



## BRIEFING PAPER

Number CBP7682, 7 August 2019

# Industrial strategy

By Chris Rhodes

### Contents:

1. Defining 'industrial strategy'
2. Current industrial strategy in the UK
3. Five Foundations
4. Sector Deals
5. Grand Challenges
6. Local Industrial Strategies
7. Governance of the industrial strategy
8. Devolved administrations
9. Reaction to the Industrial Strategy
10. Risks and opportunities of Brexit
11. Industrial strategy under the Cameron Government, May 2015 to July 2016
12. Industrial strategy under the Coalition Government, 2010 to 2015



# Contents

<b>1. Defining 'industrial strategy'</b>	<b>4</b>
Horizontal vs sectoral industrial policies	4
Mission-based industrial policies	5
<b>2. Current industrial strategy in the UK</b>	<b>6</b>
2.1 Overall approach	6
<b>3. Five Foundations</b>	<b>7</b>
<b>4. Sector Deals</b>	<b>9</b>
<b>5. Grand Challenges</b>	<b>15</b>
<b>6. Local Industrial Strategies</b>	<b>16</b>
<b>7. Governance of the industrial strategy</b>	<b>18</b>
7.1 Industrial Strategy Council	18
7.2 The Department for Business, Energy and Industrial Strategy	19
7.3 Cabinet Committee for industrial strategy	20
7.4 BEIS Committee inquiries	20
<b>8. Devolved administrations</b>	<b>21</b>
Scotland	21
Northern Ireland	21
Wales	22
<b>9. Reaction to the Industrial Strategy</b>	<b>23</b>
9.1 Other political parties	23
9.2 Trade bodies	24
9.3 Academics	26
<b>10. Risks and opportunities of Brexit</b>	<b>28</b>
10.1 Industrial Strategy	28
10.2 State Aid	28
10.3 Trade and investment	29
10.4 Research and Development	29
<b>11. Industrial strategy under the Cameron Government, May 2015 to July 2016</b>	<b>31</b>
Steel industry crisis	31
<b>12. Industrial strategy under the Coalition Government, 2010 to 2015</b>	<b>32</b>

## Summary

### Defining 'industrial strategy'

'Industrial strategy' is an approach to coordinating a wide range of economic policies to achieve particular objectives, which need not be purely economic.

### Current industrial strategy

During her leadership campaign and early into her premiership, Theresa May signalled a return to a more active and explicit industrial strategy, compared with the Cameron Government and the Coalition Government. In November 2017 the government published [\*Building a Britain fit for the future\*](#) which sets out the industrial strategy.

The first aspect of the industrial strategy is a series of policies that have an impact on all sectors of the economy: the '[Five Foundations](#)':

- Ideas (R&D, innovation)
- People (skills and education)
- Infrastructure (broadband, energy, transport)
- Business environment (support for specific sectors and SMEs)
- Places (Local Industrial Strategies)

The second aspect of the strategy is a series of bespoke partnerships with individual sectors and government: the '[sector deals](#)'. The sector deals announced so far are:

- Aerospace
- Artificial Intelligence
- Automotive
- Construction
- Creative industries
- Life sciences
- Nuclear
- Offshore wind
- Rail
- Tourism

The third aspect of the strategy is a series of challenges facing the economy. The mission of solving these challenges will help the whole economy to strengthen and develop. The '[Grand Challenges](#)' are:

- AI and the data revolution (how to embed and maximise the advantages of AI and data)
- Clean growth (low carbon technologies across the economy)
- Mobility (low carbon transport, automation, infrastructure)
- Aging society (healthcare and labour market challenges)

The Government has created an independent **Industrial Strategy Council** chaired by Andy Haldane, deputy governor of the Bank of England to assess progress and make recommendations to the government.

# 1. Defining 'industrial strategy'

'Industrial strategy' is traditionally understood as a set of government interventions which seek to support or develop specific industries – typically manufacturing industries.<sup>1</sup> However, current usage of the term is much broader. Industrial strategy in recent times has been more about coordinating a wide range of economic policies to achieve objectives, including social and environmental aims.

A roundtable at University College London (UCL) in 2016 involving representatives from industry, government and academia produced the following summary of how industrial strategy should be approached:

Industrial Strategy should be seen as a framework rather than as a collection of specific industrial policies. ...

...The purpose of industrial strategy should be to identify what is societally necessary and beneficial, and thus to align with other key national strategies (for example on economic growth, wellbeing or environmental sustainability).<sup>2</sup>

Intervention in industry can occur with varying degrees of intensity:

- At one extreme, an intensive industrial policy could involve government taking full control of a particular industry through nationalisation.
- At the other extreme, government would allow domestic industries to collapse under the pressure of international competition, regardless of the importance of the industry in terms of employment or strategic advantage.

In recent decades, UK industrial policies can be placed somewhere between these poles. Governments have generally not taken ownership of key firms within sectors that they view as important, but neither have they allowed the market to completely dictate the industrial and geographical structure of the economy.

Interventions can take many forms, ranging from tax breaks and deregulation to strategic procurement decisions and specific investment in particular skills and places.

## Horizontal vs sectoral industrial policies

One way to classify the government interventions to support or develop industries is to distinguish between 'horizontal policies' and 'sectoral policies'.

*Horizontal policies* address market-wide issues. They provide the "resources and economic environment" which make it easier for businesses and individuals to be productive. Examples of this type of policy include adjustments to regulatory frameworks, establishing tax

Industrial strategy is about coordinating a wide range of economic policies to achieve particular objectives, which need not be purely economic.

<sup>1</sup> Warwick, K. (2013), "[Beyond Industrial Policy: Emerging Issues and New Trends](#)", OECD Science, Technology and Industry Policy Papers, p. 15

<sup>2</sup> Written evidence from UCL (ISG0194) to BEIS Select Committee's Industrial strategy inquiry, "[Supplementary submission based on UCL industry-policy roundtable on industrial strategy](#)", 9 January 2017.

regimes which favour business, policies which foster innovation or policies which encourage skill development.<sup>3</sup>

*Sectoral policies* (sometimes called 'selective' policies) are directed towards one specific sector in the economy. Examples include agricultural subsidies, providing 'seed funding' for high technology clusters and support for research and development in particular industries.

In practice, industrial policies have aspects of both categories, and the two types of policies are "highly complementary."<sup>4</sup> For example, an education system which seeks to emphasise the importance of science, engineering and maths ('STEM' subjects) is horizontal in ambition because it seeks to provide pupils with a grounding in subjects which are valuable in almost all careers. But this approach is also sectoral or selective because it targets particular sectors and skills.

### **Mission-based industrial policies**

Another type of industrial strategy is called mission-based industrial strategy. Much of the research into this type of strategy is led by the work of the economist Professor Mariana Mazzucato.

A mission-driven strategy uses economic policy to pursue solutions to particular public policy challenges. Mission-based policies are unlikely to fit neatly into the horizontal vs sectoral categories. Rather, this kind of policy "...can help to galvanise different actors and sectors across the economy to work together to solve problems."<sup>5</sup>

For example, the American moon shots of the 1960s had one clear aim (to land men on the moon and return them safely to Earth), but involved many distinct industrial sectors, fields of academic research and aspects of government policy.

In oral evidence to the Business, Energy and Industrial Strategy (BEIS) Select Committee, Professor Mazzucato put it this way:

What industrial strategy can do is give a direction to economic growth.

...a more mission-orientated industrial strategy... is based on big problems the nation might have that many different sectors can work on together.<sup>6</sup>

An example of a modern policy that can be interpreted as a mission based industrial policy is the target for 'net zero' carbon emissions by 2050, analysed in the House of Commons Library paper, [Legislating for net zero](#).

---

<sup>3</sup> Department for Business, Innovation and Skills, [Industrial strategy: UK sector analysis](#), September 2012, p. 7

<sup>4</sup> *Ibid*

<sup>5</sup> UCL Commission for mission-oriented innovation and industrial policy (MOIIS), [A mission-oriented industrial strategy](#), May 2019, p8

<sup>6</sup> BEIS Committee, [Oral evidence: Industrial Strategy, HC 702](#), Tuesday 22 November 2016, Q295

## 2. Current industrial strategy in the UK

During her leadership campaign and early into her premiership, Theresa May signalled a return to a more active and explicit industrial strategy, compared with the previous Coalition Government and Cameron Government.

Theresa May's thinking in this area was set out in [her 'Birmingham speech'](#) on 11 July 2016.<sup>7</sup> The government launched a consultation on industrial strategy with the Green Paper [Building our Industrial Strategy](#) on 23 January 2017.

The government published the outcome of this consultation in the White Paper setting out the UK's industrial strategy, [Building a Britain fit for the future](#), on 27 November 2017. Documents related to the industrial strategy, consultations, links to competitions and regular update reports can be found on the government's [Industrial Strategy webpages](#).

Below is a summary of this strategy, followed by a round-up of reaction from political parties and industry bodies.

The UK industrial strategy is set out in [Building a Britain fit for the future](#), which was published in November 2017

### 2.1 Overall approach

The industrial strategy is divided into three parts: the horizontal policies, the sectoral policies and the mission-based policies.

- **The horizontal policies are identified as the Five Foundations:** ideas, people, infrastructure, business environment and places.
- **The sectoral policies are the Sector Deals:** bespoke partnerships between government and specific industries.
- **The mission-based element of the strategy is four overarching the Grand Challenges,** which involve a range of sectors and academic disciplines.

The industrial strategy is a “blended” approach in that it combines horizontal, sectoral and mission-based policies. The policies associated with each aspect are described in detail below.

The Government also has created an independent **Industrial Strategy Council** to assess progress and make recommendations to the government.<sup>8</sup>

<sup>7</sup> Speech by Theresa May, [We can make Britain a country that works for everyone](#), 11 July 2016

<sup>8</sup> HM Government press release, [New Industrial Strategy Council meets as membership announced](#), November 2018

## 3. Five Foundations

The [Five Foundations](#) are the ‘horizontal’ policies that underpin the strategy. They aim to have an impact on all sectors of the economy.

The “essential attributes” for a successful economy that the government seeks to address through the industrial strategy are:

### Ideas

- R&D investment raised to 2.4% of GDP by 2027 (including £12.5 billion more public R&D investment by 2021/22)
- R&D tax credit increased from 11% to 12% in January 2018
- £725 million over four years invested in Wave 2 of the [Industrial Strategy Challenge Fund](#). This competitive funding programme will address themes related to the Grand Challenges.
- UK Research and Innovation (the research funding council for universities in the UK) will work to increase “global investors’ activities taking place in the UK.”

### People

- New technical education system as recommended in the [Skills Plan](#), including 'T Levels' (emphasising technical skills) and apprenticeships
- Invest £400 million in maths, digital and technical education
- Create a National Retraining Scheme by the end of the Parliament, including £64 million investment for digital and construction retraining
- Increase ethnic minority employment and employment of disabled people. Support carers into work.

### Infrastructure

- National Productivity Investment Fund increased to £31 billion by 2022/23 to develop transport, housing and digital (of which £24 billion already allocated). The fund is described in more detail in the House of Commons Library Briefing Paper, [Productivity in the UK](#), page 20.
- Electric vehicle infrastructure (such as charging points and battery grants) investment increased by £100 million.
- Digital infrastructure investment in 5G, rural broadband and data accessibility.

### Business environment

- The Sector Deals are one of the major components of the policies in this area. The Deals will be used to overcome specific issues that particular industries face.
- Create an “incubator” fund within the British Business Bank with the aim of “unlocking £7.5 billion investment” from the private sector for potentially high growth new businesses.

## 8 Industrial strategy

- Increase productivity in SMEs through a range of policies including encouraging the adoption of modern business practices, ensuring businesses have access “local growth hubs” which give access to expertise and networking opportunities and developing more policies to support supply chains.

### Places

- Local Industrial Strategies to deliver economic growth across the UK, helping to develop high growth clusters where appropriate. These are discussed in more detail later in this paper.
- Transforming Cities Fund to develop transport links between cities
- Pilot a Teacher Development Premium that will help develop high-quality teachers in areas with lower performing schools.

#### Box 1: Industrial Strategy Challenge Fund

One of the key commitments made in the industrial strategy is for total R&D expenditure in the UK to increase to the equivalent of 2.4% of GDP by 2027. In 2018, R&D expenditure in the UK is equivalent to 1.7% of GDP.

The [Industrial Strategy Challenge Fund](#) is a “core pillar” of this commitment.<sup>9</sup> It is part of a £4.7 billion commitment to be spent over four years. The Fund is competitive (awarded to the most successful applicants), and the competitions are organised in a series of ‘waves’.

Awards from the fund is made to businesses that are seeking funds to research and develop technology or processes related to the aims of the industrial strategy. For example, Wave Three of the Fund ran from October 2018 to January 2019 and was open to businesses that were working to tackle challenges such as disease detection, the commercialisation of quantum technologies and digital security by design.<sup>10</sup>

The bidding and awards process for each Wave is organised by Innovate UK (part of UK Research and Innovation).<sup>11</sup>

More statistics on R&D in the UK can be found in the Library briefing paper, [Research and Development Spending](#).

<sup>9</sup> UK Research and Innovation, [Industrial Strategy Challenge Fund](#), accessed August 8 2019

<sup>10</sup> Innovate UK blog, [Wave Three challenges](#), 5 February 2019

<sup>11</sup> BEIS Select Committee Seventeenth Report of 2017-19 HC663: [Industrial strategy: sector deals](#), March 2019, p12



## 4. Sector Deals

The 'sectoral' or 'selective' element of the industrial strategy is the [Sector Deals](#).

Successive governments have sought to establish close relationships with sectors viewed as strategic or significant to the UK economy. A common approach has been to establish an 'industry council' composed of industry leaders, people from the relevant scientific or academic community, and representatives from government. One of the most well-known examples of an industry council is the [Automotive Council](#) which was re-established in 2009 to combat the threat posed by the global financial crisis (having previously existed in the 1960s and 1970s). It has continued to operate since 2009.

The consultation on the current industrial strategy invited proposals from sectors to create similar partnerships, with the government stating that the positive response from a wide range of industries was "emphatic".<sup>12</sup>

These partnerships are called [Sector Deals](#). They are bespoke arrangements between the government and industry. They are each negotiated separately and involve some policies to address issues specific to the sector. But they all involve three main elements:

- 1 An **industry council** to facilitate discussions between industry leaders, government officials and Ministers, and leading academics.
- 2 Access to a competitively awarded **fund for R&D** in the sector.
- 3 Policies to support the **development of the skills** needed in the sector

The 11 Sector Deals announced as of July 2019 are listed below. The website or press release announcing the Council overseeing the Deal is also linked to. Sector councils but no Sector Deal have been created in the [retail sector](#) and the [food and drinks manufacturing sector](#).

### **[Aerospace](#) (Council: [Aerospace Growth Partnership](#))**

Key policies:

- Boosting innovation through the [Future Flight Challenge](#), with up to £125 million industry matched funding from the Industrial Strategy Challenge Fund. This programme will invest in developing demonstrators of new aircraft (such as drones and other electric aircraft), new models of airspace management, new approaches to ground support infrastructure and new markets for aircraft in local areas.
- Expanding the National Aerospace Technology Exploitation Programme with joint funding from government and industry to boost research and development projects led by small and medium sized enterprises (SMEs).

---

<sup>12</sup> *Ibid*, p193

## 10 Industrial strategy

- Supporting SMEs in the UK aerospace supply chain to boost their competitiveness through a new productivity improvement programme.
- Committing the industry to embed a Women in Aviation and Aerospace Charter to increase diversity and inclusion in the sector.
- Enhancing the joint working between the aerospace industry and education providers to ensure a strong future pipeline of talented people are available to ensure the UK aerospace sector remains globally competitive.

### **Artificial Intelligence (Council: AI council)**

Key policies, which draw on the government's [Digital Strategy](#):

- Invest up to £20 million in the application of AI in the services sector through the [Next Generation Services Industrial Strategy Challenge](#).
- Invest £93 million from the Industrial Strategy Challenge Fund into the robotics and AI in extreme environments programme, such as offshore and nuclear energy, space and deep mining.
- Develop a global Turing Fellowship programme to both attract and retain the best research talent in AI from around the world to the UK, to include individuals already based here.
- Build towards an additional 200 doctoral studentships in AI and related disciplines a year by 2020 to 2021, raising numbers year-on-year into the next decade. By 2025, we will have at least 1,000 government supported PhD places at any one time.
- Invest £406 million in skills, with a focus on maths, digital, and technical education, including funding to upskill up to 8,000 computer science teachers and creating a National Centre for Computing.
- Establish the Geospatial Commission to determine how best to improve access to geospatial data to a wider range of users, including businesses using and innovating with AI technologies.
- The government will establish a new Office for Artificial Intelligence to work with the AI Council to create and deliver the AI strategy, and collaborate with other relevant initiatives, such as the GovTech Catalyst.
- Invest £21 million in Tech City UK over 4 years, to become Tech Nation and support regional tech companies and startups to fulfil their potential.

### **Automotive (Council: Automotive Council)**

Key policies:

- Research, develop and industrialise new low-carbon automotive technologies in the UK through the Advanced Propulsion Centre.
- £225 million of R&D funding from 2023 to 2026 to support R&D in the sector and the transition to ultra-low and zero emission vehicles

- £246 million for the Faraday Battery Challenge to make the UK a world leader in the design, development and manufacture of batteries for the electrification of vehicles.
- £250 million to position the UK as a global leader in the development and deployment of connected and autonomous vehicles (CAVs), including £150 million for collaborative R&D projects and £100 million for CAV testing infrastructure.
- £100 million new funding for the Plug-In Car Grant to help consumers buy battery electric vehicles, and 25% of cars in central government department fleets will be ultra-low emission by 2022
- A new £400 million electric car Charging Infrastructure Investment Fund (£200 million new government investment to be matched by private investors).

### **Construction (Council: Construction Leadership Council)**

Key policies which aim to deliver digital techniques at all stages of design, construction and operation of buildings; increase the use of off-site manufacturing; use whole life asset performance to assess value of buildings:

- Invest £170 million from the Industrial Strategy Challenge Fund (ISCF) in the Transforming Construction: Manufacturing Better Buildings programme.
- Reform the Construction Industry Training Board (CITB) so that it is more strategic and focussed on future skills needs
- Invest £34 million to scale up innovative training models across the country – to support the delivery of 1.5 million new homes by 2022
- Take forward the private sector investment set out in the National Infrastructure and Construction Pipeline, and use the Infrastructure Client Group (ICG) to share and embed best practice across the sector.
- Develop an industry wide definition of value which takes into account more than capital cost, and produce a universally applicable methodology for procurement and promote common and consistent standards across industry.

### **Creative industries (Council: Creative Industries Council)**

Key policies:

- Commit £20 million over the next 2 years to roll out a Cultural Development Fund so that local partnerships can bid for investments in culture and creative industries, with industry contributing funding, networks and leadership.
- Invest an estimated £58 million to harness the power of immersive technologies and double the UK's share of the global creative immersive content market by 2025. We will also jointly invest £64 million in an Arts and Humanities Research Council programme to

## 12 Industrial strategy

deliver eight partnerships between universities and creative businesses across the UK

- Help creative firms access finance by investing up to £4 million (subject to business case) in a programme of intensive business investment readiness support.
- Make up to £2 million available (subject to business case) to support an industry-led creative careers programme aiming to reach at least 2,000 schools and 600,000 pupils in 2 years and industry development of apprenticeship standards.

### **Life sciences (Council: Life Sciences Council)**

The life sciences sector is the only sector to have two Sector Deals. Key policies from [Deal 1](#) (published December 2017):

- Invest through the National Institute for Health Research in research infrastructure in the NHS. New contracts worth more than £950 million will start over the next 5 years.
- The Health Research Authority will speed up approvals for clinical trials and reduce the burden on NHS Trust R&D departments.
- Establish the Health Advanced Research Programme (HARP) following the approach of the Defence Advanced Research Projects Agency (DARPA) established in the United States to develop military and related technology.
- Develop a number of regional, interoperable Digital Innovation Hubs which support the use of data for research purposes within the legal framework
- A £146 million investment programme from the Industrial Strategy Challenge Fund will support measures to grow medicines manufacturing

Key policies from [Deal 2](#) (published December 2018):

- £79 million of funding, to develop a first-of-its-kind, world-leading cohort of healthy participants that will attract significant global investment from industry and charities. The project will enable research into the hidden signs of disease and the development of tools to detect and diagnose diseases earlier.
- Commitment to sequence 1 million whole genomes in the UK within the next 5 years including 500,000 through the NHS in addition to the 500,000 in the UK Biobank project.
- £50 million investment in our digital pathology and radiology programme
- £37.5 million funding for the network of regional Digital Innovation Hubs

### **Nuclear (Council: [Nuclear Industry Council](#))**

Key policies:

- Provide up to £56 million for R&D for advanced nuclear reactors
- Work in partnership with the Welsh Government to develop a £40 million thermal hydraulics facility in the north of Wales as part of the Nuclear Innovation Programme
- Continue to support the activities of the Nuclear Skills Strategy Group and explore options to increase the number of nuclear-related PhDs
- In line with the Public Accounts Committee's recommendations with respect to Hinkley Point C, the government will keep under consideration a range of financing options when deciding how to proceed with future new nuclear projects.
- We will provide up to £20 million to demonstrate how advanced manufacturing and construction can increase UK competitiveness and reduce costs in a range of products and services across the sector

### **Offshore wind (Council: [Offshore Wind Industry Council](#))**

Key policies:

- Continue to fund collaborative RD&D to increase UK competitiveness and further reduce costs, including working with the System Management and Optimisation Task Group on offshore wind system integration
- Participate in a new sector led Investment in Talent Group to ensure that sector action is aligned and complements the government's skills agenda. The group will also collaborate with other sectors such as oil and gas, nuclear and automotive.
- The government will make up to £557 million available for future Contracts for Difference to ensure that up to 30GW of offshore wind can be delivered by 2030 in a sustainable and timely way.

### **Rail (Council: [Rail Supply Group Council](#))**

Key policies:

- Share rail industry data widely to bring new entrants to the rail market and enable the development of innovative customer-focused products.
- Provide guidance and support, to ensure the Education and People Strategy builds on the Transport Infrastructure Skills Strategy and Transport Infrastructure Efficiency Strategy
- Produce a detailed 5-year plan and longer-term roadmap of Digital Railway interventions with a more certain, sustainable investment profile.
- Agree a mechanism for ensuring the industry is actively engaged in the development of Control Period delivery plans, and ensuring that industry is an integral part of the development and deployment of longer-term rail investment opportunities

**Tourism (Council: [Tourism Industry Council](#))**

Key policies:

- Work closely with industry on the rollout of 2 new T Level courses to help deliver the hospitality and tourism workers of the future.
- Pilot up to 5 new Tourism Zones to increase visitor numbers across the country. More information about the bidding process will be released later in the year, with a view to commencing projects in 2020.
- The International Business Events Action Plan 2019-2025 has been published and sets out the steps the UK government will take to support the UK to maintain its position as a leading destination for hosting international business events in Europe.
- Make travel to the UK and around the UK easier for tourists through the development of its Maritime and Aviation strategies, as well as a number of rail policy developments.

The Department for Business Innovation and Industrial Strategy Select Committee published a report on Sector Deals in March 2019: [Industrial strategy: sector deals](#). This report includes information on the process of applying for a Sector Deal (including from the UK Steel on their unsuccessful attempt to establish a steel sector deal), and evidence on the effectiveness of the Sector Deals so far.<sup>13</sup>

---

<sup>13</sup> BEIS Select Committee Seventeenth Report of 2017-19 HC663: [Industrial strategy: sector deals](#), March 2019

## 5. Grand Challenges

The mission-based element of the industrial strategy is the [Grand Challenges](#). These are issues identified as “major global challenges” that must be solved if the industrial strategy is to realise its aim of strengthening the UK’s economy and improving quality of life.<sup>14</sup>

Each Grand Challenge has an associated with it. Each mission focuses on a specific problem within the Grand Challenge, with the aim of bringing together industry, businesses and academics to find solutions. The government has worked with the UCL Commission for mission-oriented innovation and industrial policy, led by Professor Mazucatto, to develop the missions.<sup>15</sup>

The Grand Challenges and missions are:

- 1 [AI and data](#). Mission: Use data, Artificial Intelligence and innovation to transform the prevention, early diagnosis and treatment of chronic diseases by 2030
- 2 [Aging society](#). Mission: Ensure that people can enjoy at least 5 extra healthy, independent years of life by 2035, while narrowing the gap between the experience of the richest and poorest
- 3 [Clean growth](#). Mission: At least halve the energy use of new buildings by 2030
- 4 [Future of mobility](#). Mission: Put the UK at the forefront of the design and manufacturing of zero emission vehicles, with all new cars and vans effectively zero emission by 2040

The approach to designing these missions and the theoretic background to mission based industrial policy is explored in [A mission-oriented industrial strategy](#), May 2019, published by the UCL Commission for mission-oriented innovation and industrial policy. This report also details the ‘implementation steps’ required if each of these missions is to be achieved.

---

<sup>14</sup> HM Government, [Building a Britain fit for the future](#), November 2017, p23

<sup>15</sup> UCL Commission for mission-oriented innovation and industrial policy (MOIIS), [A mission-oriented industrial strategy](#), May 2019

## 6. Local Industrial Strategies

One major aspect of the 'places' foundation of the industrial strategy is the creation of Local Industrial Strategies. The policy rationale and the principles for developing a Local Industrial Strategy are set out in the following document: [Local Industrial Strategies: policy prospectus](#), published October 2018.

Local Industrial Strategies are plans designed by local public and private sector organisations that identify the local...

...strengths, challenges, future opportunities and action needed to boost productivity, earning power and competitiveness.<sup>16</sup>

Local Economic Partnerships (LEPs) and City Deals will form the foundation of the Local Industrial Strategies, and they the Strategies will be closely aligned to the framework described in the overall industrial strategy.

Areas covered by a Mayoral Combined Authority will have a single strategy, supported by the relevant combined local LEPs. In areas not covered by a Mayoral Combined Authority, the local LEP will lead on strategy development

All Local Industrial Strategies will coordinate local economic planning and national funding streams to the area. They will involve close cooperation between the public and private sector in local areas, ensuring that the needs of the private sector are met in the context of the overall aims of the public sector. The Strategies will also work to ensure that the relevant layers of government will coordinate their activity (for example, Mayoral Authorities, local authorities and central government will they coordinate planning and policy development).

The Local Industrial Strategy policy prospectus states that the Strategies

- Set out a robust and open evidence base
- Focus on specific distinctive local strengths and address any local weaknesses
- Make clear how Mayoral Combined Authorities and Local Enterprise Partnerships will work in partnership with public and private stakeholders to achieve their ambitions.
- Prioritise specific, achievable and long-term ambitions
- Set out clear plans to evaluate progress

The report goes on to say that Local Industrial Strategies will be used to inform LEP's approach to any further local growth funding deployed through them, as well as helping areas work on "maximising the long-term impact of the new UK Shared Prosperity Fund once details of its operation and priorities are announced."<sup>17</sup>

---

<sup>16</sup> HM Government, [Industrial Strategy: Building a Britain fit for the future](#), November 2017, p221

<sup>17</sup> HM Government [Local Industrial Strategies: Policy Prospectus](#), October 2018, pg. 4



As of August 2019, four Local Industrial Strategies have been announced:

- [West Midlands](#) (announced May 2019)
- [Greater Manchester](#) (announced June 2019)
- [Oxford-Cambridge Arc](#) (announced July 2019)
- [West of England](#) (announced July 2019)

### **Box 2: Industrial clustering**

One aspect of all the Sector Deals is the idea of “industrial clustering”. This concept is frequently found in industrial strategies, and involves “firms in the same industry gathering together in close proximity”. Clustering is viewed as beneficial to firms (particularly to small firms) because they can access a shared pool of expertise and labour, suppliers, and information or contacts.<sup>18</sup>

In the UK, some existing clusters include automotive industries near Birmingham, high tech processing production around Cambridge, and advanced manufacturing in Sheffield. Successive government have sought to encourage these and other clusters through a range of policies, including the ‘[Catapult centres](#)’, which bring together research expertise and businesses to encourage the marketization of new ideas and the growth of firms in the area.

The industrial strategy is accompanied by a analysis ([Spatial clustering: identifying industrial clusters in the UK](#)) which seeks to “to identify groups of business across the UK which could be considered clusters for a particular sector.”<sup>19</sup>

---

<sup>18</sup> Economist, [Clustering](#), August 2009

<sup>19</sup> BEIS, [Density-based spatial clustering: methodology report](#), November 2017, p2

## 7. Governance of the industrial strategy

### 7.1 Industrial Strategy Council

The industrial strategy included the following pledge:<sup>20</sup>

We will ensure our Industrial Strategy will endure by creating an independent Industrial Strategy Council that will assess our progress and make recommendations to the government.

This Council met for the first time in November 2018 (a year after the strategy was published). Its terms of reference were:<sup>21</sup>

- recommending a series of success measures for the implementation of the Industrial Strategy;
- commenting on delivery against these measures and their contribution to UK economic growth;
- commenting on ways to improve the measurement of success, particularly in terms of productivity and the better use of data across government;
- commenting on the effectiveness of how the impact of existing programmes that contribute to the goals of the Industrial Strategy are evaluated and make recommendations about how to improve evaluation where necessary; and
- publishing a regular public report assessing progress on implementation of the Industrial Strategy against success measures and on ways to improve measurement and evaluation.

The Council is chaired by Andy Haldane, Chief Economist and the Bank of England. It includes the Chairman of John Lewis, the Managing Director of Blackrock Capital and the General Secretary of the Trade Union Congress.

The Council met on the 1<sup>st</sup> November 2018, 26 June 2019, and is scheduled to meet on 3 October 2019. Minutes of the meetings will be published on the Council's website, which is still under development.<sup>22</sup>

In December 2018, the government published a first progress report on the Industrial Strategy: [Forging our future: Industrial Strategy - the story so far](#). This report includes details of all the industrial strategy related policy announcements made between November 2017 and December 2018, but does not include an impartial assessment of the policies.

---

<sup>20</sup> BEIS, [Building a Britain fit for the future](#), November 2017, p11

<sup>21</sup> BEIS press release, [New Industrial Strategy Council meets as membership announced](#), November 2018

<sup>22</sup> PQ HL14995: [Independent Industrial Strategy Council](#), 16 April 2019

## 7.2 The Department for Business, Energy and Industrial Strategy

One of Theresa May's first acts as Prime Minister was to create a new [Department for Business, Energy and Industrial Strategy \(BEIS\)](#) by combining most of the functions of the old Department for Business, Innovation and Skills, and the Department for Energy and Climate Change.

This move was characterised as "the re-introduction of 'industrial strategy' to the political lexicon."<sup>23</sup>

Even though BEIS is nominally in charge of industrial strategy, important elements of the strategy sit with other departments. For example, higher education and skills are now with the Department for Education, procurement policy is led by the Cabinet Office, and infrastructure and productivity are mostly led by the Treasury.

BEIS's responsibilities regarding industrial strategy are summed up in the memorandum attached to the [Ministerial Statement](#) outlining the Machinery of Government changes introduced by Theresa May:<sup>24</sup>

- Business and enterprise: cementing the UK's position as the best place in Europe to start and grow a business – by supporting local growth, entrepreneurs, and making it easier for businesses to resolve disputes quickly and easily.
- Competitiveness: developing a long-term industrial strategy, supporting competitive markets, cutting red tape and protecting intellectual property.
- Science and innovation: ensuring that the UK is the best place in Europe to innovate, maintaining our world-leading research and science base to drive growth and productivity while reforming the system to maximise value from our investments.

In [a speech delivered to The Royal Society](#), Greg Clark (then Secretary of State at BEIS) introduced his approach to the Department's areas of responsibility. Regarding industrial strategy he emphasised the following:<sup>25</sup>

- Successful industries in the UK must be recognised and supported, including automotive, aerospace and space
- Scientific research must be encouraged through support for relevant institutions
- New industries and technologies must be allowed to develop
- The interests of consumers must be protected and served through innovation and competitive pricing
- The contribution of employees and businesses owners must be recognised

Even though BEIS is nominally in charge of industrial strategy, important elements of the strategy sit with other departments.

<sup>23</sup> Nesta, [ICYMI innovation policy roundup: industrial strategy back on the agenda](#), 22 July 2016

<sup>24</sup> Prime Minister [Machinery of Government: Merging the Department of Energy and Climate Change with the Department for Business, Innovation and Skills to create the Department for Business, Energy and Industrial Strategy](#), 18 July 2016

<sup>25</sup> Greg Clark speech to Royal Society: [Introducing BEIS](#), 28 July 2016

- Local areas must be encouraged through transport, skills and “pro-business leadership”.

### 7.3 Cabinet Committee for industrial strategy

A Cabinet Committee for industrial strategy was established in July 2016 and includes the Secretaries of State for 11 departments in order that the Government’s industrial strategy has input from all policy areas. The Committee is chaired was Theresa May.

[The Cabinet Committee met for the first time](#) on Tuesday 2 August 2016. A press release summarised the Committee’s priorities:

The new committee, which will bring together Secretaries of State from more than 10 government departments, will help to drive forward an industrial strategy that will aim to put the United Kingdom in a strong position for the future, promoting a diversity of industrial sectors and ensuring the benefits of growth are shared across cities and regions up and down the country.

In particular, it will focus on addressing long-term productivity growth, encouraging innovation and focusing on the industries and technologies that will give the UK a competitive advantage.

### 7.4 BEIS Committee inquiries

The Business, Energy and Industrial Strategy (BEIS) Select Committee scrutinises government policy on the industrial strategy. I conducted an inquiry into [the Government’s Industrial Strategy in 2016 and 2017](#). The [final report](#) was published in March 2017.

The BEIS Committee also conducted an [inquiry into Corporate Governance](#), an aspect of industrial strategy not specifically addressed in this note. The Library’s briefing paper on this matter is [Corporate Governance Reform](#).

In March 2019, the Committee published their report on Sector Deals: [Industrial strategy: sector deals](#).

## 8. Devolved administrations

Some of the policy areas addressed in the industrial strategy are devolved, meaning that they are the responsibility of the devolved administrations in Scotland, Wales and Northern Ireland. For example, skills policy, some aspects of business support policy and planning policy.

However, there are policy areas related to industrial strategy in which the UK government has a role within all the countries of the UK. These areas include digital infrastructure development, the GREAT campaign to attract trade and tourism, and aspects of innovation policy.<sup>26</sup>

The industrial strategy states that:

...as we implement our [industrial] strategy we will recommit to that partnership, seeking to tackle our shared opportunities with a focus on: addressing our shared Grand Challenges; making Sector Deals work for businesses across the UK; ensuring that our institutions collaborate for maximum impact; and working together on priorities for places.<sup>27</sup>

Not all of the countries of the UK have a policy framework called an industrial strategy, but each does have a framework that fulfils the same or a similar role to the UK industrial policy. These are outlined below.

### Scotland

The Scottish Government published its [Economic strategy](#) in August 2017. The strategy's core aims are:

- 1 **Investment** in education, infrastructure, natural capital and community assets such as houses.
- 2 **Internationalisation**, including more trade, more inward foreign investment
- 3 **Innovation**, particularly in the way R&D is funded and monetised, the digital workplace, and the public services
- 4 **Inclusive growth**, focussing on fair working practices, promoting equality and regional cohesion.

### Northern Ireland

The Northern Ireland Executive published the draft industrial strategy for Northern Ireland, [Economy 2030](#), in January 2017. The consultation is closed, having proposed the following priorities:

- 1 Accelerating innovation and research
- 2 Enhancing education, skills and employability
- 3 Driving inclusive, sustainable growth
- 4 Succeeding in global markets
- 5 Building the best economic infrastructure

---

<sup>26</sup> HM Government, [Building a Britain fit for the future](#), November 2017, p27

<sup>27</sup> *Ibid*

## Wales

The Welsh Government's [Economic Action Plan](#), published December 2017 and regularly updated since then, describes the strategy of developing the Welsh economy.

It features the following 'Calls to action' which any business seeking support must respond and align to at least one of:<sup>28</sup>

- **Decarbonisation** - we want to enable more of our business base to become carbon light or free.
- **Innovation, Entrepreneurship and Headquarters** - we want to support businesses to innovate, introduce new products and services and succeed.
- **Exports and Trade** - we want to proactively support trade with the UK and rest of the world.
- **High Quality Employment, Skills Development, and Fair Work** – we want to improve our skills base and ensure that work is fairly rewarded.
- **R&D, Automation, and Digitalisation** – we want to help our businesses to develop and introduce new products, automate and digitise to remain competitive in the fourth industrial age.

---

<sup>28</sup> Welsh Government, [Prosperity for all: economic action plan, executive summary](#), December 2017, p3

## 9. Reaction to the Industrial Strategy

### 9.1 Other political parties

#### The Labour Party

The Labour Party welcomed the recognition of the economy's fundamental problems in the Industrial Strategy. They praised the Government for adopting an approach which is centred on tackling these challenges. Beyond this the Party was largely critical of the White Paper. The Labour Party has described it as a 'paper made up of re-announced policies and old spending commitments'.<sup>29</sup>

The Labour Party argued that the industrial strategy is too focused on a small number of industries where Britain already has an advantage. Rebecca Long Baily MP (Shadow Secretary of State for Business, Energy and Industrial Strategy) argued that the Government has therefore underdeveloped policies to help low wage sectors and the regions and countries outside London and the South East.<sup>30</sup> The Labour Party has advocated for more capital for the productivity investment fund, greater infrastructure development in the north of England, and higher and more diverse investment in Research and Development.

The Labour Party have also critiqued the Government for not taking a bottom up approach to developing digital skills. They have called for a greater focus on IT in schools and more funding for education and adult skills.

#### Box 2: Labour's Industrial Strategy: Richer Britain, Richer Lives

Ahead of the 2017 General Election the Labour Party published its own Industrial Strategy '[Richer Britain, Richer Lives](#)'. This industrial strategy advocated a 'mission led approach' focusing on two initial missions: improving the green economy and innovation. The Labour Party pledged to source 60% of Britain's energy from renewable sources by 2030 and increase investment in Research and Development to 3% of GDP by 2030.

#### Scottish National Party

Drew Hendry MP, responding on behalf of the SNP to the Secretary of State's statement on the industrial strategy, welcomed the inclusion of the Grand Challenges in the strategy. However, he questioned whether more could have been done to consult the Scottish Government or...

...match the Scottish Government's economic plan, particularly given that the Scottish Government leads in life sciences."<sup>31</sup>

His other criticisms of the strategy were that it was not "outcome based", that it "did not answer the big question on skills" in the context of Brexit, and that the measures to boost productivity did not come into force quickly enough.

<sup>29</sup> Labour Party, [Government's Industrial Strategy is just re-announced policies & old spending commitments](#), November 27<sup>th</sup> 2017

<sup>30</sup> [HC Deb 27<sup>th</sup> November 2017, Statement on Industrial Strategy](#)

<sup>31</sup> [HC Deb 27<sup>th</sup> November 2017, Drew Hendry contribution](#)

### **The Liberal Democrats**

The Liberal Democrats criticised the Industrial Strategy for not including enough new polices. They blamed falling apprenticeship numbers on the government's "clumsy experiment with the apprenticeship levy" and said that this could "exasperate" potential skills shortages caused by Brexit.<sup>32</sup>

### **Plaid Cymru**

Jonathan Edwards MP responded to the Secretary of State's statement for Plaid Cymru. He said that "productivity and wealth inequalities" between Wales and the rest of the UK were a major concern for his Party. He question how the government would "benchmark" progress to solve these problems.<sup>33</sup>

## **9.2 Trade bodies**

### **Confederation of British Industry**

The CBI has been positive about the Government's strategy but has said that the "hard work starts now. Today's announcement must be the beginning of a strategic race, not a tactical sprint."<sup>34</sup>

The CBI praised the Government's Grand Challenges approach, the Industrial Strategy's first sector deals, the five priority areas and the new Industrial Strategy Council. However the CBI indicated that two key measures of the success will be the adoption of strategies at regional and national level, and whether the Government's plan supports a successful Brexit.<sup>35</sup>

### **Trade Union Congress**

Though the TUC largely welcomed the Grand Challenges approach, but they did have some criticisms of the White Paper.

The TUC have argued that the strategy would be strengthened by engaging the workforce. They say that the Government's skill strategy is weakened by setting apprenticeship standards without consulting unions. The TUC also criticised the exclusion of unions in the 'artificial intelligence council' and the 'Independent Industrial Strategy Council'. They say that without sufficient involvement from the workforce the strategies ability to be comprehensive is undermined.

The TUC has said that they are also disappointed with the lack of detail on Local Industrial Strategies and strategies for low wage industries.

The TUC have called the strategy an "important step forward" but have said it needs to be backed with "more money... better devolution..."

---

<sup>32</sup> Liberal Democrats, [Falling apprenticeships and Brexit will cripple Industrial Strategy](#), 27<sup>th</sup> November 2017

<sup>33</sup> [HC Deb 27<sup>th</sup> November 2017, Jonathan Edwards contribution](#)

<sup>34</sup> CBI, [CBI full response to the Government's modern Industrial Strategy](#), 27<sup>th</sup> November 2018

<sup>35</sup> *Ibid*



[and] most of all, the voice of business needs to be matched with that of workers...”<sup>36</sup>

### Make UK (formerly EEF)

Make UK commented that “the white paper acts as a good foundation for a new partnership with industry”. They also stated that...

...by introducing independent scrutiny of the progress of these plans [through the proposed Industrial Strategy Council], the government is signalling there will be a strong focus on measuring delivery which boardrooms will recognise and welcome.<sup>37</sup>

Make UK have also published a [blog article](#) with further analysis of the impact of the strategy on manufacturing. EEF highlights the innovation policies in the strategy as “pretty decent”. EEF states that the strategy could have been improved in the following areas (emphasis added by Make UK):<sup>38</sup>

- Clearer **vision** and choices – the UK cannot be world leading in everything and the goals need to be more specific.
- Being more ambitious about rolling out **devolution deals** beyond mayoral authorities would have offered more strategic decision making to local areas.
- **Technology diffusion** is an important challenge for manufacturing, which could have seen some initial action from the ISCF.
- Industry has consistently said that industrial strategy should be a **whole of government** endeavour. The fingerprints of all government departments could have been more apparent on the white paper.

Make UK states that the following areas are priority for further work in the industrial strategy (emphasis added by Make UK):<sup>39</sup>

- Independent council. History is littered with ineffective ones; working with stakeholders the **Council’s remit and membership** should be quickly agreed.
- The white paper is not intended for a business audience, but if this is to drive change in the economy, industry needs to understand what the strategy is trying to do and how government is hoping to enable this. **Business communications** should start with clarity on the various funding pots announced and delivery mechanisms.
- Any new review needs to nail the **‘SME’ productivity question** – with real-life SMEs at the centre of the review process.
- There must be more progress on **devolution deals** before local industrial strategies are rolled out.

---

<sup>36</sup> TUC, [The voice of workers is missing from the Industrial Strategy white paper](#), 27<sup>th</sup> November 2017

<sup>37</sup> EEF, [EEF comment on industrial strategy white paper](#), 27 November 2017

<sup>38</sup> EEF, [This is what manufacturers think about the industrial strategy white paper](#), 01 December 2017

<sup>39</sup> *Ibid*

- Some clarity on the intersection between the work of the future sectors team, sector deals and grand challenges will be needed to reap the benefits of vertical interventions.
- An **export promotion strategy** fit for a post-Brexit economy.

The Make UK [Industrial Strategy web pages](#) include a range of other resources relevant to this issue, including a [progress report](#) published in July 2018.

### **Society of Motor Manufacturers and Traders (SMMT)**

SMMT welcomed the inclusion of a Sector Deal for the automotive sector, but cautioned that

In its implementation, the Strategy must help the industry...seize the opportunities presented by...technological innovations. Given the current uncertainties, however, it must also be complemented by ongoing efforts to maintain the right conditions for growth.<sup>40</sup>

At the SMMT annual dinner on 28 November 2017, Tony Walker, President of SMMT elaborated on these 'uncertainties'. He said that

...a 'hard Brexit' would undermine all that we have...achieved. It is a real threat – a hurdle we cannot ignore.<sup>41</sup>

## **9.3 Academics**

Academics have praised the sound analysis of Britain's economic problems that the strategy is based on. Dr Craig Berry (Deputy Director to the Sheffield Political Economy Research Institute at the University of Sheffield) said that though there is "much to recommend in the white paper... there is little new money". Dr Berry questions the ability for the strategy to 'stick' without steering from HM Treasury.<sup>42</sup> This concern was echoed by Dr David Bailey (professor of Industry at Aston University) who argued that spending commitments were not likely to be enough given the scale of the UK's productivity problem.<sup>43</sup>

The final report from the Industrial Strategy Commission (an independent enquiry into the development of the UK's industrial strategy) raised many of the themes that would be later contained in the Government's White Paper. The Industrial Strategy Commission called for "further, faster devolution", "industrial strategies that are place specific" an "innovation policy" and new institutions to monitor the success of the strategy (though they did recommend that these be based within HM Treasury).<sup>44</sup>

King's College London have created an [Institute for Industrial Strategy](#) to "develop and shape an Industrial Strategy by providing critical thinking and expertise on a range of key policy areas, including

---

<sup>40</sup> SMMT Twitter Account, [Tweet at 4.13PM GMT](#), 27 November 2017

<sup>41</sup> SMMT press release, [SMMT President calls for faster, concrete progress in agreeing a transition period for Brexit](#), 28 November 2017

<sup>42</sup> University of Sheffield, [Industrial Strategy Commissioners react to government white paper](#), 27 November 2017

<sup>43</sup> The Telegraph, ['Inadequate' industrial strategy gets a tepid welcome](#), 27<sup>th</sup> November

<sup>44</sup> The Industrial Strategy Commission, [The Final Report of the Industrial Strategy Commission](#), 1<sup>st</sup> November 2017

productivity, supply chains, digital transformation, and skills development.”

The UCL [Commission for mission-oriented innovation and industrial policy](#) worked with the government to develop the missions associated with the Grand Challenges in the industrial strategy. Their [Mission Oriented UK Industrial Strategy](#) report provides theoretic and practical background to this aspect of industrial strategy. They have also published a range of other [Working Papers](#).

NESTA, an innovation policy think tank have published a range of material on the industrial strategy including:

- A review of the industrial strategy in November 2017: [Industrial Strategy: Nesta response](#)
- A review looking specifically at the innovation aspects of the policy: [Industrial Strategy: how to know if the Government is serious about innovation](#)
- A forward looking assessment of innovation policy in the industrial strategy, published February 2019: [Shaping the future of innovation policy](#)

The Nesta web pages on [Innovation Policy](#) include other resources on the industrial strategy.

## 10. Risks and opportunities of Brexit

This section provides a brief overview of how the Brexit might affect some aspects of the industrial strategy and industry more broadly.

Further information on the impact of Brexit on a range of policy areas can be found in the House of Commons Library [Brexit online hub](#).

### 10.1 Industrial Strategy

The industrial strategy mentions Brexit briefly. It states that

The decision to leave the European Union was not a decision to retreat from the world...There are opportunities to be gained upon leaving the EU...

The government believes it is overwhelmingly in our mutual interest to agree a comprehensive and ambitious UK-EU economic partnership that enables the most free and frictionless trade possible with minimal disruption to business...

We aim to put in place mechanisms to improve trading relations and remove barriers affecting UK businesses, and we will work closely with the devolved administrations as we forge new and deeper trade relationships around the world...

We will always be consistent in maintaining the principles of an open economy and fair competition that creates the conditions for businesses to thrive.<sup>45</sup>

### 10.2 State Aid

EU rules strictly prohibit most instances of financial support from Government to failing or threatened industries. These rules are known as 'State Aid rules.' Further information on their operation is available in a House of Commons Library Briefing Paper: [EU State Aid and WTO Subsidies Agreement](#).

Leaving the European Union will alter the state aid regime in the UK.

The absence of the EU state aid framework is not expected to translate into higher levels of direct support to businesses in the UK as successive governments have supported rigorous state aid controls and have avoided subsidising particular industries or companies. However, pressure on the government to intervene might become more intense.

The government is setting up an independent UK-wide state aid regime. The EU Withdrawal Act 2018 will preserve a general prohibition of state aid from "exit day". The substance of state aid regulations will not change.

If the UK leaves the EU without an agreement, the government intends to have the new UK-wide state aid regime functioning by the exit day. The Competition and Markets Authority (CMA) will become the UK's

---

<sup>45</sup> HM Government, [Building a Britain fit for the future](#), November 2017, pp24-25

independent state aid authority, in place of the Commission. Public organisations will have to notify their state aid measures to the CMA.

## 10.3 Trade and investment

Section 6 of the [House of Commons Library briefing paper on Productivity in the UK](#) explains the ways in which Brexit could affect future productivity and growth prospects:

The impact of Brexit on productivity will be felt principally via trade and investment. Economic theory and academic literature show a link between an economy's degree of openness to foreign trade and investment and its productive capacity.<sup>46</sup>

Many UK industries trade extensively with EU and non-EU member states. Whilst the UK is a member of the EU, trade deals are negotiated at EU level by the European Commission, meaning that trade negotiations have not formed part of the UK's industrial strategy for many years.

The precise nature of the trade relationship with the EU following the UK's exit will determine the extent to which the current tariff-free trading relationship with other EU members will be replicated. The Government is aiming for a "comprehensive, bold and ambitious free trade agreement".<sup>47</sup>

Regarding trade with non-EU members, the UK will be able to negotiate new trade deals after leaving the EU. This might mean setting its own tariffs and other regulations.<sup>48</sup>

For an overview of issues related to Brexit and trade, please see the House of Commons Library pages on [Brexit: Trade](#).

## 10.4 Research and Development

The EU has historically contributed large amounts of R&D funding to the UK. In the period 2014 to 2020, the UK received €4.7 billion EU funding for research and innovation from the [Horizon 2020 programme](#).<sup>49</sup> The industrial strategy includes a commitment to increase economy wide R&D spending in the UK to 2.4% of GDP by 2027 which is a big increase on the level in 2018 (1.7% of GDP). Without EU funding post-2020, this target appears more difficult to achieve.

However, Brexit also presents some opportunities for R&D. In its inquiry report on [Leaving the EU: implications and opportunities for science and research](#), the Science and Technology Select Committee raises the following R&D opportunities post-Brexit: revising VAT rules to stimulate university-business collaboration; regulatory reform; and creating a new

---

<sup>46</sup> House of Commons Library, [Productivity in the UK](#), 22 November 2016, p. 15

<sup>47</sup> Theresa May, [The government's negotiating objectives for exiting the EU: PM speech](#), 17 January 2017

<sup>48</sup> LSE Centre for Economic Performance, [Life after BREXIT: What are the UK's options outside the European Union?](#), February 2016

<sup>49</sup> House of Commons Library briefing paper, [UK funding from the EU](#), November 2018, p27

visa regime that prioritises researchers at all career levels from around the world, including from Europe.<sup>50</sup>

Professor John Bell, Oxford University, wrote in the *Financial Times* about the opportunities to deregulate that Brexit presents for UK science:

Britain is more inclined towards a relatively liberal risk-based regulatory environment that allows fields to move quickly — to reflect on ethical issues but not to over-regulate.

...We need light touch regulation similar to Switzerland so that Britain can become a global leader in life sciences, data, genomics, regenerative medicine and other innovation-based fields. State aid and industrial policy should be routine.<sup>51</sup>

For more information on R&D funding from the EU, please see the House of Commons Library briefing paper, [UK funding from the EU](#).

---

<sup>50</sup> Science and Technology Committee report, [Leaving the EU: implications and opportunities for science and research](#), 16 November 2016, p. 18-20

<sup>51</sup> *FT*, [Brexit offers opportunities for UK scientists](#), 25 August 2016

# 11. Industrial strategy under the Cameron Government, May 2015 to July 2016

The Conservative Party victory at the 2015 General Election marked a change of tone related to industrial policy, relative to the Coalition Government's policy in this area, and the nascent industrial strategy of the May Government.

The Secretary of State at BIS during the Cameron Government, Sajid Javid, told the Financial Times that "I don't particularly like the word strategy coupled with industrial." The term 'industrial approach' was widely used instead.<sup>52</sup>

Sajid Javid outlined the Cameron Government's industrial policy at a [Mansion House speech](#) in March 2016.<sup>53</sup>

My approach can best be described as non-interventionist but highly engaged. It's about building on previous success, with a much wider dialogue. About listening to businesses from all sectors, working with them to remove barriers to growth and productivity, and creating the conditions in which they can thrive.

We'll still be talking to and working with the main sector councils. They do great work and they know their areas better than anyone. But I've taken the old strategy's closed shop and replaced it with an open door. A willingness to deal with representatives of all sectors and to respond positively to industry-led solutions.

## Steel industry crisis

Sajid Javid's time as Secretary of State with responsibility for industrial strategy coincided with the crisis in the UK steel industry of 2015 and early 2016. The Cameron Government's actions around this time illustrate how Javid's "non-interventionist but highly engaged" industrial policy operated.

As steel plants in Teeside and South Wales closed in the face of plummeting global steel prices, the Government did not provide direct financial support to keep them open. Rather it worked with potential buyers to secure deals that might preserve the industry in some areas. In addition, it developed re-training packages for areas which had seen closures, lobbied for changes to trade policy at EU level, and worked to find ways of mitigating price pressures in the UK including business rates and energy prices.

Further information on the steel industry and the Cameron Government's response to the crisis can be found in the House of Commons Library Briefing Paper, [Steel industry: statistics and policy](#).

---

<sup>52</sup> Financial Times, [Sajid Javid heralds Thatcherite approach to business policy](#), 16 September 2015

<sup>53</sup> BIS, [Sajid Javid speech to Mansion House](#), 3 March 2016

## 12. Industrial strategy under the Coalition Government, 2010 to 2015

The Coalition Government came to power as the UK was recovering from the recession of 2008 and 2009. The Secretary of State at BIS, Vince Cable, expressed enthusiasm for a sector based industrial strategy as a way of boosting economic growth.

Vince Cable set out the Coalition Government's approach to industrial policy in a speech in September 2012. In summary, he highlighted that the Government has confidence in the market enabling economic growth, but that in some circumstances, "market failures" mean intervention is required:<sup>54</sup>

A good industrial strategy allows for failures, and recognises that innovation may strike in an unpredictable place - we must be ready for that too. But as the credit crunch showed, there are huge risks to taking a complacent, hands off approach.

The Coalition Government's industrial strategy featured five key themes:

- Boosting the development of 11 key sectors
- Supporting the development of eight key technologies
- Increasing access to finance for businesses
- Developing the skills of employees in key sectors
- Using public procurement to create opportunities for UK firms and supply chains

A particularly important aspect of the strategy was the support for specific sectors. This involved the Government identifying sectors that they saw as strategically important, "tradeable" and with a "proven commitment to innovation."<sup>55</sup> Further information on how the Government chose the sectors is available in the Government document, [UK sector analysis](#).<sup>56</sup>

The Government's intervention in each of these sectors involved a high-level forum (such as [the Automotive Council](#)) that brought together industry leaders and relevant senior Government figures to discuss barriers to growth and other issues specific to the sector; a commitment to the development of specific training institutions or initiatives within the sector and some match-funded financial commitments to certain aspects of the sectors.

---

<sup>54</sup> Vince Cable, [Speech: Industrial Strategy: Cable outlines vision for future of British industry](#), 11 September 2012

<sup>55</sup> Vince Cable, [Speech: Industrial strategy: next steps](#), IPPR conference, 27 February 2012

<sup>56</sup> BIS, [Industrial strategy: UK sector analysis](#), September 2012



Further information can be found in the House of Commons Library Briefing, [\*Industrial strategy, 2010 to 2015\*](#).

### About the Library

The House of Commons Library research service provides MPs and their staff with the impartial briefing and evidence base they need to do their work in scrutinising Government, proposing legislation, and supporting constituents.

As well as providing MPs with a confidential service we publish open briefing papers, which are available on the Parliament website.

Every effort is made to ensure that the information contained in these publicly available research briefings is correct at the time of publication. Readers should be aware however that briefings are not necessarily updated or otherwise amended to reflect subsequent changes.

If you have any comments on our briefings please email [papers@parliament.uk](mailto:papers@parliament.uk). Authors are available to discuss the content of this briefing only with Members and their staff.

If you have any general questions about the work of the House of Commons you can email [hcenquiries@parliament.uk](mailto:hcenquiries@parliament.uk).

### Disclaimer

This information is provided to Members of Parliament in support of their parliamentary duties. It is a general briefing only and should not be relied on as a substitute for specific advice. The House of Commons or the author(s) shall not be liable for any errors or omissions, or for any loss or damage of any kind arising from its use, and may remove, vary or amend any information at any time without prior notice.

The House of Commons accepts no responsibility for any references or links to, or the content of, information maintained by third parties. This information is provided subject to the [conditions of the Open Parliament Licence](#).