

Center for Strategic and International Studies

TRANSCRIPT

Event

“Global Security Forum 2023: Transatlantic Defense”

Panel 3: Opportunities for Defense Collaboration

DATE

Wednesday, April 5, 2023 at 1:45 p.m. ET

FEATURING

Ellen Lord

Former Under Secretary of Defense for Acquisition and Sustainment

William J. Lynn III

CEO, Leonardo DRS; Former U.S. Deputy Secretary of Defense

Deborah G. Rosenblum

Assistant Secretary of Defense for Nuclear, Chemical, and Biological Defense Programs (ASD(NCB)), and Performing the Duties of Assistant Secretary of Defense for Industrial Base Policy (ASD(IBP))

CSIS EXPERTS

Cynthia Cook

Senior Fellow and Director, Defense-Industrial Initiatives Group, CSIS

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Senior Vice President; Harold Brown Chair; Director, International Security Program, CSIS

Transcript By

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Seth G. Jones: Welcome, everybody, to the final panel, and we've been building all day to the discussion we're about to have. We started off this morning with a discussion on the landscape in Europe, with the Russian invasion of Ukraine. We've worked through issues related to the views coming from the Joint Staff with the vice chairman.

Then we worked through issues related to European defense challenges and opportunities, including perspectives from some of our European general officers in France and Germany.

And now we will conclude on what has become an interestingly lively topic, that is, the state of the industrial base, and as someone who is a defense strategist for even me to be weighing in on Defense Industrial Base issues most people that are weighing in are not necessarily experts, which is what we have here, but it has become a topic du jour, probably partly based on the war in Ukraine, the stockpiles.

But really appreciate, folks. As a reminder to those that want to ask questions, Dr. Cook has an iPad on her. So those online please ask your questions on the website and she can pull those up. For those in the room just use the QR code at your table and she'll be able to pull those up as well.

So with that, again, we will shift to the industrial base and I will hand this over to the head of our defense industrial initiatives group, Dr. Cynthia Cook.

Thanks, Cynthia.

Cynthia Cook: Thank you, Seth.

So we've had a very interesting day so far talking about many of the challenges that are being faced by Ukraine, by Europe. The goal of this panel is to move to the next step beyond understanding the challenge to implementing change and finding solutions.

We have three outstanding panelists here, each of whom has had experience with – in very senior levels of the government and in very senior levels of industry.

So I'm very, very pleased to be able to introduce first on my left the assistant secretary of defense for nuclear, chemical, and biological defense programs, the Honorable Deborah Rosenblum, and in addition Ms. Rosenblum is currently performing the duties of the assistant secretary of defense for industrial base policy, a very timely topic. She has also served

in a variety of senior positions in the Department of Defense and spent seven years as a vice president of the Cohen Group.

To her left I am very honored to welcome the Honorable Ellen Lord, who served as the undersecretary of defense for acquisition and sustainment in the previous administration where she developed the very innovative adaptive acquisition framework. Before working in the Pentagon Ms. Lord was the chief executive officer of Textron Systems and she currently serves as a senior adviser to a wide variety of firms and institutions, and is also the vice chairman of the Commission on Planning, Programming, Budgeting, and Execution Reform. So thank you for that.

Finally, we have the Honorable Bill Lynn, who has had an extensive career in the national security space. While in government Mr. Lynn served two presidents and five secretaries of defense. But we always like to point to people who began their careers at CSIS. So he was here a number of decades ago before becoming the comptroller of the Department of Defense in '97 and the DepSecDef in 2009, and Mr. Lynn currently serves as the chief executive officer of Leonardo DRS.

So thank you, all three, for coming and participating in this discussion this afternoon, and I'm really excited to hear what you have to say about solutions to the industrial base challenges.

So, as Seth mentioned, we are taking audience questions but I have started off with a couple of big picture questions that I'd like to get your perspective on and the first one is a broad one and I'd like to hear from all the panelists.

What are the main opportunities for collaboration amongst transatlantic defense companies? What are the barriers and how can they be overcome? How can we work together both in the U.S. and with our European allies and partners to meet the demand?

Deborah G.
Rosenblum:

So why don't I kick us off just with few opening remarks with regard to that and then turn it over to my fellow panelists?

You know, there has always been collaboration as it relates to the defense industrial base between the U.S. and our allies. I think what we're seeing now is that work being challenged to move in completely different ways and in different areas, and that's true both in terms of within NATO and within the NATO context as well as outside of NATO. And we're seeing it in other areas like AUKUS. It's not just what's been front and center in terms of Ukraine.

And what I'll do is let me hand it over to Ms. Lord before we get into what some of the challenges are.

Ellen Lord: OK. Thank you.

So I believe constructive collaboration comes with focus, and we need to pick a few things and work on them. Typically in some of these large forums like NATO and so forth, we talk at such a high level that we never actually get right down to it. So just a few things.

We all know that technology is being imported from the commercial sector for national security needs. I would suggest that we need to take all of the artificial intelligence and machine learning out there and apply that to illuminating our supply chains. So we could collaborate with allies and partners to understand where we are sole sourced on certain critical items, where we have non-partners, non-allies supplying us, and we could pool that and start divvying up the work to get it done. But it has to be data-driven, and I think that's sometimes what we forget in these transatlantic or just global collaborations. Data, information, knowledge; we have to have a fact base.

And I have lots to say, but I'll stop there and pass it to Bill.

William J.
Lynn III: Thanks. Thanks, Ellen,

Let me step back, maybe, and talk about a framework to think about this. When you're talking about defense cooperation across the Atlantic, I think you're trying to achieve four objectives, and they're pretty straightforward.

One is you're trying to increase capacity. You want more military formations, more mass to be able to deal with the threats – not just Russia, but out-of-area threats as well.

You're also trying to, you know, secondly, increase capability. You want the best technology for our forces. And the best way to get – to source technology is going to be internationally, use our allies. U.S. has great technology, but not all of it. And I think so that cooperation can lead to capability.

Third – and I think it has really been – risen to the top now with Ukraine – is you want depth. You need to be able to have the, you know, munitions, precision-guided or otherwise. You need to be able to replace equipment. So you're looking for a depth in that industrial base that, again, you can look to that cross-Atlantic cooperation.

And then, finally, you're looking for cost efficiency. How do you do things at a scale that's going to bring the costs down?

There's, I think, only really two paths to get those four things.

One is specialization. You can – you can decide one country's going to build infantry fighting vehicles, a different one is going to do munitions, a different one still is going to do aircraft, or you can share it across a couple. But you don't really want 32 different aircraft. You don't want, you know, 32 different infantry fighting vehicles. And we're closer to that than we'd like to be. It's not 32, but there's a lot. And so specialization is, I think, the most difficult politically because it's the most obvious way to efficiency in particular, but the political directives for both jobs and having the technology within your own – within your own base, the engineering base. All countries want some portion of that, so that's a significant barrier to specialization.

The easier path, the other path, is collaboration. I mean, you're seeing it now. There's two European fighters being developed and one of them is European-Japanese. But we've collaborated on the F-35. We've had, you know, different places where you at least move the production to different countries.

But I think that it's how do we leverage those two paths – collaboration and specialization – to achieve the four goals of capability, capacity, depth, and efficiency. And I think everything else is just moving things around. There are barriers to achieving it, there are ways to overcome the barriers, but you can't ignore them.

Ms.
Rosenblum:

You know, one thing I would also add in listening to what has just been said is we're also in a period with our allies of getting back to basics. And what I mean by that is some of the assumptions that we had previously in terms of understanding what was in supplier bases, understanding what it would take to increase production and expand production, and just as we in the U.S. are going through a real trying to understand what's there in the tiers below the primes, our allies are doing the same. And we're having a lot of success in terms of collaborating on just basically understanding what we have and where some of the obstacles are to improving that.

And so it's a time where we are being forced to innovate, to get things quickly into Ukraine, to get things more quickly into other places. But we're also taking a step or two back to say, OK, fundamentally, how are we doing? Where are there areas where we can better collaborate with industry to get rid of some of the obsolescence, to make some of those key

investments in defense? And our allies are really looking to what the U.S. is doing on this front and is working with us together in order to do that.

Ms. Lord: I would say one of the barriers to collaboration is an understanding within the global industrial base as to what the demand cycle is or with the demand signal. So we here in the U.S. have the National Security Strategy flowed down to the National Defense Strategy flowed down to defense planning guidance. But that's typically classified. And then it's somewhat unclear what government is saying we're going to buy and not buy. And then when we have the budget cycles of one-year budgets, yet the planning programming budgeting and execution cycle has to start way before that, it introduces a lot of churn.

So if you own a business, whether it's a privately held company or a publicly held company, you need a clear demand signal over multiple years to allow you to invest your discretionary funds in capital equipment, tooling, whatever it might be, to drive that capacity and capability. However, we in the U.S. have gotten away from funding any surge capacity whatsoever. So even before Russia invaded the Ukraine, we had some challenges in terms of forward-deploying all different types of systems and making tradeoffs in what would be used. Now it's gotten even more difficult.

So I go back to this focus, focus, focus. We need to pick a couple of things and have a clear demand signal and get the contracts flowing. Doing research and engineering doesn't build capability and capacity. Putting contracts on the street, that builds capacity. And I think we need to start practicing collaboration with our partners and allies by putting those contracts out and perhaps pooling that demand signal, just like it's done at NATO right now.

And one of the barriers to this is a bit of confusion between what the EU's doing and what NATO's doing and whether or not those two things are mutually supportive or not. And then we also don't always look to Australia, who has a lot of capital and a lot of internal desire to build capacity and capability, but we tend to get a little hung up between our military and political side in terms of generating a demand signal that they can then address.

So I think we need to be clear and we need to have the intestinal fortitude, like we did in the last approps bill, of having some multiyear here. And we have to accept we're going to take away some of that future decision space in order to make it clear to business what is out there. And then there'll be investment, and then I think we can all work together.

Dr. Cook: How do we make sure that this inflection point is sustained? It's not going to help industry if it's just a one- or two-year, hey, we need lots of munitions, and they build up the capacity and then in five years they have these plants around that aren't being used and that are increasing their costs and making it harder to compete for other contracts. How do we balance what we need now with this future where we may or may not need –

Ms. Lord: Yeah. I'll stop in with one thing and then hand it off. I'd say, we have to realize in the defense industrial base that the government is not developing most of our technology these days. Whether that be manufacturing technology, or research and engineering, developing new things other than, yes, nuclear energy and hypersonic weapons, where it's, you know, low demand in terms of numbers but highly difficult to do. And we have to figure out that we can build manufacturing facilities that are interchangeable in terms of what you put in them. And it's a design for manufacturability, a design for flexibility. So I think we need to think forward about how you design those facilities so that you can quickly change out end of arm tooling on equipment and think a little bit more broadly. Commercial industry has done this. We don't always do this in the defense industry.

Dr. Cook: So, Deborah, what your perspectives on that? How can you encourage or invest in industry so that they are building this innovation capacity versus building capacity for yesterday's weapons?

Ms. Rosenblum: So, you know, it's really a combination of two discrete areas. One is there is – some of the foundational investments that we're making. In fact, the irony of this is not lost on us when the Department of Defense put out a report the day that Russia invaded Ukraine on what we fundamentally need to be doing with our defense industrial base. And those are things with regards to onshoring. Those are things with regards to working with allies and partners in areas where we have common purposes around rare earths, critical materials, things like that.

But then it's also a matter of taking the big lessons learned that we're learning in real time with the Ukraine experience, and before that with COVID, and trying to put things in place that have more systemic, long-lasting impacts. And, Ellen, you had mentioned multiyear. That's a very good example of that. I think the feast and famine approach that we've taken historically to munitions or other key elements – you know, in space we are – you know, across the board, be it government, be it industry, understand that that is not an approach that is going to serve us well over the longer term. And so it's looking at the authorities we have and saying: How can we maximize some of these?

Ms. Lord: Just one detail there, because I can't help myself. There is so much urban legend around multiyears because things are in statute. Things are in policy. And then people believe that certain things are policy. And when I was in the building, again, just a soda pipe – a soda straw in terms of when I was there – I heard over and over again, oh, the Hill will not allow us to do multiyears. That is totally untrue. There is no aversion on the Hill to multiyears. It was a concern in the building going through the staffing process about that. And it's realistic. It's decision space. But part of what we have to do I think to contract effectively and work with others is understand what statutory, what policy authority we have, and how to put implementation guidance in place so that the individuals who re contracting and program managing and so forth understand the art of the possible.

Ms. Rosenblum: To that point, you know, we have found certainly over the past two years, there really has been bipartisan support on Congress for a lot of the things that we have come forward to ask in terms of greater flexibility not just on the acquisition side but fundamental investments that we're making in the defense-industrial base. And so it's not presupposing, but it's just asking and, you know, explaining the logic.

Mr. Lynn: But the key to multiyears is multiyear funding stability. In other words, you have to be able to predict the amount of money. As a former comptroller, if the – if the budget goes down significantly in a year or over a couple of years, always the easiest thing to change is the production rate. You can't change the force structure overnight. You're not going to pay the troops less. You don't want readiness to go down. What can you do? You can buy fewer end items. There's an inefficiency in that, but otherwise it's very doable. And so if you put multiyears in place, you take away that flexibility. I think that's what Ellen's saying. So what you have to have is a world where you're not going to need that flexibility, where you're going to have a predictable budget to within at least some parameters. If you don't have that, it makes multiyears much, much harder.

Ms. Lord: And perhaps that is a demand signal to look a little bit more closely at what we have for requests for, you know, FMS and DCS cases and, perhaps, try to work those through NSC, State Department, Congress a little bit more quickly because I don't believe often enough we're making the point that our economic security and our national security are incredibly intertwined.

I mean, CSIS has done great studies. Kath Hicks did on gray zone warfare and so forth. This has been going on for a while. So economic stability in

terms of having that predictability to be able to build the capacity, I think, is really key.

Dr. Cook: So picking up on that stability point, senior leaders have gone on record, including Dr. LaPlante, Dr. Roper, Secretary Kendall, as saying that munitions have frequently been bill payers as services balance their budget.

You know, there's no single congressperson who says no, no, don't cut munitions, and since they're so separable you can cut a hundred and fifty-seven and make up a hole in another program, and then they don't get made up the next year. The next year the same thing happens and then the gap just increase.

One of the things multi years can do is sort of try to put a stop to that, at least in the short term, so that services don't use munitions to – you know, they don't accept risk in munitions in favor of something else.

Is that – I mean, is that a way of addressing the munitions challenges that we're facing today? Are there other ways of doing this?

Mr. Lynn: It's one way, and I think, though, that – I think what you're really highlighting is I think we underappreciated the value of munitions stocks and so people thought this was a lower priority. When you're cutting the budget you've got lower priority. I think it's really a realignment of the priorities. There is a cost to this. I mean, you're going to have to give – you know, the top line probably isn't going up because of this.

Dr. Cook: No.

Mr. Lynn: So you're going to have to give something else up and you're going to have to put that surge capacity higher on your list than it has been in the past. I think that's one of the major impacts of Ukraine is that we realize that we underappreciated the value of the stocks of the surge capacity. And it isn't – well, nobody thought it was a free move, but people thought it was a lower-priority item.

Ms. Lord: Well, for a while we were, you know, thinking it was all from the sky or from the sea, right, and so munitions were a bit devalued. So I'd say another lens we need to have here as we think about future planning and programming and budgeting is that a lot of our major weapon systems are beginning to be bifurcated into hardware and software, and the hardware – a ship, an aircraft, and so forth – is becoming a little bit more the commodity and it's the software -

Dr. Cook: Absolutely.

Ms. Lord: – that’s being upgraded on a routine basis. So these systems are hardware enabled but they’re software defined, and perhaps we need to think a little bit more about munitions and guided weapons where, frankly, there’s a lot of metal and so forth that goes in those that you can’t get around it.

So how can we sort of rethink our capability, if you will, through software and hardware and begin to look at the type of fight we have, and we know there are a lot of different types.

Mr. Lynn: I think the type of fight is key. I think we’ve been – I don’t want to say trapped – we’ve been heavily influenced by a couple of paradigms that are changing.

One is – and remember, Desert Storm was at 96 hours and so we thought we just needed enough to take somebody down in 96 hours, which worked fine for that particular scenario and then the next – for the next 20 years, really, the scenario has been dominated by counterinsurgency, which is – requires a lot but it’s a different kind of requirement.

It’s very different than what we’re seeing in Ukraine with a large-scale ground warfare over a period – a longer period of time and then we’re kind of imagining in the Pacific not quite the same fight but the same kind of duration anyway.

That’s changing your requirements from what we were thinking about from, you know, kind of ’90 to 2011, 2015, and we have to shift our industrial thinking as well as our strategic thinking to back that up.

Ms.
Rosenblum: And I think it’s also maintaining, as you just articulated, the discipline. So we now have, you know, the National Defense Strategy of ’22 building very much on what was outlined in ’18 with the singular focus on China and then, of course, the acute threat we’re facing right now with Russia. But it’s for the building to maintain the discipline that it’s not enough just to have the strategy, but it’s the capacity to execute on that strategy that needs to be developed. And I think that is something that we are absolutely seeing in the Ukraine crisis in terms of within DOD is that those that focus on, OK, if we draw down X amount of stocks for the Ukrainians, what are the implications, over what time period? What will that do when we think about China? What will that do when we think about our allies and partners and support that we provide to them from an extended deterrence perspective? And it’s maintaining the discipline of having the resources, and the capabilities aligned with the strategy.

Ms. Lord: So I think, Cynthia, there's another piece here that we haven't talked about yet that's really important. We are always going to be constrained in terms of what we can do in the U.S. from a manufacturing point of view. A much easier, faster lift, potentially, is to tackle those tough NSC, State Department, congressional issues in terms of technology release. Because we obviously have allies and partners that want to produce, for a variety of reasons. And these are challenging questions in terms of what do we release and what do we not?

Because, obviously, we do not want technology falling into adversaries' hands. However, we have a conundrum here, because we have a finite capacity and we've got to figure out how to do it. I personally don't think there's enough focus on looking at ITAR and where we can move the needle. Again, a lot of discussion, not a whole lot of action, because these are tough choices. But I think Ukraine has shown us that we have to face these issues and come up with something that's workable, both from a U.S. industry point of view.

There are many companies that would love to sell to a variety of countries. And it's held up for a variety of reasons. Most very good reasons, but it's held up. And we do not do the technology transfer to allow actual manufacturing indigenously in whatever the countries might be. I think it's time that we have to get the political side and the military side together and really talk about that, so that we can rationalize it in a way that links budget to strategy, because we only have so much budget. We have a big strategy. We need more focus, in my opinion, on our technology transfer policies.

Ms. Rosenblum: And from the beginning – I agree with that wholeheartedly. And having the issues around exportability being dealt with upfront and not later in the process, where all of a sudden you're, like, wish we'd thought about that before.

Ms. Lord: And it's a whole-of-government issue. So you've got to bring State, Commerce, you know, DOD, USTR – bring everybody to the table in an interagency way, which is, you know, always challenging and can be a significant emotional event quite often. (Laughter.) But, you know, I think we need the leadership to push that through.

Dr. Cook: So I love this panel because not only are you asking each other questions that I have, but you're also raising questions that the audience has put in too. So one of the questions we've gotten has been: How can we fix ITAR? Do we need a top-to-bottom ITAR reform? Can we come up with, like, the adaptive acquisition framework for ITAR, where there's different pathways? What's the innovation look like?

Mr. Lord: I think everybody tries to solve world peace all at once, you know? It's got to be crawl, walk, run. Let's look at what the demand signal is right now in terms of really having the inventories for our OPLANs, and being interoperable with allies and partners. And let's look at what the five top, you know, weapons systems are. Let's go just work those. And so let's practice the behavior. Have a use case. Because I think often we talk in generalities that no one can wrap their brain around. And we need a use case to actually work it through.

Dr. Cook: Absolutely.

Ms. Rosenblum: And the other point I would add on that is that not to do it in isolation, whether it be the use cases or when we're looking at, for the 99th time, the reform of FMS. (Laughter.) But that it's part of that broader consideration of what we're trying to do and what we're trying to achieve.

Dr. Cook: So start from the outcomes we want to see and use that to define the process, to shape the process.

Ms. Lord: Yeah. There's another really important point here. I just – my learning being in government is, you know, everything's a campaign. It takes everybody pulling the same direction. No one person can get anything done. So you have to fall in, in my opinion, on existing infrastructure to get these things done.

So Bill LaPlante, you know, in his role as our national armaments director goes to the Council of National Armaments Directors twice a year in Brussels, works with NATO. He has the five powers with, you know, Italy, Germany, U.K., France, and ourselves. Use those existing bilats, use ADAC and AUSMIN with Australia to work these issues. Everyone at the action officer level is always looking for projects that have meaning today and lasting impact tomorrow. These are not ethereal issues. I think we need to tackle some things that we can get done.

Mr. Lynn: But I think there's – there are kind of two paths to ITAR reform. One is the one we usually pursue, which is we're going to make it faster and the approvals are going to go faster and the departments are going to coordinate better, and so on. And that'll get your incremental improvement. And every administration comes in and says they're going to do that, and does some, and not too much. The other – I think the bigger question is, we've set up a system where we've balanced in favor or caution.

We are cautious about our technology transfer. We are cautious about who is going to get it. And we are cautious about the overall impact on regional conflicts. If you want to fundamentally change the system, you're probably going to have to change that balance of caution. And I don't know whether the country wants to do that. I know, you know, State and Commerce almost surely do not in any administration. It's not – it's not a political thing. But if you really want to take on ITAR reform, you're going to have to revisit that fundamental compromise that we've made as a nation and see are we happy?

Because we have set up a system that is intended to be slow and cumbersome. And there – the result is there's no better advertisement for a foreign defense company to say it's ITAR-free. If you're – that's the first thing you say in any competition. And it's enormously powerful. But, as I say, I think it's really intentional within our, you know, political policy. This is – this is the bargain that we've made with ourselves. If we want to have ITAR reform, revisit that bargain. Maybe we'll change it. Maybe we won't. But just changing the cycle time of approvals isn't going to change much.

Ms. Lord: That's why it has to be top down. You know, it has to be a force function. So you've got all the people who work it coming up, but there has to be the White House saying: This is an imperative for our national security. This is an imperative for our economic security. And SecState and SecDef, I want you to go look at it for the next 30 days, kind of thing. And then the Hill has to want to do it as well, right?

Dr. Cook: Deborah, do you have more to add on this?

Ms. Rosenblum: No. I agree completely with what you've both said. I mean, I think I do think that the situation in Ukraine is not providing use cases, per se, but it is definitely forcing the system to relook some of those assumptions that we've had in the past of being much more cautious, much more concerned about where things ultimately – technologies are going to land, and those areas. The degree to which that will be sustainable to lead to a fundamental reform or change in the policy, I think remains to be seen. But the system is being taxes right now.

Dr. Cook: It is.

Ms. Lord: But I think also what we're seeing on the battlefield in Ukraine is how important commercial technology is, right? Whether it's streaming satellite, you know, video or whether it's, you know, hundreds, thousands of attritable drones, where kind of volume has a quality all of its own, we're seeing that there are ways we can get this done, if people put their

minds to it. So it doesn't always have to be super classified, what we're doing. And I think one of the challenges, you know, John Hyten and I used to talk about this all the time, we are so over-classified that it is constraining us. And so that's another area. And, you know, there's a Venn diagram where ITAR comes with it. But this is something else we need to attack. And, you know, who's the guru of that? Who's going to be the declassification czar? It's a little bit nebulous because that responsibility is spread across a lot of groups.

Ms. Rosenblum: Yeah. And I don't disagree with that, but I do think that, particularly with the emphasis, you know, apropos the topic of this panel of allies and partners and collaboration, that there really is a mindset shift now to being like, OK, answer me as to why this is classified now, as opposed to the ingoing assumption being that it needs to be classified. Here's still a ton of work to be done in that area, but it is a leadership-down-driven imperative now.

Ms. Lord: Well, U.S. industry, the U.S. defense-industrial base, is losing a lot of sales to other countries because we will only sell, like, four generations behind where we are now. And there's no clean mechanism or group or forum to systematically address that.

Dr. Cook: You know, we know that if there are – if there is demand for weapons, U.S. manufacturers are often the first choice for allies and partners; not always, but often. But if they can't get our capabilities, it's not like they're not going to buy it. They're just going to find another purveyor. So it's not that we're limiting them in acquiring something. They're getting it, just not from us.

Ms. Lord: Absolutely. I'll tell you just a quick little vignette. Back when I was in industry, I was at a Mideastern air show, had a Mideastern customer who had been talking to us for, like, two years about a tactical UAS. I mean, we're not talking something huge here. And he finally said to me, you know, Ellen, I'm going to go buy it from the Chinese because I can buy 10 times as many for what it would cost me to buy yours; and I know that at least 80 percent of them are going to crash pretty quickly, but at least I'll have something.

Dr. Cook: Yeah, yeah. So a lot of the discussion of ITAR and FMS suggests that the U.S. is developing the innovative capabilities, and our allies and partners are waiting to acquire them. But they're being developed by allies and partners as well. Norway has developed the naval strike missile. Australia has developed the E-7 Wedgetail airborne early-warning aircraft.

As innovation is coming from all corners of the world, how is the U.S. defense industry and the U.S. government postured to harness global innovation? And what roadblocks stand in the way?

Ms. Rosenblum: You know, one thing I want to add to your comment is it's not only innovation but it is also looking hard at what allies can provide with regard to some of the critical materials, some of the foundational investments that we know we have to be making around rare earths, around batteries, around a whole host of things. So it's really changing that paradigm to being not just innovation at the end of the product, but what is it that we need to make sure that we have supplies of here some of our closest allies, be in Canada, be it the U.K. and others, to be able to take advantage of that?

Ms. Lord: I think it's going to be a challenge to get non-U.S. critical cutting-edge technology from other nations if there's not a quid pro quo in terms of we're not sharing some of the same. And that becomes a bit of a dilemma.

Mr. Lynn: I think one thing you do want to look at here. I think there has been progress. I do think the U.S. is far more open to international sourcing now than several decades ago. I think there's more progress to be made. And the biggest inhibitor is always jobs. But that's overcomeable, because you can always produce it here. I mean, you don't have to invent it here to produce it here.

And I sometimes look, as an example there – we're behind them, but the automobile industry. I mean, if you go back to the – I don't know – the early '80s, it was unpatriotic to drive a, you know, German-Japanese car. That's not the case anymore. People – and I think it's not the case anymore because if I – I may be out of date a couple of years, but I think the largest U.S. car, the largest export, number of cars exported from the United States – BMW, because they're building them all in the South. The same – they're producing them globally, and so you get a great acceptance in this market because the jobs are here, and similarly in Europe. You can sell in Asia.

So if you distribute the production across, you know, the international landscape, I think that breaks down a lot of the political barriers and inhibitions to buying things with an international nameplate on it. And I think defense can go down that same path.

Dr. Cook: I think that comes back to then what you're articulating about manufacturing and manufacturability here. And I know, Ellen, you are a little bit jaundiced in terms of whether we will –

Ms. Lord: Jaundiced? (Laughter.)

Dr. Cook: – become overnight a manufacturing –

Ms. Lord: Looking for the opportunity. (Laughter.)

Dr. Cook: But, you know, I think that is one of the things that's certainly coming out of COVID. But more broadly in terms of just our economy, broadly, is the need to get back to that level of manufacturability. And, you know, are we looking at what was there in the '50s? No. But we certainly are looking and aiming towards something that is far greater than what it was, say, 10 years ago, and, with that, the workforce that needs to go with it.

Ms. Lord: So that, in my mind, opens up a whole 'nother area of discussion that was really illuminated by COVID, where we realized, when we were getting counterfeit, you know, PPE and advanced pharmaceutical ingredients that weren't what we thought they were and so forth, that we had slowly, over time, outsourced so much globally, for good reason – you know, we thought it was a resilient and robust system where you got the best of the best. But what we began to realize, when we really looked at things that had to reshore or onshore things, was that our regulatory environment had gotten to such a degree that we were driving things offshore because it was cost-prohibitive to manufacture them here.

So when we talk about building capability and capacity, I think we need to think about the regulatory environment as well. I mean, no one wants to overly pollute. Everybody wants to hire people and so forth. But we've got to be realistic about requirements. We've got to get back to really valuing the trades here in the United States. I think one of the worst things we ever did was make it, for whatever reason, not as honorable to be an electrician, a welder, a plumber, whatever it might be – pipefitter. And we've just, for lots of these different reasons, as well as taxation at local, state, and federal levels – we just drove our manufacturing economy offshore. And so we need to bring a lot of that back in a thoughtful way.

Ms. Rosenblum: All right, yeah, absolutely. And one thing I would add to that too is getting away from the need for college education for many of the individuals – and the automotive industry has done that very successfully, particularly down in South Carolina, where they have married up with technical schools and there's a pipeline then for a job. And when we look at across the board the modernization that the Department of Defense is trying to get done writ large, be it on ships, be it nuclear modernization – we certainly touched a little bit on munitions – this is things where we're going to need craftsmen for the next, you know, two to three decades.

And so if you can capture people much earlier on in high school and say there's a career for you, a livelihood, is something that we as a government very much need to be focused on.

Dr. Cook: When I go out to industry, concerns about hiring are one of the number one challenges that they face. And it's not necessarily that people don't want, you know, touch-labor type jobs. It's, you know, sometimes they're in high-cost-of-living places; like, you know, submarines and ships have to be built on the shore, and those are typically higher cost of living.

So the U.S. will never compete with other nations in terms of having the lowest labor cost. And it will never compete with other nations in terms of having the laxest, you know, pollution regime, environmental regime. And we don't want to compete on those.

So how do we invest in new technologies to deal with, you know, managing pollution? How do we make sure we have a robust labor force that's eager to support this sector? So I think these are some of the real challenges that the government can face.

Ms. Lord: Yeah. And, you know, I'm not a big-government person, but I will say the use of Defense Production Act Title 3 money that Deborah oversees now to do some of those things is really critical. That's where it makes sense for government to step in because, for instance, the critical minerals, the issue is not so much getting them out of the ground or finding them; it's the fact that the processing of them has typically been very, very dirty, high-polluting types of scenarios, and now some of that DPA Title III money is going towards cleaner versions of that. And that's, again, where we need to leverage technology for clean manufacturing.

Dr. Cook: We also have a different understanding of the necessity to onshore that than we did 10 years ago, and that is part of the call for the innovation in this area, so which is – which is – yeah.

Ms. Lord: Yeah. And that's – again, I mean, that's a huge collaboration opportunity when you look down the supply chain. You know, we don't have to start with, you know, F-35s. We can start with some of the building blocks, where if you look at supply chains they typically go seven, eight, nine levels down. Everybody knows about one, two, and three, but because of contract privacy you don't know always know what's out there. Now there's AIML that can scrape that information and get down to the end item, and you can figure out where those opportunities are and where the volume is.

Dr. Cook: I think if you do that you see that there are single points of – I don't want to call them single points of failure, but single points of –

Ms. Lord: Opportunity. (Laughter.)

Dr. Cook: – success or single points of constraint. So there's no way we can identify those and develop alternative sources unless we can see where they are.

Ms. Lord: And we have the technology.

Ms. Rosenblum: Yeah, and I think it's also a cultural shift. And we're seeing this now at the Department of Defense where, you know, historically we looked at some of the major acquisition programs as the responsibilities of the services. And so each service was dealing with a set of supply chain challenges or workforce challenges, that in some ways it's shifting the mindset to say what's being experienced isn't unique to the Air Force or unique to the Navy, but are there ways in which using, for instance, the DPA Title III monies we can make major investments that will benefit across the department in the approach that we're trying to take so we don't end up, you know, inadvertently cannibalizing ourselves between various programs run by the different services.

Ms. Lord: I think that's being done. During COVID, we stood up the Industrial Business Council where everybody sits around the table, and that's what vectored a lot of those.

Ms. Rosenblum: Correct. And the deputy secretary right now is very focused on making sure that, one, we have much better supply chain illumination, but also that we are looking at these as defense industrial base challenges writ large and not just a challenge of one – of any of the individual military services or departments.

Dr. Cook: Good.

So we are getting a number of questions from our very well-informed audience, and they are so well-informed that they are raising questions right before you start talking about them yourselves. But we do have one focused on another way of working closely with allies and partners, and that's interchangeability. So what – so, you know, this is sort of the current term of art. Six months ago it was interoperability; now we're talking about interchangeability. What are the policies that the government can do to support interchangeability? And what would industry like to see in this area?

Ms. Rosenblum: Why don't we start with industry? (Laughter.)

Ms. Lord: Bill, how do you feel about that? (Laughter.)

Mr. Lynn: Yes. Well, I mean, as always, what you want in industry is predictability. So you're looking for the government to figure out what it wants and tell you.

I think with interchangeability we haven't quite gotten there yet. I think it's a little bit more aspirational than it is concrete. I think it's the right way to go and I understand the logic of it, but I think what we need to do then is to say: OK, concretely what does that mean for the equipment that we want to buy? Where do we want industry to make investments? Where can we get, frankly, cross-border collaboration where maybe you're making the same thing or compatible things in – on both sides of the Atlantic? But it's going to take some sort of government policy set. Industry is not going to be able to create this for the government. They're going to be able to respond to the government, but only if it's laid out in some multiyear fashion.

Ms. Lord: So I think this is a huge opportunity for collaboration, whether it be at the Council Conference of National Armaments Directors or other places. What we're talking about are uniform standards I think not just within the U.S., but with our allies and partners, like 155s can't be used in everybody else's equipment. So what are those interface control documents? What are those key dimensional tolerances that, if we standardize them, what are the minimum numbers, what are the minimum standards required to allow the same munitions or ammunition to be used in a variety of delivery systems owned by these countries?

Ms. Rosenblum: You know, it's an interesting question, too, because we're seeing it in terms of interchangeability right now of necessity as it relates to Ukraine, where, you know, rushing various capabilities to the battlefield is really requiring – and there's some discrete examples of that. You touched a little bit on that with, you know, one of our foreign partners in terms of, you know, U.S. software, U.S. training added to a NATO country's, you know, capability that was added. And the question that is there – I think we're all seeing the benefit of that. The question is, will it have a lasting benefit so that it does translate into policy changes and changes that are meaningful? And I think the jury is still out on that because we're living this in a pilot phase, if you will, of necessity.

Dr. Cook: So how do we take this pilot phase and make sure that people understand the benefits of it and it becomes more instantiated into policy?

Ms. Lord: Well, typically what you do is you work within the department, in the interagency, and then you go to the Hill and find some staffers that are interested in this, and then you get pathfinder projects written into the next NDAA, and you try to keep it going year after year until it becomes statute.

Dr. Cook: So crawl, walk, run.

Ms. Rosenblum: Well, and I also think it's something that Ellen touched on a few minutes ago, and that's within the NATO context, within the national armaments directors, is saying as everyone in real time is digesting what's being done and the lessons learned, it's then coming back and saying in a less emergency situation than what we're facing right now in Ukraine, look at what we've accomplished. Look at it how it worked. Is this something that we can take going forward within the NATO context?

Ms. Lord: Yeah. I think this interchangeability is a much lighter lift than ITAR restrictions, you know, being diminished. So if people want a quick win, this is one to go work, I would say.

Mr. Lynn: But I think we shouldn't get overly focused on munitions. It happens that Ukraine, because of the circumstances, is really fighting alone, but that's not necessarily always going to be the case. And you're going to want to be able – so it's not just munitions; it's communications. It's command and control. It's how do we have that interchangeability across the functions of the force, not just – munitions are particularly important right now with Ukraine, but it's not the – it's not the only game.

Ms. Lord: You know, I'm totally with you on that, but you have to practice the behavior on something. So it would be a great proof point to kind of get going.

Ms. Rosenblum: Well, and I also think that given, you know, where the conflict is and the fact that, you know, expectations are not that it's going to end tomorrow, we're going to see the issue of interchangeability in other areas as well. I mean, just speculating here, but things like air defense, other things where there's a discrete requirement by the Ukrainians. I think we're going to see more and more of let's look at that interchangeability.

Ms. Lord: Yeah. And I think if we step back and, you know, take the hypothesis that Russia invading Ukraine is a proxy for China going into Taiwan, well, let's not study the problem forever. I think we need to, you know, show the world that we can learn quickly.

- Dr. Cook: Can the current U.S. defense industrial base support the development of a combat-credible force in both Europe and the Pacific? Do we have the capacity for that? How could it be bolstered? I mean, you mention the pacing threat. That's –
- Ms. Lord: Well, in my mind you have to have a clear strategy, and then implementation guidance that says what you're going to do and how you're going to do it and what the funding looks like over a period of time. Industry will respond very quickly when contracts are let, but we have to pick winners and we've got to get going and we've got to realize that, as incredibly important as the major primes are to us, there are a lot of other players out there who are very significant as well.
- Ms. Rosenblum: And I think the thing, too, is that it's not just in terms of looking at that with the ultimate high-end systems, but it's also saying: Are some of the foundational investments being made? Are they going to be able to benefit any future conflict that we may have? And so, it's really yes, absolutely being aware of what over the next five years may be required, but it's also saying, are we going to be in a better place fundamentally for the defense industrial base and the broader industrial base, based on, you know, walking and chewing gum at the same time?
- Mr. Lynn: I think you can see an example of that right now in the submarine industrial base with the recent AUKUS agreement. Right now our submarine industrial base cannot quite produce three submarines a year. We want to produce two Virginia and one Columbia. We're a little short of that, and so the Virginia's gone a little slower than we'd like. The aspiration is to increase that submarine industrial base, and with AUKUS adding a submarine in about 2030, we're going to have to. The way to do that is to push – we're not going to build another nuclear submarine yard. So we're going to have to get more capacity out of that yard, which means you're going to have to push work to suppliers, but if you do that, you can focus, then, the workforce at the yards to increasing the throughput. And that's indeed what the Navy and the yards are looking at right now, well in advance of that AUKUS requirement. So I think that's a place where, if you have the desire and the need, you can drive an industrial capacity to the levels that we need to support the national strategy.
- Ms. Lord: It's a really good point because pillar two of AUKUS is going to be broader and has lots of applicability as well, and I think for the first time we have incredible policy top-cover with AUKUS and then NTIB below it, which is kind of a little bit of a hollow authority out there. Again, now we have the use cases with NTIB with Canada, Australia, U.K., having some ITAR relief. Canada has a miniscule amount, but we've never really fleshed that out, so I think AUKUS is an incredible opportunity, and then with the defense

strategic review coming out at the end of this month from Australia, it even gives more impetus.

Mr. Lynn: Exactly.

Dr. Cook: Thoughts on AUKUS?

Ms. Rosenblum: I agree completely. (Laughter.) It – well, certainly, it is an opportunity for us not only in terms of challenging our own industrial base but those of the U.K. and Australia. And we've not talked a lot about the U.K. here today and much of what we are seeing, experiencing, driving here in the United States, the U.K. is doing very similarly, and that is going to be a partnership particularly as it relates to not just foundational investments but also their view around CFIUS; we've not talked at all about sort of Chinese investment in the United States, in the U.K., and other places where I think that there can be a strengthened partnership around that.

Dr. Cook: Well, I have all afternoon, but I think we have to draw this to a close. (Laughs.) So with final remarks in the last two minutes, if you have – for the industry side, if you have one government policy you'd like to see change or evolve or improve to make a difference for the challenges we face today. And I won't put that on you, government side, so if you just have a closing remark you'd like to make. (Laughter.)

Ms. Rosenblum: Sure. Of course. Of course.

Mr. Lynn: Well, I mean, I think we've talked about it. I think the most important thing for industry is predictability. I think it's – the bargain that you make in the defense industrial base is the government pays a substantial part but not all of your development costs; restraining margins is the trade-off. But you have to know where you're investing because these are long-term investments, so if the goal shifts year to year or every couple of years, or even administration to administration, it's very, very difficult to make the kind of longer-term capacity and facility investments that are needed to deliver what the government wants, so the more predictability, the more assurance you can have that the investments you make are truly where the government is trying to take the security environment, that's, I think, is going to get you both the best technological answer and the most cost-efficient answers.

Dr. Cook: So, predictability.

Mr. Lynn: Predictability.

Ms. Lord: I think the largest opportunity is to operationalize AUKUS. We have for the first time policy alignment. We have the NTIB underneath of that. We have Australia, who's very willing. We have a great relationship with the U.K. We share all kinds of nuclear information with them. So I don't think there's ever been a better platform, better top cover, to go and get some use cases and start working it very quickly.

Dr. Cook: OK. So we have AUKUS as a way of making – as a springboard into change.

Ms. Lord: It's an enabler. It's an enabler, absolutely.

Ms. Rosenblum: So I think that, you know, what I would say in concluding pieces, with something that Ellen touched on a little bit earlier in this panel, and that's very much the fundamental nexus between economic security and national security. And we are fundamentally living that right now. And we would have just coming out of COVID, period, because we saw many of the same issues and problems that we've had there. But it's been put on steroids now in terms of the crisis in Ukraine.

And by linking them beyond just the defense industry production side, but it's also looking at where there are some fundamental adversary threats to our economy, particularly in terms of some adversarial capital investment and things like that. And so when we think about defense and national security, that we're actively bringing in the economic security piece as part of that dialogue.

Dr. Cook: That's a – that is a good – a very good closing remark, to remind us of the big picture on that.

So with that, I – can I ask the audience for a round of applause? This was a fantastic event. (Applause.)

Dr. Jones.

(END)