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THE CHANGING GLOBAL ECONOMIC ORDER

TOWARDS A REFRESHED UK STRATEGY

ANCHOR PAPER: THE BUILDING BLOCKS
AND CHOICES FOR A STRATEGY

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About the Fellowship

The Heywood Fellowship is a visiting fellowship created in memory of Jeremy, Lord Heywood, Cabinet Secretary from 2012 to 2018. The purpose is to give a UK Senior Civil Servant the opportunity to explore issues relating to public service and policy outside of the immediate responsibilities of government duties. The Heywood Foundation and the Blavatnik School, University of Oxford, established the Heywood Visiting Fellowship with support from the Cabinet Office. The Fellow is associated with Hertford College, Lord Heywood's former college.

The 2025-26 Heywood Fellowship sets out to consider a refreshed UK strategy for navigating the changing global economic order at this pivotal moment in time. It seeks to explore the UK's long-term needs and objectives, identify current and future challenges, and propose innovative policy approaches which would enable the UK to navigate and flourish through this pivotal moment and into a new era.

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The Heywood Fellowship Team

Jenny Bates is the 2025-26 Heywood Fellow. She is supported by Martin Fitches, Catherine Taylor and Michael Leger.



Jenny Bates – Heywood Fellow. Jenny was Director General in the FCDO from 2020 to 2025, undertaking two roles focused on China and the Indo Pacific and then more recently on Economics, Climate and Global Issues. Jenny's career has spanned more than two decades of economic policymaking in the British government (in FCDO, BEIS and HM Treasury), working across the intersection of international and domestic economic issues.



Martin Fitches – Visiting Practitioner. Martin has an extensive international and trade background, most recently as Co-Director for US trade policy at the Department for Business and Trade leading the UK's response to US tariffs. Martin has held a range of senior trade policy roles since Brexit, including as Deputy Director of Multilateral Trade Policy and the WTO.



Catherine Taylor – Visiting Practitioner. Catherine is a UK diplomat with over two decades of experience spanning economic development, counter-terrorism, consular affairs, climate and environmental policy. Most recently, Catherine was leading the team responsible for the UK's relationship with the OECD in Paris.



Michael Leger – Policy Fellow. Michael is a PhD Candidate in International Political Economy at the University of Cambridge. His thesis is on the rise and fall of the Bretton Woods monetary order, and debates on the relationship between monetary sovereignty, monetary unions and development from the vantage point of the global periphery.

SUMMARY

- We are at a pivotal moment in the Global Economic Order (GEO). A moment of transition from one state to another. Uncertainty is high.
- The GEO is a complex, dynamic system. For the purposes of the Fellowship, we define it as the broader economic context (rules, norms, institutions, power relations) in which the UK seeks to deliver sustainable prosperity at home - good jobs and rising incomes. The GEO operates across several domains (trade, finance, technology, energy and people) that are often treated as separate policy areas but have significant interlinkages. It is shaped by both *domestic* politics and wider *geopolitics* – including this era of strategic competition. It must be considered in the context of sustainability of our shared planet.
- The UK was instrumental in the creation of the previous order and helped shape it over time. We might therefore be attracted to try and preserve rather than reform.
- We consider – using techniques like **scenario** analysis – some of the potential 'futures' that may emerge from this pivotal moment. We identify four scenarios and set those out in this paper. All of them are difficult for the UK – they see norms and institutions disrupted, policy assumptions undermined and headwinds to our prosperity. None of them involve further broad-based globalisation. Navigating them would require different frames, policies, activities and partnerships. Taken together, they make clear that the status quo is not an option.
- This project therefore takes as a starting point the work of the previous Heywood Fellow, Lucy Smith, and seeks to articulate a refreshed national strategy for the UK. A set of key actors are business, given they operate within the GEO on a daily basis – trading and investing - and they influence the norms and institutions. We think the UK government and business should work more closely together to navigate the changing GEO and are exploring how to do this, including learning from others.
- We identify a set of core **objectives** for the **UK**. This is a complex question in a democracy and rightly requires debate. But any strategic approach must have at its heart some shared objectives and we posit that the UK's need both refreshing and explicitly stating. We propose a core **goal** of 'sustainable prosperity and rising living standards' – by design not just focused on GDP growth. We then articulate specific objectives, grounded in the nature of the UK economy and our status as a mid-sized power, grouped in three themes: resilience, competitiveness and impact. We propose these as enduring national objectives that could sustain a longer term strategy.
- Finally, we set out some very preliminary thoughts on the 'so what'. We identify the core **challenges** that the UK faces in this changing era and propose five new **policy 'tramlines'** that could shape our approach. These tramlines are not mutually exclusive and are proposed as a way to articulate alternative frameworks for guiding policy. They would all represent a departure from our current policy settings.
- We are publishing this paper early in the Fellowship to stimulate debate and discussion and to have an open conversation about the context, objectives and strategic choices.

Framing

This paper is the first publication of this year's Heywood Fellowship. In the spirit of the Fellowship, it is intended to inform discussion. And it is focused on the policy implications – the 'so what' for the UK.

The first part sets out the core policy challenge we are addressing in this Fellowship (including scope and definitions). It articulates how the GEO is changing and considers some **scenarios** the UK may face. It describes our current policy approach and makes the case that we need to change course and we need a new strategy. The status quo is not an option.

The second part proposes some enduring **objectives** for a refreshed UK strategy, a set of core **challenges** we face and proposes five possible alternative pathways or sets of policy **tramlines**. These are not necessarily mutually exclusive and elements of them could be combined. But they would all involve breaking with current policy approaches – sometimes radically. This part of the paper, in particular, is proposed for discussion. We would welcome feedback.

The next phase of the Fellowship will take these proposed objectives and tramlines and challenge them against the scenarios to develop a robust UK strategic framework and specific policy proposals consistent with that framework.

The paper is divided into the following sections:

- [Context – why this topic?](#)
- [Defining the GEO and how it is changing](#)
- [Our approach \(including the flotilla\)](#)
- [Considering the future and scenarios](#)
- [Setting Enduring National Objectives](#)
- [Strategic choices and core challenges](#)
- [Reframing the how – some new potential tramlines](#)
- [Next steps](#)

Context – why this topic?

The starting point for this project is that, today, we are witnessing a pivotal moment in the global economy and in international economic policymaking – in the 'Global Economic Order' (GEO). It is difficult to put a precise date on the shift and historians are likely to debate this for years. In the UK, some date this to the Brexit referendum in 2016 and the UK's departure from the European Union. Others point to the longer-term impacts of the global financial crisis in 2008/9. The COVID pandemic in 2020/21 disrupted global supply chains and raised questions around the resilience of globalisation. And recent elections around the world have brought to the fore discontent with elements of globalisation and how it impacts jobs and citizens, including in the US.

This pivot or transition is being felt through several channels: we are seeing major changes in economic behaviour by nations, for example on new approaches to economic security; there are shifts in the existing norms of international economic policymaking (e.g. in the Trump administration's approach to trade policy, or spending on aid/ODA), and there are challenges to the operation and legitimacy of international institutions for example at the World Trade Organisation (WTO). All of this is underpinned by longer-term and more structural shifts in the power relations of the main actors, with the move away from a global system dominated by an economic hegemon – the United States – and the rise of China and new economic powers such as India. Many of these nations are revisionist of the 'order' and are seeking more influence over the development of rules and norms to better reflect their interests, as well as more access to markets, capital and innovation. Similarly, we are seeing an increase in the power and influence of non-state actors, particularly large tech companies. Finally, changes to the GEO in 2026 are being undertaken against a backdrop of global awareness of the constraints of operating on our shared planet and the built-in impacts of rising temperatures.

Whatever the precise dating of this pivotal moment, there is a large and growing consensus – in academia, policymaking and wider public discourse – that we are moving from one era of international economic life to another. We understand today as a moment of transition. History tells us it may take a long time.

The UK helped shape the existing GEO, both immediately post WW2 at Bretton Woods and since then. The UK has been a significant global economic actor throughout the period and remains so today as the sixth largest economy in the world. We have shaped outcomes: as a member of the G7 and later instrumental in the creation of the G20; through our seat and votes at institutions like the International Monetary Fund (IMF) and World Bank; our role as a global financial services centre and in shaping regulatory cooperation in bodies like the BASEL Committee and the Financial Stability Forum; in earlier periods through our leadership in the European Union and its external relations and, as a member of the WTO; on wider norm setting and regulatory cooperation through the OECD and many technical bodies; through diplomatic engagement on climate change at the United Nations and beyond in financing clean energy transitions, and through a wide range of other groupings and active diplomacy too numerous to

mention. In the framing of my predecessor as Heywood Fellow,¹ the UK had placed a number of 'Big Bets' on this order - on globalisation as we have experienced it - and on its sustainability.

To some extent, then, the UK might naturally seek to defend and retain the status quo. Change might well seem to involve more cost than opportunity. Our mindset as policymakers is likely to find it hard to adjust to this new era and we risk being too slow to develop a refreshed national strategy.

But history shows quite clearly that the GEO evolves. The GEO we have now would be unrecognisable in 1970, 1950 or 1900 – even if some of the individual elements were identifiable. It can – and will – evolve going forward. No outcome is pre-ordained and precisely how that change will occur is yet to be seen. If history is any guide, the process is likely to be a combination of economics and politics. Structural trends in economic growth, differences in innovation and changes in the nature of markets will reshape the global economy. The evolution will also be shaped by both new ideas, policy debates and power dynamics – domestically within countries and internationally between countries. The nature of any GEO is also negotiated: power matters. For example, the US (as the rising hegemon) demanded the end of the UK's (declining hegemon) imperial preferences on trade as part of the Bretton Woods system post WW2. Any strategy must therefore pay attention to both of these elements: fundamental shifts in the economy itself, and the actors with agency and power to shape the new order and what they want.

It is the core thesis of this project that we need to take seriously these shifts and trends in the wider economic order and develop a refreshed UK approach. We are publishing this paper early in the Fellowship to stimulate debate and discussion and have an open conversation about the context, UK objectives and our strategic choices.

We aim to learn from other partners around the world who have developed – or are developing - new approaches. We can also take some inspiration from the national security community, who are arguably further ahead in their assessment of the future. The UK's National Security Strategy² makes the case that we are now in a world of "radical uncertainty", with intense strategic competition and a greater risk of confrontation with adversaries. It assumes we are not going back and sets out the implications of this era for national security policy. We do not yet have an equivalent set of refreshed thinking on international economic policy. This project aims to fill that gap.

¹ Lucy Smith [Long Term National Strategy June 2025](#)

² [National Security Strategy 2025](#)

Defining the Global Economic Order and how it is changing

This project draws from the disciplines of economics and international relations in particular. We take as our starting point that the GEO is a complex, dynamic system. Our **scope** for the elements that constitute an order is derived from international relations and specifically the articulation set out by Nye and Keohane:

"Order rest on a stable distribution of power among states, norms that influence and legitimise the conduct of states and other actors and institutions that help underpin it"

(Nye and Keohane. The End of the Long American Century, Foreign Affairs July/August 2025.)

This definition helpfully recognises that any 'order' is about more than the institutions (which can tend to be the focus of policymakers). The trade order is not just the WTO and bilateral Free Trade Agreements (FTAs). It is also about the behaviour of nation states and businesses and the uncodified norms which shape that set of interactions. And it helpfully brings in concepts of power, as well as the more technical elements like legal processes and institutions.

The second aspect of scope is the policy space. In our concept of the GEO, we are applying this concept of a system of norms, institutions, actors and power relationships to economic policies and outcomes - broadly the space of international economics or the global economy.

The GEO operates within a wider global order of nation states and the maintenance of, or disruption to, national security: we are clear that the core mandate for any government is the protection of the governed through state preservation and national security. We recognise that we are in an era of US-China strategic competition and a period with greater volatility, heightened risks and more conflict, most obviously (but not limited to) Russia's invasion of Ukraine. We do not underestimate the importance of that wider context. But our focus is the *impact* of that context on the economic order, not an assessment of the security context. The latter has been covered in detail elsewhere (including in the UK's Integrated Review in 2021, Refresh in 2023 and the National Security Strategy 2025). And, indeed, the GEO itself can generate *economic* impacts that meet or exceed some of those security and geopolitical trends – most obviously and recently through the global financial crisis of 2008/9.

We address this intersection between geopolitics and the GEO in two ways. First, the more contested and volatile global order impacts the GEO through important channels, which we discuss below (under the section on forces) and consider throughout our scenarios analysis, challenges and policy options. Second, while we recognise that a global conflict would fundamentally reshape the GEO, we place this as out of scope for this work.

Our focus is therefore on UK international economic policy. In practice, we recognise that diplomacy and international policy involves bringing together all elements of a

relationship including economics and security, as well as values, history and, often, personal relationships. The UK will need to make trade-offs and this is especially true with powerful partners and where we have wide ranging relationships. However, the framing of this Fellowship is not to constrain economic options from the outset with any broad assumption that choices are off the table. Rather it is to generate the best thinking on economic options and choices to enable rigorous and balanced trade-offs to be made.

Our concept of the GEO spans five economic 'domains' - all of which have a bearing on the core outcome: **sustainable prosperity and rising living standards**. We define a GEO domain as an identifiable area of global (or at least cross border) economic activity and policymaking, where there is a set of identifiable norms and multinational institutions and that operate with a particular set of policy objectives in mind. A domain often has an identifiable community of practice, terminology and expertise. Some actors (e.g. nation states) or institutions (e.g. IMF) operate across more than one domain.

Box 1

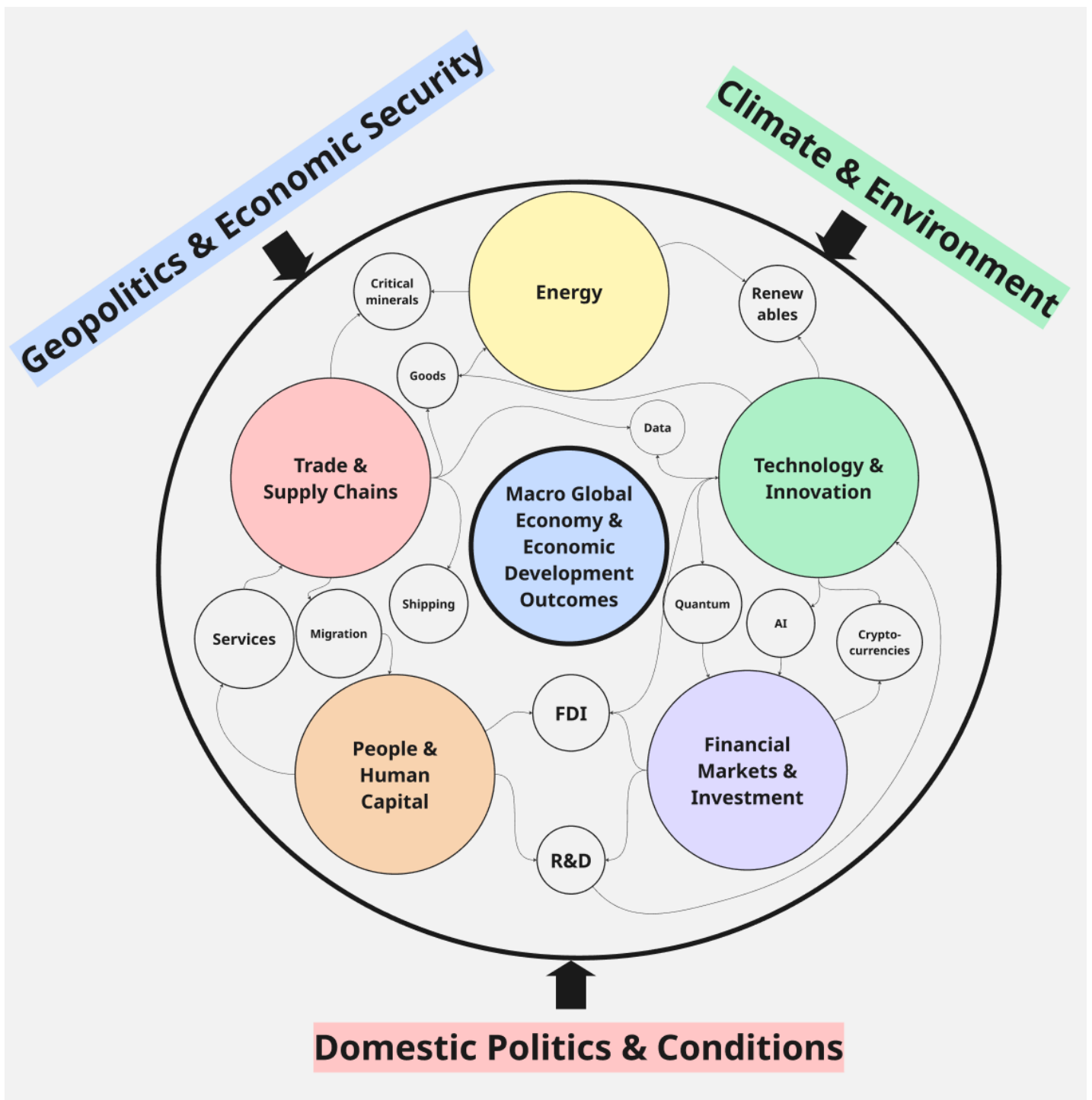
The 5 GEO domains:

- Trade and supply chains
- Finance and investment
- Energy
- Technology and innovation
- People and human capital

We see today's modern GEO as a complex **system** of interconnected established and new domains. For example, innovations in the technology domain are transforming the nature of money (e.g. cryptocurrencies) and financial services (e.g. neo-banks) in the finance domain; supply chains of critical minerals delivered through cross border trade are a key input into the clean energy transition; and modern services trade is delivered through movements of people and ideas (physically or virtually), linking the people and trade domains. There are also linkages in the sense that decisions or actions in one domain have impacts in another.

Crucially, we see this GEO system as **dynamic**. It is constantly changing and evolving, both because the global economy itself evolves, shaped by fundamental factors like demographic and technological/innovation shifts and, today, the impacts of rising temperatures, and also because the norms, power and institutions shift. Indeed, these two interact, most obviously as changes in relative economic size alter the ability of nations to shape the order. As many have pointed out recently, we may be entering a phase of disorder. Given that uncertainty, our work on scenarios - discussed below - teases out some possible futures.

Figure 1 – The GEO



The GEO as we conceive it is influenced and shaped by three 'external' forces. We define these as:

Force 1: Geopolitics and economic security

This is external to the GEO in the sense that it comes from the wider geopolitical context of interstate relations, as noted above. This force entails:

- An **era of strategic competition** between the US and China. This manifests in the GEO across all domains given the degree of economic integration between the two actors and the concern about retaining competitive (economic) advantage. The technology domain is a particular focus for this competition and strategic competition creates tensions with economic approaches based on collaboration and open innovation systems. A **state** of the world.
- The emergence of a **more contested global political order** with more confrontation and **conflict** between states. Conflict impacts the GEO through channels like global energy markets and disruption to cross border supplychains. And a heightened risk environment drives a significant uptick in defence spending, which can be large enough to shape new markets, innovation and even GDP growth. On the other hand, heightened risk and uncertainty can reduce or reshape cross border investment or trade flows. A **state** of the world.
- A shifting **norm** as states place more priority on 'security' (resilience, control, predictability etc) over 'efficiency' or profit. A shift in how states perceive the benefits/costs of different kinds of openness. This impacts the GEO through changing national policy settings in domains like trade and finance, tensions with global integration approaches and more of a focus on domestic markets.
- The use of economic tools as part of the playbook of both offensive action (sanctions, economic coercion) and defensive action (reducing lengths of supply chains) to manage and respond. A shifting **policy** response.
- The emergence of new **institutions** (inward investment screening regimes), collective responses to coercion (e.g. EU anti coercion instrument).

Force 2: Climate change

This is external to the GEO because it comes from the global commons (and constraint) of living on a single, shared planet that has physical attributes and feedback loops. This force entails:

- The strong positive link between modern economic growth and total energy demand and therefore emissions (even if this latter part evolves as the type of energy shifts). A **state** of the world for any GEO.
- The *built-in* impact of emissions on global temperatures. A **state** of the world (2 degrees or above), which includes more volatility and climate-related shocks throughout our time horizon.
- An emergent **norm**, as states and societies today (in 2026) recognise that tackling climate change is a global collective action problem, even if there are real disagreements about how to do so.

- A shifting **policy** response as states implement climate policies and both states and the private sector accelerate investment in technology. Attention is focusing more on the cost curve of the transition and impacts on specific groups.

Force 3: Domestic politics and conditions

This is external to the GEO because it comes from within the nation state (its origins are domestic – the GEO is international). This force has been increasing recently in terms of its impact on the nature of globalisation . This force entails:

- Rising concern and debate around economic outcomes from globalisation in terms of rising inequality, concerns about secure jobs and rising pessimism about the economic prospects for future generations. This is driving a shift in political debate in many countries, including growing populism and nationalism.
- Shifting policy choices. The global economy has always shaped domestic economic outcomes and vice versa. The extent varies across national contexts (depending in part on economic size and openness) but all nations seek to balance global agreements with achieving domestic welfare and national interests. As domestic politics shifts, national **policy responses** in this era may challenge or seek to reshape global institutions, rules and norms.
- An emergent or shifting **norm**, in terms of growing protectionism and rolling back of global cooperation and commerce and a shift away from a widely held (though not universal) norm around the benefits of openness and integration.

Combined together, these forces and the GEO shape a set of economic outcomes, which we place at the centre of the system. In simple terms, this is how the GEO impacts the **core goal: sustainable prosperity and rising living standards**.

In summary, the GEO is a complex and dynamic international system. It sits within a wider context of nation states and national security (and is shaped by shifts there) and is principally about the interactions that shape national sustainable prosperity and rising living standards. It is the system that facilitates and shapes the global economy. The GEO spans several economic domains which themselves interact but are sometimes treated as distinct policy spaces. Understanding the GEO requires an appreciation of the behaviour of the actors, their power relations, the norms they create and follow as well as the institutions and policies.

Our approach

Our approach to this changing context is to draw from the previous Heywood Fellowships. Specifically, we are drawing from and applying techniques of how to do “National Strategy”³ developed by Lucy Smith. And we are drawing from Jonathan Black’s work on geopolitics and economic security and have incorporated this as a new sustained force operating on the GEO.

Lucy Smith made the case that, in facing the challenges of the coming decades, those countries who will succeed will be those who are able to successfully define and pursue long-term, national strategy. This means those who can diagnose their top challenges on a 15-year horizon, set objectives and pursue them consistently over time, reimagine and pivot to their ‘big bets’, and mobilise national effort accordingly. We agree with this diagnosis and take as our starting point in this Fellowship that we need a UK national strategy for the global economic order, and our aim is to define, develop and articulate a framework for, and critical components of, that strategy.

We have also taken on board Lucy’s observation that designing and implementing a successful and enduring national strategy requires the **alignment** of efforts and views of many actors, not just the government – a ‘flotilla’ all moving in the same direction. The UK’s ‘flotilla’ on international economic policy might include the national government, Devolved Administrations, Mayors and Local Authorities, the Bank of England, economic regulators, businesses, universities and centres of research, trade unions, NGOs and indeed the UK public.

We are particularly interested in reshaping the relationship between government and **business** in how the UK creates and implements a refreshed strategy to the changing GEO. Moving towards a flotilla approach between government and business would be a shift for the UK. It is not how we are current operating. But we think it matters particularly here because:

- Businesses operate in the GEO on a daily basis – for the UK to gain the benefits of a new trade agreement or to enforce sanctions on a regime requires action by the private sector and alignment between policy objectives and implementation. In a period of flux and change, mechanisms to achieve this alignment may be more important than in a period of more stability.
- A refreshed GEO strategy will be long-term in nature, across parliaments and business cycles. Done right, it will allow longer term investment decisions by business, including capital investment. This requires alignment over time.
- In this more contested and geopolitical world, businesses – including multinationals - are increasingly seen as both tools of the state and part of a national sphere of influence. They may be asked or pressured by governments to pick sides or make strategic choices that conflict with UK national interests. When other governments have this kind of strategic alignment and dialogue with

³ National Strategy Playbook 2025 Lucy Smith, Heywood Fellow 2024-2025

business, the UK's current approach of more limited engagement may put our interests at risk.

- Many of the UK's biggest strengths are found in our private sector, for example the City of London or our world class universities. If we are to both exploit and protect these, a more joined-up and strategic approach is needed.

We recognise that many major UK firms are particularly global in activity and ownership and therefore more exposed to changes and evolution in the GEO. Interestingly, there is little sense of 'Team GB' in navigating the GEO – something we have tested through discussions and engagement to date. We also note that some of our allies and competitors have different models of the relationship between the state and business. For some, that is seen through much larger state-owned enterprises and more state ownership of the economy. But it can also be through the way business and the state interact. There is often a greater sense of 'one team' and there are more corporatist models found in countries like Japan and Germany. We are clear that any UK flotilla approach would need to be designed for the UK context. But we think it will need shaping.

Any flotilla would not just be about business. For example, many of the standards that govern international economic life are highly technical and are discussed and agreed by expert agencies with devolved authority. Whilst the UK's traditionally technocratic approach has long been a strength and source of pride, when these same standards are shaping the future of the global economy, there is a strong argument that UK strategies will need to be both technocratic and (geo)political.

To inform our thinking, we will be looking at how other countries organise themselves in this context with a view to learning from them. But we are very clear that any different approach for the UK will need to be uniquely British and take account of the structure of the UK State and economy.

Key questions

- *Is the concept of a UK flotilla (or Team GB) a useful one for navigating the GEO? Who would be the participants?*
- *What could they achieve differently compared to our current approach and what would need to be true for this to be a success?*
- *What do the government and business need to do differently to better navigate the changing GEO and support sustainable prosperity and rising living standards for the UK?*

Sketching the UK's current approach: our current 'Policy Tramlines'

Before we consider in more depth future scenarios and potential strategies, it is helpful to reflect on the UK's starting point. We propose a concept of 'policy tramlines' and define this as enduring core policy settings. These are not all necessarily written down in one place – some are norms or are implicit. They are not the specific policies and detailed positions but they are the core features that capture the UK's principal approach in terms of international economic policy.

The current UK policy tramlines are:

1. **Internationalist with a win-win mentality:** the UK tends to operate on the presumption that international cooperation is positive and that it produces better outcomes than acting on its own. An implicit assumption is that cooperation is good for others too, as it can lead to mutually beneficial outcomes. Often the UK will take a lead in convening others.
2. **Economic efficiency focused:** efficiency and value for money drive UK policymaking and underpin a belief that openness, free trade and competition is positive, all the more so when this is international as this will drive more efficient and innovative outcomes. If other countries can do something more efficiently than the UK, this is broadly seen as of positive value and to be harnessed.
3. **Market-led:** the UK approaches policy with a dominant belief in the power of market and market forces to achieve outcomes and therefore takes a relatively light-touch approach to intervening or regulating. For example, we tend to operate with a norm that UK businesses should broadly be able to operate with minimal state oversight, including with regards to ownership.
4. **Rules-based and evidence-based - technocratic:** UK policymaking tends to support upholding internationally agreed rules and sees compliance as demonstrating integrity and trustworthiness. There is a dominant norm that rules should be grounded in evidence. The UK invests in and supports technocratic institutions in order to provide robust evidence, independent challenge and often implementation.
5. **Western allied:** the UK has principal alliances with the G7. The UK is in the US orbit, especially on defence and security where integration is unparalleled and integral to the UK's own security. The UK is not a member of the EU, but the EU is the UK's biggest overseas market and is likeminded on many economic issues and therefore close cooperation and alignment, where in the UK interest, is important.

An approximation of how this shows up in our current international economic strategy or UK policy paradigm would be something like '**an activist globaliser**'.

This has included supporting the US-led economic order since WW2 and the expansion of the global liberal system. Specifically, pushing for more globalisation of markets (finance, energy, tech, trade), albeit with some limits such as opposing global taxation rights or unconstrained freedom of movement of people (migration, EU exit). The UK has actively participated in many global economic forums (helping create the EU's single market and bring the G20 to life after the 2008 crisis) and joins new groupings where they are shaping rules and behaviours, e.g. the Comprehensive and Progressive Agreement

for Trans-Pacific Partnership (CPTPP). We have supported rules-based systems and agreed to reforming governance but sought to protect our influence, e.g. our seat at the World Bank. Successive governments have sought to project soft power through aid and development cooperation, collaboration on issues like climate change and science/technology partnerships, as well as through culture and our language. There has been a strong and implicit 'big bet' that others wanted to join this globalising system, that they would become more like us and that partners want to learn from UK expertise and innovation. Another 'big bet' has been on openness being a generally positive trend and one that would continue. We have positioned ourselves as a bridge between the US and EU – at least until Brexit. We project hard power but only in coalition with the US.

We do not think this approach is viable in the world we are entering. The question is how it should evolve.

Considering the future

Understanding that we are at a pivotal moment globally is helpful but insufficient for policymaking. Governments must govern and policymaking requires decision-making now that impacts future outcomes. We therefore need a way of thinking about the future – or more precisely, *possible futures*. Identifying and separating structural trends from the 'noise' is particularly important for any longer term strategy.

This project has considered various techniques and we are persuaded that, in a context of "Radical Uncertainty"⁴, it is not useful or possible to try and 'predict' the future. Attaching probabilities to different outcomes is not realistic. Instead, we are using futures techniques.

One part of this is to consider trends - these are elements of change that we can see and understand and are material in their impact over the future period. They are often reasonably clear and amenable to judgements about potential states of the world. They include demographic shifts and scientific modelling of the impacts of inbuilt climate change.

The key underlying trends

We assume the following ten economic trends will shape the futures out to 2040. More detail and sources can be found in the Annex.

Economic performance and trade	The global economy will remain dominated by three large blocs (US, China and EU) and will see a larger number of other significant economies emerge (especially India), resulting in a wider distribution of economic power over time.
	Poverty and income disparities within and between states will persist.
	There will be continued macroeconomic imbalances, in particular between the US and China.
	Global trade will continue via established low-cost shipping and digital routes – the world does not 'deglobalise'.
Shocks	Globalised financial and economic shocks will occur. In our 15-year period, one would expect one or more of (i) another pandemic, (ii) financial crisis, (iii) localised conflict, (iv) climate shocks.
Climate and energy transition	Climate change and its impacts will accelerate: the built in effects of global emissions feed through into temperature rise. Policy action taken now to change this trajectory only impacts outside our 15-year window.
	There will be a growing and long-term need for natural resources, for both the energy transition and to support global growth.

⁴ Radical Uncertainty - Decision making for an unknowable future by John Kay and Mervyn King

Population shifts	The UK population will grow, with declines due to an ageing population offset by net inward migration. The UK born share of the labour force will remain the significant majority.
	Birth rates will continue to decline and populations age in the Global North – especially Europe and Japan (less so in the US). There are also significant population declines in China. In contrast, rapid growth will occur in populations in some emerging markets (India, Nigeria).
Technology	We will continue to see rapid advances in technology but widening inequality in access within and between countries.

The next step is to develop and explore a set of potential scenarios. These draw from the trends and explore possible pathways where the set of potential outcomes (e.g. state behaviours, politics and policies) is so uncertain that it is not possible to model an outcome or range of outcomes. We have designed a limited set of future scenarios that are plausible but also challenging to test strategies against.

For both elements, we use a **time horizon** for enquiry of **15 years** – principally defined in terms of the policymaking window. This is intended to be long enough to enable some bolder and new approaches to be developed and applied. It recognises that changes in 'orders' do not happen overnight but are rather the result of policymaking and action. When done internationally, this takes time. And it is intentionally beyond the lifetime of a single UK Parliament or government. It focuses on what a national strategy might need to look like for several UK governments.

Scenarios

The four scenarios we have put together are:

1. **A minimalist or 'unmade' order – “G Zero”.**

The US has stepped back from global economic leadership and no other global economic hegemon has emerged to fully take its place. China has been asserting more influence in line with its interests.

2. **Strategic national capitalism and a contested order – “G vs G”**

An order marked by growing economic nationalism and a shift to 'strategic national capitalism' in many countries, combined with more contestation and antagonism, principally between the US and China. High levels of populism in many states and more volatile economic policy outcomes.

3. **Managed competition – “G2”**

The US and China have remained in competition but - over time – have found a pathway to manage tensions. The US has seen managed competition as a route to retain advantage. China has prioritised stability and domestic growth over global competition. The US has sought to reshape the GEO but with a more enlightened and partnership approach.

4. Technology defines the future – “GX”.

The concentration of economic power in a few global technology firms, based in the US and China, has remade the GEO.

More details on the scenarios and how they have been constructed are set out in the accompanying publication – The Four GEO Scenarios. None are predictions and all are stylised possible future states of the world to enable discussion, challenge and strategy development.

As part of our work, we are interested to develop a wider conversation around these scenarios and what they mean across different policy domains.

Key questions

- *What can and should the UK be doing (and not doing) to secure our prosperity in these scenarios? What would success and failure look like?*
- *What are the opportunities and challenges for the UK? What would you/your business/your institution be doing to respond?*
- *Are the scenarios useful for other countries and partners facing a similar context?*

Setting enduring national objectives

Any strategy needs to have at its core clear objectives. In this case, what is it that the UK wants and needs from its engagement with the GEO?

In a democracy, policy objectives are mediated through the democratic process. We cannot substitute for that process as the Heywood Fellowship. Yet, objectives for longer-term policy need to be sustained over time to enable delivery through successive governments and Parliaments. We also form the view that, particularly in a moment of significant disruption, separating ends from means is a useful discipline. Longstanding policies can sometimes be confused on this and separating 'what' from 'how' can open up new pathways.

Finally, objectives need to take into account the context. For example, policymakers in previous eras of significant disruption in the GEO would not have considered directly the climate constraints and energy transition as the science was not developed or understood. For the UK, navigating this era of the GEO sees us as a significant mid-sized economic power, not the centre of an Empire or the trailblazer in an industrial revolution. And we find ourselves in an era of wider geo-economic and geostrategic competition, where the order itself is being reshaped. Our objectives and approach must take that context into account.

This paper proposes the following framework for UK objectives:

Proposed objectives

Like the rest of the project, we begin by recognising that the primary and fundamental responsibility of any UK government is the protection of national security. In international terms, that includes the long-term viability of the UK nation state. We do not discuss this prior national security objective in detail as it is not the focus of this project, though we do consider interactions with objectives established here. For example, to provide national security you need a prosperous economy to provide the necessary funding. And, as discussed in the geopolitics force section, shifts in national security impact on the GEO.

The principle overarching goal we are interested in is economic. We define this as **sustainable prosperity and rising living standards in the UK**. There is no simple and easy definition for assessing economic welfare, which is itself a complex and contested area. But we propose this definition as it captures three core elements we think are important:

- 'sustainable' is intended to capture the concept of rising welfare that is consistent with a liveable planet
- 'prosperity' to include wider concepts than just income and
- 'rising living standards' to recognise that a healthy democracy is better sustained through voters' experience of the economy and not just GDP measures.

This is a shift from an approach that focuses purely on GDP growth alone. It is not about profit maximisation per se or globalisation itself as a goal. That is intentional. It is consistent with paying attention to rising GDP and overall economic growth – and indeed rising GDP is necessary to generate tax revenues to fund core spending - but it would not see that alone as sufficient in achieving economic success.

We then identify specific objectives for the UK's interaction with the GEO that help achieve that goal. We see these as forming three groups.

First, the core economic foundations that the UK should seek to achieve and where the GEO plays a significant role.

1. **Macroeconomic stability.** For the UK, from an international perspective, this requires predictable access to - and limited volatility in - global markets (financial, commodity/energy, goods). Specifically, deep and well-functioning international financial markets provide access to larger pools of capital for the UK government (enabling gilt issuance to foreign buyers at reasonable cost, helping fiscal stability); efficient markets for sterling trading (providing currency convertibility and limiting exchange rate volatility); and access to finance for UK based businesses, supporting investment and growth. While ideally not needed in practice, macroeconomic stability may also require access to credit mechanisms to manage times of national balance sheet stress (e.g. in the balance of payments).
2. **Supply chain security** (quantity, price, visibility) **for critical goods and services that the UK does not produce** or produces in insufficient quantities. This includes goods such as some food and medicines, semiconductors and rare earth minerals, as well as tech/IT services such as cloud, satellite and AI platforms. For example, Defra figures show we were 60% food self-sufficient in 2024⁵. (The highest it has been since WW2 is 78%).
3. **Energy security** sufficient to meet the UK's needs. The UK's net energy import dependency is around 40%⁶. The UK was a net energy exporter until around 2000 but has since been energy dependent for over two decades (largely reflecting the reduction in energy supply from the North Sea). We import gas from Norway and globally, the UK has electricity interconnectors with France and some other European countries and we import uranium. UK energy security requires reliable access to energy from partners.
4. **Volatility minimisation.** The UK is a relatively open economy in core areas like finance, trade and energy – as well to global shocks like pandemics. This means we are connected to global markets and the transmission mechanisms they generate (positive and negative). We saw this recently in the disruption to our supply chains during the pandemic. And we are more exposed to global

⁵ [United Kingdom Food Security Report 2024](#)

⁶ [Energy Trends December 2025](#)

financial shocks than many other developed economies. We therefore have an interest in reducing negative shocks and having tools to manage future shocks (some of these may need to be collective action or insurance mechanisms).

Delivering against these core objectives would increase UK resilience.

Second, there are a set of core objectives for the GEO that drive UK competitiveness and growth. These are:

5. Access to **markets and trade – especially for services**. Beyond the things we cannot produce, trade and access to global markets enables the UK economy to focus on areas of comparative advantage and to attract inward investment beyond that available domestically. The UK is a services-based economy – services account for around 80% GDP and employment and more than 50% of our exports – including digital and creative industries, financial, professional and business services, education and travel and tourism⁷. Supporting growing trade requires access to markets overseas for our exports (as well as access to inputs for UK-made goods and services); reasonable protections against unfair competition from trading partners; and ways of settling disputes.
6. **Sustained and increased foreign investment** in and out of the UK, including anchoring existing investment (the stock) and adding to the flow. Inward investment is a source of quality, skilled work and good jobs; supporting this might include growing investment in the eight high growth sectors identified in the UK's modern industrial strategy (advanced manufacturing, clean energy, creative industries, defence, digital and tech, financial services, life sciences, professional and business services)⁸. The UK also needs profitable investable opportunities for capital *from* the UK heading overseas and returning as profits to the UK. The City in particular is a global financial services and investment centre: it accounts for nearly 40%⁹ of global foreign exchange trading, over half of shares traded in London are foreign owned and London is the western centre for Islamic finance, as well as the western centre for offshore RMB trading. The UK is the third largest market for insurance globally and Lloyd's of London is the world's leading specialist insurance and reinsurance market, serving a global customer base.¹⁰
5. Deployment of **frontier technology** – including safe use – is important because innovation is a key driver of productivity and growth. This might be access to cutting edge technologies to adapt to the impacts of climate change and drive the clean energy transition, or wider purpose technologies like AI, quantum, engineering biology and cyber. It will include those developed overseas today

⁷ UK is the only G7 economy exporting more services than goods by value. WTO Trade Policy Review of the UK – September 2025 (Page 15. Para 1.3) sourced from "Service industries: Economic indicators", *House of Commons Library Research*
<https://commonslibrary.parliament.uk/research-briefings/sn02786/>

⁸ The UK's Modern Industrial Strategy 2025

⁹ Bank of International Settlements Triennial Survey (QTC foreign exchange turnover in April 2025)

¹⁰ TheCityUK: <https://www.thecityuk.com/media/woaizj2o/key-facts-about-the-uk-as-an-international-financial-centre-2025.pdf>

and will also evolve over time as new technologies emerge. In a complex global economy, the UK will not be the source of all such innovation and we will need access to imports of some inputs, products and processes.

6. Sustained exchange of **knowledge and ideas** across borders, including embedded in human capital. The UK has a strong science and research tradition and capability and yet still only accounts for around 2% ¹¹global patents; the UK does not have a monopoly on invention. The UK research sector needs global collaboration to operate at the knowledge and innovation frontier. We will therefore need access to sustained partnerships and sharing of innovation across borders.
7. **Supporting our green transition.** The UK's transition to a more sustainable economy is an economic transformation, like for all advanced economies. This will create opportunity and growth in some key sectors (e.g. clean energy, green finance). It will also be a necessary underpinning of our competitiveness when navigating a GEO that will itself be reshaping to meet this new context, as policies shift in other countries and as we experience increasing physical impacts of climate change. Much of this transition will be done domestically. But a successful transition will require access to foreign investment to reshape our capital stock over time to both support new opportunities and help the economy be more resilient to climate shocks. It will also involve access to markets for areas of UK comparative advantage in the new technologies (offshore wind, modular nuclear) and products (new forms of climate risk insurance) so that we can be part of the development and deployment of necessary solutions at scale.¹² And we will need access to technology and know-how developed overseas to ensure we are meeting the transition at lowest cost.
8. **People.** A core driver of productivity and growth is the overall size and skill mix in the labour force. The biggest driver for this is the domestic workforce and would be addressed by developing domestic skills and human capital, as UK born workers will remain the vast majority of the workforce. Yet, the UK population is ageing and the share of foreign workers in the UK labour market has varied over time and stands at around 20% today¹³, up from around 8-10% in the 1990s and closer to 5% in the 1950s. The UK has current skills shortages in some sectors including technology, health and adult social care, construction, engineering and manufacturing. The UK is therefore likely to need access to some skills found overseas.

These economic objectives can be proposed as enduring interests and needs that persist over time given the overall nature of the UK economy. The precise *balance* of

¹¹ [World Intellectual Property Indicators \(WIPO\): IP Facts and Figures 2024](#)

¹² Exports of environmental goods and services (2.6% of UK total goods and services exports) grew over three times faster than total exports between 2015 and 2021. [WTO Trade Policy Review of the UK – September 2025](#) (Page 188. Para 4.182)

¹³ [Migrants in the UK Labour Market: An Overview \(16 June 2025\) – The Migration Observatory at the University of Oxford](#)

focus on domestic or international in achieving any objective may shift over time and is subject to policy choice (e.g. on levels and types of inward migration, on efforts the UK has placed on levels of national food self-sufficiency over time). But none of them can be achieved solely domestically - they all require engagement with the GEO.

A third set of objectives relate to how the UK interacts with the GEO as an order – recognising that it is shaped and negotiated.

The starting point here is the UK's status, capacity and role as a significant or prominent mid-sized economic power within the GEO. The US (25%), China (17%) and EU (17%) together account for around 60% global GDP and are the three key economic actors at scale. The UK is the sixth largest economy in 2025 at around 3% global GDP – so in a 'second tier' along with Canada, Japan and Brazil (as well as France, Germany and Italy when considered at nation state level). India has a similar sized economy to this group but a much larger population and higher growth rate (as well as much lower per capita income). In some projections, it becomes its own scale somewhere between the two groups over our ¹⁴ time frame^[OBJ].

The elements or attributes we might need from the GEO given this context include:

1. **Agency.** We might think of this as some ability for the UK to make choices and to influence outcomes and also the ability to adapt to the actions of others in the GEO. As a mid-sized actor, how this agency operates will be different to the larger blocs and markets.
2. **Policy space.** This is about the ability to make some national decisions that differ from other countries to reflect our national preferences and needs. This is related to discussions of 'sovereignty'. Sometimes states may choose to pool sovereignty (which means less flexibility to act differently) to achieve a shared objective, while at other times it may be more important to make differentiated national decisions and manage any international impacts (or 'spillovers' as economists call them) with a preference for allowing difference in approach.
3. **Leverage.** A related concept to agency. This might recognise that power relationships in a global economic system like the GEO will be material to policy and economic outcomes. Leverage may come from scale or from specific assets or capacities. For mid-sized powers, a more active conception of how to generate and exercise this may be relevant.
4. **Cost minimisation.** We are a smaller power (relatively) in this order than we have been in any previous era in recent history. Others have an ability to impose costs on us – either intentionally or inadvertently - and to create opportunities at scale. The UK may need to have ways to reduce risks, including how we seek redress through dispute systems or can limit hegemonic action.

¹⁴ DBT Global Trade Outlook – June 2025

5. **Partnerships.** As a mid-sized power, the UK is likely to need to partner with others to achieve objectives. A system that facilitates this (and in different formations) is therefore likely to be in our interests.

Figure 2: UK Enduring Objectives in a Changing GEO

Sustainable prosperity and rising living standards in the UK

Impact	Competitiveness	Resilience
<ul style="list-style-type: none"> • Agency and policy space • Leverage • Partnerships • Cost minimisation and insurance 	<ul style="list-style-type: none"> • Trade – esp. services • Investment: FDI inward and outward • Access to frontier technology • Exchange of knowledge / ideas • Green transition • People and skills 	<ul style="list-style-type: none"> • Macroeconomic stability • Energy security • Supply chain security, incl. food • Democracy – shared prosperity

Not all of these objectives will be achievable simultaneously. They will require trade-offs and those will be subject to debate and discussion. Rather than attempt a full trade-off assessment here, we will develop competing strategies that explicitly preference different core objectives to tease out what some of those trade-offs might be.

More broadly, we propose these for discussion and are interested to engage on feedback.

Key questions

- *Are these the right objectives? Do they resonate? Are they suitably enduring? What are we missing?*
- *Is there anything that could not receive wide-ranging or enduring support?*

Strategic choices for the UK

This Fellowship is making the case for a refreshed UK strategy in a period of flux in the GEO. It has set out that changing global economic context and some potential futures we might have to navigate. We have articulated a core goal, namely 'Sustainable Prosperity and Rising Living Standards for the UK'. And we have articulated some specific objectives that are informed by the context – focused around achieving and sustaining resilience, competitiveness and impact.

We now begin to turn to strategic policy choices. In any policymaking space – and especially something as complex as the GEO - there will be more specific policy questions than are feasible to address.

These next sections are initial thoughts to sketch out an approach. We will develop these further – along with some propositions on national capabilities needed to deliver these – in the next phase of our work.

Our initial proposition is that the context and futures described above pose a set of **core challenges** for the UK today when navigating the GEO. They are best considered in light of the Futures Scenarios set out in the accompanying publication.

We propose the following as the core challenges:

1. We have significant dependencies on the US – both in policy terms and economically – and its approach to the GEO is changing.
2. What the EU does and how it behaves - especially internationally or externally to the EU - matters a lot to the UK and we have limited influence.
3. Higher growth markets are further away geographically, less like us and/or have been less of a focus for us.
4. Middle powers share some common interests but are a diverse group and are not unified or organised.
5. Global non-discriminatory rules and practices are increasingly unavailable, yet they have been our natural preference.
6. We have less agency and voice now than we had historically and what we do have could diminish further.
7. We are the only G7 country with a dominant comparative advantage in services, which relies on open markets in others and some degree of regulatory cooperation.
8. The necessary energy and climate transition entails significant economic transformation and policy reform (in the UK and globally).
9. Our unique role in global financial markets is both an asset and a source of risk.
10. Our tech and innovation ecosystem is a major asset but we are not home to the largest firms.
11. UK businesses and other businesses with significant UK footprints have a weak affinity with the UK's national endeavour. There is little sense of a collective 'one team' approach between UK government and business.

12. Our domestic context is challenging - a sustained period of low growth, rising inequality, high debt and eroding trust in government.
13. Our population is ageing and we rely on (net) inward migration for growth in the labour force.
14. We are highly exposed to a wide range of shocks, in particular financial shocks, in part because we have a high level of debt.

Key questions

- *Are these the right challenges when considering the potential futures scenarios? What have we missed?*

Reframing the how – some new potential tramlines

In a time of transition, in addition to being clear on objectives, we also need to consider means – ways of operating – and national capabilities. One of the lessons we draw from our work on UK approaches to the GEO in other periods of history is that the UK has done just that. While policymakers have consistently been grappling with the broad goal of shared prosperity, we have changed our approach (our means). This can be evolutionary (changes to tariff policy after World War Two in successive General Agreement on Tariffs and Trade (GATT) rounds, the gradual shift away from sterling as the world's reserve currency) and it can also be a discontinuity or more abrupt shift (coming off the Gold Standard, leaving the EU). It is the contention of this Fellowship that we may need to evolve both the strategy and the methods to deliver it.

We propose five potential UK approaches that would be a shift from our current policy tramlines but would better serve the current context. These are presented here for discussion.

Tramline 1: adapt to preserve.

This tramline recognises that the UK may have more to lose from economic disintegration and movement away from the current neo-liberal GEO than other powers – especially the three large economic blocs (US, China and EU). We have a smaller domestic market and are more open to trade – and especially are more open to capital. We have influence in part from historical legacy. It also recognises that the UK as a mid-sized power has a national interest in cooperation through rules and institutions (rather than impunity).

This approach would therefore seek to preserve the elements of our current tramlines that are about being an activist globaliser. It might focus on seeking to protect the core elements of the trading system – especially around technical cooperation on standards and keeping bound tariffs as low as possible (even while recognising that further liberalisation globally is unlikely) - and to do that as broadly as possible. It might involve deepening global integration where the UK has the most to gain, particularly around

services trade and global financial markets. And it would see open access to technology as a benefit to the UK – and potentially look to position the UK as the centre of new and emerging financial market trends like digital currencies and a more diverse financial landscape. The preserve part might also be more reticent about reforming governance, especially that which would give the UK less voice.

The adapt element would need to take into account the demands of others in the system to drive reform, albeit with the objective of retaining global markets and integration. For example, what would be needed to keep the US in the wider trade system? It might also require diplomacy and outreach to build wider coalitions of partners with a similar interest in open markets and rules, including with the EU.

Some issues to consider include:

- What to base coalitions around? Strategies might focus more on where countries can find common interests, rather than norms or values, given the diversity of scenarios we face. How much does it matter that rules are “liberal” economic rules, or just rules?
- How to form effective coalitions? A key question here is around the degree of reform and the balance of influence in institutions, especially with rising partners who want to change/evolve the system.
-

Tramline 2: back to basics: managing differences

This tramline reframes to put international economic policy at the service of the UK domestic economy and sees international policy as about managing the interactions between domestic economies. This would be a shift away from current UK tramlines in several respects.

First, it would be a conscious shift away from the 'globaliser' tramline, where the recent period has arguably prioritised globalisation - 'support for the Rules Based International Economic System' - as an end in itself rather than a means. Instead, it would recognise that the case for international economic coordination is weaker than sometimes thought for several reasons: (i) global outcomes are power politics dominated and do not necessarily achieve (economic) policy goals, (ii) there is less legitimacy in international policy than with national policymaking given the democratic deficit in international institutions and law. A global policy solution (norm, rule, institutional decision) may not be preferable.

Second, it would move away from the pure 'efficiency' focus for international economic policy and the implicit norm that we have been moving towards a single, (market capitalist) global economic model. Instead, it would start from the premise that the global economy includes a range of different economies and economic systems and that will remain the case for the foreseeable future. It would no longer see harmonisation (or the removal of barriers) as a policy goal in itself. Rather, it would accept that at least some national differences are expressions of different national preferences and contexts and that the UK, like other countries, seeks legitimate policy space (while not losing the thought that some actions are targeted to undermine others' competitiveness). The

focus of policymaking would become more about managing difference. As Dani Rodrik writes, the objective would be to focus scarce time and resources in *multilateral coordination* terms only on managing policies with significant impacts on others and on coordinating to support global public goods, such as climate change and managing responses to financial crises.¹⁵

This approach to the GEO for the UK might start with policies that serve the core goals of UK prosperity, democracy and sustainability and then consider the international aspects. So, a focus on services and how to best create opportunities for this area of UK comparative advantage. Where are the growth markets? How can we ensure sustained access and partnerships for UK services exports? It might also entail putting trade and investment policies at the service of our green transition and ensuring access to frontier technology. And it might mean a focus on policies that deliver good jobs at home – for example how to secure and retain high value foreign investment - rather than starting by identifying and removing tariff and nontariff barriers as the way to drive economic growth.

This approach would also recognise that sometimes new frictions and barriers are necessary to achieve those UK policy objectives. It might include a reframing so that policies like Carbon Border Adjustment Mechanisms (CBAMs) are seen to serve wider policy goals - in this case, allowing differential rates of transition in different economies to a lower carbon future (as set out in Nationally Determined Contributions presented to the UN Framework Convention on Climate Change (UNFCCC)). International economic policymaking and cooperation would focus on finding ways to accommodate these differences and ensuring policies are transparent and not actively undermining the competitiveness of others. Being consistent with current rules would not always be an objective in itself – the rules may need to change.

Finally, it might involve a reassessment of existing international economic policies and the balance of time spent on different activities, such as further trade liberalisation and regulatory cooperation compared to managing difference and tackling global public goods.

Issues to consider:

- How to identify legitimate policies that create difference from active efforts to undermine others. There would be more reliance on transparency, assessment and dialogue.
- There may be a need for more active use of defensive measures in this approach, including anti-dumping.

¹⁵ Dani Rodrik: Shared Prosperity in a Fractured World 2025. There are only a few of these policy problems that require coordination as he defines them: tax havens, currency manipulation, optimal tariffs

Tramline 3: multi-alignment, not multi polar

This element starts with the recognition of a more complex global economic order, dominated by three big economic blocs and with a growing number of other actors with agency and influence. It takes as its starting point the UK as a mid-sized power, with interests we are seeking to pursue.

This approach also shifts away from some current UK tramlines. First it moves away from the UK tramline of being part of a defined western group, following the US lead by default. Instead, we may need to have different coalitions for different policy domains or issues. For example, our coalition on technology cooperation may look different to partnerships on financial services or combatting climate change. It moves away from the concept of clubs based on shared values (the G7) to those with shared interests (AI safety, financial market stability).

Second, it moves away from the tramline of win-win economic cooperation as a default presumption. It is more focused on the political context of power and negotiations and recognises that different actors have different interests and influence on outcomes. Specifically, that the large economic blocs may seek to achieve through their policies bringing countries to their 'pole' or into spheres of influence. This approach acknowledges the difference in interests between large and smaller powers and does not presume that being 'aligned' with a pole is the best strategy for the smaller power. Instead, pursuing specific interests in a looser and more bilateral, flexible, iterative and/or less legally binding way may give more agency and choice. It is an approach middle powers tend to pursue, as India does with participation in the BRICS (Brazil, Russia, India and China grouping), the Quadrilateral Security Dialogue (QUAD) and a Trade and Tech partnership with the EU.

Such an approach for the UK might include seeing the CPTPP as a strategic decision (not just a trade liberalising move) and seeking its leadership on shared interests around trade liberalisation for countries with common goals. It would see plurilateralism at the WTO as a successful outcome that secures interests, rather than a failure of multilateralism that has to be defended as compatible with global norms. It would mean working with the high ambition group on climate change and the Just Energy Transition Partnerships (JETPs) on climate finance, and less time and effort in the UNFCCC multilateral negotiations. It would see less of a default to the G7 and G20 and more investment in other groupings.

Finally, it would likely also mean investing in new groups to address and create new coalitions, perhaps to establish new norms on acceptable economic security practices or to create new insurance mechanisms against coercion. In a similar vein, it would follow up on the work of the Bletchley Park group on AI safety to develop a coalition that can take action on this issue, even if that includes China and excludes the US.

Issues to consider:

- There is an interesting question for the UK on how this strategy applies in our relationship with the EU, given the common interests in some domains. Are

- they just another potential partner globally (with whom we would do a lot given shared interests) or are they strategically different?
- One of the other big 'public goods' in some of our scenarios is that many actors have an interest in the US and China coming to some accommodation on how to manage their differences. Do the middle powers have any role in facilitating this and what would that look like?

Tramline 4: 'run faster' - strategic autonomy and strategic indispensability.

This element does not presume continued UK influence but rather the opposite – that we need an active strategy to have impact and agency in the wider system. It moves away from the tramline of win-win cooperation and the presumption that others wish to cooperate. Rather it assumes that international outcomes will reflect power and influence. It also implicitly moves away from the rules and evidence-based tramline and a focus on technocratic solutions. Not that this doesn't matter but it accepts that evidence and good arguments alone will be insufficient to get the outcomes we seek. To some extent, this element reflects and is drawn from Japanese thinking about their national strategy and our framing of the UK as a mid-sized power in a more contested geopolitical context.

On strategic autonomy, this approach would focus on how we build on UK strengths to give ourselves more freedom of agency and choice – recognising that partners are more unpredictable and this is a more volatile world. Some of this will be about domestic policy choices and capacity. Internationally, it might also involve investing in multiple partners to give resilience to political shifts. And it might include building resilience to shocks and threats so that we can manage a more complex environment.

On strategic indispensability, it would focus on ensuring we have niche or unique capabilities that will mean others need to work with us. This might be in areas of technology like quantum or in reconceiving our role at the centre of some financial services activities like reinsurance, and being purposeful about this in design and approach, not as a by-product of other objectives. For example, investing more in the National Security Strategic Investment Fund (venture capital/British Business Bank for dual use tech) and developing this as a strategy for influence not just capability. A theoretical starting point could be to take the thinking of the European Council on Foreign Relations (ECFR)'s "*Power Atlas*"¹⁶ across the core domains (e.g. economic, climate, tech, people and some others) and assess where the UK sits on these metrics and how we could develop strategies around this.

Issues to consider:

- An interesting question is whether the UK or any mid-sized power achieves strategic autonomy alone or with some partners?
- Strategic indispensability requires an ability to work across the GEO – as the negotiations may be in one domain (e.g. trade) and the indispensability (e.g.

¹⁶ [ECFR Power Atlas](#) – Seven Battlefields of a Networked World

tech) may be in another. How would we evolve our capability to operate this kind of strategy?

Tramline 5 – strengthening defence and resilience

This element starts from a framing around our national resilience and protection. It loses the tramline of international cooperation as win-win and focuses on the risks associated with openness. It is also implicitly more sceptical of the market-led tramline – seeing markets as sources of disruption and, at a minimum, focusing on where intervention or active risk management is necessary. It could be considered as a framing more around 'know your weaknesses' and how best to manage potential risks.

A UK approach might entail a further review of UK economic vulnerabilities in an era of greater economic statecraft and then developing and iterating a national resilience plan. We have a National Resilience Action Plan (published July 2025)¹⁷ and we have a list of Chronic Risks¹⁸ (some are geo-economic). This approach would develop that assessment from an 'analytic' tool to an agenda for action, identifying clear owners, with a deeper understanding of statecraft that could be deployed and potential responses. International cooperation might focus on mechanisms to limit policy volatility, such as agreement on new norms around the use of economic security measures and consideration of collective insurance mechanisms (like IMF support) and whether they are fit for purpose or need development to manage this new era (e.g. in the case of active statecraft by a significant actor). There may be a group of mid-sized powers interested in this sort of agenda.

The approach here might also entail a much stronger focus on strategic use of investment to strengthen domestic resilience. In a recent speech, Nikhil Rath, Chief Executive of the Financial Conduct Authority (FCA), noted that "today's security spreads across a digital and financial map: data centres, payment networks, financial infrastructure, satellites, grids, cloud software and undersea cables. Mostly privately owned, all globally connected and perpetually online".¹⁹ We have some investment in resilience here but this approach would advocate to test and develop that – perhaps through his proposed National Resilience Fund.

Key questions

- *Do you agree with these proposed tramlines? Would you add any more?*
- *Are they helpful reframing options for a new strategy?*

¹⁷ [UK Government Resilience Action Plan – July 2025](#)

¹⁸ [Chronic Risks Analysis – July 2025](#)

¹⁹ <https://www.fca.org.uk/news/speeches/hardwiring-finance-national-security>

Next Steps

This is the first paper of this Fellowship – but not the last. It has made the case for why we need a refreshed UK strategy for the GEO. We argue this is both necessary and possible, if we open up thinking and frame some new strategic choices.

The paper has then set out some proposed enduring objectives for that new strategy and some alternative policy tramlines, grounded in the realities for the UK. These are proposed for discussion and to help frame the next phase of our work. A common language and set of options help sharpen choices. In the spirit of national strategy, we are interested in views on whether the objectives command widespread support and whether we have identified fully the alternative potential tramlines.

The next step we will be undertaking is to test the key strategic choices and policy tramlines against alternative scenarios using a range of techniques. This will shape the development of a new strategy that is robust to the future(s) we might face and specific policy recommendations for the UK to operationalise that strategy. The next phase of our work will focus here.

Glossary of Terms

Term	Definition
Global Economic Order	See full definition in the paper. A complex and dynamic international system that shapes the global economy. It sits within a wider context of nation states and national security and is shaped by shifts there but is principally about the interactions that shape national sustainable prosperity and rising living standards. The GEO spans several economic domains (not just trade) which themselves interact but are sometimes treated as distinct policy spaces. Understanding the GEO requires an appreciation of the behaviour of the actors, their power relations, the norms they create and follow <i>as well as</i> the institutions and policies.
Domain	An identifiable area of global (or at least cross border) economic activity and policymaking, where there is a set of identifiable norms and multinational institutions and that operate with a particular set of policy objectives in mind. A domain often has an identifiable community of practice, terminology and expertise. Some actors (eg nation states) or institutions (eg IMF) operate across more than one domain.
Force	Forces external to the GEO that shape its evolution.
Growing Power	Regional leaders with large domestic markets and, often, growing populations. Significant in overall economic size - in the top 20 global economies (by share of GDP) - they are likely to have faster economic growth than the global average. They are not aligned with the US or China and seek reforms to the wider economic system to better reflect their rising status and interests. Examples might be Brazil, India, Indonesia, Nigeria.
Connector	Countries who are not aligned to the US or China and are seeking to have positive economic relationships with both to take advantage the opportunities of bigger markets than they can generate domestically. They are likely to take a transactional approach to deal-making. They tend to have mixed economic models (some liberal elements and some state intervention) and were not fully part of the liberal GEO. Examples might be UAE and Turkey.
Plurilateralist	Countries with high GDP per capita levels, who traditionally aligned with the US, are broadly liberal capitalist, open economies and who support the rules-based system. They are likely to have lower overall GDP growth (as more developed

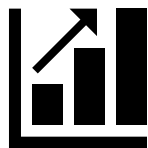
	economies) and ageing populations. Examples might include Australia, Japan, Canada, Singapore, New Zealand, Switzerland and Norway.
Policy Tramlines	Enduring core policy settings. These are not all necessarily written down – some are norms or implicit. Core features that capture the UK's principal approach in terms of international economic policy.

ANNEX: THE KEY UNDERLYING TRENDS

We expect the following ten trends to persist over the 15-year time horizon to 2040:

Economic performance and trade	The global economy will remain dominated by three large blocs (US, China and EU) and will see a larger number of other significant economies emerge (especially India), resulting in a wider distribution of economic power over time.
	Poverty and income disparities within and between states will persist.
	There will be continued macroeconomic imbalances, in particular between US and China.
	Global trade will continue via established low-cost shipping and digital routes – the world does not “deglobalise”.
Shocks	Globalised financial and economic shocks will occur. In our 15-year period, one would expect one or more of (i) another pandemic, (ii) financial crisis, (iii) localised conflict, (iv) climate shocks.
Climate and energy transition	Climate change and its impacts will accelerate: the built in effects of global emissions feed through into temperature rise. Policy action taken now to change this trajectory only impacts outside our 15-year window.
	There will be a growing and long-term need for natural resources, for both the energy transition and to support global growth.
Population shifts	The UK population will grow, with declines due to an ageing population offset by net inward migration. The UK born share of the labour force will remain the significant majority.
	Birth rates will continue to decline and populations age in the Global North – especially Europe and Japan (less so in the US). There are also significant population declines in China. In contrast, rapid growth will occur in populations in some emerging markets (India, Nigeria).
Technology	We will continue to see rapid advances in technology but widening inequality in access within and between countries.

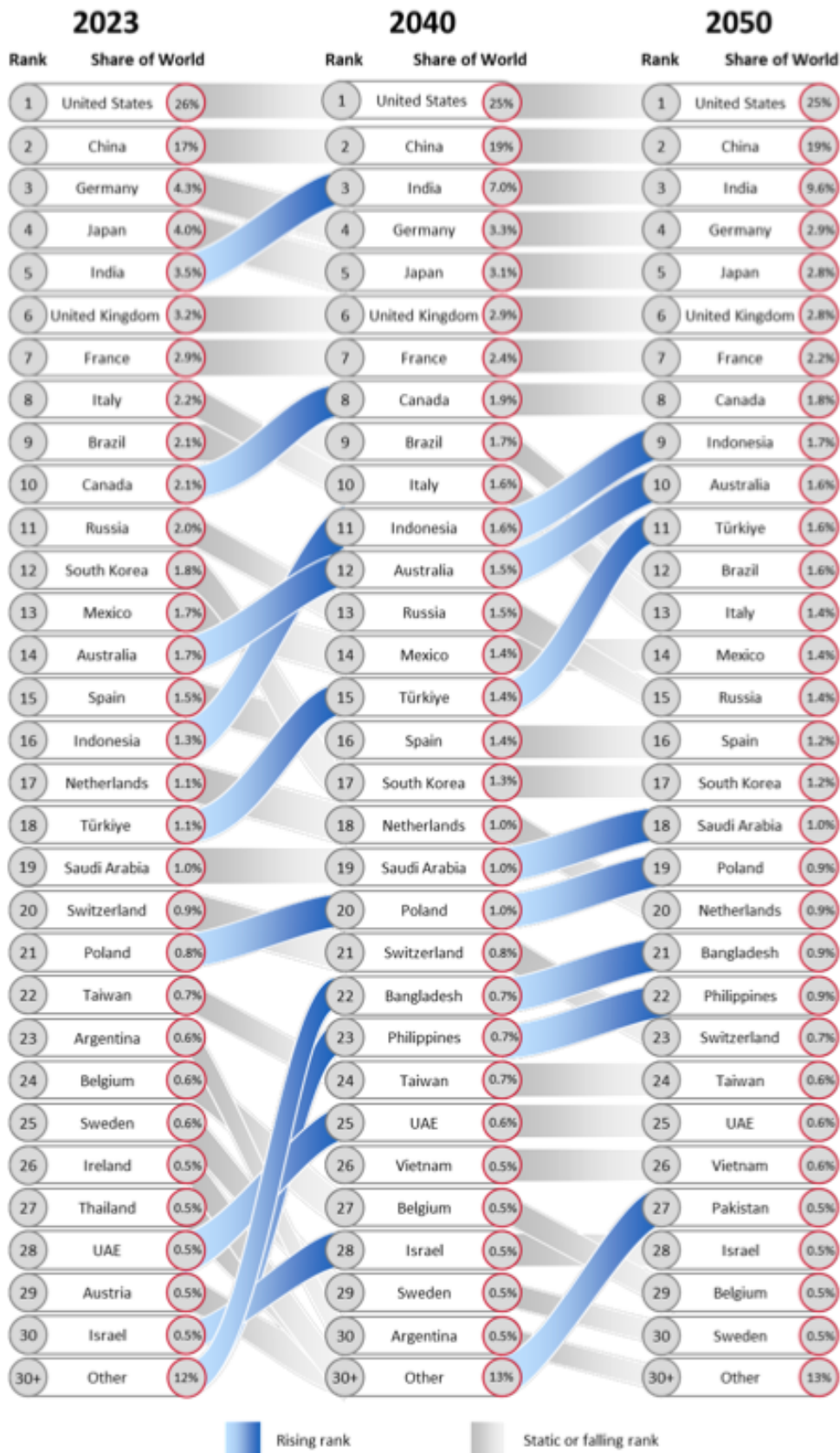
ECONOMIC PERFORMANCE AND TRADE



1) The global economy will remain dominated by three large blocs (US, China and EU) and will see a larger number of other significant economies emerge, resulting in a wider distribution of economic power over time.

The three largest economic blocs will remain the US, China and the EU (they currently account for around 60% global GDP). The US and China will contest overall economic supremacy at the margin and neither will come to fully dominate. China is still expected to contribute significantly to global growth and may overtake Europe in total GDP. The US is expected to experience strong growth, as it avoids the ageing population and productivity challenges encountered in other regions. The EU is projected to face a weaker growth outlook but is expected to remain the largest global import (consumer) market.

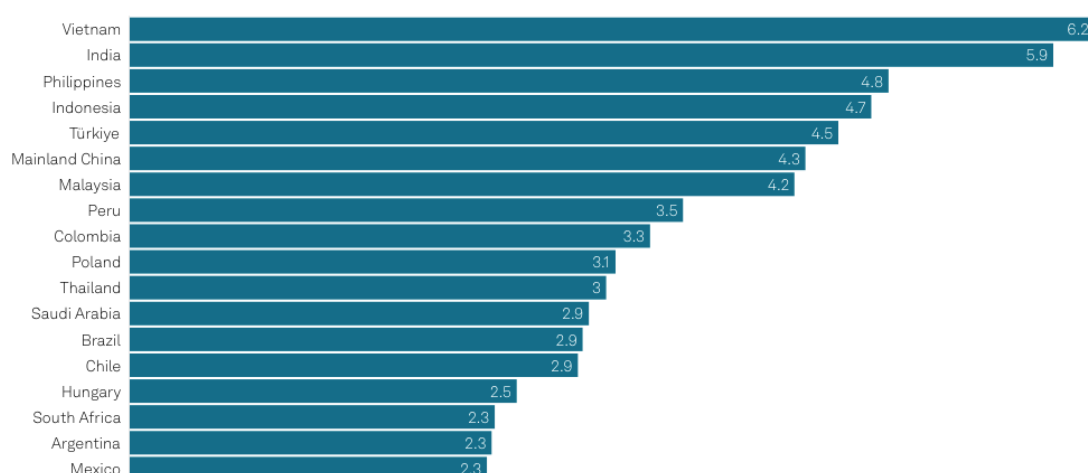
Economic power is also expected to be distributed more widely between states, as the larger emerging markets, such as India and Brazil, continue to increase their share of total global output, trade and investment. By 2035, emerging markets are projected to contribute 65% of global economic growth, with Asia-Pacific countries leading the charge. By the end of the period, India will be a second-tier economic power behind the big three blocs. In addition, Africa is likely to dominate growth in working age populations, Latin America and the Middle East may deliver strong growth in imports and consumer markets, and Eastern Europe and Central Asia could experience stronger growth if regional stability improves.



Source: [DBT Global Trade Outlook, June 2025](#)

Vietnam, India to top annual GDP growth over next decade (%)

Average annual GDP growth 2024–2035



Data compiled Sept. 18, 2024.
Source: S&P Global Market Intelligence.
© 2024 S&P Global.

Source: [S&P Global Market Intelligence](#)



2) Poverty and income disparities (within and between states) will persist

Overall, we assume trends continue that mean extreme poverty will not be eliminated and instead will be entrenched in some parts of nation states and in the poorest nations. We also assume that inequality will not fall dramatically. Indeed, in some of our scenarios, inequality will continue to rise between and within states.

Long term poverty trends are a function of growth and inequality – themselves partly the result of policy choices. We essentially take the more pessimistic view of the World Bank future trends in poverty – the scenarios where global growth continues at recent historical rates and inequality does not fall out to 2040. In these scenarios, the decline in extreme global poverty (defined as living on less than \$2.15 per person a day), seen in the past few decades, essentially flatlines and remains around 6-8% of the global population out to 2040. At the higher standard of \$6.85 per person per day, almost one-half of the world's population (43%) is living in poverty today. This is forecast to fall under this lower growth trajectory but to still be around 30% by 2040.

Sub-Saharan Africa and fragile states are projected to remain disproportionately affected by poverty and inequality.

Source: [Pathways Out of the PolyCrisis Report World Bank 2024](#).

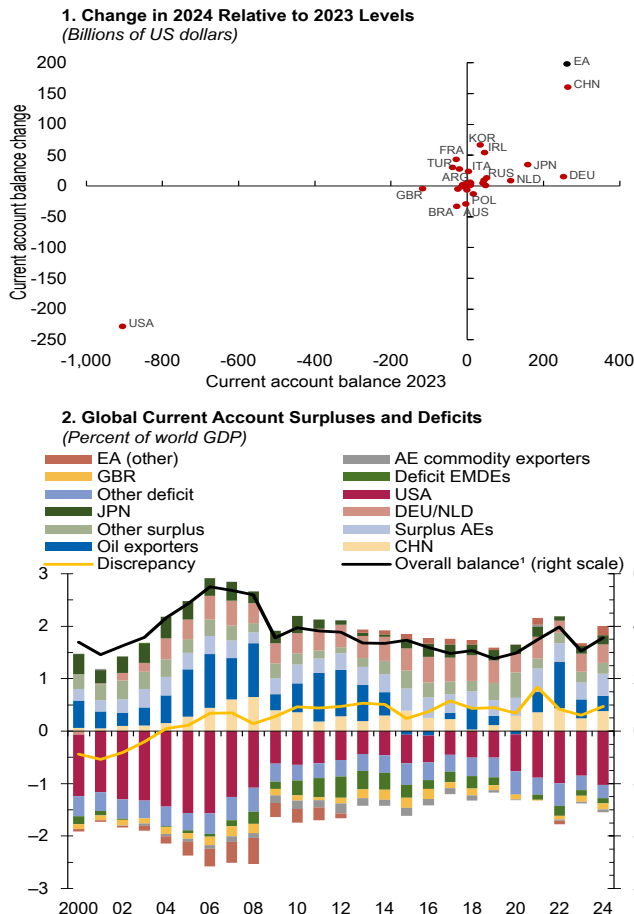


3) There will be continued macro imbalances between the US and China, with China in surplus and the US in deficit

Here we assume a continuation of trends that mean China is likely to remain in current account surplus, with the US in deficit. These are a function of structural features of both economies and policy choices and we assume these are not resolved in this period (although in one scenario the imbalances reduce).

Here we are following IMF analysis. Without structural reforms and policy coordination, the IMF expects China's surplus to remain elevated due to weak domestic consumption and export strength and US deficits to persist due to fiscal expansion and low savings.

Figure 1.1. Diverging Current Account Balances in 2024



Sources: IMF, World Economic Outlook database; and IMF staff calculations.

Note: Data labels in the figure use International Organization for Standardization country codes. AE = advanced economy; EA = euro area; EMDE = emerging market and developing economy.

¹Overall balance is the sum of absolute values of current account surpluses and deficits. AE commodity exporters comprise Australia, Canada, and New Zealand; deficit EMDEs comprise Brazil, Chile, India, Indonesia, Mexico, Peru, South Africa, and Türkiye; oil exporters comprise World Economic Outlook definition plus Norway; surplus AEs comprise Hong Kong SAR, Korea, Singapore, Sweden, Switzerland, and Taiwan Province of China. Other deficit (surplus) comprise all other economies running current account deficits (surpluses).

Sources: IMF [blogs](#) and World Economic Outlook reports



4) Global trade will continue via established, low-cost shipping and digital routes. The world economy does not fully de-globalise

The trend here is that the now well-established lower transport costs (especially via container shipping) continue to support trade. Maritime shipping is expected to remain the dominant mode of global goods trade. Similarly, digital innovation and trends towards digitisation of trade (especially of services) will continue, making more things tradeable. While national policies will impact some trade costs, these underlying technological shifts will not reverse fundamentally. This means it will still be cheaper to trade many things than produce domestically.

Here we also essentially continue the trends documented by the WTO that services trade has become the most dynamic part of global trade, growing faster than goods trade (at 5.4% from 2005 to 2017 according to one recent WTO study) and digitalisation being a core driver. The WTO GVC's study reinforces that digital trade has been more resilient.

Sources: [WTO Global Value Chain Development Report 2025](#). [World Trade Report 2019 – the Future of Services Trade](#). [ITF Transport Outlook 2023](#).

Table 2.10. Shares of tonne-kilometres by transport mode in 2050 under the Current Ambition and High Ambition scenarios

Vehicle type	2019	2050	
	Baseline	Current Ambition scenario	High Ambition scenario
Aircraft	Less than 1%	Less than 1%	Less than 1%
Ships	70%	62.5%	56.0%
Rail	7%	10%	13%
Road	22%	27%	31%
Non-motorised	Less than 1%	Less than 1%	Less than 1%

Note: Table depicts ITF modelled estimates. Current Ambition (CA) and High Ambition (HA) refer to the two main policy scenarios modelled, which represent two levels of ambition for decarbonising transport.

SHOCKS



5) Globalised financial and economic shocks will occur during the period to 2040

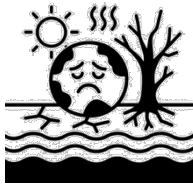
Here we assume trends that mean the world will continue to experience transborder shocks of significant impact across domains: specifically in this 15-year period one would expect one or more of (i) another pandemic, (ii) financial crises, (iii) localised conflict, (iv) climate shocks which could include one or more 'tipping points' driven by critical ecosystem collapse. We are not predicting the timing or nature of specific shocks – more to note that the world and the UK are likely to experience one or more of them as we move towards 2040.

These trends are clear in long-term analysis, such as that produced by the UK's Climate Change Committee, which sets out the specific risks facing the UK from the impacts of climate change. This includes specific risks associated with increased flooding and drought, heat episodes and risks to energy infrastructure. Similarly Bank of England Stress Tests consider the risks of financial shocks to the UK financial sector.

Sources: [Climate Change Committee: Independent Assessment of UK Climate Risk](#). [Bank of England Capital Stress Test 2025](#)



CLIMATE AND ENERGY TRANSITION



6) Climate change and its impacts will accelerate, in line with scientific predictions

The built in effects of global emissions feed through into temperature rise as we move towards 2040. We note that policy action taken now to change this trajectory largely impacts outside our 15-year window.

Global temperatures are already nearing 1.4°C and are on track for around 2°C by the 2050s with the possibility of significant further warming by the end of the century.

Source: [Climate Action Tracker Warming Projections Global Update - November 2025](#)

Our global temperature projections based on this year's policy developments and 2035 targets have almost come to a standstill: it has barely moved over the past four years. The warning signs are clear: we are heading in the wrong direction.

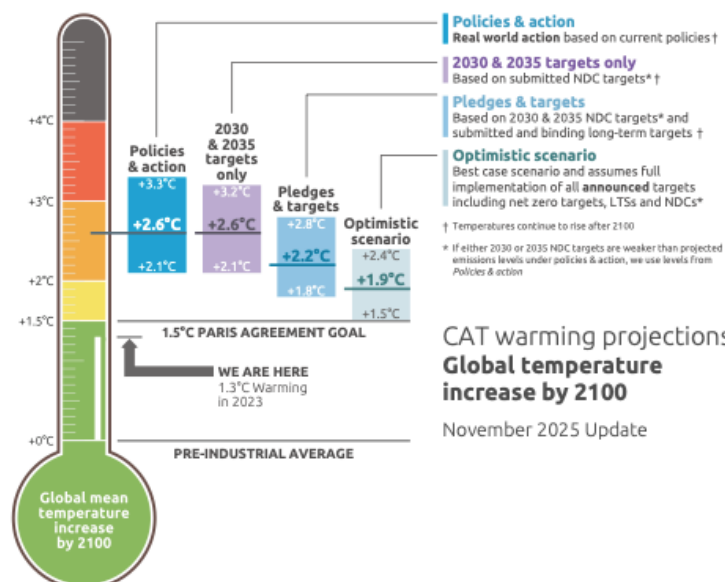


Figure 5 CAT thermometer with warming projections for 2100.



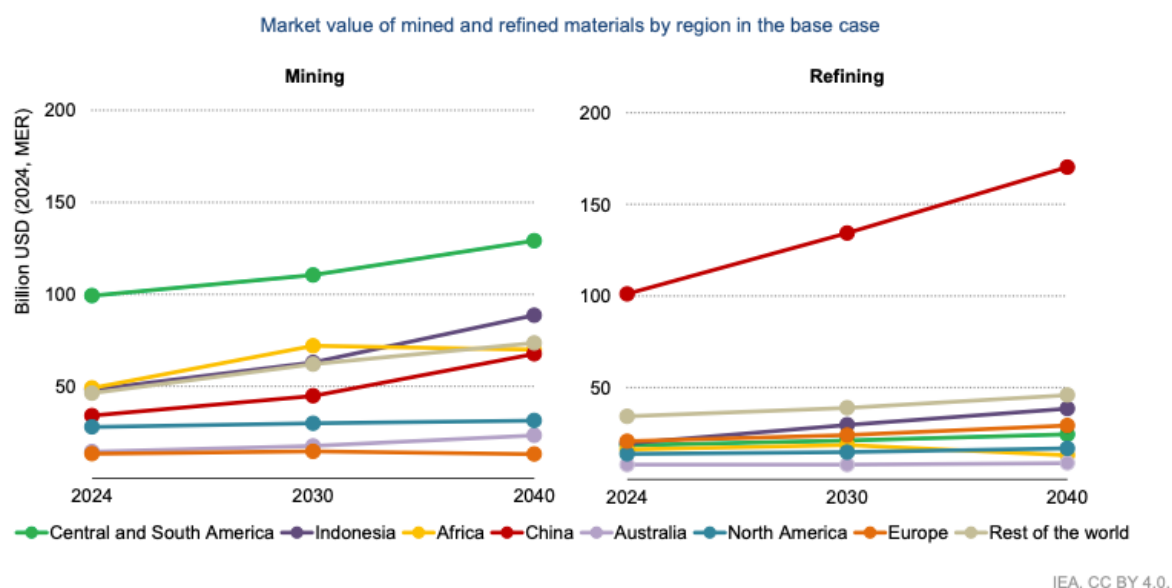
7) There will be a growing and long-term need for natural resources, for both the energy transition and to support global growth

The trend here is an assessment of demand - there will be a growing need for natural resources, particularly critical minerals for the green transition and to drive the technology revolution. Some technology advances – like AI – will increase energy demand.

By 2040, according to IEA analysis, mineral demand from clean energy technologies is expected to double (if current policies are enacted), or quadruple (under more ambitious policy to **achieve** universal energy access and limit global warming to under 2°C).

Source: [IEA – The Role of Critical Minerals in Clean Energy Transitions – May 2021](#)

A growing number of planned projects indicate a 1.5-fold increase in the market value of mineral production by 2040, led by Latin America for mining and China for refining



POPULATION SHIFTS



8) The UK population will grow, with declines due to an ageing population offset by net inward migration. The UK-born share of the labour force will remain the significant majority

The underlying trends here are twofold: the ageing population in the UK and migration trends. Migration is a widely debated issue and one subject to policy choices. We assume that there will be continued flows of people across borders as economic migrants and in response to humanitarian context/conflict and climate shocks (i.e. borders are not completely closed). We also assume that migration will be an ongoing focus of media and political debate but overall that we will not see a major shift (up or down) from levels seen today in the UK economy. The underlying ageing of the UK population is largely baked in by the slow pace of demographic change. These two dynamics combine to create a key trend.

ONS most recent (2022) projections are that the UK population will grow to 74.8 million by 2040. Net migration accounts for all of this growth – assumed to be 340,000 a year. Without net migration, the population would decline because natural change (i.e. births minus deaths) is projected to be negative from 2030 onwards.

The share of foreign-born workers has steadily increased in the UK labour force – from around 8% in 1997 to close to 20% today. This will likely increase (reflecting ongoing net inward migration) but will not exceed 25% and the precise level depends on policy choices about migration mix (visa types etc.). Whatever the precise policy choices, the

UK-born workforce will remain the overwhelming majority of the labour market throughout this period.

Source: [ONS Population Projections 2022](#). ONS data.













9) We will see ageing populations in many OECD states and China, yet younger and more dynamic populations in parts of Africa and India

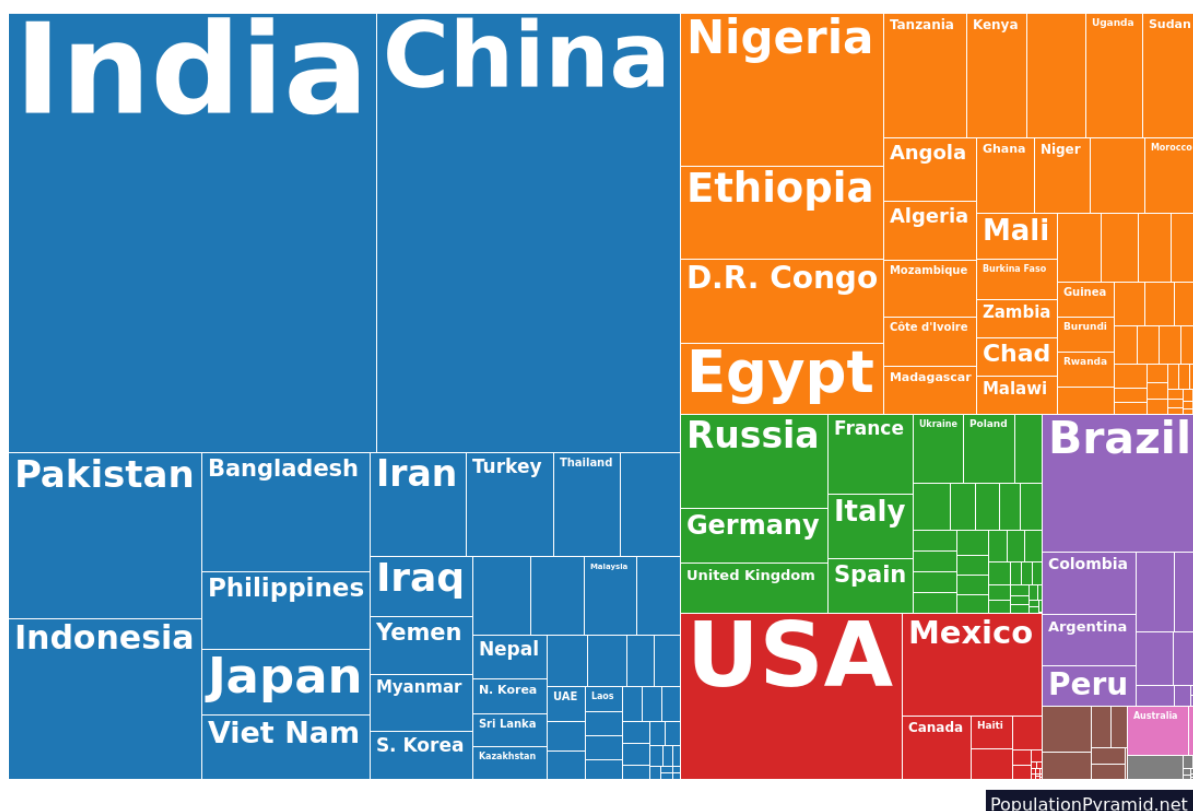
Given lags, population outcomes for our 15-year window are knowable now. Birth rates continue to decline and ageing societies persist in the Global North – especially Europe and Japan (less so in the US). There are also significant population declines in China – one factor that holds back future economic growth. In contrast, rapid population growth will occur in some emerging markets (India, Nigeria).

According to the UN, India is projected to be the most populous country by 2040, with an estimated population of about 1.62 billion, surpassing China, which is expected to have approximately 1.34 billion people. The US is in third place with 370 million, followed by Pakistan (325 million), Nigeria (313 million), Indonesia (312 million) and Brazil (219 million).

Sources: [UN World Population Prospects](#). [Population Pyramid 2040 projection](#)

	COUNTRY		POPULATION
1		India	1,622,580,039
2		China	1,342,816,657
3		United States of America	370,209,316
4		Pakistan	324,937,697
5		Nigeria	312,710,416
6		Indonesia	311,797,396
7		Brazil	219,237,084
8		Bangladesh	202,589,429
9		Ethiopia	188,450,902
10		D.R. Congo	172,595,582

List of countries ordered by their population size
Total: 9,177,190,202



TECHNOLOGY



10) We will continue to see rapid advances in technology but widening inequality in access within and between countries.

Technology is notoriously difficult to predict as innovation tends to come in waves and the lags between new technologies being invented and their adoption can be significant. For our scenarios out to 2040, we assume that there will be continued waves of rapid technological invention and evolution. We assume trends around Artificial Intelligence continue, that it will become further embedded in our daily lives and that other innovations in frontier tech such as quantum, renewable energies, biotech and robotics will continue at pace. There is likely to be a widening gap between those who adopt technology faster - wealthier nations and urban areas- and those rural and low-income regions which lag behind, reinforcing inequalities. We explore some of these different pathways in our scenarios.