

The 2024 National Defense Industrial Strategy: Issues for Congress

January 29, 2024

The National Defense Industrial Strategy

On January 11, 2024, the U.S. Department of Defense (DOD) publicly released its first-ever [National Defense Industrial Strategy](#) (NDIS). [According](#) to DOD’s Assistant Secretary of Defense for Industrial Base Policy—the official responsible for day-to-day oversight of the defense industrial base (DIB)—the aim of the strategy is to “guide the Department’s engagement, policy development and investment in the industrial base over the next three to five years.” To do it, the NDIS identifies four “long-term priorities” and describes the actions necessary to accomplish each priority (see **Table 1**). The NDIS also provides details on risks and “illustrative outcomes” associated with each priority, as well as ten “systemic challenges” facing the industrial base (these challenges are: underutilization of multi-use technologies; an inadequate workforce; inadequate domestic production; non-competitive practices; long lead times; sub-tier supplier fragility; lack of DOD market share; procurement instability; funding uncertainty; and limited knowledge of ally/partner requirements).

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Table I. NDIS Priorities and Actions

Priority	Definition	Associated Actions
<i>Resilient Supply Chains</i>	“The DIB can securely produce the products, services, and technologies needed now and in the future at speed, scale, and cost.”	<ul style="list-style-type: none"> • Incentivize industry to expand capacity • Increase inventory and improve stockpile planning • Expand government support for domestic production • Diversify supplier base and invest in new production methods • Leverage data analytics to improve visibility over and management of supply chain risks • Engage allies and partners to expand global defense production • Improve the Foreign Military Sales process • Enhance industrial cybersecurity
<i>Workforce Readiness</i>	“A skilled and sufficiently staffed workforce that is diverse and representative of America.”	<ul style="list-style-type: none"> • Prepare workforce for future technological innovation • Continue targeting defense-critical skill sets in manufacturing and STEM • Increase access to apprenticeship and internship programs • Destigmatize industrial careers • Expand recruitment of non-traditional communities
<i>Flexible Acquisition</i>	Acquisition strategies that strive for dynamic capabilities while balancing efficiency, maintainability, customization, and standardizations to reduce development times, reduce costs, and increase scalability.	<ul style="list-style-type: none"> • Broaden platform standards and interoperability • Strengthen requirements process to curb ‘scope creep’ • Prioritize off-the-shelf acquisition where applicable and reasonable • Increase access to intellectual property and data rights to enhance acquisition and sustainment • Consider greater use and policy reform of contracting strategies • Continue to support acquisition reform • Update industrial mobilization authorities and planning to ensure preparedness
<i>Economic Deterrence</i>	“Fair and effective market mechanisms that support a resilient defense industrial ecosystem among the U.S. and close international allies and partners and contribute to economic security and integrated deterrence. Fear of materially reduced access to U.S. markets, technologies, and innovations sows doubt in the minds of potential aggressors.”	<ul style="list-style-type: none"> • Strengthen economic security agreements • Enable international interoperability standards through active participation in standards-setting bodies • Fortify alliances to share science and technology • Strengthen enforcement against adversarial ownership and cyber attacks • Strengthen prohibited sources policy

Source: National Defense Industrial Strategy, Department of Defense, January 2024. Available online at <https://www.businessdefense.gov/docs/ndis/2023-NDIS.pdf>.

Issues for Congress

Background

The NDIS was released in the context of what [some observers perceive](#) as a challenging situation for the U.S. defense industrial base. Beyond supplying the U.S. military with the equipment necessary to deter (and, if necessary, prevail in) great power conflict, the DIB has also been tasked to produce weapons systems and munitions for international partners currently engaged in armed conflict (e.g., Ukraine and Israel) or that could become so in the future (e.g., Taiwan). Additionally, some analysts and policymakers—including the NDIS’ authors—argue that certain market developments (for example, the [consolidation](#) of prime defense contractors since the 1990s, or the widespread adoption of ‘[just-in-time](#)’ [approaches to logistics](#)) have reduced the capacity and resilience of U.S. defense suppliers. Partly as a result of these concerns, Congress has included provisions intended to strengthen the DIB in [recent defense authorization](#) and [appropriations legislation](#), and the executive branch has announced or implemented [actions](#) to accomplish various other DIB-related objectives. For more information on the DIB, see CRS Report R47751, *The U.S. Defense Industrial Base: Background and Issues for Congress*.

The NDIS raises several questions for Congress, including: 1) whether or not to enact additional appropriations; 2) whether or not to create or modify industrial base authorities; 3) how potentially to prioritize among competing NDIS recommendations; and 4) how potentially to oversee NDIS implementation. In addition to these questions (discussed below), Congress may consider whether the findings and assumptions undergirding the strategy’s recommendations are themselves sound.

Resourcing the NDIS

Although the NDIS does not provide details on the costs of its recommendations, many are likely to require additional resources to achieve their intended effects. For example, the “[Resilient Supply Chains](#)” and “[Workforce Readiness](#)” sections include recommendations for new or expanded DIB investment and incentive programs, supply chain monitoring capabilities, and workforce development programs that may require funding beyond the current DOD budget.

Congress may assess the fiscal implications of the NDIS and determine whether or not to appropriate funds for it and the level of any appropriations. Congress may also consider whether certain DOD accounts or programs may be particularly well-suited to accomplish NDIS goals. Given the multiplicity of existing DIB-related programs (which include, for example, [Defense Production Act Title III](#), the [Industrial Base Fund](#), the [Defense Manufacturing Community Support Program](#), the [Manufacturing Technology Program](#), the [National Imperative for Industrial Skills](#), and the [Manufacturing USA Network](#)), Congress may consider whether to fund efforts it assesses to be especially effective and priorities, if any.

Creating or Modifying Industrial Base Authorities

As part of its “[Flexible Acquisition](#)” priority, the NDIS [calls](#) for DOD to work with Congress “to modify contract authorities to align with present defense production priorities” and “set up the legal and regulatory conditions to ensure [industrial] mobilization ability in the future.” Neither of these two recommendations specifies which authorities or legal/regulatory conditions DOD is seeking to change or establish. However, the first recommendation is [presented](#) in the context of balancing flexibility against other contract risks (including “complexity, transparency and accountability [issues], cost overruns... [and] limited competition”), and the second is [identified](#) as concerning “the legal and regulatory

mechanisms that enable the United States government to rapidly expand, reconfigure, and draw on” the DIB during periods of crisis.

Congress may consider whether or not to change the statutory framework governing defense contracting and industrial mobilization. Additionally, given the strategy’s lack of detail on this topic, Congress may consider requesting or requiring more information from DOD on the precise nature of the proposed changes.

Weighing Competing Recommendations

The NDIS contains a number of recommendations whose concurrent implementation may create policy conflicts or contradictions. For example, the NDIS states that it both seeks to “[mitigate cybersecurity costs of entry to work in the defense industrial ecosystem](#)” and “[enhance industrial cybersecurity](#).” While these two aims are not intrinsically opposed to each other, in practice the enactment of more rigorous cybersecurity requirements may create additional barriers to entry for small or non-traditional defense contractors. As another example, the NDIS simultaneously aims to “[continue and expand support for domestic production](#)” and “[engage allies and partners to expand global defense production](#).” Again, while these aims are not necessarily in conflict, because foreign and American defense suppliers routinely compete for business, expanding foreign defense production may negatively impact the market performance (and, ultimately, the production capacity) of domestic firms. Congress may weigh these and other tradeoffs as it considers potential appropriations or other legislative provisions to support NDIS priorities.

Overseeing Implementation

[According](#) to the Assistant Secretary of Defense for Industrial Base Policy, DOD will release “a detailed, classified implementation plan with near-term, measurable actions and metrics to gauge progress,” as well as an unclassified overview of the classified plan, at some point “in the coming months.” In the meantime, Congress may refer to the “illustrative outcomes and outputs” identified for each NDIS priority area to inform its oversight efforts or request additional information from DOD.

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