

Figures released on 30th July by the UK's Defence Export Sales Organisation (UKTI DSO) indicate that on a rolling ten-year basis, the UK remains the second largest global defence exporter after the USA. Nick Watts took a look for Defence Viewpoints.

In 2018, the UK won defence orders worth Â£14bn, up on the previous year (Â£9bn) and illustrative of the volatile nature of the global export market for defence. The UK share of the global defence export market was estimated at 19% in 2018. The UK's largest defence export markets were the Middle East, North America and Europe. In 2018, the value of UK Security export sales was Â£5.2bn, an increase from 2017 (Â£4.8bn), maintaining the UK at 4th place in the rankings. The UK's largest Security export markets were Europe, Asia-Pacific and North America, of which there are more details on the next page.

The USA has annually achieved the highest estimated percentage of the global defence export market between 2009 and 2018. The UK's European competitors have consistently had a lower percentage share than USA by value. The UK and France with their similar sized industries and equipment portfolios for export, have historically vied with Russia for 2nd or 3rd place, trying to close the gap with the USA. In 2018, the USA achieved market-share, estimated at 40% (reflecting strong sales across all sectors), UK 19%, Russia 14% and France 9%.

Italy has traditionally enjoyed a relatively consistent level of defence exports, a flat trend line, but in 2016 it won a large naval contract that was of sufficient value to propel it into 6th place for the ten-year period. However, its performance in 2017 & 2018 was lower in comparison, and its market-share restored to its usual lower level. Germany saw its estimated market-share peak at 9% in 2013 but in 2017, it did secure a big naval contract that helped its overall ranking. In

2018, it secured a major contract with Hungary for Leopard 2 Main Battle Tanks worth $565m.

There were notable UK successes in the Air domain in 2018 including Typhoon Aircraft & Brimstone Missiles to Qatar and numerous F35 related sales to the USA. The UK has won significant defence orders during the past decade, including Typhoon aircraft to Kuwait, Hawk aircraft to Oman, Typhoon aircraft to Saudi Arabia, Hawk aircraft to India, Helicopters to Norway and South Korea, Trent 700 engines to France, Offshore Patrol Vessels (OPVs) to Brazil, F35 work and bridging (USA), and Minehunters to Estonia.

The global defence export market is estimated to have increased from $98bn in 2017 to around $100bn in 2018. Selected major global defence export deals in 2018 included: the Russian export of a S-400 Air Defence Missile System to India ($5,5bn) & Su-35 aircraft to Egypt ($2bn), Spain 5 x Avante 2200 corvettes to Saudi Arabia, USA 4 x P-8A aircraft to New Zealand ($1.6bn) & 28 x F/A-18 Aircraft to Kuwait ($1.5bn).

The Middle East is the largest regional importer of defence equipment & services, the same as reported last year. Saudi Arabia, Qatar and the UAE are major national importers, whilst the UK, USA and France are the major suppliers to the region. The Asia-Pacific region has seen increased defence import activity in recent years, particularly in the aerospace and naval sectors. The UK has won major defence business in the region, including in 2013, when AgustaWestland won an AW159 helicopter contract with South Korea.

The Aerospace sector by value accounted for almost two thirds of all UK defence exports. This is unsurprising given the fact that high value combat aircraft, transport aircraft, trainer aircraft and attack and transport helicopters reside in this domain. The Land sector accounted for almost a quarter of all defence exports globally and has been on the rise. The Sea sector is the lowest sector globally by value.

The UK is dependent (around 88%) on its aerospace sector, including platforms, equipment and support. As a leader in air sector technology and capability, it is exploiting its expertise. This strength is vital to securing the high value export opportunities in growth markets where securing air superiority is, and is likely to remain, a key priority for nearly all nations. UK Land

exports overtook Sea exports in the period. There is headroom in these sectors that the UK should seek to exploit, particularly given the innovative and technological solutions developed by UK companies, and market potential already exploited by competitors. It is worth noting that the competitor portfolios of major competitors to the UK, such as the USA and France, appear slightly less unbalanced than the UK's, and therefore, these supplier nations are less exposed to sector fluctuation.

UK Security exports in 2018 were Â£5.2bn, a growth of 7.5% on 2017 export statistics. Security exports are expected to grow over the next five years as the UK security industry continues to innovate and develop world leading security technologies and solutions. The UK Security industry continues to develop its export capabilities, producing best in class solutions that are highly regarded globally. The security market is fragmented with a variety of companies across the technology segments with large defence and security players and adjacent industries such as Information and Communications Technology (ICT) actively engaged. A large part of the market is made up of SMEs providing products and services across the technology segments and creating a big proportion of the revenue.

The largest security destination for UK equipment and services is Europe, accounting for nearly half (49%). The North America region was the second biggest destination for UK security equipment, accounting for almost one fifth of total UK security exports during 2018. The Asia pacific region has dropped to 13% in line with the global trend. Africa, Latin America and Central Asia account for under 10% of security exports and are forecast to grow at less than 2.5%, slower than the overall security market.

The data shows Cyber Security to be the largest single security export category in 2018, just like it was in 2017; it is up from 38% to 40%. The UK cyber security exports figure for 2018 stands at Â£2bn continuing year on year growth. Cyber growth reflects the rise in cyber threats and expansion in digital transformation across the global security network.

In the global market for security products, the UK is ranked fourth in 2018, as it was in 2017, the highest placed European nation, ahead of France and Germany, who all have strong industries. The USA is the world's biggest security exporter, just as it is in defence. China and Japan are the next two biggest security exporters, with the UK placed between Japan and France. Asia-Pacific countries feature heavily in the Top 15 global security exporters, with South Korea,

Singapore, China and Japan in the listing.

Nick Watts is a journalist and Deputy Director of the U K Defence Forum