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# Industrial strategy in the UK

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# Summary

Industrial strategies provide an overarching plan for the economy (or key parts of it) that aims to help the government achieve economic, social and/or environmental goals. However, there are many definitions and a spectrum of approaches to the degree and types of government interventions used.

This briefing summarises the government's 2025 industrial strategy and explains key concepts in industrial strategy theory. It also sketches the international context and includes a brief overview of industrial policy in the UK over the last few decades.

## The UK's Modern Industrial Strategy

In June 2025, the government published The UK's Modern Industrial Strategy, a strategy setting out a 10-year plan to boost investment, productivity and resilience across the economy. The strategy builds on the Invest 2035 green paper and forms part of the government's mission to achieve the highest rate of sustainable economic growth in the G7.

The government describes the strategy as a "whole-of-government effort", with the state taking a more active role in supporting businesses. It aims to boost business investment in eight sectors it has identified as having the highest potential, which the government refers to as the IS-8.

The strategy includes commitments to:

- Target support at the IS-8.
- Improve the business environment by aiming to attempting to reduce electricity costs, planning delays and regulatory burdens and by expanding access to finance and skills.
- Support regional growth through local growth plans, new investment funds for city regions and closer partnerships with devolved administrations.
- Strengthen economic resilience by backing so-called foundational industries (such as steel, chemicals and ports), investing in critical supply chains and increasing defence spending.
- Establish a permanent Industrial Strategy Council, supported by an Industrial Strategy Unit in the Department for Business and Trade, to monitor delivery and track progress against core metrics (such as business investment, productivity and exports).

# What is an industrial strategy?

Industrial strategies provide an overarching framework, or plan, for the economy (or key parts of it).

There are multiple definitions of industrial strategy. The term has traditionally been used to describe government interventions that support the development of particular industries, especially manufacturing and other heavy industries (hence the name 'industrial' strategy).

However, the term is increasingly used more generally to refer to state interventions that seek to alter the structure of economic activity in a certain direction.

Industrial strategy goals might be economic, environmental or social. Policies that form part of the strategy may apply to specific sectors (called vertical or sectoral policies), across the economy (horizontal policies) or towards specific places (place-based policies).

Increasingly, governments have adopted mission-orientated industrial strategies aimed at bringing together bodies, both public and private, to help solve specific societal challenges.

# Industrial strategy in the UK: A brief history

There have been frequent shifts in the UK's approach to industrial policy, where active state intervention in the economy has fallen in and out of favour. These shifts have reflected ideological differences not only between political parties, but also within them. Since the financial crisis in 2008, enthusiasm for industrial strategy was revived first by Lord Mandelson in the then Labour government, then by the coalition government and later by Conservative government under Prime Minister Theresa May.

# 1 The government's industrial strategy

## 1.1 What are the government's objectives?

In June 2025, the government published The UK's Modern Industrial Strategy, setting out a 10-year plan to raise productivity, strengthen resilience and deliver sustainable growth.

The strategy brings together new and existing policies and forms part of the government's growth mission (see box 1).

The government states that alongside creating conditions for long-term business investment, the strategy aims to:

- increase living standards in all parts of the UK
- strengthen the UK's economic security and resilience
- support the transition to net zero greenhouse gas emissions

### 1 The government's growth mission

The government's ambitions to "kickstart economic growth" is one of five national "missions" the government has set as its mandate for achieving the highest sustained growth in the G7.[1] The growth mission is described as the "number one mission" for the government.[2]

The government's growth mission has two stated milestones:

- To raise living standards in every part of the UK – measured in terms of higher real household disposable income per person and gross domestic product per person by the end of the Parliament.[3]

1 HM Government, Plan for Change: Milestones for mission-led government (PDF), 5 December 2024, page 19.
2 HM Government, Plan for Change: Milestones for mission-led government (PDF), 5 December 2024, page 19.
3 HM Government, Plan for Change: Milestones for mission-led government (PDF), 5 December 2024, page 21).

- To ‘rebuild Britain’ – measured through building 1.5 million homes in England and fast-tracking 150 planning decisions on major infrastructure by the end of this Parliament.[4]

The government has described the growth mission as having seven “pillars”, of which industrial strategy is one:

- Economic and fiscal stability
- Investment, infrastructure and planning
- Place (regional growth)
- People
- Industrial strategy and trade
- Innovation
- Net zero

The government gave more detail on the growth mission and each of the pillars in the 2024 Autumn Budget and it’s Plan for Change (PDF), which set out the milestones the government aims to meet this Parliament.[5]

## 1.2 What is the government’s role?

The strategy reiterates the government’s commitment to “using the power of the state strategically to support and shape the UK economy”.

It describes the role of government as creating long-term certainty, coordinating investment and directly reducing barriers that deter private sector growth, such as high energy costs, skills shortages and planning delays.

While the strategy emphasises market-led growth, it sets out a more interventionist role for the state in areas deemed strategically important. These include eight high-growth sectors, supply chain resilience, the clean energy transition, and technologies such as AI.

4 HM Government, Plan for Change: Milestones for mission-led government (PDF), 5 December 2024, page 24.

5 HM Treasury, Autumn Budget 2024, 30 October 2024 (from page 61-79) and the Plan for Change (PDF, page 19-26).

## 1.3 Growth-driving sectors, businesses and places

The strategy has three main strands:

- Sectors: targeted support for eight "growth-driving" sectors, with detailed Sector Plans setting out policy commitments for each sector.
- Businesses: policies designed to improve the business environment, alongside specific measures for the eight sectors.
- Places: Support for city regions and business clusters (groups of related firms and institutions in an area) through new investment sites and long-term growth plans with devolved governments and metro mayors.

More detail on each is set out below.

### Growth-driving sectors

The government has selected eight "growth-driving" sectors (the IS-8) chosen for targeted support in the strategy:

- advanced manufacturing
- clean energy industries
- creative industries
- defence
- digital and technologies
- financial services
- life sciences
- professional and business services (including law, accountancy, management consultancy, and architecture).

The strategy states that these sectors were chosen because they are either established UK strengths (highly productive and internationally competitive) or emerging strengths where the UK could develop a comparative advantage.[6]

Collectively, the strategy states that the IS-8 have above-average productivity and export growth, and workers in these sectors earn on average almost £7,900 (before tax) more than in other industries.[7]

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[6] Department for Business and Trade, The UK's Modern Industrial Strategy, June 2025, pp18-19.
[7] Department for Business and Trade, The UK's Modern Industrial Strategy, June 2025, p20.

The strategy also identifies "frontier industries" which are sub-sectors within each IS-8 sector that are the specific focuses of the strategy. It also identifies "foundational industries" which are important to IS-8 sectors due to supply chain dependencies, such as electricity networks, ports, construction, steel, critical minerals, composites, materials, and chemicals.

## Sector Plans

Each sector has a sector plan with specific funding and tailored policy commitments. For example:

- £4.3 billion for advanced manufacturing (including £2.8 billion for R&D programmes)
- up to £600 million for a new Health Data Research Service in life sciences
- £670 million for quantum computing and £500 million for a Sovereign AI Unit under digital and technologies
- a £150 million Creative Places Growth Fund to support regional creative clusters

Each sector plan includes a timeline for key policy commitments and an 'accountability table' setting out actions and the responsible government department.

## Pro-business environment

The strategy emphasises creating a business environment that provides stability and confidence for firms to invest. The government plans to achieve this through new and existing policy measures. 10 priority interventions are identified, including:

- reducing high industrial electricity costs and improving grid connections
- expanding access to finance, including £4 billion additional capital for the British Business Bank and a £27.8 billion National Wealth Fund mandate
- £86 billion cumulative investment in UK R&D by 2029/30
- reforms to skills and employment support, plus a new Global Talent Taskforce, that aims to help attract leading researchers and innovators to the UK.
- a commitment to cut business regulatory costs by 25%, though the strategy does not specify how this will be measured.
- planning reforms and support for transformative infrastructure projects
- maintaining the corporate tax rate at 25%

These measures are intended both to support the IS-8 and to improve the wider economy.

### Place-based policies

The strategy says it will give more support to some regional city centres and local business clusters

For example, public finance institutions, including the British Business Bank and the National Wealth Fund, along with the Office for Investment, are being asked to support Mayoral Authorities in these places, to focus on attracting investment into the IS-8 sectors.

New funding streams are being introduced, such as a £500 million Mayoral Recyclable Growth Fund, designed to allow Mayors to reinvest returns locally and a £500 million Local Innovation Partnerships Fund to support collaboration between local government, business and research institutions.

The strategy also launches “Industrial Strategy Zones”, which bring together Freeports and Investment Zones under a single framework and introduces new AI Growth Zones. A £600 million Strategic Sites Accelerator aims to attract investment into these zones and unlock development on key sites.

Partnerships with devolved governments are emphasised, with examples including support for the Acorn carbon capture project in Scotland and up to £750 million for a new supercomputer at the University of Edinburgh. The strategy also highlights commitments to improving connectivity, such as HS2, rail upgrades in Wales and the Oxford-Cambridge Growth Corridor.

## 1.4 Establishing an industrial strategy council

The government says it will set up a permanent Industrial Strategy Council (ISC), which will be established in law when parliamentary time allows.

The government says that the ISC will have clear responsibilities and access to government data, to help make sure the 10-year strategy is delivered and remains stable over time.

For now, the Industrial Strategy Advisory Council provides independent oversight.

This group is made up of figures from business, academia and trade unions. It is chaired by Clare Barclay of Microsoft and includes Dame Anita Frew (Chair of Rolls-Royce), Greg Jackson (CEO of Octopus Energy), and former MP Greg Clark (who led the 2017 industrial strategy, see section 4.7).

The Council will track progress against six key measures: business investment, gross value added, productivity growth, exports, labour market outcomes, and the number of new large UK-based businesses.

This arrangement builds on but is different from the Industrial Strategy Council created in 2017, which was disbanded in 2021 (see section 4.7). This time, the government has committed to making the ISC a long-term, permanent body.

## 1.5 Stakeholder reaction to the strategy

The publication of the Industrial Strategy has prompted a wide range of responses from industry bodies, think tanks, academics and political parties.

Many welcomed the strategy's scale, sectoral focus and cross-government commitment, though several noted the challenge of delivery and the need for sustained political support.

### Think tanks and academics

The Institute for Government (IfG) praised the strategy's level of detail and sectoral focus, saying it is "properly an Industrial Strategy, rather than just a collection of growth interventions" but highlights that the scale and detail of the strategy represents "a daunting delivery challenge".[8]

The Resolution Foundation called it "an excellent start" but stressed the importance of longevity and implementation[9].

The Institute for Public Policy Research (IPPR) welcomed the clarity and consistency offered to businesses.[10]

Andy Haldane, former chief economist at the Bank of England, acknowledged the value of focusing on internationally competitive sectors and establishing independent oversight. However, he argued that the strategy is too narrowly focused on "superstar" sectors and risks neglecting the wider "everyday economy" where most jobs are found.[11]

Matthew Elliott, a political strategist and member of the House of Lords, argues that Labour's Industrial Strategy is flawed because it overlooks the UK's high energy costs, among the highest in the developed world. He warns that current support is limited to a narrow group of energy-intensive industries, leaving sectors such as retail, hospitality and technology facing unsustainable bills.[12]

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8 Institute for Government, Delivering the new industrial strategy will be a huge test for government, 26 June 2025.

9 Resolution Foundation, New Industrial Strategy is an excellent start – but it needs sticking power to deliver growth, 23 June 2025.

10 The Institute For Public Policy Research, Industrial strategy brings clarity after a decade of economic chop-and-change, 22 June 2025.

11 Financial Times, Industrial strategy needs more than 'superstars', 16 September 2025.

12 CAPX, Labour's industrial strategy is dangerously incomplete, 25 June 2025.

### Industry bodies

Industry bodies broadly welcomed the strategy. For example, Make UK described it as a "major win for UK manufacturing", citing plans to address skills shortages, energy costs and access to capital[13].

Creative UK welcomed recognition of the creative industries and measures to support freelancers.[14] Energy UK commended the strategy's focus on competitiveness and energy affordability.[15]

### Editorial responses

The Economist argued that while the strategy identifies the right sectors, it is fragmented and underfunded, with small pots of money unlikely to transform productivity.[16]

The Financial Times said the strategy provides welcome direction by focusing on key sectors but warned it will not deliver growth unless deeper problems are fixed. They say while the strategy includes measures on energy costs, tax and skills, the proposals are limited and the subsidies are delayed.[17]

### Political responses

Political responses were mixed. The Conservative Party criticised the Industrial Strategy as largely recycled, lacking meaningful deregulation and support for small businesses, though welcomed its focus on capital access, trade and autonomous vehicles.[18]

The Liberal Democrats supported the renewed focus on key sectors and skills funding but called for deeper reform of apprenticeships and a stronger role for Skills England.[19]

The Green Party welcomed investment in skills and clean energy but warned that the absence of a transition plan for workers in high-carbon industries risks leaving millions behind.[20]

The Business and Trade Committee published a report on 6 June 2025 (shortly before the strategy was published) setting out 'ten tests' against which it

13 Make UK, Government launches Industrial Strategy: Make UK's reaction, 23 June 2025.

14 Creative UK, Caroline Norbury: Creative UK's response to the Creative Industries Sector Plan, 23 June 2025.

15 Energy UK, Energy UK responds to the Industrial Strategy and Clean Energy Industries Sector Plan, 23 June 2025.

16 The Economist, Britain's industrial strategy is unlikely to boost its economy, 24 June 2025.

17 Financial Times, Britain's industrial strategy will not guarantee growth, 26 June 2025.

18 HC Deb 23 June 2025, vol 769 c856.

19 HC Deb 23 June 2025, vol 769 c859.

20 Green Party, Green Party response to Government's Industrial Strategy, 23 June 2025.

would assess the government's industrial strategy.[21] The government's response to the Committee's report was published on 12 September 2025.[22]

21 Business and Trade Committee, Industrial Strategy, 6 June 2025.
22 Business and Trade Committee, Industrial Strategy: Government response, 12 September 2025.

# 2 Defining industrial strategy: Key concepts and theory

## 2.1 What is an industrial strategy?

There is no single definition of an industrial strategy. Broadly speaking, industrial strategies provide an overarching framework for the economy (or key parts of it), which is implemented using a series of industrial policies (see section 1.2).[23]

Sir Vince Cable, the former business secretary, has suggested that all governments have an industry strategy "strategic or otherwise, explicit or not".[24] Governments, for example, undertake numerous activities that affect the economy. In a speech in 2012, Sir Vince explained that government:

> [...] shapes the British economy with its decisions every day. It makes many decisions about skills and universities, on research, on technologies, and on infrastructure. Through what it buys, and how it goes about buying it, the regulations that exist, the markets it oversees, and tax policy. All of these send messages to the economy. We can have an industrial strategy by default or design.[25]

The IfG has argued that industrial strategies reflect a deliberate effort by governments to plan these activities in a strategic and joined-up way to achieve the governments' objectives for the economy.[26]

Traditionally, industrial strategy was used to refer to interventions that support or develop specific industries, especially manufacturing and other heavy industries (hence the use of the word 'industrial'). Nowadays, industrial strategy applies to the whole economy (including creative industries, financial and business services and so on). Increasingly, industrial strategy is used to describe government interventions that aim to alter the structure of economic activity in a desired direction (for example, in the pursuit of public goals).[27]

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23 Institute for Public Policy Research (IPPR), Market making in practice, November 2023
24 Radix, The Return of Industrial Strategy, December 2020
25 Department for Business, Innovation and Skills, 'Industrial Strategy: Cable outlines vision for future of British industry', Sir Vince Cable's speech at Imperial College London, 11 September 2012
26 Institute for Government. How to design a successful industrial strategy, December 2020
27 D. Coyle, A. Muhtar, UK's Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021; OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

## Objectives

The early theory for industrial policy comes from the 'infant industry' argument.[28] The argument is that new firms may lack the scale and experience needed to compete against established foreign competitors. State protection, in the form of tariffs or subsidies, can help these firms to grow and become competitive.[29]

This argument still applies. However, today, governments use industrial policies to help achieve a range of strategic objectives (see section 3). For example, the goals of an industrial strategy might be economic (for example, to enhance economic growth or stimulate innovation), environmental (for example, to promote decarbonisation or climate adaptation) or social (for example, to create good jobs or reduce inequalities between regions).

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).[30]

States may seek to foster the development of new products, businesses or sectors that add value to the economy or help and encourage industries to upgrade their processes.[31] They may also try to influence where firms or industries locate. According to the Institute for Public Policy Research (IPPR), a think tank, moving to a low-carbon economy means  policymakers are having to  support the growth of new clean technologies and sectors as well as the "planned downsizing of high-emission industries".[32]

The Organisation for Economic Co-operation and Development (OECD) observed that industrial strategies vary a lot betweeen different countries. However, they classified four main different types of industrial strategies (see box 3).

28 Radix, The Return of Industrial Strategy, December 2020
29 Radix, The Return of Industrial Strategy, December 2020
30 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.
31 D. Coyle, A. Muhtar UK's Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021
32 IPPR, Market making in practice, November 2023

## Degrees of government intervention

Having an industrial strategy does not mean that governments actively intervene in every part of the economy or do so in the same way and to the same extent.

Governments can be more or less interventionist in the extent to which they seek to shape the structure of the economy and the methods they use to do so. 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.

UK industrial policies, in recent decades, 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 (see section 4). Governments may consider that some markets are working effectively and focus attention on areas where state involvement is justified or can make a difference.[33]

### 2 Types of industrial strategies

The OECD has categorised four types of industrial strategies: sectoral, mission-orientated, place-based and technology-focused industrial strategies.[34]

- Sectoral-based industrial strategies: target certain sectors or groups of related sectors.
- Place-based industrial strategies: aim to change the balance of economic activity between regions to achieve economic outcomes in certain places.
- Technology-based industrial strategies: support not only research, development and innovation in specific or general-purpose technologies, but also the diffusion of these technologies. Such strategies target the sectors that produce these technologies and ones that use them.
- Mission-orientated industrial strategies: these consist of a coordinated package of policies, with well-defined objectives and timeframes, that help address societal challenges. For example, the American ‘moon shots’ of the 1960s had one clear aim (to land humans on the moon and return them safely to Earth), but involved many distinct industrial sectors, fields of academic research and aspects of government policy.

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33 Institute for Government, How to design a successful industrial strategy, December 2020

34 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

These categories are not mutually exclusive; in practice, an industrial strategy may include a mix of some, or all, of these approaches. The main difference between these strategies is the underlying rationale for using them.

Different types of industrial strategies help to address different problems or 'market failures'. For example, barriers to entering a market (such as high fixed costs) might deter new firms from doing so, with a detrimental effect on competition. A sector-orientated strategy, for example, that includes policies to invest in specific sectors could be used to help new businesses enter the market and improve competition. The creation of Airbus, as a challenger to Boeing, is such an example. The OECD explain that mission-based industrial strategies may help address coordination failures, when multiple investments across a variety of sectors need to happen simultaneously to help tackle societal challenges.

## 2.2 Types of industrial policies

Industrial policies refer to the specific policies or instruments that are used to achieve government objectives. Subsidies are the most common example, but there are a wide variety of industrial policies.[35] There is no consensus on which policies count as industrial policies and which do not.[36]

There are, however, similarities. Industrial policies almost always seek to encourage private actors (including firms or investors) to behave in a way that aligns with the government's objective(s) and contain conditions to help ensure they do so.[37]

The OECD produced a taxonomy of industrial policies, which distinguishes between supply-side policies that target the provision of goods and services, those that target demand and those concerned with governance.

- Supply: governments can intervene by providing direct support to individual firms to encourage them to invest, either with financial support (grants, loans, tax exemptions) or through the provision of skills,

35 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023

36 Some authors have sought to distinguish industrial policies from other policies. The OECD considers macroeconomic policies (such as monetary policy) to be outside the scope of industrial policies because they focus on the business cycle, rather than the "structural performance of the business sector." The IPPR similarly makes a distinction between industrial policies and "more neutral growth policy" such as the "passive use of fiscal and monetary policy." The OECD framework of industrial policies does not include sectors such as housing, education and health, even though the authors acknowledge the indirect impact these sectors have on the performance of businesses.

37 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023

infrastructure, land, research and so on.[38] Governments may also use a variety of policies to improve the performance of specific sectors, such as measures that affect how firms enter and exit the market.[39]

- Demand: governments can stimulate demand for goods and services; for example, through tax incentives (for example, consumer tax cuts on electric vehicles), product regulations, and procurement.[40]
- Governance: industrial policies can include governance arrangements (such as government-industry groups) that support decision-making.[41]

## Horizontal and sectoral policies

Sectoral policies (also known as vertical, selective or targeted policies) target specific sectors of the economy, whereas horizontal policies target the economy in general.

There are different opinions about the extent to which governments can, and should, intervene in specific sectors or whether they should limit themselves to 'horizontal' interventions that apply across the economy.

The OECD has pointed out that those in favour of a sectoral approach question the "efficiency and sufficiency" of horizontal policies and reference examples where governments have successfully intervened in sectors. Sceptics argue that government's roles in such cases has been overemphasised and point to cases where government interventions have failed.[42]

### Sectoral policies

Sectoral policies are those that target support at specific industries. Often they focus on manufacturing and heavy industries, such as the automotive sector or steelmaking, but they can also apply to service sectors and other parts of the economy (for example, the creative industries).

There are a few reasons for using sectoral policies. One is that economic activities produce benefits for society as well as for the firm carrying out those activities. For example, firms learn from other firms who have introduced more efficient ways of providing goods or services.[43] There are also broader societal benefits. For example, there may be national security benefits when

38 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
39 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
40 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
41 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
42 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
43 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023

countries attract investments that reduce their dependence on foreign countries for the supply of critical products (such as critical minerals or semiconductors).[44]

State intervention can help address common market failures. Professor Diane Coyle and colleagues from the Productivity Institute, a research organisation, explained that markets do not always provide a “clear enough signal on the likely long-term profitability of investment”.[45] This is a particular problem for new technologies. Government intervention can help to reduce the “perceived investment risk”.[46] Another justification for state intervention is that the profitability of a firm may depend on its access to skills, research, infrastructure and technical standards that shape demand. Governments can help to coordinate these activities.[47]

A common criticism of these types of policies, including in the UK, is that governments are not very successful at picking ‘winners’ (sectors or technologies with a good return on investment) and that ‘losers’ end up picking governments. The OECD, for example, explains that to be successful governments need to be able to select the right target. This involves “gathering a vast amount of information on the expected returns, risks, spillovers and other market failures for each project”.[48] This information may not be available, or not available to governments.

Another critique is that governments may be captured by firms, who compete for government support. For example, the OECD explains that governments may end up supporting the most organised projects, not those most in need of state intervention. Another risk is that governments, once they have given their support, struggle to withdraw it.[49] Research by Havard University has suggested that the “ultimate test is not whether governments can pick winners, but whether they have (or can develop) the ability to let losers go”.[50]

Nevertheless, the OECD observed that there is a growing interest in targeted policies, partly due to the societal challenges facing many governments (see section 3).[51] The OECD suggests that sectoral policies can be successful at directing technological change but “should be handled with care”.[52] For

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44 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023

45 D. Coyle, A. Muhtar UK’s Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021

46 D. Coyle, A. Muhtar UK’s Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021

47 D. Coyle, A. Muhtar UK’s Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021

48 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

49 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

50 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023

51 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

52 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

instance, the OECD says that governments should make sure that horizontal measures alone are not sufficient to achieve their objectives before implementing sectoral policies, and should carefully consider the governance arrangements they put in place to avoid being captured by private interests.[53]

### Horizontal policies

Horizontal policies, in contrast, might include changes to tax or regulations covering competition and or innovation that help create a more favourable economic environment for businesses. This may also involve the provision of basic public goods, such as education and infrastructure and cross-sectoral subsidy schemes for research and development (R&D) for small and medium businesses.

One problem is that, while, theoretically, policies may apply across the whole economy, in practice it is difficult to avoid some degree of targeting.[54] For example, infrastructure is always built in a certain location, so will benefit some places and firms more than others; some industries are more research-intensive and benefit more from R&D funding.[55]

Research published by the Government Office for Science in 2013 pointed out that "in a world with scarce resources, every policy choice you make, however general the policy involved may look, has discriminatory effects that amount to implicit targeting".[56] The researchers added that horizontal policies can be "less precise and thus more difficult to monitor" and have "more leakages than more targeted policies".[57]

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53 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

54 Government Office for Science, International industrial policy experience and lessons for the UK, October 2013

55 Government Office for Science, International industrial policy experience and lessons for the UK, October 2013

56 Government Office for Science, International industrial policy experience and lessons for the UK, October 2013

57 Government Office for Science, International industrial policy experience and lessons for the UK, October 2013

# 3 International context

Industrial policies have been implemented in many countries at different times, in different ways and with varying degrees of success.[58] Most countries have pursued some form of active industrial policy, including countries which, at times, have been sceptical of the idea. However, there has been a renewed interest in, and use of, more active and interventionist industrial policies over the last decade, especially since 2018.[59]

## 3.1 Renewed interest in industrial strategy

Diane Coyle, Professor of Public Policy at Cambridge University, wrote in the Financial Times in 2023 that industrial policy "like flared trousers, platform heels, inflation and other 1970s phenomena" is back in fashion.[60] A survey by the World Economic Forum in May 2023 found that almost three-quarters of chief economists they questioned expect industrial policy to become a "widespread global approach to economic policy over the next three years".[61]

Renewed interest in more interventionist industrial policies is a global trend. However, it is highly concentrated in advanced economies.[62] Large-scale interventionist industrial policies have been introduced in China (Made in China 2025), the United States (the Inflation Reduction Act and the CHIPS and Science Act under President Biden, see box 4) and the European Union, both at the EU-level and within member states. The International Monetary Fund (IMF) observed that the US, China and the EU accounted for almost half of the targeted industrial policies introduced in 2023.[63] A second Trump presidency likely represents a significant change in US industrial policy, however.[64]

58 International Monetary Fund, The Return of Industrial Policy in Data, January 2024;
59 United Nations Industrial Development Organisation, Global Industrial Policy: Measurement and Results, March 2023 (PDF); International Monetary Fund, The Return of Industrial Policy in Data, January 2024
60 "If the UK doesn't play the strategic policy game, of course it will lose", The Financial Times, 23 June 2023
61 World Economics Forum Centre for the New Economy and Society, Chief Economists Outlook, May 2023
62 United Nations Industrial Development Organisation, Global Industrial Policy: Measurement and Results, March 2023 (PDF)
63 International Monetary Fund, The Return of Industrial Policy in Data, January 2024
64 "What Trump's industrial policy will look like", Financial Times, 16 December 2024; "US election: its impact on industrial policy", Economic Intelligence Unit, 18 June 2024.

## Comparison of industrial policies in the OECD

In 2022, the OECD published an analysis of industrial policies used in nine OECD countries: Canada, Denmark, France, Ireland, Israel, Italy, the Netherlands, Sweden and the United Kingdom.[65] This analysis found that industrial policies are:

- sizeable, with countries spending large proportion of GDP on industrial policies.
- focused mainly on sector-based support, especially for energy, transport and manufacturing.[66]

### Size

On average, OECD countries spent 1.8% of GDP on a variety of financial instruments – loans, loan guarantees, equity investments and export finance – and 1.4% of GDP through grants and tax expenditures.[67] There are, however, substantial differences between countries in their choice of measures.

The OECD's analysis found that 2.3% of GDP in the UK was used for tax expenditures and grants compared to less than 1% of GDP in Canada (0.8%) and Ireland (0.6%). In particular, the UK stands out for its use of tax expenditures, such as capital allowances, whereas France, compared to other countries, spends more on grants (for example, for apprenticeships or renewable energy).[68]

Export finance accounts for a large proportion of expenditure in many countries, although there are a few exceptions. The use of loans and guarantees is much more common than the use of venture capital.[69]

### Sector based support

Just under 30% of grant and tax expenditures are sector-based, compared to 19% on R&D measures, 15% on the green transition, 14% on jobs and skills and 11% for spending on SMEs and young firms.[70] However, there are considerable differences between countries. Over a third (34%) of grants and

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65 The OECD's analysis also included industrial policy expenditures at the EU-level for the Member States involved in the study.

66 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

67 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

68 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

69 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

70 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

tax expenditures in Italy are for green policies compared to only 1% in Ireland.[71]

## Rationale for industrial policies in advanced economies

Traditionally, industrial policies have been deployed for economic or social reasons, whether it is stimulating innovation, enhancing economic growth or attracting employment to disadvantaged areas.[72] These continue to be common objectives. Enhancing a country's competitiveness, for example, remains one of the main reasons behind the use of industrial policies internationally.[73]

Advanced economies are using industrial policies to help address, or adapt to, the impact of climate change, bolster the resilience of supply chains, reduce their dependence on other countries, and for other geopolitical and national security reasons.[74] The former Chief Economist at the Bank of England, Andy Haldane, commented in 2023 that there is "global arms race to reindustrialise" driven by three forces: decarbonisation, deglobalisation and remilitarisation.[75]

The rationales underlying this rise in interventionist policies are not mutually exclusive. The Center for Strategic and International Studies, a think tank, has argued that the "climate agenda has become inextricable from economic policy and, increasingly, geopolitics".[76] It added that "the overlap between decarbonisation and supply chain resiliency, the strengthening of domestic manufacturing, and national security has fueled the adoption of green industrial policy tools".[77] This does not mean countries are all adopting the same objectives. In a study of nine countries, the OECD found considerable variation between the objectives' countries adopted.[78]

71 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022
72 R. Juhász, R. Lane, D. Rodrik, The New Economics of Industrial Policy, (PDF) August 2023
73 International Monetary Fund, The Return of Industrial Policy in Data, January 2024
74 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022; International Monetary Fund, The Return of Industrial Policy in Data, January 2024
75 The global industrial arms race is just what we need, The Financial Times, 26 June 2023
76 The Center for Strategic and International Studies, Green Industrial Policy: A Holistic Approach, February 2024
77 The Center for Strategic and International Studies, Green Industrial Policy: A Holistic Approach, February 2024
78 OECD, "An industrial policy framework for OECD countries: Old debates, new perspectives", OECD Science, Technology and Industry Policy Papers, No. 127, OECD Publishing, May 2022

## 3 Inflation Reduction Act

In August 2022, the US Congress passed the Inflation Reduction Act (IRA), which established a long-term subsidy programme, worth an estimated $369 billion (or around £330 billion) to incentivise US industry to help meet the country's renewable energy and climate targets. By 2030, IRA aims to reduce America's greenhouse gas emissions by 40% compared to 2005 levels. When he signed the Act, President Biden described the scale of investment as "the most aggressive action ever — ever, ever, ever — in confronting the climate crisis" and strengthening the US economic and energy security.

The funds are delivered through a mix of tax incentives (including tax credits and tax deductions), grants and loan guarantees. The act extended or introduced consumer tax credits (for example, Clean Vehicle Tax Credit) for a variety of appliances from electric vehicles to solar panels, to make these more affordable and thereby lowering emissions. It also included tax rebates for renewable energy and an Advanced Manufacturing Tax Credit for domestic manufacturing in industries such as wind, solar, batteries and critical minerals. Tax credits for businesses and consumers are uncapped under the act. This means the total value of the subsidy programme could end up higher than its estimated $369 billion cost, with some estimates exceeding $1 trillion.[79]

Many of the tax provisions include bonus credits if projects meet certain criteria. For example, whether they meet certain requirements covering wages and apprenticeships, whether they are located in low-income communities and whether goods benefitting from the support are manufactured using sufficient domestic content.

Within the first year since IRA was introduced, there was a significant increase in private investment into green technologies in the US. Over this period, according to figures from the White House, the private sector had announced over $110 billion of new clean energy manufacturing investments in the US, including over $70 billion in the electric vehicle supply chain and over $10 billion in solar manufacturing.[80] There is also evidence to suggest that the IRA increased investment into communities that have been historically reliant on fossil fuels for employment, and also to other disadvantaged communities (areas with low incomes, low educational attainments and/or high unemployment rates).[81] However, the Financial Times reported that around

79 Update: Budgetary Cost of Climate and energy provisions in the Inflation Reduction Act — Penn Wharton Budget Model, University of Pennsylvania, 27 April 2023.

80 The White House, FACT SHEET: One Year In, President Biden's Inflation Reduction Act is Driving Historic Climate Action and Investing in America to Create Good Paying Jobs and Reduce Costs, 16 August 2023.

81 US Department of the Treasury, The Inflation Reduction Act: A Place-based analysis, updates from Q3 and Q4 2023, 13 March 2024.

40% of the most expensive investments (those over $100 million) were experiencing delays of between a couple of months to several years, with some “paused indefinitely”.[82] This was reportedly due to changes in market conditions and demand as well as uncertainty over the future direction of policy.

It is uncertain what the future of the IRA will be under a second Trump presidency. On his first day in office, Trump ordered that some IRA funding be immediately paused.[83] While Trump has frequently spoken of rolling back the policy, the funding arrangements are complex and some commentators suggest that some aspects may be retained.[84]

82 FT research shows that $84bn of initiatives announced in first year of the IRA and Chips Act have experienced slowdowns, Financial Times, 21 August 2024.

83 Unleashing American Energy, White House Executive Order, 20 January 2025; Memorandum to the Heads of Departments and Agencies, White House Office of Management and Budget, 21 January 2025; White House says order pausing IRA disbursements only applies to some programs, Reuters, 22 January 2025.

84 What will happen to the Inflation Reduction Act under a Republican trifecta?, Brookings, Riki Fuiji-Rajani and Sanjay Patnaik, 6 January 2025; Repealing the IRA Has Trade-offs, Tweaking It Has Advantages, Council on Foreign Relations, Helena Kopans-Johnson and Sophia Vaccaro, 16 December 2024; Biden Trump-proofs $74bn in climate funding but $20bn remains vulnerable, The Guardian, 14 January 2025..

# 4 A brief history of industrial strategy in the UK

## Overview

In 2017 the London School of Economics (LSE) pointed out that, while governments have a long history of attempting to alter "Britain's industrial and commercial landscape," overarching industrial strategies have been less common.[85] In the UK, industrial strategy has fallen in and out of favour. This reflects ideological differences not only between political parties, but within them.[86]

Since the financial crisis of 2007 to 2008, enthusiasm for industrial strategy was revived first by Lord Mandelson and then by the coalition government and later by Theresa May's administration. Policy Exchange, a think tank, commented that "Conservative governments which have been in power since 2010 have veered from enthusiasm for industrial policy to periods of scepticism and hostility".[87]

However, shifts in the UK's approach to industrial policy have not been solely driven by ideological differences about the respective roles of states and markets. The IfG, for example, has argued such shifts can also "reflect a system of government with weaknesses, such as a centre unable to manage long-term planning, and a tendency to create and destroy organisations as proof of progress".[88] Governments also face different economic and societal challenges. Policies, according to the IfG, "need to be appropriate for their era".[89] Even governments that were sceptical, or less enthusiastic, about state intervention have found themselves needing to intervene when faced with a crisis.

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85 London School of Economics, Industrial strategy: some lessons from the past, January 2017

86 D. Coyle, A. Muhtar UK's Industrial Policy: Learning from the Past? Productivity Insights Paper No. 002, The Productivity Institute, October 2021.

87 Policy Exchange, Where now for UK industrial policy? Lessons from the past, and from other countries, January 2024

88 Institute for Government, How to design a successful industrial strategy, December 2020

89 Institute for Government, How to design a successful industrial strategy, December 2020

## 4.1 New Labour, 1997 to 2010

New Labour's approach was different from that of previous Labour governments. Their industrial policy, especially at the beginning, focused on making markets function better and supporting technology development.[90] As Policy Exchange noted, the Blair government established a Technology Strategy Board to provide financial assistance and advice to small technology-related businesses, provided tax incentives for research and development and commissioned a review into institutions that could support the commercialisation of scientific research, based on the Fraunhofer centres in Germany.[91]

New Labour's approach consisted mainly of horizontal policies, such as support for public education, the provision of finance for start-ups and firms in the early stages of development and strengthening of competition policy.[92] In 2006, for example, almost all state aid (91%) was for horizontal policies.[93]

In 2009, after the financial crisis, the then Business Secretary, Peter Mandelson, favoured a more interventionist approach, labelled 'industrial activism', which included more active state support for growth industries and closer working between government and industry.[94] Lord Mandelson partly used the term 'industrial activism' to reflect the changed nature of the UK economy. Lord Mandelson later explained that his intention was to reclaim:

> the word "industry" from the mills and smokestacks of old industrial Britain, so that the term "industry" was embracing the full gamut of modern manufacturing and knowledge industries, but also the world-class services sector that supports that modern manufacturing.[95]

## 4.2 Coalition government, 2010 to 2015

The coalition government came to power as the UK was recovering from the recession of 2008 and 2009. Initially, the new government reverted to a non-

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90 Policy Exchange, Where now for UK industrial policy? Lessons from the past, and from other countries, January 2024; ECIPE, Industrial Policy in Europe Since the Second World War: What Has Been Learnt?, January 2012.

91 Policy Exchange, Where now for UK industrial policy? Lessons from the past, and from other countries, January 2024.

92 Policy Exchange, Where now for UK industrial policy? Lessons from the past, and from other countries, January 2024; ECIPE, Industrial Policy in Europe Since the Second World War: What Has Been Learnt?, January 2012; Government Office for Science, Industrial policy for the medium to long-term, October 2013.

93 Government Office for Science, Industrial policy for the medium to long-term, October 2013.

94 "Mandelson calls for 'industrial activism' to revitalise Britain after the recession", The Guardian, 3 December 2008; "Mandelson to urge industrial policy reform", The Financial Times, 2 December 2008

95 Business, Energy and Industrial Strategy Committee, Oral evidence: Industrial Strategy, HC 616 Thursday 15 December 2016, Q445

interventionist stance. Sir Vince Cable, then business secretary, suggested that this was partly for ideological reasons but also because public spending cuts made it "impossible to make major financial commitments".[96] However, developments in the aerospace and the rail industries led the coalition to become more interventionist.[97]

Sir Vince Cable supported a sector-based industrial strategy as a way of boosting economic growth. He set out the coalition's approach to industrial policy in a speech in September 2012. He highlighted that, while the government had confidence in the market enabling economic growth, in some circumstances, "market failures" required intervention:

> 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.[98]

The coalition's industrial strategy aimed to boost the development of 11 key sectors, which they saw as strategically important. They focused on sectors where UK exports are internationally competitive and those with a "proven commitment to innovation".[99] They also focussed on what they considered key enablers, such as construction and information technology, and others with important supply chain linkages.[100] Further information on this is in the government document, UK sector analysis.[101]

The government's intervention in each of these sectors involved a high-level forum (such as the Automotive Council) that linked industry leaders with relevant senior government figures to discuss barriers to growth and other issues specific to the sector; a commitment to developing training institutions or initiatives and some match-funded financial commitments.

Outside of these sectors, the coalition also aimed to support the development of eight key technologies, increase businesses' access to finance, develop employees' skills in key sectors and use public procurement to create opportunities for UK firms and supply chains.

A network of Catapult centres, based on similar centres in Germany, were set up to support innovation in areas such as advanced manufacturing and personalised medicine.

96 Radix, The Return of Industrial Strategy, December 2020
97 Radix, The Return of Industrial Strategy, December 2020
98 Vince Cable, Speech: Industrial Strategy: Cable outlines vision for future of British industry, 11 September 2012
99 Vince Cable, Speech: Industrial strategy: next steps, IPPR conference, 27 February 2012
100 Radix, The Return of Industrial Strategy, December 2020
101 Department for Business, Innovation and Skills, Industrial strategy: UK sector analysis, September 2012

## 4.3 Conservative government, 2015 to 2016

The Conservative Party victory at the 2015 General Election marked a change of tone related to industrial policy. Sajid Javid, then Secretary of State at the Department for Business, Innovation and Skills told the Financial Times that “I don’t particularly like the word strategy coupled with industrial”.[102] The term ‘industrial approach’ was widely used instead.[103] Javid outlined the Cameron government’s industrial policy at a Mansion House speech in March 2016:

> 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.[104]

Sajid Javid’s time as Secretary of State coincided with a crisis in the UK steel industry in 2015 and early 2016. The 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. It also developed re-training packages for areas which had seen closures, lobbied for changes to trade policy at EU level, and worked to mitigate price pressures in the UK including business rates and energy prices.

## 4.4 2017 Industrial Strategy

During her leadership campaign and early in her premiership, Theresa May signalled a return to a more active and explicit industrial strategy. She set out her thinking in her ‘Birmingham speech’ on 11 July 2016.[105]

One of her early decisions was to create a new department, the Department for Business, Energy and Industrial Strategy (BEIS), which brought together most of the functions undertaken by the Department for Business, Innovation and Skills and the Department for Energy and Climate Change. A Cabinet Committee was established in July 2016 to drive forward the government’s

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102 Sajid Javid heralds Thatcherite approach to business policy, Financial Times, 16 September 2015
103 Sajid Javid heralds Thatcherite approach to business policy, Financial Times, 16 September 2015
104 Department for Business, Innovation & Skills, Sajid Javid speech to Mansion House, 3 March 2016
105 Speech by Theresa May, We can make Britain a country that works for everyone, 11 July 2016

industrial strategy. The committee was made up of Secretaries of State from 10 government departments.

On 27 November 2017, the government published its Industrial Strategy: Building a Britain fit for the future.[106] This was a blend of horizontal, sectoral and mission-based policies:

- Horizontal policies, which included five foundations: ideas (for example, support for research and innovation), people (for example, policies targeted at technical education and retraining), infrastructure (a National Productivity Investment Fund and investments in digital and electric vehicle infrastructure) the business environment and places (for example, Local Industrial Strategies)

- Sectoral policies in the form of Sector Deals, which were bespoke partnerships between government and specific industries. These had three main elements: an industry council (made up of government, industry and experts), a competitively awarded fund for R&D and policies to support the development of skills. Sector Deals were created for sectors including aerospace, automotive, artificial intelligence, creative industries, construction, life sciences, rail, offshore wind, nuclear and tourism.

- Mission-based policies were based around four ‘grand challenges’. Missions were specific problems within these challenges that government, industry and experts aimed to solve. See table 1.

Table 1: 2017 Industrial Strategy: Examples of Grand Challenges and missions

| Grand Challenge | Mission |
|---|---|
| AI and data | Use data, artificial intelligence and innovation to transform the prevention, early diagnosis and treatment of chronic diseases by 2030. |
| Ageing society | Ensure that people can enjoy at least five extra healthy, independent years of life by 2035, while narrowing the gap between the experience of the richest and poorest. |
| Clean growth | At least halve the energy use of new buildings by 2030. |

106 HM Government, Industrial Strategy: Building a Britain fit for the future, November 2017

| | |
|---|---|
| Future of mobility | Put the UK at the forefront of the design and manufacturing of zero emission vehicles, with all new cars and vans having effectively zero emissions by 2040. |
| Source: HM Government, Industrial Strategy: Building a Britain fit for the future, November 2017 | |

Theresa May's government also established the Industrial Strategy Council to assess the government's progress on implementing the industrial strategy (see further below).

In June 2021, the then Business, Energy and Industrial Strategy Committee criticised the strategy's complexity. The committee suggested that "each foundation and mission of the strategy was appropriate in its own right, but in combination the Industrial Strategy was complex and remote".[107] In 2020, the Industrial Strategy Council (ISC) outlined that a large sum of government money, £45 billion (2% of GDP), was set aside for the industrial strategy. However, most of this funding (£37 billion between 2017 to 2024) targeted a few areas: housing, transport, digital and research and development. Consequently, most of the 142 policies included within the strategy had "very limited, and in some cases no, funding associated with them".[108] The ISC suggested it was "very unlikely" that many of the policies would have "sufficient scale to make a material impact on the economy".[109] The Business, Energy and Industrial Strategy Committee also suggested the need for a more focused set of priorities.[110]

## Local industrial strategies

One major aspect of the 2017 industrial strategy was the creation of Local Industrial Strategies. These were plans developed by local public and private sector organisations that aimed to identify local "strengths, challenges, future opportunities" and where action was "needed to boost productivity, earning power and competitiveness".[111] Local Enterprise Partnerships (LEPs) were required to lead the development of these local plans. Mayoral Combined Authorities had to have a single plan supported by all the relevant LEPs. The policy rationale and the principles for developing a Local Industrial Strategy are set out in the Local Industrial Strategies: policy prospectus, published in October 2018.

107 Business, Energy and Industrial Strategy Committee, First Report of Session 2021–22, Post-pandemic economic growth: Industrial policy in the UK, HC 385, 28 June 2021
108 Industrial Strategy Council, Annual Report, February 2020
109 Industrial Strategy Council, Annual Report, February 2020
110 Business, Energy and Industrial Strategy Committee, First Report of Session 2021–22, Post-pandemic economic growth: Industrial policy in the UK, HC 385, 28 June 2021
111 HM Government, Industrial Strategy: Building a Britain fit for the future, November 2017

In 2021, the Business, Energy and Industrial Strategy Committee, observed that very few local industrial strategies were finalised and published. It pointed out a series of "key limitations" with the local industrial strategy model, such as:

- a lack long-term funding to support local investments
- differences in the capacity of local institutions to develop, implement and evaluate local strategies
- lack of priority, and capacity, from central government to support local industrial strategies
- uncertainty about the extent to which the "national vision could be adapted to local circumstances" and the criteria for judging the success of local strategies.[112]

## Industrial Strategy Council

Alongside the 2017 strategy, an Industrial Strategy Council (ISC) was established in November 2018 as an independent non-statutory advisory group with membership drawn from business, academia and civil society. It was chaired by Andy Haldane, then Chief Economist at the Bank of England. The council's remit was to provide "impartial and expert evaluation of the UK government's progress in delivering the aims of the Industrial Strategy".[113] The ISC had to report regularly to government on progress against the industrial strategy and its impact on the economy and society and to publish annual reports. A key element of the ISC's remit was to develop and maintain a set of success metrics.[114]

The council only existed for a short time. Boris Johnson's government disbanded it in 2021 and did not replace it.  The Business Energy and Industrial Strategy committee in June 2021 described the disbanding of the ISC as a "retrograde step".[115] It urged the government to "ensure that effective scrutiny is put in place in another form in order to measure outcomes and constantly evaluate the strategy".[116] The council's former chair, Andy Haldane, told the committee that the ISC did not have "the same statutory footing as other bodies in the UK or similar councils in other countries".[117]

112 Business, Energy and Industrial Strategy Committee, First Report of Session 2021–22, Post-pandemic economic growth: Industrial policy in the UK, HC 385, 28 June 2021

113 What we do, Industrial Strategy Council.

114 Industrial Strategy Council, Industrial Strategy Council Annual Report 2020, February 2020.

115 Business, Energy and Industrial Strategy Committee (BEIS), Post-pandemic growth: Industrial policy in the UK, HC 385, 28 June 2021, para 39.

116 BEIS Committee, Post-pandemic growth: Industrial policy in the UK, HC 385, 28 June 2021, para 42.

117 BEIS Committee, First Report of Session 2021–22, Post-pandemic economic growth: Industrial policy in the UK, HC 385, 28 June 2021

## 4.5 Johnson and Sunak governments, 2021 to 2024

In March 2021, the Secretary of State for Business, Energy and Industrial Strategy (BEIS), Kwasi Kwarteng, announced to the House of Commons that the 2017 industrial strategy would be scrapped and replaced with a Plan for Growth.[118] He said:

> I have read the industrial strategy comprehensively, and it was a pudding without a theme, in my view. I feel very strongly that the conditions of 2017 do not apply to 2021, and I am very pleased to announce to the House that we are morphing and changing the industrial strategy into the plan for growth.[119]

The Business, Energy and Industrial Strategy Committee, noted in June 2021 that while covid-19 had altered the economic outlook, many of the long-term challenges that the industrial strategy sought to address remained relevant.[120]

The Plan for Growth focused on horizontal measures, particularly infrastructure, innovation and skills, drivers of investment.[121] It concentrated on the UK's regional inequalities, delivering the green transition (including the Prime Minister's Ten Point Plan for a Green Industrial Revolution), and taking advantages of the opportunities of Brexit.[122] The "most important mission" of the Plan for Growth was the levelling up agenda.[123] The Levelling Up and Regeneration Act 2023 included a statutory requirement to produce a 'statement of levelling up missions' along with an annual government report measuring progress against the mission statement.[124] The first statement of levelling up missions was published in January 2024.[125]

Towards the end of the Conservatives time in office, the Chancellor of the Exchequer, Jeremy Hunt, adopted a more sectoral focus. He identified five growth sectors where the UK could potentially capture a larger share of global markets: advanced manufacturing, digital industries, green sectors, the life sciences and creative industries.[126] The government published an Advanced Manufacturing Plan and announced more financial support for the UK's automotive, aerospace and life science sectors as well as support for

118 HC Deb 690, 9 March 2021 [Budget Resolutions and Economic Situation] c 679; HM Treasury, Our Plan for Growth: Build Back Better, March 2021
119 HC Debate [Budget Resolutions and Economic Situation] 9 March 2021, vol. 690, col.679
120 BEIS Committee, First Report of Session 2021–22, Post-pandemic economic growth: Industrial policy in the UK, HC 385, 28 June 2021
121 HM Treasury, Our Plan for Growth: Build Back Better, March 2021
122 BEIS, The ten point plan for a green industrial revolution, 18 November 2020.
123 HM Treasury, Build Back Better: our plan for growth, CP 401, March 2021, p8; Department for Levelling Up, Housing and Communities, Levelling UP the United Kingdom, 2 February 2022.
124 Levelling Up and Regeneration Act 2023, Part 1.
125 Department for Levelling Up, Housing and Communities, Statement of Levelling Up Missions, 25 January 2024.
126 HM Treasury, Spring Budget 2023, March 2023

other manufacturing industries.[127] It also published strategies on semiconductors, batteries, critical minerals and critical imports.[128]

Under Rishi Sunak, the government did not publish an overall industrial strategy. When asked in September 2023 whether the government had an industrial strategy, the then Secretary of State for Business and Trade, Kemi Badenoch, told the Business and Trade Committee in September that:

> I would not say we do not have an industrial strategy in the UK. We certainly have a strategy. What we are not doing is having a brochure that will be out of date as soon as it is printed. So much has changed. If we had stuck to the previous industrial strategy post covid, post Russia's war in Ukraine and post the distortion in supply chains, it would have been a completely irrelevant document. We are in a macroeconomic environment where things are moving very quickly. It is all very dynamic. We are keeping on top of everything.[129]

In May 2023, the Financial Times reported that Lord Mandelson, Sir Vince Cable and Greg Clark – three former business secretaries - criticised the Rishi Sunak's government for "failing to prepare Britain for the future with an effective, or even visible, industrial strategy".[130] Greg Clark, described the government's approach as "surreptitious". He added that "one of the points of an industrial strategy is that you should know what it is. To have an undercover strategy is self-defeating".[131] Professor Diane Coyle from the University of Cambridge has criticised the government for having "no cohesive supply-side policy".[132]

127 Department for Business and Trade, Advanced Manufacturing Plan, November 2023

128 Department for Business and Trade, UK Battery Strategy, November 2023; Department for Science, Innovation and Technology, National semiconductor strategy, May 2023; UK Government, Critical Imports and Supply Chains Strategy, January 2024

129 Business and Trade Committee, Oral evidence: The work of the Department for Business and Trade, HC 1837 Tuesday 19 September 2023

130 Rishi Sunak's lack of industrial strategy attacked by former business secretaries, Financial Times, 18 May 2023

131 Rishi Sunak's lack of industrial strategy attacked by former business secretaries, Financial Times, 18 May 2023

132 If the UK doesn't play the strategic policy game, of course it will lose, Financial Times, 23 June 2023

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