



UK Government

STATEMENT OF INTENT BY

**THE MINISTRY OF DEFENCE OF THE UNITED
KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND**

REGARDING

THE DEFENCE INDUSTRIAL STRATEGY

INTRODUCTION

The Government's Manifesto stated that it would "bring forward a defence industrial strategy aligning our security and economic priorities. We will ensure a strong defence sector and resilient supply chains, including steel, across the whole of the UK. We will establish long-term partnerships between business and government, promote innovation, and improve resilience. We will prioritise UK businesses for defence investment and will reform procurement to reduce waste. We will support industry to benefit from export opportunities, in line with a robust arms export regime committed to upholding international law."

This Government is determined to deliver on this promise to British businesses and the British public. Therefore, the Government's recent modern Industrial Strategy named defence as one of the eight priority sectors for economic growth. It stated that "Defence and national security are foundational for economic growth across the UK" and promised a Defence Industrial Strategy "will be commissioned by the Secretary of State for Defence and will be the sector plan for defence in the Industrial Strategy." The Defence Industrial Strategy will help deliver the Industrial Strategy's objectives to drive growth and support Net Zero, regional growth, and economic security and resilience.

This Statement of Intent outlines the approach and process the Ministry of Defence will follow in developing this new Defence Industrial Strategy. It is designed to send an early market signal to business to see the Government's direction of travel, take advantage of new opportunities, partner with Government, and prepare for change.

THE STRATEGIC AIM

The strategic aim of the Government's new Defence Industrial Strategy is to make sure the imperatives of national security and a high-growth economy are aligned. A better defence sector that is fit for the future will boost the prosperity of our people, provide resilience and self-reliance for our nation, and ensure the credibility of our deterrence. We want to establish a mission-driven Defence Industrial Strategy that ensures defence contributes fully to the Government's number one mission: to drive UK economic growth.

We will grow a **better, more integrated, more innovative, and more resilient defence sector**.

- **Better**, because its skills, delivery times and innovation cycles need to improve and scale in order to make deterrence effective, drive better value for money and match the escalating threats, including our urgent need to support Ukraine; and because of the opportunity for a better defence sector to be a driver of growth and productivity across the UK economy, including in the other Industrial Strategy growth-driving sectors.
- **More integrated**, because we can only deliver the capabilities our Armed Forces need now and in the future through partnerships with industry, unions and our closest allies.
- **More innovative**, because warfare is changing and battlefield advantage may lie with the swiftest innovator, particularly through exploiting data and software,¹ and because of the opportunity for the defence procurement, innovation and R&D ecosystem to drive UK science and clean and emerging technological advantage.
- **More resilient**, because the strength of our Armed Forces is only as strong as our defence sector, and aggression is aimed at industry, our supply chains, our know-how and our people, not just our Forces.

¹ <https://www.aspi.org.au/report/critical-technology-tracker>

THE STRATEGIC CONTEXT

Our country faces acute and rising threats. There is war in Europe, conflict in the Middle East and an active alliance of aggression working against our interests and values. Ukraine remains front of mind as this Government develops our new approach to its Defence Industrial Strategy: at this critical moment in the war, we must step up our efforts to supply military support and stand with Ukraine for as long as it takes.

As we need to resupply Ukraine, we also need to restock our own Armed Forces for today and for the future. This Government is totally committed to setting a path to 2.5% of GDP on Defence. But we must face up to the last 14 years of hollowing out and underfunding our Armed Forces. The last government ducked difficult decisions, left billion-pound blackholes in defence plans, and created serious gaps in capabilities and stockpiles.

We must also embed the lessons learned from our partnership with Ukraine on mobilising the economy at pace to meet emerging threats, evolving technologies of war, and supporting our industries to form new strategic partnerships.

Yet the UK has fallen behind our allies in terms aligning industrial strategy with today's security imperatives. The US and EU both published new defence industrial strategies in the last year, while the UK Government has not published a Defence Industrial Strategy since 2021 (DSIS21) – before the full-scale invasion of Ukraine in 2022 – and it was never properly implemented.

Both the EU and US are determined to take “decisive action in strengthening and modernising our defence industrial base ecosystem”. The UK must do the same – seeking to be a global leader on priority defence capabilities of the future, as well as closer collaboration with allies.

The Government will build on what DSIS21 got right. Specifically, scrapping “global competition by default”; recognising the defence sector as a “strategic resource”; simplifying contracts; making longer-term commitments; and providing clear signalling to encourage firms to take long-term investment decisions. It also identified two categories where the UK needs to retain sovereign production capacities onshore: the strategic category (nuclear, submarines, cyber and crypt key); and the “operational independence” category, including complex weapons, novel weapons, shipbuilding, test and evaluation and CBRN. We will review and reconfirm this categorisation, as well as consider which areas of the defence sector provide the greatest opportunities for UK comparative advantage and growth.

But there is much more to do. There are many areas where DSIS21 implementation has failed. The global context is also significantly different to 2021, so we must reboot our industrial strategy, grow our defence base at home, establish a new relationship with the broader national technology ecosystem and further collaborate with Ukraine and our allies.

This Government's Defence Industrial Strategy will be a step change. It will drive economic growth and create new long-term partnerships between government and business. These partnerships will recognise the well-established trade unions relations

in the sector, and high level of union membership. This is a source of strength for defence.

Importantly, the new strategy will also ensure our industry – including our tech start-ups and SMEs – can innovate at the pace of the threat to stay ahead and seize opportunities for global leadership. It must place the UK in a position where, if needed, it has the capacity, capability, skills and industrial resilience to be ready for warfighting.

From the outset, we want to send a clear market signal to the private sector about our preference to grow onshore production capability. The Government has taken early action to demonstrate this. It has supported a new gun barrel factory being built by Rheinmetall in the UK which will bring barrel production onshore in the UK for the first time in 10 years. And the Government acquired Octric Semiconductors to secure a vital element of the supply chain, safeguard crucial tech for our Armed Forces and support high quality jobs.

We will examine how best to prioritise UK based businesses in areas where there is a clear comparative advantage or security benefit from doing so, without losing the benefits that competitive markets bring; hard-wire export and collaboration goals earlier in the process, alongside a deep reform of the defence procurement to reduce waste, improve delivery and support growth; and strengthen critical supply chains.

Deterrence is at the heart of our new approach. Our adversaries must know we have the industrial capacity to generate and regenerate armed force at scale, a science and technology base that delivers cutting-edge capability, and the ability to innovate at wartime pace. For a country with the UK's military power, the new Defence Industrial Strategy will have a *direct signalling effect* in geopolitics: showing how we are backing our geopolitical aims, Strategic Defence Review outcomes and a new fully fledged National Armaments Director with strong industrial delivery and developing the people, skills and technology advantage we need.

Our Defence Industrial Strategy will be a sector plan in the Government's wider Industrial Strategy. As the defence sector mobilises to meet rising demand and technological change, the job of government is to align the security imperatives and the growth imperatives: guaranteeing stability and stimulating investment through partnership with business, while unlocking the untapped potential of working people across the economy.

THE GROWTH IMPERATIVE

The Government's Mission 1 is to grow the economy and spread the benefits to every region and nation in the UK. As the Government's modern Industrial Strategy Green Paper made clear, we will do this by stimulating investment and activity in growth driving sectors, concentrating our efforts in cities and clusters with the highest growth potential, and bringing forward sector-specific and cross-cutting policies that support businesses to invest. These policy areas include innovation, people and skills, energy and infrastructure, the regulatory environment, crowding in investment, and international partnerships and trade.

Defence has a key role to play in achieving all of the above. A primary contribution of defence to economic growth is the deterrence of external aggression. Ukraine has tragically shown us the economic costs of failing to deter external aggression, with GDP falling by almost 30% in 2022 as a result of the war; \$100bn worth of damage to critical national infrastructure in the first month of the conflict; and the cost of reconstruction likely to cost \$486bn over the next decade².

There are opportunities for the UK to maximise the economic growth potential of the sector:

Highly skilled and well-paid jobs in all regions and nations of the UK - Government defence spending supports around 434,000³ good, well-paid jobs across the UK, equivalent to 1 in 60 UK jobs. The majority (68%⁴) of defence spend with UK industry and commerce goes outside of London and the South East, with local areas benefitting from defence exports. We will explore how to drive the most local benefits from our defence spending.

Technology, Innovation and Diffusion – Defence drives innovation through investment in research and development, including developing and applying new technologies such as AI, quantum, and space capabilities, which drive positive spillovers across the economy and support strategic sectors where the UK can develop comparative advantage through the Industrial Strategy. We can better harness the potential of the UK's world-class defence innovators, and create a more dynamic, competitive and innovative defence tech ecosystem that enhances our military capabilities and drives economic growth.

Training and upskilling workers, including towards higher-end skills, boosting productivity - Data from the largest UK defence companies in 2022 shows training of 4,800 apprentices and 1,670 graduate trainees⁵. The Defence Nuclear Enterprise (DNE) organisations have committed to double their intake of new entrants to the sector through apprenticeships and graduates, as well as to quadruple the number of specialist science and nuclear fission PhDs.

²[https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/747858/IPOL_BRI\(2024\)747858_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/BRIE/2024/747858/IPOL_BRI(2024)747858_EN.pdf)
[Updated Ukraine Recovery and Reconstruction Needs Assessment | United Nations Development Programme \(undp.org\)](#).

³ [MOD supported employment estimates: 2022/23 - GOV.UK](#)

⁴ [MOD regional expenditure statistics with industry: 2023/24 - GOV.UK](#)

⁵ [20242904_JEDHub_Annual_Economic_Report_2024_v1.0.pdf](#)

World-class production and manufacturing supporting UK exports in leading defence capabilities to our allies and partners - providing high-quality, cutting-edge armaments, components, and technologies for our Armed Forces and our allies, allowing us to project and protect our values globally whilst making a key contribution to our economy at home.

By fixing the broken procurement system and pursuing ambitious acquisition reform we will end a situation where billions of taxpayers' money is wasted rather than supporting long term growth. Instead of the MOD being the only source of cash for defence investment, we will consider how best to create conditions needed for the private sector to invest more, and pro-actively. This "crowding-in" goal is critical to the Government's agenda. We will maximise opportunities of dual-use technology and sectors to bring in investment that supports the broader industrial strategy as well as benefiting Defence.

In short, by boosting the sovereign capacity of our Defence industry and strengthening the UK's procurement, innovation and R&D ecosystem, we can make an increased contribution to overall GDP growth by increasing productivity, developing key technologies, boosting UK exports and tackling regional inequality.

THE PROBLEMS

With global threats increasing, the new Defence Industrial Strategy must succeed. To do so, we must acknowledge the problems in the defence sector which has held back growth in the past and led to poor outcomes for UK Defence. And we must set out to fix them.

Strategic incoherence: Our defence investment focus, global strategy and economic strategy are misaligned. For a country determined to play a leadership role in NATO, we need greater industrial resilience and expertise. This would be in line with our recent NATO commitments, such as the NATO Industrial Capacity Expansion Pledge.

Inefficient spending: We need greater defence and economic output for every pound spent. Successive reports by the NAO as well as a 2021 Public Accounts Committee inquiry into project performance have found mismanagement and delays cost billions of pounds for the taxpayer⁶.

Falling behind on exports: SIPRI data from 2023 indicates the UK's share of global arms exports has fallen by 14 percent between 2014-2018 and 2019-2023⁷. We need to move away from over-exquisite design, a narrowed industrial base and a lack of cross-government focus; with exports being considered at the start of and throughout the procurement process.

People in defence: Solving the skills shortage is a whole-economy task, but it is a critical challenge in Defence. At many levels of the workforce – from production to research lab and project management team – defence has suffered from the lack of a national skills strategy. The launch of Skills England will begin to address these challenges, and this will be particularly important given the specific challenges in defence's workforce, for example the low percentage of women employed in the sector, and its uneven regional spread.⁸

Pace of innovation: The previous Government pledged to spend £6.6bn on Defence R&D over the last Spending Review period.⁹ Yet pull-through from research into capabilities that our forces can deploy hasn't occurred in a meaningful way. Venture capital research shows few grant winners go on to receive larger awards; the number of successful spin-outs is low; and the MOD often sits on the intellectual property (IP) generated without using it.

Lack of long-term partnerships and institutions: Because the previous government scrapped its national Industrial Strategy Council, DSIS21 lacked a wider framework. The Defence Suppliers Forum, for example, only signed a formal Aims and Objectives agreement with government in October 2023, and progress against those aims is slow.

⁶<https://committees.parliament.uk/publications/7706/documents/80491/default/>

⁷https://www.sipri.org/sites/default/files/2024-03/fs_2403_at_2023.pdf International comparisons of defence exports are subject to significant uncertainty. SIPRI statistical data on arms transfers relates to actual deliveries of major conventional weapons. To permit comparison between the data on such deliveries of different weapons and to identify general trends, SIPRI measures the volume of international transfers of major conventional weapons using a common unit.

⁸ [20242904_JEDHub_Annual_Economic_Report_2024_v1.0.pdf](https://www.gov.uk/government/publications/20242904_JEDHub_Annual_Economic_Report_2024_v1.0.pdf)

⁹ <https://www.gov.uk/government/publications/defence-science-and-technology-programmes-and-projects/ministry-of-defences-science-and-technology-portfolio>

The Forum also has no representation of trade unions or research institutions as part of it. Research shows that successful sectoral industrial strategies need active institutions at national, regional and micro-scale.¹⁰

Investment bottlenecks: Access to finance, including being able to open a bank account or secure a loan, can be a problem for smaller Defence suppliers. The absence of potential scale in defence remains a barrier to many early-stage tech investors. Meanwhile, our adversaries are reportedly using soft power within financial institutions to deter investment in UK projects that might directly aid Ukraine.

Our new Defence Industrial Strategy will aim to tackle these barriers to growth and effectiveness. If we do so, the UK will be able to increase our share of the marketplace of the present, while seizing leadership in the marketplace of the future. And to stake our claim to a bigger share of the rising, global defence spend, by leveraging the UK's own soft power, alongside our partnership with Ukraine, to break into new markets.

¹⁰ Chalmers, Alex and Benaich, Nathan. European Dynamism and Defense. Air Street Capital. 7 December 2023

THE PRIORITIES

The aim of the Government's new Defence Industrial Strategy is to make sure the imperatives of national security and a high-growth economy are aligned. In order to achieve this aim and a defence sector fit for the future, we will develop the new Defence Industrial Strategy around **six priorities**:

1. **Prioritise UK businesses:** We will examine how best to prioritise and promote UK based businesses for defence investment without losing the benefits of competition, including in those areas of the defence sector that present the greatest opportunities for UK economic growth and competitive advantage, including in our strong clean and emerging technological sector. We will reform procurement to reduce waste, leverage inward investment, promote UK leadership in related sectors and technologies, and boost sovereign defence industrial capacity to create good jobs and grow UK exports.
2. **Create Partnerships:** We will create new research and industrial ventures between government and business in order to broaden the spectrum of capabilities and technologies we can produce together, quicken standardisation, boost interoperability and allow seamless data transfers and open architecture. We must work with Allies to identify common military requirements, collaborate on capabilities to boost production and support our respective strengths in different parts of the defence value chain, amplify the deterrence and reinforce the UK's defence diplomacy.
3. **Certainty and Stability:** Through its policies and decisions, the MOD send signals that enhance the incentives for long-term investment in the UK in order to crowd-in private investment alongside public money. We want to mobilise the private sector to tackle the challenge with us – not only defence primes, but SMEs, technology companies, innovators, and private capital.
4. **Seize the Future:** We will dramatically increase the pace in procurement, defence research, innovation, and acquisition for new, clean and emerging technology. We will therefore foster a more diverse community of suppliers (including nontraditional SMEs and future technology), exploit mature civil technology and data in innovative ways, drive spillovers into the dual use technologies back into the civil sector, and ensure the rapid pull-through of early-stage technologies.
5. **Spread Prosperity:** We will use Defence procurement and investment to actively generate wealth, boost export potential and create high quality jobs across all the nations and regions of the UK.
6. **Deterrence:** We will ensure that our effective Defence Industrial Strategy not only delivers the equipment our service people need but also enhances the

credibility of our deterrence against aggression - conventional, nuclear and economic – and supports the UK in fulfilling its NATO commitments.

Against these six priorities, the new Defence Industrial Strategy will set out our long-term ambition for the UK's defence industry, and tangible outcomes we want the sector to achieve over the coming years. It will set out the current state and challenges of the sector, and areas of UK strength and growth opportunities. It will lay out how it aligns with the broader modern Industrial Strategy (including where government seeks to support Net Zero, regional growth, and economic security and Resilience objectives, and how the new Defence Industrial Strategy will interact with the other Sector Plans), and detail specific actions Government will take to achieve that long-term ambition, with a clear plan for implementation. As well as economic growth, our explicit aim here is to give industry partners the long-term demand signal and confidence to invest in UK defence.

We are proud of the men and women who work in our defence industry. They form a vital part of our “One Defence” guiding principle. With a clear approach and determined leadership, we believe the UK defence industry, its workforce, its investors and its allied science base can rise to the challenge of our more dangerous and contested world. In the process we can grow our economy and strengthen our country's defences.

THE NEW PARTNERSHIP WITH INDUSTRY AND WORKERS

Research shows that successful, mission-led government needs to be driven by pro-active partnership institutions, at national, sectoral and micro-scale.¹¹ We must build long-term, trusting, partnerships between business and government.

As a first step, the MOD will replace the Defence Suppliers Forum (DSF) with a new Defence Industrial Joint Council (**DIJC**), that will continue to involve the largest defence companies whilst also bringing in wider participation from the tech sector, SMEs, universities, further education, and the relevant trade unions – who are vital partners in this endeavour.

We want the DIJC to improve economic efficiency by channelling information between market participants and government; by overcoming coordination issues; by shaping public-private investment strategies; and by involving all relevant stakeholders in the collective endeavour of national defence.

The DIJC will improve decision making and productivity by sharing information between market participants and government; by overcoming coordination issues; by shaping public-private investment strategies; and by involving all relevant stakeholders in the collective endeavour of national defence. The DIJC will have a key role in the development and implementation of the DIS.

¹¹ See for example: <https://webimages.iadb.org/publications/english/document/Institutions-for-Effective-Business-Government-Collaboration-Micro-Mechanisms-and-Macro-Politics-in-Latin-America.pdf>

THE NEXT STEPS

The Defence Industrial Strategy will be developed at pace. It will be informed by, but remain separate from, the Strategic Defence Review and will be published in late Spring 2025, with a remit extending to 2035. It will be a sector plan as part of the wider Government's Industrial Strategy.

The Defence Industrial Strategy will be structured around the six priorities. We invite all stakeholders to respond to this Statement of Intent, either publicly or privately, by 28th February 2025. We are keen to have input from a wide range of stakeholders including industry, academia, international partners, and those outside of defence particularly those in the tech sector, SMEs, universities, further education and members of the public. This process will build on existing engagement and input gathered through the Strategic Defence Review and we would welcome views to shape the policies to be developed under each of the six priorities, their implementation and the delivery of this SOI. Responses should be submitted to the MOD at spodise-indstratgroupmailbox@mod.gov.uk.

We will then engage in extensive consultation with the sector, in the design of a new Defence Industrial Strategy that can deliver the objectives outlined above, with detailed work on institutions, contract criteria, access to capital, early-stage innovation, pipelines and incentives.