

What the Burnham government should do in its foreign policy

Policy Paper

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**UK in the World
Programme**

Summary

- Andy Burnham's new government faces the same dilemmas as its predecessor in responding with limited resources to a volatile world. Foreign policy should be derived from clear national goals and interests, which now are **security, the economy** and **strengthening the UK's global position**.
- The UK must depart from the practice of trying to do too much. The priority now is to prioritize.
- The government should acknowledge the limitations of being a mid-sized power and use this to the UK's advantage. US–China rivalry injects new value into Britain's role as a 'strategic middle power' making common cause with countries seeking a path between the demands of the superpowers. Advancing this agenda – including combating climate change and promoting governance of AI and digital services – should be a pre-eminent UK foreign policy goal; it should inform the hosting of next year's G20.
- Europe has prime claim on the government's energies because of its importance to the UK for economy and defence. By the end of 2026, the UK government should aim to complete its 'agreements to agree' with the EU on food and animal products trade, emissions trading and youth experience. Defence collaboration should be pursued as a goal in its own right, not as a bargaining chip for negotiating better trading terms.
- Burnham's influence with the EU will be stronger if his top team reaches an early decision on whether the next Labour Party manifesto will commit the UK to joining the EU customs union, the single market or the EU itself.
- Given unease about the US's reliability as a partner in security or trade, the UK's goal should be cordial cooperation with the Trump administration but with a readiness to diverge in views, notably on Israel and on digital regulation.
- With Beijing, the UK should be politely wary and work with the EU on responding to China's competitive threat across many industries.
- Defence is an urgent challenge, not only because of the war in Ukraine and Russia's wider threats but because funding decisions cannot wait. The government needs to narrow the scope of its defence programme primarily to the Euro-Atlantic region, keep the UK's nuclear deterrent, and settle soon how it will pay for the NATO-led commitment to spending 3.5 per cent of GDP on defence by 2035. There is no pathway to that figure without tax rises, spending cuts elsewhere, or reductions in the current list of defence projects.

1. What's the challenge?

As there is increasingly frequent reason to point out, the prime duty of government is to keep a country safe: protecting its sovereignty, its borders, its people, its companies, its infrastructure, and its data and digital services. Close behind is the pursuit of economic growth. In foreign policy, that includes fostering trading relationships and attracting investment. The cultivation of Britain's place in the world and its key relationships has a wider benefit: not just to advance its security and trade, but to promote the values that it wants to see prosper and its own reputation for holding those.

We argue that these three principles – **ensuring security, improving the economy and enhancing the UK's international influence** – should underpin the foreign policy choices of Prime Minister Andy Burnham's new government.

The challenges are formidable: Russia's war on Ukraine, the conflict in Gaza, the US stand-off with Iran, China's growing assertiveness, and accelerating concerns about climate change and the threats from artificial intelligence (AI). The UK's fiscal and military resources remain severely constrained.

The choices ministers make will inevitably be derived from decisions that are political in essence, such as the Burnham government's desire to combat the cost of living. Foreign policy should, however, clearly recognize the fundamentals of the UK's situation: Britain has a large and globally connected economy, driven by knowledge and services, based on islands in the northeast Atlantic, with recent weak GDP and productivity growth and stretched public finances; that said, it also has a rich creative and intellectual history and a reputation (retrievable, if tattered) for upholding the rule of law.

2. Why does it matter?

Foreign policy is now inextricably interwoven with domestic policy. Success abroad is essential if any UK government is to achieve its overall goals and set the tone for the country. The importance of **defence and security** hardly needs stating, but the nature of the threat to Britain is changing in ways that push up the urgency and cost of action, increasing the need for innovation and alliances.

Economic growth, the second priority, is essential to make domestic policy goals accessible. It is a precondition for releasing money for investment in the UK's ageing infrastructure, for investment in the industries and services of the future, and to provide revenues to satisfy public expectations of government spending and support at a time of rising health and benefit costs.

The importance of **choosing the right role in the world for Britain** stems from two factors: the competing demands of the US and China; and the opportunity to become an influential 'middle power' with the many countries facing similar dilemmas in their relations with the superpowers as well as common challenges on climate change and tech. (By 'middle power' we mean simply a country of international influence that is not the US or China.) Pursuing 'coalitions of the willing' on different fronts should be an overarching goal of Britain's foreign policy, including when the UK holds next year's G20 presidency.

While there is certainly room for both a bold vision for defence cooperation and a review of the UK–EU economic relationship, it would be prudent to consider each separately.

3. Policy options and trade-offs

In pursuit of those goals (security, the economy, global influence), we have argued before that any British government has to get three main relationships right: with the US, with Europe and with China.¹ That remains the case, although we argue below that Europe should now have prime claim on the UK's attentions.

We set out here how the UK should approach those relationships, along with the key decisions it needs to make soon to advance its defence, economic growth and influence.

3.1 Europe: don't expect to swap defence for trade; decide economic goals

The European relationship is important for all three goals. The Burnham government may be tempted to offer the EU more expansive defence cooperation in return for receiving better trading terms. This is unlikely to prove productive. The Keir Starmer government tried a version of this, as did its predecessors. While Starmer did achieve small improvements to the UK's trading terms, such attempts have run counter to the European conception of the EU as a political project with the single market at its heart. This sort of transactional approach has shown itself to be capable of causing subtle but deep offence among EU policymakers.

Hamish Falconer, the minister given the role of top EU negotiator by Burnham – a role enhanced by Falconer's attendance in cabinet and his position within the Foreign, Commonwealth and Development Office (FCDO) under the new foreign secretary, Ed Miliband – said in early August that the government intended to pursue 'a more ambitious relationship' with the EU. While there is certainly room for both a bold vision for defence/security cooperation and a review of the UK–EU economic relationship, we argue that it would be prudent to consider each separately.

The easier of the two is likely to be **collaboration in defence and security** procurement, planning and deployment (see also Section 3.5, on defence policy). The UK should seek to reopen the stalled discussion on its participation in SAFE (Security Action for Europe), the €150 billion defence fund.² Talks collapsed in late 2025 over the EU's demands for a high entry fee and the French desire for national content quotas.³ There is some European interest in restarting talks, however, and suggestions are emerging about a successor 'SAFE II' scheme.

If the Burnham government wants to take a more ambitious tack than did the Starmer team, it could also try to help consolidate various attempts at joint procurement and financing. These include the Canada-led Defence, Security and Resilience Bank (a proposed financial institution supporting NATO members and allies in funding defence), and the joint financing and procurement project between Norway, Finland, Poland and the UK.

On **economic relations**, the immediate focus should be on completing negotiations on three fronts where the Starmer government reached an 'agreement to agree' with the EU: the Emissions Trading System (ETS, which requires companies

¹ O'Sullivan, O. and Maddox, B. (2024), *Three foreign policy priorities for the next UK government: A case for realistic ambition*, Research Paper, London: Royal Institute of International Affairs, <https://doi.org/10.55317/9781784136062>.

² European Commission (undated), 'SAFE: Security Action for Europe', https://defence-industry-space.ec.europa.eu/eu-defence-industry/safe-security-action-europe_en.

³ Martill, B. (2025), 'The UK will not join the EU's new defence fund. Can the UK–EU security reset still succeed?', Chatham House Expert Comment, 15 December 2025, <https://www.chathamhouse.org/2025/12/uk-will-not-join-eus-new-defence-fund-can-uk-eu-security-reset-still-succeed>.

to buy permits for carbon emissions);⁴ the UK–EU sanitary and phytosanitary (SPS) trading arrangements (on the movement of food and animal products);⁵ and the Youth Experience Scheme (for cultural and educational exchange).⁶ The Burnham government might be tempted to regard this as ‘microsurgery’ that does not match its aspirations for a fuller relationship. But much work has been accomplished already, and the essential points are almost agreed. That said, the remaining obstacles to completion are not trivial: they include the UK’s concern that if it allowed EU students to pay the same ‘home’ rates as British ones, university finances would worsen sharply.

To the extent that EU members have attention to spare for the UK, they are focused on getting these agreements formalized and then seeing how well they are implemented. Thomas Byrne, Ireland’s minister for defence and European affairs (Ireland currently holds the EU presidency), made this clear at a Chatham House roundtable on 17 August. There is an opening right now for an intensive UK policy push; this should preferably involve resurrecting the UK–EU summit postponed from 22 July (because of the change of UK prime minister) later this year.

If that summit concludes the ETS, SPS and youth experience agreements, there might then be room to discuss the more ambitious cooperation desired by Burnham, Miliband and Falconer. Certainly, there is appetite in some European countries for that. However, the UK should recognize (as it has often failed to do) that it cares more about UK–EU trading relations than EU countries do. EU members have other concerns on their minds, while friction between the UK and France over defence procurement and the ever-politicized problem of immigration via ‘small boats’ always hovers as an obstacle to progress.

As to where that **conversation about a deeper relationship** might go, there are several lines the UK should pursue – and others it should recognize are likely to prove futile. While Falconer has expressed a desire to improve trade in services – understandable given this is the strength of the UK economy – this long-standing UK goal has never met with much EU enthusiasm. Prospects for early improvement seem limited.

More promisingly, the UK might explore cooperation in science, research, AI and technology, especially as the EU is working on the successor to the Horizon Europe programme and as defence and security are increasingly intertwined with research and technology. The Starmer government, like several of its predecessors, was better at talking about scientific ambition than creating the conditions to foster it. The UK will need to take more care than in the past to ensure that its incentives on visas and corporate investment and its taxation of capital gains and corporate profits support its goals.

Another useful discussion would be around supporting the EU’s work on improving European capital markets. That matters enormously to Europe’s ability to fund entrepreneurs and innovations. Of all the points listed by Mario Draghi, a former Italian prime minister and former president of the European Central Bank (ECB), in his devastating 2024 analysis of Europe’s failings in competitiveness, capital market reform was high on the list.⁷ The EU’s record on integrating capital

⁴ European Commission (2026), ‘About the EU ETS’, https://climate.ec.europa.eu/areas-action/carbon-markets/about-eu-ets_en.

⁵ Department for Environment, Food and Rural Affairs (2026), ‘UK-EU SPS Agreement - Information for Businesses’, news story, published 9 March 2026, last updated 28 May 2026, <https://www.gov.uk/government/news/uk-eu-sps-agreement-information-for-businesses>.

⁶ Cabinet Office (2025), ‘EM on negotiation of a UK-EU youth experience scheme’, policy paper, 28 August 2025, <https://www.gov.uk/government/publications/em-on-negotiation-of-a-uk-eu-youth-experience-scheme>.

⁷ European Commission (undated), ‘The Draghi report on EU competitiveness’, https://commission.europa.eu/topics/competitiveness/draghi-report_en.

The UK's direct relationships with policymakers and institutions in Brussels have atrophied and could now do with more attention. This is urgent because the EU itself is changing fast.

markets justifies scepticism – but in theory, this area is comparatively open to improvement. Britain, with its strength in financial markets and regulation, has much to contribute.

The UK has also considerable reason to work with the EU on digital governance (see also below, 3.2) and on a potential collective response to China's competitive threat to domestic industries (see 3.3).

Overall, the government needs to hold more discussions directly with Brussels. After Brexit, the UK strengthened its bilateral relationships with some European countries. Yet the UK's direct relationships with policymakers and institutions in Brussels atrophied and could now do with more attention. This is urgent because the EU itself is changing fast: Poland is emerging as a major power and economy, while the question of EU enlargement (involving Ukraine and others) is unresolved but could open up different models for Britain's desired closer relationship with Europe.

All negotiations with the EU will be easier if the Burnham government can reach greater internal clarity about whether applying to join the customs union, the single market or the EU itself will be part of the Labour Party manifesto for the next general election (due no later than August 2029). Early frankness within Burnham's team about where the government eventually intends to position itself will help signal to Brussels the degree of ambition the UK holds for the relationship overall.

3.2 US: pursue more independence

The new government should pursue a course of cordial closeness with the US, while developing the UK's ability to diverge from the US where interests and values clash. Military and intelligence ties remain indispensable for the UK at the moment, and the sense of common culture and a history of alliance retains some adhesive power. Yet the Starmer government discovered that seeking to avoid provoking the Donald Trump administration does not offer complete protection from retaliation for perceived offence. UK expectations of securing favourable treatment by complying with US demands should not be high – nor, therefore, should Burnham's government avoid policy positions, merely for the sake of appeasing the US, that the UK would otherwise like to take.

In the coming year, reasons to articulate different positions from those of the US will almost certainly arise in relation to Israel (because of Gaza and settler violence on the West Bank) and on digital content. The past year has shown some room to diverge on the former without retaliation by the Trump administration, although the UK's refusal to take part in the Iran conflict provoked its anger.

There is less reason to be confident that the UK can diverge on digital content regulation without suffering political fallout, given US tech companies' close relations with the Trump team and with MAGA candidates in the forthcoming mid-term elections, and the way disputes on this front have been building. The Technology Prosperity Deal,⁸ announced as the centrepiece of Trump's state visit to the UK in September 2025 and intended to precipitate investment in tech and AI, is now essentially frozen because of the US's objection to the UK's Digital

⁸ Prime Minister's Office, 10 Downing Street (2025), 'Memorandum of Understanding between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland regarding the Technology Prosperity Deal', press release, 18 September 2025, <https://www.gov.uk/government/news/memorandum-of-understanding-between-the-government-of-the-united-states-of-america-and-the-government-of-the-united-kingdom-of-great-britain-and-north>.

It can be easy to forget that there are many routes to influencing America. The UK government should court members of Congress, state legislatures, potential presidential candidates and industry leaders.

Services Tax and online safety regulation, which Washington argues penalize US companies. The UK has common cause with the EU on this subject, however, and efforts to hold firm against US pressure may find support from Brussels.

The UK may also begin to find solidarity on digital issues among the US public. A backlash against data centres, tech company practices and aspects of the extreme wealth inequality that the tech titans represent is even more evident in the US than in the UK. Although a Labour government should not read too much into the recent success of Democratic Socialists in local elections in the US – in particular, the Burnham team should not interpret these results as a profound leftward shift in US politics overall – the UK can nonetheless look for indications of support in areas such as tech regulation.

There is also shared new governmental concern globally – including in the Trump administration – about the potential threats from new technologies. The Five Eyes intelligence partnership between the US, the UK, Canada, Australia and New Zealand warned in June 2026 of a likely imminent increase in cyberattacks.⁹ Tech companies themselves have warned about risks including ‘bad actors ... obtaining biological weapons’.¹⁰

The UK, through the AI Security Institute set up by Rishi Sunak during his tenure as prime minister, is having increasing international influence on intergovernmental discussion about the desirable response to these threats. The UK should seek to build on this in relations with the US and beyond.

A final point: it can be easy to forget in Downing Street and Whitehall that the US is more than the White House, and that there are many routes to influencing America. Time-consuming as it is, the UK government should court members of Congress, state legislatures, potential presidential candidates and industry leaders.

3.3 China: be politely wary and work with the EU

Any UK government should accept that its relationship with China can be caricatured as a fudge because it is inescapably a constant trade-off between three goals: promoting trade, protecting national interests and security, and the need to talk to Beijing about global problems such as AI governance and the environment. Given the UK’s standing as a middle power, it has no option but to juggle these aims. All the same, businesses and universities, to name just two constituencies, could do with a clearer steer from the Burnham team on where government decisions are likely to fall. (Government indecision on the go-ahead for the Chinese ‘mega-embassy’ in London, expressed as a desire to make the planning approval proof against judicial review, even compromised Starmer’s visit to Beijing early this year, handicapping advance preparation on new commercial links.)

Cooperation with China is more complicated than it was. There is more cause now than in the so-called ‘golden era’ of UK–China relations in the mid-2010s – as characterized by former UK chancellor George Osborne – for the UK to prioritize protection of its national and commercial secrets. The UK arguably was guilty of naivety about the reality of Chinese intellectual property theft and spying, but China has also changed since then under President Xi Jinping’s plan for global industrial domination of many sectors. The UK’s most difficult decisions now centre

⁹ Five Eyes (2026), ‘The AI shift in cyber risk: why leaders must act now’, Five Eyes cyber security agencies statement, 22 June 2026, <https://www.ncsc.gov.uk/sites/default/files/2026-06/Five-Eyes-cyber-security-agencies-statement-ai-shift.pdf>.

¹⁰ Ramkumar, A. (2026), ‘Top AI CEOs Call for Law Protecting Against Biological Weapons’, *Wall Street Journal*, 3 June 2026, <https://www.wsj.com/politics/policy/top-ai-ceos-call-for-law-protecting-against-biological-weapons-88f2f99f?msocid=061b12620f5c69610905011c0ebc680b>.

on how to protect universities from dependency on income from Chinese students (and the financial impact of the potential fall in their numbers), and from the pressure to adapt course material that may follow; and how to work with the EU to respond to the competitive threat to UK and European industries from China's technological progress, volume of production and pricing; part of this challenge, too, is how to respond to China's habit of throttling supply chains during disputes with other countries.

The EU itself has spent this year grappling with these questions, including in its March 2026 discussions of the Industrial Accelerator Act (IAA). The IAA is intended to boost EU competitiveness, especially in green technology, although China has retorted that the regulation amounts to protectionism.¹¹ There is a threat, sometimes existential, to European industry from Chinese competition. Affected sectors range from the now-conquered territory of solar panels to the still-disputed arena of electric vehicles (EVs) and wind turbines, through to pharmaceuticals, factory automation, shipbuilding, robotics, space technology and many aspects of AI.

Reaching for protectionism is hardly what the EU needs at this point, when it has failed to implement the prescription for competitiveness that Draghi laid out.¹² But more healthily, the EU is examining how to use existing mechanisms to protect its companies. The fact that many Chinese firms are operating at a loss and supported by Chinese state banks does arguably warrant special protection (and is also of wider concern for China's economic stability, as President Xi has noted).

The UK would help the EU and itself by considering soon whether to align its stance with Brussels on the competitive response to China. The UK's interests are not identical to those of the EU: the UK has no large-scale solar power or wind turbine industry to protect, and in non-sensitive fields cheap Chinese imports can benefit Britain's struggling economy. But it does have a substantial EV industry, and its pharmaceutical companies are among the UK's largest and most successful firms. It therefore has good reason to liaise with the EU on measures to address Chinese competition.

3.4 Britain in the world: develop middle-power relationships, use the 2027 G20, champion the rule of law

The argument of the Chatham House Director's Lecture in January 2026 was that middle powers have a chance to stand together to uphold support for international order.¹³ Mark Carney, the prime minister of Canada, gave a speech at Davos later the same month that made similar arguments, resonating widely when he called for middle powers to stand together against threats (which he did not name, but had a distinctly Trumpian flavour).¹⁴

The UK is well placed to marshal middle powers' efforts. Unease about the US's reliability is palpable in London as ministers and diplomats converge to explore potential alliances. (Chatham House is intensively brokering such conversations.) The UK's reputation overall for supporting the rule of international law is an asset if the Burnham government wants to take a tougher line in language and

¹¹ Reuters (2026), 'China expresses 'grave concern' over EU's proposed Industrial Accelerator Act', 6 March 2026, <https://www.reuters.com/world/china/china-expresses-grave-concern-over-eus-proposed-industrial-accelerator-act-2026-03-06>.

¹² European Commission (undated), 'The Draghi report on EU competitiveness'.

¹³ Chatham House (2026), 'The Director's Annual Lecture 2026', 13 January 2026, <https://www.chathamhouse.org/events/all/standard-event/directors-annual-lecture-2026>.

¹⁴ World Economic Forum (2026), 'Davos 2026: Special address by Mark Carney, Prime Minister of Canada', 20 January 2026, <https://www.weforum.org/stories/2026/01/davos-2026-special-address-by-mark-carney-prime-minister-of-canada>.

Policy Paper

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The government's pursuit of net zero improves its moral case in arguing for other countries to act too, even if the UK produces only 1 per cent of global emissions.

sanctions against Israel over Gaza and settler violence on the West Bank; the same is potentially true for any UK effort on championing the World Trade Organization (WTO) and other bodies of international cooperation.

To advance these aims, the UK should pursue closer relationships with Japan, South Korea, Canada, Australia, New Zealand, Nigeria, Brazil, India and the Gulf states – all countries whose interests often overlap. The UK should explore 'coalitions of the willing' on many fronts, using its 2027 presidency of the G20 and hosting of the G20 summit in the autumn of next year. The themes of investment, industry, AI, migration and the environment are prime concerns not only of the UK but of other G20 members.

The kind of poverty reduction which Britain has traditionally made a priority in its development aid is not particularly effective in pursuing narrow policy goals such as direct influence with governments or reducing economic migration. But even following precipitous cuts to the UK aid budget, aid and development policy can help in addressing conflict or alleviating its results and in shoring up multilateral institutions under strain from US funding cuts. Britain, including its intelligence services, needs to offer more attention and support to West Africa, the Sahel and the Horn of Africa.

On combating climate change, in Miliband the UK now has a foreign secretary passionately committed to the cause. The government's pursuit of net zero improves its moral case in arguing for other countries to act too, even if the UK produces only 1 per cent of global emissions. However, its notoriously high electricity prices and current indecision about whether to drill for its own supplies of gas (which it will continue to consume for years) undermine the UK's credibility in claiming to set an example.

3.5 Defence policy: make decisions on funding soon

The Burnham government has reaffirmed the UK's pledge to raise defence spending to 2.7 per cent of GDP by 2030. This was the goal articulated in the Defence Investment Plan (DIP) in June.¹⁵ The plan sets out tactical cuts to fund this spending increase. Yet neither the Starmer nor Burnham teams have said how the UK will reach the NATO spending commitment of 3.5 per cent of GDP on core defence and security plus 1.5 per cent of GDP on resilience and wider security by 2035. For all that John Healey, now chancellor of the exchequer, resigned as Starmer's defence secretary over the shortfall in proposed defence spending, there is no explanation from the government yet about how to close the gap. No government would give detailed spending pledges that might bind its successors, but a jump of the scale envisaged cannot be plausible without a plan for more taxes or big cuts. None is yet forthcoming.

These are the government's best options:

- **Clarify and narrow the purpose of defence.** Changes in the US's chosen role in the world even since the UK's mid-2025 Strategic Defence Review make this essential. Acknowledging that the UK cannot afford to help defend allies in the Pacific against China is overdue. A suspicion that the US would not fight to defend Taiwan's independence has also hardened into a presumption in many quarters since the Trump administration's self-created predicament in Iran. The prime concerns of the UK should be defending the North Atlantic and helping Europe to counter Russia's hybrid warfare and

¹⁵ Ministry of Defence and HM Treasury (2026), 'The Defence Investment Plan', policy paper, 30 June 2026, <https://www.gov.uk/government/publications/the-defence-investment-plan>.

wider threats. This points towards Britain's armed forces prioritizing air, sea, cyber and intelligence cooperation with Europe, as well as an army capable of contributing to, say, the defence of the Baltics.

- **While the UK should not aim to boost military capability in the Indo-Pacific, that does not mean it should play no role in the region.** With its defence and technological expertise, the UK can and should be a valuable partner for Japan, South Korea, Australia, New Zealand and India. It is already at the heart of the two most technologically advanced partnerships in the region: AUKUS, a trilateral project with the US and Australia; and the Global Combat Air Programme (GCAP) with Japan and Italy. It also runs lower-profile but significant maritime security partnerships with Indian Ocean and Southeast Asian countries. These capability partnerships should become the centrepiece of a robust but realistic security contribution in the Indo-Pacific.
- NATO will continue to be the pillar of the UK's international security arrangements, but the Trump administration has cast enough confusion over the US's commitment to the principle of mutual defence that **it is sensible for non-US members of NATO quietly to explore how they can work together more closely.** In doing so, they clearly do not want to jeopardize the US's formal commitment to the alliance. But even if the next US administration takes a different tone, American public exhaustion with foreign wars is likely to persist.
- **For all the debate about whether Britain can afford its nuclear deterrent, this would be a poor moment to consider getting rid of it.** The pressures prompting countries to test the (so far surprisingly successful) agreements against nuclear proliferation are rising, not least because Iran has effectively retained its capacity to build a nuclear weapons programme and has every incentive to pursue this. Meanwhile, the US is equipping the United Arab Emirates and potentially Saudi Arabia with civil nuclear programmes. Nuclear-armed Pakistan has formed a defence pact with Saudi Arabia and Turkey. Debate in South Korea about whether it needs its own nuclear deterrent is rising as doubt about the US commitment to protecting it grows.¹⁶ The UK should find no reason, therefore, to consider jettisoning its own nuclear deterrent but should explore whether it can gradually work towards more independence from the US in maintaining and operating that deterrent.
- **The UK should keep its commitments to AUKUS and GCAP.** These initiatives are often characterized as luxuries that the UK cannot afford. There remains a case for persisting with each. The UK Treasury rightly has had its eyes on GCAP (a joint project with Italy and Japan to develop a sixth-generation fighter jet) as exactly the type of programme susceptible to running over budget and deadline, risking over-specification and even immediate obsolescence. However, with the collapse of the joint French–German–Spanish Future Combat Air System (FCAS) project this summer, when disagreements over national contribution, intellectual property and control proved insurmountable, GCAP remains the sole European military aviation project of this nature. Its attractions have therefore risen. The case for AUKUS is even stronger. This US–UK–Australian submarine-building and advanced technology cooperation project stands to give the UK 12 submarines and generate thousands of tech jobs. This would underpin the UK's ability to defend the Euro-Atlantic seas in addition to supporting the focused Pacific role outlined above.

¹⁶ Schmitt, E. and Cooper, H. (2026), 'Trump's Order to Cut Military Exercises With South Korea Carries Risks, Experts Say', *New York Times*, 20 August 2026, <https://www.nytimes.com/2026/08/20/us/politics/trumps-order-military-exercises-risks.html>.

The government needs to arrive soon at a plan for funding the pledged rise in defence spending.

On funding overall, cooperation with Europe offers the best chance of generating savings compared to operating alone, but for many years those may be small. The government needs to arrive soon at a plan for funding the pledged rise in defence spending. There appears some public support for potential cuts in the benefits bill as a source of savings, but less so on the Labour backbenches. Funding increased defence spending through general taxation, such as with a special defence and national security tax, would probably take more preparation of the public mood than any government has yet done. But one of these two – spending cuts or tax rises – is necessary if the commitment is to be upheld.

4. Recommendations

On **Europe**, the Burnham government's priorities should be to:

- Finalize the agreements on SPS (food and animal products trade), youth experience (cultural and educational stays) and emissions trading (carbon permits). If possible, the government should seek to achieve this at a rescheduled summit with the EU during 2026.
- Reopen the discussion on SAFE (Security Action for Europe), the EU's €150 billion defence fund. The UK should work to help align defence procurement cooperation internationally.
- Explore alignment with the EU over a common response to China's competitive threat in key industrial sectors, and over digital governance.
- Support the EU's work on an improved capital union.
- Ensure the UK's visa regime and corporate and wealth taxation policies are compatible with the aims of building scientific and technological strength in the UK and the EU alike.
- Hold more talks directly with Brussels, rather than just bilaterally with individual EU member states.

On **the US, China and middle powers**, the government should seek to:

- Pursue a clear line on digital policy.
- Work with the EU on the competitive response to Chinese industry in clean technology, pharmaceuticals, space, robots, factory automation and shipbuilding.
- Actively court members of the US Congress and key industries, to pursue and cultivate alternative channels of influence in the US beyond the White House.

On **defence**, the government should:

- Explain how the UK will fund its commitment to increase core defence spending to the NATO target of 3.5 per cent of GDP by 2035.
- Acknowledge the primacy of defence of the North Atlantic, and that the UK does not have capacity to take part in Asia-Pacific defence beyond technological cooperation.
- Prioritize air and sea defence in the North Atlantic, maintenance of the UK nuclear deterrent, maintenance of land forces appropriate to European defence, and cyber and AI.

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