

## Transforming the Military-Industrial Complex

Broadcast Live on **C-SPAN**

**A Supply-Side Briefing on the Future of the Defense Industry**

**Friday, October 10, 2003 11:00 AM**

**Panelists:**

**Byron Callan, Merrill Lynch**

**Stan Crock, Business Week**

**Richard Perle, AEI**

**Andrew Ross, Naval War College**

*Keynote Address: Ronald Sugar, Northrop Grumman Corporation*

**Ron Sugar, CEO Northrop Grumman: "Hi."**

**IRmep: "Hi."**

**IRmep:** "I've got a quick question. We've just emerged from period where financial analysts, on Wall Street, created a particular set of problems for the small investor, for being too close to the industry. It seems to many outsiders..."

**Ron Sugar, CEO Northrop Grumman:** "are you referring to the research report that caused the market caps to all plunge?"

**IRmep:** "No, I'm referring to just too much communication between the so-called 'analysts'...."

**Ron Sugar, CEO Northrop Grumman:** "...oh.."

**IRmep:** "...and the industry. In the interest of disclosure, and allaying these fears to the American people now, when defense purchases are so critical, could you give us an idea, and this is as much for the AEI people as you, how much of the policy research, telling us who we should shoot at, and what we should shoot at them with, particularly produced by Mr. Perle, how much of this AEI policy research is being funded by the defense industry?"

*Your Schedule B forms on the (IRS) 990's don't really tell the public where the money is coming from. And just in the interest of full and fair disclosure, I think it's a critical thing to disclose. Thank you."*

**Ron Sugar, CEO Northrop Grumman:** "Yeah. I don't know the specific numbers. I can assure you that the, there is a enormous value to, for companies like mine and others to



*work with all sources of intellectual capital around the, company, country rather, and sometimes outside the country, both in terms of technological advice*

*and policy advice. If you think about our thoughts about the future a decade ago, if we were simply hunkered down in lab coats with our noses to our test tubes, we wouldn't have figured out that there was major policy shifts that would change future of warfare. Which means we should retool and reinvest our company in a certain direction. So having good input from outsiders is important, at the end of the day we have to make the decision as to what we do with it. And yes in fact, if we ask for studies to be done, we will pay for them to be done. I don't have any figures about how much money we are spending today."*



**Christopher DeMuth, President, American Enterprise Institute:** "...I will say on behalf of AEI, that our donations from defense contractors make up an extraordinarily, even pitifully small amount of our total contributions."

**Ron Sugar, CEO Northrop Grumman:** "...that's not a bad thing you know..."

**IRmep Note:** From one perspective, the classic "guns or butter" tradeoff for US

**exports to the Arab world can be simplified into a single stark question: Is it becoming more attractive to export US technology and services to the region through military conflict?**

**IRmep deeply questions the motives of such AEI panel members as Richard Perle, who not only receives policy funding from the industry for which he creates a market, but is actively profiteering from conflict. America can do better.**

**IRmep is beginning to move our regional policy back toward serving the interests of all Americans. In this, Ron Sugar, CEO of Northrop is right: It is not a bad thing to completely separate US policy research from defense contractor funding, especially our Middle East policy. Toward this end, IRmep will work with major US defense contractors to educate and convince them that funding policy research pundits is not healthy for the American democracy. A glass wall between research analysts and investment bankers is now working on Wall Street, it will protect America from creative policy accounting on Think Tank row as well.**



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## About the IRmep

The Institute for Research Middle Eastern Policy (IRmep) is an independent policy research “think tank” headquartered in Washington, D.C. Founded in 2002, the institute provides balanced, relevant, and actionable research and recommendations for U.S. policy in the Middle East. IRmep educates U.S. policymakers, Non-Governmental Organizations (NGOs) and the mass media.

*IRmep's mission is to produce accurate, relevant, actionable research and recommendations to key policy makers identifying U.S. interests in the Middle East and the means for achieving them.*

*By leveraging a network of credible academics with domain expertise, IRmep policy research avoids damaging ideological bias and unproductive frameworks when analyzing the region.*

*IRmep's funding comes from a broad range of corporate, foundation, and individual donors that wish to see U.S. policy in the region become more responsive to the interests of all Americans.*

IRmep produces research, publications, media commentary, focused educational events and research tour programs to the Middle East. The heart of our work is academically, not ideologically, driven research. The IRmep network of analysts is composed of experienced research academics with reviewers in the business and diplomatic communities. IRmep analysts are bound by a single common tie: the unbiased study and analysis of sovereign American interests in the region.

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