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LOCKED IN

A REALIST'S AGENDA FOR DIGITAL SOVEREIGNTY

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November 2026

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Registered charity no: 800065 (England and Wales),
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This paper was first published in November 2026. © IPPR 2026

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ACKNOWLEDGEMENTS

We would like to thank Isabella Wilkinson, Matt Davies, Joseph Jarnecki, Isaac Freeth, Sanjush Dalmia and Lorna Ingwell for comments on this report. We would also like to thank Laura Chappell, Mihir Sharma, William Ellis and Marley Morris for support during the research.

Thanks also to all participants in the two research roundtables and interviews for this work and to Tussell, especially Hannah Bettelley, for advice on the government contracts data used. Thanks to Netcompany for kindly funding this work. The views and recommendations in this report are those of the authors, and IPPR retained full editorial control throughout.

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Powell R, Prakash N and Jung C (2026) *Locked in: A realist's agenda for digital sovereignty*, IPPR.
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FOREWORD

People expect their government to be in control of what matters most to them: their safety, their job security, and the public services they rely on.

Increasingly, control over each of these depends on how much say a country has over the future of technology. It means being able to claim a fair share of the wealth AI creates and using it to support people whose jobs may be disrupted. It means having a plan so that the NHS, the police, and other public services can adopt the most advanced technology with confidence, without becoming exposed to price hikes, outages and export controls set elsewhere. And it means being able to scrutinise the most powerful AI models, so that Britain helps write the rules that keep people safe, rather than relying entirely on others.

These questions are no longer niche, and public anxiety about these exact issues is rising fast. The British public now fear that AI will destroy more jobs than it creates, and very few believe the gains will be shared fairly. That worry will not go away on its own. And to address it, government needs to show it is in control of how this technology shapes people's lives.

In this context, it is no surprise that governments everywhere are scrambling for sovereignty. They are committing billions to sovereign AI funds and national compute, moving sensitive data onto trusted cloud, replacing US big tech products with home-grown alternatives, and seeking a foothold in any part of the technology stack that might give them leverage.

Their instinct is right, and Britain should be proud of what it has already achieved on this, from the Sovereign AI Fund to the compute roadmap, and from the UK hardware plan to commitments to reform procurement in favour of start-ups.

But a key question remains for Britain: what level of control is realistic for a country of our size? Where is it realistic to reduce dependencies, and where is it wiser to manage it?

This report answers that question. It sets out clearly what Britain can do on its own: change how the state buys technology so we can see dependence and address it; back the industries where the UK has a genuine chance to be world-leading; and shape markets to tackle the riskiest technology chokepoints by enforcing competition law and supporting open-source AI.

Most importantly, it is honest about where Britain cannot go further alone. We are unlikely to own a chokepoint in this technology, we cannot build a frontier model on our own, and we do not have the leverage to guarantee access to the frontier. For that, we need partners. Our natural allies, from France and Germany to Japan and Korea face exactly the same dependence. Alone, each of us is just another customer. But together, we could hold enough of a market, enough energy and compute, and enough expertise that no frontier developer could do without us.

The point of such a coalition is not to stand against the US, but to make ourselves indispensable together. Britain, close to Washington and close to a broader set of democratic allies is well placed to broker a coalition, and our G20 presidency in 2027 is the moment to start. As a first step, the UK should signal that it is ready to partner and dispel the idea that we are trying to go it alone.

Darren Jones MP

SUMMARY

Digital sovereignty has never been more urgent. The US has previously restricted access to the most advanced artificial intelligence (AI) and asked labs to hold back new models from the UK AI Security Institute. It is now a realistic possibility that critical systems get cut off, that economic gains from transformative technology flow overseas, and that the UK is unable to regulate an increasingly dangerous technology on its own terms.

In response, governments worldwide are investing billions in 'sovereignty', defined broadly as the ability for a country to control and shape the technology it relies on.

Yet there remains limited clarity around what level of control is achievable for the UK. One camp argues the UK cannot compete and should accept dependence, negotiating the best access terms it can get. The other camp argues the UK can aim for interdependence and with it more control, spreading reliance beyond just the US and building a UK technology stack that others depend on.

Defining which of these goals is realistic requires more specificity on exactly how exposed the UK is today, and on which objectives within sovereignty are most important. Often, 'digital sovereignty' bundles together three distinct goals, which we assess in turn:

- **Operational resilience:** critical systems keep working if access, terms or suppliers change.
- **Value capture:** more of the economic value from technology is created and kept in the UK.
- **Frontier access and oversight:** the UK retains access to the most advanced AI and can govern it on our own terms.

On operational resilience, the UK is heavily exposed but has the power to act. IPPR analysis of government contracts shows that less than one pound in six that the public sector spends with its biggest technology suppliers goes to firms that are British on every count.[1] Of the spend that appears to go to UK firms, 43 per cent goes straight to resellers, mostly of US big tech products. And government cannot see the full extent of its own dependence. Almost nine in 10 IT contracts have no record of how many suppliers bid, and AI spend is often invisible – wrapped up in existing cloud and software contracts. But the state is a significant buyer and with reform to procurement combined with substantive market-shaping policies, there is potential for the UK to both reduce dependency and support alternative suppliers to grow.

On value capture, the UK has a strong startup ecosystem, but too little of the value it creates stays here. Several frontier clusters with high growth potential are emerging, such as chip design and AI assurance. But technology profits mostly accrue at concentrated chokepoints where the UK cannot compete, and many UK startups struggle to scale before getting sold overseas. It is realistic for the UK to capture a much larger share of the economic gains, but only if industrial policy is selective about where the UK can win, markets are kept competitive, and the taxpayer keeps a stake in the upside even when firms relocate.

On frontier access and oversight, the UK is weakest and has limited time to build leverage. The UK's strengths on AI applications, chip design and AI safety are all valuable, but sit at diffuse layers of the technology stack where withholding access costs others little. Meanwhile at the chokepoint layers (such as frontier models or

1 In other words, firms which passed all four tests of Britishness, covering themes including product ownership, company ownership and job distribution.

chips production), the UK is competing against countries already building at far greater scale, with structurally cheaper energy and greater natural resources. Even with ambitious reform, the UK is unlikely to be in control of a chokepoint on its own. The best route is to manage dependence on US frontier models by working with other middle powers who bring substantive pooled capability. Together, these countries can become indispensable.

On each of these metrics, the UK has a long way to go, and a more ambitious agenda is key. So far, UK policy has leaned heavily on building domestic capability from the ground up. But this cannot be our only bet. The UK must at the same time do far more to tackle the chokepoints directly, shaping markets and working with allies so that control of these critical layers is more distributed, even where it doesn't sit with us.

RECOMMENDATIONS

We recommend the UK introduce the following measures.

Operational resilience: diversify suppliers and use procurement to shape markets

- Buy technology as one customer, contracting directly with major vendors and pooling budgets with the EU to shape markets, protect optionality and embed consistent interoperability terms which make switching easier.
- Support scale-ups with a pipeline of mid-sized contracts and simplified procurement.
- Avoid nationality preferences in procurement and work towards a unified approach with the EU, including UK startup access under the EU's Cloud and AI Development Act.

Value capture: build capability through industrial strategy and keep markets competitive

- Target industrial policy at sectors the UK can win (eg AI applications, chip design, AI safety), including through continuing to provide shared infrastructure (eg via public compute) and strategically using innovation funding (eg via Innovate UK).
- Help firms scale through targeted finance, including by significantly expanding the Sovereign AI Fund and protecting its stake as the companies it invests in grow. Pair it with a clear, fast follow-on route through the British Business Bank, and incentivise UK pension funds to co-invest, so the UK keeps a meaningful stake in its most successful AI firms.
- Keep the middle of the stack competitive. Use the Digital Markets Competition and Consumers Act as a sovereignty lever *and* back near-frontier open-weight models to avoid the most extreme concentration at the model layer.

Frontier access and oversight: pool capabilities with other middle powers

- Expand bilateral partnerships, trading UK AI safety expertise and talent for priority access to partners' compute.
- Call for a middle power coalition with France, Germany, the Nordics, the Netherlands, Australia, Canada, Korea and Japan, with mutually guaranteed access terms.
- Hedge against access being withdrawn before a coalition is formalised. The UK should define, in advance, the point at which losing frontier access becomes costly enough to justify using riskier forms of leverage (eg market access) in order to negotiate, at the very least, narrow access for the security community.

Taken together, these recommendations span issues from economic preparedness and industrial strategy to security and international partnerships. Each could be a substantial agenda on its own, and each warrants more detailed work. Our aim here is to be deliberately broad: mapping how these disparate goals fit together, and building a foundation for future work.

1. EVERYONE WANTS SOVEREIGNTY: THE QUESTION IS WHAT KIND?

Digital sovereignty has risen up the political agenda fast. The UK has launched a £500 million Sovereign AI Fund, established a dedicated Sovereign AI Unit, and signalled further interventions aimed at strengthening Britain's position in critical parts of the technology stack, via the AI Opportunities Action Plan, the AI Hardware Plan, and Advanced Market Commitments to buy from leading UK companies (DSIT 2026). And with recent machinery of government changes, responsibility now sits at the centre of government, with a new minister for AI within the UK cabinet (Cabinet Office 2026a).

And Britain is not alone. Across Europe, Asia and the Americas, governments have cumulatively committed at least $30 billion of public money to sovereignty, with promises to mobilise hundreds of billions more.[2]

These governments have used sovereignty to mean many things, and throughout we also adopt a broad definition. We define sovereignty as a country's ability to control and shape the technology it relies on, either by reducing or managing dependencies on a small number of highly concentrated international technology companies and the countries that host them. Artificial intelligence (AI) is a central focus, because that is where dependence is deepening fastest and could become most costly, but it remains one part of a wider picture.

1.1 SOVEREIGNTY IS URGENT – AND SHOULD BE A TOP PRIORITY

These governments have made the right prioritisation call. Dependence on a small number of powerful technology providers might have looked manageable as long as technology appeared apolitical, the US relationship remained stable, and governments simply sought to buy the best product. But the ground has shifted, and risks that looked hypothetical a year ago are now real.

US export controls on advanced chips and AI have made it much clearer that access to key technologies is conditional on US government decisions. And ever evolving relations with an unpredictable US mean the UK can no longer expect preferential treatment when access restrictions kick in (Allen and Goldston 2025; Key 2026).

As AI becomes increasingly essential to our security and to the functioning of the economy, the costs of dependence are compounding. By 2031 these costs could become far more severe (see box).

2 This figure is indicative and combines recent initiatives across the UK, EU, Korea, Brazil, France, Canada, India, Singapore and Japan, converted to US dollars. For example, in the EU (10 billion for AI factories), South Korea (nearly 7 billion for AI in 2026), Brazil (around 4 billion over four years), France (nearly 3 billion of France 2030 for the national AI strategy), Canada (around 1.5bn in compute and budget 2025, India (1.25 billion), Singapore (over 0.5 billion), and Japan (around 0.5 billion). See (European Commission 2025; MLex 2025; Reuters 2024; Ministère de l'Économie 2025; Government of Canada 2024; Government of Canada 2025; PM India 2024; Computer Weekly 2024; Ministry of Economy, Trade and Industry Japan 2024; Department for Science, Innovation and Technology 2026).

UK 2031 – WHERE COULD THE UK'S TECH DEPENDENCIES LEAD?

1. The shutout

Today, 2026: The US has shown it is willing to restrict access to the most advanced AI to American users, first by forcing a worldwide suspension of Anthropic's newest models, then by limiting its next release to US organisations (Dey et al 2026). The UK AISI has also lost early access to the latest models for testing, after the White House asked labs to give the US government first review until new terms could be agreed (Cai and Bambridge 2026).

Tomorrow, 2031: AI now underpins British intelligence, research, health and public administration, and the manual teams it replaced are long gone. Washington again restricts access, this time across all models and for months not weeks. With no fallback, NHS administration stalls, intelligence analysis slows and key policing capabilities vanish overnight.

2. The value drain

Today, 2026: Britain produces world-leading technology, but struggles to retain these companies. Arm is SoftBank-owned, DeepMind belongs to Google, and UK startups rely on foreign capital to scale. The UK is adopting AI relatively fast, but the productivity gains may go to the Silicon Valley firms that design it rather than the British firms that use it.

Tomorrow, 2031: AI is embedded across the economy but the economic gains flow overseas. AI-driven unemployment in the services economy erodes income tax receipts just as demand for income support rises. UK firms building on US models pay rising rents, leaving Britain with limited scope to shape AI's impact on citizens.

3. The runaway technology companies

Today, 2026: AISI gives Britain unusual influence over frontier AI, but only by voluntary agreements with the companies designing AI. US government decisions already regularly undermine that cooperation, and the UK is left unable to pursue bolder safety and governance.

Tomorrow, 2031: A handful of foreign firms provide the infrastructure and AI used across the British economy. When non-US governments propose tougher rules, those firms threaten to withdraw investment and access. With few alternatives, regulation is set by what the firms will accept and AISI has been wound down due to their lack of access to test the latest models.

1.2 SOVEREIGNTY IS REALISTIC – IF THE UK DEFINES SPECIFIC GOALS

If these are the stakes, then doing nothing is clearly not an option. The real question is therefore how ambitious the UK can realistically be.

At the moment, two distinct answers are offered. The less ambitious version of sovereignty accepts US leadership as a fixed point and works on their terms. For advocates of managed dependence, the task for the UK is to stay close, stay useful and negotiate hard to maintain access to US technology, for example hosting US infrastructure, and becoming a hub for US companies (Merchant 2026). The more ambitious version aims for interdependence. Here the focus is on creating a more distributed stack with multiple suppliers, multiple countries that the UK depends on, UK capabilities that others depend on us for and a backup plan if US access is withdrawn (Tanner et al 2026).

These camps disagree in part because they are prioritising distinct, if overlapping, objectives which differ substantially in scope and in how they can be pursued (see table 1.1).

TABLE 1.1

The three objectives of digital sovereignty

Objective	Description	What success looks like	Scope
Operational resilience	Critical systems keep working when access, terms or suppliers change.	No single point of failure; the UK can switch suppliers if access is disrupted (including to non-frontier alternatives).	Wider digital stack
Value capture	The UK keeps a substantial share of the economic returns from technology.	Firms scale here rather than exiting; UK businesses reap the productivity dividend from new technology; UK companies compete in profitable layers of the stack.	Wider digital stack
Frontier access and oversight	The UK keeps timely access to the most capable AI and can shape and regulate it on its own terms.	The UK keeps frontier access and testing rights; withdrawing UK access carries a real cost for those who control the frontier.	Frontier AI

Source: IPPR analysis

Each objective matters, and the UK must act on all three. But setting a realistic goal means considering each in turn. This report does exactly that, assessing the UK's current exposure against each of these goals, identifying which sovereignty levers the UK has not yet used, and ultimately proposing a realist's agenda.

Our conclusion is that the UK can make incremental progress towards interdependence at many layers of the technology stack, and that diversifying dependence at these layers is key to operational resilience and to value capture. But at the frontier, and with regard to frontier AI models especially, managing the US relationship will remain essential. This, we argue, is the hardest sovereignty goal for the UK to achieve and is best pursued as part of a coalition of middle powers that pool enough technical capability so as to become a truly indispensable part of the AI value chain.

2. THE STATUS QUO: HOW EXPOSED IS THE UK TODAY?

On the one hand, the UK has the third largest technology ecosystem in the world by valuation and, so far in 2026, UK startups have raised around the same amount of venture capital as the rest of Europe combined (techUK 2026).

Yet on the other hand, our public services remain dependent on US technology, we lack technology champions that can scale to genuinely compete, and the strengths that we do have sit at diffuse layers of the technology stack where they buy us limited leverage.

2.1 OPERATIONAL RESILIENCE

To assess UK exposure, we start with the public sector as the central case study of operational resilience. It is the UK's largest technology buyer and it runs many of the systems that most need to keep working, from benefits and tax to policing and the NHS.

Using international technology is not a problem in itself. But it becomes a sovereignty problem when lock-in prevents the public sector from switching suppliers, when the government has no alternative suppliers to fall back on because capabilities are highly concentrated, and when public buyers have no negotiating power to agree fair terms with their suppliers.

UK government has long aimed to buy more British technology and to buy more from startups to address these challenges, but so far progress has been limited.

Our analysis of UK government contracts data, provided by Tussell,[3] reveals that the UK state remains heavily dependent on a narrow range of suppliers, that dependence on the US is far larger than government figures suggest, and that thin data means the true extent of dependence is often obscure, even to those at the top of government.

Supply is concentrated

Just 150 firms receive 83 per cent of public sector technology spend (Tussell 2026) and the top 15 take almost half of that (49 per cent).

This may look efficient, but it weakens resilience in three ways:

- **Single points of failure.** When many services run on one product, an outage, a price rise or a change in terms hits everyone at once.
- **Lock-in and rising costs.** Purchasing from a small number of firms can lower costs in the short term while producing a less competitive market structure that later inflates prices, lowers quality and weakens resilience (CMA 2026a). Investigations into several concentrated digital markets, such as cloud, show

3 Full details of our contracts analysis methodology are available in the appendix to this report. This analysis relies on three primary datasets: 1. UK government IT and digital spend over the past 12 months, broken down by SME status and government department; 2. Government spend with the Tech Titans from FY23/24–FY24/25, including actual spend and supplier finalised HQ; 3. All UK government IT and digital contracts over the past 12 months, including full details, used to assess contract transparency.

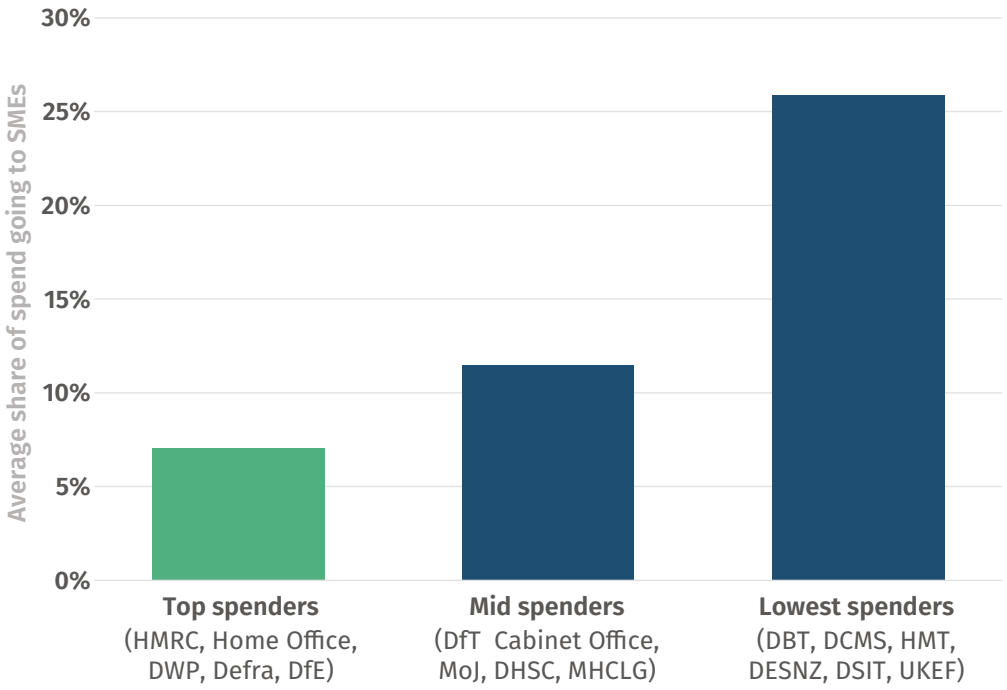
that concentration leads to elevated pricing (eg egress fees) and barriers to switching providers (CMA 2025).

- **Perpetuating a market that produces no alternatives.** Concentrated spend reinforces the very market structures that produce no viable alternatives for the public sector to procure from (CMA 2026a). Government won't be able to shift dependence overnight, but unless it gradually buys from, and helps build up, the firms that could eventually offer alternatives at scale, it will never be able to switch.

Government knows this is a problem and has set several targets for Small and Medium Sized Enterprises (SME) spend (Cabinet Office 2026b). But technology is a clear weak point. In the past 12 months, 27 per cent of total government spend went to SMEs, but only 12 per cent of technology spend did.[4] Direct SME shares vary widely across departments, and the departments spending the most on technology have some of the lowest figures (see figure 2.1). Meanwhile departmental targets vary from 6 per cent to 40 per cent, with no consistent ambition across government (Cabinet Office 2026b).

FIGURE 2.1

The departments that spend most on technology spend the least with small suppliers
Average share of IT and digital spend going to SMEs within government departments that have set a direct SME spend target, ranked by total tech spend



Source: IPPR analysis of Tussell spend data for the 12 months leading up to 10 September 2026, covering all IT and digital spend. This is limited to the departments with direct SME targets, as reported by the Cabinet Office, and excludes FCDO due to a lack of available spend data. Given the limited number of departments listed here, total spend is lower than for the Tech Titans. Departments were ranked by total tech spend and split into three groups with roughly the same number of departments in each group.

4 IPPR analysis of Tussell spend data for the 12 months leading up to 10 September 2026, covering all IT and digital spend.

Ultimately, SMEs might not even be the right target. Larger UK firms or scale-ups might be better suited because they can grow to genuinely replace firms government currently depends on. But our interviews with scale-ups reveal that government contracting is not set up to support them. There is a gulf between the small, one-year bespoke contracts that offer no stability to a scaling firm versus the giant, mult-year licensing contracts that only the technology giants can bid for. In many of the technologies where government spend is so concentrated, there are currently limited alternatives to buy from that are of a sufficient scale to serve government needs, and so the job for government must be to start small, shaping markets to support scale-ups so they can grow and, in the future, potentially fill those gaps.

Our dependence on international tech is worse than it appears

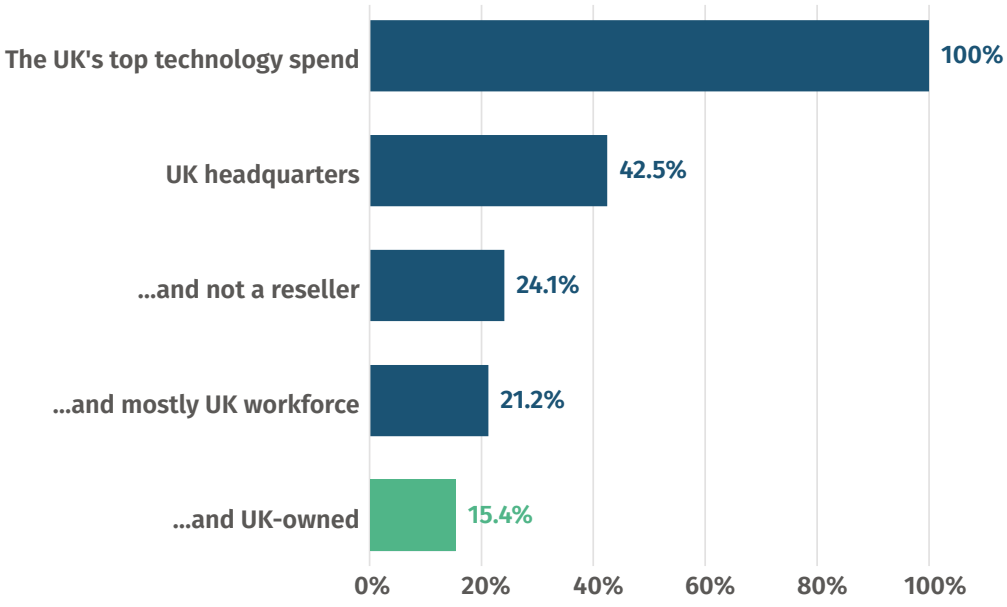
On the face of it, 42 per cent of spend with the 150 largest suppliers goes to UK suppliers (Tussell 2026). But this is a significant overestimate, counting only where companies are headquartered. A supplier can be British by headquarters but sell another country's products, employ most of its staff abroad, or be owned overseas (CMA 2026a). And depending on the core goal of 'buying British', these things can matter for different reasons.

Apply these three tests in turn – product, workforce, ownership – and the British share falls to 15.4 per cent, less than one pound in six (see figure 2.2).

FIGURE 2.2

Less than one pound in six that the public sector spends with its biggest technology suppliers goes to firms that are British on every count

Proportion of technology spend going to 'British technology' according to different definitions of 'British'



Source: IPPR Analysis of Tech Titans data 2024–25. This data covers spend with the UK public sector's top 150 technology suppliers and accounts for 83 per cent of total technology spend. For each company, a range of checks were done to assess if this constitutes 'buying British' under different tests of what counts as British. For company ownership, permissive rules were used such that companies with uncertain or mixed ownership were classified as passing the UK ownership test. (See the appendix for further methodological details.)

The largest drop here comes from resellers. These are companies whose main business is supplying other companies' products, and they receive 43 per cent of the spend recorded as going to UK companies. Two of them, Bytes and Softcat, take about £2 billion between them and are among the three largest recipients of public sector technology spend.

Of course, resellers do real work, but most of what they are paid is the price of someone else's technology. And they handle a growing share of public sector contracts (Tussell 2026). Because the contract sits with the reseller, the dependence on US big tech is harder to see. And the public sector ends up buying the same company's technology through many separate deals, rather than using its combined buying power to shape the terms.

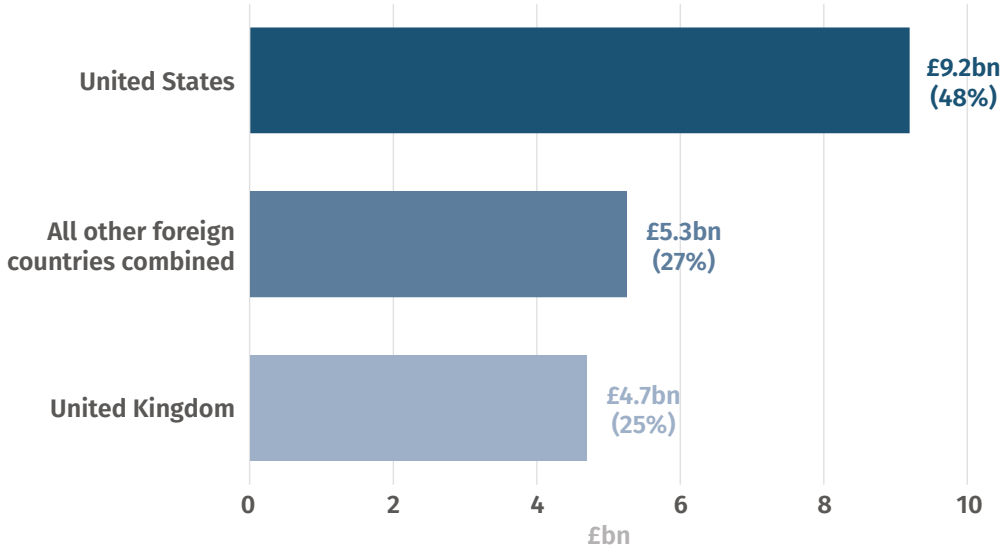
This is not for want of central effort, and the Government Commercial Agency (GCA) does already hold technology memoranda of understanding with several key suppliers to secure discounts (GCA 2026). But these deals are framed around price. Tracking overall dependence, and securing the terms that matter most for resilience – such as data portability and exit arrangements – remains largely unaddressed.

Finally, international dependence is unevenly distributed. Buying from abroad is only a risk when spend is concentrated in one place. Reassigning reseller spend according to what contracts actually sell makes the UK share again look worse *and* it makes clear that the UK is only dependent on one country. The US receives almost twice as much as every other international country combined (see figure 2.3). Reducing dependence does not have to mean buying less from abroad but rather buying more widely so the risk is spread rather than concentrated in one country.

FIGURE 2.3

The US takes the lion's share of UK public sector technology spend

The global distribution of public sector dependence, when reseller contracts are classified and reassigned



Source: Tussell Tech Titans data 2024–25. Spend is allocated to the location of the company HQ unless the company is a reseller, in which case IPPR analysis of contract data is used to assign an HQ of the product sold by extrapolating backwards from contract descriptions.

The full extent of dependence is invisible

The findings above represent our best effort at understanding the data that exists. But this research also makes abundantly clear the limits of government visibility over its own dependence.

Contracts data is not consistently linked to spend, the final vendor is often obscured by a reseller, descriptions of the technology being purchased are often patchy and uninformative, and bid data, which would be crucial for assessing competitiveness, is not published – almost nine in 10 IT contracts (89.9 per cent) from the past 12 months have no record of how many suppliers competed.

Critically, the visibility problem is far worse for AI. Clearly, government should be adopting AI quickly, but if speed comes at the expense of competition and transparency it can be the incumbents that win.

Government spend data shows very little direct spend with the major AI companies (eg OpenAI, Anthropic). Yet the tools built by the government's Incubator for AI[5] appear to run on frontier AI via cloud agreements, the Department for Science, Innovation and Technology (DSIT) has selected Anthropic to build and pilot a GOV.UK assistant (Anthropic 2026), and AI is being rolled out at scale across government, especially Copilot via existing Microsoft deals.

AI is clearly being procured, just often not directly. The government's own advice recommends accessing AI through pro bono deals, exchange schemes and existing framework call-offs.[6] As a result, spend tends to sit inside cloud agreements and enterprise licences or it arrives through partnerships, embedded engineers and pilots with no published contract.

This can be a fast way in, but it means significant AI deployments can be scaled without new competition. NHS England's rollout of Microsoft 365 Copilot to 505,000 staff (Microsoft 2026), for example, was delivered under a national licence agreement first signed in 2023, before copilot was generally available.[7] Arrangements like this, where AI tools reach users through existing enterprise software agreements, are relevant to the Competition and Markets Authority's (CMA) investigation into whether Microsoft's position in business software affects competition in AI (CMA 2026b).

The risk is that once a supplier is embedded, the opportunity to compare alternatives quietly disappears, incumbents deepen their integration with the state, and alternative suppliers lose out. Fast adoption is essential but it needs to come with transparency and genuine competition at the point of scale-up, or dependence deepens by default.

2.2 VALUE CAPTURE

On the second goal of sovereignty, the UK has a stronger starting position with a thriving startup ecosystem (techUK 2026) and several nascent frontier clusters.

From an economic perspective, the aim is not a full domestic stack – which an economy that is this integrated within international supply chains could never build – but growing existing clusters and keeping their value in the UK (Narayanan et al 2024; Coyle and Jung forthcoming). Here the UK remains exposed as value

5 See: https://i.ai/

6 See: https://ai.gov.uk/knowledge-hub/how-to/procurement/#routeframeworkcalloff

7 In response to a freedom of information (FOI) request by ARIA. ARIA (analysis, research, insight, action) is a team of research analysts and investigators supported by the Meliore Foundation. Find out more: https://aria.info/about-us/. The FOI request was dated 9 June 2026, and the response stated the rollout was "completed under the provisions of the national Collaboration License Agreement, agreed in June 2023" – an agreement that predates Copilot's general availability.

continues leaking out at concentrated layers of the stack and as promising firms keep hitting a scaling wall.

The UK has the foundations of several frontier clusters

The UK ranks third globally for AI talent (trailing the US and India) and in the first half of 2026 UK AI startups raised over $11 billion (Joseph 2026). As figure 2.4 shows, some frontier clusters (such as AI for science, health and autonomy) are already well developed, while others (like chip design) are nascent, requiring support to grow.

FIGURE 2.4

The UK has six AI-related clusters with potential to grow and deliver economic gains



Source: Based on a curated database of leading UK firms. Note: tiers reflect researcher judgement. UK unicorns: private, UK-headquartered, no majority foreign owner, valued at US$1bn+ in a confirmed equity round since 2023 (as of October 2026). Foreign owners in brackets. Growth signals: authors' judgement based on review of recent funding, revenue and contract evidence.

Clearly this is something the UK can build on, with pro-growth industrial policy that converts nascent clusters into thriving ecosystems.

Value leaks out at concentrated layers of the stack

But growing clusters is only half of value capture. Concentrated markets are a common feature of the technology stack, and however many clusters the UK builds, many UK businesses are set to remain buyers rather than producers of technology, paying above competitive prices to overseas providers.

The compute layer is an oligopoly with the three hyperscalers (AWS, Microsoft and Google) accounting for a large portion of compute access. Just three AI labs currently compete right at the frontier of capability on foundation models (OpenAI, Anthropic and Google). And the CMA is investigating whether Microsoft holds strategic market status in business software (Widder and Kim 2025; Hacker 2026; Mitchell and Scarlett 2026; CMA 2026b).

It tends to be at these concentrated, chokepoint layers that most of the profits accrue. Nvidia, for example, earned margins of over 70 per cent, protected as much by a lack of competitors as by superior technology (Swagath 2026; Nvidia 2026; Broersma 2024). Meanwhile the CMA has found AWS and Microsoft earn returns substantially above their cost of capital, again a sign that profits reflect market power rather than competition (CMA 2025). Where competition is weak, buyers pay above-competitive prices and have little bargaining power. We have shown that this lack of digital competition is bad for UK businesses and is holding back economic growth (Powell 2026).

As a result, even where UK companies adopt new technologies and realise the productivity gains, a substantial share of the value flows to dominant suppliers rather than staying in the UK. Capturing value therefore also means opening up markets and securing better terms at the layers where the UK will likely remain a technology buyer, not a producer.

UK companies hit a scaling wall and are sold abroad

Additionally, UK companies still struggle to scale here and stay here. The challenges to scaling have been well documented, with the House of Lords Science and Technology Committee concluding in November 2025 that this had reached "crisis point" (House of Lords 2025). Challenges include increasing dependence on foreign capital as firms grow (seed firms raise almost three-quarters of funding domestically but less than a third at scale-up stage), foreign funding that is conditional on listing abroad (one in 10 US investments leads to relocation) and slow, fragmented rounds (UK firms often spend six to 12 months assembling investment rounds compared to faster timelines elsewhere) (Mökander et al 2025). Recent analysis shows how this pattern can sharpen at each stage, with UK investors providing 38 per cent of startup equity but just 16 per cent at late stage (Gilbert et al 2026).

This means that when the UK does build companies that start to compete, they are often sold. DeepMind went to Google in 2014, Arm to SoftBank in 2016, and more recently Graphcore, Darktrace and Oxford Ionics have been sold (Shead 2020, Oxford University Innovation 2025). From an economic perspective, this is not necessarily a problem – cross-country ownership is a key feature of dynamic markets. Indeed, in many cases the engineering base stayed in Britain and firms' growth would not have been possible without overseas investment and a wider market to scale into. But the equity and value capture capacity for the UK is reduced.

Given this, growing the domestic technology stack is just one part of the picture, while maintaining a stake in the upside even where firms move overseas fills the remaining gap.

2.3 FRONTIER ACCESS AND OVERSIGHT

On the final goal, the UK is furthest behind. Access and oversight of the very frontier of AI cannot be built incrementally through procurement or domestic investment. Only three labs operate at the frontier, all are American, and the terms of access are increasingly set by Washington.

What matters here is leverage: holding something those who control the frontier really need. The UK only needs to succeed at one layer of the stack to gain the leverage needed, but the bar is high and the UK will struggle to clear it alone.

Not all layers of the technology stack buy the UK leverage

Leverage can be used in two different ways. Some view it as coercive, where control of a chokepoint is used to impose costs on others, as the US has done on semiconductors since 2022 (Allen 2022). Others view it more as a positive inducement, becoming so embedded in others' supply chains that the withdrawal of access is not a realistic option – as Taiwan has done through their 'silicon shield', the idea that others' dependence on advanced chips gives others a stake in Taiwan's security (Cytera 2026).

For the UK, Taiwan is the better analogy, and the aim should be becoming too valuable to exclude. Even so, being indispensable is hard to achieve and it requires success at a chokepoint layer – something concentrated, hard to replicate, and that others depend on us for – ideally continuously rather than just as a one-off (see table 2.1).

TABLE 2.1

Why do some layers of the technology stack provide more leverage than others?

Feature	What it means
Concentrated	Only a handful of companies and countries supply it and building an alternative takes years and enormous capital.
Essential	It is a critical capability, and everything downstream stops without this. There is no workaround.
Quick to bite	Supply has to be renewed continuously, so any interruption bites within weeks or months, not years.

Source: IPPR analysis

The UK lacks a clear route to clearing a threshold for leverage in the layers that matter

At the moment, Britain's strengths are concentrated at exactly the layers where withdrawal costs nobody anything, and at the chokepoint layers the UK has few means to build enough capability to make a difference (see figure 2.5).

FIGURE 2.5

Where does the UK stand a chance at building leverage?

Stack layer	Leverage available	UK position	UK route to leverage
Top of stack			
Applications	None	Strong	No realistic route
Safety and evaluation	Weak	Leading	Possible but limited
Frontier models	Strong	Weak	No realistic route
Data	Weak	Strong	Possible but limited
Compute	Medium	Weak	Only via coalition
Chip design	Weak	Strong	Possible but limited
Chip fabrication	Strong	Weak	No realistic route
Lithography	Strong	Weak	Only via coalition
Energy	Medium	Weak	Only via coalition
Base of stack			

Source: IPPR analysis. Layers of the technology stack have been scored against the three criteria for leverage (concentrated, indispensable, quick to bite) and UK strengths have been derived from desk research, especially the research behind the frontier cluster analysis in section 2.2.

This leaves the UK with limited options to build genuine leverage within the current technology stack, and the options which get floated most have real limitations.

- **Data:** Some argue the UK could use its data assets to build leverage, but these hopes are often overstated. Leverage requires continuously generated, widely in-demand data that the UK actually owns, and a single institution to negotiate access. Setting the terms of access could bring some leverage, but it is far from a game changer (Ward Jackson 2026a).
- **Chip design:** This is the layer in which emergent British firms have the most chance to matter globally in years to come. But design capability is licensed in a way that makes it difficult to withdraw and in actuality the UK design companies are so dependent on technology further down the stack (eg TSMC fabrication capability) that it becomes hard to use as leverage, in isolation.
- **Compute:** Hosting a lot of data centres makes a country a key market for frontier AI companies, and if compute becomes scarce this could make the UK indispensable. But it takes a lot of compute to confer leverage. The UK is aiming for 6GW by 2030, and with high industrial electricity prices and slow grid connections, this remains an ambitious goal. Even if the UK exceeds expectations, Australia, the Nordics and the Gulf states are positioned to do better. More compute will make the UK more resilient, but is unlikely to make it indispensable.
- **Safety:** AI safety, security and verification is a genuine strength for the UK, with leading capabilities. At the moment, the leverage is limited because this is not something the US lacks and because it is not highly concentrated. This could change as AI safety risks escalate and safety expertise becomes more scarce, but for now leverage is limited.

The UK should still be building out capabilities across data, chip design, safety and compute. But these are unlikely to be enough to make the UK indispensable, and so focusing too narrowly on any one as the UK's big 'leverage play' would be a mistake.

Leverage might still be realistic, but it requires looking outside the UK tech stack

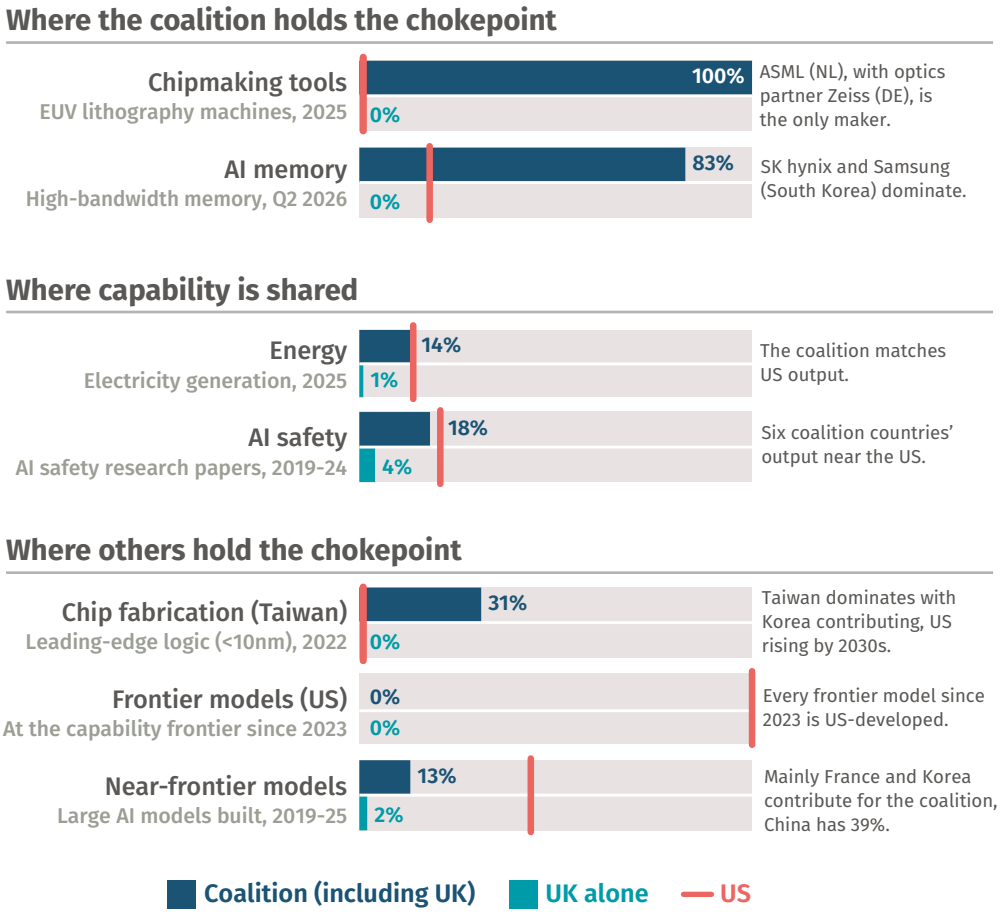
Those whose main sovereignty priority is maintaining frontier access through leverage need to look further afield than UK technical capability.

Collectively, the so-called middle powers hold assets that make them indispensable (see figure 2.6). This includes a combined market too large for frontier firms to ignore, pooled energy capacity and compute potential to rival the US, and at least one genuine chokepoint in ASML (the Dutch company that makes EUV lithography machines needed for the most advanced chips) (Anderljung and Clare 2026).

FIGURE 2.6

Pooled middle powers have far greater capability than the UK alone

Pooled capabilities of the 'middle powers'. Coalition: UK, France, Germany, Netherlands, Denmark, Finland, Norway, Sweden, Iceland, Australia, Canada, South Korea, Japan



Source: Authors' analysis of the capabilities of 'middle powers' across the technology stack. Coalition countries are included subject to data availability, and for near-frontier models and AI safety, work co-authored across coalition countries may be counted more than once.[8]

8 Sources: Khan et al (2021); Counterpoint Research (2026); Our World in Data (2026a); Emerging Technology Observatory (2024); BCG and SIA (2024); Stanford (2026); Our World in Data (2026b); ASML (2025).

The UK brings real strengths to such a group, even without chokepoint leverage. This includes strengths in AI safety and evaluation, AI applications and a strong venture capital ecosystem. The UK can use these strengths at diffuse layers of the technology stack to gain a strong footing within a wider coalition that, together, also brings chokepoint leverage. This builds on existing proposals for a middle power coalition focused on pooling existing leverage, rather than jointly building frontier models (Ward Jackson 2026b) and it requires the UK to prove that, within such a group, it would not be an unreliable partner (Bucknell et al 2026).

3. RECOMMENDATIONS: A REALIST'S AGENDA FOR DIGITAL SOVEREIGNTY

For the UK to meet the urgency of the moment, its digital sovereignty agenda must be expanded.

A country in the UK's position has three levers to pull:

- **Build:** Invest in domestic capability where the UK has a realistic chance of competing.
- **Shape:** Use the state as a buyer, a regulator and a standard-setter to create markets where alternatives can survive and grow.
- **Partner:** Pool capabilities with other middle powers to build a bloc which collectively has enough leverage to negotiate access to and oversight of technology, especially at the very frontier.

To date, Britain has leaned heavily on the first lever, and even there the strategy remains underpowered. Other countries are further ahead, and are taking more risks to shape markets. France requires sensitive public data to sit on trusted cloud and is replacing Microsoft with in-house alternatives.[9] Danish municipalities pool their demand to shape and control their digital services.[10] India has struck deals with 14 private providers to offer more than 38,000 AI chips through a single subsidised national platform (Ministry of Electronics and IT 2026). And the Eurostack initiative, backed by a cross-party coalition in the European parliament, begins with a layer-by-layer assessment of where it is viable for Europe to compete before deriving a cohesive industrial policy package from that assessment (Eurostack 2025).

Not all of this suits the UK, but the principle still holds. The state should use its buying and regulatory power to weaken chokepoints and shape markets. Below, we outline how all three levers can be used as part of a more ambitious sovereignty strategy.

3.1 OPERATIONAL RESILIENCE: DIVERSIFY SUPPLIERS AND USE PROCUREMENT TO SHAPE MARKETS

The UK state currently buys technology in a way that deepens its dependence. Fixing this means improving visibility over the dependence, writing optionality into contracts, buying as one customer, and – in time – buying alongside other middle powers.

Throughout, our position is that the UK should remain cautious about adopting any explicit nationality preference in procurement. This could easily backfire as countries across Europe become more isolationist, exemplified by the EU's Cloud and AI Development Act which could see the UK cut off from European markets while adding red tape that disadvantages startups across the board. These could

9 See: https://www.numerique.gouv.fr/offre-accompagnement/cloud-administrations/la-doctrine-cloud-etat/

10 See: https://www.os2.eu/

also be legally very complex to introduce in the context of the UK's existing trade agreements and as a party to the WTO Government Procurement Agreement.

Instead of nationality requirements, we argue that the reforms that encourage the UK to buy more from scale-ups are the same reforms that would let UK challengers compete. In other words, the UK should simplify procurement and a side effect will be that British firms have more success. Specific bets on UK champions belong within the Sovereign AI Unit and clearly carved out objectives, not in generalised procurement.

Fix the visibility problem first

Currently, there is no way for government to simply assess its own dependence. We recommend the Cabinet Office requires government departments to:

- link spend data to contracts data, so awarded value can be reconciled against money actually spent
- declare the ultimate parent vendor wherever a reseller or systems integrator is involved
- publish the number of suppliers that bid for each contract
- record supplier jurisdiction against a consistent definition covering intellectual property ownership, ultimate owner and the spread of jobs.

Perhaps most urgently, we recommend a separate AI transparency standard. Departments should report AI capability acquired regardless of the contractual vehicle it arrived through, for example where it is embedded within an existing cloud agreement or procured as part of an agreement with a forward deployed engineer.

Once this is in place, we recommend a thorough risk assessment of technology spending, led by the Government Commercial Agency.

Reform procurement to protect optionality

Government procurement should protect optionality, maintaining an easy ability to switch suppliers so that when an alternative becomes available, the public sector can move to diversify.

We recommend:

- Mandatory exit terms: Major technology contracts should include exit, data portability and egress provisions alongside break clauses and limits on contract length. The Government Commercial Agency already has agreements with many major vendors (eg the One Government Value Agreement with AWS and the Strategic Partnership Arrangement with Microsoft). So far these have focused mainly on negotiating discounts, but they should also be used to secure terms that support more sovereignty.
- Mandated interoperability in major contracts, ensuring systems are built on widely used interfaces, such as the S3 standard for cloud storage, so that if an alternative provider emerges, government can exit gradually rather than remaining locked in with their original supplier.
- Thresholds where severe supplier concentration within a department's technology stack triggers additional scrutiny.
- Separate competition requirements for bundled AI services. Significant new capability should not be added to existing cloud or software agreements without the consideration of alternative providers.

Open the door to scale-ups

Even where scale-ups exist that could reduce government dependencies, they often cannot bid because processes are too complex or contracts are not suitable for them.

We recommend:

- An expanded pipeline of medium-value contracts specifically sized for scale-ups that have outgrown pilots but are not yet able to compete for the major contracts that get won by consultancies and incumbents.
- Contracts that allow scale-ups to keep their intellectual property. At the moment, a common preference for bespoke build has driven the government towards consultancies.
- Streamlined social value requirements so smaller firms can compete without excess overheads (Hill and Eke 2025).

The aim should be to make it easier for scale-ups to access the system. The side effect of this will be both reduced dependence on the incumbents *and* more contracts going to UK challengers, without sweeping nationality requirements.

Buy as one customer to shape the market

If departments continue to negotiate with the biggest suppliers via isolated deals, often through intermediaries, then the state will fail to convert the largest technology budget in the country into bargaining power and market-shaping capability.

Consolidating demand must be a priority for the UK. This means the Government Commercial Agency (GCA) holding a single negotiating relationship with each hyperscaler and major enterprise software supplier, with department purchasing drawing on it. This has already begun with the GCA negotiating discounts with certain, major suppliers, but the focus of these negotiations needs to be expanded. The objective is to agree terms collectively, on egress fees, interoperability, exit, audit rights and AI bundling.

In some cases, demand should be pooled locally rather than left to central government. We recommend that regional authorities are given new paths through which to pool demand and act as one customer. To make this a reality, the UK might consider following Denmark's OS2 model for local government shared open-source procurement.[11]

Pool demand with other middle powers

In the longer term, the UK should consider pooling demand with Europe to increase bargaining power and secure better terms (Shamir 2026).

Any individual government is limited in its market-shaping power, but together middle powers would have far bigger budgets and with them far more bargaining power. Together, the UK and EU spend upwards of £2.5 trillion a year, around six times the UK's buying power on its own (House of Commons Library 2026; European Commission 2026). The EU makes sense as a first partner for this scheme given its market size, but ultimately expanding this to other middle powers would maximise bargaining power.

Artificial intelligence would be the natural technology to pilot within this scheme given that governments remain in the early stages of procuring and embedding AI and so have more scope to set clear contractual standards now that prevent lock-in before it is too late.

For this to be a success, the UK would need to negotiate on future changes to the EU's own procurement standards, ensuring that demand can be pooled without introducing an unnecessary compliance burden. This would include participation

11 See: https://www.os2.eu/

in the EU's Technology Sovereignty Package and third-country status under the Cloud and AI Development Act.[12]

3.2 VALUE CAPTURE: GROW FRONTIER CLUSTERS AND KEEP MARKETS COMPETITIVE

Section 2.2 identified six emerging AI-related clusters in the UK which could be supported through market-shaping industrial policy. It also highlighted two reasons why the UK may fail to capture value from emerging technologies even if these clusters succeed: market concentration that prevents UK technology buyers from reaping the full productivity gains, and a scaling wall that pushes successful companies overseas.

In response, we recommend the UK picks where to compete – growing the clusters that matter, keeping the chokepoint layers competitive, and keeping a stake in firms as they scale.

Be clear where the UK is betting to win versus to insure against a weakness

The UK's sovereignty strategy needs to start with an explicit recognition of where the UK should bet to win versus insure against a weakness. Based on our analysis, this could mean the UK targets the following objectives across the technology stack:

- **Win:** AI applications, chip design, AI safety
- **Insure:** Compute, cloud and AI models behind the frontier
- **Accept dependence:** Chip fabrication, lithography and frontier AI models.

The two strategies which require the UK to build capability look very different, as AI safety and compute illustrate.

Betting to win: AI safety and assurance

The UK already has a lead thanks to the AI Security Institute and a thriving AI assurance startup ecosystem. So far, demand for AI safety skills has not become a core bottleneck globally, but with AI safety concerns ramping up, demand is set to grow quickly.

Now is the perfect time for the UK to double down in AI safety, including through an increased budget for the AI Security Institute to develop talent pipelines and via marking this out as an explicit focus for the sovereign AI fund.

Building insurance: Compute

Planning reform and accelerated grid connections for data centres are needed. But it is important to be clear about what compute will and won't buy. Hitting or exceeding 6GW by 2030 would strengthen UK resilience and support greater AI adoption, but it would not be enough of a stake to guarantee or negotiate on frontier access. Others are building more compute faster, and at lower cost.

Instead, the aim here should be to explicitly insure against the UK's fundamental compute limitations, via pursuing enough compute to make us as self-sufficient as possible on inference that powers continued AI adoption.

We recommend the UK keeps or even slightly raises its 6GW target for overall capacity, but levels with the public that this is not going to make us a global leader. Within this, there should be a greater focus on the portions of this capacity that give us most agency – ie the capacity the public sector actually owns or that the UK has negotiated priority access of. We recommend aiming for 0.5GW owned by the state by 2030 with 1GW of further capacity located in the UK and where the UK has negotiated priority access conditions.

12 See: https://digital-strategy.ec.europa.eu/en/policies/cloud-and-ai-development-act

Grow the frontier clusters

Where the UK has strengths to draw on, growing nascent clusters will require more than just funding. Industrial policy can play five key roles in accelerating their growth (Coyle and Jung forthcoming):

- **Provide shared infrastructure,** such as compute, accessible data, talent and power connections.
- **Strategically use innovation funding,** including research grants, technology development and proof-of-concept funding.
- **Build anchor institutions** that can serve as the basis for thriving clusters, such as a strengthened Catapult network, universities or institutions like AISI.
- **Market creation for new, innovative products,** early public customers, adoption support, clear regulatory pathways and trade deals such as an EU–UK mutual recognition agreement (Sassoon and Breinlich 2026).
- **Help firms scale through targeted finance:** equity, loans and guarantees where funding gaps hold back viable firms.

The correct industrial policy mix will differ sharply between clusters, but each will need several of these tools at once. The UK already has some world leading delivery institutions. For instance, UKRI has helped grow the UK science base into one of the best in the world. And ARIA is helping bring new breakthrough technologies to market and is being copied around the world. But to truly reap the benefits of the technological possibilities the government will need to sharpen the focus of these institutions and employ them in a more outcomes-based way (see Jung and Srinivasa Desikan 2025; Coyle and Jung forthcoming).

Keep the chokepoint layers competitive

Industrial strategy will not be enough if market structure prevents new entrants from breaking through. And sovereignty is achieved as much by attacking chokepoints as trying to own one. The frontier clusters where the UK can bet to win largely sit on top of layers it does not control (models, chips, cloud). And if a handful of providers charge monopoly prices at these layers, most of the value AI creates will flow to them.

We recommend:

- **Use competition law as a sovereignty lever:** The CMA should use its DMCCA powers to impose conduct requirements that secure better terms for UK businesses reliant on dominant firms (Powell 2026).
- **Bet on a more diffuse model layer:** The UK should explicitly invest in and procure near-frontier open-weight models and support genuine switching between providers. In practice this means three things:
  - AISI dedicating more time to evaluating open-weight models so departments can adopt them confidently
  - procurement rules requiring portability across models
  - Sovereign AI Unit investment in alternative model architectures, such as small models, open models and world models.
- If the model layer stays competitive, UK firms building on top of it have a better chance of keeping the value they create.

Help firms scale here and ensure value stays here

Finally, to capture the value the UK also needs to address the phenomenon whereby the most successful firms sell or relocate as they scale. The problem is not foreign investment as such and an overly protectionist attitude here can be harmful.

We recommend significantly expanding the Sovereign AI Fund and pairing it with follow-on funding so the UK maintains a stake in the most promising firms. The Sovereign AI Fund has £500 million and invests early, so later funding rounds quickly dilute its stake until the public share becomes insignificant. Government should set out how it plans to address this problem with follow-on funding for the most successful companies. Options include co-investing through existing British Business Bank programmes, partnering with other investors, encouraging pension funds to co-invest, or simply having the Sovereign AI team target a wider range of companies from high-risk early startups to scaling firms.

3.3 FRONTIER ACCESS AND OVERSIGHT: POOL CAPABILITIES WITH OTHER MIDDLE POWERS

Expand existing international partnerships

The UK has already started to negotiate AI partnerships with other middle powers. We recommend rapidly expanding efforts to negotiate these one-to-one partnerships, as set out in table 3.1.

TABLE 3.1

Partners the UK could draw on and what it could offer in exchange

What the UK needs	Potential partners	What the UK can bring
Large-scale compute	Canada, Norway, Sweden, Finland; potentially UAE	AI research and demand; AISI evaluation expertise; capital; UK public compute; access to UK startups and researchers
Semiconductor fabrication and advanced packaging	Japan, South Korea; European partners including the Netherlands	Chip design and IP; compound semiconductors; photonics; research capability
Critical minerals and resilient hardware supply chains	Australia, Canada	Finance; materials research; chip design; long-term purchasing commitments
A larger market in which UK technology firms can scale	EU, particularly France and Germany; Canada, Australia and other aligned middle powers	Reciprocal market access; UK procurement demand; research and technology firms
Cloud and digital infrastructure alternatives	France, Germany and other European states	Joint procurement; common standards; shared demand; UK cloud and software challengers
Capital for compute and infrastructure	UAE and other Gulf partners; Canada; European investment partners	Deep capital markets; research ecosystem; AI firms; potential joint infrastructure and access agreements
Frontier AI knowledge and governance capacity	Canada, Japan, South Korea, Australia, Singapore and others	AISI evaluation capability; universities; safety research; regulatory and standards expertise

Source: IPPR analysis

Call explicitly for a narrow coalition

The above portfolio approach does spread the dependency, but it doesn't give the UK access to the hard leverage that other middle powers have. This would require a tighter group of countries willing to pool assets and back each other if access is withdrawn.

At the moment, others are calling for this, but the UK is not always included in the proposal. Instead, prominent arguments from Europe argue that the UK is unlikely to be a reliable member of any such coalition because the UK will be tempted by the prospect of preferential access from the US (Schnitzer et al 2026).

The UK needs to prove otherwise by calling explicitly for a narrow coalition, with specific terms of mutually guaranteed access and asset pooling. The UK is actually well placed to lead on forming such a group, working closely with France, Germany, the Nordic states, the Netherlands, Australia, Canada, Korea and Japan as the initial group. But at the moment, the risk is that momentum builds without the UK involved and we end up on the sidelines.

Consider a near-term hedge

Of course, all these efforts to build capability and negotiate partnerships will take time. Meanwhile the threat to frontier access is immediate and the US has already shown willingness to withdraw access.

The UK therefore needs a clear hedge for the next year, recognising that not every user needs frontier access *and* that the UK does have significant leverage outside of the technology stack.

As frontier AI gets more capable, the priority is access for the security community, sufficient to test and protect critical national infrastructure and identify major safety risks. The most credible hedge is to negotiate with the US for this form of narrow access, drawing on its existing security partnership.

But for this to work, the UK needs to back it up, with the most likely option here being market access. If capability thresholds are reached that make frontier access essential, the UK should be ready to make elements of market access conditional on continued frontier access for this narrow group. These could include eligibility for public procurement, deployment in regulated sectors, or grid connections.

This lever has clear limits given the UK's market size and given the risk of retaliation, and the UK must therefore define clearly in advance the point at which losing frontier access would cost more than that risk. Furthermore, the limits of this lever should demonstrate all the more clearly why the coalition of middle powers is so urgent.

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APPENDIX: GOVERNMENT CONTRACTS ANALYSIS METHODOLOGY

As part of this project, IPPR analysed government technology contracts using data provided by Tussell, a market intelligence platform that specialises in sorting and cleaning government contracts data for easy analysis.

Our analysis focuses on three questions and uses three primary datasets to answer these questions.

QUESTION 1: HOW CONCENTRATED IS UK GOVERNMENT SPEND?

Here we are interested in understanding whether UK government spends the majority of its digital and IT budget with large, incumbent companies or with SMEs and scale-ups.

To interrogate this we analysed the past 12 months of government spend data, downloaded from the Tussell platform on 10 September 2026. We analysed this in two ways:

- First, we compare the proportion of overall government spend that goes to SMEs (Small and Medium Sized Enterprises) with the proportion of technology spend that goes to SMEs. We find that technology is a weak point, with government behind on SME targets.
- Second, we compare the proportion of government technology spend that goes to SMEs across the departments that have set an explicit targets for direct SME spend.

We note that it is possible further government spend was logged via Tussell after our download, and this spend is out of scope.

In addition to this, we look briefly at the Tussell Tech Titans 2024–25 data (the basis for Tussell's 2026 *Tech Titans* report) to examine how concentrated spend is, even within this group. Tussell has already confirmed that government tech spend remains heavily concentrated, with 83 per cent of all technology spend going to just 150 firms (Tussell 2026). We show that even within this, spend is concentrated, with the top 15 companies getting 49 per cent of Tech Titans spend.

QUESTION 2: HOW DEPENDENT IS THE UK ON INTERNATIONAL SUPPLIERS?

For sovereignty it doesn't just matter that spend is concentrated, but whether that spend is concentrated within specific regions and whether the UK technology sector is well represented.

For this part of the analysis, we zoom in on the Tussell Tech Titans spend data 2024–25. This is a good proxy for overall government spend as it makes up 83 per cent of all government technology spend (Tussell 2026), and it enables deeper analysis as this dataset is enriched with confirmed, final HQ location for all suppliers.

Within this dataset, we focus on three questions.

First, how much of this spend could be described as 'buying British', a key focus for government procurement. On the face of it, 42 per cent of spend goes to UK firms, but as discussed in the paper, there is not just one definition of being British

and a firm with a UK HQ may sell an international product, hire most of its staff elsewhere, or be owned by international entities. We apply four tests sequentially to the Tech Titans spend data to assess whether they are British according to different definitions:

- **Definition 1: Is the HQ based in the UK?**
  This information is provided by Tussell
- **Definition 2: Is this company a reseller of other companies' products?**
  This information was collated by creating a list of all resellers from the list of 150 companies. A firm was defined as a reseller based on how it explicitly defines its main business eg as a 'value-added reseller' or 'licensing partner', with cross-checks conducted to assess that the majority of revenue comes from resale.
- **Definition 3: Are the majority of jobs based in the UK?**
  For the companies that pass the preceding tests, we assessed whether the company has a mostly UK workforce – around 60 per cent or over. This is based on reported staff locations where available and otherwise is based on web and LinkedIn search to verify office locations and staff split.
- **Definition 4: Is the company UK owned?**
  For the companies that passed all of the preceding tests, we look to the ownership of the company. For this test, we look to the primary owners but allow companies to pass this test if there is any doubt (eg mixed, uncertain ownership or no controlling stakeholder).
- An LLM with RAG scraping was used to assist assessments of companies' jobs distribution and ownership, with human checks on every individual assessment to ensure they are accurate. To double check where the majority of jobs were based, LinkedIn was used as a source. To double check company ownership, a general web search was used. For company ownership, permissive rules were used such that companies with genuinely mixed ownership or where final ownership could not be established were classified as passing the UK ownership test.

Second, how much of the spend that appears to go to UK HQ firms goes to resellers who are often just providing big tech products and services. To assess this we calculated the proportion of UK spend which went to UK resellers at 43 per cent, using the same reseller list as above.

And third, what proportion of Tech Titans spend goes to the UK versus the US versus other international firms. For this, 2024–25 spend for the top 150 technology suppliers was allocated to the headquarters country of the company whose products were being sold. For non-resellers, this is the supplier's own HQ. For the 15 resellers, we calculated the HQ of the products sold, based on vendor nationality. To do so, we matched the spend data with contracts data from Tussell. We used the HQ of the vendor named in each contract's title or description (eg Microsoft licences sold by Bytes were allocated to the United States). We weighted each resellers' vendor portfolio by the value of the annualised contract in FY 24/25. Spend on contracts that name no single vendor was allocated in the same country proportions as that reseller's named products. The three resellers with no contract data were allocated using the mix across all resellers.

QUESTION 3: HOW TRANSPARENT ARE GOVERNMENT CONTRACTS?

Here we analyse all IT and digital contracts from the past 12 months, downloaded from the Tussell platform on 10 September 2026.

Here we are interested in whether government records and shares the number of competitors who bid for a contract. We calculate the number of contracts with no information around the offers received.

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