 148 of Title 10, United States Code (U.S.C.), addresses policies and planning related to the “national technology and industrial base” (NTIB) which it defines as “persons and organizations that are engaged in research, development, production, integration, services, or information technology activities conducted within the United States and Canada.”

Title 10 U.S.C. §2501 requires the Secretary of Defense to develop a national security strategy for the NTIB and directs the strategy to be “based on a prioritized assessment of risks and challenges to the defense supply chain.”

Title 10 U.S.C. §133b assigns specific responsibility for “establishing policies for access to, and maintenance of, the defense industrial base and materials critical to national security, and policies on contract administration” to the Under Secretary of Defense for Acquisition and Sustainment (USD/A&S). The Deputy Assistant Secretary of Defense for Manufacturing and Industrial Base Policy (DASD/MIBP) serves as the principal advisor to the Under Secretary on matters related to the defense industrial base to include establishing policies for access to, and maintenance of, the defense industrial base and materials critical to national security.

Annual NTIB Assessments

Title 10 U.S.C. §2505 requires the Secretary to conduct annual assessments of the NTIB’s capability to attain national security objectives and requires a yearly report to Congress on such assessments (10 U.S.C. §2504). The

assessment includes a description of sectors and capabilities of the NTIB and their underlying infrastructure and processes. In practice, the DASD/MIBP performs the assessment.

In conducting the assessment, the Secretary is required to consider factors such as:

- present and projected financial performance of industries;
- whether DOD acquisition program requirements can be met with current and projected NTIB capacities;
- the degree to which DOD acquisition program requirements can be met with current and projected capacities of—
 - *industries supporting* the sectors or capabilities in the assessment, and the extent to which they are comprised of only one potential source; and
 - *industries not currently supporting* DOD programs, and the barriers to participation of those industries;
- technological and industrial capabilities and processes that may be unable to support the achievement of national security objectives; and
- the effects of the termination of major defense acquisition programs or major automated information system programs in the previous fiscal year.

Additionally, 10 U.S.C. §2505 requires the assessment to examine the extent to which the NTIB depends on items sourced outside the U.S. and Canada and to appraise the extent the NTIB is affected by any foreign boycott.

Selected Industrial Base Authorities

The following discussion surveys selected industrial base authorities that are fundamental to DOD stewardship of the NTIB.

Industrial Base Fund

10 U.S.C. §2508 directs the Secretary of Defense to establish an *Industrial Base Fund* (IBF) that

The IBF is subject to annual appropriations and was established to:

1. Support the monitoring and assessment of the industrial base;
2. Address critical issues in the industrial base relating to urgent operational needs;
3. Support efforts to expand the industrial base; and
4. Address supply chain vulnerabilities.

Defense Production Act (DPA) of 1950

The DPA of 1950, as last reauthorized in 2014, provides the President with a number of authorities which he or she may utilize to influence domestic industry in the interest of national defense. The authorities most relevant to NTIB are:

Title I: Priorities and Allocations— 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 — 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— 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 (MANTEC) Program

Established in 1956 by 10 U.S.C. §2521, the *Manufacturing Technology Program* is intended to further the national security objectives of 10 U.S.C. §2501. The purpose of the program is to (1) reduce equipment acquisition and supportability costs and manufacturing and repair 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. Section 2521 also established the Joint Defense Manufacturing Technology Panel. The panel is responsible for:

1. Conducting comprehensive reviews and assessments of defense-related manufacturing issues being addressed by DOD’s manufacturing technology programs and related activities;
2. Executing strategic planning to identify opportunities for increased cooperation in the development and implementation of technological products and the leveraging of funding for such purposes with the private sector and other government agencies; and
3. Ensuring the integration and coordination of requirements and programs under MANTEC with the Office of the Secretary of Defense and other national-level initiatives.

Domestic Sourcing Mandates

With the aim of protecting American manufacturing and manufacturing jobs associated with the defense industrial base, Congress has passed several domestic sourcing laws, including:

- 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 (typically \$3,500) performed in the United States.
- The *Berry Amendment* (10 U.S.C. §2533a), which requires textiles, clothing, food, 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. §2533b), 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.

Relevant Statute

Title 10, U.S. Code, Chapters 148 and 149

CRS Products

CRS In Focus IF10768, *Defense Primer: Department of Defense Maintenance Depots*, by Lynn M. Williams and Jason A. Purdy

CRS Report R43767, *The Defense Production Act of 1950: History, Authorities, and Considerations for Congress*, by Jared T. Brown and Daniel H. Else

CRS Report R43354, *Domestic Content Restrictions: The Buy American Act and Complementary Provisions of Federal Law*, by David H. Carpenter and Erika K. Lunder

CRS Report R44850, *Buying American: Protecting U.S. Manufacturing Through the Berry and Kissell Amendments*, by Michaela D. Platzer.

CRS Report RL33388, *The Committee on Foreign Investment in the United States (CFIUS)*, by James K. Jackson

Other Resources

Department of Defense, *Manufacturing and Industrial Base Policy (MIBP)*, <http://www.acq.osd.mil/mibp/releases.html>.

Please note: for questions on the Defense Production Act, contact Jared Brown, jbrown@crs.loc.gov, 7-4918. For questions on domestic sourcing mandates, contact Michaela Platzer, mplatzer@crs.loc.gov, 7-5037

Lynn M. Williams, lmwilliams@crs.loc.gov, 7-0569

Heidi M. Peters, hpeters@crs.loc.gov, 7-0702

Jason A. Purdy, jpurdy@crs.loc.gov, 7-5050

IF10548