

ADS SUBMISSION TO FOREIGN AFFAIRS COMMITTEE INQUIRY ON THE UPDATE TO THE INTEGRATED REVIEW (IRR0016)

1. INTRODUCTION

- 1.1. ADS is the trade association for the UK's aerospace, defence, security, and space industries. ADS has more than 1,100 member companies across all four sectors, with over 95% of these companies identified as Small and Medium Size Enterprises (SMEs). The UK is a world leader in the supply of aerospace, defence, security and space products and services. From technology and exports to apprenticeships and investment, our sectors are vital to the UK's growth – generating £77 billion turnover a year in the UK, including £34 billion in exports, and supporting one million jobs in the UK.
- 1.2. The UK's defence sector generated £23.7bn in turnover and £10.1bn in value added in 2021. It also directly employs over 147,000 people and generated £8.8bn of export sales (on a three-year average). In turn, the UK's security and resilience sector generated £20bn in turnover, £11bn in value added, directly employed over 138,000 people, and generated £8.5bn in export sales.

2. EXECUTIVE SUMMARY

- 2.1. ADS welcomes the Government's decision to review and update the Integrated Review of Security, Defence, Development and Foreign Policy (IR).
- 2.2. The geopolitical developments since March 2021 have underlined the importance of the UK's defence and security sectors to the UK's national security, resilience, and prosperity.
- 2.3. The strategic framework of the IR remains relevant, but the IR update must ensure that meaningful strategic engagement with industry is embedded throughout the UK's national security architecture.
- 2.4. The IR update should set out accelerated timeframes for the delivery of underpinning strategies, including the Defence and Security Industrial Strategy (DSIS) and the Defence Command Paper (DCP), and consider reviewing these publications in 2023.
- 2.5. Economic security issues need to be addressed in tandem with more conventional national security issues; this will necessitate closer industrial dialogue.

3. THE CHANGED CONTEXT

- 3.1. Since the IR was published in March 2021, the world has seen a major land war take place in continental Europe with the illegal Russian invasion of Ukraine. The ensuing global energy and food crisis and the growing assertiveness of China also have major implications that the UK is now grappling with. These examples all underline why the Government is right to review, and where appropriate, update the IR considering changed circumstances. The world has changed, and the UK must ensure its response to these strategic challenges adjusts accordingly.
- 3.2. The examples above are not a comprehensive list of the challenges that the UK faces. However, what each example has demonstrated is the relevance of industry to the UK's capacity to respond. This has been most acutely shown in the UK's support to the people of Ukraine, where the UK's defence and security industries have played a critical role in the provision of military and emergency response assistance. ADS's sectors are vital for the national security, prosperity and resilience of our country and the wider international community, and should be considered core delivery partners of a refreshed IR.
- 3.3. In the face of this increasingly volatile strategic threat landscape, the IR's focus on achieving advantage in science and technology (S&T) remains as relevant as ever. Staying ahead of the UK's adversaries in novel and emerging technologies such as hypersonics will be critical to maintaining the UK's strategic advantage. Achieving advantage in S&T has three main strategic benefits, the first is to deter adversaries, the second is to defeat aggressors and the third is to influence allies, all of these can be seen to be emerging from the conflict in Ukraine. To draw upon the full strength of the UK's defence and security industries to respond to current and new threats, the Government must increasingly leverage industry's unique perspective on anticipating and embracing technological advancements.
- 3.4. The IR announced the planned intent to "treat this great industrial powerhouse as a strategic capability in its own right". The ability of the UK's defence and security industries to attract investment into the UK from overseas, to act as a collaborative partner to the defence and security industries of partners, to capacity build with emerging powers, to support the wider economy, and most importantly to deliver for our Armed Forces and national security community, must be clearly stated in the update. Consequently, industrial dialogue must form a core part of its work.

- 3.5. The ongoing importance of meaningful strategic industrial engagement has been underlined by the growing economic security challenges, for example in terms of energy supply, that the UK faces, which cannot be separated from the national security challenges we face. A strong industrial base remains the cornerstone of the UK's national resilience and economic prosperity.
- 3.6. From a warfighting perspective, the war in Ukraine has also demonstrated the significant industrial demands (for example, for munitions and material) that any future conventional conflict would generate. The issues of stockpiles, speed of design, and delivery of technology, tactics, and training have now become strategic questions in the concept of deterrence. It has also demonstrated the need for a holistic approach to warfighting across all the domains, from ISR platforms to weaponised drones to combat vehicles as part of effective combined arms operations. UK suppliers providing support to Ukraine have provided lethal capabilities as well as defensive capability such as counter-explosive ordinance, CBRN (chemical, biological, radiological, and nuclear) defence, and counter-unmanned air system platforms.
- 3.7. Reflecting on the IR's Strategic Framework, its four pillars (sustaining strategic advantage through science and technology; shaping the open international order of the future; strengthening security and defence at home and overseas; and building resilience at home and overseas) remain analytically relevant and should not be discarded. However, the events of 2022 call for accelerated delivery of underpinning strategies (from the Defence and Security Industrial Strategy to the recent Defence Supply Chain Strategy), increased collaboration with industry, and greater focus on addressing economic security and national security jointly.
- 3.8. It is worth noting that at the Autumn Statement the Government confirmed that an announcement on future defence spending would accompany the release of the update to the IR. It is crucial that the ambitions set out in the updated IR are aligned to the resources that are made available to UK defence and security. Future defence spending faces several challenges, including the impact of inflation, Forex movements, and the urgent need to rebuild munitions stockpiles, which the IR update must address.
- 3.9. Finally, industry would welcome clarity on the scope of the IR update. This includes how far the assumptions and recommendations within the existing IR will be refreshed considering the significant changes in the defence and security landscape since March 2021. It would also be useful to understand whether this process will then be flowed into related documents such as the Defence Command Paper (DCP) and the Defence and Security Industrial Strategy (DSIS), as these more focussed documents included the demand indicators and capability decisions that industry will require. Greater

engagement of the defence and security industries throughout and beyond the update process would be welcome.

4. PARTNERSHIP WITH INDUSTRY

- 4.1. The updated IR must drive forward a newly energised partnership with the UK's defence and security industries, so that the UK's national security objectives can be effectively delivered. Subsequent publications, including the DCP and DSIS, were important steps forward in that process but events have shown that their work is not yet done, for example to create a more agile procurement system to respond to future conflicts and crises and to provide greater visibility to industry of government requirements.
- 4.2. The UK's response to the war in Ukraine has demonstrated industry-government collaboration at its best and revealed areas for ongoing improvement. The update to the IR must ensure that industrial policy is not an afterthought and that the philosophy underpinning the DSIS, that of close collaboration, joint implementation, transparency, and early engagement, is woven into its work, rather than being devolved to subordinate strategies such as the DCP. This must help to create a more agile approach to commercial and acquisition decisions, which brings in industry earlier in the development process.
- 4.3. Industry and government must work together, not transactionally but as strategic partners, to deliver the capabilities the UK's Armed Forces, security services and law enforcement require, as well as the UK's critical national infrastructure (CNI) operators, to keep the UK safe and prosperous.
- 4.4. Fully implementing the DSIS is key to achieving this. There were some important initiatives that had been developed jointly with industry across a range of areas, including reforming public procurement, boosting exports sales, increasing investment in R&D and innovation, and providing support for SMEs. While good progress has been made, there is a need for acceleration in some areas to ensure effective, joint, and speedy implementation.

5. ACCELERATING DSIS IMPLEMENTATION

- 5.1. One example is the need to reform public procurement routes. Industry recognises the challenges that government have faced in finding the parliamentary time to advance procurement reforms announced by the Cabinet Office and in the DSIS. Nonetheless, speedy, effective, and collaborative implementation will be essential once the Procurement Bill achieves Royal Assent. These reforms should learn from the ongoing war in

Ukraine, which has highlighted the need for accelerated and agile procurement for operational readiness.

- 5.2. Similarly, there remains a need to develop a government-to-government (G2G) commercial mechanism for defence and security exports, which should be accompanied with an effective international partnerships strategy that gives industry scope to provide tailored solutions. These should particularly help to mature industrial collaboration with partnerships such as AUKUS and Five Eyes. It is over twenty months since the publication of the DSIS, but there has been little public progress, notwithstanding the extensive work within the Ministry of Defence and Department for International Trade, on maturing this G2G mechanism.
- 5.3. Another example would be the need to accelerate the effective implementation of the Social Value Model, while also working with industry to assess the implications and impacts on SMEs. While this has been a welcome initiative, the way it is implemented across government and within individual departments needs refining, in part to support the DSIS ambition to support levelling up across the UK by addressing economic disparities across the regions. There is also a need for a wider, full-scale review of how this Model is working a year on to resolve any outstanding issues, including within Single Source contracts.
- 5.4. Finally, the DSIS initiated a Transformation Programme for the Export Controls Joint Unit (ECJU). This work is ongoing but must be prioritised. The UK's approvals processes have slowed in comparison to our peers, in part due to competing priorities, and this has implications for the UK's competitiveness, international partnerships, and national security.

6. ECONOMIC SECURITY IS NATIONAL SECURITY

- 6.1. The updated IR must ensure that the Government works with the UK defence and security sectors, which are highly internationalised in nature, and the UK's allies to establish assured supply of core components for equipment, for example semiconductors. ADS understands there is an upcoming strategy on semiconductors due imminently and it must ensure it addresses the specific needs of the defence and security industries and the implications of any component shortages to our national security and resilience specifically.
- 6.2. More broadly, this underlines how the updated IR must not simply act as a strategy for addressing conventional national security issues but also economic security issues, including the supply of critical materials and the corrosive impact of inflationary pressures, which are creating risks throughout the supply chain. The recent Defence Supply Chain Strategy is a welcome

step forwards in this regard, but a wider approach must be taken across government, guided by an updated IR, to this critical area of national resilience.

- 6.3. To react to rapidly emerging threats, UK defence and security policy must become more aligned with industrial strategy to improve resilience across the defence and security supply chains and achieve greater freedom of action. Previous 'just in time' delivery models have been shown to be lacking both in the context of the pandemic and the war in Ukraine, especially when it comes to prolonged warfighting campaigns that place a major demand upon the supply chain. Many systems have been out of production for years both in the UK and in Allied nations and lead times of even simply spare parts may exceed 18 months. Security of supply and surge capacity should be a core focus of the IR update.
- 6.4. Remaining on the topic of economic security, the IR paid some attention to the importance of a highly skilled workforce to achieving its ambitions, especially in S&T, but it did not delve into the issue in detail. The impact that workforce shortages are having on the wider economy is well understood, but this is also affecting the ability of the UK defence and security sectors to scale and meet requirements from across government, particularly because of the war in Ukraine, for example to rebuild munitions stockpiles. It will take several years to replenish the UK's existing stock levels, let alone to increase UK stockpiles for any future war.
- 6.5. An effective partnership between government and industry on skills and workforce issues is central to delivery. This should include promoting the value of defence and security, which provide purposeful, skilled, and proud careers, to improve the attractiveness of working in these industries. It should also take account of the priorities within the Government's Own-Collaborate-Access framework for S&T.
- 6.6. Another way the IR update could help to promote collaboration between industry and government is through fostering a culture of scrutiny for the actual required Security Classifications per project, programme, and product. Care must be taken as to how security classification policy is implemented by data owners. While it is vital to protect sensitive information, over classification can act as a barrier to entry by SMEs and access to a wider range of Suitably Qualified and Experienced Personnel (SQEP). This can hinder the adoption of innovation by the defence and national security communities.
- 6.7. The UK's defence and security industries require access to finance and investment to grow and thereby develop the cutting-edge capabilities of

tomorrow that our Armed Forces, security services and law enforcement require. A particular threat to this is the growing negative impact of ESG (Environmental, Social, Governance) to investment and access to finance for defence and security companies, which the Government must work with our sectors and the finance sector to address. The updated IR should recognise the effect current investment trends could have on national security and the UK's long-term prosperity.

7. ACHIEVING THE AMBITIONS IN SCIENCE AND TECH

- 7.1. The Government's commitment at the Autumn Statement to spend £20bn on R&D was a welcome step in meeting the Government's ambitions to secure the UK's status as a Science and Tech Superpower. However, if the updated IR is to retain this as one of its four core objectives, then the update must define in greater detail how it will be achieved in an era of constrained resources and evolving threats.
- 7.2. The reestablishment of the National Security and Technology Council as a Cabinet Committee is a welcome step in this process, but the IR update must now take its S&T ambitions into the implementation phase. For example, this should include provide greater granularity to industry on the deployment of the Own-Collaborate-Access framework. In this regard the Office for Science and Technology Strategy must treat industry engagement as a core task.
- 7.3. The IR update should also review the technologies of the future and the capabilities that it might designate as strategically important, both from a national security perspective and in terms of dual-use applications. The second pillar of AUKUS sets out an important list of capability areas for further consideration and potential co-development, including hypersonics and counter hypersonic capabilities, advanced cyber, AI and autonomy, and quantum technologies.
- 7.4. Building on point 6.3, there is a direct link between the UK's international standing and S&T advantage. For example, AUKUS has only been possible because of the UK's status as a leading technology power. The UK's level of technology advancement means that we can work as strategic partners and help build capacity in and with our allies. This also brings a very tangible benefit of being able to demonstrate the UK's commitment to the Indo-Pacific.
- 7.5. The proliferation of technology following the end of the Cold War has had two primary effects. The first is to proliferate technology across a broad range of actors, including terrorists and serious and organised crime, as well as hostile states. The second is to expose the technology cycle to commercial pressures, with a resultant increase in pace, meaning that current technology

becomes dated and vulnerable more rapidly than in the Cold War. The IR recognised these effects as threats and the need to stay ahead of these hostile actors in technology terms. The update must go further by protecting the additional recent investment made in defence S&T and defence R&D.

7.6. The pace at which the procurement process can deliver technology, tactics, and training to the frontlines – be they in the established domains or space or cyber, needs to be accelerated. It must adjust to the quickening pace of the technology cycle. Indeed, the pace at which good ideas can move out of the labs and into the hands of a nation's warfighters and security operatives becomes a deterrent in its own right.

8. REFLECTING INTERNATIONAL DEVELOPMENTS

8.1. The UK's place in the world has also shifted since the publication of the IR. From the establishment of AUKUS, to the publication of the NATO Strategic Concept, to the developing UK-EU relationship, the international landscape for collaboration has shifted.

8.2. To maintain the UK's future choices and competitiveness the updated IR must therefore set out a course of action that clarifies the UK's operating position and avoids mutually duplicative or disruptive efforts between likeminded countries.

8.3. Working with like-minded partners at an early stage to integrate and develop interchangeable capabilities and encourage the international mobility of skilled workers will be essential. In that respect, a culture of cooperation rather than competition on future industrial projects will be key to the success and the reputation of the UK as a solid and trusted industrial partner in Europe, the USA, and the Indo-Pacific.

8.4. Regarding the EU, EU defence initiatives are intensifying but future choices for the UK will be constrained when European countries increasingly seek to collaborate under EU frameworks. Seeking to establish stronger and regular bilateral industry dialogues with key European partners and in particular with the Nordics, the Baltics and Eastern European countries would help in supporting the current footprint of UK industry in Europe and in particular UK SMEs who will find it otherwise extremely challenging to access new market opportunities under EU funded programmes. The Joint Expeditionary Force is also an important development in this landscape.

8.5. The updated IR should also recognise the industrial dimensions to significant international initiatives such as AUKUS. For example, there are opportunities within AUKUS's second pillar on advanced capabilities to involve UK industry

in these discussions at an early stage. As part of this, the UK should reinvigorate its work with the US to allow for the extension of the Canadian ITAR exemption to the rest of the National Technology Industrial Base, further strengthening the long-term viability of the hugely significant AUKUS agreement. The UK should also review the effectiveness of its own information sharing, classification, and export control regimes to support such initiatives.

8.6. UK's bilateral relationships and multinational alliances help define the overarching framework under which UK defence and security companies will continue to operate. To operationalise these strategic frameworks and ensure the success of initiatives such as AUKUS, the updated IR should set out how the Government will work closely with the UK defence and security sectors to establish a network of strategic partnerships across the globe, including in the Indo-Pacific. This should ensure that for important long-term projects, industries from likeminded countries work together effectively, co-developing interoperable capabilities, securing supply chains and facilitating the mobility and training of a pool of high-skilled workers.

9. CONCLUSION

9.1. Given the major global developments since March 2021 the Government is right to ensure that the IR remains fit for purpose. ADS does not believe there is a need for a new national security strategy a year on – to do so would introduce unnecessary strategic uncertainty – but this work provides an ideal opportunity to accelerate delivery of underpinning strategies, increase collaboration and real partnership with industry, and provide greater focus on addressing economic security and national security jointly.

9.2. At the Autumn Statement the Government advised that an announcement on future defence spending would accompany the release of the update to the IR. It is crucial that this provides clarity, stability, and confidence to industry about the defence spending envelope and the underpinning programmatic commitments. This should be followed by a review of the 2021 Defence Command Paper to ensure that its decisions on future capabilities are updated.

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