

SIX MONTHS ON: 'TRUMP WORLD' AND FURTHER TURBULENCE HOW CAN THE UK RESPOND AT HOME?

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April 2026¹

Disclaimer: The views in this paper are personal views of the authors and are not representative of any organisations to which they are affiliated.

This paper was finished on 16 April 2026 and reflects events to that date.

Abstract

This paper examines the profound geopolitical and economic turbulence unleashed following Donald Trump's return to the U.S. presidency, and assesses the implications for the United Kingdom's strategic, economic, and social resilience. It traces how Trump's volatile tariff regime—initially deployed as a punitive geopolitical tool before being struck down by the U.S. Supreme Court—has destabilised global trade, undermined long-standing alliances, and exposed the UK to significant economic risk. As it notes, *“the threat of punitive tariffs was not just a tool of trade policy... but increasingly a personal weapon wielded by a willful President”*.

The analysis extends beyond trade to consider the escalation of U.S. military intervention in Venezuela and Iran, the revival of 19th-century-style spheres of influence, and the weakening of NATO and Europe's security architecture. It notes the emergence of a fractured global order defined by coercive geoeconomics, weaponised interdependence, and the rise of alternative power blocs suggesting that the rules-based post-war era based on free trade and globalisation has all but been erased.

Against this backdrop, the paper argues that the UK - already entering this period with a fragile economy, stagnant growth, and deep social inequalities - must urgently redefine its strategic positioning. Two core imperatives are outlined:

- International strategy: The UK must align more closely with Europe and other “middle powers” to regain agency in a world dominated by hegemonic competition.
- Domestic resilience: With limited fiscal capacity and rising public anxiety, the UK must move to strengthen grassroots resilience by empowering the social economy, local institutions, and embedded community-based capacity across the country.

The paper ends by suggesting that traditional supply side growth strategies are insufficient in a world of geoeconomic power politics. The UK needs a more flexible, selective, and resilience-focused approach, internationally, nationally, and locally, to navigate an era of accelerating global disruption.

¹ Please cite as: Peter Lloyd and Michael Blakemore (2026) *Six Months on: 'Trump World' and Further Turbulence. How can the UK Respond at Home?*, <https://www.peter-lloyd.co.uk/papers-and-blogs/>

‘Confusion worse confounded’ (*John Milton, ‘Paradise Lost’*):
Trump’s ‘beautiful’ tariffs

The tariffs rollercoaster – actions, reactions and global disruption

Six months ago, amid a deluge of decrees from the White House, we tried to offer some insight into where things might be heading in the early days of the second Trump administration. There was a deluge of tariff announcements, each seeming more draconian than the next, before many were suspended or rescinded. There were Presidential announcements affecting more than 90 countries (Canada 35% and Brazil 50%)² with threats of 100% tariffs on chips and semiconductors. India had received notice that it was to be hit with 50% tariffs because it continued to buy oil from Russia³. There were moves to punish those who traded with Iran or opposed Trump’s Greenland takeover. The Liberation Day⁴ tariff list affected almost all the trading partners of the US.

Over time, deals were done and rescinded, adjustments were made and then sometimes revoked in a turbulent process. It became clear that the threat of punitive tariffs was not just a tool of US trade policy, but increasingly a personal weapon wielded by a wilful President to discipline and punish countries resisting his will in political terms. At first, there seemed to be an economic justification for tariff adjustments under the influence of academics like Stephen Miran⁵. However, over time, it became clear that the tariff stick would be applied whenever Trump’s personal edicts were challenged.

The Supreme Court strikes down Trump’s tariffs

In an already completed version of this paper, we had set out the details of the tariff arrangements and the processes of pushback and negotiation for countries across the globe - in particular, major players like China, the EU, Canada and the UK. This detail then lost its meaning on Friday 20 February when the Supreme Court struck down the entire tariff programme on the grounds that the President had exceeded his powers⁶. We were forced to go back to the drawing board.

The SCOTUS ruling⁷ was a complete repudiation of a core piece of Trump’s economic program. It wiped out the 10% tariff Trump imposed on nearly every country in the world. In particular, it ruled out those specific, higher-level tariffs levied on some top trading partners, particularly Canada, Mexico, China, the European Union, Japan and South Korea.

In a predictably angry response, the President abused the Supreme Court and its Justices and moved instantly to declare the reimposition of a 10% tariff on all global trade with the US, saying he would press ahead to find “other laws” that would legitimate this action. Within 24 hours, Trump lifted the global tariff rate again to 15%. He moved to apply Section 122 of the Emergency Economic Powers Act⁸. New tariffs were to last for 150 days unless extended by Congress - resulting in complex legal

² <https://www.bbc.com/news/articles/c5ypxnnnyg7jo>

³ <https://fortune.com/2025/08/27/india-tariffs-50-percent-take-effect-strategic-shock/>

⁴ A broad package of import duties launched by Trump on April 2, 2025 - "Liberation Day" - in a White House Rose Garden ceremony. <https://www.csis.org/analysis/liberation-day-tariffs-explained>

⁵ <https://fortune.com/article/who-is-stephen-miran-paper-trump-tariffs/>

⁶ <https://www.politico.com/news/2026/02/20/trump-tariffs-supreme-court-ruling-00790687>

⁷ <https://www.congress.gov/crs-product/LSB11398>

⁸ <https://www.whitehouse.gov/fact-sheets/2026/02/fact-sheet-president-donald-j-trump-imposes-a-temporary-import-duty-to-address-fundamental-international-payment-problems/>

actions⁹ and making it even harder for global companies to navigate instability¹⁰. The tariff plan has not gone away and the latest move in April 2026 is on pharmaceuticals and metals¹¹.

Internal effects in the US and global market reaction

While the Trump administration presented tariffs as a tax on the rest of the world, around 90% of the direct economic burden has fallen on US companies and consumers¹². The tariff programme has brought in at least \$130 Billion revenue to the US Treasury. Following the Supreme Court ruling, however, there were calls for repayment by affected business organisations in the US (FedEx raised a substantial claim¹³). This presents clear issues for the fiscal position of a country already heavily over-borrowed, with a public debt of around \$38 trillion. However, resolution will not be rapid, and Trump is banking on long delays in the process to offset its domestic effects – more instability prevails.

Global financial markets responded to this increased uncertainty¹⁴, but not dramatically. Initially, the Supreme Court ruling improved global risk sentiment, delivering a modest rally in both US and European equities. There was a stronger reaction in India and in other emerging markets that faced high initial tariff rates. Later, Trump's rapid move to impose a new 15% global tariff blunted even the early gains, leaving the markets cautiously optimistic but still wary of renewed trade volatility.

For months, London, Brussels, Seoul, Jakarta and beyond had been working to obtain deals with Trump for their respective economies, reluctantly offering concessions to secure a preferential place. However, China, India and Brazil were handed significant tariff cuts without making a single compromise¹⁵. The counter-intuitive outcome is that countries like the UK may face higher tariffs, despite making concessions and sweet-talking Trump¹⁶.

The position of the UK

The UK, the primary interest here, originally did well in the initial tariff-setting process¹⁷. The levy on car exports to the US had been reduced from 27.5% to 10% (with a special dispensation that the first 100,000 UK-made vehicles each year receive the 10% rate). The proposed aerospace tariffs were later removed, and tariffs on engines and aircraft parts were eliminated (boosting Rolls-Royce in particular). Steel tariffs at 25% remained, and reciprocal deals were done on beef and ethanol trading¹⁸. UK medicines exported to the U.S. were to get 0% tariffs for three years¹⁹, but set against a deal for the raising of NHS cost-effectiveness thresholds. A 10% tariff remained on most UK exports to the US.

Under the changed tariff regime following the SCOTUS ruling the UK is now among the hardest-hit countries. All the carefully negotiated deals under the first-cycle trade agreement could be lost to the new 15% blanket tariff. What had been possible competitive gains from the effects of the higher tariffs levied on competitors disappeared, particularly those sectors in the EU (Germany, France, Italy) making cars, machinery and luxury goods. The UK had quickly negotiated a 10% preferential rate for

⁹ <https://www.ft.com/content/e8870e53-b95d-4e28-836f-5e6b18e118e0?syn-25a6b1a6=1>

¹⁰ <https://www.globaltradealert.org/>

¹¹ <https://www.bloomberg.com/news/newsletters/2026-04-02/trump-turns-back-to-his-beautiful-tariffs-after-court-rebuff>

¹² <https://libertystreeteconomics.newyorkfed.org/2026/02/who-is-paying-for-the-2025-u-s-tariffs/>

¹³ <https://www.ft.com/content/c7d06532-df3f-4819-9844-71a2adc09875>

¹⁴ <https://www.ft.com/content/c7d06532-df3f-4819-9844-71a2adc09875>

¹⁵ <https://www.bloomberg.com/news/newsletters/2026-02-23/trump-s-tariff-reversal-is-a-win-for-rivals-china-india>

¹⁶ <https://www.theguardian.com/us-news/2026/feb/24/trump-crumbling-tariff-strategy-global-chaos-confusion>

¹⁷ <https://commonslibrary.parliament.uk/research-briefings/cbp-10240/>

¹⁸ <https://www.bbc.co.uk/news/articles/c15ng4g5g0eo>

¹⁹ <https://www.gov.uk/government/news/landmark-uk-us-pharmaceuticals-deal-to-safeguard-medicines-access-and-drive-vital-investment-for-uk-patients-and-businesses>

many goods (cars, steel, aluminium), but there was now confusion over whether that rate still applied or whether the 15% rate would apply.

Trump's early tariff raids had a dramatic effect internationally, creating great uncertainty and inevitable trade disruption. They suppressed investment plans, depressed financial markets, and reduced trade volume. What came later with the events in the Middle East could only add to this. What has not changed is the protectionist stance of the US, and the drive to establish a self-serving geoeconomic order pivoted on its hegemonic power. The rules-based post-war era, based on free trade and globalisation, has all but been erased and the prospects for a UK already struggling for economic stability are daunting.

A changed USA: A global hegemon seeking to project its power

Military intervention and the return of spheres of influence – Venezuela and the Middle East

The removal of the President of Venezuela by US forces was a harbinger for times to come²⁰. It gave rise to such claims from the President as *"the country is ours"* and, in relation to resources that *"this oil will be sold at its market price, and that money will be controlled by me, as President of the United States of America"*²¹. Only weeks later, after a calling to Iranians to rise up and free their country, Iran's leader was assassinated as Trump declared regime change as his objective²². It became quite clear that, on the same basis, Mexico, Cuba, and Colombia have good reason to fear US intervention²³. Cuba has already been left in dire straits by an embargo on the receipt of Venezuelan oil²⁴.

This is a restatement of the Monroe Doctrine²⁵. The original version was the U.S. telling Europe in 1823 that: *"The Americas are off-limits—this is our sphere of influence"*. Now popularly labelled as the 'Donroe Doctrine'²⁶ it seems the entire *Western Hemisphere* is now declared to be under hegemonic US control. The historic notion of *Spheres of Influence* - a root cause for two world wars - is now central to the US geoeconomic playbook, with military force being a key part of the inventory.

During March 2016, Trump's whims and impulses ran riot. Along with Netanyahu in Israel, he opened a war in the Middle East with an attack on Iran. As we were writing this paper, we found ourselves overtaken by yet another major global event. The President of the United States and so-called 'Leader of the Free World' bypassed international law (and his own Congress) and without warning attacked Iran.²⁷ This shocked, and continues profoundly to shock, economies and people across the globe.

The markets have responded *by the hour* in response to the President's Truth Social utterances. Oil prices have risen sharply and the equities have seen a pattern of ups and downs. (*Further detail of the progression of the Iran War is not something we feel we need to address here since it dominates the daily media and is very much still a process in motion. it would swamp our narrative*).

²⁰ <https://commonslibrary.parliament.uk/research-briefings/cbp-10452/>

²¹ <https://www.bbc.co.uk/news/articles/c4grxzxj80>

²² <https://www.theatlantic.com/ideas/2026/03/trump-iran-war/686470/>

²³ <https://www.bbc.co.uk/news/articles/cvg0l44yxrvo> <https://www.wola.org/multimedia/u-s-military-attacks-inside-colombia-and-mexico-a-conversation-were-actually-having/>

²⁴ <https://edition.cnn.com/2026/02/18/americas/cuba-us-trump-oil-tourism-intl-latam>
<https://www.ft.com/content/84789174-578e-4896-a41a-14826995cf69>

²⁵ <https://www.archives.gov/milestone-documents/monroe-doctrine>

²⁶ <https://ecfr.eu/article/venezuela-trumps-donroe-doctrine-and-three-dilemmas-facing-europe/>

²⁷ <https://www.newyorker.com/news/q-and-a/the-lawlessness-of-trumps-war-in-iran>

international diplomacy for the US has, it seems, descended into a pattern of Presidential threats if nations do not toe the line²⁸. NATO member states saw the approach used when they refused to back Trump's plans for Greenland²⁹. This tactic applies as much to Trump's war strategy as to his geopolitics. One telling example of this one-way approach began on the 22nd of March. The President first vowed to "*obliterate Iranian infrastructure within 48 hours*" if certain conditions were not met³⁰. He recanted this threat the 23rd of March after claiming there had been "*productive conversations to end the war*" (conversations the Iranians denied³¹). Claims were made about subsequent negotiations but at this very moment we are at the end of another '15-day hold-off' of promised *obliteration* - with the added declaration that "*Iran will be bombed into the Stone Age*".

International law has been set aside from the beginning of the conflict (in truth by both sides). But for the world's largest economic and military power and the post-war defender of international rights and justice to see its policy through this sort of malign prism is profoundly shocking. Regardless of the brutal Iranian regime and the desperate need of the people for change, the most disturbing aspect of this is the signal that the United States now regards itself as unrestricted by international law and able to wield its military and economic might without constraint simply at the behest of its President³². Not so long ago, the declared ambition from Vice President J D Vance for the US to "*take control*" of the western hemisphere - "*Our Hemisphere*" as he called it³³. It seems that for the Trump administration the global action space has no limits. Who knows what the next move will be?

Greenland, NATO and the 'downgrading' of Europe: Davos 2026

Along the same line (spheres of influence, resource control and weaponised policy), Greenland, a dependency of NATO member Denmark, is in still Trump's sights to be "*taken under US control one way or another*"³⁴. This is consistent with a clear line of rhetoric from Trump and Vance that Europe is unable to defend itself³⁵, alleging that Europe is "censoring social media, interfering in elections³⁶, violating the rights of Christians", and "losing its freedom of speech." This is a deliberate attempt to undermine Europe's place in global decision-making³⁷ alongside a move to declare solidarity with the European right. This subtext pervaded the Davos gathering of the global elite in January 2026³⁸.

The Davos event was a turning point in global geopolitics even before the latest eruption in the Middle East. Out of it came a restatement of the threat of sequestration for Greenland and of additional tariff sanctions for those NATO member states opposing the idea³⁹. This attack by the US *on its allies* gave the event a dramatic start. But this was overtaken by Mark Carney, the Prime Minister of Canada, in a

²⁸ <https://www.theatlantic.com/national-security/2026/02/trump-diplomacy-state-department-washington/686126/>
<https://www.ft.com/content/2656f791-c17c-4b44-8a1e-1892fef5374a>

²⁹ <https://fortune.com/2026/02/01/trumps-nato-fight-greenland-control-tariffs-alliance-long-term-damage/>

³⁰ <https://www.bbc.co.uk/news/articles/czex56kwxxzo>

³¹ <https://edition.cnn.com/world/live-news/iran-war-us-israel-trump-03-23-26>

³² <https://www.independent.co.uk/news/world/americas/us-politics/trump-voting-executive-order-china-election-interference-midterms-b2928513.html> see also <https://www.ft.com/content/0a318f39-b85b-4da7-b22f-243dc97fca80>

³³ https://www.thedailybeast.com/jd-vance-declares-americas-in-charge-of-half-the-planet/?utm_social_post_id=612463610

³⁴ <https://www.politico.eu/article/jd-vance-europe-greenland-us-vice-president-washington-marco-rubio/>

³⁵ <https://www.aneews.com.tr/world/2025/02/15/trump-says-europe-losing-freedom-of-speech-praises-vances-munich-speech>

³⁶ How ironic, given Trump's interference in the election in Hungary

<https://www.theguardian.com/world/2026/mar/22/trump-lauds-viktor-orban-far-right-leaders-gather-budapest> especially since it backfired on him and Vance <https://www.bbc.co.uk/news/articles/cd9vg782kx7o>

³⁷ <https://www.newsweek.com/free-speech-retreat-europe-says-jd-vance-2031217>

³⁸ Be bamboozled by Trump's oratory <https://www.astrid-online.it/static/upload/trum/0001/trump-davos-2026.pdf>

<https://www.bbc.co.uk/news/articles/cm24vjvy3n1o>

³⁹ <https://www.ft.com/content/8c804726-aecb-4d48-b532-91334be8cd1b>

speech untitled but popularly described under the heading “*Rupture in the World Order*”⁴⁰. In it, he described the arrival of a “new world order” where the post-Cold War rules-based order is no longer functioning and called for middle-power coalitions to step into the vacuum. Carney suggested that only the ‘middle powers’ of the UK, Canada, the EU, Japan, Australia, and South Korea have both the capacity and incentive to stabilise the system.

Carney’s core argument was that the ‘middle powers’ must stop negotiating bilaterally with hegemon, because that locks them into structural weakness. Instead, they should build flexible, issue-specific coalitions to regain agency in a fractured world order. Coalitions are proposed for different issues with the emphasis on shared interests (‘variable geometry’) rather than universal membership. These would be coalitions of the marginalised and middle powers coordinating together to reduce vulnerability⁴¹. We shall return to this in the UK context later.

Trump’s engagement in the wars in Ukraine and Gaza

While world attention was captured by tariffs, the Davos speeches and latterly a war with Iran, the two wars we referred to in our October paper – Ukraine and Gaza – were not yet resolved and were largely ‘forgotten’ by the media⁴². Both are still in play in the new geopolitical context, but now under the Trump-style ‘dealmaking’ rulebook. Before the Iran war Trump was pushing for a ceasefire in Ukraine by engaging directly with Putin while backing away from the efforts of the European group of nations to put pressure on Russia to withdraw. Describing his European partners in this venture as “weak” and their continent as “decaying” gives an insight into the President’s attitude toward the Ukraine ceasefire negotiations and toward Europe in general⁴³. In this Trump-driven context, for example, an intransigent Putin has had to make no concessions on Ukraine⁴⁴.

As global turmoil continues against the background of a media pre-occupied by Iran, both the Gaza and Ukraine wars continue at varying levels of intensity. In Gaza, a ceasefire is in place, but with regular breaches by both sides⁴⁵. Israel continues to attack Lebanon and is in a position to raise the pressure on Iranian proxies in Syria and Yemen as part of its war aims against Iran. The Houthis have joined forces with Iran. Conflict rages across the Gulf as Iran engages in its asymmetric warfare plan for retaliation by involving the Gulf States. Saudi Arabia has been attacked by Iran. Having fomented all this, Trump parades himself as the *great peacemaker* having pathetically been gifted her Nobel Peace Prize by Venezuelan opposition leader María Corina Machado⁴⁶. The irony is staggering.

United States threatens to back away from NATO

A significant development since we last wrote on this subject in October 2025 has been the reaction of the European States inside and outside the EU to what is perceived by them to be an existential

⁴⁰ <https://www.lowyinstitute.org/publications/carney-s-rupture-rethinking-rules-based-order-0>

⁴¹ Canada has just joined the European Union’s Security Action for Europe (SAFE) program, the only non-European nation to gain preferential access to this €150-billion initiative. <https://www.canada.ca/en/department-national-defence/news/2026/02/minister-mcguinty-advances-canadas-defence-priorities-with-allies-and-partners-in-europe.html>

⁴² <https://www.nbcnews.com/world/middle-east/gaza-palestinians-iran-war-trump-ceasefire-israel-hamas-rcna262959>
<https://responsiblestatecraft.org/the-destruction-of-gaza-has-not-ended/> <https://www.freiheit.org/ukraine-and-belarus/war-ukraine-forgotten-not-cold>

⁴³ <https://www.bbc.co.uk/news/articles/clydlwldkvko>

⁴⁴ <https://understandingwar.org/research/russia-ukraine/russian-offensive-campaign-assessment-march-2-2026/>

⁴⁵ <https://www.theguardian.com/global-development/2026/mar/23/gaza-ceasefire-paramedic-father-killed-civilian-death-toll>

⁴⁶ <https://www.theguardian.com/world/2026/jan/16/maria-corina-machado-giving-trump-nobel-peace-prize-medal-absurd-say-norwegian-politicians>

threat from Russia⁴⁷. NATO became increasingly active in warning of more Ukraine-like territorial incursions on the European eastern and northern frontiers⁴⁸. This may be of profound significance in the face of regular threats from Trump that the US would withdraw from the NATO alliance.

The demand that Europe funds its own territorial defence and reduce its dependence on the US has serious financial implications, not least for an over-borrowed UK⁴⁹. The *Munich Security Conference* declared that this year's gathering was taking place at a "fundamental inflexion point" with the global security with the post-WWII system under acute strain⁵⁰. In response, the leaders of European States and the UK felt the need to call for rapid defence integration, defence industrial scaling, and autonomous deterrence – all aimed at greater resilience amid a US withdrawal. The economic choices each of them will have to make at home to accommodate this are going to be difficult.

The impact of volatility on trading partners and the international financial markets

Trump's volatile policies have destabilised world trade (supply chain disruptions⁵¹, and opportunities to 'play the market' and profit⁵²) and, inside the US, opinion has become increasingly polarised. The administration's popularity has been low⁵³ and falling, and the mid-term elections⁵⁴ may herald a significant power shift, but not necessarily one that will change the broad trajectory of international policy. There is the end of the Powell Doctrine⁵⁵ for the US, where force should be used "as a last resort after all other non-violent means have been exhausted, with a clear objective an exit strategy and with public support"⁵⁶. The Trump approach applies the inverse: clarity is exchanged for complexity and flexibility, with vague and constantly changing objectives.

Whatever this means for the US, it makes things particularly difficult for trading partners and allies. The nations outside the US, particularly the liberal democracies, find themselves fixated on the short-term waiting for Trump's next speech, public utterance or bulletin on *Truth Social*⁵⁷. The same is true for the financial markets. They, too, have become sensitive to Trump's off-the-cuff comments on trade and monetary policy, with intraday volatility driven by single posts.

Investors find themselves increasingly having to add risk premiums⁵⁸ to account for policy uncertainty. There has been a 'flight to certainty' that has seen rocketing gold prices (though even those are volatile⁵⁹) and a move into Treasury bonds⁶⁰. Funds have also seen a move to safe havens⁶¹ outside the US. Given the overall volatility, it is difficult to take a settled view on the impact on rates, risk

⁴⁷ <https://www.consilium.europa.eu/en/press/press-releases/2026/03/16/russian-hybrid-threats-four-individuals-added-to-eu-sanctions-list-for-information-manipulation-activities/>

⁴⁸ <https://www.epc.eu/publication/laying-the-cornerstone-of-natos-european-pillar/>

<https://www.iss.europa.eu/publications/briefs/union-star-and-eagle-eu-nato-cooperation-under-trump-20>

⁴⁹ For a historical overview see <https://www.robert-schuman.eu/en/european-issues/826-european-union-military-operations-part-1> <https://www.robert-schuman.eu/en/european-issues/827-european-union-military-operations-part-2>

⁵⁰ <https://www.politico.eu/article/munich-security-conference-2026-live-updates/>

⁵¹ <https://www.fxstreet.com/analysis/huge-uncertainty-remains-as-trump-attempts-to-keep-a-lid-on-oil-prices-202603241015>

⁵² <https://www.ft.com/content/1171d623-3709-4f6e-8ded-a5df4ec57696?syn-25a6b1a6=1>

⁵³ <https://www.economist.com/interactive/trump-approval-tracker>

⁵⁴ <https://blogs.lse.ac.uk/usappblog/2026/01/09/the-2026-midterms-what-to-expect-on-this-years-electoral-calendar/>

⁵⁵ Developed by Colin Powell during the Gulf War 1990-1991 https://en.wikipedia.org/wiki/Powell_Doctrine

⁵⁶ <https://www.foreignaffairs.com/united-states/trumps-way-war-iran-venezuela>

⁵⁷ A full list of Trump's utterances can be seen at <https://rollcall.com/factbase/trump/topic/calendar/>

⁵⁸ <https://www.eiu.com/n/financial-services-chart-of-the-week-war-risk-premiums-surge/>

⁵⁹ <https://www.royalmint.com/gold-price/>

⁶⁰ <https://www.sjp.co.uk/individuals/news/can-government-bonds-come-out-on-top-in-a-tariff-war>

⁶¹ <https://economictimes.indiatimes.com/news/international/us/safe-haven-assets-explained-what-they-are-how-they-work-and-if-you-should-invest/articleshow/129026094.cms>

sentiment, and global portfolio flows amid the war in Iran, but spillovers from US events increasingly tend to outweigh UK domestic considerations.

Of clear significance to the second part of this paper, UK financial conditions are highly sensitive to US rates and risk sentiment. Imported movements in US yields can quickly erase the Chancellor's fiscal headroom⁶² even without changes in the domestic situation. It is vital in these challenging times to be able to read domestically induced signals separately from 'imported volatility' that can have a powerful impact. Ms Reeves's job became much harder in the six months to April 2026.

Overall, it remains impossible to predict events day to day. The policymaking of the global superpower is narrowly based on Trump's declarations. The financial world has to deal with Trump's war on Iran. On 9th March, oil prices passed through \$100 a barrel for the first time in a sequence of dramatic ups and downs⁶³ as Iran's fight back saw the closure of the Straits of Hormuz with missile attacks on the oil installations of its Gulf neighbours. Oil markets are characterised by growing uncertainty. Many countries have moved to release emergency reserves⁶⁴. The global financial markets have shed their early sanguinity and are having to take on board new concerns about inflation and interest rates⁶⁵.

At the outset of the Iran war, the financial markets appeared to have adequate resilience from the AI boom to mitigate the worst effects of the volatility surrounding tariffs. Stock and bond markets generally sailed on upwards, pushed by the digital technology wave, but with increasing warnings about an AI 'bubble' that most commentators are saying is a 'question of when, not if'⁶⁶. All this has now been swept away as it becomes increasingly clear that Trump's ambitious forecasts of a quick – Venezuela style – end to the Iran war turned out to be misplaced. The story of the six months between our last paper has been accelerating chaos and uncertainty, and there is no sign that it will end soon.

New alliances to face a turbulent world order - with Europe slow to respond

Power politics, a global reconfiguration of alliances and a new technological paradigm

The last six months has seen an increasingly active debate about global alliances and power balances. After the 1973 oil crisis powerful nations came together to coordinate their responses to global events under the accepted principle of working for a *negotiated resolution under an agreed system of rules*.

The 'G' Set of Nations

The original G5 powerful and wealthy nations (US, UK, France, West Germany and Japan) began the international collaboration process in 1973. Canada and Italy joined in the 1970s (with Russia added in 1997 and then suspended in 2014⁶⁷) to constitute today's well recognised **G7** group. The major emerging nations were added in 1999 in the context of the Asian Financial Crisis (Brazil, China, India, Mexico and South Africa). In 2005 the **G20** - the most important current global body emerged – and was in position for the 2007-8 financial crash.

⁶² <https://ukandeu.ac.uk/the-facts/what-is-fiscal-headroom/>

⁶³ <https://oilprice.com/>

⁶⁴ <https://www.bbc.co.uk/news/articles/cly093xxlzzo>

⁶⁵ <https://www.theguardian.com/news/ng-interactive/2026/mar/22/iran-war-global-economy-donald-trump-oil-prices-inflation>

⁶⁶ <https://www.ft.com/content/df3f208a-2512-4a75-b2f3-d3bd27bae2e8?syn-25a6b1a6=1> and listen to the excellent BBC podcast - *AI's Bubble Trouble?* <https://www.bbc.co.uk/programmes/m002r6wb>

⁶⁷ <https://en.wikipedia.org/wiki/G8>

Now in April 2026 we have an existential crisis of potentially epic proportions arising from the actions of the dominant power that had led the way in the past.⁶⁸ The US President's worldview now centres on U.S. primacy, hard-power leadership, reduced multilateralism, and a preference for bilateral deals with strongman-style leaders⁶⁹. He sees global leadership as something the United States should assert unilaterally, with other nations fitting into the roles of either strategic partners, rivals, or useful intermediaries⁷⁰ Trump's direction of travel is built in – away from the liberal rules-based order and traditional alliances, while denigrating the UK and Europe as key players⁷¹.

The world faces a *weaponised Interdependence* approach to geopolitics where tariffs, sanctions, supply chains, export controls and access to sea routes are instruments of economic coercion and where 'negotiation' is a transactional process operated under a *dominant nation* framework of power relations⁷². The drive to take control of 'chokepoints'⁷³ like the Gulf of Hormuz or the supply of rare earths is a key part of the approach⁷⁴. There is nothing particularly new about this, of course. Great Britain in the days of Empire controlled key ocean chokepoints in Gibraltar, Aden, Suez, Singapore and the Cape of Good Hope⁷⁵. Today, however, as the struggle over the closure of the Straits of Hormuz shows, it is proving more difficult to assert power in an era of drone and missile technology⁷⁶.

Under this radical geoeconomic system, changing conditions in the Technosphere are also providing new pathways to global power and control. The US-dominated 'magnificent seven' group of digital hyperscalers opens the door to another channel for (non-state) big power politics⁷⁷. Many of the key players in this - like Elon Musk, Peter Thiel, and Mark Zuckerberg - are closely aligned with Trump's political agenda and have been financial backers. Global economic change processes are, then, operating in a *parallel context* where the 'hyperscalers' have already achieved a form of digital hegemony across the globe⁷⁸. Through their national provider vehicles in the tech marketplace, the most powerful nations like the US (and China) can extract further commercial and geopolitical advantage across whole sectors using the tech owners 'digital sovereignty landing zones' (DSLZs)⁷⁹. For a much deeper appreciation of the full range and severity of the US *geopolitical earthquake*, see Adam Posen's recent and disturbing paper⁸⁰.

International alliances move to protect their interests

Against this world-changing backdrop, big players outside the US must protect their interests by seeking out ways to assert their own routes to power⁸¹. China robustly responded to Trump's early tariff threats⁸², causing him to back off, and Russia's has recently benefitted by a release from

⁶⁸ <https://time.com/collections/davos-2026/7345543/trump-foreign-policy-second-term/>

⁶⁹ <https://www.politico.com/news/magazine/2026/01/27/post-nato-middle-powers-expert-roundup-00748549>

⁷⁰ <https://thediplomat.com/2025/02/trump-2-0-great-power-politics-and-the-new-world-order/>

⁷¹ <https://www.theguardian.com/commentisfree/2026/apr/03/the-guardian-view-on-the-us-and-europe-the-uk-tried-to-be-a-bridge-but-trump-likes-to-burn-them>

⁷² We should not be too naïve about this - to an extent it was always thus with post-war power positions even under a negotiated order - but not so openly declared

⁷³ Predicted openly long ago <https://www.bcg.com/publications/2024/these-four-chokepoints-are-threatening-global-trade> <https://www.chathamhouse.org/2017/06/chokepoints-global-food-trade-five-things-you-should-know>

⁷⁴

⁷⁵ <https://www.geopoliticalmonitor.com/the-strait-of-hormuz-and-the-power-of-chokepoints/>

⁷⁶ <https://modern diplomacy.eu/2026/03/21/chokepoint-wars-how-the-strait-of-hormuz-crisis-is-reshaping-global-energy-security/>

⁷⁷ <https://investorplace.com/smartmoney/meet-the-mag-7-killers-3-heavy-assets-crushing-al-hyperscalers-in-2026/>

⁷⁸ We considered this in our October paper.

⁷⁹ For example <https://learn.microsoft.com/en-us/industry/sovereignty/slz-overview>

⁸⁰ <https://www.foreignaffairs.com/united-states/new-economic-geography-posen>

⁸¹ <https://www.kcl.ac.uk/a-new-geopolitical-reality-the-unexpected-silver-linings-of-trumps-global-disruptions>

⁸² <https://www.bbc.com/news/articles/cie7zex3njwo>

sanctions under the pressure of the oil crisis. There are deals to be done with the President. Following Carney's Davos speech, a movement for 'middle nations' to come together on their own terms may be in prospect⁸³. Acting together to project countervailing forms of power against the global hegemon (*weaponised* where this is feasible) has become the logical approach in the new global order of things.

Wide scope alliances

The BRICS⁸⁴ grouping was initiated in 2009 and the broader Non-Aligned Movement (NAM) Group as early as 1961⁸⁵. The *Regional Comprehensive Economic Partnership* (RCEP), the world's largest free trade agreement, was signed in November 2020 by Australia, China, Japan, New Zealand, South Korea, and all ten members of the Association of Southeast Asian Nations. Since coming fully into force in 2022, the RCEP's rules and tariff-reduction policies have strengthened regional integration and optimised regional value chains. Bangladesh, Chile, and Sri Lanka have applied to join RCEP. MERCOSUR⁸⁶ is South America's main economic bloc, and is a customs union linking Argentina, Brazil, Paraguay, Uruguay and (formally) Bolivia. It was created to promote free trade, economic integration, and coordinated policies across the region. It is one of the world's largest trading areas by population and GDP and has a major role in EU–Latin America trade negotiations

The process of assembling alternative blocks outside the Global North has, of course, been happening for a very long time (mostly for trade purposes). But faced with a new global cataclysm that is comparable with the First Oil Crisis (*Seventies*), the Asia Financial Crisis (*Nineties*) and the General Financial Crisis (*Noughties*), nations will have to respond more robustly to the new world of geoeconomics emerging in front of them⁸⁷.

Europe slow to adjust but beginning to move

Europe is at a point of decision. The European Union does have the potential weight to play a major role in the new geoeconomic context. But, as Mario Draghi pointedly put it, "*despite being home to 460 million people and one of the largest economies in the world, the European Union today plays a marginal role in shaping global events*"⁸⁸. Entering the *new global economic order* - one where the US is no longer a trusted partner to its allies⁸⁹. Europe responded quickly to Trump's early tariff raids by approving a set of retaliatory measures and robustly pushed back on his Greenland plans.

With the exception of the (pre-May 2026 election outcome) 'outlier' Hungary, the European Commission's proposal to impose retaliatory tariffs on around 21 billion euros worth of American products was unanimously approved by 26 member states. It does have in its 'kitbag' an Anti-Coercion Instrument (ACI) passed into law in 2023 and is prepared to use it as a last resort⁹⁰. It is committed to "*prioritising diversifying and deepening trade ties with other partners such as India, Japan, South Korea, and Canada to reduce dependency on the American market*" Internally it acknowledges that it needs to "*boost the integration of its own single market where internal trade barriers remain high*"⁹¹.

⁸³ <https://thedeepdive.ca/carney-declares-end-of-rules-based-order-in-davos-speech-calls-for-middle-power-coalition/>

⁸⁴ <https://bricstoday.com/brics-navigating-trade-wars/>

⁸⁵ <https://www.britannica.com/topic/Non-Aligned-Movement>

⁸⁶ <https://www.mercosur.int/en/about-mercursosur/what-is-mercursosur>

⁸⁷ Geoeconomics is a field that concentrates specifically on this. See Matteo Maggiore at

<https://www.gsb.stanford.edu/faculty-research/working-papers/framework-geoeconomics>

⁸⁸ <https://www.politico.eu/article/mario-draghi-eu-donald-trump-geopolitics-central-bank-power-influence/>

⁸⁹ <https://www.ft.com/content/f836b4e2-38d7-4ffb-b526-2a77988b0ff>

⁹⁰ https://ec.europa.eu/commission/presscorner/detail/en/ip_23_6804

⁹¹ <https://www.orfonline.org/expert-speak/eu-response-to-trump-s-tariffs-between-retaliation-and-negotiation>

Carney's "ruptured world" thesis does, however, find the EU with a geopolitical identity crisis. One of the strongest themes to emerge at Davos, particularly in discussion around the Greenland issue, was the EU's apparent inability as a collective to respond to today's fast-changing conditions. This echoed the Mario Draghi argument that *'Europe is no longer shaping events; events are shaping Europe'* and it must undergo a major transformation to survive in a world defined by coercive economics, military power, and great-power competition. *"Europe clearly needs to act on security matters without relying on guarantees from the US but more than this, it needs to pursue a more assertive general foreign policy to defend its interests"*⁹².

Back in 2024 Enrico Letta's *Single Market Report* (April 2024)⁹³ and Mario Draghi's *Competitiveness Report* (September 2024)^{94,95} jointly provided a blueprint for rebuilding European economic strength. Both argued that Europe must radically scale investment, deepen the Single Market, and act with far greater strategic coordination. Two years later these suggestions look even more urgent. A different approach to risk-taking is seen to be necessary alongside the collective sponsorship of a 'sovereign' innovation fund to facilitate EU investment. Both reports also demand a *more coordinated European industrial policy and more rapid decision-making* – vital if the speed of events is to be the norm.

In 2025 - suggesting that Europe is "missing its moment" - Rediker and Crebo-Rediker made the same point⁹⁶. They argued for a capital markets union, a mechanism for sustainable defence funding and common borrowing tools – all directly in concert with the Letta and Draghi recommendations. Recent events make it clear that *speed of response* is vital, and that the EU may need to engage quickly in constitutional reform to be treated as a global economic and strategic player. With 460 million people and an economy worth \$22 Trillion. It should be claiming a leading, and not passive, role in the ongoing reconstruction of the global geoeconomic and geopolitical order⁹⁷.

There is evidence that the EU has begun to shift its position⁹⁸. Two forces acting in concert helped to sponsor this. While the first came from the issue of the bloc's reliance on Russian gas after the Ukraine invasion, the second was Europe's growing competitive vulnerability in manufacturing as China raised its game in response to Trump's tariffs. One ongoing EU response is the *Industrial Accelerator Act*⁹⁹ and moving to adopt the principle of *'Made in Europe'*^{100 101}. Another is through extending the existing Free Trade Agreement through a system of *Comprehensive Strategic Partnerships (CSP)*.

The EU is, for example, helping Vietnam to move up the value chain in high-tech production while improving its own market access. With India, the EU has concluded long-running negotiations on a landmark *Free Trade Agreement (FTA)* to give it access to a market of 2 billion people, covering nearly a quarter of global GDP. The deal is expected to "double EU goods exports to India by 2032 by eliminating or reducing tariffs on 96% of EU goods exports to India¹⁰². Overall, the tariff reductions will save around €4 billion per year in duties on European products"¹⁰³. These are the sort of

⁹² <https://www.politico.eu/article/mario-draghi-push-pragmatic-federalism-get-europe-out-predicament/>

⁹³ <https://www.consilium.europa.eu/media/ny3j24sm/much-more-than-a-market-report-by-enrico-letta.pdf>

⁹⁴ https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en

⁹⁵ <https://www.eiag.org.uk/paper/agenda-eu-some-implications-uk-letta-draghi-reports/>

⁹⁶ <https://www.realclearmarkets.com/2025/12/20/europe-is-missing-its-moment-1154540.html>

⁹⁷ <https://www.eiag.org.uk/paper/agenda-eu-some-implications-uk-letta-draghi-reports/>

⁹⁸ <https://www.consilium.europa.eu/en/press/press-releases/2026/02/12/remarks-by-president-antonio-costa-at-the-press-conference-following-the-informal-eu-leaders-retreat-of-12-february-2026/>

⁹⁹ https://single-market-economy.ec.europa.eu/publications/industrial-accelerator-act_en

¹⁰⁰ <https://www.ft.com/content/b92a4c09-a12b-4f9e-ad22-c541c1ad7e9f>

¹⁰¹ <https://www.ft.com/content/b92a4c09-a12b-4f9e-ad22-c541c1ad7e9f>

¹⁰² <https://www.independent.co.uk/news/india-european-commission-narendra-modi-new-delhi-ursula-von-der-leyen-b2908336.html>

¹⁰³ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india_en

transformative deals the EU needs to deepen its Indo-Pacific footprint. The EU has also signed new trade deals with Indonesia, Mexico, and the South American trading bloc Mercosur.

The EU is clearly already seeking to enhance its global position through strategic trade alliances. If it could go on internally to achieve better coordination as a federation along the lines suggested by Draghi and Letta, it could have much more critical role. Europe would be in a position to counter a malign US-imposed global regime based on authoritarianism, weaponised interdependence and hegemonic control. If, beyond this, a credible way could be found for the UK to add its weight to the EU, the future could look very different with a *European global player of substance* in play. It might be that one upside of the Trump catastrophe would be the re-energisation of a Europe that the President pejoratively labels as “*weak and decaying*”¹⁰⁴.

Turbulent global events from the position of the UK

Finding a realistic strategic positioning

Given the context just set out, the UK has a clear choice to make. It could continue to pursue the post-Brexit line of staying outside the EU, or it could move to become a powerful player within it adding to the strength of the EU. Standing still in today’s circumstances is not an option. Since Brexit, the main thrust of UK activity has been diversification away from EU-centric trade, while maintaining the *UK-EU Trade and Cooperation Agreement* as the backbone for European trade¹⁰⁵. In the new world order, closer relations with the EU are surely essential, not because of the success or failure of Brexit, but of the necessity to be in a position to find the economic and political weight to challenge the power play of Trump and the US¹⁰⁶.

Events in the Iran war and the torrent of abuse from Trump about the UK and Europe have shifted the tone of the British government on re-engaging with the EU. Both Starmer and Reeves have been seen ratcheting up the rhetoric on closer EU relations¹⁰⁷ with a summit on the issue proposed in the next few months¹⁰⁸. There are already signs, however, that some on the EU side are wary that the UK would be looking for ‘cherry picking’ rather than full membership¹⁰⁹.

It seems that the UK should look to Europe at least as the *geographical platform* or ‘sphere of influence’ from which to engage with Trump and his weaponised power politics. Already on the table are some tentative moves toward closer integration with the EU through a model of sector-by-sector collaboration across defence, energy and supply chains, but as yet, questions of full common market access are still at an early stage. Similarly, the UK could also be more ambitious in building up mutually beneficial trading relations with China, where a start has already begun¹¹⁰. (Spain has made a substantial move to bring its trade relations with China up the same level as those with the US¹¹¹).

¹⁰⁴ <https://www.independent.co.uk/news/world/europe/trump-europe-leaders-weak-russia-b2880837.html>

¹⁰⁵ https://commission.europa.eu/strategy-and-policy/relations-united-kingdom/eu-uk-trade-and-cooperation-agreement_en

¹⁰⁶ Defence is a prime area with the EU treating the UK as a security partner in SAFE - https://defence-industry-space.ec.europa.eu/eu-defence-industry/safe-security-action-europe_en

¹⁰⁷ <https://www.ft.com/content/111f8e8d-db64-4433-b3dd-fc8b95d0022d?syn-25a6b1a6=1>

¹⁰⁸ <https://www.politico.eu/article/volatile-world-requires-britain-uk-get-close-eu-keir-starmer/>

¹⁰⁹ <https://westernrelations.com/2025/07/13/uk-rejoining-the-eu-europeans-are-ready-but-not-for-cherry-picking/>

¹¹⁰ <https://theconversation.com/why-the-uk-has-announced-a-border-security-deal-with-china-and-what-it-could-mean-for-small-boat-crossings-275590>

¹¹¹ <https://ceias.eu/whats-behind-spains-pivot-to-china/>

After Brexit, UK trade policy shifted from being EU-centric and market driven toward a more globally diversified but complex system of bilateral and regional agreements. However, a continuing feature of it was close trade engagement with the US. A significant issue for the UK going forward is, then, that it finds itself *particularly exposed to US power and volatility* across many of its ‘frontier’ sectors (vehicles, steel and aluminium, pharmaceuticals, chemicals, and advanced manufacturing generally). Broadly speaking, around a quarter of UK market revenues come from the US, and one-fifth from commodities that are sensitive to US-driven growth swings¹¹².

If the thrust of the MAGA-based US policy begun by Trump carries on, there will inevitably be difficult times ahead - and the UK on its own does not have the benefit of *a large internal market* to absorb the shocks that will come. This has to be a powerful consideration when it comes to decisions about re-engaging with the European Union as well as for seeking strategic alliances in the Indo-Pacific arena¹¹³. One thing is for certain. Holding on to a Brexit – style view of trading as an independent global dealmaker in the world we see emerging before us is not going to work. We face a global inflexion point where as Carney says – “*nostalgia is not a strategy*”.

Taking a strong role as a middle power

Short of re-joining, by achieving a sound accommodation with the EU on trade, the UK would have the economic weight needed to forge a strong middle-power position for itself, even if, against the backdrop of the present moment's uncertainty, it would have to be a flexible one. If the UK continues to choose a more independent line, the nation does have much to bring to any middle power coalition it could attach to¹¹⁴. It has, for example, a historically evolved range of well-recognised *global network and soft power assets*, for example:

- Membership of deep alliances – mostly defence - (US, Five Eyes, NATO, G7 etc.).
- A globally competitive position as a financial centre with a wide regulatory reach.
- World-class universities and established globally recognised research and technology clusters.
- Widely recognised positioning in global diplomatic networks and the soft power this brings.
- A prime geostrategic location as Europe’s Atlantic interface.
- Considerable defence industrial capacity and capability.
- An established position in some key areas in AI and digital applications.
- Long-standing membership of a global network of finance, trade and industry bodies¹¹⁵.

The country is already moving to extend alliances with its most recent international agreements (2023 – 2025). These include: the *Global Clean Power Alliance* (2024¹¹⁶), and the *Comprehensive and Progressive Agreement for Trans-Pacific Partnership* (CPTPP¹¹⁷). These sit alongside a raft of bilateral

¹¹² <https://professionals.fidelity.co.uk/articles/expert-opinions/2025-04-28-why-uk-market-well-positioned-withstand-us-tariff-storm-1745826738826>

¹¹³ The UK has already moved to join CPTPP (Comprehensive and Progressive Agreement for Trans-Pacific Partnership <https://www.gov.uk/government/collections/the-uk-and-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnershipcptpp>), and CETA (Comprehensive Economic & Trade Agreement (CETA <https://www.gov.uk/government/collections/comprehensive-economic-and-trade-agreement-between-the-united-kingdom-of-great-britain-and-northern-ireland-and-india>) with India.

¹¹⁴ <https://www.geostrategy.org.uk/research/who-are-britains-most-important-allies-and-partners/>

¹¹⁵ For example, G7, G20, OECD, WTO, IMF, World Bank, Commonwealth Trade and Investment Network, AUKUS (P2), North Sea Energy Alliance etc.

¹¹⁶ <https://www.gov.uk/government/news/prime-minister-launches-clean-power-alliance-as-uk-leads-the-global-energy-transition>

¹¹⁷ <https://www.gov.uk/government/collections/the-uk-and-the-comprehensive-and-progressive-agreement-for-trans-pacific-partnershipcptpp>

agreements with Australia, New Zealand, Japan, Singapore, Greenland, Ukraine, the Gulf States, Norway, Iceland, and, perhaps most importantly, India.

The UK can, then, position itself as a highly networked middle power and global actor *with scale and a reputation for sound fiscal management*. It could help shape and lend weight to existing coalitions and, where appropriate, lead new ones for dedicated actions (such as regulating the digital hyperscalers' activities). It would, of course, be appropriate to do this with, at the very least, a strong position in Europe at its back. The turbulent geoeconomic context of the Trump era – difficult though it is – can perhaps more positively be seen as an opportunity for UK to make a clear strategic choice for itself as a major player/partner on the global stage.

Resolving the 'Europe question' fully will take time and will be constantly subject to external volatility generated by the current occupant of the White House. As we move to the next section of the paper, where we deal more locally with conditions at home, all that can clearly be expected on the horizon is a period of *continuing uncertainty and turbulence*. Whatever else, building resilience internationally, nationally, and locally will be necessary to deal with an anxious future. A pathway to achieve greater economic growth is vital, but against the circumstances we have just mapped out, there will be no easy wins from a standalone supply-side economics approach in a world of naked power politics.

A fragile economy and an anxious society losing trust in politics

Polycrisis continues, public spending is constrained, growth elusive, poverty rising

In our October paper we described the parlous state of UK economy and society. Not much has changed since then.. As of March 2026, GDP was still flat at 0.1%. Unemployment was at a five-year high with the rate standing at 5.2% - the highest level since 2021, The number of payrolled employees fell by 121,000 year-on-year in December 2025. On a monthly basis, payrolls dropped by 6,000 between November and December 2025. Businesses are shedding staff, and wage growth is beginning to slow after a short phase of limited growth. 13 million people now live in poverty¹¹⁸.

Private sector regular pay slowed to 3.4% in the three months to December, the lowest rate in five years. From a poverty perspective a recent report from the Joseph Rowntee Foundation (JRF) shows just how bad things are with a 0.5 million increase on the numbers of people living in poverty between 2023/24 and 2024/5. Overall, around one in five people in the UK, some 13.4 million (20%), were living in poverty including 4.0 million children¹¹⁹. The plan to remove the two-child benefit cap¹²⁰ arrived just as the effects of the Iran war on price inflation and fuel costs began to bite.

For over a decade, cuts and 'efficiency savings' have left the UK public realm in a depressed state with workers struggling with a rising cost of living. Pay disputes are not fully resolved with resident doctors¹²¹. Many universities are on the verge of bankruptcy¹²² and have been releasing staff and

¹¹⁸ <https://www.bbc.co.uk/news/articles/c3w38qvz195o> and <https://www.gov.uk/government/statistics/households-below-average-income-for-financial-years-ending-1995-to-2025>

¹¹⁹ Joseph Rowntee Foundation (2026), [What a generational change in methodology means for poverty statistics in the UK, March](#)

¹²⁰ <https://www.bbc.co.uk/news/articles/cwyx4ggyj44o>

¹²¹ <https://www.bma.org.uk/our-campaigns/resident-doctor-campaigns/pay-in-england/pay-restoration-for-resident-doctors-in-england> <https://www.bbc.co.uk/news/articles/c62j7jx910go>

¹²² <https://www.theguardian.com/education/2025/nov/25/fifty-higher-education-providers-risk-exiting-market-england-mps-told>

closing courses¹²³. Public sector health and welfare bodies are being overwhelmed by rising demand while under pressure to make staff savings. In the NHS waiting lists are falling¹²⁴ but only slowly and from very high levels, while mental health and children's services are facing fast-rising demands but without significant additional staff support¹²⁵. Hospitals and local authorities are struggling to cope with delayed building maintenance schedules, and the government is still trying to 'balance its books' by continuing to look for efficiency savings in key areas as we enter the post-PFI period^{126,127}.

Struggling against a maelstrom of external forces

We noted in previous papers how ill-equipped the UK was - even before the present crisis - to engage with what Trump has since foisted on the nation and its people. It is from this debilitated platform that the UK is entering the new ruptured world¹²⁸. Events in Iran have now taken a significant toll, and the government while rolling out new programmes to help the most disadvantaged¹²⁹, is having to lean on its limited budget surplus to assist those most likely to be in difficulty. There are rising global energy costs¹³⁰, disrupted supply chains¹³¹, pressures on mortgage lending¹³², a rise in inflation¹³³: 0.7% GDP growth and 4% inflation¹³⁴.

As Trump's promises of a quick solution in Iran have faded and the closure of the Straits of Hormuz has pushed oil prices well above \$100 a barrel. We now face another 'up and down' cycle in oil prices as Trump first threatens a massive strike on Iran's infrastructure and then with draws it for a two-week ceasefire¹³⁵. Planning of any kind is virtually impossible under such extreme volatility.

The Chancellor's efforts to set the conditions for growth and leave a degree of fiscal 'headroom' to tackle the nation's multiple ills, are always affected by global events, but under today's circumstances this challenge is becoming extreme. The global impact of the Iran war is seeing a widespread write-down of national economic growth expectations across the board, with some commentators suggesting that the oil shock could shave 0.1–0.2 percentage points off global growth in 2026 and add roughly 0.5 percentage points to global inflation¹³⁶. (This was before the full impact of the closure of the Straits of Hormuz arrived)

While, for the moment, Trump's punitive tariffs have been struck down by the Supreme Court, there is no hope that this will be the end of the matter as the recent 15% tariff moves on pharmaceuticals and steel show) Turbulence in energy supplies and supply chains generally will hold back investment.

¹²³ <https://www.ucu.org.uk/article/14220/New-analysis-shows-over-15000-university-job-cuts-as-UCU-launches-UK-wide-strike-ballot>

¹²⁴ <https://www.england.nhs.uk/2026/03/nhs-waiting-list-continues-to-fall-despite-record-winter/>

¹²⁵ <https://www.mind.org.uk/news/campaigns/news/mental-health-services-are-being-set-up-to-fail-mind-responds-to-the-fall-in-proportion-of-nhs-spending-going-to-mental-health-despite-record-numbers-contacting-the-nhs-for-support/>

¹²⁶ In 2018 a report by the National Audit Office found that the UK had incurred many billions of pounds in extra costs for no clear benefit through PFIs <https://www.nao.org.uk/reports/pfi-and-pf2/>

¹²⁷ Around 700 active PFI/PF2 contracts (from the 2008 financial crash recovery) are entering the expiry phase where public providers re-inherit the assets. Once the contract ends, the public authorities must fund all maintenance, management services, compliance and capital upgrades. Huge debates are emerging on the state of the assets handed back.

¹²⁸ Citations for last four papers.

¹²⁹ <https://www.gov.uk/government/news/thousands-to-be-supported-into-work-as-government-reforms-welfare-system>

¹³⁰ <https://www.bbc.co.uk/news/articles/cede1nn8wp5o>

¹³¹ <https://www.politicshome.com/members/article/crisis-crisis-supply-chain-resilience-matter-national-preparedness>

¹³² <https://www.bbc.co.uk/news/articles/c5y7gnkez3lo>

¹³³ <https://www.ft.com/content/88372f6d-4a02-4c13-8814-0a0384b8c06b?syn-25a6b1a6=1>

¹³⁴ <https://www.bbc.co.uk/news/articles/cgk0j71g417o>

¹³⁵ <https://www.theguardian.com/us-news/2026/apr/07/trump-iran-war-ceasefire>

¹³⁶ <https://news.abplive.com/business/imf-gita-gopinath-oil-shock-warning-iran-war-crude-prices-west-asia-crisis-us-israel-1830746>

Another gamechanger for the finances of NATO member states is Trump's constant assertion that the alliance can no longer depend on the US to continue supporting it without significantly raising their contributions. Defence expenditure will have to have a rising share of the NATO nations' budgets¹³⁷.

Global equities markets were remarkably measured in their early response but now respond daily to the potential open-endedness of the Iran hostilities. (We are currently five weeks into the war with a shaky ceasefire) There is still some, rapidly failing, hope that the financial markets will be able to 'look through' current events in Iran and the impact on oil and gas prices, food costs, and general trade disruption and see it as a short-term perturbation. Broadly, however, inflation is rising, and growth is slowing. The global economy is showing clear features of a *stagflationary* phase¹³⁸ (though not yet a full 1970s-style stagflation shock). This combination of slowing growth and persistent inflation is pushing several major economies into what analysts are calling "*stagflation lite*"¹³⁹. Keeping a tight grip on the UK national public purse is always going to be a challenge, even with domestic efforts that are apparently seeing some success, but we currently *stand on the threshold of the unknown*.

A strategy for restoring growth and creating space for public spending

Where then does the UK stand against this depressing scenario? Back in 2024, the government produced a White Paper - '*Plan for Change*', which set out a long-term "interventionist" approach to stimulate economic growth through targeted sector plans, regulatory support, and investment commitments¹⁴⁰. The base proposition was that government will exert its influence over a 10-year period primarily by supporting potential investors and innovators and by 'fixing' the supply side of the economy (planning regulations, skills development etc.) There is to be a *coming together* with investors and private businesses to achieve the aims of the plan.

The core of the strategy is a focus on eight priority sectors (advanced manufacturing, clean energy, life sciences, digital & tech, financial services, creative industries, defence, professional services (labelled the *IS8*) and below them 24 'frontier subsectors' or 'frontier industries' ranging from quantum technologies to green finance¹⁴¹. A distinction is made between: Frontier technologies as *horizontal* enablers (AI, quantum, semiconductors, etc.) and Frontier industries = the *vertical* sectors where these technologies will be deployed at scale. (for example, Quantum + AI → transforms financial services, life sciences, manufacturing). The list is certainly comprehensive and is a mix of 'actually existing' leading-edge activities in the UK and some more aspirational ones.

Over a 10-year timeframe the 'act of faith' embedded in this complex plan is that the UK will be seen as a sound place to invest in by virtue of its intrinsic skills and productivity and, in particular, its *innovation track record*. There is nothing wrong with this. However, it depends on the belief that markets for all the things involved will be open, free, and transparent on a global basis. This may have been the case in the past (though not quite as perfectly as the textbooks would have it), *but in 2026?* Nations now have to compete for economic position in a new world where the rules are more about hegemonic power - political, military, financial, and technological.

Looked at from the middle of a major global crisis in April 2026, it is difficult to see *Plan for Change* as more than an inspirational post-election prospectus to lift the spirits of a challenged nation. When just

¹³⁷ <https://www.nato.int/en/what-we-do/introduction-to-nato/funding-nato>

¹³⁸ <https://www.ft.com/content/44584af5-a4ec-470d-8880-1323c4be21da?syn-25a6b1a6=1>
<https://www.ft.com/content/fe6d2cd9-0e4d-4b84-a882-869a673fcd32>

¹³⁹ <https://www.rbccm.com/en/legal/cookies>

¹⁴⁰ <https://www.gov.uk/government/publications/plan-for-change>

¹⁴¹ <https://www.gov.uk/government/publications/industrial-strategy/industrial-strategy-sector-definitions-list>

seeing beyond the next fortnight is a major challenge and the population is depressed and anxious, a ten-year prospectus looks fanciful. Spreading the strategic sector net wide over a decade and hoping for market determined success seems ill suited to the 'shifted world' that the UK has to operate in.

In reality, the world we now face will require a *very clear focus*. The UK has to plan for making the economy generally more competitive and properly integrated with emerging technologies, but the 'top line' for this needs a focus on where the country might either already possess or can reasonably hope to acquire a position of *geo-economic and geopolitical* advantage. As we have just seen, this is about more than economics. It has to be framed against the geopolitical weight that can be deployed either singly or in alliance with other trusted partners like the EU.

The key domain for this is *global technology development*: AI, quantum computing, chip design, green and electric technology and so on. The question is where can the UK choose to operate with a degree of *'technology sovereignty'*^{142 143} in a world dominated by geo-economic and *geopolitical* power play. The choices will be hard, not least where the UK is so tightly bound to the US in critical areas.

Beyond that, and linking back to the work of Mazzucato¹⁴⁴, it is about *intervening selectively as a state player* to capture a degree of control in the global innovation system by building a supporting structural and spatial ecosystem at home and working in collaboration with trusted allies. It is also a defensive strategy where some critical elements of the technology complex the nation depends on are already under hegemonic control. (Taiwan fabricates 80% of the world's semiconductors and an overwhelming share of the most advanced chips¹⁴⁵). Technology sovereignty as a concept is *inherently dynamic*. It must evolve as opportunities change in the international geopolitical and techno-scientific environment and its adoption as a national strategy demands constant flexibility,.

Along these lines, as Jenny Bates¹⁴⁶ and Martin Wolf¹⁴⁷ both argue, the UK needs a strategy that is "flexible, adaptable and dynamic". Neither would disagree that having strong supply-side foundation and a sound fiscal base is vital, but in the contemporary world *strategic positioning* – particularly seeking out the right partners and alliances - would be an overriding requirement. This view accepts that 'core strengths' and local ecologies of innovation must be selectively prioritised, but also that *dynamic flexibility* is essential in today's turbulent conditions.

From this perspective hard boundaries and sectoral (SIC defined) thinking is too limiting. *Integrated innovation ecosystems* are emerging as critical to the future. There are lessons (both positive and negative) to be learned from the EU in its cross-border *Knowledge and Innovation Clusters*¹⁴⁸. The Oxford-Cambridge Growth Corridor plan shows that movement is under way in this context in the UK¹⁴⁹ as innovation clusters and ecosystems thinking begin to supplement sectorial logics.

Looking at all this through the lens of *UK lived experience in April 2026* there is short term need for some meaningful statement from government about a strategy to improve the *current* situation. There are no easy answers and any plan cannot take ten years to work through. Being realistic, under present conditions there seems very little governments can do than try alongside the entire global

¹⁴² <https://www.sciencedirect.com/science/article/pii/S0048733323000495#bb0330>

¹⁴³ <https://www.sciencedirect.com/science/article/pii/S0048733323000495>

¹⁴⁴ <https://academic.oup.com/icc/article/27/5/803/5127692>

¹⁴⁵ [Taiwan matters: how the status quo underpins Indo-Pacific peace and prosperity - ASPI](https://www.aspi.org.au/taiwan-matters-how-the-status-quo-underpins-indo-pacific-peace-and-prosperity)

¹⁴⁶ <https://www.bsg.ox.ac.uk/sites/default/files/2026-01/The%20Changing%20Global%20Economic%20Order.pdf>

¹⁴⁷ <https://www.ft.com/content/a8705e20-1c99-47a3-b86c-4346db79a8a3?syn-25a6b1a6=1>

¹⁴⁸ <https://www.eit.europa.eu/global-challenges/about-our-knowledge-and-innovation-communities>

¹⁴⁹ https://assets.publishing.service.gov.uk/media/68f75c5b529ccfa62ea399b2/Oxford_Cambridge_Growth_Corridor.pdf

community to ride out the storm¹⁵⁰. There is a wide consensus now that, even if the Iran war ended today, it would take around 5 years to restore the damage to the oil and gas industry in the Middle East. Energy prices are not going to return to their pre-war level any time soon¹⁵¹. Inflation is bound to rise, interest rates will remain high, growth will fall and there is the prospect of a global financial crash of the order of the 1970s and 2007-8. Much wider disruption is in prospect as debt servicing costs rise and emerging nations find their recent growth curtailed as their dollar denominated debt becomes more difficult to sustain.

Against such a scenario it would be unfair to criticise any government in power for being unable to do much more than respond day-to-day to protect their nation from the outfall of Trump's war of choice. There are no simple levers to pull but this will not stop the 'great simplifiers' offering their partial slogans and nativistic policy propositions from having popular traction. It does not help that in the UK we entered the present catastrophe in such a weakened state and without the resources to fix over a decade of rising inequality and public realm decay.

Above all, the short-term need is to *build resilience* for dark times – and ideally find a way to do this that lies within tight and further tightening budget constraints. We believe there is a way to do something that will at the very least ameliorate the conditions of those already in difficulty and at the same time signal that government accepts that waiting for economic growth as a strategy is postponed. There is a need to “go to where the people are” in a timely way. We dedicate the last section of the paper to this.

Coping with a crisis for people: Building resilience from below

Lessons for a crisis – mobilising goodwill against the politics of division

Under present conditions the prospects for economic growth in the UK are fragile at best¹⁵². Telling the population that they will have to wait for GDP growth to improve to fix things is not a message to resonate with people under today's conditions. It will certainly not address the day-to-day anxiety of people facing food price inflation, job insecurity, a shortage of affordable housing, and rising fuel and energy costs. Even if peace in the Middle East were to break out today, the damage to the global economy will take years to be repaired. The UK needs an immediate strategy to build resilience against what lies ahead. The Covid experience provided us with many essential lessons about how to mobilise people and local communities to respond to a crisis. This is the time to recover them.

One of the most important things to come out of Covid was how poor the centre was in responding to a fast-moving emergency. Central government did not get to 'know enough quickly enough' about what was happening on the ground. It could not visualise how the pandemic landed very differently from place to place and community to community. Central edicts from daily press conferences by experts and ministers found those at the sharp end having to work things out for themselves. Top-down leadership had its place, of course, but translating central instructions into practice in local situations up and down the country in a crisis was a different matter.

There was a critical lesson to be learned from this. People and organisations of all kinds - hospitals and surgeries, businesses and local authorities, the VCSFE, neighbourhood and church groups, were able

¹⁵⁰ <https://www.atlanticcouncil.org/blogs/energysource/how-the-iran-war-could-shift-energy-policies-around-the-world/>

¹⁵¹ <https://www.instituteforgovernment.org.uk/publication/managing-economic-consequences-iran-war>

¹⁵² <https://niesr.ac.uk/publications/uk-economic-outlook-chancellors-trilemma?type=uk-economic-outlook>

to come together in local settings using whatever means they had to hand. Funding did not come into it. A real time research study set in the North West had this to say about it - *“This response was motivated by a strong sense of responsibility for the wellbeing of the clients and communities they served, and was enabled by their strong community networks, local knowledge, and ability to increase system capacity through collaboration”*¹⁵³. This sort of resilience is there to be mobilised in difficult times and government would do well to recognise it in the challenging circumstances that lie ahead. Government needs to engage better with those thousands of organisations that fall under a myriad of headings but whose mission is to support people and communities ‘on the ground and in localities’. Mobilising local social capital to build resilience is vital in a crisis. Not everything needed at the moment is about money, resources and fiscal probity.

Moving on from a central silo/sector culture of governance

For the last 50 years these sorts of organisations supporting the social dimension of UK life have been identified as an enabling component to the economy – a *third sector* alongside the private and the public ones. Since the Blair era under New Public Management, this group of organisations has been making its way as a contractor to the state and its agencies in a marketplace for scarce public funding. As we enter a disrupted world and all its uncertainties, this is a good time to take on board how valuable those localised human and social capital assets were there for us when we faced Covid.

A wider mindset to break out of the current situation requires a shift away from the UK’s top-down, centralised and silo/sector governance culture. That this needs change is now almost received wisdom in a massive literature too comprehensive to review here. It is not just about the devolution of central powers to cities and regions but a recognition of the value of acting in ways that can *mobilise “strong community networks, local knowledge, and ability to increase system capacity through collaboration”* as revealed in the North West Covid study.

Top-down governance seemed to work well enough in the past, when economic growth obscured the reality of the nation’s rising social and spatial inequality. But pulling the levers from the centre to promote social equality no longer works so effectively today. In the past, a fast-growing economy could see a whole generation of people climbing out of poverty and improving their position through social mobility while central government concentrated on sound economic management. To expect it to return is more a matter of hope than experience. From another viewpoint we also know much more these days about what is actually going on. In an age of so much spatially referenced data the true complexity of local life experience is much easier to see.

Against this more sophisticated knowledge base we still have government local development policy allocating defined and time-limited pots of money to deprived places to compete with each other for preference. We explored in our last paper. Glossy handouts for ‘*Pride in Place*’ and exhortations to *“seize control of local high streets”*¹⁵⁴ proclaim more impact than they deliver on the ground to local people¹⁵⁵. The nation, as we have been saying throughout the paper, needs a central government that is focused, fast on its feet and able to read and respond to global events - but going forward there is a vital inverse need to be seen to *‘go to where the people are’* as *‘residents in place’* if the current loss of confidence in politics and politicians is to be improved.

¹⁵³ <https://pmc.ncbi.nlm.nih.gov/articles/PMC11884177/>

¹⁵⁴ <https://www.gov.uk/government/news/communities-to-seize-control-over-high-streets-and-restore-pride> and <https://www.bbc.co.uk/news/articles/c1mx8vr2gr1o>

¹⁵⁵ <https://doi.org/10.1080/00343404.2025.2597466>

There is a further downside to not taking this issue of locally “mobilising a sense of responsibility” more seriously. For the most deprived communities in particular – but now for increasing numbers of voters simply struggling make ends meet - the siren call of the extreme right can gain traction from simple sound bite ‘remedies’. In a blame culture, populist slogans about “whose fault it is” can capture substantial electoral traction. (We shall see with the local elections in a month’s time). Government is, of course, not wrong. GDP growth is what would be needed for the ‘big fix’ - *but it is nowhere in sight*. As we have seen throughout the paper, the world is in turmoil and economic growth is going to be hard to find everywhere as the new geopolitical order plays itself in. There are no simple answers to the big questions.

Confidence in government

In a 1923/4 survey the ONS found that “Just under half of people said they had little to no confidence in their own ability to participate in politics, and two-thirds had little or no confidence that they have a say on the decisions made by the government”¹⁵⁶ Such a disconnect is not just disturbing but potentially dangerous as social media opens the door to polarised views and social division.

Government needs to *do something visible at scale* to persuade local people that it feels their pain. Yes, whatever is done must still acknowledge the state of the national finances and redesigning the national governance structure is not going to happen quickly. But what if we had a part of the remedy *already in place* that is grounded at the local level and present in virtually all communities - particularly in those most deprived?

Building resilience from the grassroots: Energising and resourcing the Social Economy

Times are about to be more difficult for everybody, both through trends in the global economy under ‘Trump world’ and especially from the fallout of the misguided Iran venture by the US and Israel. All this will be experienced in extreme form for people at the margins and in the communities and places where they live. What they are going to face needs above all **resilience**¹⁵⁷. The government has recognised this and is moving to make central provision for those most severely affected by the projected rise in food and energy prices¹⁵⁸.

As we pointed out earlier, we were in a similar position during COVID, where (while the Public Enquiry discovered serious limitations on the efficacy of central government programming¹⁵⁹) the ability of voluntary, charitable, and local community players in moving quickly into the breach (even with their limited resources) was vital¹⁶⁰. We are fortunate to have in the UK, literally thousands of organisations and groups whose main task is to help those in difficulty. Some are national and operate local footprints at scale but most work creatively in the spaces and with the groups struggling most. This complex globally recognised *ecosystem* (described in the 1990s as the *Third System*¹⁶¹) is made up of organisations that prioritise social purpose over profit. In the UK we have a very long history with this segment of society going back to its origins (the Rochdale Pioneers for example) and currently it is huge. The scale of some parts of it is astonishing. There are over 100,000 social enterprises in the UK¹⁶²

¹⁵⁶https://www.ons.gov.uk/peoplepopulationandcommunity/wellbeing/bulletins/trustinggovernmentuk/2023?utm_source=copilot.com#main-points

¹⁵⁷ <https://www.theguardian.com/commentisfree/2026/apr/09/iran-war-britain-allies-europe-energy-social-policies>

¹⁵⁸ <https://www.bbc.co.uk/news/articles/cr516nmer5eo>

¹⁵⁹ <https://www.bbc.co.uk/news/live/cm27m300p2yt>

¹⁶⁰ <https://doi.org/10.1186/s12889-025-22104-9>

¹⁶¹ Popular in the 1990s, it is worth a re-examination of the concept. <https://base.socioeco.org/docs/kb-the-third-system-as-innovative-force.pdf>

¹⁶² <https://www.socialenterprise.org.uk/all-about-social-enterprise/facts-and-figures/>

The overall contribution of this complex system, however, tends to be undervalued by the centre in the UK. Part of this is clearly because of its sheer complexity and the difficulty of assigning it a single all-encompassing label but it also derives from the Neoliberal and economic fixation of a series of governments since 1979. In Europe by contrast, decades have been spent shaping the debate and in implementing policy¹⁶³ for the *Social and Solidarity Economy (SSE)*¹⁶⁴. In EU governance it is coordinated through a long-term policy framework in the *Social Economy Action Plan (SEAP, 2021–2030)*¹⁶⁵. The OECD is also a strong supporter - offering support, research and guidance. It uses both labels Social Economy¹⁶⁶ and Social and Solidarity Economy¹⁶⁷.

In the specific UK context, the *Social Economy* could be described as: *organisations that use business-like structures to achieve social or environmental goals, reinvesting their surpluses to benefit people and communities rather than maximise private gain*. Included under this heading would be: i) the *Charity and Voluntary Sector* delivering not-for-profit services in housing, health, and welfare, ii) *Cooperatives and Mutuels*: Active in housing, energy, and finance, rooted in the Rochdale traditions and iii) *Social Enterprises*: “businesses set up to address social or environmental challenges, using trade to achieve their mission and reinvesting profits for public benefit”. But there is much more to it than this. *Anchor institutions* (NHS, councils, universities) have a critical role in shaping local markets while *Community Wealth Building*¹⁶⁸ organisations sponsored by local authorities seek to sustain local assets and build capacities in local procurement, employment, and land use.

As part of the Social Economy mix there are numerous instruments such as community shares, municipal bonds, local climate funds, green and social bonds. public–private blended finance instruments, and impact investment vehicles. An undervalued part of this is that the system also pulls in large amounts of high quality ‘free’ labour. In an ageing society huge capacity exists to mobilise the skills of the retired generation¹⁶⁹. This varies from place to place but overall, it represents an *enormous pool of local social capital in place* - readily mobilizable to help with crisis in front of us. What then might be needed quickly to take secure a more positive position for the Social Economy in the UK?

Recognising and promoting the Social Economy: A national imperative

One of the greatest challenges to be faced with the entire segment of UK national life we have just been describing is how to label it. We are using the label Social Economy here. So let us make an attempt to define it knowing that it will be open to challenge.

The Social Economy (SE) refers to organisations whose primary purpose is social or public benefit rather than profit maximisation. It normally consists of things like: Co-operatives, Mutuels, Social enterprises, Charities and voluntary organisations and Foundations and Community-interest

¹⁶³ Many EU States have SSE as a core activity. Italy, Spain, Portugal and France and the EU have a specific mandate for Member States to present an SSE national strategy to contribute to a Social Economy Action Plan (SEAP). https://social-economy-gateway.ec.europa.eu/index_en

¹⁶⁴ <https://www.oecd.org/en/publications/what-is-the-social-and-solidarity-economy-a-review-of-concepts dbc7878den.html>

¹⁶⁵ https://social-economy-gateway.ec.europa.eu/eu-initiatives/seap_en

¹⁶⁶ The actors of social economy (social enterprises, co-operatives, associations, mutual benefit societies, foundations...) all prioritise social value alongside economic activities and play a role in delivering essential services and enhancing well-being of individuals and communities (https://www.oecd.org/en/publications/social-economy-in-europe_3432de93-en.html)

¹⁶⁷ <https://www.oecd.org/en/publications/what-is-the-social-and-solidarity-economy-a-review-of-concepts dbc7878den.html>

¹⁶⁸ Scotland has recently moved to legislate for this. <https://www.parliament.scot/bills-and-laws/bills/s6/community-wealth-building-scotland-bill>

¹⁶⁹ <https://ageing-better.org.uk/blogs/enormous-contributions-older-people-make-society>
<https://www.ft.com/content/47622296-5725-4ef3-bc5d-a75d4cefa118>

Organisations. These organisations operate with democratic or participatory governance and tend to have community-rooted accountability. They reinvest their surpluses into a social mission and utilise hybrid business models that can creatively blend commercial activity with social purpose.

To give the Social Economy what it needs to ‘punch its weight’ there would be things that government could provide at low cost. First would be a *cross-government co-ordination unit* tasked with pulling together a clear legal definition for the entity as a whole and establishing a *national-level data and measurement framework*. Not necessarily for government but under its sponsorship, it would be particularly valuable to establish some form of *national blended finance facility* that would ideally include a set of *social investment guarantees*. To encourage young people to see the value of careers in the Social Economy and to secure its future, a fund should be created for *young SE entrepreneurs*. This would be part of a wider support programme for training and skills development more generally. All this would be designed to give the Social Economy the national profile at scale that it deserves.

For those SE organisations already active there are measures that would help them to grow and thrive. There is far too much involved in this for us to pursue it here – a whole other paper would be required and a raft of literature to be taken on board. The point this paper wants to make is primarily about *profile*. What we have called the Social Economy here – and we are not precious about titles – is that going forward into what will perhaps be one of the most challenging crises since WWII, we need to move quickly (in the absence of serious money to spend) to respect, value, mobilise and support that segment of national economy and society that is close to the ground in local places and has a social mission to support those people and communities struggling with an increasingly turbulent world.

This is one way in which, in the Prime Minister’s own words, “*we show people the respect they deserve...If we give people more agency over the state...See them as our partners...Then together, we can take control of our future...We can live in a Britain built for all*”¹⁷⁰.

Conclusion

The months it took to write (and re-write) this paper revealed a world entering a period of profound rupture. When we first wrote about ‘Trump world’ in October 2025, we had no idea what was ahead. We now have war in the Middle East and a global crisis that could set back growth and add to and exacerbate other unresolved conflagrations in Gaza and Ukraine. There is an energy crisis unfolding on an unprecedented scale, driving up fuel costs, provoking shortages in liquid natural gas and helium, pushing up inflation and depressing financial markets. Stagflation is on the horizon. We have no idea as yet how all this will work out and the tragedy is - nor it seems do the initiators of the Iran invasion.

Beyond the immediate crisis, Trump’s second presidency has both unsettled the global system, and has further accelerated a *structural shift* already underway in late Neoliberalism, as the rules-based post-war era based on free trade and globalisation terminated. We now have coercive geoeconomics, revived spheres of influence, and the unrestrained exercise of hegemonic power. The chaotic volatility of U.S. tariffs, the bypassing of international law in Venezuela and Iran, and the weakening of NATO’s security guarantees all point to a world in which any sense of predictable order has been replaced by the variability of transactional power plays and the use of force and – it has to be said - personal whim.

We live in dangerous times. This turbulence in global politics and economics has amplified what were already difficult economic conditions for the western liberal democracies. International and domestic trading systems have been destabilised by the deliberate promotion of a damaging global system of ‘weaponised interdependence’, in which powerful states seek to exploit financial systems, technology

¹⁷⁰ <https://labourlist.org/2025/09/labour-conference-2025-keir-starmer-speech-in-full/>

platforms, and supply chains as instruments of coercion. In parallel with this, the dominance of the global tech ‘hyperscalers’ and their super-rich owners continues further to entrench asymmetries of wealth and power¹⁷¹. Concerns for planetary sustainability have been seriously set back.

For the UK, this new landscape is especially challenging. The country entered this challenging era with a fragile economic base, limited fiscal room for manoeuvre, a society marked by deep inequalities and a declining trust in politics. The global shocks of the past months, from the tariff shambles to the Iran conflict and the closure of the Straits of Hormuz have exposed the limits of a strategy that relies primarily on long-term supply-side reforms and the hope that significant economic growth will eventually restore employment and socio-political stability. Under these conditions, the UK cannot just rely on market forces logics to navigate a world increasingly shaped by power and coercion.

Two imperatives stand out.

First, the UK must urgently redefine its international strategic posture. The emerging global order rewards scale, alliances, and agility. Middle-power coalitions, as articulated in Mark Carney’s “ruptured world” presentation at Davos, offer one of the few viable routes for states seeking agency in a system dominated by hegemonic competition. For the UK, this means moving beyond the defensive posture of post-Brexit exceptionalism and engaging more deeply and quickly with Europe (we are pleased to see this beginning to happen). The UK needs to do this both to strengthen the continent’s collective resilience and to anchor its own strategic relevance and defence. Whether through sector-by-sector cooperation or by a more ambitious re-engagement, the UK cannot afford to stand apart from Europe as the only bloc capable of balancing U.S. volatility and China’s rise.

Second, the UK must build resilience from below. In a period of constrained public finances and rising social anxiety, the most immediate gains will have to come not from ten-year industrial strategies but from empowering the social and solidarity economy, local institutions, and the community-based networks that already support those most exposed to crisis. These organisations form a complex ecosystem that can react rapidly and represent one of the few scalable assets the UK possesses for navigating prolonged turbulence. Strengthening this grassroots capacity is, not of course, a substitute for national strategy; but it is a precondition for social stability in an era of shocks.

Taken together, these imperatives point to a broader reframing of what national strategy means in the 2020s. The UK must be selective, flexible, and realistic about its strengths, recognising that growth alone cannot repair the social fabric or shield the country from global disruption, and accepting that resilience (international, national, and local) is also a central organising principle of statecraft. At the same time, it needs to rebuild its domestic foundations and empower the Social Economy to protect the most vulnerable for the difficult times that lie ahead. We conclude by repeating the Prime Minister’s words about how to keep the nation together in hard times, “...*If we give people more agency over the state...See them as our partners...Then together, we can take control of our future...We can live in a Britain built for all*”. (Keir Starmer, Labour Conference Speech, September 2025¹⁷²).

¹⁷¹ <https://www.ft.com/content/85ee3be0-c9a6-4a1d-baf9-8b2ca9e46a85>

¹⁷² <https://labourlist.org/2025/09/labour-conference-2025-keir-starmer-speech-in-full/>