



ROSA & ROUBINI
ASSOCIATES

MACRO PICTURE:

**The 2025 UK Strategic Defence Review:
Ambitions, Constraints, and Gaps**

By

Nato Balavadze



24 June 2025

Nato Balavadze

The 2025 UK Strategic Defence Review: Ambitions, Constraints, and Gaps

24 June 2025

Table of Contents

Executive Summary	Page 3
Introduction.....	4
Recent Defence Spending Trends.....	4
A Defence and Security Policy.....	4
Army and RAF Plans in the SDR.....	5
UK Army Size and Strategic Challenges.....	5
Rebuilding Industrial Readiness.....	6
Military Keynesianism: The UK's Defence Strategy in Broader Context.....	7
Conclusion.....	8

Page | 2



Rosa & Roubini Associates Ltd is a private limited company registered in England and Wales (Registration number: 10975116) with registered office at 118 Pall Mall, St. James's, London SW1Y 5ED, United Kingdom.

For information about Rosa&Roubini Associates, please send an email to info@rosa-roubini-associates.com or call +44 (0)20 7101 0718.

Analyst Certification: I, Nato Balavadze, hereby certify that all the views expressed in this report reflect my personal opinion, which has not been influenced by considerations of Rosa & Roubini Associates' business, nor by personal or client relationships. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the views expressed in this report.

Disclaimer: All material presented in this report is provided by Rosa & Roubini Associates-Limited for informational purposes only and is not to be used or considered as an offer or a solicitation to sell or to buy, or subscribe for securities, investment products or other financial instruments. Rosa & Roubini Associates Limited does not conduct "investment research" as defined in the FCA Conduct of Business Sourcebook (COBS) section 12 nor does it provide "advice about securities" as defined in the Regulation of Investment Advisors by the US SEC. Rosa & Roubini Associates Limited is not regulated by the FCA, SEC or by any other regulatory body. Nothing in this report shall be deemed to constitute financial or other professional advice in any way, and under no circumstances shall we be liable for any direct or indirect losses, costs or expenses nor for any loss of profit that results from the content of this report or any material in it or website links or references embedded within it. The price and value of financial instruments, securities and investment products referred to in this research and the income from them may fluctuate. Past performance and forecasts should not be treated as a reliable guide of future performance or results; future returns are not guaranteed; and a loss of original capital may occur. This research is based on current public information that Rosa & Roubini Associates considers reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. Rosa & Roubini Associates, its contributors, partners and employees make no representation about the completeness or accuracy of the data, calculations, information or opinions contained in this report. Rosa & Roubini Associates has an internal policy designed to minimize the risk of receiving or misusing confidential or potentially material non-public information. We seek to update our research as appropriate, but the large majority of reports are published at irregular intervals as appropriate in the author's judgment. The information, opinions, estimates and forecasts contained herein are as of the date hereof and may be changed without prior notification. This research is for our clients only and is disseminated and available to all clients simultaneously through electronic publication. Rosa & Roubini Associates is not responsible for the redistribution of our research by third party aggregators. This report is not directed to you if Rosa & Roubini Associates is barred from doing so in your jurisdiction. This report and its content cannot be copied, redistributed or reproduced in part or whole without Rosa & Roubini Associates' written permission.

Nato Balavadze

The 2025 UK Strategic Defence Review: Ambitions, Constraints, and Gaps

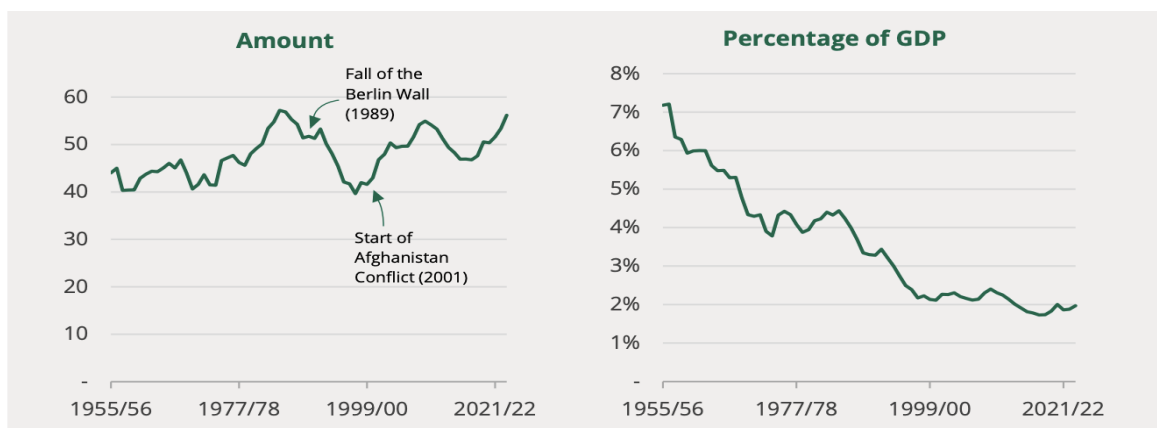
24 June 2025

Executive Summary

Page | 3

- ✦ The 2025 Strategic Defence Review (SDR), Labour's first in two decades, outlines a major shift in UK defence policy amid rising global instability, including Russia's war, Chinese assertiveness, and declining military readiness at home.
- ✦ The review focuses on NATO leadership, warfighting readiness, economic growth via defence, rapid tech adoption (AI, drones), and civilian-military integration.
- ✦ Spending increase framed as historic, with plans to reach 2.5% of GDP by 2027 and an aspirational 3%—though most of the increase was initiated under the previous government, and Labour's new funding is modest and partly financed by cuts to foreign aid.
- ✦ The SDR frames UK defence as "NATO First, but not NATO Only," prioritising Euro-Atlantic security while sidelining the Indo-Pacific.
- ✦ The British Army has declined to 73,000 troops, raising concerns about readiness amid rising global threats. Although the SDR proposes an "Integrated Force," the concept lacks clarity, and planned troop increases have been postponed until after the next election—leaving a growing gap between ambition and capability.
- ✦ The SDR proposes a Defence Readiness Bill to mobilise industry and reserves in crisis, acknowledging that the UK is currently unprepared for a major war and must rebuild its industrial base urgently.
- ✦ The review criticises the UK's defence procurement as outdated, slow, and fragmented—plagued by delays, cost overruns, low stockpiles, and minimal accountability—despite repeated warnings and past reforms.
- ✦ With £14.5bn in exports and 440,000 jobs supported in 2023, the defence sector has strong growth potential. The review urges closer ties with global tech leaders and faster, more flexible procurement to drive both security and economic competitiveness.
- ✦ Labour's defence policy echoes military Keynesianism, framing rearmament as both a security necessity and a tool for regional economic revival—redirecting aid funds to boost industrial centres like Barrow and Glasgow. This approach is politically strategic amid rising populist pressure but revives questions about the long-term efficacy of defence-led growth.

Key Picture: Historical Defence Expenditure, 1955/56 to 2023/24 (£ billions, real terms 2024/25 prices)



Source: [House of Commons Library](https://www.parliament.uk/library/publications/publication/2025-06-24/2025-06-24-uk-strategic-defence-review-ambitions-constraints-and-gaps)

Introduction

[The Strategic Defence Review](#) (SDR) published on 2 June 2025, is the UK's first under a Labour government since 2003. Led by former NATO chief Lord Robertson and overseen by Defence Secretary John Healey, it was commissioned by Prime Minister Keir Starmer in July 2024. It follows the 2021 Integrated Review under Boris Johnson and its 2022 updates by Truss and Sunak after Russia's invasion of Ukraine. The review comes amid ongoing global tensions—Russia's war, Houthi attacks, Chinese assertiveness, and North Korean support for Moscow—as well as concerns over UK military readiness and recruitment. Starmer announced the largest sustained defence spending increase since the Cold War—reaching 2.5% of GDP by 2027, with a goal of 3%—and called for a national effort to prioritise security, reform procurement, and build a defence-led innovation economy.

Page | 4

The review sets out five key goals: prioritising NATO leadership and European security; boosting warfighting readiness through a more lethal, integrated force; turning defence into a driver of economic growth; accelerating tech adoption—especially AI, drones, and autonomy—at “wartime pace”; and promoting a whole-of-society approach to defence through stronger civilian-military ties.

Though 35,000 words long, the document lacks detail, with vague funding promises and ongoing debate over the adequacy of UK defence spending. Still, it offers a sober assessment of rising global instability, warning of the erosion of Western military dominance and shifting US priorities, while subtly acknowledging growing uncertainty in the post-Cold War order.

Recent Defence Spending Trends

UK defence spending has fluctuated with global events since it joined NATO in 1949 ([Key Picture](#)). It rose in the early 1980s due to the Falklands War and Cold War pressures, spiked briefly during the 1991 Gulf War, and increased again during operations in Afghanistan and Iraq in the 2000s. Throughout the 2010s, however, it declined as a share of GDP, following broader NATO trends. More recently, spending has increased in response to Russia's 2022 invasion of Ukraine. The UK, along with the EU and G7, has committed to using interest from frozen Russian assets to fund military aid to Ukraine under the 2025 Financial Assistance to Ukraine Act.

As mentioned in the introduction, SDR claims to represent the “largest defence spending increase since the Cold War”. However, this statement needs a qualification. [Defence spending had already risen from 2.0% to 2.3% of GDP under the previous government](#), before Labour even took office. As for Labour's own contribution, the only “new” funding comes in the form of a modest 0.2% GDP increase by 2027, [funded by reducing the foreign aid budget from 0.5% to 0.3% of GNI](#). That is less than what the Conservatives committed and far short of NATO's 5% spending goal.

Prime Minister Starmer announced defence spending increase with a goal of 3%. However, despite emphasising the urgency of strengthening UK defence, the Review stops short of committing to any increase beyond the previously stated target, which remains conditional on economic and fiscal circumstances.

A Defence and Security Policy

SDR frames UK defence as “NATO First, but not NATO Only,” citing growing threats from Russia, China, Iran, and North Korea. The review calls for deeper cooperation via frameworks like AUKUS and the Joint Expeditionary Force, and highlights the importance of industrial partnerships with allies.

For now, the focus still remains heavily Euro-Atlantic. The Indo-Pacific and Middle East are named as secondary priorities, but no major new commitments are made. Engagement in these regions is explicitly limited to avoid detracting from Euro-Atlantic capabilities. Bilateral and minilateral ties are also framed primarily around strengthening Europe's security architecture. The previously emphasised ‘Indo-Pacific tilt’ from the 2021 and 2023 reviews is effectively sidelined.

Strategic Policy Shifts

Since the late 1990s, UK defence industrial policy has lacked consistency, oscillating between strategic partnerships and free-market competition depending on the government in power. Labour traditionally favoured partnering with industry to shape and sustain a domestic defence base, while Conservative-led governments leaned towards free-market principles, prioritising “[value for money](#)” through off-the-shelf procurement and competition. However, recent geopolitical shocks—Brexit, COVID-19, and Russia’s invasion of Ukraine—have exposed the vulnerabilities of relying too heavily on foreign suppliers and market forces. These events pushed the UK back toward recognising defence industry as a strategic asset, culminating in the [2021 Defence and Security Industrial Strategy](#), which marked a shift back to sovereign capability and long-term industrial resilience. Despite these shifts, the legacy of competitive procurement has weakened the UK’s defence base. Major suppliers dominate the sector, while small and innovative firms often struggle to break in. Fragmented procurement cycles and inconsistent investment have undermined both operational readiness and industrial sustainability.

Page | 5

Nuclear Deterrence

Nuclear deterrence takes centre stage in the SDR, marking a clear shift from Jeremy Corbyn’s earlier stance. The Review identifies Russia’s growing nuclear coercion as a key long-term threat and calls sustaining the UK’s deterrent a top defence priority. In response, the government has pledged £15 billion for the sovereign warhead programme and plans to build up to 12 new attack submarines. It also recommends deeper UK involvement in NATO’s nuclear mission and confirms the Dreadnought submarines will retire as scheduled from the mid-2050s.

Army and RAF Plans in the SDR

The SDR notes the Army was last recapitalised in the 1990s, with key assets like Challenger 2 tanks and AS90 artillery now sent to Ukraine. While it calls for modernising the two divisions and Corps HQ assigned to NATO, this remains an aspiration rather than a concrete plan. The Army’s new ‘Recce-Strike’ model aims to boost lethality tenfold by integrating traditional armoured platforms with evolving technologies. This concept is central to transforming the two divisions and Corps HQ committed to NATO’s Strategic Reserves Corps. A sense of frustration is evident, particularly in the call for a tenfold increase in lethality and a bold overhaul in structure and equipment. The Army is urged to accelerate the model’s development and implementation and to pursue it with greater ambition.

The RAF, despite media hype over a potential tactical nuclear capability, sees no such firm commitment in the SDR. Aside from vague references to expanding retaliation options and a possible future acquisition of F-35As, the airpower section is mostly focused on still-developing platforms—aptly described by analysts as “[jam tomorrow](#).”

Overall, the SDR bluntly acknowledges that Britain is unprepared for a major war, even as it aims for improved “readiness.” It warns of a likely “high-intensity, protracted, and costly” conflict but oddly downplays the relevance of mass, despite the Ukraine war showing Russia’s advantage in manpower and materiel. The document criticises past prioritisation of “exquisite” capabilities and notes dangerously low stockpiles, depleted further by aid to Ukraine. While later affirming the need for mass—reallocating personnel to combat roles and relaxing medical standards—the SDR concedes that, despite modern advances, mass still matters.

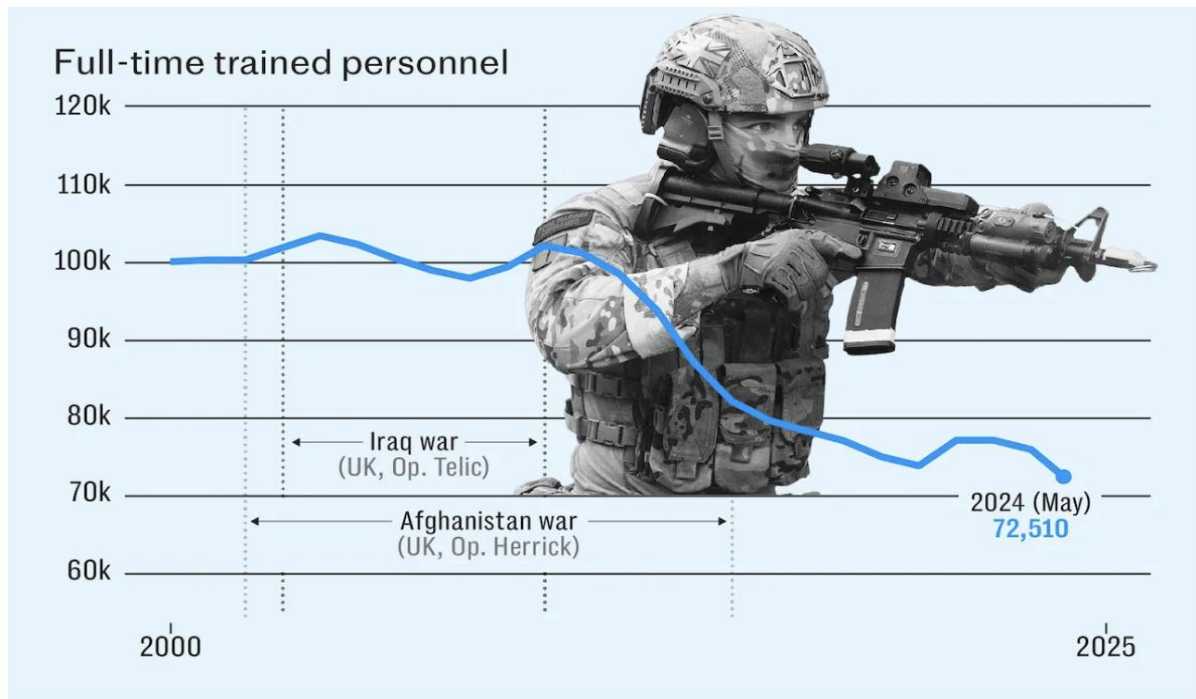
UK Army Size and Strategic Challenges

[The shrinking size of the British Army](#)—now reduced to just 73,000 troops from 75,166 in 2024—highlights persistent challenges in sustaining adequate personnel levels within the UK’s Armed Forces. Despite this downward trend, the Strategic Defence Review emphasizes the creation of an “Integrated Force,” a loosely defined concept lacking a concrete implementation plan or timeline. This strategic vagueness contrasts sharply with the realities of global military competition, particularly as adversaries like Russia continue to field over a

million experienced troops. The gap between rhetoric and capability raises critical questions about deterrence, readiness, and the UK's long-term defense posture.

However, plans to expand the British Army in response to evolving security threats outlined in the SDR have been postponed until after the next general election, [according to Defence Secretary John Healey](#). Although Healey had aimed to raise troop levels modestly above the current target of 73,000, [he admitted in a BBC interview](#) that any meaningful recruitment initiative would not begin for several years. [Reports suggested](#) he had been aiming to raise the target troop size to 76,000—a move that could cost up to £2.5 billion.

Figure 1: Number of British Forces



Source: [Telegraph](#)

Rebuilding Industrial Readiness

The SDR places strong emphasis on rebuilding industrial capacity, proposing a new Defence Readiness Bill to grant powers to mobilise reserves and industry if war breaks out. While Britain is not currently prepared for major conflict, the roadmap outlined is timely and necessary.

Persistent Procurement Failures

The UK defence sector holds significant untapped potential to drive both economic growth and military readiness. The review recommends boosting digital innovation and munitions production, arguing that defence could play a far larger role in the UK's economic strategy. However, it warns that the sector remains stuck in outdated Cold War-era procurement cycles that hinder progress.

The review highlights real problems in the context of procurement: stockpiles are dangerously low, procurement is plagued by delays and cost overruns, and outdated equipment lingers in service far too long. Already in 2023, the Defence Committee has released its very critical report titled ["It is broke – and it's time to fix it,"](#) in which it concludes that the UK's defence procurement system is fundamentally broken. Despite numerous past reviews, little has improved. The system remains overly bureaucratic, slow, fragmented, and lacks clear accountability—fostering a culture that avoids individual responsibility. As a result, even in the wake of Russia's invasion of Ukraine, the UK retains only a minimal reserve of combat-ready equipment, including warships, armoured vehicles, and aircraft.

Current Ministry of Defence (MOD) processes impose slow timelines, rigid requirements, and high costs—particularly limiting the involvement of smaller, innovative firms. While global innovation now moves in days and weeks, it still takes an average of 6.5 years to award UK contracts worth over £20 million. These inefficiencies stifle productivity and slow adaptation to new technologies.

Modernising Defence for Economic Growth and Strategic Readiness

Page | 7

The review calls for faster planning, improved collaboration with the commercial sector, and closer ties with global innovation leaders like the US and China. This is especially important in areas where the UK lacks a strong domestic base—such as AI, robotics, nanotechnology, and automation.

Defence already makes a substantial economic contribution. In 2023, defence exports totalled £14.5 billion, supporting 440,000 jobs and over 24,000 apprenticeships (Figure 2). The MOD spent approximately £29 billion with UK industry in 2023/24 alone. With the right reforms, the defence sector could become a core engine of both strategic competitiveness and national economic growth.

Figure 2: The Nationwide Defence Industry



Source: [Strategic Defence Review](#)

Military Keynesianism: The UK's Defence Strategy in Broader Context

Labour's push for higher defence spending signals a potential return to a form of military Keynesianism—though the precise model remains unclear. Framed as both a national security imperative and an economic growth strategy, the government is positioning defence investment as a tool for regional rebalancing and job creation. [Key industrial centres](#) such as Barrow, Devonport, Glasgow, and Rosyth have been spotlighted as beneficiaries of this renewed focus, with [Defence Secretary John Healey suggesting](#) that funds diverted from overseas aid will instead bolster the British industrial base.

This framing—defence as a vehicle for inclusive growth—is politically expedient, especially as Reform UK’s popularity surges in regions neglected by post-industrial decline. But it also revives an old debate: can military spending serve as effective industrial policy?

Kalecki’s Critique: Limits of Military Keynesianism

Economist Michał Kalecki warned that while military spending may boost short-term demand, it poses risks for open economies like the UK—worsening trade deficits, encouraging capital flight, and fuelling inflation. Without strong external controls, such policies can destabilize rather than strengthen the economy. Kalecki also questioned the developmental value of military investment, arguing it lacks the innovation spillovers seen in civilian infrastructure.

Page | 8

Labour’s plan to fund defence by cutting overseas aid reflects a broader shift toward economic nationalism. Like global trends in “securitized” industrial policy, the focus has moved from social investment to strategic autonomy and rearmament. But the long-term payoff is unclear. UK defence R&D remains low by historical standards. Without stronger support for dual-use innovation and better integration with civilian sectors, defence investment may yield limited economic or technological gains.

Conclusion

The Strategic Defence Review presents a sober and realistic appraisal of the UK’s lack of readiness for major conflict, along with a roadmap for addressing key gaps. It places needed emphasis on home defence, resilience, and rebuilding industrial capacity, while sensibly refocusing Britain’s strategic priorities on the Atlantic front. Above all, it is a pragmatic document that recognises the consequences of decades of underinvestment. Regardless of political stance, the review marks a serious attempt to reorient defence policy. The challenge now is ensuring that it leads to action.