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OFFICE OF TECHNOLOGY ASSESSMENT
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DEFENSE TECHNOLOGY AND INDUSTRIAL BASE NEEDS NEW STRUCTURE

The capacity of the U.S. defense technology and industrial base (DTIB) to provide defense goods and services currently exceeds foreseeable national security requirements because of the reduced military threat and the large inventory of military materiel on hand, says the congressional Office of Technology Assessment (OTA) in a report released today. Without a fundamental restructuring of the DTIB, however, anticipated cuts in the defense budget of a third to a half over the next decade could impair the ability of the base to meet future national security needs. Thus, says OTA, the Nation requires a comprehensive strategy for downsizing the DTIB while preserving the core capabilities essential for the development, production, and maintenance of major weapons and defense equipment.

The OTA report, *Building Future Security: Strategies for Restructuring the U.S. Defense Technology and Industrial Base*, elaborates on the findings of earlier OTA publications that described desirable characteristics of the future DTIB and examines in greater detail the specific policy choices that the Nation will face over the next decade.

The structural changes in the DTIB described by OTA require a shift in thinking about what constitutes national security and the role of science and industry in maintaining it. This new paradigm will rest on a willingness to purchase knowledge rather than hardware in many cases, says OTA. Military potential in the form of economic and technological strength takes on added importance during period of reduced military threats. Thus, OTA finds that the Pentagon will need to focus on developing new capabilities that only sometimes take the form of new system deployments.

Although powerful military, economic, and political interests support downsizing the DTIB in a manner that allows the maximum number of current firms and organizations to survive, albeit reduced in size, such a "proportional downsizing" would not best support the Nation's future defense needs, says OTA. Required is a restructured base with a new allocation of resources among its three main elements: R&D, production, and maintenance. The waning major military threat and large weapons inventories allow a relative shift toward R&D -- emphasizing future potential over current forces. Also necessary is an integrated management approach that aims to achieve the best use of resources for the base as a whole, rather than the individual elements.

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. But a strong future defense production base is also essential. It should be designed to produce weapons and military equipment efficiently in peacetime; be responsive to increased equipment needs in a regional crisis or war; and be capable of greatly expanding production ("mobilization") in a timely fashion if a large global military threat emerges. Defense manufacturing might be maintained through some combination of low-rate production, greater integration of the civil and military industrial bases, and increased private-sector involvement in procurement of spare parts and maintenance services. Prototyping-plus and innovative steps to retain production could provide U.S. forces with a steady flow of materiel while preserving design and manufacturing skills, facilities, and equipment that might otherwise atrophy.

Peacetime production efficiency would be enhanced by lowering barriers between defense and civilian production, says OTA. These barriers -- including special accounting requirements for defense products and stringent military specifications and standards -- were created to safeguard public funds and ensure quality. But, says OTA, they also increase defense acquisition costs, place extra burdens on

defense companies seeking to diversify into the civil sector, deter leading-edge commercial firms from participating in defense work, and obstruct the flow of technology between the two sectors.

The OTA report was requested by the House Committee on Government Operations and its Subcommittee on Commerce, Consumer and Monetary Affairs; the Subcommittee on Defense Industry and Technology of the Senate Committee on Armed Services; and the Senate Committees on Labor and Human Resources; Commerce, Science and Transportation; and Foreign Relations.

Those interested in obtaining a copy of the page proofs may contact OTA. Printed copies will be available in mid-July.

OTA is a nonpartisan analytical agency that serves the U.S. Congress. Its purpose is to aid Congress in dealing with the complex and often highly technical issues that confront our society.

CONGRESSIONAL QUOTE

Senator Edward M. Kennedy (D-MA), OTA Board Member

"The end of the Cold War entails an economic restructuring more extensive than anything experienced since the end of World War II. As part of that restructuring, it is essential that we reorient the nation's defense technology/industrial base toward America's future security needs. In calling for a fundamental reallocation of resources from short-term military capabilities to long-term military potential, OTA delineates the principal policy options available to Congress. I urge all of my colleagues to study these options intently as we chart the future course of the nation's defense effort."

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