Hearing Date: March 16, U.S.-China Economic and Security Review Commission

Commissioners: Mulloy and Wessel

Question: How important is a strong economy to ensuring national security?

Answer: A strong economy is essential to ensuring national security. The economy provides the tax receipts that pay for national security, and provides the industrial capabilities that support our national security needs. The Department of Defense relies upon the defense industry to accomplish its mission.

A robust and competitive defense industry, at both the prime contractor and subcontractor levels, is vital to providing the Department with the high quality, affordable, and innovative products necessary to meet its responsibilities in the 21st century. The Department's challenge is to foster a framework for industrial development and competition in an environment marked by dynamic change.

The Department's ability to execute its national defense strategy is predicated on its ability to access a supplier base that can: (1) design and produce next generation weapons; (2) innovate to preserve technological leadership; (3) reduce cycle times to respond to evolving threats; (4) lower costs; and (5) support interoperability for joint and combined operations with coalition partners.

The Department of Defense believes that the competitive pressure of the marketplace is the best vehicle to shape the industrial environment. Therefore, it acts only when necessary to develop or maintain industrial and technological defense capabilities that the marketplace, left unattended, would not.

The Department of Defense employs virtually every industry segment to meet its requirements. Overall, the industrial base is healthy in that it is able to provide the most advanced and cost-effective systems in the world. The Department's research and development, acquisition, and logistics processes result in funding and decisions that normally are sufficient to establish and sustain industrial capabilities needed to secure the nation's defense. The Department uses a variety of tools to address niche problem areas within the base, such as prioritizing industry deliveries to meet the most critical warfighting needs.

The Department of Defense purchases the vast majority of its defense goods from U.S. industry. It also benefits greatly from foreign sources. The Department leverages reliable non-U.S. sources to: capture benefits in price, performance, and schedule; increase interoperability with allies and coalition partners; expose U.S. industry to international competition; ensure that U.S. firms remain innovative and efficient; and enhance U.S. industry's access to global markets.