



PRIMER: Reviving America's Defense Industrial Base

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BOTTOM LINE UP FRONT

- China's defense industrial base (DIB) is already on a wartime footing. Over the last couple of decades, China has conducted the largest peacetime [military buildup](#) in modern history, including significantly [increasing](#) its inventory of ballistic missiles and nuclear warheads.
- The bipartisan 2024 Commission on the National Defense Strategy [found](#) that the American DIB is "currently unable to produce the weapons, munitions, and other equipment and software needed to prepare for and engage in great power conflict."
- While the Trump administration has made some progress since taking office in 2025, the United States must urgently move its DIB to a wartime footing, continuing to reform the acquisition process and strengthen public-private collaboration to accelerate production and spur new advancements.
- The United States's military spending is currently too low overall, at only about [3 percent](#) of GDP, and not enough is directed towards procurement. Polls show Trump voters [support](#) an increase to at least 5 percent of GDP, while higher percentages of defense spending should be devoted to procurement.

BACKGROUND

During the Cold War, U.S. defense spending [averaged](#) between 5–10 percent of GDP, but after the fall of the Soviet Union, that percentage shrunk to around 3 percent. During this same time period, China began conducting the largest peacetime military buildup in modern history. The Chinese DIB is now operating on a wartime footing, producing weapons systems across all the major domains of war at mass, scale, and volume. This is a clear priority for the Chinese Communist Party (CCP), which has directed state-owned enterprises to produce weapons systems, provided money and reduced timelines for procurement, and focused on acquiring and developing key technology like artificial intelligence through a decades-long espionage campaign to steal American technology and data. The Chinese goal is to become a global power with a military capable of defeating the United States in a conflict and taking Taiwan.

DEFENSE INDUSTRIAL BASE

For decades, the American DIB was oriented to support counterterrorism operations. Today, the United States is facing a great power confrontation against China and its bloc of anti-American adversaries. The United States must maintain a military capable of deterring and, if necessary, winning such a conflict, and a robust DIB is critical to preserving "peace through strength," particularly in the Indo-Pacific.

It is critical that the United States moves the American DIB to a wartime footing to match China's efforts while retaining the capability to strike anywhere in the world to protect American interests. The American DIB must be capable of supporting a protracted conflict against a great power adversary, and as various war games have [shown](#), American stockpiles will be depleted far too quickly in a hot war with China if they remain at present levels. The bipartisan 2024 Commission on the National Defense

Strategy [found](#) that the American DIB is “currently unable to produce the weapons, munitions, and other equipment and software needed to prepare for and engage in great power conflict.” This problem is made even more acute because as recently demonstrated in Iran, the United States faces threats beyond just the Indo-Pacific, and countering China and its partners requires a global approach.

The Trump administration has made progress, particularly with an [executive order](#) to modernize defense acquisition that was operationalized in the Pentagon’s new [defense acquisition strategy](#). The United States must continue to build and strengthen robust public-private partnerships that can help speed innovation and production of world-class systems across all domains, including space and cyber. This provides America with a competitive advantage over China, which struggles with corruption and a lack of competition.

DEFENSE SPENDING

Building and maintaining a strong American DIB will require higher defense spending. While we now must confront a hostile China-led bloc that also includes Russia, Iran, and North Korea, our defense spending is only at around [3 percent](#) and has been trending downwards. China, by contrast, has been rapidly [increasing](#) their spending. Polling by The Vandenberg Coalition shows that Trump voters [support](#) the United States increasing defense spending to at least 5 percent of GDP, which would match the lower end of levels during the Cold War.

In addition to increasing defense spending, the United States must increase the percentage of defense spending on procurement, particularly for the kinds of weapons systems needed to deter and win a great power fight with China. During the Cold War, the United States developed a concept of operations for a potential clash with the Soviet Union that informed the American DIB’s priorities. Today, a similar approach is needed to integrate DIB production with the operations and strategies needed to ensure the United States can defeat China and its partners.

President Trump has [signaled](#) he wants defense spending to reach \$1.5 trillion, which would be a positive step. However, sustained investment is needed to reduce the downward trajectory. Without proper investment, the United States will not be able to acquire the weapons systems necessary to deter and defend at this critical time of increased great power conflict.

POLICY RECOMMENDATIONS

1) Congress must provide predictable funding.

While relying on continuing resolutions has become commonplace in the congressional budgetary process, it is detrimental for defense spending because it prevents spending levels from increasing as needed and creates uncertainty about exactly when the funding will be provided. Congress must provide more predictability both to be a good partner for industry and to allow the Department of War to adequately plan for the future.

2) Match defense spending levels to the moment.

While President Trump’s announcement of a \$1.5 trillion budget is a step in the right direction, it should not be viewed as the finish line. Funding levels must grow to at least five percent of GDP to meet our growing defense needs in a time of increasing great power hostility. The funding must also be weighted to procurement of the weapons platforms and systems needed to counter China and its anti-American partners. Finally, Congress should appropriate the majority of these funds through the regular appropriations process rather than through the reconciliation process.



3) Leverage America's commercial sector.

During the Second World War, President Roosevelt established the [War Production Board](#) to use the nation's commercial industry for defense production, and leveraging the strength of America's commercial sector is just as important today to take advantage of industry's ability to spur technological advancements. The Pentagon's new [defense acquisition strategy](#) establishes the Wartime Production Unit, which recognizes the urgency of the current situation and the need for close coordination with industry. Additionally, strong public-private partnerships create healthy competition to spur innovation and development.

4) Prioritize mass production.

Our DIB needs to produce systems at mass and scale. While systems with cutting-edge technology but slower production timelines remain important, we also must ramp up production for the low-cost and mass-produced systems and platforms needed to fight a protracted conflict against another great power. To do so, we must make it easier for small to midsized companies focused on innovation to navigate the acquisition process.

5) Work to integrate allies and strategic partners into a networked defense industrial base.

Our allies and partners have significant capabilities and raw material that we can leverage to have a well-functioning DIB. By importing systems and materials where our allies have advantages, we can reduce the burden on our DIB to manufacture solely on our own.

