

Comment

Put wealth creation at the heart of Britain's new agenda

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Britain's new government steps out on to a rapidly changing global stage. The economic crisis means the UK's status in the world is under review. It is no longer possible for Britain to rely on its financial sector alone to generate growth and drive recovery. The combination of the crisis and increasing competition from Asia suggests a hazardous future. This is not yet fully in the national consciousness.

A new national agenda is required that builds on Britain's unique strengths, making the UK both an attractive partner for other nations, and a country in which others want to invest. It is an agenda for a more balanced economy, in which wealth creation is celebrated, and in which innovation and manufacturing are rightly restored as the key drivers of added value in the economy.

Fixing the fiscal deficit needs concentrated government action. But that will not safeguard Britain's place in the world, unless it is coupled with a broad, international vision. Through diplomatic expertise, knowledge, military power, a central position in premier international organisations and the natural advantages of time-zone and language, the UK is well-placed to promote its national interest and prosperity. A central task of the new government is to capitalise on these advantages. It cannot afford to be introspective, but must recognise the link between foreign and defence policies and the prosperity of the nation.

At home, a more balanced economy is necessary. Manufacturing adds more than £150bn a year to the UK economy, and accounts for a half of exports. The sector still represents 13 per cent of gross domestic product. But these statistics mask disturbing trends. Since 1970 the UK has suffered

the sharpest decline in manufacturing as a proportion of employment of any advanced industrial economy. Without action, that trend is likely to continue and, in a global environment, big companies will have fewer reasons to favour the UK when deciding where to invest.

Britain therefore needs to play to its strengths, placing a greater emphasis on high value-added goods and services. By concentrating, for example, on advanced manufacturing and other technologically demanding activities the UK can keep an edge in areas where barriers to entry are often too high for its rivals.

The most successful national economies share important characteristics such as outstanding education systems, high levels of investment in research and development, strong ties between industry and academia, a serious commitment to increasing exports, and the ability to translate research into marketable products and services. These are all essential ingredients for the UK if it is to achieve a prosperous future. A *laissez faire* approach will not work. Britain requires a coherent strategy, with national wealth creation at its core. Activity across all government departments and agencies needs to be aligned in pursuit of this overriding goal.

How can business leaders and entrepreneurs persuade the government to create such an environment, in which manufacturing is revered and nurtured? They should help generate a national debate that promotes a consensus across government, industry, academia, the media and the public.

First, they should press for foreign and defence policies that reflect Britain's importance in the globalised economy, rather than retrenchment and decline.

Second, we need schools that equip the country with the skills it needs to compete and create wealth globally.

Third, our universities must work more closely with industry to harness the national investment in science, and pull ideas through to the market.

Fourth, we must create an environment that gives companies a reason to invest and stay in Britain.

Fifth, the government should not be afraid to pull all the levers at its disposal to create wealth in the UK.

And sixth, transport, infrastructure, energy and communications policies must support this overall approach.

None of this, in itself, is particularly new. But a national consensus – aligning all of this activity – would be. Our new government and parliament have a fresh opportunity to articulate what sort of nation Britain wants to be. It will only sustain its position in the world, its prosperity, public services and values, if wealth creation is set as the principal objective for all policy and activity in government and industry.

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