

Lockheed Martin Chairman Says Protectionism No Substitute For Competitive Strength

Says Two-Way Transatlantic Collaboration Critical in Globalized World

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BETHESDA, Md.

Lockheed Martin Chairman, President and CEO Bob Stevens today told a European defense conference that protectionism has never been a substitute for competitive strength. Stevens said that companies who linger under the protectionism veil will only grow weaker until they are "protected to death."

Stevens, speaking at the Security and Defence Agenda Conference in Brussels, said that partnerships remain indispensable in an increasingly globalized world where security challenges are growing more complex and demanding. Stevens said that as we look forward, "further transatlantic collaboration is critical. Companies on both sides of the Atlantic must be able to meaningfully contribute the technology and equipment needed to carry out essential missions. This requires industry health, and long-term vitality is only possible with adequate levels of investment kept lean and efficient through the discipline of an open and competitive marketplace."

Stevens pointed to the recent decision by the Air Force to purchase tankers from a team of Northrop Grumman and EADS as reinforcing the openness of U.S. markets. He said the decision was an example of the growing willingness of the U.S. to look to global sources for vital equipment.

Regarding acquisitions of U.S. defense companies, Stevens noted that the U.S. market remains open as evidenced by the initiatives of several European-based companies. "Those are positive trends, and their substance should put an end to well-worn laments that the U.S. market is closed to European products or interests, or that U.S. industry is unwilling to partner for the long term with industry in NATO countries."

Stevens cited the F-35 Joint Strike Fighter as being the flagship program for international cooperation. He said the number of international partners on the program was breaking new ground, and the global composition of the program's technological and industrial base will support the aircraft throughout its life cycle.

In his remarks, Stevens expressed concern over the continued gap in resources devoted to defense investment between the U.S. and its NATO allies. "At a time when the demands for real capabilities are increasing, when NATO forces are deployed on operational missions around the world and the need to sustain and support those deployed forces is constant, the amount of resources devoted to obtaining capabilities is declining in real terms," Stevens said.

Stevens noted that six countries provide 80 percent of Europe's defense spending and that very few European members of NATO meet the nominal requirement of spending two percent of GDP on defense. "I believe the amount of spending devoted to investment, rather than to personnel and infrastructure, remains inadequate," he added.

Stevens contrasted what the U.S. spends on defense, saying the U.S. spends at rates approaching four percent of GDP, devoting twice as much as the Europeans to procurement and approximately six times as much to defense R&D. "If there is a continuing disparity among the community of industrial partners such that one continues to advance and one does not, there can be no meaningful collaboration," he contended. "There is no substitute for real expenditures on tangible programs if the health of European industry is to be improved and if further transatlantic cooperation is to be possible. The very best way for European governments to protect European industry is to invest in it."

Headquartered in Bethesda, Md., Lockheed Martin employs about 140,000 people worldwide and is principally engaged in the research, design, development, manufacture, integration and sustainment of advanced technology systems, products and services. The Corporation reported 2007 sales of \$41.9 billion.

For additional information, visit our Web site: <http://www.lockheedmartin.com/>

For the full text of Mr. Stevens' comments, please go to:
<http://www.lockheedmartin.com/news/speeches/stevens-06032008.html>

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