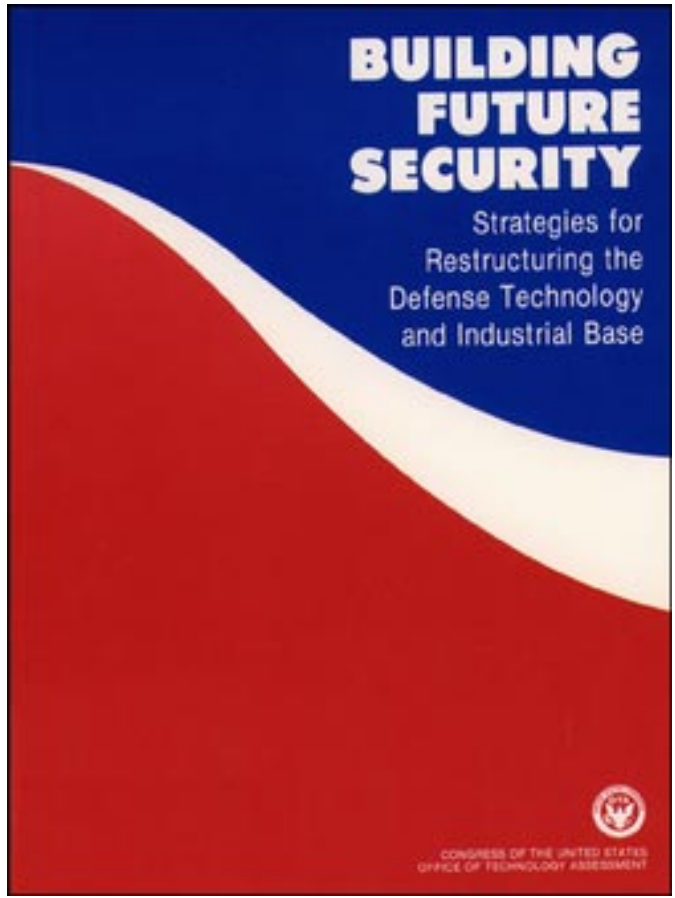
Building Future Security: Strategies for Restructuring the Defense Technology and Industrial Base

June 1992

OTA-ISC-530
NTIS order #PB92-208156



Recommended Citation:

U.S. Congress, Office of Technology Assessment, *Building Future zSecuri :y,* OTA-ISC-530 (Washington, DC: U.S. Government Printing Office, June 1992).

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Superintendent of Doc (1111(11(. Mail Stop SSOP \\ ashington D(20402 9 {2K
I SBN O-1 6-037975-x

Foreword

The collapse of the Soviet military threat holds out the prospect of a ‘‘peace dividend” in the form of a smaller and less costly defense establishment. But despite the end of the cold war, the United States still faces existing and emerging security threats, including the rise of regional powers, the proliferation of advanced conventional military technologies and weapons of mass destruction, and the possibility of a renewed global military threat in the distant future. The Nation will therefore continue to need a robust defense technology and industrial base (DTIB) that can develop, produce, and support appropriate military systems in peacetime and respond to additional military requirements in crisis or war.

Building Future Security, the final report of OTA’s assessment of the U.S. defense technology and industrial base (DTIB), discusses strategies for moving to a smaller and more efficient DTIB over the next decade and maintaining that base in the future. It complements OTA’s earlier report, *Redesigning Defense,* which developed a framework for analysis of future defense needs, postulated some desirable characteristics of the ***future*** DTIB, and outlined some broad strategic choices that will affect the future base. This framework provided the starting point for the current report, which assesses some specific policy options for restructuring the DTIB.

The principal finding of *Building Future Security* is that while powerful bureaucratic, economic, and political interests favor a proportional downsizing of the DTIB in which a maximum number of current firms or organizations would survive (albeit smaller and perhaps weaker), this approach would not best serve the Nation’s defense needs. Instead, if these needs are to be met, *the anticipated cuts in defense spending will require a fundamental restructuring of the DTIB to 1) reallocate resources from short-term military capabilities to long-term military potential, and 2) exploit the synergies that can result* ***from*** *a closer integration of the R&D, production, and maintenance elements of the base.*

For example, the future DTIB might seek to integrate R&D and production through a ‘‘prototyping-plus’ strategy that involves the continuous development and limited production of selected prototypes during the periods between full production programs. Defense manufacturing might be maintained through some combination of low-rate production, greater integration of the civil and military industrial bases, and changes in procurement of spare parts and maintenance services. It is clear that future managers of the DTIB will need a better understanding of all elements of the base and should seek to enhance the strength of the entire base rather than a single element.

In undertaking this assessment, OTA sought information and advice from a broad spectrum of knowledgeable individuals and organizations whose contributions are gratefully acknowledged. As with all OTA studies, the content of this report is the sole responsibility of the Office of Technology Assessment and does not necessarily represent the views of our advisers and reviewers.

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NOTE: OTA appreciates and is grateful for the valuable assistance and thoughtful critiques provided by the advisory panel members, The panel does not, however, necessarily approve, disapprove, or endorse this report. OTA assumes full responsibility for the report and the accuracy of its contents.

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