

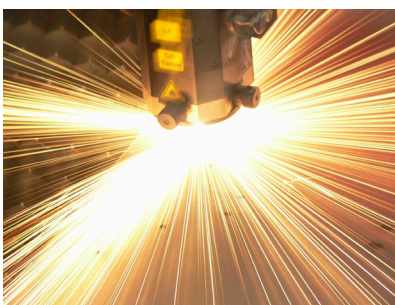


# The UK Industrial Strategy Debate Heats Up

The CBI has been investigating the UK's global competitors' approach to industrial strategy as part of their campaign for the UK to develop a better framework for rebalancing the economy. As they put it, 'most countries have a clear vision that underlies their policy-making, one that highlights where that country sees itself in the global economy.' This underlying rationale of government action is the basis of a strategy, giving policies a clear direction and providing investor certainty. The CBI wants to learn from other countries' industrial policies and how they operate in practice and so far they have produced case studies of USA, Israel, France, Germany, South Korea and Singapore.



For example, South Korea has identified 17 future sectors as possible high-growth markets. They have formulated the key capabilities common to these 17 sectors for strategic support and set strategies for 7 of these common capabilities. The strategies include KPI targets and the support mechanisms required to deliver. The French aim to become a high-tech, innovative economy and are backing several technologies with substantial long-term risk-sharing investment. They are tackling supply-chain weaknesses to allow pragmatic government investment.



The Israeli strategy is built on a vision that aims to leverage existing national strength in R&D and entrepreneurial start-ups. They are adopting a trial-and-error approach to the use of policy to overcome identified obstacles, before settling on a number of supporting policies.

The CBI have concluded it is time to fully open up the debate on industrial policy to explore fresh approaches to growth that will make a real difference in the medium to long term. Speaking on the Today programme recently, the Business Secretary, Vince Cable asserted that the Coalition did have an industrial policy that was being pursued energetically, for example via the

Catapult technology centres.

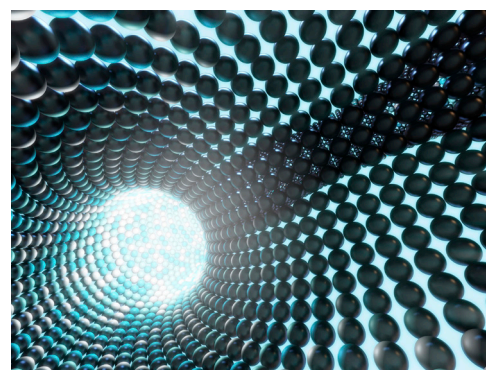
In the US Presidential campaign Barak Obama has promised that if he gets a second term he will create a million new manufacturing jobs. The CBI has concluded that currently the US model is built on support for radical innovation, delivered primarily through public procurement. Public financing of R&D in the US accounts for between 11% and 21% of all R&D undertaken by firm. On top of this, the Small Business Innovation Research Programme and Small Business Technology Transfer programme supports more than 4,500 projects a year, constituting an investment of more than \$2.5bn on SME research.

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Germany is now the country which has the largest share of global trade in manufactures ahead of China, Japan and the US. Despite this the government claims that it has not got a strategic vision. The CBI finds that for Germany, industrial policy takes the form of a highly embedded cross-government framework to which all parties subscribe. The enduring goal in Germany is to create the right conditions for industrial competitiveness across the board.

It is widely recognised that the Germans make considerable investment in a highly skilled, vocational workforce, which is capable of innovating to create and manufacture advanced products. Close relationships between banks and industry are another positive factor which has been acknowledged by many studies. Collaborative public-private partnerships such as those found in Fraunhofer Institutes have been deliberately modelled by the UK Coalition in launching a series of Catapult Centres.

The CBI plan to assess UK's current capabilities and comparative advantages, and where could it develop in future and are currently investigating how the UK can maximise growth in existing and new value chains.



On 10 September the Engineering Employers Federation (EEF) added their voice to the industrial strategy debate calling on the Government to provide leadership on growth to get UK economy back on track. EEF have issued a report, The Route to Growth: a new approach to Industrial Strategy, arguing that progress towards a better-balanced economy has stalled because the government has yet to demonstrate the same relentless and clear-sighted approach to growth that it has done on reducing the deficit. The EEF believe that the industrial strategy must underpin decisions on how new resources are deployed across government, how existing expenditure is reprioritised to support growth and what activity the government should step back from.

Amidst all this debate, Vince Cable, Business Secretary, drew a number of threads together in a major speech on industrial strategy on 11 September. SMMT Chief Executive, Paul Everitt, commented that ' the Government's



commitment to an industrial strategy is a significant and important development for the recovery and growth of the UK economy. Government's action and attitude towards the long-term development of our business environment has a significant impact on both private sector investment and the shape and value of our industrial landscape. It is right that the strategy recognises the value of every sector of the economy and works with key industries, through a government-backed 'business bank', to increase investment in R&D, skills and capital equipment. The motor industry fully supports the approach outlined by the Secretary of State and will work closely with him and through the Automotive Council to enhance further the UK



# Industry Forum

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as a globally competitive location for automotive investment.’

‘While industry has enjoyed recent unprecedented levels of investment from international vehicle manufacturers (more than £6bn in the last two years), the formalisation of an industrial strategy will serve to boost the UK-based supply chain, encouraging further investment and growth. ‘

Industry Forum has been working intensively on the Advanced Manufacturing Supply Chain Initiative which takes a more strategic approach by tackling supply chain development in terms of R&D support, capital expenditure funding and support for training in an integrated fashion. We are working with a number of companies in the automotive and construction equipment sectors to establish integrated plans for developing UK supply chains in line with their global strategies.

Author: Iain Cameron, SMMT Industry Forum



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