

## Congress Addresses Supply Chain Domestication in Defense Authorization Legislation

The annual “must-pass” defense authorization legislation contains provisions to address supply chain domestication in light of the COVID-19 pandemic, which could have far reaching implications on the American economy and global trade agenda. While members of Congress and the administration have expressed concerns regarding supply chain vulnerabilities in the last several years, the recent shortages of medical equipment to combat the COVID-19 pandemic has refocused policy-makers’ attention on the issue. These recent shortages, along with growing economic competition with China and other foreign actors across a wider range of sectors, including technology, energy, aviation, minerals, financial services and agriculture, have made taking action on supply chain domestication a matter of national security.

After returning from a multiweek recess, the U.S. House of Representatives and Senate considered their versions of the National Defense Authorization Act (NDAA) ([S. 4049](#) and [H.R. 6395](#)), both of which contain numerous provisions that expand domestic defense manufacturing and address supply chain vulnerabilities. The House passed their version of the legislation by a vote of 295-125, while also accepting several amendments relating to supply chain domestication on July 21. The Senate passed their version by a vote of 86-14 on July 23. During the amendment process on the Senate floor, Sen. John Cornyn’s (R-TX) amendment to authorize a federal grant program for states to build or modernize domestic semiconductor manufacturing facilities was approved by a vote of 96-4, showing a bipartisan effort to further secure America’s supply chain.

While the differences in the legislation must be reconciled during conference before being signed into law by President Trump, it is most likely that the supply chain provisions will find bicameral support and remain a critical component of the final bill. A summary and comparison chart of the supply chain provisions included in both chambers’ legislation is provided below.

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## Defense Industrial Base

### Requirements

Provision	House (H.R. 6395)	Senate (S. 4049)
Financial assistance to small domestic manufacturers in the defense industrial supply chain for cybersecurity protection. [H. Sec. 1633-S. Sec. 1642]	✓	✓
Requires a briefing on the supply chain for small unmanned aircraft system components. [House Adopted Amendment 146]	✓	
Prohibits federal operation or procurement of certain foreign-made unmanned aircraft systems. [House Adopted Amendment 147]	✓	

### Expanded Authority

Provision	House (H.R. 6395)	Senate (S. 4049)
Creation of the position of the Assistant Secretary of Defense for Industrial Base Policy. [H. Sec. 902]	✓	
Creation of the position of the Deputy Assistant Secretaries of Sustainment. [H. Sec. 913]	✓	
Creates a National Supply Chain Database run by the Manufacturing Extension Partnership (MEP) Centers to connect small and mid-size manufacturers and prevent supply chain disruptions. [House Adopted Amendment 377]	✓	

## Congressional Statement

Provision	House (H.R. 6395)	Senate (S. 4049)
Statement of Congress that the additive manufacturing and machine learning initiative of the Army has the potential to accelerate the ability to deploy additive manufacturing capabilities in expeditionary settings and strengthen the U.S. defense industrial supply chain. [House Adopted Amendment 313]	✓	

## Studies

Provision	House (H.R. 6395)	Senate (S. 4049)
Financial assistance to small domestic manufacturers in the defense industrial supply chain for cybersecurity protection. [H. Sec. 1633-S. Sec. 1642]	✓	✓
Climate adaption assessment focused on the resiliency and capacity of the current supply chain supporting national defense. [H. Sec. 322]	✓	
Report on U.S. industrial policies to strengthen the domestic national security industrial base focused on areas of foreign dependence. [S. Sec. 801]		✓
Study to assess the resiliency and the capacity of China's defense industrial base and analyze gaps in national security-related domestic manufacturing capabilities. [H. Sec. 1255]	✓	
Report by the Service Acquisition Executives assessing, mitigating and reporting on supply chain risks. [S. Sec. 831]		✓

Review by the Secretary of Defense on increasing investment to expand capacity or diversifying sources of supply to address military requirements. [S. Sec. 806]		✓
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## Telecom and Wireless Technology

### Requirements

Provision	House (H.R. 6395)	Senate (S. 4049)
Requirement that the Secretary of Defense consider the security risks of telecommunications architecture in overseas stationing decisions. [H. Sec. 1051-S. Sec. 1046]	✓	✓
Requirement for circuit board contractors/subcontractors to certify a percentage of their product is manufactured and assembled in a covered country. [H. Sec. 826-S. Sec. 808]	✓	✓
Requirement that the Deputy Secretary of Defense develop a strategy to manufacture integrated circuits in the United States within three to five years. [S. Sec. 807]		✓

### Strategic Programs

Provision	House (H.R. 6395)	Senate (S. 4049)
Fund supporting public wireless supply chain innovation and multilateral telecommunications security. [SA. 2225]		✓
Creation of an advisory panel on microelectronics leadership and competitiveness. [H. Sec. 247]	✓	

Program under the National Institute of Standards and Technology to improve the U.S.' capacity for verifying and manufacturing advanced microelectronics. [House Adopted Amendment 114]	✓	
Grant program for domestic semiconductor manufacturing. [House Adopted Amendment 24-Senate Adopted Amendment. 2244]	✓	✓

### Congressional Statement

Provision	House (H.R. 6395)	Senate (S. 4049)
Statement that Congress has determined that prohibiting the use of telecommunications and video surveillance products or services from certain Chinese entities within the Federal Government's supply chain is essential to national security. [H. Sec. 828]	✓	

### Studies

Provision	House (H.R. 6395)	Senate (S. 4049)
Report to congressional defense committees assessing the domestic source content of any procurement carried out in connection with major defense acquisition programs. [H. Sec. 825]	✓	
Assessment of the risk to personnel, equipment and operations of the Department of Defense (DOD) in host countries using 5G telecommunications architecture provided by Huawei. [S. Sec. 1273]		✓

## Energy

### Congressional Statement

Provision	House (H.R. 6395)	Senate (S. 4049)
Statement supporting the nuclear fuel supply chain against manipulation from the Russian Federation and Russian-influenced competitors. [H. Sec. 1756-SA. 2220]	✓	✓

### Expanded Authority

Provision	House (H.R. 6395)	Senate (S. 4049)
Instruction that the Secretary of Energy may prohibit the awarding of contracts or subcontracts to covered systems representing a supply chain risk. [S. Sec. 3151]		✓

## Space

### Requirements

Provision	House (H.R. 6395)	Senate (S. 4049)
Requirement that star tracker systems included in national security satellites be domestically sourced with limited exception. [H. Sec. 1602-S. Sec. 813]	✓	✓
Plan to leverage domestic commercial entities in the “new space” supply chain that have already demonstrated rapid satellite product development. [H. Sec. 1604]	✓	

### Expanded Authority

Provision	House (H.R. 6395)	Senate (S. 4049)
Instruction that the President and the National Space Council ensure supply chain and manufacturing processes for space assets. [H. Sec. 1754]	✓	

## Studies

Provision	House (H.R. 6395)	Senate (S. 4049)
<p>Assessment on how the People's Republic of China's activities are impacting U.S. national security, including the People's Republic of China's efforts to seize control of critical elements of the U.S. space industry supply chain. [H. Sec. 1723]</p>	<p>✓</p>	

## Health Care

### Requirements

Provision	House (H.R. 6395)	Senate (S. 4049)
<p>Requirement that drugs, biological equipment, vaccines and critical medical supplies are provided to enable combat readiness and protect the health of the Armed Forces. [H. Sec. 712]</p>	<p>✓</p>	
<p>Requirement that the Secretary of Defense ensure the Armed Forces have the proper equipment necessary to protect members from infectious diseases. [H. Sec. 1073e]</p>	<p>✓</p>	
<p>Requirement that if the President invokes the Defense Production Act in the context of a global pandemic, the U.S. shall coordinate with North Atlantic Treaty Organization (NATO) and other allied countries to address supply chain gaps and promote access to vaccines and other remedies. [House Adopted Amendment 193]</p>	<p>✓</p>	

## Expanded Authority

Provision	House (H.R. 6395)	Senate (S. 4049)
Amendment to the Defense Production Act to ensure the supply of certain medical articles essential to national defense. [SA. 2237]		✓

## Studies

Provision	House (H.R. 6395)	Senate (S. 4049)
Study to assess the reliance of the DOD on foreign sources for pharmaceutical and critical medical supplies. [SA. 2273]		✓
Report to the congressional defense committees on the vulnerabilities to the medicine supply chain in the U.S. [H. Sec. 712]	✓	
Report to the congressional defense committees identifying any existing barriers to medical manufacturing domestically and identifying potential partners with whom the U.S. can work with to realign manufacturing capabilities for such products. [House Adopted Amendment 392]	✓	
Report to Congress on the DOD's Joint Deployment Formulary, the core list of pharmaceutical items that are required for theater-level care for the first 30 days of contingency operation, to determine DOD's ability to procure the items and to identify international military partners who can help manufacture them. [House Adopted Amendment 393]	✓	

## Rare Earth Minerals

### Requirements

Provision	House (H.R. 6395)	Senate (S. 4049)
Requirement that the DOD secure sources of supply of strategic minerals and metals to eliminate “unsecure sources of supply” by 2030 and provide incentives for the defense industrial base to develop robust manufacturing capabilities. [S. Sec. 809]		✓
Requirement that the Secretary of Defense acquire rare earth materials from sources located within the U.S., the national technology and industrial base, and other appropriate sources, in that order. [H. Sec. 824]	✓	
Requirement that the Secretary of Defense prioritize the domestic procurement of tungsten and tungsten powder to meet defense needs. [House Adopted Amendment 198]	✓	
Requirement that the Under Secretary of Defense for Acquisition and Sustainment issues guidance that ensures the elimination of U.S. dependency on rare earth materials from China by fiscal year 2035. [House Adopted Amendment 154]	✓	

### Studies

Provision	House (H.R. 6395)	Senate (S. 4049)
Study on vulnerabilities in the supply chain of strategic and critical minerals and metals necessary to meet national defense and national security requirements. [S. Sec. 810]		✓

Study on partnerships with institutions of higher education for rare earth material supply chain security. [House Adopted Amendment 261]	✓	
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