



ISSUE BRIEF

The **Scowcroft Center for Strategy and Security** works to develop sustainable, nonpartisan strategies to address the most important security challenges facing the United States and the world. The Center honors General Brent Scowcroft's legacy of service and embodies his ethos of nonpartisan commitment to the cause of security, support for US leadership in cooperation with allies and partners, and dedication to the mentorship of the next generation of leaders.

The **Indo-Pacific Security Initiative** (IPSI) housed within the Scowcroft Center for Strategy and Security informs and shapes the strategies, plans, and policies of the United States and its allies and partners to address the most important rising security challenges in the Indo Pacific, including China's growing threat to the international order and North Korea's destabilizing nuclear weapons advancements. IPSI produces innovative analysis, conducts tabletop exercises, hosts public and private convenings, and engages with US, allied, and partner governments, militaries, media, other key private and public sector stakeholders, and publics.

This work on production diplomacy in the Indo-Pacific by the Indo-Pacific Security Initiative of the Atlantic Council's Scowcroft Center for Strategy and Security has been made possible by support from **RTX**. The Atlantic Council maintains a strict intellectual independence policy, and the analysis and conclusions presented in this issue brief are the authors' alone.

Production diplomacy for deterrence, readiness, and resilience in the Indo-Pacific

JUNE 2024

ANDREW BROWN, JOHN WATTS, AND
MARKUS GARLAUSKAS

Executive summary

While “production diplomacy” is a new term, it is not a new concept. It is an approach that integrates the defense industrial bases (DIBs) of allies and partners. Production diplomacy provides opportunities to protect supply chains, strengthen alliances and partnerships, enhance deterrence, and build defense readiness, though it is not without risks and challenges. Given the potential of these opportunities to help meet the growing challenges of an evolving geostrategic environment in which it faces multiple adversaries simultaneously, the United States should rapidly develop and implement new production diplomacy initiatives, particularly in the Indo-Pacific.

Under Secretary of Defense for Acquisition and Sustainment William A. LaPlante coined the term “production diplomacy” at a public event in September 2023.¹ It was subsequently defined in the National Defense Industrial Strategy (NDIS) released in January 2024, but its history dates back to at least the Cold War.² The NDIS defines production diplomacy as a strategy to protect DIB supply chains, but it can support far more national security objectives, especially in the unique geostrategic environment of the Indo-Pacific.³

Production diplomacy can play a key role in deepening and broadening integration within and among allies and partners, while enhancing resilience and building both stockpiles and surge capacity. Along with these advantages, the application of production diplomacy comes with risks and challenges, which include the difficulties in creating sustainable environments for indus-

1 “Strengthening the US Industrial Base with Hon. Dr. William A. LaPlante,” Center for Strategic and International Studies, September 26, 2023, <https://www.csis.org/events/strengthening-us-industrial-base-hon-dr-william-laplane>.

2 Joseph Clark, “DoD releases its first Defense Industrial Strategy,” US Department of Defense, January 12, 2024, <https://www.defense.gov/News/News-Stories/Article/Article/3644527/dod-releases-first-defense-industrial-strategy/>.

3 Ibid.



US Department of Defense/Photo by Staff Sgt. Derek Davis, 149th Fighter Wing (Texas Air National Guard)

try, unintended technology transfer to adversaries, and domestic political environments.

While production diplomacy will not apply to every technology and in every place, when applied creatively under the right set of circumstances, it has the potential to dramatically enhance US, allied, and partner national security. This creativity could include not just coproducing forward, but assembling forward, as well as multilateral coproduction arrangements that create “win-win-win” outcomes.

Maximizing the effectiveness of production diplomacy initiatives to simultaneously support the shared national security objectives of the United States, its allies, and its partners will require actions by various elements of the executive branch as well as Congress. Specific recommendations to this end are included on page 16, and they will involve thinking creatively; crafting programs to support multiple national security objectives simultaneously; as-

sessing and managing risks; overcoming gaps and seams; and applying historical lessons.

Background

In September 2023, Under Secretary of Defense for Acquisition and Sustainment William LaPlante coined the term “production diplomacy” at a public event on strengthening the defense industrial base (DIB) in describing coproduction.⁴ He cited the benefits of production diplomacy, including how the DIBs of the United States, and its allies and partners can complement one another.⁵ LaPlante noted examples of coproducing in allied and partner countries, such as the planned coproduction of US Guided Multiple Launch Rocket System (GMLRS) munitions in Australia.⁶ In addition to plans for GMLRS coproduction in Australia, there are ongoing production diplomacy projects in the Indo-Pacific.⁷

4 “Strengthening the US Industrial Base.”

5 Ibid.

6 Ibid.

7 Seth Robson and Hana Kusumoto, “US, Japan are natural partners in hypersonic missile defense, experts say,” *Stars and Stripes*, August 15, 2023, https://www.stripes.com/theaters/asia_pacific/2023-08-15/sm-3-japan-hypersonic-missile-defense-11053142.html.

In January 2024, the Department of Defense (DoD) used the term “production diplomacy” in its National Defense Industrial Strategy (NDIS) and, based on lessons learned from Ukraine, defined it as: “A production strategy that emphasizes friend-shoring, on-shoring, and working with allies and partners to minimize reliance on products from adversaries.”⁸

While DoD’s definition of production diplomacy suggests its objective is protecting supply chains, it clearly ties into larger issues and can support additional objectives. LaPlante himself linked production diplomacy to deterrence, which itself is directly related to US, allied, and partner readiness for conflict.⁹ As the NDIS notes: “Rather than wait for emergency circumstances, investing in these relationships now will yield fruit, should we collectively face a crisis in coming years.”¹⁰ According to the NDIS, public diplomacy is also relevant for strategic competition and protracted conflict: “Incorporating allies and partners into a more networked or web-like production chain would enable expansion in production, additional capacity for a longer contest, and incentives among regional partners to cooperate in resisting coercion from adversaries.”¹¹ As it applies to the Indo-Pacific specifically, the NDIS notes “opportunities to... convene the leadership of allied and partner nations within the Indo-Pacific to deepen multilateral collaboration on regional industrial base and manufacturing production challenges.”¹²

Historical precedents and changing geostrategic context

Concepts similar to production diplomacy have long been referenced using other terms, including coproduction and joint production. Defense expert Mackenzie Eaglen has referred to the concept of coproducing in US allied and partner countries as “coproduction forward and in theater,” as well as “dispersed coproduction.”¹³

As noted by Eaglen, the United States had various successes with coproduction forward during the Cold War, in-

Adversary production diplomacy: Production diplomacy is not the exclusive domain of the United States and its allies and partners. Adversaries’ systems of government can provide them with greater speed and agility given their lack of checks and balances. Media reporting in November 2023 indicated that Iranian loitering munition unmanned aerial vehicles (UAVs) would be mass-produced in Russia with improved fabrication processes that would advance their capabilities.¹ If this type of production diplomacy were to expand, such as via Chinese coproduction in Russia, it could provide China with greater strategic depth.

1 “Construction progresses at Russian plant for Iranian drones,” Reuters, November 13, 2023, <https://www.reuters.com/world/europe/construction-progresses-russian-plant-iranian-drones-report-2023-11-13/>.

cluding coproducing F-16 fighter jets in multiple European countries.¹⁴ According to a 1989 report from the General Accountability Office, which was then known as the General Accounting Office, the major US objectives of coproduction were to enable eligible countries to improve their military readiness and “promote standardization of US and allies’ military materiel and equipment.”¹⁵

Production diplomacy today is taking place within a vastly different geostrategic environment than during the Cold War or its immediate aftermath, however. While today’s China has a much more robust and growth-oriented economy than that of the Soviet Union to enable its DIB, the United States has built a global web of allies and partners with stronger economic potential and DIBs than in the Cold War, including in the Indo-Pacific. An understanding of the significance of that net advantage over potential adversaries is reflected in multiple US strategy documents, including the US Indo-Pacific Strategy, which states: “Consistent with our broader strategic approach, we will prioritize our single greatest asymmetric strength: our network of security

8 Clark, “DoD releases.”

9 “Strengthening the US Industrial Base.”

10 Clark, “DoD releases.”

11 Ibid.

12 Ibid.

13 Mackenzie Eaglen, “Defense Coproduction: A Proven Model of Success,” RealClearDefense, January 23, 2024, https://www.realcleardefense.com/articles/2024/01/23/defense_coproduction_a_proven_model_of_success_1006718.html.

14 Ibid.

15 “U.S. Military Aircraft Coproduction with Japan,” Government Accountability Office, February 23, 1989, <https://www.gao.gov/products/t-nsiad-89-6>.

alliances and partnerships.”¹⁶ While the US DIB still serves as the foundation of the US military and supports the national security interests of US allies and partners, as the US National Security Strategy (NSS) notes, the DIBs of US allies and partners are critically important.¹⁷

Supporting integration and resilience

The issue of production diplomacy ties into the larger issues of integration and resilience, which are mutually reinforcing in a web-like structure. While each individual component of integration and resilience has value, when combined they can be greater than the sum of their parts.

Integration

There are various efforts underway to deepen and broaden the relationships between and among the United States and its allies and partners, which are captured in the NSS that noted the importance of deepening and modernizing US alliances and partnerships.¹⁸ Through its NSS, the White House introduced the concept of “integrated deterrence,” which includes: “Integration with allies and partners through investments in interoperability and joint capability development....”¹⁹

For DoD, integration can take various forms, including joint training, joint exercises, and joint operations, which can be bilateral or multilateral. While this report is focused on the Indo-Pacific, Europe and its DIB should be considered part of the larger global integrated web of allies and partners. This integration is already occurring, such as reporting in February 2023 that a Finnish company plans to coproduce armored vehicles in Japan.²⁰

Integration takes place at levels along a spectrum with interoperability as its highest level. The US Indo-Pacific Strategy indicates: “Across the region, the United States will work with allies and partners to deepen our interoperability....”²¹



US Department of Defense/Photo by Petty Officer 2nd Class Madysson Ritter, Joint Munitions Command

While interoperability between DIBs is critical, other types of interoperability mechanisms between and among the United States and its allies and partners continue to advance, such as the announcement in April 2024 that Japan

¹⁶ *Indo-Pacific Strategy of the United States*, White House, February 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/02/U.S.-Indo-Pacific-Strategy.pdf>.

¹⁷ *National Security Strategy*, White House, October 2022, <https://www.whitehouse.gov/wp-content/uploads/2022/10/Biden-Harris-Administrations-National-Security-Strategy-10.2022.pdf>.

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ Daisuke Sato, “Japan to produce Finnish AMV XP armored vehicles,” *Defence Blog*, September 1, 2023, <https://defence-blog.com/japan-to-produce-finnish-amv-xp-armored-vehicles/>.

²¹ *Indo-Pacific Strategy*.

would further its command and control (C2) interoperability with the United States.²²

Resilience

Another significant and related shift involves efforts to enhance resilience through building redundancies, including in supply chains.

According to the DoD Supply Chain Risk Management Framework from February 2023, a key activity deemed necessary to strengthen DIB capabilities is to “Conduct international engagement efforts, including government-to-government dialogues with allies and partners on joint industrial base concerns and areas of potential collaboration.”²³

Supply chain resilience focuses on mitigating risk by diversifying suppliers and eliminating single points of failure. This allows the chain to adapt if a part encounters disruption, ensuring continued operation even when under stress.

The resilience of supply chains involves more than keeping adversaries out of them. As noted at a public event in March 2023, it is important to “identify alternative sources when a key supplier has reached its production capacity” to add resilience to supply chains.²⁴

Resilience includes the dispersal of capabilities to complicate adversary targeting efforts. This principle is demonstrated in the US Air Force’s Agile Combat Employment operational concept, which involves dispersing capabilities to increase survivability while generating combat power.²⁵ While dispersal is a benefit in and of itself, dispersal *forward* adds additional benefits.

Resilience also involves military logistics and the capability to repair, refuel, and reload forward. There is an important role allies and partners in the Indo-Pacific can play in supporting collective resilience, such as potentially using

Japanese shipyards to overhaul and maintain US Navy ships that would allow them to stay forward in the Indo-Pacific during strategic competition, but that could apply to repairing battle damage forward during a conflict.²⁶

Opportunities

While the formal definition of production diplomacy for DoD is focused on managing supply chain risks, there are other interrelated ways in which production diplomacy in the Indo-Pacific can enhance national security for the United States and its allies and partners, including:

- Strengthening alliances and partnerships
- Enhancing deterrence
- Building defense readiness

Strengthening alliances and partnerships

Strengthening alliances and partnerships is the “diplomacy” component of production diplomacy to advance relationships with allies and partners.

China’s coercive activities—both in the Indo-Pacific and globally—are driving closer integration between and among US allies and partners. This includes cases in which long-standing tensions previously limited such integration, such as the relationship between Japan and South Korea.

Production diplomacy between allies and partners can help strengthen the overall bilateral relationship. Even when a relationship is already deep and broad, it can always be deeper and broader, which can help to work through disagreements that can arise among even the closest of allies.

While production diplomacy includes coproducing forward in the Indo-Pacific, it can also apply to *assembling* forward in the Indo-Pacific. For example, in June 2024, the White House announced that a US UAV platform used for intel-

22 “Fact Sheet: Japan Official Visit with State Dinner to the United States,” White House, April 10, 2024, <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/10/fact-sheet-japan-official-visit-with-state-dinner-to-the-united-states/>.

23 “Supply Chain Risk Management Framework: Project Report – Phase 1,” Office of the Assistant Secretary of Defense for Sustainment, February 2023, https://www.acq.osd.mil/log/LMR/scrm_report.html/DoD_SCRM_Framework_Report_Phase_I.pdf.

24 Gregory Sanders and Nicholas Velazquez, “2023 DAPA-CSIS Executive Summary: ROK-US Defense Industrial Cooperation for a Resilient Global Supply Chain,” Center for Strategic and International Studies, December 19, 2023, <https://www.csis.org/analysis/2023-dapa-csis-executive-summary>.

25 “Air Force Doctrine Note 1-21: Agile Combat Employment,” US Air Force, August 23, 2022, https://www.doctrine.af.mil/Portals/61/documents/AFDN_1-21/AFDN%201-21%20ACE.pdf.

26 John Geddie and Tim Kelly, “U.S. wants Japanese shipyards to help keep warships ready to fight in Asia,” Reuters, January 19, 2024, <https://www.reuters.com/world/asia-pacific/us-eyeing-japanese-shipyards-warship-overhauls-says-us-ambassador-2024-01-19/>.

ligence, surveillance, and reconnaissance (ISR) would be assembled in India.²⁷

The United States' robust use of production diplomacy in the Indo-Pacific could send a clear message to its allies and partners that the United States views the challenges in the Indo-Pacific as collective challenges that should be collectively addressed.

Finally, in considering production diplomacy as part of an integrated and resilient web, it is not a hub-and-spoke-type structure with the United States at the center. Rather, it includes relationships among allies and partners that do not directly involve the United States and its DIB, but still positively impact on *collective* deterrence and readiness. Such relationships already exist in the Indo-Pacific, as evidenced by the Finnish defense company coproducing armored vehicles in Japan,²⁸ as well as German, French, and South Korean defense companies reportedly coproducing defense equipment in Australia.²⁹

Enhancing deterrence

“Production is deterrence.”

— Under Secretary of Defense for Acquisition and Sustainment William LaPlante³⁰

The transparency of the US political system simultaneously presents both opportunities and risks in terms of defense acquisition programs, since potential adversaries are able to see what the United States buys—and how many. Significant increases in capabilities can be an opportunity to influence the adversary's deterrence calculus in a way that benefits the United States and its allies and partners. Conversely, significant decreases or stagnation in capabilities can be a risk by influencing the adversary's decision calculus in a way that encourages aggression.

Visibly deeper and broader integration of US capabilities with those of its allies and partners, as well as clear

resilience in their supply chains and logistics would aid deterrence. Production diplomacy enabling dispersed production, particularly in areas closer to the potential fight, would also support deterrence by complicating adversary military planning and creates targeting dilemmas for an adversary.

Ultimately, a robust and transparent production diplomacy program in the Indo-Pacific could lead potential adversaries to question whether they can achieve their military objectives, whether the probability of achieving their objectives is too low, or that the costs of achieving their objectives would come at too high of a price.

Building defense readiness

While readiness is often considered synonymous with short-term military readiness, production diplomacy is an important component of the larger issue of *defense* readiness that includes the DIB's preparedness to sustain support during a conflict. Both types of readiness support deterrence. Although readiness is often assessed within a US-only context, readiness, like deterrence, should also be considered in *integrated* terms with allies and partners in combined forces for various scenarios.

Additionally, integrated readiness involves not just the military, the DIB, or even the larger defense enterprise, but the whole of government and even the whole of society. A major conflict with China would likely expand geographically beyond the Indo-Pacific and even beyond the traditional land, maritime, and air domains. For example, China has recently demonstrated it has both the capabilities and the will to target US critical infrastructure through cyber attacks directly impacting the US homeland.³¹

Risks and challenges

While there are opportunities for production diplomacy to enhance the national security of the United States and its allies and partners, it also faces risks and challenges. Among the most significant are:

27 “Joint Statement for the United States and India,” White House, June 22, 2023, <https://www.whitehouse.gov/briefing-room/statements-releases/2023/06/22/joint-statement-from-the-united-states-and-india/>.

28 Sato, “Japan to produce.”

29 Colin Clark, “Sovereignty ‘a vexing problem’ for Australian defense,” *Breaking Defense*, February 27, 2023, <https://breakingdefense.com/2023/02/sovereignty-a-vexing-problem-for-australian-defense/>.

30 “Strengthening the US Industrial Base.”

31 “PRC State-Sponsored Actors Compromise and Maintain Persistent Access to U.S. Critical Infrastructure,” Cyber and Infrastructure Security Agency, February 7, 2024, <https://www.cisa.gov/news-events/cybersecurity-advisories/aa24-038a>.



US Department of Defense/Photo by Billy Blankenship, Air University Public Affairs

- Difficulties in creating sustainable environments for industry
- Unintended technology transfer to adversaries
- Domestic political environments

Difficulties in creating sustainable environments for industry

For a production diplomacy initiative to be successful, it relies on industry partners being willing to take managed risks. Ultimately, individual members of industry must assess that the initiative will likely be profitable—or they will be dis-incentivized from taking the risks inherent in making long-term investments. Such risks can be existential for smaller companies that are not financially positioned to absorb the losses from failure.

This consideration of risk is closely related to the role of congressional appropriators, who typically use year-to-year procurements rather than multiyear procurements. While the appropriators seek to be fiscally responsible and prefer greater flexibility given the rapidly evolving geopolitical environment offered through year-to-year procurements, year-

to-year procurements pose a challenge for an industry that seeks stability to make investments. While there is risk in buying a capability that may not be needed later, that risk should be weighed against the risk that in a crisis there will be insufficient time relative to adversaries to ramp up production.

There are multiple variables involved in industry assessing whether a risk related to production diplomacy is worth taking. These include sufficiently low labor costs, as well as a sufficiently skilled labor force that either already has the needed knowledge and skills—or can obtain them—and which can be successfully recruited and retained. US and ally/partner government policies can play a key role in affecting these factors. Meanwhile, risk to intellectual property (IP) is also a key factor for the cooperative initiatives that production diplomacy involves where government measures can be critical. IP is often considered a company's uniquely valuable “crown jewels,” so production diplomacy initiatives must also ensure there are effective legal, policy, and even counterintelligence measures in place to protect IP from rivals or potential rivals, including adversaries of the United States—but ones that allow for the IP to be used effectively without extensive additional costs or delays.

Stockpiles and surge capacity

Production diplomacy can support both stockpiles and surge capacity, each with its own importance for defense readiness and deterrence.

In a short-duration conflict, the beginning stages of a longer conflict, and circumstances in which resupply is contested (or even denied), stockpiles are critical. For a conflict in the air and maritime environment of the Indo-Pacific encompassing vast distances, advanced munitions would be key, especially long-range precision munitions. The publicly available results of multiple tabletop exercises note the importance of such munitions for warfighting in the Indo-Pacific, including one suggesting that the United States would likely run out of some types in less than one week in a Taiwan Strait conflict.¹

Production diplomacy with Indo-Pacific allies and partners could help to grow the size of interoperable stockpiles for the United States and other members of a combined force. Producing and pre-positioning more of those stockpiles in the Indo-Pacific could help increase the speed of delivery to warfighters, while also potentially reducing reliance on vulnerable transport assets, limited transportation network nodes, and vulnerable supply lines. The concept of resupply forward, which was noted by defense expert Eaglen,² can help to shorten some supply lines and manage the “tyranny of distance,” which is particularly challenging in the Indo-Pacific.

If a conflict becomes protracted, then surge capacity—the ability to increase production quickly relative to one’s adversary—becomes critical, as prewar stockpiles will not be large enough to sustain a truly protracted conflict. As LaPlante noted in discussing the ebb and flow history

of munitions acquisitions, “We assume that we can surge when the crisis happens.”³

The ability to surge quickly is based on additional underlying assumptions, including that there is sufficient notice through indications and warnings (I&W) of a conflict from the US Intelligence Community and the intelligence apparatus of allies and partners to begin the surge before a large-scale attack begins. This surge would be a race with an adversary and, as noted by LaPlante, the Chinese DIB has demonstrated its significant “cycle time” abilities to move rapidly from leadership decisions regarding development to fielding—and in quantity.⁴

As experts analyze and wargame the shape of a conflict with China, it is becoming clearer that a major conflict would likely become a protracted one, which would place a premium on surge capacity after initial stockpiles are quickly exhausted. Atlantic Council Nonresident Fellow Brian Kerg’s “There will be no ‘short, sharp’ war. A fight between the US and China would likely go on for years” is just one example of the recent analyses underscoring this point.⁵

Further, both stockpiles and surge capacity for certain systems and munitions, such as missile defense interceptors, would become particularly critical in a simultaneous conflict involving more than one adversary. Such a conflict is particularly likely in the Indo-Pacific, as a war with China or North Korea is likely to expand to include both if it does not end quickly, as noted in a recent Atlantic Council study.⁶ Unlike in the immediate aftermath of the Cold War when the US DIB largely had the capability to go it alone, this is no longer the case today.

1 Seth G. Jones, “The U.S. Defense Industrial Base Is Not Prepared for a Possible Conflict with China,” Center for Strategic and International Studies, January 23, 2023, <https://features.csis.org/preparing-the-US-industrial-base-to-deter-conflict-with-China/>.

2 Eaglen, “Defense Coproduction.”

3 “Strengthening the US Industrial Base.”

4 Ibid.

5 Brian Kerg, “There will be no ‘short, sharp’ war. A fight between the US and China would likely go on for years,” *New Atlanticist*, Atlantic Council, March 19, 2024, <https://www.atlanticcouncil.org/blogs/new-atlanticist/there-will-be-no-short-sharp-war-a-fight-between-the-us-and-china-would-likely-go-on-for-years/>.

6 Markus Garlauskas, *The United States and its allies must be ready to deter a two-front war and nuclear attacks in East Asia*, Atlantic Council, August 16, 2023, <https://www.atlanticcouncil.org/in-depth-research-reports/report/the-united-states-and-its-allies-must-be-ready-to-deter-a-two-front-war-and-nuclear-attacks-in-east-asia/>.

Unintended technology transfer to adversaries

“We also seek to remove barriers to deeper collaboration with allies and partners, to include issues related to joint capability development and production to safeguard our shared military-technological edge.”

— US National Security Strategy³²

There are various laws and regulations in place, such as export control laws, to support national security objectives, including attempting to prevent the transfer of sensitive technologies to adversaries, as well as preventing the proliferation of technologies that could increase regional and/or global instability.

These laws and regulations, such as the International Traffic in Arms Regulations, were created in an iterative process over time to serve as a suite of risk management tools to decrease the probability and/or impact of events that could be damaging to national security. While the laws and regulations themselves are important, there must also be organizational cultures that effectively balance managing risks with leveraging opportunities.

This risk can partly be managed by providing sufficient counterintelligence and security resources to detect and prevent the transfer of sensitive technologies, which is particularly effective when it is “baked in” to front-end planning rather than in response to technology transfer incidents.

Preventing the transfer of sensitive technologies to adversaries and potential adversaries remains a significant risk, but as LaPlante noted, the risk equation has changed in that “the system is built around a risk of technology exploitation by an adversary,” but that the risk of technology transfer to adversaries must be weighed against “the risk of not sharing” given the “operational imperative” in the Indo-Pacific.³³ With the aforementioned ability of production diplomacy initiatives to contribute to readiness and deterrence in the Indo-Pacific, such initiatives are vital for US national secu-

rity, not just a “nice to have.” Forgoing or hamstringing such initiatives to minimize the risk of adversaries exploiting the involved technologies instead risks resulting in deterrence failure or operational failure.

Domestic political environments

While defense issues are often placed into the “foreign” bucket in the bifurcation of foreign and domestic issues, defense issues have a significant domestic component. This is reflected in how domestic political considerations impact defense issues, particularly those involving industry. As noted by Eaglen, the issues of coproduction and domestic political considerations are interrelated.³⁴

These considerations are most evident in “Buy American” laws designed to support US jobs and the US manufacturing industry, which could limit the potential of production diplomacy initiatives. This issue is not unique to the United States, however, as other US allies and partners for production diplomacy also have to manage domestic political considerations and concerns about lost jobs or revenue to a partner in a production diplomacy initiative.

Ways ahead

While there are general principles to consider regarding the potential application of production diplomacy, it should be applied to each country involved based on their own unique characteristics, including DIB ecosystem, relationship with the United States (and one another), history, geography, and culture.

Some defense systems are likely more broadly applicable among larger numbers of countries, such as UAV platforms, while others would likely be applied to narrower groupings of countries. ISR systems, for example, can effectively stitch together a web of domain awareness among allies and partners, but production diplomacy approaches to such systems would generally be most applicable among countries that already have mature mechanisms and policies for sharing sensitive intelligence information.

Opportunities in the Indo-Pacific could include the following:

³² *National Security Strategy*.

³³ “Strengthening the US Industrial Base.”

³⁴ Eaglen, “Defense Coproduction.”

Australia—and AUKUS

The most visible recent development related to production diplomacy in the Indo-Pacific is the Australia-United Kingdom-United States trilateral security partnership (AUKUS), which was inaugurated in 2021. AUKUS is most commonly associated with its “Pillar One,” which involves trilateral cooperation to build a nuclear-powered submarine capability in Australia, which supports DIB and operational interoperability, along with supporting infrastructure and basing. AUKUS’ “Pillar Two” is much broader. It focuses on creating the operational and regulatory conditions for the coproduction, fielding, and ongoing development of cutting-edge future technologies, such as hypersonic missiles and artificial intelligence. For Pillar Two, there is the potential for project-specific expansion to other key Indo-Pacific allies, such as Japan and South Korea. AUKUS is changing processes and breaking down bureaucratic barriers. It can serve as a pathfinder for other efforts, including other production diplomacy initiatives in the Indo-Pacific.

Outside of the AUKUS context, Australia is a key partner for production diplomacy in its own right. While the US-Australia relationship has long been both deep and broad, the geostrategic situation in the Indo-Pacific has made this relationship even more important. This includes both the information-sharing relationship, especially via the Five Eyes intelligence alliance (FVEYs),³⁵ as well as a history of fighting alongside one another that dates back to World War I.³⁶

In some ways the defense-related capabilities of the United States and Australia are positioned to complement one another. Given its historically modest DIB, Australia has often used US foreign military sales (FMS) cases to support its military capabilities. However, given the arrival of AUKUS, the Australian DIB will be modernizing and expanding, which will present additional production diplomacy-related opportunities. Production diplomacy, including in Australia, provides a way to move beyond FMS cases to enhance *collective* capabilities. At the same time, Australia’s geography allows it to be outside of the direct threat from all but the most advanced Chinese People’s Liberation Army (PLA) weapons systems, yet close enough to key operational areas to more rapidly support repairing, refueling, and re-loading than from the continental United States.



Commandant of the Marine Corps Gen. James F. Amos, right, visits the Australian War Memorial in Canberra, Australia, with Australian Army Lt. Gen. David Morrison, the Australian army chief, Aug. 8, 2012. US Department of Defense/Photo by Sgt. Mallory VanderSchans, Communication Directorate

By focusing on producing licensed ammunition that is indistinguishable from US versions, and building on the growing expansion of ammunition production already underway in Australia, there is a path to a more advanced manufacturing capability that increases Australian and other regional allied capabilities while providing credible deterrence against Chinese aggression. GMLRS coproduction in Australia could serve as a model for other potential production diplomacy initiatives in the Indo-Pacific, especially for the coproduction of munitions.

35 J. Vitor Tossini, “The Five Eyes – The Intelligence Alliance of the Anglosphere,” *UK Defence Journal*, April 14, 2020, <https://ukdefencejournal.org.uk/the-five-eyes-the-intelligence-alliance-of-the-anglosphere/>.

36 “Battle of Hamel 4 July 1918,” Department of Veterans’ Affairs, Australian Government, last updated July 10, 2023, <https://anzacportal.dva.gov.au/wars-and-missions/ww1/where-australians-served/western-front/battle-of-hamel#:~:text=The%20Battle%20of%20Hamel%20in,British%20tanks%20and%20air%20support.>

Japan

Opportunities to apply production diplomacy approaches with Japan are growing rapidly.

In April 2024, the United States and Japan agreed to deepen US-Japan defense industry cooperation, including by convening a forum on Defense Industrial Cooperation, Acquisition, and Sustainment involving DoD and the Japanese Ministry of Defense to identify priority areas for partnering US and Japanese industry.³⁷

The United States and Japan also announced their “intention to explore co-production of advanced and interoperable missiles for air defense and other purposes to further bolster the Alliance deterrence posture.”³⁸

This is part of larger moves in the US-Japan alliance, which also included the announcement in April 2024 that Japan and the United States were planning to upgrade their C2 frameworks “to enable seamless integration of operations and capabilities and allow for greater interoperability and planning between U.S. and Japanese forces in peacetime and during contingencies.”³⁹

There are a wide range of potential areas for production diplomacy initiatives involving Japan. Given Japan’s strong interest in fielding “counterstrike” capabilities, but a lack of any track record producing such munitions, Japan could benefit from assistance with developing and manufacturing them. Meanwhile, Japan has proven its ability to coproduce highly advanced missile defense interceptors and associated sensors, including the latest Aegis systems and SM-3 missiles.

South Korea

South Korea is already a key defense industrial partner not only for the United States, but also for countries in

the Indo-Pacific and US allies in NATO. A South Korean company assembles and produces parts for US-designed fighter jet engines,⁴⁰ and has already codeveloped and co-produced the FA-50 light attack jet with assistance from a US company—which it is now selling to Poland, among other countries. It has also begun production of the far more advanced KF-21 Boramae fighter jet, developed with US assistance.⁴¹

After citing a recent contract for a South Korean company to produce over one hundred armored vehicles for Australia, the foreign and defense ministers of Australia and South Korea recently agreed to “co-producing defence equipment and co-pioneering new markets on the basis of ROK-Australia defence industry collaboration....”⁴²

South Korea’s defense industry has been growing rapidly in both size and sophistication, including systems well beyond a previous focus on systems designed for a war with North Korea.⁴³ South Korea has shown it has further tremendous untapped potential as a partner for bilateral and multilateral production diplomacy initiatives involving high-end weapons systems, including ballistic missiles, cruise missiles, hypersonics, unmanned systems, and missile defense systems.

Taiwan

In April 2024, *Politico* reported that some members of the US Congress were interested in the possibility of coproducing in Taiwan in response to the backlog of FMS cases bound for Taiwan, including missiles and UAVs.⁴⁴ The reporting indicated such a course of action would: (1) boost Taiwan’s ability to defend itself against China, (2) help deter China, and (3) deepen the US-Taiwan relationship, but noted the risk of technology transfer to China, industrial capacity limitations, and the time needed to establish such a program in Taiwan.

37 “Fact Sheet: Japan Official Visit.”

38 Ibid.

39 Ibid.

40 Akhil Kadidal, “South Korea to develop new fighter aircraft engine,” *Janes*, December 28, 2023, <https://www.janes.com/defence-news/news-detail/south-korea-to-develop-new-fighter-aircraft-engine>.

41 Leilani Chavez, “South Korea to start mass production of KF-21 fighter jets,” *Defense News*, February 2, 2024, <https://www.defensenews.com/air/2024/02/02/south-korea-to-start-mass-production-of-kf-21-fighter-jets/>.

42 “Australia-Republic of Korea 2+2 Joint Statement,” Australian Government, May 1, 2024, <https://www.minister.defence.gov.au/statements/2024-05-01/australia-republic-korea-22-joint-statement>.

43 Axel Catellier and Markus Garlauskas, “Debunking the Korean Peninsula ‘Arms Race’: What’s behind South Korea’s Military Force Development?” *Korean Economic Institute of America*, June 2, 2022, https://keia.org/wp-content/uploads/2022/06/KEI_APS_2022_Catellier-Garlauskas.FINAL_.pdf.

44 Phelim Kine and Paul McLeary, “Lawmakers have a fix for Taiwan’s weapons backlog: Build them on the island,” *Politico*, April 17, 2024, <https://www.politico.com/news/2024/04/17/taiwan-weapons-backlog-00152000>.

In April 2024, Voice of America reported that a government-affiliated media outlet in China published an editorial warning that if the United States built weapons production lines in Taiwan, it would further escalate tensions and that facilities in Taiwan would be targets for PLA missiles.⁴⁵ On one hand, this messaging is troubling because it suggests coproduction could potentially incentivize China to move against Taiwan before coproduction facilities reach full capacity. On the other hand, this attention from Beijing also suggests China understands the impact such initiatives could have by rapidly enhancing readiness for the defense of Taiwan, meaning such efforts could also strengthen deterrence once they begin bearing fruit.

Another important consideration for Taiwan is geography given its close physical proximity to China. While coproduction could be useful for supporting objectives of stockpiling and during strategic competition with China prior to a conflict, it would likely be less useful for supporting surge capacity, as those facilities would quickly be placed at risk during a war, and would be at risk of supply chain disruptions from the interdiction of lines of communication to the island even before a full-scale conflict.

This suggests that for Taiwan, the coproduction of some systems, such as ISR systems (whether air-, sea-, or land-based), could support defense readiness and enhance US-Taiwan defense cooperation. ISR coproduction would support I&W and more quickly detecting indicators of an amphibious landing or blockade to provide an information advantage to the United States, Taiwan, and other allies and partners. Further, such platforms could support strategic competition with China, including enhanced maritime domain awareness.

India

India is not a US ally, but it is an important potential partner for production diplomacy. In June 2023, DoD announced the United States and India were deepening their defense integration with the publication of a “roadmap” for defense industrial cooperation that identified priority areas with cooperation potential including ISR, undersea domain aware-

ness, and munitions.⁴⁶ In November 2023, *Defense One* reported on plans to coproduce the US’ Stryker armored vehicle in India to both enhance India’s military capabilities and deter China and that India and the United States previously agreed to coproduce F414 fighter jet engines for the Indian Air Force.⁴⁷ There will likely be additional production diplomacy-related opportunities for India, particularly in the long term, as India is in the process of reducing its reliance on Russian defense technology.

Multilateral organizations

As noted above, there are opportunities for “minilateral” groupings like AUKUS that could leverage production diplomacy. As an example, in April 2024, the White House announced that the United States and Japan intend to work together to cooperate on a networked air defense architecture and incorporate future capabilities with Australia.⁴⁸ Production diplomacy could enable this type of web.

Recommendations

Recommendations to leverage the potential opportunities of production diplomacy in the Indo-Pacific include the following:

DoD/executive branch

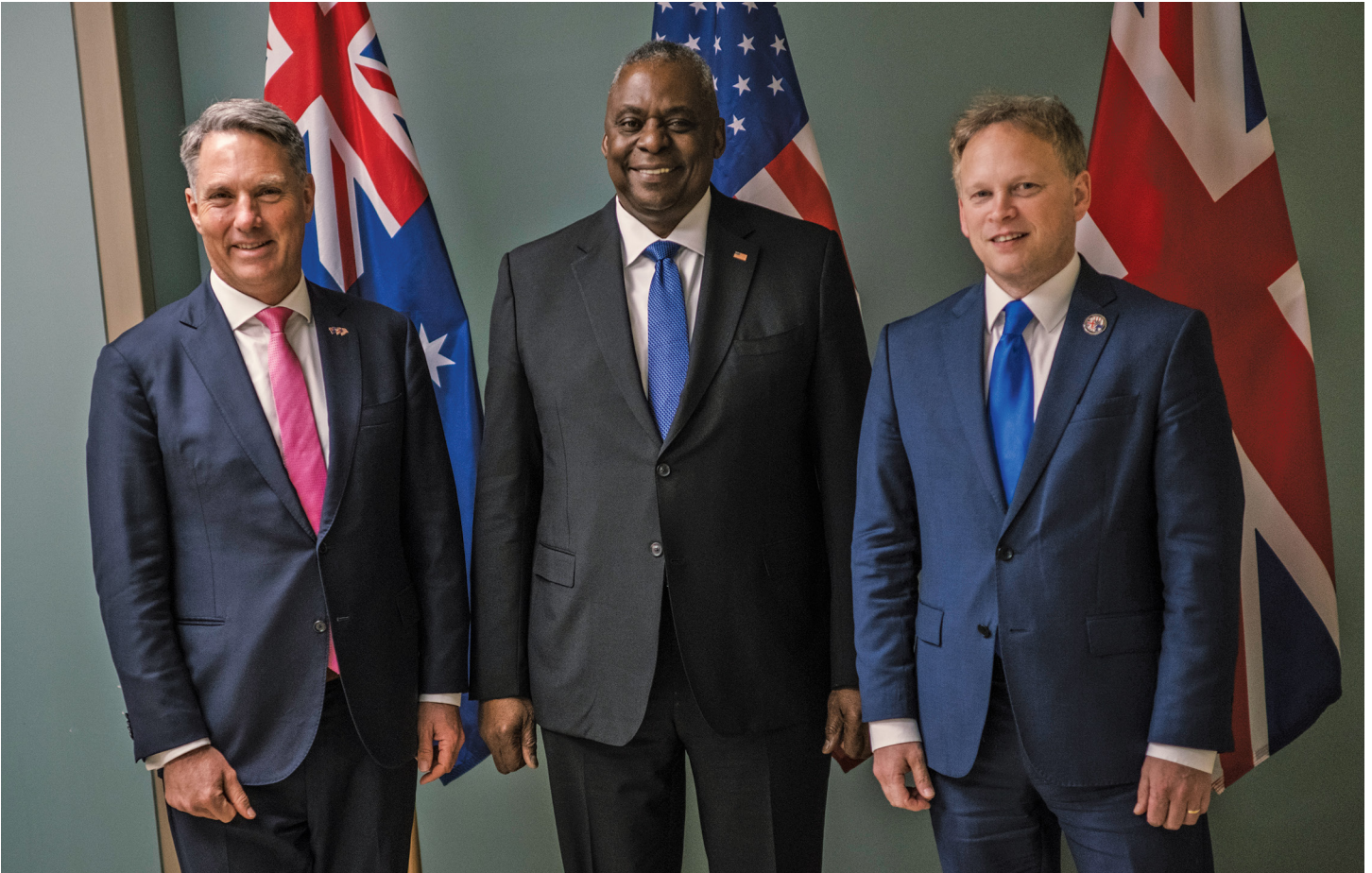
- The Office of the Secretary of Defense (OSD) should **broaden the definition of “production diplomacy”** in subsequent DoD strategies to recognize that while production diplomacy can support protecting supply chains, it can also support additional objectives, including strengthening alliances and partnerships, enhancing deterrence, and building defense readiness.
- The Defense Counterintelligence and Security Agency should lead **comprehensive risk assessments** to understand impacts and probabilities in considering potential production diplomacy opportunities, which should include the risks of *not* integrating more deeply with allies and partners.

45 Xiaoshan Xue, “US, Taiwan Defense Firms to Explore Weapons Co-Production,” Voice of America, April 19, 2023, <https://www.voanews.com/a/us-taiwan-defense-firms-to-explore-weapons-co-production/7057885.html>.

46 “Roadmap for U.S.-India Defense Industrial Cooperation,” US Department of Defense, June 5, 2023, <https://media.defense.gov/2023/Jun/21/2003244834/-1/1/0/ROADMAP-FOR-US-INDIA-DEFENSE-INDUSTRIAL-COOPERATION-FINAL.PDF>.

47 Lauren C. Williams, “India plans to make armored vehicles with US help, officials say,” *Defense One*, November 10, 2023, <https://www.defenseone.com/defense-systems/2023/11/india-plans-make-armored-vehicles-us-help-officials-say/391943/>.

48 “Fact Sheet: Japan Official Visit.”



Secretary of Defense Lloyd J. Austin III hosts Richard Marles MP, Deputy Prime Minister and Minister of Defence, Australia, and the Right Honourable Grant Shapps, Secretary of State for Defence, United Kingdom at Moffett Field, Calif, Dec. 1, 2023. The three leaders met to discuss the Australia-United Kingdom-United States Security Partnership (AUKUS) on the campus of the Defense Innovation Unit. US Department of Defense/Photo by Chad McNeeley, Office of the Secretary of Defense Public Affairs

- The Office of the Under Secretary of Defense (Acquisition and Sustainment) should develop **specific incentives** that could be offered directly (or in working with Congress) to industry to make manufacturing or assembling forward in US states/territories in the Indo-Pacific, as well as additional countries, economically feasible where they might otherwise not be.
- The National Security Council (NSC) should create a **formal interagency mechanism to coordinate production diplomacy-related opportunities** involving relevant organizations, including DoD, the Department of State, and the Department of Commerce.
- The Defense Security Cooperation Agency, through its Defense Security Cooperation University, should sponsor an in-depth **assessment of production diplomacy** that includes lessons learned from history, as well as building a dynamic framework to assess production diplomacy-related opportunities, risks/challenges, and trade-offs, and then apply these specifically to the Indo-Pacific context.
- OSD should sponsor a **production diplomacy-related Indo-Pacific tabletop defense exercise**, rather than a strictly military exercise, which tests the assumption that the United States can surge in response to a crisis. The exercise should take place during a protracted conflict in order to identify surge capacity-related gaps and seams between key “players,” including allies and partners, industry, Congress, DoD, and the NSC.

Congress

- Authorizers should apply the use of **waivers and exemptions**, when appropriate, for allies and partners in the interest of national security.
- Authorizers should apply the limited use of **subsidies as inducements** for industry to make investments and take calculated risks in ways that will benefit national security.
- In **considering multiyear procurements** on a case-by-case basis, appropriators should weigh the loss of flexibility relative to year-to-year procurements against the realistic capacity of industry to quickly surge in response to a crisis.
- Appropriators should **“bake-in” counterintelligence and security funding** at the front end of collaborative efforts to *proactively* manage technology transfer risks.
- Authorizers should request the Congressional Research Service to draft a **report that assesses production diplomacy-related options** for Congress.

Conclusion

“We will foster security ties between our allies and partners in the Indo-Pacific region and beyond, including by finding new opportunities to link our defense industrial bases, integrating our defense supply chains, and co-producing key technologies that will shore up our collective military advantages.”
— US Indo-Pacific Strategy⁴⁹

While it is not a panacea for all the challenges the United States faces in the Indo-Pacific, production diplomacy can

play an important role in larger overall efforts to deepen and broaden integration with and among allies and partners, while also enhancing deterrence, building defense readiness, and strengthening resilience as we work together to strategically compete with China.

About the authors

Andrew Brown is a nonresident fellow with the Atlantic Council’s Indo-Pacific Security Initiative in the Scowcroft Center for Strategy and Security. He served for twenty-five years as a national security professional in the US government as an intelligence research specialist with the Drug Enforcement Administration and then as a special agent with the Naval Criminal Investigative Service. He received his bachelor of arts in foreign affairs from the University of Virginia and a certificate in legislative studies from the Government Affairs Institute at Georgetown University.

John T. Watts is a nonresident senior fellow in the *Forward Defense* practice of the Atlantic Council’s Scowcroft Center for Strategy and Security and head of US federal coordination at Cocoon Data. Previously, he has been a senior policy adviser to the Office of the Secretary of Defense for Policy, where he managed strategic evaluations of security cooperation activities. Watts holds a master of international law from the Australian National University and honours of arts in international studies from the University of Adelaide, Australia.

Markus Garlauskas is the director of the Indo-Pacific Security Initiative of the Atlantic Council’s Scowcroft Center for Strategy and Security. During his distinguished career in the US government, he served as the US National Intelligence Officer for North Korea on the National Intelligence Council and also served for nearly twelve years overseas at the headquarters of United Nations Command, Combined Forces Command and US Forces Korea in Seoul. His staff assignments there included chief of the Intelligence Estimates Branch and director of the Strategy Division. Garlauskas holds a bachelor of arts in history from Kent State University. He earned a master’s degree from Georgetown University’s Security Studies Program, where he is now an adjunct professor.

49 *Indo-Pacific Strategy*.



CHAIRMAN

*John F.W. Rogers

EXECUTIVE CHAIRMAN EMERITUS

*James L. Jones

PRESIDENT AND CEO

*Frederick Kempe

EXECUTIVE VICE CHAIRS

*Adrienne Arsht

*Stephen J. Hadley

VICE CHAIRS

*Robert J. Abernethy

*Alexander V. Mirtchev

TREASURER

*George Lund

DIRECTORS

Stephen Achilles

Elliot Ackerman

*Gina F. Adams

Timothy D. Adams

*Michael Andersson

Alain Bejjani

Colleen Bell

Sarah E. Beshar

Karan Bhatia

Stephen Biegun

Linden P. Blue

Brad Bondi

John Bonsell

Philip M. Breedlove

David L. Caplan

Samantha A. Carl-Yoder

*Teresa Carlson

*James E. Cartwright

John E. Chapoton

Ahmed Charai

Melanie Chen

Michael Chertoff

*George Chopivsky

Wesley K. Clark

*Helima Croft

Ankit N. Desai

Dario Deste

*Lawrence Di Rita

*Paula J. Dobriansky

Joseph F. Dunford, Jr.

Richard Edelman

Stuart E. Eizenstat

Tara Engel

Mark T. Esper

Christopher W.K. Fetzer

*Michael Fisch

Alan H. Fleischmann

Jendayi E. Frazer

*Meg Gentle

Thomas H. Glocer

John B. Goodman

Sherri W. Goodman

Marcel Grisnigt

Jarosław Grzesiak

Murathan Günal

Michael V. Hayden

Tim Holt

*Karl V. Hopkins

Kay Bailey Hutchison

Ian Ihnatowycz

Wolfgang F. Ischinger

Deborah Lee James

*Joia M. Johnson

*Safi Kalo

Andre Kelleners

Brian L. Kelly

John E. Klein

*C. Jeffrey Knittel

Joseph Konzelmann

Keith J. Krach

Franklin D. Kramer

Laura Lane

Almar Latour

Yann Le Pallec

Jan M. Lodol

Douglas Lute

Jane Holl Lute

William J. Lynn

Mark Machin

Marco Margheri

Michael Margolis

Chris Marlin

William Marron

Roger R. Martella Jr.

Gerardo Mato

Erin McGrain

John M. McHugh

*Judith A. Miller

Dariusz Mioduski

*Richard Morningstar

Georgette Mosbacher

Majida Mourad

Virginia A. Mulberger

Mary Claire Murphy

Julia Nesheiwat

Edward J. Newberry

Franco Nuschese

Joseph S. Nye

*Ahmet M. Ören

Ana I. Palacio

*Kostas Pantazopoulos

Alan Pellegrini

David H. Petraeus

Elizabeth Frost Pierson

*Lisa Pollina

Daniel B. Poneman

Robert Portman

*Dina H. Powell

McCormick

Michael Punke

Ashraf Qazi

Thomas J. Ridge

Gary Rieschel

Charles O. Rossotti

Harry Sachinis

C. Michael Scaparrotti

Ivan A. Schlager

Rajiv Shah

Wendy R. Sherman

Gregg Sherrill

Jeff Shockey

Kris Singh

Varun Sivaram

Walter Slocombe

Christopher Smith

Clifford M. Sobel

Michael S. Steele

Richard J.A. Steele

Mary Streett

Nader Tavakoli

*Gil Tenzer

*Frances F. Townsend

Clyde C. Tuggle

Francesco G. Valente

Melanne Verveer

Tyson Voelkel

Kemba Walden

Michael F. Walsh

Ronald Weiser

*Al Williams

Ben Wilson

Maciej Witucki

Neal S. Wolin

Tod D. Wolters

*Jenny Wood

Alan Yang

Guang Yang

Mary C. Yates

Dov S. Zakheim

HONORARY DIRECTORS

James A. Baker, III

Robert M. Gates

James N. Mattis

Michael G. Mullen

Leon E. Panetta

William J. Perry

Condoleezza Rice

Horst Teltschik

William H. Webster

**Executive Committee Members*

List as of April 24, 2024



The Atlantic Council is a nonpartisan organization that promotes constructive US leadership and engagement in international affairs based on the central role of the Atlantic community in meeting today's global challenges.

© 2024 The Atlantic Council of the United States. All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Atlantic Council, except in the case of brief quotations in news articles, critical articles, or reviews. Please direct inquiries to:

Atlantic Council

1030 15th Street, NW, 12th Floor,
Washington, DC 20005

(202) 463-7226, www.AtlanticCouncil.org