



National Defense Industrial Strategy (NDIS)

Initial Thoughts

Presented by the IBCWG

at

DMAG meeting 25 January 2024

The NDIS is for a domestic audience

- A strong message that the industrial base is important and that it will require investments (\$\$) to maintain
- The NDIS is linked back to the 2022 National Defense Strategy
- The text repeats the need for “*Allies and Partners*” - appear 1.2 times/page
- Recognition that military strength is tied to industrial strength
 - Signal that industrial base capacity is a form of deterrence
- Meant to guide industrial base policies, engagements, and initiatives over the next 3-5 years
 - COVID, the War in Ukraine, the situation in the Indo-Pacific have shown that the industrial base lacks excess capacity and supply chains have fragilities (sole source suppliers and dependence on adversarial suppliers for things like Rare Earth Elements & Critical Minerals)
- You can't see the forest for all the trees!

The NDIS is for a domestic audience

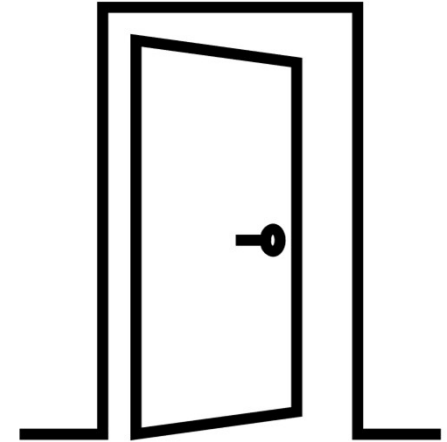
- The NDIS focusses heavily on bolstering domestic production including:
 - “expanding foreign defense company production within the United States”;
 - “reducing barriers to entry for [US] small and medium-sized business”; and
 - increasing Foreign Military Sales (FMS) “to achieve economies of scale by sharing some of the burden of acquisition and sustainment”. (see slide 6)

Challenges to overcome

- Document recognizes the challenges:
 - DoD is a difficult customer
 - Unstable/inadequate demand signals
 - Budget uncertainty
 - A shortage of skilled workers
 - Lack of domestic manufacturing capacity
 - Not sufficiently leveraging dual-use technology

These challenges have existed for decades despite previous efforts and initiatives to overcome them.

NDIS opens for Allies and Partners



- The door has been opened to allies and partners
 - We will have to work hard to get in...
 - We as allies and partners can help...
- The US wants to engage allies to increase the number of Security of Supply Arrangements (SOSA)
- The NDIS could be read as asking only for more domestic contest
 - or -
- As a way to reduce PRC influence together with the allies and partners

FMS

- The US want visibility and understanding of ally and partner capability requirements into acquisition and contracting guidance – in part to expanding US domestic production capacity.
- The nations want fast and predictable deliveries
- Changes to the FMS system should be done in dialogue with the nations
- DMAG should support this with a panel



Changes to export control are key to implement the NDIS to better align with Allies and Partners

- Nothing specific in the NDIS about this
- The US desire to control technology need to be reviewed and focus more on coalition interoperability
- Example: help and encourage the nations with the same equipment to cooperate

F-35 Nations Northern Europe



Standardization

- The US recognizes standardization and interoperability with allies and partners are crucial elements.
- The US will seek to lead the development of international standards.
- US driven standards could be used to block foreign industries.
- Important that EU & NATO get together

Intellectual Property (IP)

Difficult topic that might have huge
impact in the way the USG does
business and the shape of the industrial
base



There is likely an impact for

Foreign nations

The large OEMs

The nations supply chains

- Many nations have the same type of issues as the NDIS describes
- Nations need to consider their supply chains for:
research/development, procurement/acquisition, and sustainment.
- It is good if the allies and partners can present more problems, i.e. different types of equipment, for the adversary – only one product/system is more vulnerable
- “Not ground the whole fleet” – Interoperability of a same/similar fleet presents risks

Fight for the limited pool of skilled people

- Concern related to DoD's own organizations
- Concern for the US Defense Industrial Base
- Concern equally for allied nations and partners
- Concern for all skill levels from mechanics to PhD's

If unresolved:

- Understaffed organizations with increasing administrative delays
- Declining skill level in development and problem solving
- Higher risks for weapon system availability, reliability and mission capability
- Intensified headhunting

Considerations

- The DIB will require continual focus across successive administrations; not just the three-to-five-year horizon of the NDIS.
- The NDIS will require funding decisions within DoD and ultimately the support of Congress through authorizations and appropriations.
 - Every funding decision to support the defense industrial base will have an opportunity cost such as funding ongoing and contingency operations, capability development, and R&D.

To be continued ...

*ASD IBP Taylor-Kale commented that the NDIS is “**meant to really outline a strategic vision**” that encourages Congress and the administration to “**to explore all avenues that are possible.**”*

- The US Government will present implementation plan for the NDIS
 - February – unclassified
 - March – classified
- The document covers the desired end states and approaches but does not get into specifics.
 - Will the implementation plan remedy the lack of specificity?
- Many of the approaches mentioned in the NDIS are based on ongoing efforts.
 - Will the implementation plan elaborate how they will improve currently used approaches?
 - Will the implementation plan contain new approaches?
- The EU will present an Defence Industrial Strategy in the near future
- The IBCWG will continue to work on this topic