

Presidential Documents

Title 3—

The President

Executive Order 14372 of January 7, 2026

Prioritizing the Warfighter in Defense Contracting

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered:

Section 1. Purpose. As Chief Executive and Commander in Chief, I am committed to ensuring that the United States military possesses the most lethal warfighting capabilities in the world. Our Nation can only be at peace if we maintain strength. The performance of America's defense industrial base is critical to this capacity. After years of misplaced priorities, traditional defense contractors have been incentivized to prioritize investor returns over the Nation's warfighters.

While the United States produces the best military equipment in the world, we do not make enough of it quickly enough to meet the needs of our military and our partners. As a result, in these dangerous times, it is imperative that our defense contractors be held to the highest standards intended to ensure the advancement of core national interests, including with respect to the timeliness and quality of the defense items that they deliver.

Although some contractors have made critical investments in increased production capacity and been responsive to our Nation's vital interests, far more have not. Many large contractors—while underperforming on existing contracts—pursue newer, more lucrative contracts, stock buy-backs, and excessive dividends to shareholders at the cost of production capacity, innovation, and on-time delivery.

Effective immediately, they are not permitted in any way, shape, or form to pay dividends or buy back stock, until such time as they are able to produce a superior product, on time and on budget.

Every firm across our economy has a right to profit from prudent investment and hard work, but the American defense industrial base also has the responsibility to ensure that America's warfighters have the best possible equipment and weapons. These two objectives are not mutually exclusive.

Sec. 2. Policy. It is the policy of the United States Government to accelerate defense procurement and revitalize the defense industrial base to maintain peace through strength. To achieve this, the United States will no longer allow defense contractors to single-mindedly pursue investor profits at the expense of warfighter capability and readiness. Major defense contractors will no longer conduct stock buy-backs or issue dividends at the expense of accelerated procurement and increased production capacity.

Sec. 3. Review. (a) Within 30 days of the date of this order, and on a continuing basis thereafter, the Secretary of War (Secretary) shall identify any defense contractors for critical weapons, supplies, and equipment that are underperforming on their contracts, not investing their own capital into necessary production capacity, not sufficiently prioritizing United States Government contracts, or whose production speed is insufficient as determined by the Secretary, and that have, during the period of underperformance or insufficient prioritization, investment, or production speed, engaged in any stock buy-back or corporate distribution. If a contractor is identified as such, the Secretary shall provide that contractor with notice describing the nature of the underperformance or insufficient prioritization, investment, or production speed. The Secretary shall then engage as needed with the relevant contractor to resolve the issues identified in such notice, including,

where permissible under applicable law, providing the contractor with the opportunity to submit a remediation plan approved by its board of directors for review by the Secretary, during the 15-day period following notification.

(b) For those contractors that have already been identified and studied by the Secretary as of the date of this order, in the manner described in subsection (a) of this section, an additional review as described in subsection (a) of this section may not be required, as determined by the Secretary.

Sec. 4. Enforcement. (a) In any case where the contractor's remediation plan is insufficient as determined by the Secretary, or the contractor and the Secretary are unable to resolve the dispute as to underperformance within the relevant 15-day negotiation period, the Secretary may initiate immediate actions to secure remedies for the Secretary that will expedite production, prioritize the United States military, and return the contractor to sufficient performance, investment, prioritization, and production, to the maximum extent permitted by law, including through use of any voluntary agreement of the contractor, available enforcement actions under the Defense Production Act (50 U.S.C. 4501 *et seq.*), and any available contract enforcement mechanisms within the Federal Acquisition Regulations and Defense Federal Acquisition Regulations Supplement. When considering whether to initiate any available enforcement action, the Secretary, to the extent permitted by law, shall take into account the financial condition of the defense contractor, the economic viability of relevant programs, and the potential mutual benefits offered by robust and sustained growth opportunities from the United States Government coupled with capital investments by the contractor.

(b) Within 60 days of the date of this order, the Secretary shall take steps to ensure that any future contract with any new or existing defense contractor, including any renewal, contains a provision prohibiting both any stock buy-back and corporate distributions by the contractor during a period of underperformance, non-compliance with the contractor's contract, insufficient prioritization of the contract, insufficient investment, or insufficient production speed as determined by the Secretary. Additionally, the Secretary shall ensure such future contracts stipulate that executive incentive compensation for contractors will not be tied to short-term financial metrics, such as free cash flow or earnings per share driven by stock buy-backs, and instead will be linked to on-time delivery, increased production, and all necessary facilitation of investments and operating improvements required to rapidly expand our United States stockpiles and capabilities. Further, the Secretary shall ensure such future contracts allow the Secretary, upon a finding by the Secretary that a contractor has engaged in underperformance, non-compliance with the contractor's contract, insufficient prioritization of the contract, insufficient investment, or insufficient production speed, to require that executive base salaries of the contractor be capped at current levels, with increases allowed for inflation, consistent with applicable law, for a time period sufficient to allow the Secretary to scrutinize the incentive portion of executive compensation to ensure it is directly, fairly, and tightly tied to the above metrics.

(c) When a contractor is identified by the Secretary pursuant to section 3 of this order, the Secretary shall, in consultation with the Secretary of State and the Secretary of Commerce, consider whether it is appropriate to cease ongoing advocacy efforts or deny new advocacy cases for underperforming contractors competing for an international Foreign Military or Direct Commercial Sale.

(d) The Chairman of the Securities and Exchange Commission shall consider whether to adopt amended regulations governing stock buy-backs under Rule 10b-18 that would prohibit use of the relevant safe harbor for defense contractors of the type identified by the Secretary pursuant to section 3 of this order.

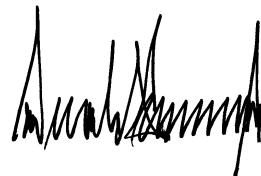
Sec. 5. General Provisions. (a) Nothing in this order shall be construed to impair or otherwise affect:

- (i) the authority granted by law to an executive department or agency, or the head thereof; or
- (ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

(d) The costs for publication of this order shall be borne by the Department of War.

A handwritten signature in black ink, appearing to be a stylized 'J' or a similar character, followed by a series of vertical and horizontal strokes.

THE WHITE HOUSE,
January 7, 2026.

[FR Doc. 2026-00554
Filed 1-12-26; 11:15 am]
Billing code 6001-FR-P