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Towards a 'Hercules hold': Maintaining a transatlantic defence industrial base

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With Paul Mason

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Foreword

The global security landscape is undergoing its most profound transformation since the end of the Cold War. As we witness growing cooperation among revisionist powers, namely the People's Republic of China (PRC), Russia, Iran and North Korea, the threat of a multifront crisis is growing. At the same time, after decades of post-Cold War complacency, the collective defence industrial bases of the United Kingdom and our allies face an urgent scramble to rearm. It is within this perilous context that I welcome this timely and valuable Report from the Council on Geostrategy, authored by William Freer with input from Paul Mason.

The analysis captures the acute strategic dilemma currently facing Britain. We are witnessing the beginnings of a bifurcation in the transatlantic defence industrial base. The United States (US) is increasingly shifting its strategic and industrial focus towards homeland security, Western Hemisphere defence, and the Indo-Pacific. Meanwhile, the European Union (EU) is rapidly developing its defence capabilities, deploying significant financial levers to pursue its goal of greater strategic autonomy.

With deep ties to the defence markets of North America and Europe, but fully integrated with neither, our nation risks finding itself caught in the middle between these two diverging pillars. Without a more proactive approach, the UK faces the prospect of losing influence in capability standardisation and the future shape of the transatlantic defence industrial base. As the study argues, our historic approach of acting as a transatlantic 'bridge' is no longer sufficient to secure British interests.

Instead, this Report advocates for a more activist 'Hercules hold'. The United Kingdom (UK) should leverage and strengthen its unique capabilities to grip and sustain collaboration across the Atlantic. The recommendations in this study offer a useful basis for debate on how Britain can wield and strengthen its influence to shape and navigate the evolving landscape of the transatlantic defence industrial base.

As the UK's Prime Minister Andy Burnham and his new cabinet navigate this increasingly fractured landscape, this study provides a welcome contribution to British defence industrial discourse. We must



ensure that our defence industrial base not only deters adversaries, but also serves as an engine for domestic economic growth.

Tan Dhesi MP

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Executive summary

CONTEXT

- After decades of defence industrial atrophy driven by neoliberal economic policies and post-Cold War complacency, the United Kingdom (UK) and its allies are scrambling to rebuild their defence industrial bases in the face of escalating global threats.
- The risk of a multifront crisis is growing as the ‘CRINK’ nations – the People’s Republic of China (PRC), Russia, Iran, and North Korea – increasingly cooperate. In response, the United States (US) is reprioritising its strategic and industrial focus toward hemispheric defence and the Indo-Pacific.
- The European Union (EU), having previously maintained a *laissez-faire* attitude to defence industrial strategy, is quickly becoming a serious defence actor in the transatlantic defence industrial landscape. In reaction to growing transatlantic tensions and the increasing defence spending by European members of the North Atlantic Treaty Organisation (NATO), the EU has initiated a suite of defence industrial programmes, supported by large funding levers, to support its goals of pursuing greater ‘strategic autonomy’. While this accelerates European rearmament, these mechanisms increasingly mandate third-country exclusion.
- Positioned outside the EU, but desiring a closer defence relationship, as well as maintaining deep security ties with Washington, His Majesty’s (HM) Government finds itself squeezed between two diverging defence industrial pillars. The historic approach of acting as a more passive transatlantic ‘bridge’ will prove insufficient to securing the UK’s interests. HM Government should instead pursue a much more activist ‘Hercules hold’ to maintain the collaboration between these two defence industrial pillars.



KEY FINDINGS

- **The transatlantic defence industrial base is beginning to diverge:** Driven by differing threat perceptions as well as fresh political tensions, with the US focused on the PRC and European allies focused on deterring Russia, NATO is seeing a bifurcation in research, procurement, production, and allocation priorities. Although in a number of capability areas, overlap on requirements will remain.
- **Complementarity is not assured:** Although NATO is revitalising its coordination efforts with a series of new initiatives, and the outputs from the 2026 Ankara Summit pledge to signal aggregate demand, it lacks the EU's financial firepower. The EU is driving integration through its fiscal levers, but at the cost of erecting restrictive third-party access policies. While there is a level of existing coordination between NATO and the EU, it is not assured, and will require constant work to maintain and build upon lest the transatlantic defence industrial base bifurcate.
- **A bifurcated model has upsides and downsides, but reform is preferable to divergence:** Splitting industrial responsibility could allow European NATO and the US to focus on their respective priorities – although, as stated, overlap on a number of requirements will remain – and create clarity on supply in the event that deterrence fails. However, this would come at the cost of reduced European access to US-led capabilities, deepening research and development disparities, and risking the loss of North American surge capacity relevant for Russia-NATO contingencies. It would also disrupt supply chains integrated across the Atlantic, and limit co-development and co-production opportunities.
- **The UK risks creeping isolation:** Without a deeper structural relationship with EU defence initiatives and facing shifting American priorities, Britain risks a 'Hobson's choice' in capability standardisation where allies seek to reduce duplication of platforms, munitions, and components. A passive approach could result in growing 'lock-out' from the two largest global defence markets.



RECOMMENDATIONS

To shape the evolving landscape in accordance with the UK's interests, HM Government should:

- 1. Champion interchangeability as the NATO standard:** Push the alliance beyond basic interoperability by pushing for interchangeability standards and open-architecture requirements through NATO institutes, ensuring hardware and munitions can be physically swapped across multinational platforms.
- 2. Invest in strategic indispensability:** Britain cannot match the American or EU scale, but greater investment in defence is needed to 'buy a seat at the table'. Alongside this, the UK should focus its investment in a select portfolio of high-value technological and supply chain chokepoints where British engineering becomes essential to both Washington and Brussels.
- 3. Leverage and expand minilateral coalitions:** Britain should build upon the successes of AUKUS, the Global Combat Air Programme (GCAP), and the Joint Expeditionary Force (JEF) to create a web of interweaving defence procurement groups that tie American, European, and Indo-Pacific partners to UK-based industry.

To navigate the landscape in a way which maximises the deterrent and economic benefits to Britain, HM Government should:

- 1. Explore the potential of a 'Deterrence Union' with the EU:** The UK could offer to extend its nuclear deterrent over the EU in exchange for deeper economic ties and reasonable access to EU defence initiatives. Britain should work alongside 'Atlanticist' leaning partners in Europe to influence the EU in order to ease supply chain barriers in defence initiatives where possible.
- 2. Support the Defence, Security, and Resilience Bank (DSRB):** Although it has missed the benefits of being 'present at creation', HM Government should back this newly established, Canadian-led financial mechanism to anchor a funding ecosystem that creates additional – and less exclusionary – options to EU finance.



- 3. Develop a transatlantic surge capacity framework:** The UK should lead a multifront munitions mapping exercise with allies to identify supply chain bottlenecks, using the findings to target British investment into dual-theatre munitions that serve both the Euro-Atlantic and Indo-Pacific.
- 4. Define defence industrial sovereignty:** The UK should develop a clear, multi-tiered taxonomy of 'sovereignty' for defence procurement to aid in procurement decision-making and provide clarity to the defence sector.



1.0

INTRODUCTION

Wars are won by people, but with weapons. Through a mixture of technological overmatch or overwhelming capacity, the United Kingdom (UK) and its allies have either achieved victory or successful deterrence against every major geopolitical foe for at least two centuries. However, the legacy of the so-called ‘peace dividend’ and the neoliberal economic policies of the post-Cold War era saw the defence industries of North Atlantic Treaty Organisation (NATO) members atrophy.

After a prolonged period of denial, free and open countries – Britain included – are now scrambling to rebuild their defence technological and industrial bases: events in the Black Sea region, the Middle East, the South China Sea, and elsewhere have laid bare the scale of the challenges of technological competition and production capacity.

At the same time, fresh political tensions between the United States (US) and European countries have disrupted the assumptions underpinning the transatlantic alliance. From Washington’s perspective, this shake-up was long overdue and has served its purpose: encouraging European NATO allies to do more for their own security. Yet, some of the rhetoric has damaged trust in European capitals, and the European Union (EU) has seized on this opportunity to push for greater strategic autonomy.

The EU has introduced a suite of defence industrial initiatives. Some of these complement the efforts of NATO to bolster the transatlantic defence industrial base, but others threaten to introduce exclusivity and duplication. Given the UK’s position as one of the nuclear custodians of NATO, its deep defence relationship with Washington, and its position outside the EU but with ambitions to exert leadership in Europe, these dynamics are an acute issue for His Majesty’s (HM) Government.



Since Russia's full-scale invasion of Ukraine, the defence industrial strategies of NATO allies have been riven by four tensions:

1. Between the coordination efforts of NATO and the EU;
2. Between NATO/EU and the national strategies of major producing and purchasing countries;
3. Between defence-specific and economy-wide industrial strategies; and
4. Between the demand to produce current technologies at scale and the need to invest in future technologies.

In a perfect world, these tensions would be managed dynamically from a single decision centre. In the past, they were mitigated by the dominance of the US, both as a supplier of capability and shaper of force design, but in the imperfect present, they threaten to undermine NATO's ability to reinforce the deterrent contribution of industry against the Russian threat.

Since the start of the renewed US-Israeli strikes on Iran in February 2026, a fifth tension has arisen: the surge in global demand for defence inventory. This adds another set of dilemmas over prioritisation amongst allies. For example, since March 2026 – prompted by Iranian missile strikes on regional neighbours – orders for missile defence interceptors have experienced both surging demand and disruptions to assumed supply timelines.¹ This is unlikely to prove to be an isolated case in the next decade.

1.1 Aim and structure

HM Government has recognised these tensions, but is yet to outline a clear strategy for overcoming them. The Strategic Defence Review (SDR), the National Security Strategy (NSS), and the Defence Industrial Strategy (DIS), all published in 2025, each contain reference to these challenges. The SDR stated that 'The EU is a defence and security actor of increasing significance, whose unique regulatory and financial levers can complement NATO's role as the primary guarantor of European security'.² The NSS stated: 'The [UK-EU] partnership will also mean we [Britain] can

¹ Gram Slattery and Humeyra Pamuk, 'US to delay weapons deliveries to some European countries due to Iran war, sources say', *Reuters*, 16/04/2026, <https://www.reuters.com/> (checked: 26/08/2026).

² 'The Strategic Defence Review 2025 – Making Britain Safer: Secure at home, strong abroad', Ministry of Defence, 02/06/2025, <https://www.gov.uk/> (checked: 26/08/2026).



explore closer cooperation and joint investment in our defence industrial base, in a way that can support economic growth and jobs on both sides and help to prevent fragmentation'.³ The DIS pledged to 'maximise our industrial and technological collaboration with the US' and to 'build on our Security and Defence Partnership with the EU, whose unique regulatory and financial levers can complement NATO's role as primary guarantor of European security'.⁴

This Report focuses on how the UK – through NATO, with the EU, and via coalitions of like-minded states – can contribute to reinforcing clear defence industrial demand signals and maximise the contribution to deterrence that the defence industrial base can make. Adversaries need to be convinced that NATO's defence industrial base can keep up with the pace of technological innovation and support allied militaries through a potentially prolonged conflict. In pursuit of that, this study explores the following questions:

1. How has the NATO-EU defence industrial relationship evolved?
2. What are the main lines of effort and programmes for NATO and the EU, and to what extent do these complement or duplicate each other?
3. Is a transatlantic defence industrial base still possible in an era of European strategic autonomy and US hemispheric focus?
4. What does success look like for HM Government?

The Report then offers a suite of recommendations to strengthen and bring coherence to the British response to the evolving alliance-wide defence industrial base. It aims to help HM Government to find the right balance between bolstering deterrence in the short term, ensuring the UK's long-term technological leadership, and maximising the economic potential for the British economy.

³ 'National Security Strategy 2025: Security for the British People in a Dangerous World', Cabinet Office, 24/06/2025, <https://www.gov.uk/> (checked: 26/08/2026).

⁴ 'Defence Industrial Strategy: Making Defence an Engine for Growth', Ministry of Defence, 08/09/2025, <https://www.gov.uk/> (checked: 26/08/2026).



2.0

OVERVIEW OF THE NATO-EU DEFENCE INDUSTRIAL RELATIONSHIP

Following the failure of the 1952 European Defence Community, Western European nations looked to NATO for their defence.⁵ Throughout the Cold War, the alliance spearheaded defence cooperation through standardisation agreements and joint procurements, while European-specific coordination slowly re-emerged in the 1970s to strengthen the local technological base. Guided by the Independent European Programme Group (IEPG), there were three foundational objectives: firstly, strengthening the European contribution to NATO; secondly, improving the European technological base; and thirdly, balancing US-European defence trade.⁶ These objectives remain much the same for European capitals today.

The US' 'pivot to Asia', announced in 2011 and Russia's 2014 invasion of Ukraine and annexation of Crimea provided some impetus for accelerated integration. Movement only really gained pace from 2022 onwards with the full-scale Russian invasion of Ukraine, alongside further developments in American politics and geostrategy prioritising hemispheric defence.

⁵ 'Did you know...? That a 1952 treaty created a European Army within NATO', North Atlantic Treaty Organisation Supreme Headquarters Allied Powers Europe, No date, <https://shape.nato.int/> (checked: 26/08/2026).

⁶ Thierry Tardy, 'Unpacking the European Pillar in NATO', *Future Europe*, 5:1 (2024).



2.1 The EU defence revolution

In 2017, the European Commission launched the European Defence Fund (EDF), utilising the EU budget for financially incentivising collaborative defence research and development.⁷ This came alongside structural mechanisms designed to harmonise member state priorities: the Capability Development Plan (CDP) to identify capability priorities; the Coordinated Annual Review on Defence (CARD) to survey existing capabilities to find collaborative opportunities; and Permanent Structured Cooperation (PESCO), which provides the legal and political framework for joint capability development.

Given the EU's growing defence functions, of which its predecessors had steered well clear, a great deal of effort was placed on ensuring complementarity with NATO. In particular, at the 2016 NATO Summit in Warsaw, a joint declaration expressed the 'determination to give new impetus and new substance to the NATO-EU strategic partnership'.⁸ This declaration identified numerous areas for strengthened cooperation, including defence capabilities and defence industry. The following years also saw a flurry of staff-to-staff bonds built between the two organisations, coordinated by the EU-NATO Steering Group – from 2016 to 2025, NATO and the EU held 325 cross-briefings in various committees and working groups.⁹

Russia's full-scale invasion of Ukraine in 2022 laid bare a swathe of problems in the transatlantic defence industrial base, particularly the capacity and capability of the European side of the base. European countries have recognised this and are increasing defence spending substantially with an impressive, if well overdue, rearmament effort. European NATO defence spending increased from £246 billion in 2022 to £422 billion in 2025, from an average of 1.62% of Gross Domestic Product (GDP) to 2.5%.¹⁰

⁷ 'A European Defence Fund: €5.5 billion per year to boost Europe's defence capabilities', European Commission, 07/06/2017, <https://ec.europa.eu/> (checked: 26/08/2026).

⁸ 'Joint declaration by the President of the European Council, the President of the European Commission, and the Secretary General of the North Atlantic Treaty Organisation', North Atlantic Treaty Organisation, 08/07/2016, <https://www.nato.int/> (checked: 26/08/2026).

⁹ Guiseppe Spatafora, 'The Union, the Star, and the Eagle: EU-NATO cooperation under Trump 2.0', European Union Institute for Strategic Studies, 10/03/2026, <https://www.iss.europa.eu/> (checked: 26/08/2026).

¹⁰ 'Defence Expenditure of NATO Countries (2014-2025)', North Atlantic Treaty Organisation, 28/08/2025, <https://www.nato.int/> (checked: 26/08/2026).



Both NATO and the EU have introduced new policies and funding mechanisms to help bolster efforts to rearm. However, unlike in previous years, these efforts have not been as complementary, and have led to an increasing amount of duplication and exclusionary programme architectures. To an extent, this is due to a desire to use rearmament to further the EU's goals of greater integration. However, a second factor has been reduced levels of transatlantic trust. Numerous 'flashpoints' between Washington and European capitals have occurred in recent months, including European concern over American decisions to deprioritise military support for Ukraine, claims made by Donald Trump, President of the US, in relation to Greenland, and criticism of European nations' refusal to join Operation EPIC FURY against Iran in full.

While these flashpoints have not thus far resulted in attempts by European governments to wean their countries off American defence cooperation wholesale, the EU has begun to introduce levers for enhancing strategic autonomy. Access to EU funding for defence industrial programmes is increasingly designed with exclusivity in mind.

This can be read in a number of ways. On the one hand, EU efforts can be seen as a hedge against the potential unavailability of American equipment in the event of a multifront crisis, where the US may prioritise its position in the Indo-Pacific. On the other, it can be read as an act of protectionism designed to reduce American and British leverage over the EU, and to bolster the EU's geopolitical status. Some Europeans would point out that the US has long had a 'buy American' emphasis; the difference is that there is less equipment the EU possesses than the US needs to procure than vice versa. Despite this, it is worth noting there is a defence exemption to the Buy American Act: countries with reciprocal defence agreements with the US are considered as a 'domestic' source of supply. It remains to be seen whether Washington will review this in response to new EU initiatives.

This new divergence between NATO and the EU, where once there was strategic convergence and agreement over silos, has the potential to confuse – or even hinder – efforts to rearm and deter.



3.0

NATO AND THE EU: THE TURN TO DEFENCE INDUSTRIAL STRATEGY

Russia's renewed lunge into Ukraine in 2022 started a process of urgent change in the defence industrial strategies of NATO, the EU, and their respective countries. When surveying both organisations' actions against their stated aims, however, it is difficult to find strategic clarity.

It should be noted that despite the welcome escalation of industrial strategy coordination by NATO and the EU, the most significant decision-makers remain states themselves. In the mid-2010s, many of the countries that had abandoned Keynesian industrial strategies – in short, the use of government planning and public spending to guide economic growth, fix market failures, and support full employment – increasingly returned to them in modernised form. This formed the backdrop to a more widespread turn to formal national defence industrial strategies, by the Netherlands (2018), the UK (2021), Sweden (2022), the US (2023), and Canada (2026). Each issued targeted blueprints for state-directed investment into key areas of defence production and innovation, with each country declaring its determination to grow its domestic defence industrial and technological base and to foster its access to capital and skills.

America, France, Germany, and the Nordic countries had long practised sovereign defence industrial policy, nurturing 'national champions' – in many cases aligned with, or partially owned by, the state. However, with the emergence of NATO and EU-level coordination efforts, a landscape once dominated by national procurement strategies and force



design has been irrevocably altered. It now has to address questions of where and how defence equipment should be built, and how scarce private investment should be mobilised into the production of defence public goods.

As this new landscape has emerged, an obvious imbalance has opened up: despite its long history and supreme authority, NATO – by design – cannot be *dirigiste* in the area of defence industrial strategy. It has evolved, instead, into a facilitator of mini-coalitions.

3.1 NATO

The key post-2022 milestones of NATO defence industrial strategy have been:

- **The Defence Production Action Plan (DPAP):** Agreed in Vilnius in July 2023, this aims to aggregate demand, fill gaps in defence industrial capacity, and increase both interoperability and standardisation.
- **The Defence Industrial Production Board (DIPB):** Established under the Conference of National Armaments Directors in December 2023, this acts as a forum for allies to exchange views on defence industrial capacity and defence-critical supply chains.
- **The NATO Industrial Capacity Expansion Pledge:** Agreed in Washington in July 2024, this commits allies to accelerate the growth of defence industrial capacity, while seeking reciprocal cooperation and openness, greater industrial resilience, and multinational procurement. Allies committed to report annually on progress against measurable outcomes.
- **An update to DPAP by NATO defence ministers in February 2025:** Based on lessons learned in the first two years of its operation, this doubled down on interoperability, standardisation, and interchangeability, and urged allies to aggregate demand.
- **The Rapid Adoption Action Plan (RAAP):** Adopted by NATO defence ministers in June 2025, this commits allies to fast-track the procurement of new technologies, to take more risks in the



acquisition of emergent technologies, and to send alliance-wide demand signals.

- **The NATO Commercial Space Strategy:** Published in June 2025, this aims to integrate commercial solutions into alliance operations through flexible contracting, pooled provider agreements, and a new commercial ‘front door’.
- **The Hague Summit pledge:** Agreed to in June 2025, allies have pledged to spend 3.5% of GDP on core defence capabilities and 1.5% on security related infrastructure by 2035. This signals NATO’s collective intent to inject at least hundreds of billions of pounds more into the global defence market over the next few years.¹¹
- **Ankara Summit:** Held in July 2026, this moved NATO’s emphasis from setting spending targets to presenting a unified, public demand signal; transforming DPAP from a policy framework to a procurement and production system; and revitalising the NATO Support and Procurement Agency (NSPA) as the principal delivery institution.

At a policy level, NATO allies have collectively prioritised procurement speed, multinational coordination, standardisation, rapid innovation, and supply chain resilience. The effect has been to produce a surge of activity by three bodies: the NSPA; the Defence Innovation Accelerator for the North Atlantic (DIANA); and the NATO Innovation Fund – an £860 million vehicle created by 24 allies. Table 1 shows major NSPA contracts published between 2022 and the Ankara Summit.

TABLE 1: MAJOR NSPA CONTRACTS PUBLISHED 2022-2025

Date	Capability	Value	Customer/s
January	1,000 Patriot	£4.3 billion	Germany,

¹¹ ‘Defence investment and NATO’s 5% commitment’, NATO, 29/06/2026, <https://www.nato.int/> (checked: 26/08/2026).



2024	missiles under the European Sky Shield Initiative (ESSI) ¹²		Netherlands, Romania, Spain
January 2024	220,000 155 millimetre (mm) artillery shells, plus unspecified numbers of Anti-Tank Guided Missiles (ATGMs) and tank ammunition ¹³	£2.9 billion	Requested by three NATO allies, with nine potential participants
June 2024	Upgrade for ~200 NH90 helicopters ¹⁴	£510 million	Belgium, Germany, Italy, Netherlands
July 2024	940 Stinger Surface-to-Air Missiles (SAMS) ¹⁵	£520 million	Germany, Italy, Netherlands

¹² 'NATO to buy 1,000 Patriot missiles to enhance Allies' air defences', North Atlantic Treaty Organisation, 03/01/2024, <https://www.nato.int/> (checked: 26/08/2026).

¹³ 'NATO concludes contracts for another \$1.2 billion in artillery ammunition', North Atlantic Treaty Organisation, 23/01/2024, <https://www.nato.int/> (checked: 26/08/2026).

¹⁴ 'NH90 comprehensive upgrade programme launched', Airbus, 13/06/2024, <https://www.airbus.com/> (checked: 26/08/2026).

¹⁵ 'NATO agency places \$700 mln order for Stinger anti-aircraft missiles', Reuters, 09/07/2024, <https://www.reuters.com/> (checked: 26/08/2026).



August 2024	Patriot Guided Enhanced Missile – Tactical (GEM-T) ¹⁶	£354 million	Germany
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It is clear from Table 1 that nations participating in NATO joint capability procurement initiatives have been clustered around Germany, the Low Countries, and Italy, with the US effectively absent.

The UK is an active participant in several NATO Support and Procurement Organisation (NSPO) multinational frameworks – on warehousing, ammunition, and engineering vehicles – and was part of the support partnership around Wedgetail, but so far has not participated in major joint procurement programmes. France also tends to use NSPA/NSPO for logistics, sustainment, and support services rather than major capability procurement.

Taken on the eve of the Ankara Summit, a snapshot of NATO-level joint procurement would show Germany as the leader of a small group of enthusiasts, Britain and France concentrating on services rather than capabilities, and America uninterested. The Ankara Summit, however, potentially changed the game. At Ankara, allies agreed to create:

- **The NATO Front Door for Industry:** A single point of access for companies, including Small and Medium-sized Enterprises (SMEs) and dual-use suppliers to engage with alliance-wide procurement;
- **The NATO Engine:** A framework for cross-border allocation of spare industrial capacity;
- **The first-ever unclassified NATO Demand Signal:** Allies agreed to publish a consolidated statement of procurement priorities to 2035, including heavier land formations, integrated air and missile defence, deep strike systems, medical support, and resilient logistics; and

¹⁶ 'NSPA supports Germany with contract for additional Patriot missiles', NATO Support and Procurement Agency, 06/08/2024, <https://www.nspa.nato.int/> (checked: 26/08/2026).



- **The Strategy for Industry-NATO Cooperation (SYNC):** To replicate the priorities of the most recent allied national defence industrial strategies.

Further key multilateral projects were agreed to at the Ankara Summit, as shown by Table 2.¹⁷

TABLE 2: MAJOR NATO MULTILATERAL PROCUREMENT PROJECTS AGREED TO AT THE ANKARA SUMMIT

Capability	Value	Customer/s
Drone Edge Counter- Uncrewed Aerial Systems (C-UAS) Project	£30 billion over five years	All 32 allies
Up to ten Saab GlobalEye aircraft	£3.3 billion	Belgium, Canada, Denmark, Germany, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Romania, Sweden
Five MQ-4C Triton High-Altitude, Long Endurance (HALE) UAS	Undisclosed	Denmark, Finland, Germany, Norway
Multinational A330 Multi-Role Tanker	Undisclosed	Finland joined existing group of Belgium,

¹⁷ 'Tens of billions in new procurements revealed at the NATO Summit Defence Industry Forum in Ankara', North Atlantic Treaty Organisation, 07/07/2026, <https://www.nato.int/> (checked: 26/08/2026).



Transport (MRTT) fleet		Czechia, Denmark, Germany, Luxembourg, Netherlands, Norway, Spain, Sweden
Multinational A400M Atlas fleet	Undisclosed	Belgium, Croatia, France, Poland, Spain, Türkiye, UK
Patriot PAC-3 missile maintenance facility	Undisclosed	Poland, Germany, Netherlands, Sweden, US
Army Tactical Missile System (ATACMS) co-production in Germany	Undisclosed	Germany, US
155mm Generic NATO Indirect Fire Round (GENIFR)	Undisclosed	Canada, Czechia, Denmark, Finland, Greece, Norway, Slovakia, Sweden, Türkiye
Ground-based precision strike capabilities	Undisclosed	Denmark, France, Italy, Norway, Türkiye, UK
NATO Flight Training Europe (NFTE)	Undisclosed	Finland, France, and Sweden joined the Memorandum of



		Understanding (MOU) alongside 17 existing nations
Loitering munitions	Undisclosed	Various allies
Hybrid Alliance Layered Operations (HALO) in space	Undisclosed	Denmark, Canada, Finland, Germany, Netherlands, Norway, Sweden, Türkiye

Though few of these projects have precise budgets, contracts, and in some cases even prototypes, they represent a step-change in cross-border procurement through NATO. From a core group of enthusiasts clustered around Germany and the Netherlands, there has been both wider and deeper interest in engaging in intra-alliance projects through NATO institutions. At Ankara alone, the following nations signed up to:

- Denmark: 7 major projects
- Norway: 7 major projects
- Sweden: 7 major projects
- Germany: 6 major projects
- Netherlands: 6 major projects
- Finland: 4 major projects
- Canada: 4 major projects
- Türkiye: 4 major projects
- UK: 3 major projects

3.2 The EU

In contrast to NATO, since Russia's full-scale invasion of Ukraine, EU defence industrial strategy has pursued the objective of strategic autonomy and European Commission-level direction. This has been aided by the fact the EU can wield far greater financial levers. Key milestones include:



- **The Versailles Declaration of March 2022**, which pledges to bolster defence capabilities, enhance cooperation, and strengthen the defence technological and industrial base.
- **The Act in Support of Ammunition Production (ASAP)**, to ramp up manufacturing capacity.
- **The 2023 European Defence Industry Reinforcement through Procurement Act (EDIRPA)**, which aims to aggregate demand and reduce costs.
- **The European Defence Industrial Strategy (EDIS)**, a comprehensive ten-year plan issued in March 2024, which is designed to reduce reliance on US-produced capabilities, to double collaborative procurement to 40% of total, and to raise intra-EU defence trade to 35% of market value. It was backed by the European Defence Industry Programme (EDIP), a €1.5 billion (£1.3 billion) fund allocated to industrial modernisation and collaboration programmes.¹⁸
- **The March 2025 White Paper for European Defence Readiness 2030**, committing the EU to a ‘once in a generation surge’ focused on air and missile defence; artillery and ammunition; drones and counter-drone systems; military mobility; cyber; space; and undersea capabilities.¹⁹
- **The ReArm Europe Plan**, which activated an escape clause from the Stability and Growth Pact in May 2025, allowing member states to spend an additional 1.5% of GDP on defence, while creating the €150 billion (£128 billion) Security Action For Europe (SAFE) instrument – a loan facility backed by the EU.
- **The October 2025 Defence Readiness Roadmap**, which specifies four projects: Eastern Flank Watch (EFW), the European Drone

¹⁸ ‘EDIS | Our common defence industrial strategy’, European Commission, No date, <https://defence-industry-space.ec.europa.eu/> (checked: 26/08/2026).

¹⁹ ‘Introducing the White Paper for European Defence and the ReArm Europe Plan – Readiness 2030’, European Commission, No date, <https://defence-industry-space.ec.europa.eu/> (checked: 26/08/2026).



Defence Initiative (EDDI), the European Air Shield, and the European Space Shield.

From a state of fragmentation, and a *de facto laissez-faire* defence industrial policy, the EU has driven an impressive process of centralisation, integration, and rationalisation oriented towards the creation of an EU-wide defence industrial and technological base that aims to reduce historic over-duplication.

The SAFE instrument has been an important driver of collaboration with Ukraine, with 15 out of the 19 National Defence Investment Plans (NDIPs) including joint projects with Kyiv. Alongside the €150 billion (£128 billion) pledged under SAFE, there has been a surge in national-level defence procurement.²⁰ Total EU country defence spending is estimated to reach €454 billion (£390 billion) for 2026 – a 75% increase on the 2021 baseline.²¹

In achieving its goals of enabling accelerated defence procurement in a manner which reduces duplication, and by bringing European Commission-level oversight to NDIPs, SAFE has been a success from Brussels' perspective. However, the extreme dependence of European states on strategic enablers provided by the US – such as Command and Control (C2), intelligence, space capabilities, Suppression/Destruction of Enemy Air Defences (SEAD/DEAD), and Over-the-Horizon (OTH) radars – means that it could take until at least the mid-2030s for rearmed European countries to be able to deter Russian conventional aggression alone. This would only be possible at great additional expense – and that is before the outcome of the Pentagon's six-month force posture and basing review are known.

For the next ten years, therefore, the relationship between a more centrally EU-directed EDIS and the NATO DPAP and NSPA instruments will have a material effect on outcomes. Although improved at the Ankara Summit, NATO's industrial strategy levers, long under-utilised, are starting to be flexed, while the EU's are backed by dedicated financial firepower.

In industrial strategy theory, access to capital is just as important as coordination and direction. Ultimately, however, the heavy lifting has to be done by states and corporations. Here, rivalry between two proposed multilateral defence lending institutions – the Canadian-led Defence,

²⁰ 'SAFE', European Commission, No date, <https://commission.europa.eu/> (checked: 26/08/2026).

²¹ 'EU defence in numbers', European Council, No date, <https://www.consilium.europa.eu/> (checked: 26/08/2026).



Security, and Resilience Bank (DSRB) and the UK-led Multilateral Defence Mechanism (MDM) – needs to be ironed out as soon as possible.

The DSRB, backed by nine countries including Canada, Türkiye, and Ukraine, aims primarily to lend into the corporate supply chain. Meanwhile, MDM, which is backed by Finland, the Netherlands, and Poland, emphasises the need for joint procurement and lending at state level. While both are open to non-SAFE eligible countries, neither has the potential to become the kind of directing, centralising instrument that SAFE provides to the European Commission – and indeed British leadership of the MDM de facto precludes it doing so with EU members who choose to participate.

SAFE has however admitted Canada. Although Canada cannot be a decision-maker, it has paid an access fee for Canadian firms to take part in SAFE-funded projects above the 35% non-EU quota specified by the mechanism.²² Since the NDIPs submitted under the SAFE mechanism are classified, it is impossible to quantify the amount of truly *new* joint procurement that the SAFE initiative has delivered. Nevertheless, there are signs of increased willingness to pool funds and standardise equipment by EU members of NATO.

That said, the amount flowing through NATO vehicles and SAFE (although growing) remains small compared to the total defence spending of NATO members. NATO allies have spent several trillion pounds on equipment procurement and sustainment over the last few years.²³ Even if the whole sum currently allocated to SAFE is included, and all contracts signed and mooted at the Ankara Summit, the totals would remain below roughly £200 billion. However, this is a growing share of total capability spending.

3.3 The UK: Stuck in the middle?

Britain was an enthusiastic participant in joint procurement programmes designed before 2022, and before the emergence of competition between the EU and the US. For example, it was the sole Tier 1 partner in the F-35 Lightning II Joint Combat Aircraft programme's System Design and Development phase; it also remains a member of the Eurofighter

²² 'Agreement between the European Union and Canada concerning participation under the SAFE Instrument', Government of Canada, 24/02/2026, <https://www.international.gc.ca/> (checked: 26/08/2026).

²³ 'Defence Investment Update: Record Spending in Europe and Canada', North Atlantic Treaty Organisation, 07/07/2026, <https://www.nato.int/> (checked: 26/08/2026).



consortium, the A400 and MRTT initiatives, and the Boxer consortium, and it is an active participant in the Organisation for Joint Armament Cooperation (OCCAR). The major joint procurement projects it has achieved in recent years, however, have come from partnering with nations beyond the EU, including:

- GCAP: A joint venture between the UK, Japan, and Italy, with Canada as an observer;
- AUKUS: A trilateral security partnership involving the Australia, the UK, and the US; and
- The Type 26 class frigate programme: A bilateral deal to create interoperable and interchangeable advanced frigates with non-EU member Norway. Australia and Canada are also building modified Type 26 class frigate designs.

While these examples highlight Britain's success in forging partnerships beyond the EU, establishing comparable arrangements within EU mechanisms has proven more challenging. Most notably, the UK failed to negotiate access to SAFE, although reports indicate continued interest in securing a future agreement, such as joining a potential second tranche or successor body.²⁴ Consequently, Britain risks a 'Hobson's choice' – a choice in which only one thing is actually offered – when it comes to the capabilities being standardised among its European allies.

3.4 The future

What was once a US-centric defence market, with a few competing European capabilities carved out through national protectionism (e.g., Rafale, Eurofighter, and Leopard 2) is now becoming a bifurcated arena, with the EU increasingly exerting direction towards intra-EU defence trade, investment, finance, and interoperability. NATO is also growing its shaping efforts, but it cannot wield the same financial levers as the EU to bolster demand signals.

In this context, HM Government needs to make two decisions: firstly, where Britain's own defence industrial strategy alignment efforts

²⁴ Sudip Kar-Gupta, 'Costa says UK and EU on course for deal on SAFE defence fund', *Reuters*, 24/03/2026, <https://www.reuters.com/> (checked: 26/08/2026).



should be directed; and secondly, in what direction it wishes to shape future European NATO strategies towards the defence industrial base. If the UK were to enter SAFE (most likely on a similar model to Canada), it would be handing significant influence over future iterations of its defence investment plan to the European Commission. A more coherent approach to these competing challenges is required to ensure that Britain can maximise its potential to shape future pan-European NATO investment decisions.



4.0

THE FUTURE OF THE TRANSATLANTIC DEFENCE INDUSTRIAL BASE

The return of the prospect of peer conflict and the rise of the EU as a defence industrial actor bring several competing tensions into focus. What is ‘sovereignty’ in terms of defence equipment? How much specialisation should there be within European NATO? Where is the balance between building capacity now and investing in research and development?

The prospect of a multifront crisis accentuates these challenges. The potential that a crisis in either the Euro-Atlantic or Indo-Pacific theatres could lead to a simultaneous crisis in the other – either as a result of opportunism or coordination by the People’s Republic of China (PRC), Russia, Iran, and North Korea (the ‘CRINK’ nations) – poses challenges for the transatlantic defence industrial base,²⁵ not least because in the previous era of peer threats, the alliance was accustomed to unity on threat prioritisation.

Rather than contracting, the division within the transatlantic defence industrial base is expected to expand. In addition to rising protectionist measures, differing requirement priorities between countering Russian aggression in the Euro-Atlantic and Chinese

²⁵ William Freer, Joshua Huminski, and James Rogers, ‘Burden sharing: Preparing Britain and America for a multifront crisis’, Council on Geostrategy, 17/06/2026, <https://www.geostrategy.org.uk/> (checked: 26/08/2026).



aggression in the Indo-Pacific will prompt strategic divergence in research and production. Nevertheless, key capability sectors – most notably long-range strike capabilities and missile defence – will retain shared operational requirements and joint demand.

Given the uncertainty of strategic direction, the current situation presents the UK with both a challenge and an opportunity. The defence industrial landscape of the Euro-Atlantic is going through a new phase of evolution, and it is important that HM Government exerts influence over this process. Britain will require diplomatic and industrial agility, but most importantly, it will require sufficient capabilities and investment to maintain access to the key tables.

While the UK has been historically comfortable in casting itself as the transatlantic ‘bridge’ between Washington and European capitals, the growing transatlantic gap today requires a stronger stance. Instead of a bridge, Britain should see itself as central to establishing a ‘Hercules hold’ – to grip and sustain two diverging pillars.

4.1 Bifurcation or continued collaboration?

The transatlantic defence industrial base stands at a crossroads. It can either split industrial strategy along more exclusionary policies and regional threat lines, with European NATO addressing the capabilities required to confront Russia and the US addressing the capabilities to confront the PRC, or reform the existing transatlantic model. There are pros and cons associated with both approaches.

4.1.1 THE CASE FOR BIFURCATION

Dividing industrial responsibility by threat helps to align procurement with regional operational priorities more directly and ensures clarity of supply in the event that deterrence fails, reducing the risk of partners clashing over output prioritisation:

- **Strategic specialisation:** Bifurcation could allow European industry to reduce efforts on expeditionary capabilities and instead to focus on systems required to blunt Russian aggression. Another related factor is the potential divergence of doctrine in the ‘drone age’. Many European armed forces are integrating the lessons from Ukraine to a greater extent than the US, given their direct



application in relation to the Russian threat. In turn, this will see a growing divide on drone procurement priorities. This does not apply equally across all military missions – there are shared views on the integration of drones in long-range strike packages for example – but where a swarm of short-range anti-tank drones would be well suited to fighting the Kremlin’s forces in Eastern Europe, they are far less suitable against the PRC in the Western Pacific.

- **Supply line clarity:** A bifurcated model would help to ensure that there is no doubt about which weapons would be available in which theatre during a multifront crisis, and would resolve the risk that either side of the Atlantic may be faced with the prospect of allies refusing limited supplies of crucial munitions to prioritise their own needs. However, overall production levels would be impacted by disruptions to transatlantic supply chains and duplicating capabilities where co-production opportunities exist.

4.1.2 THE RISKS OF INDUSTRIAL SEPARATION

Although the potential benefits of strategic specialisation and supply line clarity are real, the potential downsides of a bifurcated transatlantic defence industrial base are serious, especially in the short term. In particular, this includes:

- **Reduced access to select capabilities where the US leads:** A bifurcated model risks making it far more challenging for European NATO countries to acquire select capabilities that American industry is well ahead in. Ballistic Missile Defence (BMD) architecture is one of these, and this gap is only set to grow, with up to US\$190 billion (£140 billion) over the next decade to flow into the ‘Golden Dome’ initiative.²⁶ This is by no means the only capability area: others include hypersonic strike, fifth-generation combat aircraft, in-production long-range fires, and space-based capabilities.

²⁶ ‘Potential Costs of a National Missile Defence System’, United States Congressional Budget Office, 12/05/2026, <https://www.cbo.gov/> (checked: 26/08/2026).



- **The research and development disparity:** The proposed US budget for 2026 requested US\$116 billion (£85 billion) for research and development for the Department of War.²⁷ By comparison, EU countries spend €17 billion (£14.8 billion), and this spend is far more fragmented and duplicative.²⁸ The UK spends roughly £3 billion on research and development through the Ministry of Defence (MOD). A bifurcated model could risk eliminating the opportunity to leverage development work already done. Although there is an absolute need to increase defence research and development investment on the European side of the Atlantic, time and overduplication are not luxuries that European NATO can afford.
- **Loss of surge capacity:** A bifurcated model risks creating a productive capacity ceiling for European NATO. Given the legacy of the decisions made in the past, neither the US nor the European defence industrial base is specialised towards their main adversaries. For example, the US continues to hold impressive production of artillery munitions, producing 480,000 155mm artillery shells per year, and with plans to reach 1,200,000.²⁹ Munitions such as these are required for large-scale land conflict and are of limited use to the US in a potential fight with the PRC.³⁰ This surge capacity from North America could prove vital to European NATO in the event of conflict with Russia, but if both sides move towards a bifurcated model, there would be disruption to integrated supply chains and opportunity costs in duplicating production. The surge capacity in other areas, such as long-range strike weapons and interceptor missiles, is also a potentially vital lifeline for European NATO – although unlike some systems, these would also be in high demand in the Indo-Pacific in the event of a multifront crisis.

²⁷ 'Federal Research and Development (R&D) Funding: FY2026', United States Congress, 17/04/2026, <https://www.congress.gov/> (checked: 26/08/2026).

²⁸ 'EU defence in numbers', European Council, No date, <https://www.consilium.europa.eu/> (checked: 26/08/2026).

²⁹ Meghann Myers, 'Army expects to make more than a million artillery shells next year', *Defence One*, 17/06/2025, <https://www.defenseone.com/> (checked: 26/08/2026).

³⁰ Sydney Freedberg Jr., 'Army "hitting stride" with 155mm production, but general worries over what's needed next', *Breaking Defence*, 17/10/2025, <https://breakingdefense.com/> (checked: 26/08/2026).



4.1.3 CASE STUDY: POLAND'S HYBRID 'POLONISATION' STRATEGY

Poland illustrates how a nation can rapidly expand military capacity by balancing expanding domestic capability and capacity with strategic foreign purchases. 'Polonisation' means increasing the capacity and capability of domestic industry with the aim of spending roughly half of the defence procurement budget in Poland. However, this effort is being balanced with the need to procure kit with urgency.

This has seen a suite of contracts handed out, which can be roughly divided into three categories: firstly, those where a Polish company leads (with minimal foreign components); secondly, orders from abroad which feature a heavy offset arrangement (either establishing production in Poland or using Polish components); and thirdly, orders from abroad with limited or no Polonisation:

- **Domestic production lead examples:**
 - 111 Borsuks (a Polish designed Infantry Fighting Vehicle) have been ordered for zł7.5 billion (£1.3 billion), while a fleet of over 1,000 is planned;³¹
 - 200 Rosomaks (a Polish version of the Patria Armoured Personnel Carrier) ordered for around zł4.5 billion (£900 million);³²
 - 286 AMZ-Bohr (a Polish 4x4 reconnaissance vehicle) ordered for zł725 million (£144 million).³³
- **Foreign offsets and local co-production examples:**
 - 212 K9 self-propelled guns have been ordered from South Korea for zł9 billion (£1.8 billion). There are plans to establish a production in Poland for a further 460 Polonised K9 guns;³⁴
 - 290 Homar-K Multiple Launch Rocket Systems (MLRS) and 486 Homar-A MLRS on order. Munition production for both will be established in Poland for more than zł15 billion (£3 billion). Homar-K is the rocket pod of the K239 Chunmoo

³¹ Inder Singh Bisht, 'Poland Buys 146 Additional Borsuk IFVs for \$2.07 Billion', *The Defence Post*, 01/06/2026, <https://thedefensepost.com/> (checked: 26/08/2026).

³² Adam Świerkowski, 'We Know How Many Rosomaks with the New Turret the Polish Army Has', *Defence 24*, 06/08/2025, <https://defence24.com/> (checked: 26/08/2026).

³³ Rojoef Manuel, 'Poland Orders Kleszcz Light Armored Recon Carriers for Army', *The Defence Post*, 01/03/2024, <https://thedefensepost.com/> (checked: 26/08/2026).

³⁴ 'Poland Completes Delivery of 212 K9 Self-Propelled Howitzers Under First Contract', *Adria Defence*, 18/12/2025, <https://www.adriadefense.com/> (checked: 26/08/2026).



attached to the Polish Jelcz 8x8 truck, and Homar-A is the High-Mobility Mobile Artillery Rocket System (HIMARS) pod attached to the 6x6 Jelcz truck;³⁵

- 23 NAREW (SkySabre) batteries, including over 1,000 Common Anti-Air Modular Missiles Extended Range and over 100 Launchers for zł20 billion (£4 billion).³⁶ Significant elements of the order will be produced in Poland;
- Two Patriot batteries and over 200 PAC-3 MSE missiles for zł18 billion (£3.6 billion) in March 2018.³⁷ An additional six batteries have been ordered, including over 600 missiles. The 64 launchers for these batteries are being licence-built in Poland.

- **Off-the-shelf purchase examples:**

- 96 AH-64 Apache attack helicopters for US\$10.8 billion (£8.2 billion). A service centre will be established in Poland;³⁸
- 32 F-35A Lightning II Joint Combat Aircraft for US\$4.6 billion (£3.5 billion);³⁹
- US\$1.8 billion (£1.3 billion) for 821 Joint Air-to-Surface Standard Missiles – Extended Range (JASSM-ERs) and US\$745 million (£550 million) for 200 Advanced Anti-Radiation Guided Missiles – Extended Range (AARGM-ERs).⁴⁰

While each European NATO country faces its own unique requirements and existing defence industrial strengths, there are lessons to be drawn from the Polish approach. Namely, given the potentially short warning time to deterrence being tested, a strategic approach to

³⁵ 'Poland's Ministry of National Defence Signs Framework Agreement with Lockheed Martin for Homar-A Rocket Artillery System Programme', Lockheed Martin, 11/09/2023, <https://news.lockheedmartin.com/> (checked: 26/08/2026).

³⁶ '£4 billion UK-Poland air defence deal strengthens European security', Ministry of Defence, 07/11/2023, <https://www.gov.uk/> (checked: 26/08/2026).

³⁷ Jarosław Adamowski, 'Poland holds tight to its Patriot batteries amid reported US call for Middle East transfer', *Defence News*, 01/04/2026, <https://www.defensenews.com/> (checked: 26/08/2026).

³⁸ 'Poland signs deal to service US-made Apache helicopters', *Polska Radio*, 23/03/2026, <https://www.polskieradio.pl/> (checked: 26/08/2026).

³⁹ 'Lockheed Martin completes three more F-35A Husarz jets for Poland, deliveries due this year', *Defence Industry Europe*, 29/10/2025, <https://defence-industry.eu/> (checked: 26/08/2026).

⁴⁰ 'Poland – AGM-158B-2 Joint Air-to-Surface Standoff Missile with Extended Range All-Up-Rounds', United States Defence Security Cooperation Agency, 12/03/2024, <https://media.defense.gov/> (checked: 26/08/2026).



co-production and co-development works best in managing the economic and deterrent benefits of rearmament. Poland is supporting its defence sector to no small extent by leveraging the expertise of allied defence firms and carefully considering where Polish companies can contribute to supply chain resilience.

4.2 An uncertain future

The transatlantic defence industrial landscape faces an increasingly uncertain future. Despite awareness of capacity issues amid the threat of a multifront crisis, restrictive third-party policies are creeping in. It is a good sign that European NATO countries are now funding efforts to bolster their own capacity as well as the technological capabilities of their defence industrial bases significantly. However, these efforts are starting to come at the cost of establishing walls between the industrial bases of Europe and North America. It would be beneficial to all if European systems were integrated faster and more widely with American platforms and if the EU was more willing to limit its level of restriction to third parties.⁴¹

The UK sits in the unenviable position of being caught between two allies heading in different directions. Given this, from a narrower British perspective, what should HM Government be trying to achieve? Picking sides is not in the UK's interests, but neither is getting trapped between two defence industrial blocs with growing access restrictions. To minimise the rupture and maximise the possibilities for its own industry, Britain should look to enact its 'Hercules hold' by reinforcing its strategic indispensability, which compels both sides to maintain their access to British capabilities, expertise, and capacity.

⁴¹ There are few European origin weapons integrated with US origin platforms. Notable examples include the Joint Strike Missile with F-35; IRIS-T with F-15s and F-16s; and Taurus KPD with F-18s and F-15s. SPEAR-3 and Meteor will be integrated with the F-35, but dates have been pushed back.



5.0

WHAT DOES SUCCESS LOOK LIKE FOR HM GOVERNMENT?

In developing a ‘Hercules hold’ approach, success must be identified. The DIS provides a comprehensive overview of what HM Government has identified as its defence industrial objectives, setting out six ‘priority outcomes’:

1. Making defence an engine for growth;
2. Backing UK-based businesses;
3. Positioning Britain at the leading edge of defence innovation;
4. Developing a resilient British industrial base;
5. Transforming procurement and acquisition systems; and
6. Forging new and enduring partnerships.⁴²

These priorities represent a good vision for how the UK’s defence industrial base should evolve over the coming years. While the effort to reform Britain’s defence procurement is to be welcomed, and is needed to ensure defence spending can deliver more cost-effective outcomes, the remit of the DIS was naturally focused on the British landscape.

In the 112-page document, the transatlantic nature of the defence industrial base is touched upon, but usually within the context of UK-specific issues. For example, ‘EU’ or ‘European’ are mentioned only 15 times, ‘Euro-Atlantic’ twice, and ‘transatlantic’ twice.⁴³ Understanding

⁴² ‘Defence Industrial Strategy: Making Defence an Engine for Growth’, Ministry of Defence, 08/09/2025, <https://www.gov.uk/> (checked: 26/08/2026).

⁴³ Ibid.



HM Government's priorities for the wider transatlantic defence industrial base requires careful interpretation of its implicit policy signals.

Although the DIS lacks an explicit framework for the transatlantic defence industrial base, Britain's strategic vision remains embedded within broader priorities. Synthesising these scattered themes clarifies what success looks like for London.

5.1 The DIS' desired outcomes applied to the wider transatlantic defence industrial landscape

HM Government's objectives for the transatlantic defence industrial base centre on two primary outcomes. The first is an operational imperative: ensuring NATO's shared industrial capacity can supply the forces needed to deter or prevail against Russian military aggression. The second is an economic opportunity: leveraging surging UK and allied defence budgets to drive market expansion for British defence firms and advance the domestic growth agenda – the 'defence dividend'.

In theory, these two objectives should run in tandem; a rising tide of defence spending should lift the boats of both deterrence and prosperity. Yet, in practice, there will be tensions between the two objectives. For example, investing in developing UK versions of a wide array of capabilities may provide economic benefits but risks short-term capability gaps where off-the-shelf options exist. Of course, it is not as simple as a binary 'either/or' choice between off-the-shelf purchases or years of developing a domestic alternative.

Co-production/onshoring options exist, and in many cases strike a good balance between ensuring investment bolsters economic growth and delivering equipment in a more timely fashion. The Australian approach to its 'Guided Weapons and Explosive Ordnance (GWEO) Enterprise' is perhaps one of the best examples of how this middle ground approach can deliver.⁴⁴ The GWEO Enterprise has seen Lockheed Martin, Raytheon, Kongsberg, and Thales (among others) establish production facilities in Australia. HM Government could therefore apply elements of the GWEO Enterprise's approach to Britain.

Since the DIS was published, the geopolitical environment facing the UK has continued to worsen at an increasing pace. As such, the deterrent role of the industrial base should be reasserted. After all, should

⁴⁴ 'Guided Weapons and Explosive Ordnance Enterprise', Australian Government: Defence, No date, <https://www.defence.gov.au/> (checked: 26/08/2026).



deterrence fail, the dire economic consequences of such an event would make the economic benefits of well-crafted defence procurement and export strategies pale in comparison.

On the occasions where deterrence and growth may be in competition, impact on deterrence should be given priority. The remit of the DIS was to focus on the growth potential of the sector, hence the deterrent emphasis made in the SDR and NSS preceding it. In bringing together the objectives of these various strategies, Britain can forge a clear approach to the future landscape of the transatlantic defence industrial base. Accordingly, two primary questions arise: firstly, does this approach help to meet the demands of deterrence; and, secondly, does it also maximise the UK's economic opportunities?

5.1.1 MEETING THE DEMANDS OF DETERRENCE

HM Government's approach to the transatlantic defence industrial base should prioritise ensuring that NATO forces can acquire the capability, mass, and interoperability they need. Success in this area means that Britain should do what it can to shape an environment where it and its allies can rapidly access the munitions, platforms, and technologies required to outmatch a peer adversary. This includes:

- Bolstering supply chain resilience;
- Ensuring access to surge capacity;
- Shifting from interoperability to interchangeability;
- Avoiding overly duplicative efforts – both in terms of capability sets and in terms of multilateral initiatives;
- Mitigating fragmentation between the US and EU elements of the transatlantic defence industrial base; and
- Balancing the needs of other theatres in a multifront crisis.

5.1.2 MAXIMISING BRITISH ECONOMIC OPPORTUNITIES

HM Government has recognised the need to position British industrial policy to capitalise on surging defence spending across NATO. However, for a policy to deliver successfully on the DIS' growth mandate, it must navigate the protectionist impulses of both Washington and Brussels. Success in this area will include:

- Minimising exclusionary third party access requirements;



- Exploring innovative new minilateral initiatives;
- Selective and coordinated onshoring and friendshoring efforts, including a more strategic approach to identifying and pursuing co-development and co-production opportunities; and
- Limiting controls that impact exports to non-NATO partners.



6.0

SHAPING AND NAVIGATING THE LANDSCAPE

The long-term picture is clear. The defence industrial landscape of NATO is showing early signs of fracture. Amid American reprioritisation towards hemispheric defence and the Indo-Pacific and the EU's decision to become far more active in the defence arena, the transatlantic nature of NATO's defence industrial base is under strain.

It is vital to Britain's interests that the defence industrial base of the wider alliance is able to deter adversaries in the context of a potential multifront crisis – even though for the UK the most pressing and immediate threat is Russia – *and* that the economic potential for British-based firms is maximised. As it moves on from the passive mentality of acting as a 'bridge', HM Government ought to become far more activist in establishing a 'Hercules hold' across the Atlantic.

6.1 Shaping the landscape

HM Government should attempt to shape the defence industrial landscape to the maximum extent to mitigate fragmentation and avoid being locked out of two of the largest global defence markets. Consequently, the UK should take the following steps.



6.1.1 CHAMPION INTERCHANGEABILITY AS THE NEW NATO STANDARD

Interoperability has long been one of NATO's strategic advantages. The alliance defines it as:

...the ability for allies to act together coherently, effectively, and efficiently...interoperability enables forces, units, and/or systems to operate together, allowing them to communicate and to share common doctrine and procedures, along with each other's infrastructure and bases.⁴⁵

While current roadmaps rightly focus on ensuring allied systems can work together, efforts should be pushed further and faster in the direction of interchangeability. Interchangeability would ensure that hardware, munitions, and software can be physically and digitally swapped across multinational platforms without bespoke engineering, but requires compromises over how many nations provide original source equipment.

There are a number of potential avenues where Britain could pursue such an effort. For example, building on the success of NATO Standardisation Agreements (STANAGs), HM Government could push for a further tier of 'Interchangeability Agreements' ('INTAGs') around a smaller number of interchangeable components and systems. Another route could be to encourage the NSPA to adopt a default 'open architecture' requirement into future procurements, with exceptions where reasonable.

Aligning European NATO countries around agreements on moving towards greater interchangeability will mitigate some of the concerns which a bifurcated transatlantic defence industrial base could create. Were European NATO countries to move in this direction, EU moves towards strategic autonomy would have to accommodate interchangeability between the European and North American industrial bases in the same way they have had to accommodate interoperability to date.

⁴⁵ 'Interoperability: Connecting forces', North Atlantic Treaty Organisation, 11/04/2023, <https://www.nato.int/> (checked: 26/08/2026).



6.1.2 LEVERAGE INDUSTRIAL MINILATERALS TO WIELD SHAPING INFLUENCE

In recent years, the UK has had great success in leading minilateral defence groupings from AUKUS and GCAP to the JEF. Through leveraging existing minilateral arrangements and cultivating new ones, HM Government could establish a web of interweaving European defence procurement and industrial policy groups. By virtue of national governments holding the ability to influence, or in extremis block, multilateral movement, Britain can ensure European NATO countries seek to involve it as closely as possible in multilateral discussions.

However, HM Government should factor in two considerations to enable a minilateral approach to wield wider influence. First, minilaterals will only form around London if the UK has something to offer. This will necessitate an increase in defence spending – above what has already been promised – to avoid the perception of Britain falling behind its European partners. Second, a sudden expansion of effort to create and leverage minilaterals could be perceived in Brussels as a ‘divide and conquer’ strategy – especially given that the UK remains outside of SAFE and many of the European-led NSPA procurements agreed at the Ankara Summit. Careful consideration will be required to emphasise the complementary nature of future British-led European defence minilaterals with EU defence industrial policies.

6.1.3 INVEST IN AND LEVERAGE STRATEGIC INDISPENSABILITY IN KEY CAPABILITY AREAS

Influence over the future of the transatlantic defence industrial base is heavily dependent on what capabilities a country brings to the table. The UK already has an impressive array of expertise in the defence sector, backed by a capable science and technology research landscape (although this could be better supported and targeted to government needs). Yet, it is financially impossible for Britain to match the raw scale (both productive and development) of the US or the pooled capital of the EU’s single market. It can, however, secure asymmetric market leverage by identifying, ringfencing, and heavily subsidising a select portfolio of high-value technological chokepoints where British engineering is – or can become – indispensable.

Where HM Government has, over the last three decades, attempted to maintain a broad spectrum of capabilities on an increasingly



overstretched budget, tough decisions should be taken to become more targeted. While such an approach inevitably means there will be losers, the benefits of becoming *the* partner of choice in a smaller set of better-supported capability areas would aid British efforts to influence the policies of both Washington and Brussels, and maintain as much favourable access to both markets as possible.

6.1.4 SUPPORT THE DSRB AND POSITION IT AS A FINANCIAL BRIDGING MECHANISM FOR EXTRA-EU COOPERATION

HM Government should formally back the newly established DSRB. By operating outside EU funding streams, which tightly limit third-country participation, the DSRB offers a complementary financial architecture to support and enable transatlantic defence industrial programmes. 15 countries have already backed the DSRB, meaning that with the UK adding its weight, other countries will likely follow.⁴⁶ A more widely supported DSRB would help to provide low-cost capital to NATO members looking to fund projects without third-party restrictions.

Although Britain has missed the opportunity to be ‘present at creation’ for the initial set up of the DSRB, it is not too late to join, and thus wield influence over its future direction. Once involved, the UK could push for the DSRB’s lending criteria to prioritise interchangeability standards explicitly. This will help to anchor a pan-European funding ecosystem that keeps both non-EU and EU NATO members at the heart of European defence investment.

6.2 Navigating the landscape

As it shapes the future landscape, HM Government will also need to navigate the shaping activities of others. Consequently, Britain should follow the actions outlined in this section.

6.2.1 DEEPEN DEFENCE TIES WITH THE EU

Although it is excluded from SAFE, the UK attempted to gain access for its defence industrial base beyond the 35% ceiling mandated by the agreement. This foundered on the high entry fee demanded in

⁴⁶ ‘Eight countries commit to supporting the Canada-led Defence, Security, and Resilience Bank’, Prime Minister of Canada, 07/07/2026, <https://www.pm.gc.ca/> (checked: 26/08/2026).



negotiations throughout the summer of 2025. One potential solution would be for Britain to offer formally to extend its conventional and nuclear deterrents over the EU in exchange for a deeper and more bespoke form of access to the single market – thus respecting HM Government’s red lines. This would build on the Security and Defence Partnership, which has already been signed, and could establish a ‘Deterrence Union’, potentially including Ukraine. Even if such a proposal took years to negotiate, it would reshape the relationship between the UK, the EU, and European NATO – particularly if pursued following an ‘unstable peace’ in Ukraine. In a scenario where the US is absorbed in the Indo-Pacific, the British nuclear arsenal will become indispensable to the EU in deterring future Russian aggression.

While for the most part the UK already extends its nuclear (and conventional) deterrent over the majority of EU countries through NATO, such a pact would serve to reinforce this extension further. In these efforts, Britain should work alongside ‘Atlanticist’-leaning partners in Europe to influence the EU to ease supply chain barriers in defence initiatives where possible.

6.2.2 MAXIMISE THE UK’S POSITION AS A LOCATION FOR FOREIGN DIRECT INVESTMENT FROM AMERICAN AND EUROPEAN FIRMS IF BIFURCATION CONTINUES

Should the transatlantic defence industrial base bifurcate further, Britain should explore ways to maximise its position as trusted partner of both the US and the EU. HM Government should aim to encourage co-production investment from both European and North American firms into the UK. This could be particularly appealing were US-EU defence trade barriers to grow in coming years: Britain could establish carve-outs in both markets for itself that neither the US enjoys in the EU nor the EU in the US.

The UK could act as an additional productive hub for US firms to EU partners interested in continuing to procure American equipment. For example, were HM Government to invest in the establishment of co-production of the Precision Strike Missile (PrSM) in Britain, this could result in orders from European allies subject to Washington’s competing priorities: 13 European NATO allies operate either HIMARS or M270 platforms able to launch the PrSM. For European firms, presence in the UK can act as a springboard into British-American partnerships such as AUKUS Pillar II.



6.2.3 DEVELOP A TRANSATLANTIC SURGE CAPACITY FRAMEWORK

To help prepare NATO for the escalating risk of concurrent conflicts in the Euro-Atlantic and Indo-Pacific, the UK should lead a multifront munitions mapping exercise and explicitly leverage it as a catalyst for domestic economic growth. There is growing acknowledgement of the prospect and challenges of a multifront crisis, but little joined-up strategic level planning occurring. Alongside key allies and partners, HM Government should seek to establish exactly which munitions, including their supply chain needs, would be in high demand in *both* the Euro-Atlantic and the Indo-Pacific in the event of a multifront crisis.

This mapping exercise should be used to help inform munitions investment decisions. Targeted investment into dual theatre-use munitions both alleviates concerns of shortages in either theatre while ensuring that Britain would be well placed to fill orders for high demand defence exports.

6.2.4 LEVERAGE INDO-PACIFIC ALLIES FOR ADDITIONAL CAPACITY

HM Government can directly reinforce its transatlantic ‘Hercules hold’ by leveraging defence industrial ties with key Indo-Pacific partners, including Australia, India, Japan, Singapore, and South Korea. Two of Britain’s most significant defence procurement programmes, AUKUS and GCAP, are made possible by the collaboration of Indo-Pacific partners (Australia and Japan). Both programmes will simultaneously strengthen the UK’s position in the Euro-Atlantic – by providing up to 12 new nuclear-powered attack submarines (SSNs) and a new sixth-generation combat aircraft – and bolster the British economy through the jobs sustained and potential future export opportunities.

Building on the work to date, such as the Hiroshima Accord and the Downing Street Accord, the UK should continue to work towards deeper defence industrial ties with Indo-Pacific countries to create a third pillar alongside the North American and European markets. This will necessitate an accelerated defence export licence procedure, which some partners find harder to engage with than the American system, as well as the political bandwidth to nurture such ties. The critical mineral and supply chain potential of allies in the region can help to open up bottlenecks faced in Britain.



6.2.5 DEVELOP A TAXONOMY ON SOVEREIGNTY IN RELATION TO DEFENCE PROCUREMENT

In its most recent tranche of defence and security publications, HM Government has placed a growing emphasis on sovereignty. This extends to the defence industrial realm and most recently to Artificial Intelligence (AI). Despite this, there is no clear definition of sovereignty anywhere to be found, although the Joint Committee on the National Security Strategy attempted to extrapolate one in its review of the NSS.⁴⁷ Given the complexity of modern military equipment, from diverse and extensive supply chains to multinational defence company legal structures, it is difficult to determine when a capability is or is not 'sovereign'.

HM Government should develop a usable, multi-tiered taxonomy of sovereignty that categorises exactly what level of control is required for specific capability groups. Such a framework does not need to be followed completely rigidly, but by defining these boundaries this taxonomy can act as a strategic compass for navigating an evolving defence industrial landscape.

This will help to deliver greater certainty both to UK-based and offshore defence firms looking to do business with HM Government. It will also help the MOD to make decisions faster by looking to the framework, as opposed to making ad hoc determinations each time a programme is initiated. Until Britain figures out what sovereignty means in practice, and how to frame its defence industrial relationship with both the US and the EU, industry lacks the clarity it needs on how it should structure itself to meet industrial strategy expectations.

⁴⁷ 'The National Security Strategy: Fourth Report of Session 2024-2026', Joint Committee on the National Security Strategy, 27/03/2026, <https://publications.parliament.uk/> (checked: 26/08/2026).



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CONCLUSION

The transatlantic defence industrial base is undergoing the most profound structural changes since the end of the Cold War. Where the 1990s and 2000s were defined by the ‘peace dividend’ and a clear lead from Washington on demand signals, the 2020s are being defined by rearmament and accelerating bifurcation. American defence policy’s growing preoccupation with the Indo-Pacific and the Western Hemisphere and the EU’s orientation to strategic autonomy are not temporary anomalies, but permanent fixtures of a world facing multifront crises. As the US prioritises capabilities to deter the PRC and European NATO urgently acquires what is needed to deter Russia, the cohesion of supply chains and procurement strategies once focused on a shared threat perception will come under increasing strain.

For the UK, this evolving landscape requires a more activist and agile approach to build the necessary influence and assets to pursue its strategic and economic interests. HM Government should not become a passive observer, but instead shape the future by maintaining a ‘Hercules hold’ between the pillars of the North American and European defence industrial bases while navigating whatever emerges next. This should include securing pragmatic access to EU funding mechanisms, supporting alternative financial architectures like the DSRB, and weaving together a web of indispensable minilateral procurement coalitions. By ringfencing and subsidising key defence capabilities where UK-based industry is already leading the way, Britain can compel both Brussels and Washington to maintain deep, mutually beneficial industrial ties with London.



7.1 Key findings

Based on the research undertaken for this study, the following findings demand attention:

- **Addressing the risks of a fracturing transatlantic defence industrial base:** The post-Cold War era of American defence industrial dominance with low European investment in defence has ended. As Washington focuses more on countering the PRC in the Indo-Pacific, the EU is beginning to pursue a strategy of strategic autonomy, including an unprecedented level of defence industrial interventionism. This geographic and threat perception divergence will impact on the cohesion and pooled surge capacity required to deter adversaries across concurrent theatres.
- **Reconciling NATO and EU industrial strategies:** While NATO has attempted to coordinate allied demand signals through initiatives such as DPAP, the EU is increasingly centralising European defence procurement. Armed with growing financial levers such as the SAFE instrument and EDIS, the EU's new policies are designed with a level of exclusion to third parties built into them. Ensuring continued complementarity between NATO and the EU – where once the EU mostly left European defence strategy to NATO – will require continued efforts in the coming years. This could include exploration of a Deterrence Union with the EU, where the UK formally offers to extend its conventional and nuclear deterrents in exchange for a deeper and more bespoke form of access to the Single Market.
- **Avoiding British isolation between diverging defence industrial blocs:** The UK risks being squeezed between two increasingly exclusionary pillars. Sitting outside the EU, Britain currently lacks structural access to the EU's funded collaborative procurement frameworks. Consequently, the UK faces the prospect of creeping isolation as European allies standardise around EU-led initiatives. At the same time, Britain benefits greatly from its deep ties to the American defence industrial market and must seek to avoid falling into making a binary choice between the two.



- **Adopt a ‘Hercules hold’:** The UK should aim to minimise the potential for further bifurcation where possible, transitioning from its comfortable position as a more passive ‘bridge’ to pulling together the two pillars of the North American and European defence markets. By focusing defence investment on select capabilities, championing interchangeability, expanding co-production efforts in Britain, and pursuing greater use of minilateral procurement groups, HM Government can wield the influence necessary to maintain access to the US’ advanced technology and surge capacity while also accelerating the rearmament efforts of European NATO.

7.2 Final reflections

As the government of Andy Burnham, Prime Minister, takes on the task of shaping and navigating the bifurcating transatlantic defence industrial base, it is possible that further challenges will occur. These could include: the potential electoral victory of an anti-NATO party in a major European NATO country; a peace deal in Ukraine followed by a presidential election; a change of regime in Russia; further Russian adventurism; or a qualitative escalation of Chinese aggression against Taiwan or in the South China Sea.

Any of these would significantly alter the dynamics of defence industrial bifurcation. To meet them with equanimity, HM Government needs to stick to clear principles of action. The ‘Hercules hold’ will face differing levels of resistance or support as the politics of NATO and the geopolitical environment evolve. Seeking to slow the pace of bifurcation to continue to reap the benefits of deep ties to both the North American and European defence markets will play a crucial role in deterring – or if needed, fighting in – a multifront crisis.

While a number of policy levers are open, HM Government should ultimately generate sufficient gravity to secure a seat at the table. This comes down to hard cash and political prioritisation. By investing further in the British Armed Forces and the defence industrial base that sustains them, HM Government can manifest the strategic indispensability needed to keep the two sides of the transatlantic base together.



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