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Total Demand: Integrating Foreign Military Sales and Domestic Acquisition to Fortify the Defense Industrial Base and Strengthen Alliances

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Total Demand: Integrating Foreign Military Sales and Domestic Acquisition to Fortify the Defense Industrial Base and Strengthen Alliances

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Abstract

This paper examines the historical structural separation between U.S. domestic defense acquisition and foreign military sales (FMS) and its impact on the defense industrial base. Traditionally, domestic procurement has been planned through internal Department of War processes, while allied demand is generated through partner-initiated FMS requests, resulting in fragmented and reactive demand signals for industry. As allied procurement has become an increasingly significant share of total demand, this bifurcated system has contributed to production instability, supply chain fragility, and delayed capability delivery.

To address these challenges, the paper proposes a "Total Demand" framework that integrates domestic and allied procurement into a unified planning construct. Leveraging advances in artificial intelligence and data analytics, this approach aggregates data from program planning, partner requests, readiness indicators, and industrial capacity to generate predictive demand forecasts. The analysis demonstrates how integrated demand signals can stabilize production, enable economies of scale, and strengthen supply chain resilience.

The paper concludes that adopting a Total Demand framework would enhance industrial readiness, improve the efficiency of defense exports, and reinforce alliance interoperability, positioning the United States to better support coalition operations in an era of strategic competition.

Introduction: The Bifurcated Demand Dilemma

For decades, the United States has managed domestic military acquisition and foreign military sales (FMS) through two largely separate institutional systems. Domestic procurement is planned through the Department of Defense's internal resource allocation mechanisms, while allied demand emerges through partner-initiated FMS requests. As a result, foreign partner demand signals frequently emerge outside the planning horizons that guide domestic production decisions. These parallel processes produce fragmented demand signals for industry and limit the government's ability to plan strategically across the full spectrum of defense production.

This bifurcated system reflects historical conditions in which allied procurement played a relatively smaller role in the overall defense industrial ecosystem. Today, however, allied demand represents a growing share of total procurement for many defense systems. In recent years, FMS have expanded significantly, reaching tens of billions of dollars annually and increasingly shaping production decisions for major defense firms.

At the same time, policymakers and analysts increasingly warn that the U.S. defense industrial base lacks the capacity and resilience required to sustain large-scale military operations while also supplying allies. Recent assessments conclude that the industrial base is struggling to meet the combined demands of U.S. modernization programs and rising allied

procurement requirements in Europe, the Middle East, and the Indo-Pacific (Wasser & Sheers, 2025).

These trends highlight a structural tension within the current acquisition system. While the United States increasingly relies on allies and partners to strengthen collective deterrence, the institutional processes governing defense production continue to treat allied demand as an external variable rather than an integral component of industrial planning.

The consequences of this fragmented demand structure are significant. Production lines frequently experience unstable demand cycles, suppliers face uncertain investment signals, and allied forces encounter lengthy delivery timelines for critical capabilities. These dynamics weaken industrial resilience, raise procurement costs, and slow the fielding of military capability across allied coalitions.

Recognizing these challenges, recent U.S. policy initiatives have begun to more closely link defense export reform with broader industrial strategy. A recent executive order on foreign defense sales reform explicitly states that a more efficient export system can "revitalize the defense industrial base" while simultaneously strengthening allied military capability (White House, 2025).

This paper argues that the United States must shift its conceptual approach to defense demand management. Rather than treating FMS as an external activity managed separately from domestic acquisition, policymakers should integrate allied procurement into a unified Total Demand framework. Under this model, domestic and allied demand would be aggregated into a single planning construct that informs production planning, industrial investment, and long-term sustainment strategies.

Recent institutional developments create an opportunity for such a shift. The alignment of the Defense Security Cooperation Agency (DSCA) under the Office of the Under Secretary of Defense for Acquisition and Sustainment (A&S) creates an opportunity to connect export policy with acquisition planning and industrial strategy. (DoW, 2025; Duffey, 2026). There is a clear recognition of the need to improve visibility of allied and partner demand in order to inform production planning, contracting strategies, and industrial base investments (DoD, 2023).

At the same time rapid advances in artificial intelligence (AI) and data analytics can enable this transformation. Modern analytic tools can synthesize information from previously disconnected datasets including procurement projections, allied requests, readiness data, and industrial capacity information to generate predictive demand forecasts.

This paper proceeds in three sections. First, it examines the structural limitations of the current system, in which allied procurement is treated as an external disruption to domestic acquisition planning. Second, it introduces the concept of a Total Demand framework and outlines how integrated data analytics could support more strategic industrial planning. Third, it explores the broader strategic implications of integrated demand management for industrial resilience, alliance relationships, and coalition interoperability.

The Flawed Paradigm: Foreign Military Sales as an Exogenous Disruption

The contemporary defense acquisition system reflects a historical separation between domestic procurement planning and international defense sales. This institutional divide originates in distinct legal authorities, budgeting processes, and organizational responsibilities that evolved over decades (Congressional Research Service, 2023).

Domestic acquisition within the Department of Defense operates primarily through the Planning, Programming, Budgeting, and Execution (PPBE) system. Through this process, military services develop multiyear procurement plans based on strategic guidance, force

structure requirements, and fiscal constraints. These plans provide industry with relatively predictable demand signals, enabling companies to plan production capacity, workforce levels, and supply chain relationships over extended time horizons.

FMS operates through a fundamentally different process. Allied governments initiate requests for defense articles or services through formal Letters of Request (LOR), which the United States evaluates and processes through the FMS system. Once approved, these requests result in individual FMS cases that are executed alongside, but not fully integrated with, domestic procurement programs. LORs typically arrive after a partner nation has already completed internal budgeting, approvals, and capability decisions (DSCU, 2024). By the time an LOR is submitted the demand signal reaches U.S. industry too late to shape production capacity. Furthermore, they represent a specific purchase request, not the full anticipated life cycle demand from the partner.

While LORs are the formal mechanism that initiates FMS transactions, they provide a late and incomplete signal of partner demand, limiting the ability of the Department of War (DoW) and the defense industrial base to anticipate aggregate allied requirements and plan production capacity accordingly. As a result, the U.S defense industry rarely receives a comprehensive picture of total global demand for a system (DoD, 2024; National Defense Industrial Association, 2023).

This structural separation produces several challenges for the defense industrial base. One of the most visible effects is the recurring problem of “cold production lines.” When U.S. procurement of a particular system declines, or concludes, production capacity often contracts or shuts down entirely. Years later, when allied demand emerges for the same system, restarting production can require significant time and investment.

These production disruptions occur within a broader industrial ecosystem that analysts already view as fragile. The National Defense Industrial Association’s *Vital Signs* report warns that the United States currently lacks sufficient surge capacity to sustain prolonged conflict while maintaining modernization programs (National Defense Industrial Association [NDIA], 2023).

Fragmented demand signals also complicate long-term management of component obsolescence. Many defense systems rely on specialized components produced by small suppliers that depend on stable production volumes. Without predictable demand signals, these suppliers often exit the market, forcing costly redesigns or delaying sustainment support.

The separation between domestic acquisition and FMS processes contributes to supply chain instability by creating unpredictable and fragmented demand signals, which in turn discourage suppliers from investing in capacity and maintaining inventories, undermining the defense industrial base’s ability to sustain capabilities across U.S. and allied fleets (Defense Business Board, 2025). Without mechanisms to aggregate and integrate domestic and allied demand signals, production capacity expands and contracts episodically rather than being managed as a strategic industrial asset.

In effect, the current system treats the defense industrial base as a reactive supplier responding to episodic procurement decisions rather than as a strategic partner in long-term capability development.

A Total Demand Framework

Addressing these challenges requires a shift in how policymakers conceptualize defense demand management. Rather than viewing allied procurement as an external activity separate from domestic acquisition planning, the United States should treat domestic and allied demand as components of a shared industrial ecosystem. The Total Demand framework proposed in this

paper reflects this conceptual shift. Under this model, demand from U.S. military services and allied partners would be aggregated into a single analytical construct used to inform production planning and industrial investment decisions.

Central to this approach is the integration of multiple data sources that currently exist in institutional silos. Domestic procurement plans including Program Objective Memorandum projections provide one important component of the demand picture. Allied demand signals can be drawn from formal LORs, security cooperation planning documents, and broader defense modernization strategies among partner nations.

The concept aligns closely with emerging priorities within the Department of Defense's National Defense Industrial Strategy, which emphasizes the need for improved production capacity, supply chain resilience, and greater cooperation with allies and partners in defense manufacturing ecosystems (DoD, 2024) as well as priorities reflected by the House Foreign Affairs Committee's bipartisan Foreign Arms Sales Task Force (HFAC, 2025).

Advances in AI and machine learning make it increasingly feasible to synthesize these diverse data streams into predictive demand models. By identifying patterns across historical procurement behavior, geopolitical events, and readiness indicators, analytic systems could forecast likely demand trajectories years in advance.

AI-Powered Data Integration: Creating the "Total Demand" Signal

The placement of DSCA within A&S creates the organizational authority to demand data sharing. AI-powered data analytics creates technical capability to ingest, harmonize, and analyze that data from its disparate sources (Gahane et al., 2025).

An AI-powered system could be used break down the traditional silos which have characterized domestic procurement and FMS processes to create a unified demand signal. The operational benefits of this approach are substantial. Integrated demand forecasts could support minimum sustaining production rates, enable larger block buys, and stabilize supply chains for critical components. These mechanisms would strengthen industrial resilience while lowering procurement costs for both the United States and its partners.

Defense Logistics Agency (DLA) has highlighted the potential for AI to assist with mitigating Supply Chain Risk Management by improving visibility and forecasting customer demand to optimize supply chain workflows, and recommending alternative, pre-qualified suppliers during disruptions (DLA, 2025) .These systems analyze historical demand, real-time logistics data, and supplier performance to detect patterns and anticipate future needs, improving forecasting accuracy and enabling more proactive planning across the defense industrial base.

Table 1. Data Sources to Feed a Total Demand Signal

Data Source	Traditional Silo	AI-Powered Harmonization & Insight
DoW Program Objective Memorandums (POM)	Lives within the Pentagon's programming and budgeting world. Seen by the military services and program offices.	AI ingests the POM data, mapping out the DoD's planned procurement quantities and timelines for systems like the F-35 or Standard Missile-6 over the next 5–10 years.
Partner Nation LORs	Handled by DSCA, the State Department, and regional Combatant Commands. Often seen as a "transaction" separate from DoD long-range planning.	AI ingests all incoming LORs, digitizing and categorizing them by system, quantity, and requested delivery date.
NLP-Derived Early Signals	Scattered across diplomatic cables, intel reports, and public statements. Often just "background noise."	AI processes this unstructured data to generate a *probabilistic forecast* of future LORs, complete with confidence scores (e.g., "75% probability of a request for 24 HIMARS launchers from Country Y within 18 months").
Allied Readiness Data	Held by partner nations or within U.S. security cooperation offices. Often in non-standard formats (spreadsheets, emails).	AI ingests readiness reports on existing allied systems, predicting future demand for spare parts and replacements across the entire allied fleet.
Industrial Base & Supply Chain Data	Resides with prime contractors and their sub-tier suppliers. Often proprietary and not shared.	The AI platform can receive anonymized data from industry on production capacity, lead times for critical subcomponents (like rocket motors or microelectronics), and current backlogs.

By harmonizing these diverse data sources an AI platform designed to integrate foreign and domestic demand could create a comprehensive, real-time dashboard of total global demand.

- Solving the "Cold Production Line" Problem:
    - Old Way: The U.S. Army buys its last PATRIOT missile in 2026. The line shuts down. In 2027, three allies submit LORs. A&S and industry scramble to restart the line at great expense.
    - New Way: The AI model, analyzing DoD POM data and NLP-derived forecasts, projects a dip in domestic demand in 2026 but sees a high probability of 3–5 partner orders in 2027–2028. A&S can now use this integrated demand signal to authorize a "minimum sustaining rate" for the PATRIOT production line, funded by a combination of DoD and anticipated FMS funds, keeping it "warm" and ready. The partner's order is filled faster and at a lower cost.
- Achieving Economies of Scale:
    - Old Way: The U.S. Navy orders 100 Naval Strike Missiles. Six months later, a partner orders 20. A third partner orders 30 more a year later. Each is treated as a separate order with its own contract and pricing.

- New Way: The AI aggregates the Navy's demand, the first partner's firm LOR, and a high-confidence forecast for the third partner's future request. A&S can now approach industry with a single "block buy" request for 150+ missiles. This larger, more predictable order allows the contractor to secure better prices on raw materials and optimize production, lowering the unit cost for *both* the U.S. Navy and its allies.

Natural Language Processing as an Early Warning System for Future Defense Requirements

A core challenge in the efforts to improve FMS efficiency is that formal LORs occur only at the end of a lengthy process of internal deliberation, budgeting, and political decision-making within partner nations (Chindea, 2024). Relying solely on LORs as a demand signal leaves the U.S. defense industrial base (DIB) perpetually in a reactive posture, unable to anticipate partner requirements in advance. Natural Language Processing (NLP) offers a potential solution by enabling the DoW to analyze the vast stream of pre-decisional communications, reports, and open-source publications that precede formal requests (Schirmer, 2024). These unstructured sources can provide early, predictive signals of emerging demand, allowing planners and industry to anticipate requirements before LORs are officially submitted.

This includes:

- Diplomatic Traffic: Reports and summaries from embassies and military attachés.
- Partner Nation Media: News articles, press releases, and televised interviews with defense ministers or military chiefs.
- Official Publications: Defense white papers, national security strategies, and parliamentary records from allied governments.
- Intelligence Reporting: Summaries and analyses regarding regional threats and capability gaps.

Manually reading and synthesizing this volume of information is impossible for any human team. NLP algorithms, however, can process millions of documents in near-real-time to identify patterns and signals that would otherwise be missed. By applying NLP to unstructured data associated with FMS can generate early warning signals of emerging capability requirements, anticipate allied demand, and integrate these insights into a predictive Total Demand framework, reducing production lag, stabilizing the industrial base, and enhancing coalition readiness (DoD, 2022).

NLP offers important potential in efforts to reform FMS to improve efficiency and ensure that it becomes more anticipatory. The following are a few examples of specific NLP techniques that could assist in better exploiting unstructured data relevant internation defense markets to create better demand signals for U.S. industry (Seowet al., 2025).

Table 2. Key NLP Techniques and Their Applications

NLP Technique	Application in FMS Context	Example in Practice
Named Entity Recognition (NER)	NER acts like a high-speed scanner, automatically identifying and categorizing key information. It finds mention of specific weapon systems, military units, government officials, countries, and private defense companies.	An NLP model scans thousands of articles from a partner nation's media. It tags every mention of "F-16," "Patriot missile," "maritime patrol," and "cybersecurity," creating a structured database of who is talking about what.
Topic Modeling	This technique automatically discovers the hidden themes or "topics" in large volumes of text. It can detect a subtle but persistent shift in a country's defense priorities over time.	By analyzing a partner's parliamentary debates over 12 months, the model might detect that the frequency of the "arctic surveillance" and "icebreaker capability" topic cluster is steadily increasing, signaling a new, emerging priority long before a specific vessel is requested.
Sentiment Analysis	Sentiment analysis assesses the emotional tone of the text, determining if it's positive, negative, or neutral. This helps gauge urgency, concern, or commitment related to a specific defense issue.	A foreign defense minister gives a speech about the country's aging helicopter fleet. Sentiment analysis can score the urgency and concern in their language, indicating how high a political priority its replacement has become.
Relationship Extraction	This technique identifies the relationships between different entities. It doesn't just see a mention of a weapon system; it understands the context connecting it to a threat, a location, or a capability gap.	The algorithm processes an intelligence report and extracts a key relationship: "[Country X's] Navy *lacks capability against* [adversary's new submarine class], *creating a requirement for* [anti-submarine warfare aircraft]."

By combining these techniques, the DoW can move from disconnected pieces of information to a cohesive, predictive intelligence picture. Instead of just knowing a country is *interested* in air defense, analysts can see:

- Which specific systems are being discussed most often (NER).
- How the priority of air defense compares to other needs, like coastal security (Topic Modeling).
- How urgently political leaders are framing the need (Sentiment Analysis).
- What specific threat is driving the requirement (Relationship Extraction).

This provides a rich, multi-dimensional early signal of future demand, allowing the DoW to begin conversations with industry, assess supply chain readiness, and streamline the eventual FMS case long before a formal request is ever signed

Strategic Implications of a Total Demand Framework

Beyond its immediate industrial and acquisition benefits, a Total Demand framework carries significant strategic implications for the United States and its allies. Integrating domestic procurement planning with allied demand signals has the potential to strengthen the resilience

of the defense industrial base, reinforce alliances, and enhance coalition warfighting capability in an era characterized by intensifying strategic competition and growing reliance on multinational military operations.

Industrial Resilience

First, integrating domestic and allied demand signals would strengthen the resilience of the U.S. defense industrial base. Stable and predictable demand is one of the most important factors shaping industrial investment decisions. When production orders fluctuate dramatically, firms and suppliers are reluctant to invest in workforce development, manufacturing capacity, or supply chain expansion. Conversely, more stable demand signals encourage sustained investment and allow companies to maintain skilled labor forces, specialized tooling, and production infrastructure.

A Total Demand approach would provide industry with a more comprehensive picture of global procurement requirements for key defense systems. By aggregating U.S. military requirements with anticipated allied purchases, policymakers could establish more stable production baselines and maintain minimum sustaining production rates for critical systems. This stability reduces the risk of supplier attrition, which has become a growing concern within the defense industrial ecosystem. Recent assessments of the industrial base highlight that unpredictable procurement cycles contribute to supplier exits, workforce instability, and production bottlenecks across key sectors (DoD, 2024; NDIA, 2023).

Regional efforts like the Partnership for Indo-Pacific Industrial Resilience (PIPIR) highlight how integral allies are to achieving industrial resilience. PIPIR is multilateral forum of 14 Indo-Pacific and Euro-Atlantic partners collaborating to accelerate Indo-Pacific contributions to global defense industrial base resilience. Working with industry, capital providers, and non-government stakeholders, PIPIR is creating an “ecosystem of information exchange, technical cooperation, supply chain resilience, and co-production and co-sustainment collaboration” (DoW, 2025).

Jedidiah Royal, principal deputy assistant secretary of war for Indo-Pacific security affairs, has described these efforts as “the first bricks being laid in the foundation of a stronger, more agile, more resilient defense industrial base across the region” (Luckenbaugh, 2026).

Strengthening industrial resilience is especially important in the context of potential high-intensity conflict. Large-scale operations would require the rapid expansion of production across multiple defense sectors, including precision munitions, missile defense interceptors, and advanced electronic systems. Without stable peacetime production lines and a healthy supplier network, such surge capacity would be difficult to achieve. A Total Demand framework therefore helps ensure that the industrial base remains capable of supporting both routine procurement and potential wartime expansion.

Strengthening Alliances

Second, integrating allied demand into acquisition planning would enhance the United States’ ability to support allies and partners, reinforcing alliances as instruments of strategic statecraft. Security cooperation and defense exports play a critical role in enabling partner nations to develop military capabilities aligned with U.S. operational concepts and technologies. When these systems are delivered efficiently and affordably, they strengthen the credibility of U.S. security commitments and deepen long-term defense relationships.

However, delays in defense exports have historically frustrated partner nations and undermined the strategic benefits of security cooperation. In January of 2026, Japan’s Board of Audit revealed that military equipment worth roughly 1.1 trillion yen ($7.1 billion) procured from the United States had yet to be delivered more than five years after contracts were signed.

These delays became a focus of bilateral talks later that month (Manuel, 2026). Lengthy acquisition timelines, supply chain disruptions, and production bottlenecks can delay delivery of critical capabilities for years. These delays may encourage partner nations to seek alternative suppliers, including purchasing from competitors whose defense export strategies often emphasize speed and flexibility (Winn, 2025).

A Total Demand framework can help mitigate these challenges by enabling more proactive planning for allied demand. By incorporating allied procurement projections into production planning, the United States could align domestic and partner acquisitions in ways that reduce lead times and lower unit costs through larger procurement quantities. These efficiencies make U.S. systems more attractive to partner nations while improving the credibility of American security cooperation commitments.

More broadly, the ability to deliver advanced capabilities quickly and reliably strengthens the strategic position of the United States within global defense markets. Defense exports are not purely economic transactions; they also shape long-term military relationships, interoperability, and geopolitical alignment. By improving the efficiency and predictability of the FMS system, a Total Demand approach enhances the role of security cooperation as a strategic instrument for strengthening alliances and countering the influence of competing defense suppliers (Congressional Research Service, 2023).

Forging a More Lethal Coalition

Finally, a Total Demand framework has important implications for coalition warfighting capability. Modern military operations increasingly rely on multinational coalitions composed of allied forces operating across multiple domains. The effectiveness of these coalitions depends heavily on interoperability—the ability of participating forces to share information, operate compatible equipment, and sustain operations through integrated logistics networks.

Synchronizing procurement and modernization cycles across allied forces represents a key step toward achieving such interoperability. When nations acquire and upgrade systems independently, their capabilities often diverge over time. Differences in software configurations, sensor packages, communications systems, or sustainment arrangements can complicate coalition operations and limit the ability of forces to integrate effectively in combat environments.

By aggregating demand signals across allied and U.S. forces, a Total Demand framework could facilitate greater synchronization in the procurement and modernization of shared systems. Coordinated acquisition schedules make it easier to align software upgrades, configuration updates, and sustainment planning across fleets operated by multiple nations. Over time, this alignment enables the development of integrated operational concepts and shared logistical infrastructures. In this sense, a Total Demand framework contributes not only to industrial efficiency but also to coalition lethality. By enabling more integrated capability development among allies, the United States can help build coalitions that are more interoperable, more responsive, and more capable of deterring or defeating potential adversaries.

FMS is not an exogenous “foreign” affair that happens to the DoW acquisition system. It is an integral, vital component of the acquisition system and a primary tool for managing the health of the defense industrial base. The new, integrated paradigm views FMS demand as another critical data stream that must be factored into the overall U.S. acquisition strategy. It sees partner demand not as a disruption, but as an opportunity for stabilization and efficiency.

Table 3. Conceptual Shifts of the Total Demand Framework

Aspect	Old Paradigm (FMS as Exogenous)	New Paradigm (FMS as a Key Component)
Core Identity	FMS is a foreign policy transaction.	FMS is an industrial base strategic tool.
Demand Signal	Unpredictable, reactive "orders" from outside.	A predictable, forecastable stream of "total global demand."
Impact on Industry	A source of disruption (e.g., cold line restarts) and unpredictable revenue.	A source of stabilization (e.g., production smoothing, warm lines) and predictable, recurring revenue.
Primary Goal	Fulfill a specific partner request.	Shape and sustain the industrial base to support a ready and interoperable U.S. and Allied coalition.
Stakeholder Focus	Primarily focused on the needs of the foreign partner as a "customer."	Focused on the dual benefit to the partner (capability) and the United States (industrial base health & interoperability).

New Incentives for Allied Industrial Participation

A Total Demand framework may also reshape the role of allied defense industries within the broader coalition defense ecosystem. When procurement planning accounts for aggregated demand across U.S. and partner forces, allied governments gain stronger incentives to participate directly in the production and sustainment of shared defense systems. Rather than functioning primarily as end users of U.S.-produced equipment through FMS transactions, partner nations may seek deeper involvement in the industrial processes that support these capabilities.

Such participation can take several forms. Governments may negotiate licensed production arrangements, allowing domestic industries to assemble or produce elements of U.S.-designed systems under agreed export control frameworks. In some cases, allies may pursue co-development programs, contributing financial resources, technical expertise, or manufacturing infrastructure to jointly develop next-generation capabilities. Finally, allies may play a growing role in sustainment supply chains, including maintenance, repair, and overhaul (MRO) activities that support shared fleets operating across multiple nations.

A Total Demand framework strengthens the logic for these arrangements because it emphasizes the scale and durability of coalition demand. When industry can anticipate long-term production volumes driven by both U.S. and allied procurement, it becomes more feasible to distribute portions of manufacturing and sustainment activities across trusted partner nations. Emerging multinational initiatives also aim to operationalize this concept by developing distributed industrial networks among allies. Programs such as the PIPIR seek to coordinate production, sustainment, and supply chains across partner nations to strengthen the resilience of coalition defense industrial capacity. This distributed model can expand overall production capacity while reducing reliance on single-country supply chains that may prove vulnerable during periods of crisis or conflict.

The development of distributed allied manufacturing networks is increasingly viewed by defense planners as an important component of industrial resilience. Diversifying production and sustainment activities across allied economies can mitigate these risks while also enabling coalition partners to contribute more directly to shared defense capabilities (Aldisert & Cook,

2025). Recent RAND research emphasizes that modern defense production increasingly depends on cooperation among allied industrial bases. Because no single nation possesses sufficient surge capacity across all sectors, coalition operations require coordinated production and supply networks that span multiple countries. Strengthening interoperability among allied defense industries can therefore expand production capacity, mitigate supply chain vulnerabilities, and improve the ability of coalition forces to sustain operations in prolonged conflicts (RAND, 2024).

Beyond resilience, deeper industrial integration may also reinforce the political foundations of defense cooperation. When allied industries are directly involved in producing or sustaining shared military capabilities, governments often develop stronger long-term commitments to those systems and to the partnerships that sustain them. This dynamic has been observed in several multinational defense programs where industrial participation helped solidify enduring security relationships. For example, research on multinational fighter aircraft programs finds that industrial workshare and co-production arrangements help sustain partner commitment to joint programs by aligning economic and strategic interests (Lorell et al., 2013).

In this sense, a Total Demand framework has the potential to expand the role of defense exports beyond transactions between governments. By encouraging collaborative production and sustainment arrangements, it could foster a more integrated coalition defense industrial ecosystem in which allied economies contribute to the development, production, and long-term sustainment of shared military capabilities. Such integration would not only improve industrial resilience but also strengthen the strategic cohesion of alliances operating in an increasingly contested global security environment.

Conclusion

The United States faces a strategic environment in which military advantage increasingly depends on the ability to produce, sustain, and field capabilities at scale across a coalition of partners. In this context, the traditional separation between domestic defense acquisition and FMS is no longer sustainable. A system designed in an earlier era when defense exports were viewed primarily as diplomatic transactions rather than components of industrial strategy now imposes significant inefficiencies on the defense industrial base and slows the delivery of critical capabilities to both U.S. and allied forces.

By reconceptualizing FMS as a central component of a unified demand management strategy and by integrating domestic acquisition planning with allied procurement requirements, the DoW can adopt a framework that reflects the full scope of global demand for key defense systems. Such a framework would transform both how the United States manages its industrial base as well as how it delivers capabilities to allies and partners.

Advances in data analytics and AI provide the tools necessary to operationalize this shift. By aggregating data from sources such as POMs, LORs, security cooperation engagement data, industrial capacity metrics, and partner readiness indicators, AI-enabled systems could generate predictive forecasts of global demand for defense capabilities by capturing emerging signals in unstructured information sources well before formal procurement requests are submitted. The result would be a real-time understanding of coalition demand that allows policymakers and industry to anticipate future requirements rather than react to them.

The strategic implications of such a system extend beyond efficiency. A Total Demand approach could significantly strengthen the resilience of the defense industrial base by stabilizing. Integrating allied demand into procurement planning would encourage deeper industrial participation among partner nations. Allies that anticipate sustained demand for shared systems may seek greater involvement in component manufacturing, licensed

production, or sustainment supply chains. Industrial policy should more actively incentivize allied participation in production and sustainment, not just procurement. By expanding licensed production, co-production, and component sourcing among trusted partners, the United States can build a more distributed defense industrial base that increases surge capacity and reduces supply chain risk in a crisis. FMS can be used as the entry point for this integration: initial sales create a common platform, which can then evolve into shared sustainment networks, regional maintenance hubs, and eventually co-development opportunities.

Over time, this dynamic could support the development of distributed allied defense industrial networks capable of expanding production capacity and mitigating supply chain disruptions in times of crisis. In this sense, Total Demand offers an opportunity to align procurement planning, industrial policy, and security cooperation to foster an integrated defense industrial ecosystem that spans allied economies. Such a system would not only enable faster and more affordable capability delivery but also reinforce the political and military cohesion of allied partnerships.

Realizing this vision will require deliberate action. Legislative reforms must create the authorities necessary to support flexible procurement strategies and industrial base investments. Departmental policies must establish common data architectures and encourage responsible data sharing between government and industry. Just as importantly, the defense acquisition and security cooperation workforce must adopt a mindset that views FMS not as discrete transactions but as instruments of strategic industrial management and coalition capability development.

The realignment of the DSCA under A&S offers a unique opportunity to advance this transformation. If paired with the adoption of a Total Demand framework supported by modern data analytics and AI, this organizational change could help create a more resilient and responsive defense industrial base while improving responsiveness to ally and partner demand.

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