

### **The Future for Manufacturing in the UK – Part 3 (of 3)**

In Parts 1 and 2, I have been trying to reconcile the recent news from the CBI that a further 22,000 manufacturing jobs may be lost in the current quarter, and that manufacturing in the West Midlands remains particularly gloomy; with the dti's bald assertion that "Manufacturing in the UK has a strong long term future" (**Note 1**)

I have previously subdivided the manufacturing family into the fleet footed young brothers of medium volume, batch and jobbing manufacturing, supported by the rich uncles of Invention and Innovation. The big brothers of high volume manufacturing have emigrated and can no longer afford to live in the UK

But is this of itself a robust model for UK manufacturing? Are our onshore long term capabilities to be determined solely by the short term ebbs and flows of global economics – or by government policy in the national interest?

If the nation were a business (I know that it is not, and that there are dangers in trying to treat it like one, but bear with me), any strategic review would attempt to consider what are the nation's "core activities". At their most basic, these might be, for example, food, clothing, shelter and security.

The strategic review would then go on to consider what were the core competences which supported those activities and which should therefore be nurtured and protected. The review would also consider which activities could be safely outsourced, because they were not core or, because there is a stable supply chain of a number of capable and friendly providers.

Expert judgement would be required to determine which industries are crucial to such core activities (and to absolutely reject self-interested special pleading), and to ensure that there continues to be a competitive local market and capability. There may well be very few; although agriculture, fisheries and certain metal forming activities perhaps come to mind. (Businesses, by the way, have to make these sorts of determinations all of the time, often based on incomplete information or on informed guesses about the unknown.)

There may be a number of ways of ensuring that as a nation we do not lose certain important capabilities for all time and perhaps compromising important self sufficiency's and security in more troubled times. However, at some point one has to consider what role tariffs and duties might have to play. Governments and ideologists tend to be a bit squeamish about this, although it can sometimes be difficult to understand why. I have no trouble accepting the premise that "Free Trade" is a good thing and that world trade should flow as freely as possible. But that does not mean a world devoid of tariffs and duties, as any current importer or exporter knows.

I have previously argued that tariffs and duties might be a tool to be used with finesse, rather as the MPC does with interest rates. In this way, reactive and drastic interventions, for example the USA's imposition of 30% tariffs on imported steel in 2002 with its turbulent response in world markets as well as the unexpected and adverse impact on US car makers, are avoidable.

While it is appropriate that the UK should kneel at the altar of Free Trade, I see no reason for it to prostrate itself. Free Trade indeed enriches us all (nationally and in the global sense), but Free Trade does not mean laissez-faire. The practicality is that nations must tend towards Free Trade rather than the idealistic pursuit thereof. The UK's aspiration should more practically be "Freer Trade"

The ability to do this depends on (a) being able to rise above the hubbub of current controversies in international trade; (b) there being the political acceptance that there are capabilities which it is in the nation's interest to retain locally; (c) the need to ensure that this does not result in uncompetitive practices domestically; and (d) the political will to address the issue and to prosecute the necessary follow through within the EU and at the World Trade Organisation.

The very recent Five Year Programme published by the dti is, I believe, a welcome response to many of the issues that I have raised in Parts 1 and 2 as well as making a break with the dti's past. This is in spite of much press derision / cynicism in the context of long term dismay at the performance of the dti, and not much helped by the occasional its occasional lapses into management speak ("brain gain", "ideas portal") and perceived gimmickry ("Newton Awards").

The support for science and innovation, the attack on red tape, and reaffirmation of the commitment to training – the notion of "employability for life" as opposed to "jobs for life" is a worthy change in paradigm – are all a bit more like it. Although I would caution against the wholesale rejection of some protection for key local capabilities (never say never!), the particular recognition of the economic momentum provided by SME's, and the need to provide SME's with an attractive business environment going forward, is more than encouraging.

I wrote in Part 2 that the dti's Manufacturing Strategy, of just four months ago, scored high marks for busyness (though not, alas, for business) but low marks for strategic vision. The Five Year Plan is an altogether more focussed and clear thinking proposition, and the overall tone is one of conviction. A pass with distinction is achieved - honours can however only be awarded if the dti successfully follows through.

I have written before that manufacturing future lies in engaging bright young people into businesses where they can invent, be innovative and tangibly leave their mark on the world; in retaining our core capabilities; in modest scale manufacturing for niche rather than mass markets.

The Five Year Programme suggests that the dti now sees this more clearly than it has ever done before.

If we are prepared to have a strong vision, the future of UK manufacturing can be to become the modern equivalent of the workshop of the world, the acknowledged Science Park of Europe serving the globe.

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**Note 1** [http://www.dti.gov.uk/manufacturing/strategy\\_review.pdf](http://www.dti.gov.uk/manufacturing/strategy_review.pdf)