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Accelerating Industrial Base Issues from Operation Epic Fury

Strategic Lessons from Operation Epic Fury for U.S. Defense Production, Allied Integration, and Post-Conflict Reconstruction

A Policy Analysis

By Michael Morford

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The Knudsen Institute is a 501(c)(3) nonprofit organization focused on strengthening U.S. defense industrial base surge capacity through applied research and policy advocacy.

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Executive Summary

On February 28, 2026, the United States and Israel launched Operation Epic Fury, a joint military campaign against Iran with the stated objective of regime change. This paper does not assess the political merits of this action. It examines the structural implications for the U.S. defense industrial base, for allied industrial coordination, and for the reconstruction challenge that will follow.

The central finding is straightforward: the United States has initiated its most ambitious military operation since the 2003 invasion of Iraq while operating with a defense industrial base that is smaller, more consolidated, and less capable of sustained surge production than at any point since the end of the Cold War. The Chairman of the Joint Chiefs publicly warned of munitions shortfalls days before the operation began.¹ This paper argues that the gap between political ambition and industrial capacity has widened with each successive U.S. military operation since 1991, and that Operation Epic Fury represents the most acute expression of this structural mismatch.

The paper further examines how China is executing a systematic defense-industrial integration strategy with Iran, how European allies were excluded from operational planning (and therefore from industrial mobilization), and why the inevitable post-conflict reconstruction of Iran will reproduce the industrial visibility failures witnessed in Iraq following the 2003 invasion unless the underlying data infrastructure is built in advance.

I. The Ratchet of Ambition: From Desert Storm to Epic Fury

Clausewitz argued that war is the continuation of politics by other means, and that the political objective must govern the military instrument.² This principle implies a relationship of proportion: the means employed must be adequate to the ends sought, and the ends must be achievable by the means available. The history of U.S. military operations since 1991 reveals a progressive decoupling of these two variables.

Operation Desert Storm in 1991 exemplified proportionality. The political objective was limited and clearly defined: expel Iraqi forces from Kuwait. The coalition was genuinely international, authorized by the United Nations Security Council, and supported by broad domestic consensus. The defense industrial base, still scaled from Cold War production, provided ample materiel. The operation succeeded because the means matched the ends.

The 2003 invasion of Iraq marked the first major departure. The political objective expanded to regime change and democratic transformation. The coalition, though nominally 49 nations, relied overwhelmingly on U.S. and British forces. Congress authorized the use of force, but the authorization was contested. The administration spent 18 months building international support. The initial military campaign succeeded rapidly; the political objective proved

¹The Washington Post, "Gen. Dan Caine foresees risks in any Iran attack ordered by Trump," February 23, 2026.

²Carl von Clausewitz, *On War*, Book One, Chapter 1. "War is merely the continuation of policy by other means."

unachievable through military means alone. The "hillbilly armor" crisis, in which troops welded scrap metal to vehicles due to insufficient armored platforms, exposed the industrial base's inability to sustain an operation that exceeded its planned scope and duration.

Operation Epic Fury represents a further step along this trajectory. The political objective is maximalist: regime change in a nation of 88 million people. The coalition consists of two nations. Congressional authorization was absent; the Gang of Eight was notified shortly before strikes commenced.³ Allied nations were informed after the fact.⁴ Gulf states that host U.S. military infrastructure explicitly urged restraint and were overruled.⁵ The Chairman of the Joint Chiefs cautioned the President about munitions shortfalls, the vulnerability of carrier groups in the Persian Gulf, and the risk that the operation would prove far more difficult than prior limited strikes.⁶

The pattern is unambiguous: greater political ambition, less international support, less domestic authorization, and a defense industrial base that has contracted with each passing decade. Each operation has demanded more from a production apparatus that has less to give.

Clausewitz also warned of the "culminating point of victory," the moment at which offensive momentum outpaces the political and logistical capacity to sustain it. If the Iranian regime survives the initial shock (Iran's Foreign Minister gave interviews within hours expressing willingness to negotiate), the United States faces an open-ended campaign against a large, geographically vast nation with hardened military infrastructure, backed by China and Russia, while simultaneously managing a global trade confrontation with Beijing. The industrial question is whether the U.S. defense production apparatus can sustain that commitment. Current evidence suggests it cannot.

II. The Munitions Deficit Made Visible

Five days before Operation Epic Fury began, The Washington Post reported that General Dan Caine, Chairman of the Joint Chiefs of Staff, had warned the President and senior officials that shortfalls in critical munitions and a lack of allied support would add significant risk to any sustained campaign against Iran.⁷ CBS News separately reported that Trump had grown "increasingly frustrated" with what aides described as the limits of military leverage, and that Caine advised in private meetings that a sustained campaign could spiral into a drawn-out engagement requiring additional resources.⁸

These warnings reflect a structural reality. The U.S. defense industrial base has consolidated from over 50 major prime contractors during the Cold War to five today. The subcontractor base

³NPR, "Iran strikes were launched without approval from Congress, deeply dividing lawmakers," February 28, 2026.

⁴The Washington Post, "World leaders react cautiously to US and Israeli strikes on Iran," February 28, 2026. Germany informed Saturday morning; France knew timing was uncertain.

⁵Critical Threats (AEI), "Iran Update, February 2, 2026." Qatar, Saudi Arabia, Oman, and Egypt urged restraint.

⁶NPR, "Is the U.S. headed toward a military conflict with Iran?" February 26, 2026. Reporting on Chairman Caine's warnings to the President regarding operational risks.

⁷Washington Post, "Gen. Dan Caine foresees risks in any Iran attack ordered by Trump," February 23, 2026.

⁸CBS News, "Trump growing frustrated with limits of Iran military options," February 23, 2026.

has contracted proportionally. Production lines for critical munitions (precision-guided bombs, cruise missiles, air defense interceptors) operate at capacity during peacetime and have limited ability to surge. The June 2025 strikes on Iranian nuclear sites (Operation Midnight Hammer) drew down inventories that were already strained from support to Ukraine, Israel, and ongoing global commitments.

One of the core problems is visibility. The Department of Defense lacks comprehensive data on which manufacturers, at the second, third, and fourth tiers of the supply chain, possess the equipment, materials, and workforce to produce the components required for surge production. Thousands of small and medium manufacturers across the United States have relevant capabilities. Yet they remain invisible to the defense acquisition system because the data infrastructure to identify and qualify them does not exist at scale.

There is no shortage of manufacturing capacity in the United States. There is a shortage of an ability to find this capacity and an even more limited ability to assess it. That distinction is the difference between an industrial base that can surge and one that cannot.

III. Adversary Industrial Strategy: China and Iran

While the United States struggles with industrial base visibility, China is executing a systematic defense-industrial integration strategy with Iran. This strategy encompasses energy, manufacturing equipment, weapons systems, and digital infrastructure.

On the energy dimension, China purchased approximately 1.38 million barrels per day of Iranian crude in 2025, representing 13 to 14 percent of China's total seaborne crude imports.⁹ This trade is conducted primarily through independent refineries in Shandong province, which depend on Iranian discounts of \$8 to \$10 per barrel below Brent benchmarks.¹⁰ The relationship is structural, sustained by a shadow fleet of tankers, transshipment through third countries, and financial channels designed to circumvent U.S. sanctions.¹¹

On the military dimension, the integration has accelerated sharply since the June 2025 war. Intelligence reports from February 2026 indicate that China delivered loitering munitions (kamikaze drones) and air defense systems to Iran shortly before Operation Epic Fury commenced.¹² Beijing and Tehran are in active negotiations over CM-302 supersonic anti-ship missiles, a system designed to penetrate naval defenses. China has also begun replacing Western software in Iranian military and government systems with closed Chinese alternatives, a strategy explicitly designed to protect against Israeli and American cyberattacks.¹³

⁹Columbia University Center on Global Energy Policy, "Where China Gets Its Oil: Crude Imports in 2025," January 2026.

¹⁰Modern Diplomacy, "China's Dependence on Iranian Oil: Strategic Leverage and Exposure," January 13, 2026.

¹¹The Diplomat, "Why China Isn't Worried About New US Sanctions on Iran," January 22, 2026.

¹²Middle East Eye, "China has sent attack drones to Iran, as it discusses ballistic missile sales," February 27, 2026.

¹³Modern Diplomacy, "Beijing's Red Line: Can China Defend Iran Without Going to War With America?" February 28, 2026.

The strategic implication is significant. Chatham House published an analysis on February 27 arguing that the weaker the Iranian regime becomes, whether from military strikes or domestic unrest, the more diplomatically, economically, and technologically dependent on China it becomes. The analysis describes this as "an unintended but prominent outcome of the US maximum pressure campaign."¹⁴ In other words, U.S. military action may accelerate the very Sino-Iranian integration it should be seeking to prevent.

The Middle East Institute's post-mortem of the June 2025 war reached a similar conclusion: Iran's isolation during the conflict revealed that the so-called axis of upheaval is "built on transactional interests rather than cohesive security architecture," yet China emerged from the crisis positioned to benefit from U.S. overreach while doing just enough diplomatically to maintain flexibility.¹⁵

China is treating defense industrial integration as a strategic instrument. The question for U.S. policymakers is whether the United States possesses equivalent visibility into its own industrial capacity, let alone the ability to activate it at speed.

IV. Allied Industrial Fragmentation

Operation Epic Fury was launched with minimal allied consultation. Germany was informed on the morning of the strikes. France knew an action was forthcoming but received no timeline.¹⁶ European leaders responded with emergency meetings, evacuation of personnel, and carefully worded statements that condemned Iranian retaliation while declining to directly address the U.S. and Israeli strikes.¹⁷

The immediate diplomatic consequences are well documented. The industrial consequences deserve equal attention. NATO's defense planning framework assumes that allied nations will coordinate production, share industrial capacity, and align supply chains during sustained operations. This assumption requires consultation, lead time, and mutual planning. None of these preconditions existed for Operation Epic Fury.

When allies are informed after the fact, their industrial capacity is mobilized after the fact. European defense manufacturers, many of which produce components, subsystems, and munitions that are interoperable with U.S. platforms, had zero lead time to adjust production schedules, source raw materials, or reallocate capacity. The lag between political decision and industrial output is measured in months, sometimes years. That lag represents a concrete degradation of the combined Western defense production apparatus.

Gulf states present an even starker case. Qatar, Saudi Arabia, Oman, and Egypt had explicitly urged the United States to refrain from striking Iran, citing the risk of retaliatory attacks on

¹⁴Chatham House, "China is playing the long game over Iran," February 27, 2026.

¹⁵Middle East Institute, "The 12-day Israel-Iran war: China's response and its implications," 2025.

¹⁶Washington Times, "Britain, France and Germany call for resumption of U.S.-Iran negotiations," February 28, 2026.

¹⁷Euronews, "Europe reacts to US and Israeli attack on Iran," February 28, 2026.

their territory.¹⁸ Within hours, that risk materialized: Iran launched missiles at U.S. bases across six Gulf states, with Jordan alone intercepting 49 drones and ballistic missiles.¹⁹ These nations host critical U.S. military logistics infrastructure. Their willingness to continue hosting that infrastructure, and to integrate their own nascent defense industries with Western production networks, is now an open question.

V. The Reconstruction Trap

If the stated objective of regime change is achieved, the United States will face a more complex reconstruction challenge than Iraq. The historical record offers clear warnings.

The Special Inspector General for Iraq Reconstruction documented in extensive detail how billions of dollars were wasted because the reconstruction apparatus lacked visibility into what Iraq's domestic industrial base could produce, what it could not, and where international suppliers could fill gaps.²⁰ Contracts were awarded to large primes that imported goods and services which could have been sourced locally or regionally, because the data to identify that capacity did not exist. The same pattern has repeated in Libya, Afghanistan, and the early stages of Ukraine reconstruction planning.

Iran presents will be harder. Unlike Iraq in 2003, Iran possesses a substantial domestic industrial base, particularly in automotive, petrochemical, metals, and light manufacturing. Iranian industry also contains deep Chinese entanglement: Chinese joint ventures, Chinese-origin manufacturing equipment, Chinese telecommunications infrastructure, and Chinese software systems being installed as recently as January 2026. Any post-regime industrial mapping exercise will immediately encounter this layer of complexity, which generic reconstruction playbooks from prior conflicts are ill-equipped to address.

The sanctions environment compounds the problem. Even under a new government, the web of entity-level sanctions, designations, and compliance requirements built over four decades will take years to untangle. Reconstruction dollars will flow through an extraordinarily complex compliance landscape. Entity-level industrial data, with provenance, ownership lineage, and capability verification, becomes essential infrastructure for any organization attempting to operate in that environment.

The reconstruction challenge also has a temporal dimension. The Iraq experience demonstrated that the institutional framework for reconstruction is set in the first 12 to 18 months. Once a Coalition Provisional Authority (or its equivalent) is established and begins contracting, the procurement channels, data systems, and supplier networks that it adopts become entrenched. If industrial visibility tools are absent at that founding moment, they will be retrofitted later at

¹⁸ Reuters, "Four Arab states urged against US-Iran escalation, official says," February 27, 2026.

¹⁹NPR, "U.S. and Israel strike Iran in operation 'Epic Fury,'" February 28, 2026. Iran retaliated with missiles targeting US bases across six Gulf states.

²⁰Special Inspector General for Iraq Reconstruction (SIGIR), "Hard Lessons: The Iraq Reconstruction Experience," 2009.

enormous cost, if they are adopted at all. The policy implication is clear: the data infrastructure for reconstruction must be built before the reconstruction authority is stood up.

VI. Recommendations

This paper identifies a set of structural problems that transcend the immediate political debate over Operation Epic Fury. Whether one supports or opposes this military action, the industrial base implications demand attention. The following recommendations are offered to policymakers, defense industry leaders, and allied governments.

1. Invest in defense industrial base visibility at scale.

The Department of Defense requires a comprehensive, continuously updated data infrastructure that maps manufacturing capabilities at the second, third, and fourth tiers of the supply chain. This capability must extend beyond traditional prime contractor relationships to identify the tens of thousands of small and medium manufacturers whose capacity could support surge production. Technologies exist to build this infrastructure using semi-autonomous data systems with expert human curation. The investment required is a fraction of the cost of a single day of sustained combat operations.

2. Establish allied industrial coordination mechanisms before operations begin.

NATO and bilateral defense agreements should include standing protocols for industrial mobilization that activate automatically when operations commence. This requires pre-mapped allied manufacturing capacity, shared data standards, and pre-negotiated production agreements. The current model, in which allies learn of operations from news coverage and then scramble to assess their industrial relevance, is a structural failure.

3. Build the reconstruction data infrastructure now.

If post-conflict reconstruction of Iran becomes necessary, the industrial visibility problem will be the binding constraint on effective execution. Policymakers should begin building the entity-level industrial data infrastructure for Iran's domestic manufacturing base immediately, including mapping Chinese entanglement in Iranian industry. Waiting until a reconstruction authority is established guarantees that the founding decisions will be made with inadequate information.

4. Develop a counter-strategy for adversary industrial integration.

China's systematic defense-industrial integration with Iran requires a strategic response. The current approach, military action that weakens Iran while inadvertently deepening its dependence on China, produces outcomes that are counterproductive to stated U.S. interests. Policymakers need a framework that addresses the industrial dimension of great power

competition, including the ability to map, monitor, and (where necessary) disrupt adversary supply chain integration with target states.

5. Expand state-level defense industry engagement.

State governments remain largely uninformed about what defense-relevant manufacturing exists within their borders, what gaps persist, and what policy levers (incentives, workforce programs, procurement preferences) could accelerate industrial base expansion. State-level defense industry organizations, where they exist, should be supported in their mission to educate state leaders, advocate for targeted legislation, and build relationships with federal legislative staffs at the decision-making level. A systematic cross-state analysis of existing programs would identify best practices and opportunities that remain unexplored.

Conclusion

Operation Epic Fury is the most consequential U.S. military action in a generation. Its success or failure will be determined by factors that extend far beyond the initial strikes: the ability to sustain production, the willingness of allies to contribute, the capacity to navigate an adversary's industrial strategy, and the preparedness for what comes after.

The defense industrial base is the foundation upon which all of these depend. That foundation has been eroding for three decades. The questions raised in this paper are urgent, and they will only become more so as the operation unfolds.

About the Author

Michael Morford is the Founder, Chairman, and CEO of the Knudsen Institute and CEO of Iron Horse Holdings, the Institute's commercial technology partner. A U.S. Army Captain and disabled veteran of the Iraq War, he served as a theater-level logistics war planner for the 377th Theater Support Command during the 2003 invasion and is a 2001 recipient of the Douglas MacArthur Leadership Award presented by the Chief of Staff of the U.S. Army. His work across both organizations centers on strengthening U.S. defense industrial base surge capacity through applied research, policy, and the development of foundational AI systems, including SADE and SIROS, designed to discover manufacturing capacity invisible to current procurement systems and translate engineering data into actionable production requirements. His career spans Wall Street investment banking, precision aerospace manufacturing, and defense technology. He is a founding board member of the Oklahoma Defense Industry Association, a National Security Fellow of the Truman National Security Project, and a life member and former National Treasurer of the Reserve Officers Association. He holds a BS in Engineering and an MBA from Tulane University and is a graduate of the U.S. Army Logistics University and U.S. Army Finance School.

About Knudsen Institute

The Knudsen Institute is a 501(c)(3) nonprofit organization focused on strengthening U.S. defense industrial base surge capacity through applied research, policy advocacy, and technology development. The Institute's work centers on the premise that the United States possesses substantial untapped manufacturing capacity, and that the primary barrier to mobilizing that capacity is the absence of data infrastructure to identify and qualify it. For more information, visit www.knudseninstitute.org.

The Defense Industrial Base Conference (DIBCON), convened by The Knudsen Institute, brings together defense manufacturers, policymakers, and technology leaders to address the challenges of industrial base expansion. DIBCON Milwaukee is scheduled for April 7-9, 2026. For more information, visit www.dibcon.us.