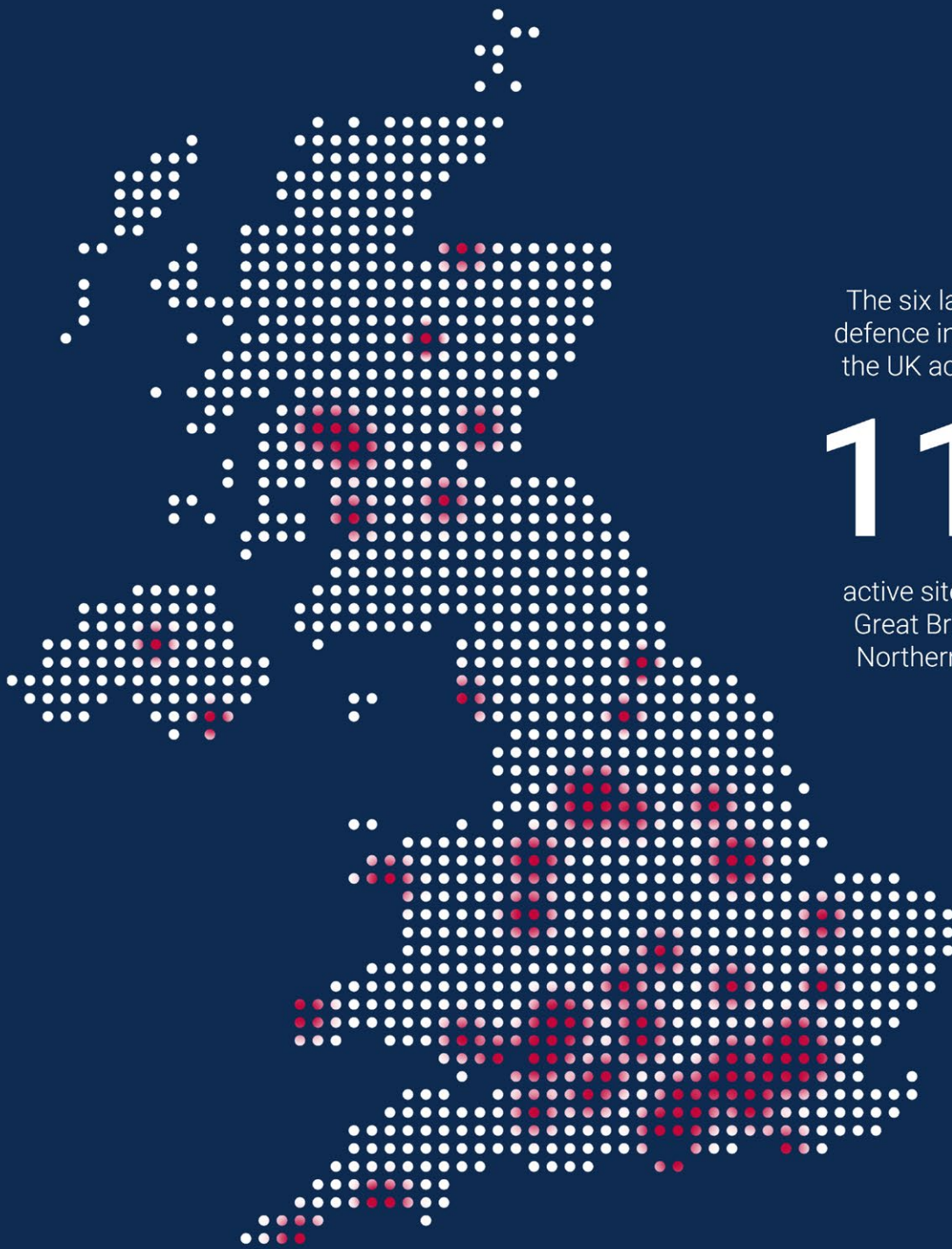




BritishAmericanBusiness

White Paper

Stronger Together: How US-UK Cooperation Contributes to the Revival of the UK's Defence Industrial Base



The six largest US
defence investors in
the UK account for

117

active sites across
Great Britain and
Northern Ireland

Acknowledgments

We thank colleagues representing GE Aerospace, Boeing, RTX, Lockheed Martin, L-3 Harris, and Northrop Grumman for their expertise and detailed contribution to the paper. These colleagues and their firms represent what is a vibrant, innovative and successful US defence business community in the UK. This paper is a celebration and acknowledgement of the role that these businesses play in making the UK industrial defence base as strong as it is and our society safer.

Executive Summary

This paper explores the critical role of US-UK defence collaboration in strengthening the UK's defence industrial base. It highlights how US-owned multinational companies operating in the UK drive growth, industrial resilience, and foster innovation. By analysing the interconnected nature of the two nations' defence ecosystems, the paper demonstrates how the transatlantic partnership addresses modern security challenges and advances shared strategic goals. In its conclusion, the paper emphasizes that the UK's defence sovereignty relies on its long-standing integration with the US defence industrial base and a significant proportion of the defence sector's contribution to economic growth. This partnership has been pivotal in developing the UK's defence capabilities – overlooking this interdependence risks misrepresenting the UK's defence capabilities. By fostering interoperability, interchangeability and integrating supply chains, this partnership creates a foundation for shared resilience and readiness in the face of modern threats, providing the UK with the opportunity to modernise its defence industrial base as well as contributing to economic and industrial growth and resilience. This paper argues that deepened transatlantic collaboration is critical to achieving these goals and ensuring that the UK remains a global leader in defence capabilities and a failure to act on these recommendations risks undermining the UK's competitiveness and operational readiness.

The paper provides policymakers with actionable recommendations to leverage this unique transatlantic partnership as the UK seeks to modernise its defence sector.

Key Themes

- ***Political collaboration calls for industrial integration:*** Political initiatives, such as the AUKUS agreement provide a blueprint for deepening industrial integration and advancing co-development in cutting-edge technologies like AI, hypersonics, and quantum computing. By focusing on interoperability, interchangeability and shared innovation, agreements such as AUKUS strengthen the US-UK strategic alignment in defence capabilities.
- ***US companies create jobs and growth in the UK:*** US-owned multinational companies spend significantly more in the UK than they receive in government contracts, fuelling regional development, supporting thousands of SMEs, and creating high-value jobs.
- ***Transatlantic collaboration has enhanced UK capabilities:*** US companies pull-through UK R&D, components and subsystems into global programmes of record. This provides large-scale, sustainable export growth for the UK's defence sector. US-UK partnerships on defence procurement and R&D accelerate technological modernisation, deliver cost-effective procurement, and ensure readiness in the face of emerging threats.
- ***Working together means stronger supply chain networks for the UK:*** Interoperable and interchangeable systems enhance operational readiness and resilience by enabling shared stockpiles, dispersed resources, and seamless collaboration in joint missions.
- ***Cooperation transforms the UK skills base:*** US defence companies play a critical role in transforming the UK's skills base by creating long-term, high-value employment opportunities and apprenticeships. These companies have collectively onboarded hundreds of graduates and apprentices, ensuring a pipeline of skilled workers to sustain the UK's defence sector.
- ***Driving UK research, development and innovation in partnership:*** The transatlantic partnership enables the UK to leverage US R&D investments, which are unmatched globally, providing access to cutting-edge technologies that enhance the UK's defence capabilities. By avoiding duplicative efforts, the UK accelerates modernisation while achieving cost savings.

Recommendations:

- ***Prioritise interoperability and interchangeability:*** Focus procurement and development efforts on interoperable systems that enhance export success, operational alignment with allies, and global competitiveness.
- ***Embed resilience in strategy:*** Incorporate stockpile integration and resource dispersal into defence planning to mitigate supply chain vulnerabilities and strengthen collective security.
- ***Maximise AUKUS potential:*** Build on momentum of initiatives like ITAR exemptions by implementing dedicated trilateral funding to foster innovation and sustain collaboration in advanced defence technologies.
- ***Promote the positive economic impact:*** The Defence Industrial Strategy should recognise the economic and industrial contributions of US-headquartered companies to the UK, including their role in giving the UK defence sector access and scale to global programmes of record.
- ***Strengthen US-UK industry engagement:*** Establish formalised structures and mechanisms to deepen US-UK collaboration and align strategies for future priorities.
- ***Invest in skills transfer and workforce development:*** Prioritise skills transfer and workforce development within US-UK defence collaboration to meet the growing demand for specialised talent and sustain a competitive, future-ready workforce.

Introduction

On 16th July 2024, the UK government launched a 'root and branch' strategic defence review (SDR) assessing the roles, capabilities and reforms required by UK Defence, the outcomes of which will be closely linked to the UK's industrial strategy and to achieving its economic growth goals.

The announcement came at a crucial moment given the rapid evolution of the global defence and security landscape in the last few years. This, alongside an increasing number of global conflicts, has signalled the need for enhanced defence capability in the UK. At the same time, UK Defence has already faced scrutiny for reported shortcomings in government procurement, recruitment & training, and across areas of manufacturing capacity, which require reinvigoration.¹

The UK has a strong defence industry, with the ability to design and produce military aircraft, ships, communications systems, nuclear propulsion and more. However, recent attention has focused on the need to address emerging gaps in ground-based air defence and in wider manufacturing capacity (to keep up with stockpiling requirements).² As such, the SDR reflects the need for a new approach to sector development – one that is more resilient, more agile and more aligned with its allies than ever before.

US companies have long been a crucial part of the UK's defence industrial base, contributing to many of its strengths. Moreover, the investments that US companies have made in building the UK industrial base, as well as the activities of UK companies as part of the US defence capability, are a product of the long-standing bilateral defence and security relationship between both countries which is rooted in a connected history and shared values. Successive UK governments have consistently described the US as the UK's closest and most important ally, underscoring the strategic importance of this transatlantic relationship in shaping shared defence and security priorities.

In this context, this paper seeks to highlight the role of US-UK collaboration in relation to the UK's defence industrial base. The paper will focus on the interconnected nature of the UK and US' defence ecosystem, with an emphasis on the role of US-owned multinational defence companies in the UK. As the UK's most important and capable partner, the US and US-owned defence companies have a critical role to play in strengthening UK defence in the years ahead, with integration and interoperability being the main ingredients for success.

The intention is for this paper to be used as a resource for policymakers as they assess the growing threats that Britain faces, and the industrial capabilities and capacities needed to meet them. The paper has been written in consultation with a selected group of leading BAB member companies in the industry. It seeks to inform and support decision-making across the UK government's defence policy and alongside the SDR.

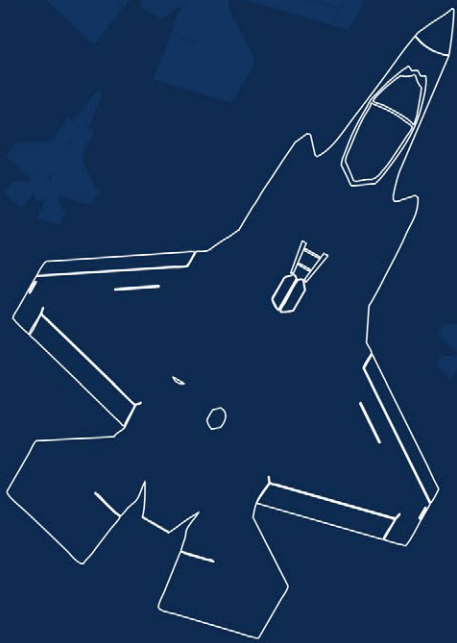
The paper examines the following areas:

- The value that US-owned defence companies bring to the UK's industrial base and their associated footprint.
- The interconnectedness of the UK and US industrial bases and supply chains, mapping these out where possible.
- The benefits associated with closer cooperation, specifically for the UK, across access, innovation and efficiencies as well as interoperability and interchangeability.

The paper argues that:

- The strength of the UK's current and future defence industrial base is a function of unique transatlantic cooperation.
- A renewed transatlantic vision for industrial defence collaboration will support the UK in achieving its defence & security goals.

The paper demonstrates that the presence of US-owned multinational defence companies is a defining feature of a strong UK defence industrial base and that working with the US enables UK sovereign capability to thrive. US-owned multinational defence companies are an integral piece of the UK's rich and complex defence ecosystem, both now and in the decades to come. It is equally important to note that reduced engagement poses significant risks. Without leveraging US resources, expertise, technologies, and accessing export opportunities, the UK risks falling behind in capability development and weakening its ability to operate effectively alongside its closest ally. The paper highlights the importance of sustained collaboration to ensure the UK's defence industrial base remains resilient and prepared for evolving global challenges.



The Unique Role of US-owned Companies in the UK's Defence Industrial Base

Political Collaboration Calls for Industrial Integration

The UK and US have historically worked effectively together in a bilateral, plurilateral and multilateral context. This includes their active role in historic alliances such as NATO and the Five Eyes Intelligence network, as well as frameworks such as The US National Technology and Industrial Base (NTIB).³ Today, the term "Special Relationship" refers specifically to the underlying defence cooperation between both the US and the UK. This long-standing trust and cooperation is reflected in recent events, for example with the UK and US spearheading military missions to protect cargo ships in the Red Sea. In many ways, this base of shared military operations in the pursuit of global peacekeeping has been a driving force behind US-UK defence collaboration. Newer defence partnerships and agreements such as AUKUS (a trilateral US, UK, Australia partnership, established in 2021) and the Atlantic Declaration (signed in 2023) are a means to address these emerging security risks and continue to highlight defence as a key area of future economic cooperation.

As a result of these political and strategic partnerships which have spanned decades (at least in part), major commercial advancements in the sector have taken place, for example in military aircraft engines, radar, electronic warfare, communications and networking, and in complex and nuclear weapons. This cooperation has accelerated transatlantic growth and propelled developments in defence across the world. Combined, the US and UK have produced some of the most successful and innovative businesses and together represented two of the largest groups of the top 100 defence companies (by market revenue) globally last year.⁴

Today, the UK reflects this mosaic of transatlantic collaboration in the form of a rich and integrated defence industrial base. Hundreds of leading UK and US defence firms operate across the Atlantic in the form of investments, subsidiaries, joint ventures, research & development, and reciprocal market access and recognition.

The UK has historically benefited from collaborating with the US on transatlantic defence initiatives, with notable export success stemming from interoperability with US systems. For example, components such as Martin Baker's ejection seats on the F-35 program demonstrate how producing interoperable capabilities enables the UK to thrive in export markets. This synergy not only boosts UK industry but also creates greater collective resilience by ensuring that both countries' armed forces can rely on shared stockpiles, standardised components, and seamless integration during joint missions.

The AUKUS agreement, particularly Pillar 2, presents a unique opportunity for advancing trilateral industrial integration. To make this work, there is wide agreement on the need to explore dedicated trilateral funding mechanisms as an actionable approach to foster co-development and collaboration on advanced technologies.

US-owned defence companies have operated in the UK for decades, some for even over a century. Many established themselves in the market as early as the 1930s including Boeing, Northrop Grumman and Lockheed Corporation (now part of Lockheed Martin), who all began operations by providing aircraft to the British government during World War II, while RTX worked closely with the UK physicists who invented magnetron, which was at the heart of air defence radar during the war. Companies such as GE Aerospace trace a more recent lineage through acquisition. Today, US companies contribute to important national and international security programmes such as the F-35 Joint Strike Fighter, the Astute Class Submarine & Trident Nuclear Deterrent programme. Their contributions have been pivotal in shaping the UK's defence capability across air, sea, land, space and cyber space. Further, the collaboration between both US and UK commercial bases has meant greater collective security and global threat deterrence, for example through leadership in alliances such as NATO.

Many US companies operating in the UK now occupy a unique space – they have developed a British identity through long-term investment in the country, while also drawing on resources, capabilities, and significant R&D investment from their larger parent organizations. This transatlantic R&D collaboration accelerates innovation and enhances the UK's ability to develop cutting-edge defence technologies.

US-owned Companies Create Jobs and Growth in the UK

The UK is home to some of the most prominent US-owned multinational companies, employing thousands of people and providing millions of square footage of industrial space across the country. Globally leading US defence companies such as Lockheed Martin, Northrop Grumman, RTX, GE Aerospace, L-3 Harris & Boeing have deep investments in the UK through design, engineering and manufacturing facilities as well as supporting services including Maintenance Repair & Overhaul (MRO) & logistics (amongst others), which demonstrate a long-term commitment. This activity contributes towards the 165,000 (total) UK defence sector jobs and the £12bn added to the economy in 2023.⁵

The economic role of US-owned multinationals in the UK is even more significant through the activity and investment in local supply chains and regional development, reflecting an important political goal in the UK. For example, RTX's annual GDP contribution to the UK economy amounts to £2.7bn. Boeing's ongoing (20 year) partnership with Sheffield University's Advanced Manufacturing Research Centre drew a further £40mn investment into Sheffield for its first factory in Europe.⁶ GE Aerospace, in 2021, contributed a gross value-add of £153mn to Gloucestershire, Wiltshire, Bristol & Bath, £83mn to East Wales and £7mn to Southern Scotland. Further, 83% of the employment supported through the F-35 defence programme (which several US multinationals are involved in) falls in regions outside of London and the Southeast, with the largest portion of employment in the Northwest of England.



114,879

UK jobs supported by US defence investment



20,232

People in the UK directly employed by US defence companies



94,647

UK Jobs indirectly supported through the supply chain

Furthermore, spend in the UK by US firms often exceeds government contract awards, delivering an outsized economic contribution. For instance, Lockheed Martin (wholly owned subsidiary of Lockheed Corporation) spends on average £2.3bn per year in the UK, which is over 100% more than the value of orders coming from the UK government. This corporate spending supports over 800 British companies (65% of which are SMEs) and the 33,000 British workers they employ. Northrop Grumman (UK), generated revenues of around £450mn in 2023 yet Northrop Grumman spends approximately £600mn with UK suppliers every year, such as with UK SME - MSI Defence Systems (based in Norwich), which provides mounts for its Mk44 Bushmaster Cannon. RTX spends £1.5bn annually with its 4,000 suppliers in every region of the UK.

The activity and economic contribution of US-owned defence companies in the UK is also reflected in the UK's exports. Many of the products & services exported globally that have earned the UK a spot within the top 10 global defence exporters (based on data from 2019-2023), originate also from US subsidiaries in the UK.⁷ Interestingly, such firms are labelled as British in this context but not others, including in the context of government procurement (due to company structure). This creates a somewhat confusing and unrealistic picture of the UK's sovereign capability in defence, which has evolved symbiotically over the last century in an integrated manner with the US commercial base. Products that are globally viewed as British by design, development and manufacture, could not have been produced in the same way without US companies delivering significant portions of the capability. The current framing of the UK's sovereign capability in defence often overlooks the critical role of its integration with the US commercial base. Ignoring this interconnected reality risks presenting an incomplete and unrealistic picture of the UK's actual defence capabilities.

In addition, activity by US firms in the UK is vital for the growth of key sub-sectors such as satellite manufacturing & the manufacture of complex weapons components, which require a robust export market to thrive in addition to domestic procurement. For example, the Guided Multiple Launch Rocket System (GMLRS) and the Javelin Anti-Tank Guided Munition (ATGM) and Advanced Medium Range Air-to-Air Missile (AMRAAM) all share an existing supply chain in the UK which serves both US, UK and export markets.

The UK produces the control actuation system components for both GMLRS and AMRAAM, which is procured by the US and sold internationally as part of a complete weapon system. This exemplifies how the UK excels when interoperable components and subsystems are sourced for US-led programmes and exported globally. Such programs show that export success is directly linked to producing capabilities that are both globally competitive and interoperable with US systems. As the biggest defence spender in the world and the UK's largest investor and trading partner, the US has the scope and budget (3.6% of GDP spent on defence last year) to finance at scale and support the organic growth of such areas of the market.⁸

Finally, working with the US commercial base with a focus on exports to drive sector growth can be more economically beneficial than producing entirely domestically, as the UK can acquire greater benefits through the combination of spend and exposure in the global supply chain. For instance, roughly 7% of content on an Apache (an attack helicopter) in 2023 was sourced from the UK. If 7% of content was scaled across the global fleet of over 1280 Apaches, the economic value to the UK would exceed the initial procurement cost for the UK's 50 E-model Apaches. Working with US firms brings a global customer base and extends the reach of British soft power by exposing UK suppliers (of key intermediary parts, systems & services) to new markets through the reach of US-owned companies and their associated contracts.

Transatlantic Collaboration has Enhanced UK Capabilities

As geopolitical tensions rise, working with the US industrial base enables the UK to employ a more agile and resilient defence strategy - one that focuses on building the onshore industrial capabilities that matter by leveraging co-production, co-development and co-sustainment alongside strategic procurement.

Through procurement and partnership with the US, the UK is in a unique position to access the enhanced capabilities needed to meet modern threats efficiently, at pace and at the best price. For example, in the absence of its own Intelligence, Surveillance and Reconnaissance (ISR) Satellite, the UK leverages the US' 'National Technical Means' satellites and the procurement of commercial data. This is particularly important in areas where industrial capacity is currently limited, such as in the manufacture of munitions, ground-based air defence, radar and disruptive weapons. The UK's munitions and long-range missile stockpiles, which have been depleted, in part due to the continuation of the war in Ukraine, could take up to 10 years to replenish according to industry estimates.⁹ This significant delay highlights the urgent need for enhanced supply chain resilience, accelerated production capacity, and closer collaboration with allies to ensure the UK remains prepared to meet future security challenges.

Buying technology from trusted international partners has an important role to play in a robust and realistic defence industrial strategy that addresses modern day threats. Existing capabilities can be rapidly procured, adapted and integrated with allies through a range of different models, beyond simply purchasing end-products or services, for example in the form of design licensing. With appropriate care, the practice can also bring industrial benefits onshore to the UK, through using domestic supply chains and the transfer of Intellectual Property.¹⁰

Beyond this – and perhaps most importantly – the defence relationship between the UK and the US when focused on co-operation provides opportunities for co-development, co-production and co-sustainment enabled by knowledge exchange, which has historically resulted in accelerated periods of military modernisation and allowed the UK to benefit from significant US-funded R&D. Through this approach, the US and the UK have mutually benefited by building up domestic industrial capacity, whilst enhancing technological capabilities to world leading standards. For example, in the 1990s, the Tactical Reconnaissance Armoured Combat Equipment Requirement (TRACER) program - a joint US-UK reconnaissance vehicle program – spawned the next generation fleet of armoured vehicles. A more recent example is the Joint Strike Fighter (JSF) program, that produces the F-35 Lightning Jet – a fifth-generation military aircraft. Programs such as the JSF are important for building the UK industrial base because they bring elements of onshore production and knowledge transfer. The UK was a Tier 1 partner during



An F-35 aboard the HMS Prince of Wales (R09)

the System Development and Demonstration (SDD) phase, which allowed it to shape the requirement, be shielded from cost growth, and access significant development and production workshare. The UK (through this internationally recognised program) has benefited from approximately £3bn in knowledge transfer, £30mn in training and technical assistance (across advanced avionics, stealth and integrated sensor systems), and £600mn in the form of a UK capital investment program.^{11 12} Overall, the project is forecast to achieve around £50bn in economic contributions to the economy by 2046 and sustains the UK's combat air sector across skills, infrastructure and R&D.¹³

Programs such as the F-35 also demonstrate the importance of US-owned multinationals in supporting the delivery of a "future force" structure in the UK, that seeks to build integrated multi-domain defence capability. The F-35 integrates with data from other platforms, including satellites and ground sensors, to enable air, sea, and land operations to work in concert. Another example of this are guided munitions (used by the Royal Air Force) developed by RTX, which integrate with air and ground-based systems to enable precision strikes.

Beyond co-production, the UK also works with the US through unique transatlantic programs based on shared training, maintenance and operations. A key example of this is a unique venture between the US Air Force and the UK Ministry of Defence (MoD) known as the Rivet Joint Cooperative Programme. Through this arrangement, the Royal Airforce (RAF) has added three specialised reconnaissance aircraft (Airseekers) to its fleet for tactical missions. It benefits from maintenance, spare parts, engineering support, technical data and access to capability updates from the US, which means the assets receive continuous development support until their out of service date.¹⁴ US-owned multinationals such as L3 Harris, Northrop Grumman and RTX have been integral to the Airseeker's delivery.

Interoperability and interchangeability are strategically important for the UK in building a modern defence capability - it boosts readiness, reduces complexities, and can ultimately define the success of a joint campaign.¹⁵ Interoperability also strengthens the UK's export potential. By focusing on internationally aligned systems rather than bespoke designs, the UK can expand its market reach and secure a stronger position in global supply chains. This shift toward standardised capabilities, combined with strategic procurement with the US, ensures that UK firms can thrive in both domestic and international markets. In a new era of warfare, the UK is ultimately dependent on the effectiveness of its security alliance, including/

namely NATO and the US. To the latter, the UK has operated alongside the US more than any other ally, with the US frequently described as Britain's preeminent strategic ally. Greater integration with the US (as its largest contributor) in areas such as concepts of use and operation, approaches to command and control, and in architectures and standards (including for data), ensure the UK is developing defence capability that is greater than the sum of its parts.

It is also important to note that a history of collaboration brings mutual trust and reliability within the defence sector and provides the UK with reciprocal access to the US market. Through its deeply embedded commercial relationship, the UK provides high-end components and subsystems to significant US military systems. This also leverages the US government's larger spending on development costs. As defence integration increases, so does the scale of the business opportunities for UK firms in the US market. BAE Systems - a UK-owned company - was one of the top 10 companies awarded contracts by the US Department of Defense (DoD) in 2022, worth \$5bn.¹⁶ Today, 42% of BAE Systems' defence revenue comes entirely from the US market and 26% from the UK.¹⁷ UK SMEs have also benefited, for example Survitec - a manufacturer and supplier of survival and safety equipment such as life support systems - have exponentially grown through US defence contracts, including with the US military.

Working Together Means Stronger Supply Chain Networks for the UK

The supply chain, which is complex in nature due to its sophisticated outputs (both from a hardware and software perspective and the range of materials required to produce them), relies on the careful manufacture, assembly and transport of materials internationally. As disruptions increase, there is a need for more assured supply chains between allies to create resilience in the sector. US-UK industrial integration helps achieve this goal. The UK MOD is particularly concerned about the reliability of orders placed with US-owned companies, especially if the US is directly involved in a war. Addressing this requires a stronger focus on joint agreements and long-term commitments to secure production and delivery. These measures would ensure that UK defence priorities remain protected, even amid heightened geopolitical tensions.

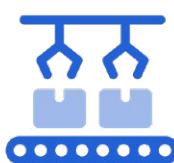
At an upstream level, integration is mutually beneficial in the context of the availability and movement of vital material inputs such as rare earth metals, and foundational technologies that underpin wider defence capabilities such as micro & nano electronics. This is increasingly important as geopolitical tensions rise with China, which controls the global market in refining and production of key inputs such as lithium and cobalt.¹⁸ The US has sought to change this through stimulus programs such as the Inflation Reduction Act (IRA) and the CHIPS and Science Act, with the latter allocating \$52bn in subsidies and incentives to establish a domestic semiconductor industry.¹⁹ This offers the UK opportunities to leverage the billions of dollars of funding allocated through these packages and to reap the benefits of greater supply chain security.

The concept of "ally-shoring" or "friend-shoring" can be seen as an important opportunity for the UK. AUKUS is a prime example of a shared allied industrial base which incorporates elements of ally-shoring, securing



£5.23bn

spent annually in the UK supply chain by US defence companies



10,000+

UK companies in the US defence supply chain

supply chains across industrial segments to address modern threats. Through its two pillars, AUKUS will accelerate Australia's nuclear submarine capability and foster collaboration in future technologies including hypersonic, cyber, quantum & AI across all three markets. It is precisely because of the close pre-existing industrial interlinkages between the UK and US that such an arrangement is possible, given the basis of trust around the handling of sensitive technical information and data. AUKUS offers transformational potential to the UK's industrial base because



Dowty, a GE Aerospace company's R391 propeller has powered the Lockheed Martin C-130J Super Hercules in conjunction with the Rolls-Royce AE 2100 turboprop since 1994

it provides a long-term commitment to supporting UK companies supplying these advanced technologies and expands exports. Advantages associated with domestic production (cost-savings, efficiency, resilience etc.) can also be achieved through strategic partnership with allies (as AUKUS demonstrates) alongside knowledge sharing and technology transfer. The integrated US-UK defence supply chain demonstrates the critical importance of resilience through dispersal. This approach enhances collective industrial strength while ensuring that both nations remain agile and prepared for emerging challenges.

Cooperation Transforms the UK Skills Base

US-owned defence companies are playing an important role across the entire value chain of recruiting, educating, training and retaining British workers. The creation and support for high-skilled jobs aligns with goals of creating stable, well-paid and long-term opportunities.

Whilst the need for specialised skills is a global phenomenon across manufacturing sectors, the defence sector skills gap is widening into a chasm. This is due to a surge in demand as companies ramp up arms production, as well as competition from other manufacturing sectors and a move towards more advanced technical skills requirements.²⁰ For instance, the Northeast's space sector is forecast to require a 3.2-fold increase of full-time employees by 2030. Lockheed Martin, along with the UK Space Agency (UKSA) and Northumbria University, have invested £50mn in the Northeast Space Skills & Technology Centre (NESST) based in Newcastle City Centre, to help meet this demand.

Many US-owned multinational firms have formalised structures to support home grown skills development in the UK. The education they offer through apprenticeships, graduate and other early careers programs is world-leading and delivers a highly skilled workforce into the economy, as well as direct pathways into employment. For instance, Boeing has onboarded around 400 early careers participants since 2016, and Lockheed Martin has trained over 200 apprentices, taken over 400 graduates and awarded over 300 placements. L3 Harris provides opportunities for UK graduates to rotate throughout engineering functions prior to hiring full time into their UK business.



1,680+
Early Careers participants in the UK

Further, US firms that choose to operate and manufacture in the UK bring with them a plethora of skills that the UK can acquire over time through skills transfer. One example is in managing global production lines. The UK has few top line, high volume/high value exports. Comparatively, the US has deep expertise in delivering such contracts at pace and scale. This will be significant for the UK as it looks to onshore greater manufacturing capacity and capabilities.



The Boeing Apache Academy is a training facility in the United Kingdom that offers groundcrew, aircrew, and maintenance training for the British Army's AH-64E Apache helicopters

Driving UK Research, Development & Innovation in Partnership

Working with the US and its commercial and academic sectors enables the UK to modernise its defence equipment and remain at the cutting edge of technological advancements, through greater access to a wider pool of research, development and innovation. This access can also help the UK government in delivering its broader national objectives, such as military decarbonisation in line with Net Zero carbon emissions by 2050. For instance, US-owned companies RTX, GE, Northrop Grumman and Boeing, are all taking significant steps in line with the UN Race to Net Zero initiative to drive innovation such as in low carbon aviation, which benefits the UK's defence ecosystem.

Further, both the UK and the US are globally recognised hubs for cultivating entrepreneurship and as a result, host a wide array of SMEs & startups that have applications in the defence sector. Transatlantic integration offers transformational potential as the nature of warfare changes towards smarter, software enabled assets, and as defence and technology industries converge, (such as in the production of AI powered drones). Silicon Valley is currently home to a significant number of startups rooted in AI and the UK has established its first overseas AI Safety Institute (office) in San Francisco, California, growing this pooled base of transatlantic research talent and technical expertise.²¹

Closer alignment with the US has also enabled UK firms to access new public and private development programs and streams of R&D funding. In 2022/23, the defence R&D allocation made up over 40% of the entire US federal R&D budget and for 2024, the US Department of Defense (DoD) requested a total budget

of \$842bn.^{22 23 24} Early-stage backing from the large multinationals is critical for smaller firms, especially when connections to government departments and solid orderbooks have yet to be established. One example is VerdeGo Aero, a UK-based startup specialising in hybrid-electric propulsion technology, which was invested in by RTX ventures in 2022.²⁵ Lockheed Martin is also investing around \$21mn through its VC arm directly and indirectly with UK companies including Satellite VU, CloudNC and Q5D. Such support is vital in ensuring the success of key industry segments which are important to the UK's economic growth strategy. The UK space sector is a key example, where the US is looking to meet growing demand for rockets and satellites by aligning closely with the UK's supply chain and leading University network.²⁶

Cross-Industry Collaboration F-35 Lightning II



- Manufacturer



GE Aerospace

- Engine monitoring technology
- Electrical power management
- Aircraft memory
- Remote interface units for fuselage and missiles



L3HARRIS™

- Cockpit communications
- Data processing
- Electronic warfare technology
- Clean, pneumatic carriage and release racks



- Centre fuselage
- Avionics
- Upper-wing skin
- Sustainment services
- Radar
- Communications
- Data fusion

Beyond this, it is important to understand the value that trusted US investors bring. Identifying adversarial investors as part of the capital raising process is critical in protecting the growth of the sector as well as national security. US-UK partnerships, such as the AUKUS Defense Investor Network (DIN), launched in 2023, have been set up to address this issue.²⁷

The benefits of the considerable US investment in R&D are not just significant – they are fundamental to the UK’s defence capabilities. The scale of US defence R&D spending brings cutting-edge capabilities that the UK cannot realistically replicate, ensuring it remains at the forefront of defence innovation while avoiding costly and duplicative efforts.





A Path Forward

Transatlantic Cooperation on Defence Must be Embedded in the UK Industrial Strategy

As the UK seeks to make the defence sector fit for the future, we call for greater transatlantic collaboration to be embedded in the UK's strategy for developing its defence industrial base. The "Special Relationship" enables the UK to regrow domestic industrial capability by cooperating with the US to leverage capability development, knowledge and technology transfer, onshore training, and collaborative R&D. This gives the UK the greatest capacity to focus on the industrial priorities that it decides matter and where it can be a critical global player, for example in pioneering coalitions in the field of space protection. To secure maximum economic rewards, the UK government should ensure benefits of collaborative programs are shared beyond a handful of core firms.

New Levers Should be Created to Deepen Linkages Between the US and UK Defence Industrial Base

We call for new and enhanced levers to deepen the linkages between the US and UK defence industrial base. This can be in the form of R&D incentives (e.g. tax incentives/grants), infrastructure investment, and formal structures that can deepen partnership (such as a dedicated seat for US-owned multinationals on the new Industrial Strategy Council). Policymakers should explicitly prioritise programs that support UK export success through interoperable capabilities. For instance, highlighting Martin Baker's contributions to US programs, such as the F-35, reinforces how interoperability drives economic benefits and enhances the UK's defence reputation.

To ensure AUKUS delivers on its potential, we recommend the introduction of dedicated trilateral funding mechanisms that focus on co-development and innovation across the US, UK, and Australia. We call for robust and streamlined trade agreements to enable collaboration and smooth operations, with a particular focus on technology transfer.

In the absence of a comprehensive Free Trade Agreement and reciprocal market access/recognition, we stress the importance in continuing support for, and the strengthening of, the Atlantic Declaration - a key mechanism for transatlantic cooperation across aerospace, defence, security & supply chain resilience. The declaration is seen by industry as a basis to drive US-UK economic, trade & security objectives and as such, its language enables key initiatives such as AUKUS to more effectively progress. BAB recognises the associated opportunities of recent US export reform through exemptions to ITAR, enabled by AUKUS. We welcome the recent announcement from the US Department of State, that ITAR exemptions have now officially come into effect (from 1st September 2024) alongside a final 90-day review period.²⁸ This demonstrates the seriousness of the US government in making the AUKUS pact work. We emphasise the importance of building interoperability between the US and UK not only for operational readiness but also as a mechanism for export success and economic growth.

Strategic Clarity for UK Defence Growth

For the UK government to maximize growth in the defence sector, it should make clear strategic decisions (informed by the SDR) as early as possible on what segments of the sovereign industrial capability it will look to build domestically, and which it will look to contract.

A growing, clearly defined UK-build pipeline will help sustain relevant skills and give UK industry the long-term certainty it needs to develop products and services to a world leading, exportable level. It will also help to ringfence key elements of the onshore supply chain that need to be protected to ensure resilience in the sector, whilst drawing the benefits of strategic procurement and partnership with the US in other areas.

Now is the time for the UK to prioritise proven capabilities, many of which are already provided by US-owned companies, rather than duplicating efforts through new development programs. In many areas, the US offers best-in-class technologies that can be rapidly integrated into UK operations. Attempting to recreate these domestically risks significant delays and increased costs.

Prioritising Interoperability and Interchangeability in Defence

We emphasise the importance of building interoperability and in certain areas interchangeability between the US and UK, and through key alliances including NATO and AUKUS. Greater harmonisation with allied defence systems allows for strategic convergence, burden sharing, collaborative development, and enables efficiencies such as through joint (national) procurement. It also reinforces a stronger collective deterrence.

This integration not only enhances operational effectiveness but also builds resilience by enabling shared use of equipment, stockpiles, and logistics during conflicts. For example, the F-35 is being procured by several countries including Japan and Singapore and there will be a permanent presence of over 300 F-35s in the Indo-Pacific by 2035, creating a 'critical mass' to deter regional aggression.^{29 30} We recommend that the UK government focuses on building interoperability and interchangeability with the US as two prominent leaders within NATO. The UK and US have a unique role to play in building shared standards across concepts of operation and use to rapidly advance interoperability. In this context, we also support revised procurement practices within the MoD, which move away from highly bespoke requirements and towards international alignment, particularly in stockpiling.

Strengthen US-UK Industry Engagement

BAB calls for more structured strategic engagement between the UK and the US on defence, which involves greater industry engagement, modelled on the Lancaster House Treaties and Trinity House Agreement. This would bring coherence to the existing (and extensive) defence collaboration between the countries, provide an opportunity to identify new areas of collaboration, and identify mutually beneficial avenues to support industrial development. We believe industry engagement and input as part of this are vital.

Fostering Transatlantic Innovation in Defence Technologies

We call for a greater convergence of the transatlantic defence and technology sectors which will encourage the development of a sophisticated defence industrial base in the UK. The UK must identify and prioritise technologies specific to the future battlefield and develop these in partnership with the US. Examples include integrated power distribution and control systems, autonomy, and open systems architectures. Both countries are uniquely placed for such cooperation, given shared strengths in digital and AI.

Conclusion

Built on extensive industry input, this paper offers a series of arguments and evidence of how deeply embedded US defence companies are in the UK's defence ecosystem, and how the UK's integration with the US companies and the US defence industrial base creates jobs and growth, enhances capabilities, strengthens the supply chain networks, transforms the domestic skills base, and drives research and innovation to the benefit of the whole sector and UK economy. However, failure to act on these recommendations could jeopardise the UK's ability to remain competitive in global defence markets, diminish its operational readiness, and weaken its position as a reliable ally in future conflicts. As the UK seeks to revive its defence industrial base, this unique integration will be a key advantage, source of strength, and reflection of how working together in a transatlantic context makes our societies stronger and better.

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