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Week 8

Defense Production Act, Domestic Computing Infrastructure, and Defense Industrial Base Americanization

"America builds the chip. America owns the chip. America owns the shipyard."

1. The Problem

Taiwan produces 92% of the world's advanced semiconductors. South Korea's Hanwha is currently acquiring Austal USA — the Mobile, Alabama shipyard that builds Virginia-class and Columbia-class nuclear submarine modules — for approximately \$1.2 billion. BAE Systems, a British company, received approximately \$2.3-2.5 billion in U.S. government defense contracts in FY2025 while returning £1.5 billion (\$1.9 billion) annually to foreign shareholders. An Indian conglomerate owns the most strategically important new iron ore mine in America in 50 years — backed by up to \$10 billion from the U.S. Export-Import Bank. The United States defense and critical materials industrial base — the manufacturers of the weapons, ships, chips, and raw materials that American soldiers and American industry depend on — is substantially foreign owned. The private sector has had decades to fix this and has not.

2. The Governing Principle

Efficiency is the wrong standard for national security manufacturing. National security is not an efficiency calculation. It is not an ally trust calculation. It is a sovereignty calculation. American submarines get built in American-owned shipyards. American chips get built in American-owned fabs. American critical materials infrastructure — iron ore, steel, rare earths — belongs in American hands. If American taxpayers fund it through federal financing, American ownership is a condition of that financing. Alliances are relationships between governments. Governments change. Ownership is permanent until it is not.

3. The Specific Policy

I. The Foreign Ownership Crisis — Named and Documented

- **Austal USA — Mobile, Alabama:** Austal USA builds Virginia-class and Columbia-class nuclear submarine modules and U.S. Navy and Coast Guard vessels. Its Australian parent company Austal Limited is currently in acquisition discussions with Hanwha Group of South Korea — a deal valued at approximately \$1.05-1.2 billion as of August 2026. If this deal closes, a South Korean defense

company owns the shipyard building America's most advanced nuclear submarine components. Hanwha already owns Philly Shipyard. One South Korean company would own two major American naval shipyards. CFIUS reviewed Hanwha's initial stake in Austal and found no national security concerns. That determination is wrong and will be reopened under a Risinger administration on Day 1.

- **BAE Systems USA — British owned:** BAE Systems plc is headquartered in London. Its American subsidiary BAE Systems Inc. received approximately \$2.3-2.5 billion in U.S. government defense contracts in FY2025 — confirmed from Washington Technology Top 100 federal contractor data — building combat vehicles, naval guns, electronic warfare systems, and munitions for the U.S. military. BAE Systems total global revenue in 2025: £30.7 billion. BAE Systems returned £1,529 million — approximately \$1.9 billion — to shareholders through dividends and buybacks in 2025. BAE Systems CEO Charles Woodburn said these programs "generate significant export value for the UK economy." Note: an earlier version of this platform incorrectly stated BAE receives \$17 billion per year in American defense contracts. That figure was BAE's total global revenue converted to dollars — not its U.S. contract revenue. The correct U.S. contract figure is \$2.3-2.5 billion per year. The correction is noted here for transparency.

- **Leonardo DRS — Italian government controlled:** Leonardo DRS is a subsidiary of Leonardo S.p.A., an Italian government-controlled aerospace company. Leonardo DRS derives approximately 80% of its revenue from the U.S. government — building thermal weapon sights, tactical radars, and naval power systems. The Italian government owns a controlling stake in the parent company.

- **Serco Inc. — British owned:** Serco Group plc is a British company whose American subsidiary holds significant U.S. military contracts — base operations, logistics, air traffic control at military installations, and Navy ship maintenance.

- **Mesabi Metallics — Indian owned, American taxpayer funded:** Mesabi Metallics Company LLC is backed by Essar Group, an Indian conglomerate headquartered in Mumbai. It is developing a \$2.5 billion Direct Reduction grade iron ore mine and pellet plant in Nashwauk, Minnesota — the first new iron ore mine in Minnesota in nearly 50 years. Mesabi Metallics has received an indication of support from the U.S. Export-Import Bank for up to \$10 billion. American taxpayers are being asked to back \$10 billion in financing so an Indian company can own the most strategically important new iron ore deposit in America. Iron ore is the foundation of steel. Steel is the foundation of ships, tanks, weapons, bridges, and buildings. The profits flow to Mumbai. The ownership stays in India. The governing rule: if American taxpayer financing builds it, American ownership is a condition of that financing.

- **The profit repatriation mechanism — royalties, interest, and transfer pricing:** foreign-owned U.S. defense subsidiaries legally move profits out of the United States through royalty payments to the foreign parent, intercompany interest charges, and transfer pricing arrangements. Version A from Week 1 closes all three mechanisms — none are deductible under Version A.

II. The Government-Owned Contractor-Operated Model — The American Solution

- **GOCO — proven, constitutional, and already in use:** the government-owned contractor-operated model is how the United States already runs its nuclear weapons complex. Savannah River Site, Y-12 National Security Complex, Pantex Plant, Kansas City National Security Campus — all government owned, contractor operated. Nobody calls Pantex socialism.
 - **GOCO applied to Austal USA:** the federal government acquires Austal USA under the Defense Production Act at fair market value — approximately \$1.0-1.2 billion, the same price Hanwha is offering. Issues a competitive contract to a qualified American defense company to operate the facility. Workers keep their jobs. Submarine modules keep being built. Profits stay in America. One year of BAE Systems' combined shareholder returns from global defense contracts exceeds the Austal acquisition cost.
 - **Competitive operator selection — the Rickover standard:** hard monthly performance metrics from Day 1. Performance below defined thresholds triggers automatic management review. Sustained underperformance triggers leadership replacement. This is the Rickover model — not the Amtrak model.
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III. The Federal Financing Ownership Requirement — The Mesabi Rule

- **American taxpayer financing requires American ownership:** any project receiving more than \$100 million in federal financing — through Ex-Im Bank loan guarantees, federal loan programs, Defense Production Act financing, or any other federal financing mechanism — that involves critical materials, defense components, or national security infrastructure must be majority American-owned as a condition of that financing. The choice is simple: keep foreign ownership and find private financing, or accept American financing and sell majority ownership to American interests.
 - **The Mesabi Metallica case — applied immediately:** the \$10 billion Ex-Im Bank indication of support for Mesabi Metallica is conditioned on Essar Group either (1) selling majority ownership to an American entity, (2) accepting a GOCO structure where the federal government owns the mine and contracts operations to an American company, or (3) finding private financing without federal backing. The ore stays in the ground, the jobs stay in Minnesota, and the ownership stays in America.
 - **Ex-Im Bank reform — American ownership standard:** the Export-Import Bank's mandate is to support American exports and American economic interests. Financing foreign-owned companies to own American critical materials infrastructure contradicts that mandate. The Ex-Im Bank is directed to apply an American ownership standard to all future financing of critical materials and defense-adjacent infrastructure within 90 days of inauguration.
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IV. The Phased Defense Industrial Base Americanization Requirement

- **8-year Americanization requirement:** foreign parent companies of U.S. defense subsidiaries receiving more than \$100 million per year in U.S. defense contracts must divest their American defense operations to American ownership within 8 years. Employees keep their jobs. Facilities keep operating. Ownership changes.

- **Four divestiture pathways:** (1) American private equity or institutional investor acquisition. (2) Employee stock ownership plan. (3) American strategic acquirer. (4) Federal GOCO acquisition for facilities too sensitive for private ownership.
 - **Enforcement:** covered contractors that do not comply lose eligibility for new U.S. defense contracts after the 8-year deadline. The market pressure of losing the largest defense budget in the world is sufficient incentive.
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V. The National Security Override Argument — Domestic Computing

- **Taiwan produces 92% of advanced semiconductors:** a Chinese blockade of Taiwan stops the American economy. Every weapon system, communication platform, AI server, and critical infrastructure control system loses replacement parts.
 - **The documented crisis:** the Senate Armed Services Committee documented over 1,800 counterfeit and potentially compromised electronic parts in U.S. military systems in 2012. Chinese hackers stole detailed F-35 design data 2007-2009. Every submarine, fighter jet, and missile defense system contains electronic components manufactured through supply chains that pass through China.
 - **Federal Office for Domestic Computing Infrastructure — GOCO model:** government owned, professionally operated. All federal agencies and military installations procure domestically manufactured computing equipment for all new purchases. The U.S. federal government spends approximately \$90 billion per year on IT equipment — federal procurement alone provides sufficient demand.
 - **The Rickover model applied to computing:** hard monthly performance metrics published publicly. Defect rates, domestic component sourcing percentage, cost per unit, security audit results. Sustained underperformance triggers leadership replacement.
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VI. Supply Chain Single Points of Failure

- **ASML EUV lithography:** one Dutch company makes the machines that manufacture advanced chips below 7 nanometers. Negotiate treaty-level priority access guarantees for American fabs.
 - **Rare earth permanent magnets:** China controls approximately 90% of global rare earth processing. Accelerate domestic processing at Mountain Pass and Round Top deposits.
 - **Honest timeline:** securing current supply is immediate. American EUV optics capability is a 7-10 year program. Next-generation lithography leadership is a 15-20 year commitment. The platform acknowledges 20-year problems honestly.
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VII. Week 12 Career Incentive Connection

- Computing manufacturing trades and naval shipyard trades qualify for Week 12 full funding and service incentives. Priority enrollment for veterans with relevant technical backgrounds and displaced manufacturing workers.

4. Estimated Cost

Austal USA GOCO acquisition: approximately \$1.0-1.2 billion — one-time capital cost. Federal Office for Domestic Computing Infrastructure: \$10-20 billion capital investment over Years 1-3, \$3-5 billion per year operating cost, offset by \$5-10 billion per year in guaranteed federal procurement revenue. Rare earth and supply chain investment: \$2-3 billion per year. Phased Americanization requirement: no direct federal cost. Mesabi Metallics restructuring: no new federal cost — the \$10 billion Ex-Im Bank financing is conditioned on American ownership, not eliminated. Net federal cost Years 1-3: approximately \$10-20 billion per year declining as facilities reach capacity.

5. Year 1 Implementation and Measurable Result

Year 1 measurable result: CFIUS review of Hanwha-Austal deal reopened within 30 days; Defense Production Act acquisition of Austal USA initiated within 60 days; covered foreign-owned defense contractor list published within 90 days; classified military electronics audit completed within 90 days; Federal Office for Domestic Computing Infrastructure site selected within 180 days; federal procurement domestic computing mandate in effect within 90 days; 8-year Americanization requirement legislation introduced within 30 days; Ex-Im Bank American ownership standard applied to all new critical materials financing within 90 days; Mesabi Metallics Ex-Im Bank support conditioned on American ownership restructuring within 90 days.