



Center for  
Government Contracting  
SCHOOL OF BUSINESS

# **Building Industrial Resilience with a Little Help from our Friends:**

Adapting DoD Acquisition Processes to Facilitate Allied and Partner Engagement

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# Imperative for U.S. Industrial Base Resilience



- Clear recognition of defense industrial base and supply chain challenges



- Strong bipartisan consensus on China threat



- COVID-19 pandemic has accelerated industrial base focus



- Growing Buy America *only* sentiment, however



- Working with our close allies and partners can be additive

Enlisting allies and partners will help build  
U.S. industrial resilience

# International Involvement in DoD Acquisition

## Type of Participation



### Contributions to DoD programs

- U.S. subsidiaries (FOCI and non-FOCI)
- Foreign technology



### Purchases of U.S. systems

- Foreign Military Sales (FMS)
- Direct Commercial Sales (DCS)



### Cooperative programs (ICPs)

- F-35
- GMLRS
- P-8

## Impact on Defense Industrial Base



### Direct Impacts

- Jobs
- Economic impact of FMS/DCS sales
- Jobs and economic impact of ICPs



### Indirect Impacts

- Purchase of foreign-produced items
  - Systems, sub-systems, parts
- Follow on projects



# Current Overall Situation for Allies and Partners

## Successes



- U.S. international sales
- Notable successful subsidiaries
- Major wins / opportunities
- Legal/Regulatory changes



## Challenges



- Reshoring
- Buy America EO
- Culture
  - Requirements
  - Program procedures

## How to improve

- Promote existing processes
- Educate acquisition officials
- Facilitate in-program collaboration
- Relook ICPs

# Existing and Emerging Programs and Initiatives



- Reciprocal Defense Procurement (RDP) Memoranda of Understanding (MOUs)



- Security of Supply Arrangements (SoSAs)



- National Technology Industrial Base (NTIB)



- Defense Production Act (DPA) Title III



- Industrial Base Analysis and Sustainment (IBAS) program



- Trusted Capital Marketplace (TCM)

## Methodology for each program/initiative:

- How are allies and partners involved currently?
- How could allies and partners contribute more in the future?
- How do we get there (i.e. recommendations)?

# Reciprocal Defense Procurement (RDP) Memoranda of Understanding (MOU)

## Current

- Long-standing bilateral agreements that foster transparency and openness
- Facilitate competition in respective defense markets
- Buy America exemption
- Canada DPSA DFARS clause



## Potential future

- Greater visibility and promotion across DoD
- Better understanding of industrial base impact



Partnerships

Buy America tensions

## How to get there

- WH statement of support
- Study of RDP MOU industrial base impact
- Promotion of Buy America exemption and DPSA

# Security of Supply Arrangements

## Current

- Informal “arrangements”
- little to no visibility
- No uses cases



## Potential future

- More formal bilateral agreements focused on specific supply chain areas (chemicals, microelectronics, etc.)

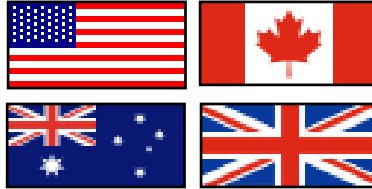
## How to get there

- DoD review of SoSAs to make them more relevant for today’s challenges

# National Technology Industrial Base

## Current

- U.S., Australia, Canada, and UK one industrial base under U.S. law as of 2017
- Strong gov-to-gov dialogue and interaction on FDI
- No impact on industrial collaboration except NIDs



## Potential future

- Acquisition pathways for DoD programs to employ NTIB-based companies

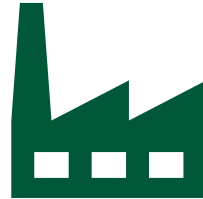
## How to get there

- Establish NTIB DFARS clause
- Promotion of NTIB to acquisition community
- Advertise NTIB-inclusive opportunities to NTIB countries and trade associations

# Defense Production Act (DPA) Title III

## Current

- Long-standing authority whose use has dramatically accelerated in past year
- Canada considered “domestic source” under DPA, but little known



## Potential future

- Expanded NTIB definition of “domestic source” would create more opportunities
  - Work conducted *by* NTIB companies
  - Work conducted *in* NTIB countries

## How to get there

- Promote the opportunity for greater Canadian involvement in DPA Title III
- Draft and submit legislative proposal to expand DPA definition of domestic source to all NTIB

# Industrial Base Analysis and Sustainment (IBAS) Program

## Current

- Established in 2014, IBAS has similar mandate to DPA Title III
- Low base budget (\$10m) but recent adds have been in \$100m range
- Most projects run through Cornerstone OT Consortia



## Potential future

- Non-U.S. firms eligible for Cornerstone OT, but no promotion
- NTIB contributions in mining, chemicals, robotics, etc.

## How to get there

- Create NTIB (or broader) DFARS clause to facilitate broader Cornerstone membership base
- Increase IBAS base budget to \$50m to enable better program planning and increase opportunities for allies

# Trusted Capital Marketplace (TCM)

## Current uses

- New DoD effort to reduce vulnerability to “adversarial” capital
- Focus is on VC-backed high-tech start ups



## Potential future uses

- TCM open to funds and companies based outside U.S.
- Establishment of TCM-like regimes in allies and NATO

## How to get there

- Promote TCM to non-U.S. VC firms and funded companies
- Work with govts and intl orgs to create TCM-like orgs

# Conclusions

- Allies have contributed to U.S. defense industrial base for decades
- Buy America *only* makes little strategic or practical sense
- Focus on getting out of the China business
  - Several of our close allies and partners have competitive advantages there
  - Build “trusted communities” within NTIB, among RDP MOU countries, etc.

End result: increased industrial resilience...via a little help from our friends

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# Questions

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