YOUNG LEADERS
PROGRAM

EMPOWERING ALLIES' DEFENSE INDUSTRIAL CAPABILITIES TO BOLSTER DETERRENCE IN ASIA

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U.S. treaty allies on the front lines of intensifying strategic competition in Asia are reassessing long-standing assumptions about the strength and credibility of Washington's extended deterrence commitments. With the regional security environment deteriorating and U.S. defense resources increasingly stretched by concurrent demands in Europe and the Middle East, concerns are mounting over Washington's capacity and will to deploy military force, including nuclear weapons, to defend Indo-Pacific allies.

In the spring of 2025, the Center for Global Security Research at the Lawrence Livermore National Laboratory convened a two-day workshop to examine the most pressing challenges facing U.S. extended deterrence. This article builds upon those discussions to examine how the United States could attempt to offset logistical, supply, and production shortfalls in its extended deterrence posture by empowering key regional allies' defense industrial capabilities. To achieve this, Washington must address longstanding industrial barriers and competing political priorities that have prevented allies from assuming more sophisticated industrial roles and asymmetrical defense capabilities. Tackling these issues is central to enabling allies to resource growing gaps in the U.S. defense industrial base (DIB), which has historically undergirded a credible deterrence in Asia.

Logistical and Resourcing Challenges facing U.S. Extended Deterrence

China's rapid emergence as a credible peer competitor with expanding anti-access and area-denial (A2/AD) capabilities has raised operational challenges for the United States in sustaining its forward-deployed forces in Asia. The tyranny of distance between the U.S. mainland and forward-deployed American forces places U.S. logistical and resupply operations at growing risk to China's advancing long-range strike and subsurface warfare capabilities, reaffirming the strategic value of utilizing allied territory proximate to key regional flashpoints. Washington has subsequently accelerated efforts to harden its regional deterrence posture by distributing prepositioned defense assets and munitions across the Indo-Pacific, as well as expanding basing agreements and enhanced force posture initiatives with allies such as Australia and the Philippines. These steps reflect a broader shift to develop a more dispersed and survivable force posture to help ensure Washington's rapid response capacity in the event of a regional conflict.

Yet geography is no longer the sole means by which allies can support the United States in bolstering deterrence in Asia. Mounting pressures to sustain regional readiness and munitions stockpiles — exacerbated by the demands of supporting U.S. partners in active conflicts in Ukraine and the Middle East — have cast greater exposure on the enduring limitations within the U.S. DIB and its capacity to surge.

These challenges are not new. For decades, U.S. officials and defense analysts have warned of chronic weaknesses in the post-Cold War U.S. DIB, including cyclical budget debates, unresolved regulatory bottlenecks, and slow acquisition processes. As a result, industrial surges have historically only followed the outbreak of major conflicts, typically peaking after two years and receding once hostilities subside. In the absence of predictable funding and sustained contracts, the U.S. DIB struggles to expand,

hollowing out critical competencies, shedding workforce, and diminishing surge capacity. It is therefore unsurprising that since the 1990s, the U.S. defense industry ecosystem has seen its prime contractors consolidated from 51 firms to five and, more significantly, lost over 17,000 subcontractors and supplier companies in the last five years alone.

The aforementioned challenges mean the U.S. DIB continues to be constrained in its ability to meet domestic and allied demand for defense materials, offset China's growing industrial edge, and adequately sustain the delivery of vital defense capabilities to U.S. and allied warfighters during a conflict. Indeed, several tabletop exercises have shown that the United States would run out of critical munitions only eight days into a high-intensity conflict with China over Taiwan. These material shortfalls have played a significant role in undermining the credibility of U.S. extended deterrence commitments in Asia in the eyes of adversaries and allies alike.

The Biden administration sought to address these shortfalls by expanding allied contributions to collective deterrence by initiating deeper and more creative efforts for allied defense industrial cooperation. In 2024, the administration launched important initiatives like the National Defense Industrial Strategy (NDIS), the Regional Sustainment Framework (RSF), and the Partnership for Indo-Pacific Industrial Resilience (PIPIR), which marked a deliberate effort to embed key allies into defense production and sustainment networks. Early progress includes, among others, co-production of the AIM-120 AMRAAM with Japan; U.S.-Australia collaboration on advancing Australia's Guided Weapons and Explosive Ordnance (GWEO) Enterprise; and South Korea's support for overhauling U.S. naval logistics vessels on its territory.

Allied Empowerment under the Trump Administration: Moving the Agenda Forward

The second Trump administration has signaled continuity on allied defense industrial cooperation in principle. Senior U.S. defense leaders, including Secretary of Defense Pete Hegseth and Assistant Secretary of Defense for Indo-Pacific Security Affairs John Noh, have linked "empowering" allies' DIB to "restoring deterrence." Secretary Hegseth has endorsed PIPIR and outlined cooperative initiatives under its umbrella, such as ongoing co-production of 155mm artillery shells and a new agreement for P-8 Maritime Patrol aircraft sustainment with Australia.

Yet these efforts have struggled to gain consistent traction, hindered by competing political priorities and a growing protectionist sentiment in Washington, marked by a focus on "Made-in-America" defense procurement. Indeed, some US Senators are urging the Department of Defense to review the Reciprocal Defense Procurement (RDP) agreements process, which has allowed the Pentagon to bypass 'buy national' rules for some 28 defense contracts with allies and partners. In practice, U.S. defense contractors have typically preferred larger U.S. suppliers anyway, not only because they are American, but because they can produce defense materials at scale and, thus, provide them at a comparatively lower cost. Yet, advancing allies' DIB has been significantly undercut by the administration's parallel focus on pressing allies to boost their defense budgets. For the Trump administration, a large amount of this increased spending will have been predicated on purchasing U.S. defense equipment to boost American Foreign Military Sales (FMS).

To be sure, encouraging allies to increase defense spending is an important objective for resourcing collective deterrence. But it is not, in itself, a solution to the significant logistical and industrial shortfalls facing the U.S. DIB and its ability to adequately resource its deterrence posture in Asia. For example, the combined defense budgets of Japan, South Korea, and Australia total roughly $160 billion: less than one-eighth of the U.S. defense budget and only a quarter of China's. In this context, *how* allies invest — particularly in sustainment, resilience, and surge capacity — is more consequential than raw budget figures and the purchase of additional off-the-shelf U.S. acquisitions. Near-term cost-efficiency and short-term foreign sales should not obscure the longer-term strategic value of building more resilient and distributed supply chains in the Indo-Pacific.

On the logistical front, Washington should remain attentive that while ongoing efforts to distribute U.S. force posture and pre-position munitions across the Indo-Pacific reduce immediate resupply vulnerabilities, these stockpiles and facilities remain exposed to adversary strike. Even if U.S. assets are forward deployed within or alongside upgraded runways and hardened infrastructure, they will not achieve a significant strategic effect without being deployed at a sufficient scale during a conflict. Allies' defense industrial capabilities — combined with their geographic proximity to potential flashpoints — offer crucial operational remedies. Building in-theater sustainment and production capacity would reduce the replenishment lag from weeks to days and mitigate the risks posed by China's growing A2/AD capabilities. The Pentagon's review of *Virginia*-class submarine transfers to Australia under the AUKUS partnership is a case in point. While concerns about U.S. fleet readiness are valid, they must be weighed against the strategic value of building maintenance and repair capacity in Western Australia, thus avoiding the costly delays associated with returning assets to U.S. shipyards during a high-intensity conflict.

In addressing material shortfalls within the U.S. DIB, Washington will need to transfer critical technologies, technical know-how, and legislative authorities to close allies: issues that have thus far hindered deeper industrial integration. The case of Japan's effort to produce PAC-3 interceptors for Ukraine illustrates this point. Production was delayed due to Japan's inability to independently manufacture the missile seekers, which remain exclusively sourced from U.S. suppliers, given the United States' Missile Technology Control Regime (MTCR). While this export control regime has been an important instrument in mitigating the risk of adversaries acquiring advanced delivery systems, it requires adjustments for willing and technologically capable allies like Japan to support U.S. national strategic requirements. Although Boeing, which develops these seeker technology capabilities, is expanding production lines, the additional capacity won't become operational until 2027, underscoring the need for earlier planning and better alignment between allied capabilities and U.S. defense needs.

Moving forward, the evolution of multilateral frameworks such as PIPIR will be critical. With limited time and resources, allies must identify comparative industrial advantages to avoid duplication, divide labor, and align production timelines as their respective industries seek to fill material gaps in the U.S. DIB and ensure shared deterrence objectives are sufficiently resourced. Clearer demand signals from the United States will also incentivize greater standardization and interoperability, allowing allied industries to more effectively fill shortfalls in U.S. supply chains and accelerate the delivery of critical capabilities. More fundamentally, if Washington expects Indo-Pacific allies to take on a larger share of sustaining collective defense, it must reconcile competing domestic political pressures with the strategic need to more fully integrate allied industrial capabilities in order to address enduring logistical, supply, and production shortfalls in its priority theater of strategic interest.

Important bilateral and minilateral initiatives involving allied participation in maintenance, repair, and overhaul (MRO), co-production and supply chain integration, and joint defense technology development have made notable progress in recent years. The next step will be ensuring the overall pace and scale of implementation are commensurate with changes in the region's evolving security environment.

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