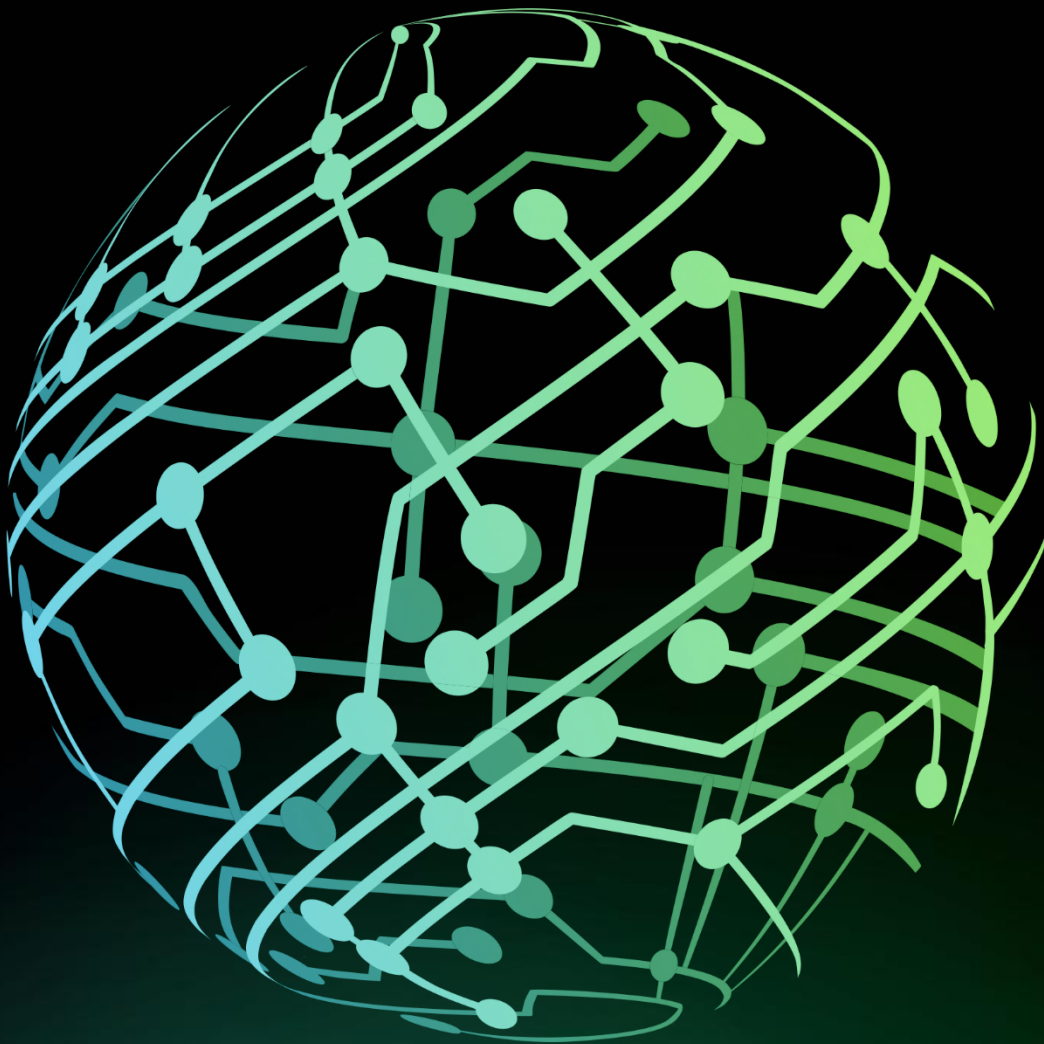




Strategic considerations on defense modernization

GCC defense modernization must integrate sovereign capability, local industry, and a secure digital backbone to deliver resilient, interoperable, and future-ready forces.

Throughout recent global conflicts, Deloitte has observed a significant shift in the nature of warfare. No longer do the most advanced, expensive, or sophisticated platforms hold supremacy or represent the most desired outcome. Every conflict has its own unique parameters, with speed of manufacturing, cost efficiencies, and interoperability between platforms and nations, becoming more significant factors. Based on Deloitte's deep global experiences in defense, we believe that recent events necessitate that nations make smart procurement and strategic localization choices to limit reliance on foreign allies. In this environment, defense agencies must evolve not only what they procure, but also how they plan, organize, integrate, and sustain military capability.

24.89%

of military spending localized by end-2024, advancing toward the Kingdom's target of over 50% by 2030

5%

of GDP committed annually by NATO Allies by 2035, including at least 3.5% for core defense requirements



Reimagining Defense Modernization in the GCC

Advanced nations have pursued the objective of Joint Operations for several decades, focusing on; the ability of the various branches of the armed forces to integrate, work together, and collectively defend the nation. In recent times, this objective has become even more important given the advent of the cyber and space domains, which intersect all others. However, achieving this requires a change in military planning and capability development. Many nations still rely on legacy approaches to force design, where capabilities are developed within individual services or domains, with integration considered later rather than from the outset. This can create fragmentation across systems, data, command structures, and operational concepts.

Even where individual capabilities are strong, we have seen that without deliberate integration across the defense enterprise, starting with local defense industry capability and extending through operational forces, enabling technologies, information flows, and command structures, their full advantage can be reduced or bypassed. Addressing these gaps after the fact creates greater complexity, higher costs, and longer timelines, while also increasing dependence on external suppliers and limiting sovereign flexibility in how capabilities are deployed and evolved.

This shift is already evident across leading defense nations. In the GCC, many governments are increasingly linking defense modernization to localization, industrial development, and sovereign capability. In Europe, the war in Ukraine has accelerated focus on force readiness, interoperability, stockpile resilience, and the need to modernize command, control, and digital integration across forces. In the United States, defense transformation continues to emphasize joint all-domain operations, AI-led digital transformation, and the integration of data, AI, and advanced technologies into operational decision-making¹. While each national context differs, the direction is clear: defense agencies must modernize as enterprises, not merely as collections of platforms.

The nations of the GCC are now at an important inflection point. Given the geopolitical environment and the region's strong national investment capacity, there is an opportunity to shape a defense modernization agenda that is not only advanced, but also sovereign, integrated, and sustainable.

¹<https://www.war.gov/News/News-Stories/Article/Article/4165279/defense-officials-outline-ais-strategic-role-in-national-security/>

In our view, this should be anchored in three mutually reinforcing pillars:

1 Mission capability

integrated, future-ready forces with advanced capabilities across air, land, sea, cyber, and space domains.

2 Defense industry

a strong, sovereign defense industrial base that drives local talent, innovation, and economic value.

3 Digital backbone

a **secure**, data-driven foundation comprising of integrated architecture, AI, and cyber capabilities, enabling better decisions at every level.

Taken together, these pillars can help GCC nations maintain sovereign control over their critical data, military capabilities, and national security decisions. They can reduce dependency on single-source suppliers and vulnerable supply chains, while enabling trusted information-sharing across military systems to support faster, more informed decision-making. Through smart procurement, a system-of-systems approach, and carefully targeted localization, nations can also improve the cost efficiency, resilience, and long-term sustainability of their defense capabilities.

Defense modernization requires a comprehensive and integrated approach. Successful initiatives involve aligning mission objectives, industrial goals, digital enablement, and institutional capabilities. Key transformation areas include procurement reform, operating model improvements, digital and enterprise architecture, data interoperability, localization strategies, and workforce development. Experience across different regions highlights the importance of tailored strategies to support large-scale modernization programs.

For GCC nations, this means not only acquiring advanced capabilities, but shaping the defense enterprise needed to sustain and employ them effectively over time. Strategic, technical, and sector-specific expertise help design that future; from procurement and localization strategy, to digital backbone and interoperability, to the development of local talent and institutional capacity. In a security environment defined by uncertainty and rapid change, this is the basis on which defense agencies can build resilience, readiness, and long-term strategic advantage.

As defense environments become more complex and the demands on military capability continue to evolve, nations are rethinking how they design, procure, integrate, and sustain defense capabilities. Deloitte brings together deep sector knowledge, strategic insight, and multidisciplinary expertise to help governments shape defense enterprises that are sovereign, integrated, digitally enabled, and resilient. From modernization strategy and procurement reform to localization, interoperability, digital backbone, and workforce development, our teams support clients across the full defense transformation agenda.

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