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The dilemmas for the UK created by a rupturing world

di Martin Wolf

How should UK policymakers plan for its future? The usual reaction to such a question is to scoff: the British don't plan; they muddle through. But even if that is what they will do, it must help to understand the context.

The list of countries that built their futures on trust in a US-led world order is long. But the UK is close to the very top. The US was its decisive ally in the first and second world wars and the cold war. The UK was enthusiastically engaged with the US at the Bretton Woods Conference in 1944 and the discussions that created the General Agreement on Tariffs and Trade in 1947. It was there at the birth of Nato. When, more recently, it decided to go for Brexit and "global Britain", the assumption was that Uncle Sam would always be by its side.

What is the country to do if that is no longer true? A recent paper, "The Changing Global Order: Towards a Refreshed UK Strategy", by Jenny Bates, former director-general at the Foreign, Commonwealth and Development Office, now Heywood Fellow at the Blavatnik School, addresses this. Her three big points are simple and compelling: first, the UK loved the old order; second, like it or not, it is dying; third, the UK has as yet no notion how to respond.

The value of Bates' paper is that it brings just about everything together. In the face of such abundant challenges, she suggests, rather boldly, that the country needs some sort of national strategy. This sounds very Chinese. Moreover, she argues, this should embrace both government and business. She thinks of this as a "UK flotilla". It would have to sail over a long distance and in a consistent direction.

Yet it is not easy to see what a truly coherent strategy might be, because the challenges are so intractable.

How far can the UK still rely on the US and, if not on the US, who else? Is the EU a credible alternative and, if so, should the country think seriously about rejoining? Is it wise to get closer to China, or too risky? What are the vulnerabilities in security, politics and economics (or all three together) that must be accepted, because there are no alternatives, or must not be accepted, because they are just too dangerous? And what if in some of the areas one would desperately prefer not to be too dependent, one is just bound to remain so, dependence upon the US for security being an obvious example?

In the process of thinking through these questions, many familiar ways of thinking might have to be jettisoned. The paper notes what it calls the familiar “UK policy tramlines”: internationalist; efficiency-focused; market-led; rules-based; and western-oriented. All of these are now in question in a world of unreliable and competing great powers. Donald Trump tells the UK not to trust China. I agree. But, given what he has been doing to Canada, can the UK trust the US? The answer is “hardly”.

Given these huge uncertainties, how then should one think about the future? The paper suggests, helpfully, four scenarios: G-zero, which is a chaotic world; “strategic national capitalism” or a world of relatively clear rivalries; “managed competition” between the US and China, which would be a modern version of the cold war; and, finally, a world that modern technology is reshaping in unpredictable ways. Alas, all these are still more uncertainties that the UK can neither predict nor influence.

What comes clearly out of this analysis is how far short of a complete strategy even Mark Carney’s focus on linking up with the other middle powers, however sensible, must be. Something more complete is needed. But something more complete is unavailable.

The more I consider where we are and might be going, the more I think five principles stand out. First, since it is largely impossible to plan ahead, the UK economy must be made as flexible, adaptable and dynamic as possible. Second, this will require diversification, but the country’s core strengths, notably its great universities, its scientific standing and its financial sector, must be maintained. Third, the country must define and seek to manage key vulnerabilities, notably those created by its most vulnerable and consequential supply chains and its fragile national defence. Fourth, it cannot again bet so much on any one superpower, but, given where it is located and the threats posed by an unreliable US and a predatory China, it must engage with — and try to strengthen — Europe, while diversifying its relations elsewhere across the world.

Finally, it must hope for the best in what has become a far more unsettled and unpredictable world than most of us could even imagine two decades ago.