

## Overview

This background paper outlines some of the difficult strategic issues that face the Nation as it seeks to maintain an adequate defense technology and industrial capability at a time of rapid, worldwide political, military and economic change. The defense technology and industrial base can be broadly defined as the combination of people, institutions, technological know-how, and production capacity used to develop, manufacture, and maintain the weapons and supporting equipment needed to achieve our national security objectives.

The recent diminution of the Soviet/Warsaw Pact military threat appears to offer the opportunity for significant reductions in the resources the Nation must allocate to national security, and the conversion of some portion of the U.S. defense technology and industrial base to nondefense activities. At the same time, Operation Desert Storm and the uncertain path of political reform in the Soviet Union highlight the need to preserve a base capable of supporting diverse U.S. national security objectives. Significant cuts in active forces, resulting in smaller inventories of military equipment and consumables, could increase the need for a rapid industrial response capability in a future crisis. A poorly managed industrial transition could make both the maintenance of capable smaller forces, and an industrial response to a crisis, difficult.

Despite the more than two thousand billion dollars spent on defense over the past decade and the impressive preliminary results of the high-technology weapon systems employed in the Gulf War, the current defense technology and industrial base has a number of serious weaknesses that could reduce its capacity to either develop and produce new weapon systems or to sustain U.S. forces in a future conflict. Cuts in defense spending since 1985 have faced many defense contractors with serious financial difficulties, causing them to downsize facilities, reduce investment in new technology and physical plant, eliminate critical personnel, and diversify

into nondefense areas. In addition, the relative erosion of U.S. technological superiority in both the defense and civilian sectors has increased the Nation's dependence on foreign sources of supply, while weapons acquisition programs have been plagued with cost overruns and inadequate quality control. These weaknesses could have serious implications for U.S. national security. To deal with them and guide the future use of the Nation's base requires the development of a long-term defense technology and industrial strategy linked to operational military plans and broad national security objectives.

In planning for the future defense technology and industrial base, the Nation faces three critical tasks. The first is to determine the *size and nature* of the future base. The challenge is not only to downsize current capabilities to meet anticipated budget reductions, but to anticipate future weapons development needs and determine how best to utilize military and civilian scientific and technological capabilities, both foreign and domestic, to build the weapons required. The second task is how to *time* changes in the base, since it is far more difficult to reconstitute a technological or industrial capability than to reconstitute military forces whose equipment and source of supply remains intact. The challenge will be to match prudence in such reductions with the imperative to keep Federal expenses under control. The third task will be to reconsider the *overall organization, planning, and guidance* of the base. Maintaining an adequate future base will require the revision of laws, regulations, and administrative guidance developed to facilitate access and to control costs during a period of rapid defense industrial expansion. With careful planning, the United States can devise and retain a scaled-down defense technology and industrial base that will support our national security objectives into the next century. The changes required to move to a new base will be extensive, however, and will take vision, time, and effort to implement.