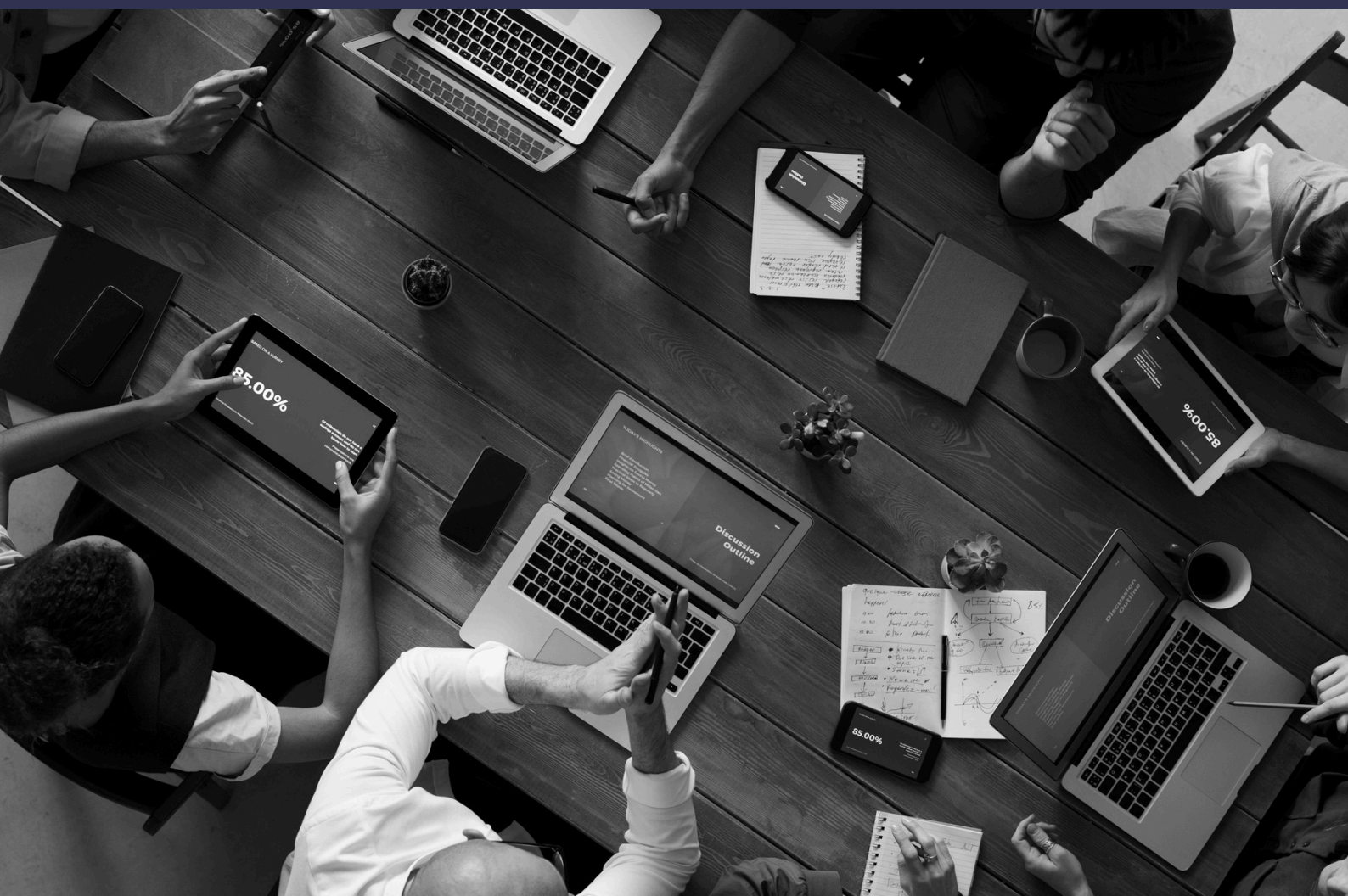




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# THE UK'S AI STRATEGY AT THE CROSSROADS: TIME TO CHOOSE SIDES?

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# STRATEGIC CONTEXT: WHY AI MATTERS NOW

The past few weeks have been nothing short of extraordinary for UK AI strategy. As Donald Trump's state visit concluded in mid-September 2025, the UK announced what's being called "the largest commercial package ever secured during a state visit", with Microsoft committing £22 billion, Google pledging £5 billion, and Nvidia announcing £11 billion in AI infrastructure investments. These announcements, following on from the January 2025 AI Opportunities Action Plan, mark a pivotal moment.

As we watch these developments unfold, it's clear we're approaching a critical junction that will define Britain's AI future for decades to come.







# THE SOVEREIGNTY QUESTION: MORE THAN JUST DATA CENTRES

## THE INVESTMENT BONANZA AND WHAT IT SIGNALS

The numbers are staggering. £250 billion has been pledged in cross-Atlantic deals, transforming the UK's AI and digital landscape at unprecedented speed. The North East has been designated as an AI Growth Zone, with expectations of £30 billion in investment and promises of over 5,000 new jobs. Data centres are sprouting across the country - from Waltham Cross to Blyth, from Essex to Wales.

Welcome as these announcements may be for the UK economy, this isn't just about infrastructure investment. It's about something far more fundamental – sovereignty in the AI age. And right now, I believe we're caught between two very different visions of what that means.

The term 'sovereignty' in AI contexts encompasses who influences and builds the models, data, and AI infrastructure that are increasingly present in our lives. For senior leaders, this isn't abstract political philosophy – it's about operational continuity, data security, and strategic autonomy.

The UK government has acknowledged that some sensitive data related to national security, healthcare, finance, or nuclear power must remain within UK borders and cannot be processed by AI systems operated by foreign governments. Yet at the same time, we are embracing massive US tech investments with open arms. In the race to deliver AI, compromises are being made.

The practical implications are stark. If AI-enabled services become essential to the country's operations, we must ensure these services can continue under all circumstances. Yet, in a future where access to compute capabilities becomes a usage constraint, otherwise trusted partners could prioritise their own national usage, leaving the UK vulnerable.

# TWO PATHS DIVERGING: INNOVATION VS. GOVERNANCE

This is where we find the fundamental tension. The UK finds itself suspended between two radically different visions for our AI future being provided by the EU and US.

**The US Innovation Model:** The United States has "removed regulatory barriers to American AI innovation" through its deregulatory approach, with the Trump Administration's "Winning the Race: America's AI Action Plan" explicitly focused on "accelerating innovation" and achieving "global AI dominance". This approach prioritizes speed and flexibility through the use of regulatory sandboxes and a preference for open-source AI. Our current trajectory, with recent massive US investments and our "pro-innovation" regulatory framework, clearly leans in this direction.

**The EU Governance Model:** The EU AI Act represents the first-ever comprehensive legal framework on AI worldwide, via a risk-based approach that became partially applicable from February 2025 and will be fully effective by August 2026. It prioritises safety, fundamental rights, and human-centric AI, even at the expense of speed and flexibility. However, the Act has faced significant criticism: in July 2025, CEOs of Europe's leading companies called for a two-year 'clock-stop' on implementation, citing concerns about the Act's complexity and its negative impact on Europe's economic competitiveness, with critics warning that "the EU is losing itself in the complexity of regulating artificial intelligence".

This places the UK in an uncomfortable position as it considers the clear distinctions between the US and EU views of AI governance. How should it proceed?

Key Characteristic	US Model	EU Model
Primary Focus	Speed and innovation	Safety and governance
Regulatory Approach	Deregulatory - with voluntary commitments	Comprehensive legal framework
Implementation Style	Flexible regulatory sandboxes and open-source preference	Top-down, prescriptive approach with strict compliance requirements
Trade offs	Prioritizes speed and flexibility	Prioritizes safety and rights
Current Challenges	Risk of insufficient oversight and safety measures	Complexity concerns - industry calls for "two-year clock-stop"

# THE UK'S 'THIRD WAY' EMERGES

This is where we find the fundamental tension. The UK finds itself suspended between two radically different visions for our AI future being provided by the EU and US. The UK has declared that its approach to AI governance represents a deliberate attempt to chart a distinctive regulatory path that differs from both its major international counterparts.

The House of Commons Science, Innovation and Technology Committee's 2024 report on AI governance explicitly argues that "both the US and EU approaches to AI governance have their downsides. The scope of the former imposes requirements only on federal bodies and relies on voluntary commitments from developers. The latter has been criticised for a top-down, prescriptive approach and the potential for uneven implementation across different member states." This official assessment explains why the UK has argued for a distinctive 'third way' approach to AI regulation.

Rather than adopting either the comprehensive legislative framework seen in the EU's AI Act or the more limited federal approach taken in the United States, the UK has developed a principles-based regulatory strategy that works through existing sectoral regulators.

The parliamentary committee report from 2024 concluded that "the UK is entitled to pursue its own, distinct approach that draws on our track record of regulatory innovation and the biggest cluster of AI developers outside the US and China." This approach emphasizes five high-level principles (safety, security and robustness; appropriate transparency and explainability; fairness; accountability and governance; and contestability and redress) which existing regulators are expected to implement within their respective sectors, rather than creating new AI-specific legislation or regulatory bodies.

The UK's position as offering this alternative regulatory model stems from its unique advantages in both regulatory expertise and industry presence. However, the success of this approach remains contingent on whether the UK's principles-based framework can effectively address the complex governance challenges posed by rapidly evolving AI technologies without falling into the regulatory gaps that some critics argue may emerge from relying primarily on existing sectoral oversight mechanisms.

Stuck between aggressive US commercial priorities and the EU's slow pace of change, the UK faces an uncomfortable choice. We need to tread carefully.

# THE DATA GOVERNANCE DILEMMA

Data governance sits at the heart of this choice. In 2024, only 13.5% of EU enterprises used AI, compared to about 16% in the UK in 2023. The EU's comprehensive regulatory approach may be slowing adoption, but it's building something arguably more sustainable – trust, transparency, and accountability for data ownership and use.

In response, by passing the Data (Use and Access) Act 2025, the UK aimed to address some of these concerns to protect data while reducing data reporting issues. Achieving the right balance here is challenging. The Law Society commented that while the act supports innovation, "there must be safeguards and protections for using personal data and publicly available content."

In a similar way, the goals for responsible adoption of AI have also shifted. For example, the UK has renamed its AI Safety Institute to an AI Security Institute in February 2025, marking a move from a focus on risks related to data bias and discrimination to highlight AI's security implications. This pivot has drawn criticism from experts who warn that "any attention to bias in AI applications has been explicitly cut out of the new AISI's scope," risking leaving "a whole range of harms to people and society unaddressed".

For organisations managing sensitive data, this creates immediate challenges. Do you prepare for EU-style compliance, banking on eventual convergence? Or do you optimise for a lighter-touch UK regime, accepting the risk of future divergence?



## GROWTH ZONES: OPPORTUNITY OR LOCK-IN?

At the same time, the UK is investing heavily into its own AI infrastructure. The AI Growth Zones being established in places like Culham and the North East promise to "speed up planning proposals and build more AI infrastructure". On paper, this is exactly what the UK needs. But recent announcements of multi-billion pound partnerships with Microsoft and Google make it clear that the UK will be creating physical and digital infrastructure based on US technology.

This has broader implications than reliance on US-based technology providers. Some are already concerned that the implicit quid pro quo for all this investment will be the UK government agreeing to a light-touch approach to AI regulation to accelerate broader US technology adoption in the UK. These are worrying concerns.



# WHAT THIS MEANS FOR UK ORGANISATIONS

For senior leaders and policy makers, this geopolitical UK AI strategy tension has immediate practical implications in 4 key areas:

1

**Risk Management:** Your AI strategy needs to account for potential regulatory divergence. The differing approaches across the EU, the UK, and the US will have significant impact on businesses using AI systems. Early revisions to policies and strategies are essential.

2

**Sovereignty Considerations:** If you're working with sensitive data or in critical infrastructure, you need answers now. Who controls your AI infrastructure? Where is your data processed? What happens if geopolitical winds shift?

3

**Talent and Skills:** The UK has set objectives for training “tens of thousands of additional AI professionals” and increasing its share of the world's top AI researchers. But are we training them for an innovation-first or governance-first future?

4

**Investment Decisions:** Data centre investments, AI tooling choices, partnership strategies all need to be made with the understanding that the regulatory landscape could shift dramatically based on the path we choose.



# A CHOICE WE NEED TO DEBATE

Perhaps most importantly we need to face up to these AI strategy concerns and openly acknowledge that the UK is still yet to find its way. We want the innovation velocity of the US system while maintaining the moral high ground of European-style governance. We want massive foreign investment while preserving sovereignty. We want to lead in AI while avoiding the difficult conversation about what kind of leadership we aspire to. Can we achieve this?

Such aspirations are not necessarily wrong - balancing competing priorities is what good governance requires. But I worry we're not being sufficiently transparent about the trade-offs we're making, the broader implications for business and society, or creating enough space for genuine debate about which path best serves our long-term national interests. The uncomfortable reality is that every major decision we make right now – from data centre locations to regulatory frameworks to international partnerships – is effectively another step on this path, whether explicitly acknowledged or not.

We're at an important inflection point. The billions pouring in from US tech giants aren't just about building infrastructure, they're about building dependencies. The AI Growth Zones aren't just about economic development, they're about choosing our future AI ecosystem. The light-touch regulation isn't just about fostering innovation, it's about signalling allegiance that will have deep implications for the UK's business growth.

## SUMMARY: TIME TO CHOOSE?

So, leaders in UK organisations must step up: Can we realistically keep straddling this fence? Is there a legitimate 'third way' for the UK's AI strategy? Or is it time to honestly assess which path serves our long-term interests – both as individual organisations and as a nation?

The pursuit of 'sovereign AI' based on the belief that the UK "must be an AI maker, not just an AI taker" is an important political statement, but it also may divert UK leadership away from other areas where we could have genuine influence. Perhaps true sovereignty isn't about building everything ourselves – it's about opening up the debate and making conscious, strategic choices about our dependencies and partnerships.

For the UK, the AI future is being written now, in the data centres being built, the partnerships being formed, and the regulatory frameworks being established. It's time for the UK to decide: which side of history do we want to be on?



## ABOUT DIGITAL POLICY ALLIANCE

The DPA informs policy and decision-makers to encourage fair competition, inclusivity, sustainability and resilience of digital technology in the fast-evolving Digital world. We do this by being Independent, Informed and Inclusive.

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