



The British defence industrial base: Strengths and weaknesses

By Chris Hague

EXECUTIVE SUMMARY

- As a result of post-Cold War attitudes towards defence, the United Kingdom's (UK) defence industrial base was allowed to atrophy, and is not currently fit for purpose in the worsening geopolitical environment. Despite this, Britain's defence industry does have a strong base from which to build further.
- The UK's defence industrial base suffers from shortfalls including reliances on insecure global supply chains, a lack of scalability and retention of experience, and limited export markets for maintaining supply chains and spare part acquisitions.
- To remedy these issues, Britain should seek to move towards greater specialisation in capability production and development to avoid duplication of allied capabilities, incentivise co-production options, collaborate with international allies, and utilise joint financing.



Over four years ago, Russia launched its full-scale invasion of Ukraine, overturning decades of conventional political belief in the ‘peace dividend’ and the ‘rules-based international order’. Despite its miserable attempt at a three-day so-called ‘Special Military Operation’, the Kremlin has now partially mobilised its national powerbase for the war effort, spending half of its annual budget on its military – the equivalent to 10% of its Gross Domestic Product (GDP).¹

Russia has gone ‘all in’; not just in its brutal invasion of Ukraine, but also to achieve its broader – undoubtedly imperialist – ambitions in Europe. It seeks to implement its own sphere of influence over Eastern Europe, presenting a clear and immediate danger to British and European security.

Yet, this is not the only significant geopolitical development that requires the United Kingdom (UK) to make a serious assessment of its defence posture. The re-election of Donald Trump as President of the United States (US) has accelerated the reprioritisation of American military focus away from Europe and caused tensions in the Euro-Atlantic relationship over tariffs, threats to Greenland’s sovereignty, and US military actions against Iran. The US National Security Strategy, published in December 2025, expects Europe to take ‘primary responsibility for its own defence’. The more detailed review of US force posture is yet to be published, but it is expected to announce a drawdown of American forces in Europe.²

The lesson is clear: Britain and allied European nations must rearm to deter a future conflict with Russia, and be prepared to do so without significant US presence if necessary. Such a scenario requires not just an assessment of the UK’s military’s capabilities, but an honest evaluation of its defence industrial base: as John Healey, former Secretary of State for Defence, explained, ‘our Armed Forces are only as strong as the industry that stands behind them.’³

Britain’s defence industrial base in 2026 is not calibrated for the demands of a peer conflict. It is geared towards limited expeditionary warfare at best and peacetime at worst. However, this does not mean that the UK does not have a strong baseline from which it can expand. This Primer will outline the strengths and comparative weaknesses that the sector has compared to other nations. It also makes the case for specialising the British defence industrial base around the UK’s key strengths, and offsetting its weaknesses by significantly stepping up international cooperation on procurement, financing, and manufacturing with allies and partners.

¹ ‘Russia is apparently spending significantly more money on the military than previously thought’, *Der Spiegel*, 04/02/2026, <https://www.spiegel.de/> (checked: 09/06/2026).

² ‘National Security Strategy 2025: Security for the British People in a Dangerous World’, Cabinet Office, 24/06/2025, <https://www.gov.uk/> (checked: 09/06/2026).

³ John Healey, Speech: ‘Defence Secretary’s DSEI 2025 Keynote Speech’, Ministry of Defence, 11/09/2025, <https://www.gov.uk/> (checked: 09/06/2026).

A strong base to build from

Despite the post-Cold War ‘peace dividend’, Britain had consistently spent the highest of any European North Atlantic Treaty Organisation (NATO) nation until 2024, and was among the top two in terms of percentage of GDP spent on defence until 2022.⁴ This means that its defence industrial base, while not receiving the investment needed for the challenges ahead, remains a leader in Europe for delivering major platforms in the maritime and air domains. These had a greater impact on shifting the UK’s land warfare industry away from peer conflict considerations.

Take the nuclear submarine industry, for example. Australia ditched a longstanding deal with France to acquire diesel-powered attack submarines (SSKs) in order to acquire vastly superior nuclear-powered attack submarines (SSNs) based upon a British design. The small port town of Barrow-in-Furness in Cumbria delivers highly sophisticated SSNs to defend both the UK and its NATO allies.

Employing more than 14,000 workers today, with plans to expand further in the coming years to meet the growing demand of the AUKUS trilateral partnership, Barrow’s shipyard employs around one third of the town’s workforce.⁵ It has recovered from significant turbulence following delays in awarding the Astute class submarine contract, and now has an order book spanning generations – an industrial capability other nations only dream of possessing.

The legacy of the UK’s historical leadership in aircraft, despite the gutting the sector faced after the 1957 Defence White Paper (the Sandys Review), which believed the days of crewed jets were over, also delivers today. Britain retains world-class skills to deliver and contribute to combat aircraft as a result of the Eurofighter Typhoon programme. The F-35 Lightning II Joint Combat Aircraft and the Gripen combat aircraft have approximately 15% of their global workshare in Britain.⁶ This skill base will be essential for the Global Combat Aircraft Programme (GCAP), which will see the UK work with Italy and Japan to deliver the sixth-generation Tempest combat aircraft.

Once the world leader in shipbuilding, British naval exports have re-surfed in recent years – demonstrated by the Norwegian decision to acquire Type 26 class frigates built on the Clyde over other options. Scotland’s shipbuilding sector today supports more than 11,000 highly skilled jobs, with room to grow further.⁷

⁴ Bee Boileau and Max Warner, ‘UK defence spending: composition, commitments and challenges’, Institute for Fiscal Studies, 26/09/2025, <https://ifs.org.uk/publications/> (checked: 09/06/2026).

⁵ ‘Boom times in a British manufacturing town’, *The Economist*, 06/11/2025, <https://www.economist.com/> (checked: 09/06/2026).

⁶ ‘The UK’s F-35 capability’, National Audit Office, 11/07/2025, <https://www.nao.org.uk/> (checked: 09/06/2026), and ‘The vital role of the UK in the Gripen fighter programme’, Saab, 19/07/2024, <https://www.saab.com/> (checked: 09/06/2026).

⁷ ‘Scottish shipbuilding security and economy boost as warship named’, Scotland Office, 23/05/2025, <https://www.gov.uk/> (checked: 09/06/2026).



As of spring 2026, there are at least 46 planned frigates either to be built in UK shipyards or to British designs. The adaptability of these designs – the Australian and Canadian versions of the Type 26 class, for example, will host significant local and American systems – is testament to the interoperable relationships that the UK has built with allied nations and allied defence companies.

Underpinning all of these major platforms built by larger defence companies – ‘primes’ – is a highly experienced collection of mid-tier companies and Small and Medium-sized Enterprises (SMEs) delivering the vital subsystems and components that make every submarine, aircraft, and frigate able to operate. This depth of skills within Britain’s supply chain is a strategic asset that provides the country with a strong base to build from and weight behind negotiations to join multinational defence programmes.

Enabling it all are the UK’s world-leading skills. One fifth of the world’s top universities are British, with three of the top ten being from the UK (Oxford, Cambridge, and Imperial College London).⁸ The ‘golden triangle’ between London, Oxford, and Cambridge places Britain in a strong position to train the skilled people needed to deliver dual-use innovation. The UK also attracts and trains arguably the best pool of talent outside the US to deliver innovation – an undeniable strategic strength. Major defence primes, mid-tiers, and SMEs all make big investments in apprenticeships, short courses, and graduate programmes for young people, with around 8,200 apprentices and graduate trainee recruitments each year.⁹

Shortfalls

Britain is starting from a comparatively strong base. However, this should not reinforce a sense of hubris that the UK can do everything, everywhere all at once – the pattern of thinking that has dominated contemporary thought in British defence since the end of the Cold War while also neglecting industrial resilience; spreading resources widely but shallowly.

For example, the UK is reliant on insecure global supply chains in key areas such as energetics, munitions, and raw materials. Britain lacks sovereign manufacturing for TNT, with the country’s last TNT-producing factory closing in 2008, and IMX-101, an alternative to TNT, is not made in the UK. The drive to rearm across the globe has driven the US and Finland to restart their respective TNT production, with the Finnish plant being only the second across the whole of the European Union (EU).

⁸ ‘World University Rankings 2026’, *Times Higher Education*, No date, <https://www.timeshighereducation.com/> (checked: 09/06/2026).

⁹ ‘2025 Annual Economic Report’, Joint Economic Data Hub, 2025, <https://www.jedhub.org/> (checked: 09/06/2026).



Britain will struggle to friendshore this raw material at the capacity needed in a crisis, with estimates placing Russia's annual TNT capacity at 50,000 tonnes (having also captured Ukraine's major TNT factory in Luhansk in 2022) compared to European TNT production in Poland at just 10,000–12,000 tonnes per year.¹⁰ Despite plans by Nitro-Chem in Poland to double production capacity, the US has already signed a major deal to purchase a large proportion of this over the next few years, meaning European nations will continue to fall well short of required capacity.¹¹ The Ministry of Defence's (MOD) effort to restart energetics production under Project NOBEL following the publication of the Strategic Defence Review in June 2025 – which committed £6 billion this Parliament for munitions – is welcome, but will take time to establish at scale.

This problem is further shown by the UK's reliance on the People's Republic of China (PRC) for tungsten carbide. Used extensively for missiles, kinetic weaponry, and tooling across the supply chain, the PRC controls more than 80% of the world's supply of tungsten, with other major markets including Russia, Bolivia, and North Korea – themselves hardly secure suppliers. Due to a perfect storm of Beijing tightening its export controls and reducing its mining quotas, the price of tungsten has rocketed by 900% over the past 12 months.¹² In response, Britain is in the process of reopening a tungsten mine over one of the world's largest deposits near Plymouth by the end of the year, after it closed in 2018. The EU has also listed the tungsten mine in Devon as a 'strategic project' for Europe, and tungsten is listed as a critical raw material by both His Majesty's (HM) Government and NATO.¹³

A focus on onshoring and 'friendshoring' key critical raw materials vital for allied defence, in coordination with allies and partners, should be a priority to prepare the UK's defence industrial base for this new era of geopolitical confrontation. Until this process is well underway, insecure supplies of critical raw materials will remain a key weakness.

Additionally, the British defence industrial base lacks scalability and struggles to retain experience due to a legacy of 'stop-start' contracts. In no capability area is this clearer than heavy armoured vehicles. While Germany has managed to export its Leopard 2 tanks to over 20 nations, the UK's Challenger 2 was bought by just one country: Oman.

The lack of an export market (British exports for Challenger 2 were completed a quarter of a century ago) means that the UK never maintained a supply chain for spares, which has created significant obsolescence issues. This resulted in the British Army cannibalising its Challenger 2 fleet to maintain a fleet of around

¹⁰ Luke McGee, 'The Polish TNT factory that reveals the flaw in NATO's plan to contain Putin', *The i Paper*, 21/06/2025, <https://inews.co.uk/> (checked: 09/06/2026).

¹¹ 'Poland's Nitro-Chem signs \$310 million deal to supply TNT for US military', *Global Banking and Finance Review*, 09/04/2025, <https://www.globalbankingandfinance.com/> (checked: 09/06/2026).

¹² Kristie Batten, 'Stronger for longer pricing sets up tungsten juniors for development', *Stockhead*, 23/04/2026, <https://stockhead.com.au/> (checked: 09/06/2026).

¹³ 'Selected strategic projects', European Commission, No date, <https://single-market-economy.ec.europa.eu/> (checked: 09/06/2026).



150 tanks – significantly reducing the scalability of its armoured vehicle capability if a surge is needed in a crisis.¹⁴

The UK's Ajax armoured vehicle is the latest example of Britain's inability to deliver heavy armoured vehicles at the necessary scale needed for peer land warfare. Originally intended to enter service in 2017, the vehicles are still not in service nearly a decade later. Whether Ajax will eventually secure any export orders to maintain a scalable supply chain and spares is not yet clear. Without these, however, the MOD will be forced to pay for it directly – adding significant whole life costs for already squeezed defence budgets. In comparison, allied nations are effectively paying the Federal Government of Germany to maintain a scalable industrial base for the *Bundeswehr* to turn on in an emergency.

The UK should be more honest about the need to design its own bespoke platforms and weapons systems in certain capability areas where it is duplicating existing allied capabilities that could instead be adapted, with focus and funding instead placed on areas of strength. It also does not procure the scalable, low-cost capabilities it needs for contemporary warfare. Despite the clear indication that the British Armed Forces lack the capabilities required for asymmetric warfare, missiles that cost hundreds of thousands of pounds are still used to shoot down far cheaper drones.

There is certainly a place for world-leading platforms, such as the SSN-AUKUS class submarines, the Tempest airframe, and Type 26 frigates – all of which have already achieved export orders or are likely to do so. However, the current era of geopolitical confrontation requires a more diverse mix of 'high-low' capabilities, a focus on scalability, a secure supply of critical raw materials in the UK or in friendly nations, and securing long-term supply chains for spares through export orders. The 2025 Defence Industrial Strategy's ambition to 'procure to export' is welcome, but policy intent should translate to procurement delivery to strengthen the defence industrial base.

Specialisation

All of this will require a degree of specialisation to ensure value for money for the British taxpayer. The UK cannot – as has been the approach for much of the post-Cold War era – do everything, even as the world's fifth largest economy and with defence spending on the rise.

Tradeoffs and a commitment to doing things differently will be necessary. Various procurement tools will need to be used to reinforce areas of priority,

¹⁴ John Healey, 'Challenger Tanks', UK Parliament, 27/04/2023, <https://questions-statements.parliament.uk/> (checked: 09/06/2026).

including ‘always-on’ production pipelines and Indefinite Delivery/Indefinite Quantity (IDIQ) contracting models.

However, the question that policymakers always struggle to clarify is what do they think Britain should *not* do. There are a number of capability areas in which the UK is duplicating areas where allies have already spent time and money on developing capabilities, from Infantry Fighting Vehicles (IFVs) to Ballistic Missile Defence (BMD), short-range ballistic missiles, and hypersonic weapons.

Britain should realise that providing low levels of funding across multiple capability areas, rather than selecting winners and reinforcing their level of resources, is holding back scalability. Of course, the uncomfortable proposition is that in picking winners there will inevitably be losers, but in the long term, this will resolve a number of well-known problems in the UK’s defence industry of the ‘valley of death’ – the failure to pull through technology in development to large-scale production.

Given HM Government’s renewed focus on making defence spending deliver better economic growth and better harnessing the strengths of SMEs, being better at prioritising which strengths to reinforce does not necessarily mean the areas of lower priority cannot still contribute to these goals. A number of tools remain available when looking at ‘off-the-shelf’ options from allies.

Rather than simply importing equipment, co-production options can be incentivised – especially with the guarantee of long-term orders if IDIQ contracts are used – and British SMEs can be brought into the supply chain to the greatest extent possible. Such a ‘Britification’ process can look to the success Poland has had with its ‘Polonisation’ policies of onshoring and bringing Polish suppliers into contracts, sometimes through the use of offsetting arrangements. For example, High Mobility Artillery Rocket Systems (HIMARS) pods are fitted to Polish 6x6 trucks and the launchers for Patriot batteries are built in the country. This of course adds to the cost of procurement compared to simple off-the-shelf purchases, but it can strike a good balance compared to the cost of fully developing alternatives.

Moreover, the UK should learn from the world leaders in uncrewed systems: Ukrainian industry. Britain’s uncrewed systems sector is not where it needs to be. Given the lack of a Defence Investment Plan (DIP) at the time of writing, the UK’s drone companies are feeding off British orders for Ukraine via Task Force Kindred, international exports, and occasional drip-feeding of MOD work. The sector therefore lacks the capacity needed, especially when Ukraine produced four million drones in 2025 alone.

The UK should harness the unique opportunity presented by Ukraine’s ongoing relaxation of its export restrictions and push forward with British-Ukrainian manufacturing, research and development, and joint venture partnerships at scale. The UK’s soft power in Ukraine, due to its world-leading, cross-party support for the nation since before Russia’s full-scale invasion began in 2022, means that hundreds of Ukrainian companies are clamouring to enter the British market.



The new Enhanced Security and Defence Industrial Collaboration Declaration between the UK and Ukraine, signed in March 2026, provides the political direction for this. Now, it is up to HM Government and the defence industry to deliver it.¹⁵

International collaboration and international funding mechanisms

Ukraine is not the only ally that Britain can rely on for support if its defence industrial base is to specialise. At the 2025 NATO Summit in The Hague, all alliance members committed to boost defence spending to 3.5% of GDP by 2035, with European NATO allies and Canada boosting defence spending by 20% in 2025 alone.¹⁶ The UK is not alone in its need to rearm, and this fact provides significant opportunities for joint procurement and joint financing.

The UK and EU should rapidly resolve the dispute around British access to the EU's Security Action for Europe (SAFE) fund, but regardless of this, there is still a necessity for more joint procurement between the UK and its allies. Britain underutilises multilateral joint procurement frameworks like the Organisation for Joint Armament Cooperation (OCCAR) and the NATO Support and Procurement Agency (NSPA), and new frameworks for joint procurement via AUKUS Pillar II require dedicated funding and further specific projects beyond the recently announced Uncrewed Undersea Vehicle (UUV) Signature Project.

Given that the US is the world's largest spender on defence research and development, it is unsurprising that many countries – despite what they might think about American rhetoric – go to Washington for arms; indeed, the US accounts for nearly half of global defence exports.¹⁷ Britain has an opportunity to leverage its defence relations with America to bolster what UK-based companies can offer allies and partners. As identified in the Defence Industrial Strategy, the relationships with both the US *and* the EU are vital. In fact, Britain is perhaps uniquely positioned to make the most of both markets. This position can be strengthened with a more focused approach that delivers strategic indispensability in select areas.

The newly announced Multinational Defence Mechanism (MDM) between the UK, the Netherlands, and Finland is another potential avenue, but it needs a clear swim lane alongside the existing initiatives previously mentioned. Stockpiling munitions, long-range missiles, and spare parts would be suitable.

¹⁵ 'UK-Ukraine joint statement: Enhanced Security and Defence Industrial Collaboration Declaration', Prime Minister's Office, 17/03/2026, <https://www.gov.uk/> (checked: 09/06/2026).

¹⁶ 'NATO Secretary General's Annual Report shows significant increase in defence investment from Europe and Canada', North Atlantic Treaty Organisation, 26/03/2026, <https://www.nato.int/> (checked: 09/06/2026).

¹⁷ 'Global arms flows jump nearly 10 per cent as European demand soars', Stockholm International Peace Research Institute, 09/03/2026, <https://www.sipri.org/> (checked: 09/06/2026).



What is sorely needed, in addition to clarity on the timeline for achieving the promised 3.5% of GDP on core defence spending, is joint financing. With major capabilities like GCAP continuing with stop-gap funding until the DIP is published, mechanisms like MDM, while having their place, will not be able to deliver to the required levels.

Britain should be leading international efforts to create a multinational defence bank, such as the proposed Defence, Security, and Resilience Bank (DSRB). Founded by the former Head of Innovation at NATO, the DSRB has the potential to raise hundreds of billions of pounds of defence investment for NATO and non-NATO allies to accelerate defence spending. Enabling the UK to borrow at the AAA credit rating it currently lacks, the DSRB would also hold defence borrowing costs off the national balance sheet, pooling the financial risk of increased borrowing with allies. Mark Carney, Prime Minister of Canada, has made a clear statement of intent to establish the DSRB: Britain should be at the forefront of this effort with Canada.¹⁸

This will deliver finance jointly for the UK and its allies, provide new opportunities for British exports within nations utilising DSRB funds, and allow the UK to invest in its own industrial base.

Conclusion

The British defence industrial base faces significant challenges. While the UK is excellent at delivering world-leading platforms in the maritime and air domains, its ability to replicate this in the land and space domains at the same scale as peer nations such as Germany is not where it needs to be. Moreover, Britain is far too reliant on global supply chains and peacetime models for acquisition, which fail to take into account the need for spares and surge capacity.

Today's asymmetry of warfare tells that investing in scalable, low-cost capabilities will ensure that the UK does not lose the economic war. Yet, it has not invested properly in its uncrewed systems sector, and continues to rely on costly interceptors to defend against cheap drones.

However, Britain is still coming from strong foundations on which to build, with a defence industrial base capable of delivering genuinely excellent capabilities that are the envy of peer nations. HM Government should therefore focus on greater specialisation, joint procurement and financing with allies, and ditching assumptions that the UK can sustain efforts to maintain the defence industrial base across too wide a spectrum of capabilities. Balanced partnerships with allies including through joint financing initiatives, like DSRB, and greater utilisation of

¹⁸ 'Prime Minister Carney secures new economic, security, and talent partnerships with Luxembourg', Prime Minister of Canada, 09/02/2026, <https://www.pm.gc.ca/> (checked: 09/06/2026).



existing joint procurement initiatives, like OCCAR and NPSA, can help to plug gaps and generate better value for money.

Until this happens, Britain will not be equipped to win the economic war, even if it has the superior capabilities to win on the battlefield. In this new era of geopolitical confrontation, the UK's defence industrial base should adapt not just to the threat of tomorrow, but the threats today. Britain must be prepared to fight and win a peer conflict against its adversaries alongside NATO allies, but potentially without direct American support.



ABOUT THE AUTHOR

Chris Hague is an Adjunct Fellow at the Council on Geostrategy, and Senior Policy and Communications Manager at Make UK Defence. He leads on government affairs and industrial policy reform to drive economic growth, strengthen deterrence, and increase access to Ministry of Defence work for SMEs, mid-tiers, and non-traditional suppliers. He also played a key role in the Labour Party's defence team, working alongside the Rt. Hon. John Healey MP, and worked on the International Policy Team prior to the 2024 general election.

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Address: Alliance House, 12 Caxton Street, London, SW1H 0QS

Phone: 020 3915 5625

Email: info@geostrategy.org.uk

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