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Conference Summary

Great British Growth: how do we take the UK's economy forward in a period of geopolitical competition?

30-31 January 2025

DITCHLEY

EXECUTIVE SUMMARY

The Ditchley Foundation's first conference of 2025 set out to explore how to deliver on the Labour government's ambition (see a summary of the measures announced below) to address the long-term low growth of the British economy in a context of geopolitical competition. What can the UK do to grow the economy in a period that will witness an intensification of competition between the US and China and a likely divergence between the US and the European Union over trade? How can the UK overcome systemic challenges and convert strengths into 'growth' for national renewal in the face of geopolitical upheaval?

There was general support for the measures set out by British Chancellor of the Exchequer Rachel Reeves in her speech[1], but also regret that the case had not been made earlier or presented as part of a coherent political and economic vision. The government had lost all the business support it had managed to win in opposition. The speech was a first step in winning it back, but things needed to be delivered as well as announced. In the short term, the gilt market jitters over the UK economy were real and had to be heeded if we were to avoid market failure, meaning a failed debt sale. Inflation would return and consumers were already preparing by tightening their belts.

Core UK strengths were reiterated. The UK is still an open economy with a globally relevant service sector and intellectual resources with leading research and development across the university system. The UK has strong innovation spanning many technologies, including fusion, green technology, quantum, space, satellites, fintech, AI, biotech and life sciences. There are assets in advanced manufacturing and professional services. Regional strengths were seen in new structures of devolved governance, reusable industrial assets, renewable energy and, in some areas, precious natural resources (water). All these assets are necessary to drive the economy of the future and are supported by UK qualities of social cohesion, respect and status for roles in government and community resilience.

In tension with these strengths, the scale and extent of the UK's necessary catch-up and reform seemed overwhelming at times, from degraded physical infrastructure and health and public services to high energy costs, low investment in business and people, child poverty and economic inactivity. Some saw these barriers compounded by a pervasive culture derived from economic stagnation: a blame culture, a poverty of ambition, a zero-sum game mentality and some sense of hopelessness about the prospects for the next generation.

Many other barriers to growth were identified, for example: had the UK been overly risk adverse with a lack of venture capital and a reliance on bank loans or small government-backed grants? Valuations of US tech companies have raced ahead, while Europe and the UK have missed out on tech company growth. Are we willing to accept higher consumer prices for more investment? (A key diagnosis of Mario Draghi's report[2] and a critical difference between US and EU economies.) How can breakthrough technologies produced by UK universities be converted into economic successes with better access to markets? Had a gradual build-up of responsibilities meant regulatory bodies have inadvertently assumed political decision-making? Had the Markets and Competition Authority (CMA) been politicised, as some argued, or had it simply performed as its remit required, as others rebutted? Had an increase in the number of private sector jobs in HR, ESG and DEI eroded corporate competitiveness and organisational efficiency? Why had Britain let private equity extract the assets of privatise utilities? How had the planning system been allowed to seize up and how do we get beyond the political barrier of revaluing the Council Tax and a move to taxing land and property more efficiently and fairly? How should the UK better support people registered as economically inactive

[1] Rachel Reeves speech delivered 29th January 2025.
[2] The future of European competitiveness: Report by Mario Draghi 2024.

to get them back to work? Demographic projections showed that the UK could not continue to afford the pensions triple lock as the population aged but no party was willing to take the political risk of addressing this. How do we get beyond the political logjam of Brexit, so as to make a meaningful reset for growth with the EU possible or to chart a new course that takes clear advantage from our increased freedom of manoeuvre outside of the EU?

Debate centred around two recurring major themes.

The first and most contentious was **how to combine delivery of the green transition and carbon reduction with growth**. Some participants saw accelerated delivery of the green transition, with key targets moved forward to 2030, as a luxury – an act of international leadership on climate action – that we could just no longer afford economically. They pointed to the investment required in the short term and the extra costs this would mean for already hard-pressed consumers. Others responded forcefully that in contrast the green transition should be a route to increased growth, provided that we develop an industrial strategy alongside the energy transition strategy from fossil fuel to renewables which had already been so successful, for example, in making us the first industrialised country to phase out coal. This would mean the UK capturing part of some of the industrial capabilities of the future required for a sustainable economy. We had not so far done this effectively, it was true. But the UK's forward leading stance on climate could still give us a head start on building some of the capabilities needed by sustainable economies that most countries in the world were working towards, for example grid automation, fusion and green jet fuel.

From this debate, it became clear that there was confusion even amongst this well-informed group over how best **to reform the approach to energy pricing in the UK** and in particular the linkage to the global gas price, which was seen as a major barrier to restoring a political consensus on the economic advantages of the green transition. If this group did not have a clear view on reform of energy pricing, then it was highly unlikely that anyone in politics did. Although there were many papers on the need for energy pricing reform and potential mechanisms for this, they were highly technical and there was no apparent simplified consensus. **Several participants undertook to follow this up to try to get to clear recommendations for government.**

The second major theme of debate was summed up neatly by one participant as a choice between the **UK being open or closed for business**. There was no doubt that the prevailing trend in the world at present was towards a more closed approach – tariffs to protect national businesses from international competition; a resistance to even the immigration of selected talent; more regulation to try to protect citizens from harms emerging from globalised corporations such as the major technology platforms; and increasing concerns about Chinese and other investment for security reasons. But the British market was too small to grow on its own and unusually dependent on international trade, especially in services. In reaction, it was asked, **should and could the UK adopt a counter position to most countries of radical openness**? Examples of what that might include were a radical openness to trade, for example not opposing tariffs on others even if they imposed them on us; an openness to the immigration of talent, for example through a free trade deal with India (although this would have to be balanced with tough measures to win back political consent for higher immigration which has been lost); an openness to investment and foreign ownership, with exceptions for China probably inevitable because of security concerns and our close security relationship with the US. This should also be combined with a radical approach to devolution and decentralisation with tax revenue powers and industrial strategy delegated to regions who were more likely to produce the right strategies than a centralised approach from London. Although many, if not all, saw openness as attractive, there was concern over whether it was politically deliverable and could result in the further strengthening of protectionist and nativist sentiment, expressed through support for Reform UK.

Other proposals to increase growth included more promotion of qualities of entrepreneurship (risk taking and self-confident single mindedness), to more deliberate efforts to create network effects to mobilise, attract talent, create regional connections and drive innovation. Ways to balance fiscal responsibility and strategic investment in the national foundations of physical and digital infrastructure were put forward, along with better access for companies to finance and capital markets. Measures to manage data ecosystems to allow much greater data use and to commercialise breakthrough technologies were also put forward. Fundamental points of discussion included the ways in which technologies are reshaping economies and the importance of more devolution of power and localisation. Promisingly, the conference began a discussion on a role for regulation in coordinating the components of growth, scaling and linking the sectors and geographies that together could create the UK's growth advantage.

The conference did not consider in detail the consequences for the UK of continued low growth or what could happen if growth takes too long to arrive. Who growth is for and what type of growth is needed were also only raised in reflections at the end of the conference.

Context and why this was important

The Labour government came into power in the summer of 2024 with a promise of national renewal built on the growth of the British economy. The November 2024 budget raised taxes by £40 billion and changed debt criteria to create capacity for capital investment in growth. To tackle the long-term low growth of the British economy, the government issued a Green Paper on modern industrial strategy, a devolution White Paper, a call for Local Growth Strategies, and an AI Action Plan, and is also working through a reset of trade relations with the EU. In January 2025, the British Chancellor vowed to go 'further and faster' to kickstart economic growth and announced a Plan for Change with a raft of measures including: radical reforms to the national planning policy framework, a planning and infrastructure Bill, welfare reform and an immigration White Paper, a Regulatory Innovation Office to support innovative business in fast growing sectors, the Ox-Cam Arc and airport expansion, alongside reinforcing commitments to housebuilding and regional investment.

In the US, the direction of a second Trump administration was already becoming clear after only a few days in office: an overwhelming America first policy, with a focus on growth through cheap energy, strong armed capital investment from around the world, reduced regulation and a pull back, not just from international climate diplomacy, but from renewable energy sectors, i.e. wind, and from commitments to decarbonise the US economy. Meanwhile, the European Union has also diagnosed a need for faster economic growth and higher productivity and has begun to evolve its attitude towards regulation to balance a traditionally strict regulatory approach with a growing need for competitiveness and innovation. The war in Ukraine, growing concern about US imposition of trade tariffs, and concerns over economic dependencies, unfair trade practices, and geopolitical risks in relations with China have added pressure for change.

Does the UK find itself caught between the US and the EU? Is there a way in which infrastructure renewal, innovation, investment in people, skills, business, homes and in national resilience could allow the UK to chart its own path, balancing geopolitical pressures and taking advantage of them where we can?

Demographic trends will shape parameters for both economic growth and the prerequisites for national renewal. A statistical review of global demographics trends[3] showed the UK population projected to grow over the next decade – not the result of increased fertility, but of net migration. Over time, the UK is projected to follow a global trend of aging and shrinking populations but, in the longer term, UK population numbers are forecast to be stabilised by immigration. This is in contrast

[3] Provided by the Leverhulme Centre for Demographic Science, Oxford University

to most countries around the world, with 75% not expected to maintain population size by 2050.

People

This conference brought together economic expertise on trade, demography, growth and investment, gathering academics, journalists, investors, business owners, civil servants and leading civil society institutions. Although it was mainly composed of British participants, external perspectives were also provided via American and Canadian participation.

FULL REPORT

Visions, or lack thereof, for the political economy

Participants took a broad range of approaches when discussing growth. For example, American entrepreneurial culture was seen as a chief driver of higher economic performance in comparison to the UK. Despite the positives seen in UK culture – a sense of fair play, a 'blitz spirit', social cohesion, and a strong substrate for innovation – Brits were seen to have a zero-sum mentality, a tendency to shoot down successful initiatives, a blame culture, and a lack of agency. A more entrepreneurial spirit, and perhaps more entrepreneurial characteristics, such as confidence and risk taking, were underlined as necessary to capitalise on strengths.

Structural issues also limited a potential competitive edge. While early-stage funding and angel investment were seen as robust, a gap in scaling businesses was apparent, with a dearth of growth capital and access to markets. Despite world-class research hubs, this lack of liquidity and limited investor appetite for scaling ventures domestically was seen to be accelerating the export of intellectual property and talent, as entrepreneurs seek more favourable conditions abroad. The weakening of R&D tax incentives (especially compared to countries like Australia and Canada, which actively reward R&D investment), complex labour laws, the erosion of the non-domiciled resident status, and an uncompetitive tax regime were also seen to contribute to this innovation drain. Labour cost advantages, once a UK strength, were also seen as narrowing compared to the EU.

Planning and regulatory reform was also a key area of focus for participants. There was consensus that, due to British Prime Minister Keir Starmer's personal commitment, meaningful change for planning reform was possible, although participants feared over reliance on regulatory bodies. Regulatory bodies like the CMA were both criticised (for example for the CMA's intervention in the Microsoft-Activision merger, which was perceived as damaging to the UK's investment reputation) and defended (many argued that the sacking of the Chairman of the CMA had been to send a political signal to business). While interventions were viewed as politically charged, their quasi-judicial role in maintaining competitive markets were defended. More broadly, the balance between political oversight and regulatory independence was debated, with suggestions to recalibrate the level of strategic steer provided by ministers. In addition, repatriation of regulatory functions as a result of Brexit exposed Whitehall's readiness gaps, revealing a lack of architecture to replace EU mechanisms effectively.

Labour's planned industrial strategy drew scrutiny, with critiques of Whitehall's centralised approach and calls for examples of successful government intervention. Participants advocated for fiscal devolution and localisation of industrial strategies to reflect regional economic variances. The UK's reliance on implied rather than explicit industrial strategies were also debated, particularly in sectors like financial services. It was clear however that the UK would have little success in replicating the mercantilist style of Chinese industrial policy. In the EV market, for example, participants pointed out that for every 20 companies, two or three auto manufacturers would survive mergers and brutal competition. It was thought that British economic culture would not accept this form of aggressive capitalism.

At the close of the conference, the conference rapporteur identified familiar economic burdens: low growth, high inflation and low productivity. Clearly there is fear about the political consequences of these economic conditions. However, the US economy was considered to be improving by many economic analysts and commentators. Why then did the US electorate turn to President Donald Trump, who ran on a platform of disrupting a state system that was not serving everyday Americans? Traditional measures of economic success were not felt as such by the electorate.

Is there a problem with our economic narratives? Or are we relying on growth to fix deeper schisms in our societies? Most fundamentally, why don't people *feel* better off? Are we in a 'vibes recession', in which people report feeling less prosperous and secure than the data predicts they should? The conference rapporteur questioned if journalists have used this term patronisingly, accusing people of a misunderstanding of the economy. And what deeper issues may this reflect over the broader value of GDP as a measure for governments, not electorates? This was characterised by the infamous heckle: "That's your bloody GDP. Not ours".[4] This sense of felt insecurity should not be ignored, and visions for the UK's political economy, which participants felt were lacking in the current government, had to be grounded in people's lived experience, rather than statistical abstractions.

Opportunities for growth

Many potential areas of growth were identified, such as: life sciences, energy technologies and AI. Participants felt that advantages in sciences could be leveraged in combination with NHS data, which is still an untapped resource for growth. Limited data interoperability between government departments, and within the NHS, created a barrier for its use. However, participants felt that the politics of selling private health data would prove a far larger barrier, with these measures not taken even in the exceptional circumstance of the Covid-19 pandemic. The use of NHS data was thought to represent our limited digital public infrastructure more broadly, with some participants raising the possibility of introducing digital ID cards in a post-Covid context.

Most contentious of the three pre-identified areas of growth was net zero, with some participants raising concerns over the substantial costs associated with meeting the 2030 target, and the failure to reduce electricity prices for domestic consumers. However, other participants argued that the post-Ukraine energy price spike – costing the British government an additional £60 billion – revealed that the issue lies less in energy production costs, and more in the structural pricing mechanisms, most notably the electricity-gas price linkage.

Out of the proposals from the chancellor's January 2025 speech, investment in the Oxford-Cambridge-London triangle were mostly warmly welcomed, highlighting world-leading talent and innovation, and connecting these hubs into useful networks. However, the statement was seen more as a useful starting point rather than a satisfying final vision for the country's economy.

It was thought that the UK, or more specifically London, has a clear strength in the finance sector, contributing approximately 12% of the UK's GDP. However, participants questioned the future of the sector in terms of regulation, in addition to considering the balance against the manufacturing sector, responsible for 8.8% of the total UK economic output, a share far lower than Singapore's 20%, which was seen by some to be aspirational. Participants questioned the balance of these two sectors, especially in light of the United States' hegemonic power via the global financial system, a dynamic with profound implications for the City of London. Given that many US firms turn to the City of

[4] As reported by Aditya Chakrabortty in a Guardian article 10 Jan. 2017.

London as a gateway to the world, the UK was described as a 'butler', 'plumber' or 'gardener' of international financial architecture and instruments. The possibility of adopting a Singapore or Hong Kong-style approach, i.e. positioning the UK as a deregulated financial centre, was also raised. However, participants questioned whether an export-driven strategy alone would be sufficient for long-term economic resilience. Increased financial service sector trade with the US was unlikely to move the dial significantly on growth.

Open or Closed Britain

The sectors of growth highlighted above would likely need to be supported by access to talent, bringing the politically difficult subject of UK immigration policy to the fore. Migration policies, such as visa incentives for top university graduates, and EU youth mobility schemes were raised. Concerns over the STEM skills gap, particularly compared to China, underscored the urgency of educational reforms and talent retention strategies. However, participants argued that much of the electorate felt 'betrayed' on the question of immigration, so meaningful change would be politically difficult to deliver.

Access to markets was also highlighted as a key lever of growth, given the UK's strong dependence on a globalised system, especially in comparison with the EU and the US. This necessitates early engagement in global markets, although accessing larger economies often requires ceding some regulatory control. Comparative references to successful models, such as South Korea's export-led growth despite limited market size, suggested that market access, rather than sheer market size, drives industrial success. Participants felt we should be looking to external relationships, for example between Saudi Arabia, Brazil, or India, to see if there is a British 'value add', where the UK can benefit from the 'slip stream' as a third party in external relationships.

Striking figures were shared during the discussions demonstrating that the UK is far more outward facing than its partners, with international trade contributing a fifth of our economy, in comparison to the EU at 1/6th, China at 1/7th, and the US at 1/12th. By comparison, trade remains uniquely critical to the UK economy. In terms of the balance of these relationships, we are twice as dependent on trade with the EU as the US. The data therefore suggests a clear steer for the political focus. The UK must also be aware of its position: we are four times more dependent on the EU than they are on us, and 11.5 times more dependent on the US than vice versa. Further evidence presented demonstrated that beneficial impacts from trade with the US are primarily felt in the South of England and most notably London, whereas the beneficial impacts of trade with the EU are primarily felt in the rest of the UK[5]. Clearly such insights should inform political approaches to trade relationships.

For the middle portion of the conference, participants split into three working groups to discuss the following issues in more detail.

The 51st state: a closer economic relationship with the United States

A central discussion point involved a thought experiment: what would it mean for the UK to become the '51st state'? This would entail regulatory convergence, mirroring US trade and defence measures, including inbound and outbound investment screening aligned with the US CFIUS, and adopting Washington's posture towards China in exchange for access to funding programmes such as DARPA and US capital markets. However, this premise quickly encountered obstacles, particularly given the inherent instability of a Trump-led administration and uncertainty over its long-term strategic objectives.

[5] The Productivity Institute, University of Manchester

Would President Trump 2.0 merely extend the policies of his first term with an increased level of professionalism and efficiency, or mark a radical departure? Would President Trump's influence collapse under its own contradictions, or reshape transatlantic relations in ways that outlast his presidency? Some noted potential silver linings in President Trump's approach, with the UK potentially attracting those who are highly skilled but discontent with US policies. Participants also stressed the likelihood of a less generous US security guarantee for Europe, and the effect this will have on our investment priorities.

Additionally, some questioned whether bipartisan support for close US-UK relations was sustainable. Could the UK witness the emergence of an anti-American movement in light of negative and possibly damaging comments made by President Trump and his close ally Elon Musk? Issues around 'chlorinated chicken' have become shorthand for broader public resistance to deeper regulatory convergence with the US.

Participants debated whether economic and technical integration should be strategically embraced or rather mitigated through greater domestic investment in critical sectors. AI research, life sciences, and financial services were identified as areas of comparative UK advantage that could help balance dependencies in negotiations with the US. Some noted that the US does not always have the most efficient methods or technologies (breakthroughs such as DeepSeek in China were cited as one example), suggesting that being a 'second or third player' but better (or cheaper) remains a viable approach for the UK. Concerns were raised about the UK becoming a 'tech colony,' deeply integrated into the US ecosystem. Should the UK build on top of the US technology stack, leveraging American leadership in AI and compute, or should it seek to establish its own champions? The inadequacy of UK capital markets and the lack of an enabling environment for start-up growth were consistently noted, with reference to the 2014 acquisition of DeepMind by Google.

A significant theme was the potential for deregulation, either as a voluntary policy choice or as a result of external pressure from a future Trump administration. Some participants suggested that President Trump's policies – whether through coercion (e.g., forcing regulatory changes via trade negotiations) or inspiration (e.g., accelerating UK debate on planning reform) – could act as a 'burning platform' for change. Whether regulatory changes should be radical was debated, with some advocating a return to the light-touch regulatory environment of the 1990s-2000s. It was also suggested that regulation (including labour market regulation) had built up like sediment, clogging the pipes of growth. The question was asked whether the reality of domestic political trade-offs and a culture of the 'precautionary principle' would undermine support for deregulation. However, the UK's relative agility in regulation compared to Germany and other European countries was noted, with one participant arguing, 'we are in a post-Brexit sweet spot with the US – we shouldn't go full Wild West, but we can balance.'

The conversation also examined the UK's positioning in a world of increasing economic blocs and trade barriers. Should the UK seek closer alignment with the US, or should it hedge by strengthening ties with other partners? Some argued that the best way to navigate de-globalisation and rising trade barriers is to reinforce the UK's traditional strength as a global convenor – fostering international networks and dialogue rather than retreating into protectionism. Others noted that the UK would likely continue to try to 'dance between the raindrops' or 'muddle through', but was unlikely to escape all the hard choices.

Looking further ahead to the 2040-50s, three possible scenarios were discussed: a regionally based geopolitical system, a multipolar world marked by weakened institutions and reduced global cooperation, and a renewed alignment of democratic nations, akin to a Cold-War style geopolitical landscape. Participants agreed on the need for a strategy that would be resilient across all scenarios.

The discussion underscored the complexity of the UK's economic relationship with the US. While deeper integration offers opportunities, it also presents significant trade-offs in regulatory autonomy and strategic flexibility. Participants broadly agreed on the need for a sectoral approach, identifying areas where UK-US integration is advantageous, as well as regulatory agility, ensuring regulatory decisions prioritise economic opportunity rather than passive alignment with the US or EU. Participants also felt that geopolitical hedging between the US and other partners, as well as investment in domestic innovation, were key.

Edging towards the Single Market: a closer economic relationship with the EU

As the government works through a reset with the European Union, the UK's largest trading partner, this group explored opportunities for growth. Would better alignment with EU standards and regulation, for example, reduce the frictions introduced to trade by Brexit. The extent of the UK's dependence on trade with the EU is under appreciated. UK GDP is twice as dependent on trade with the EU in comparison with the US.

Since the government has already ruled out a return to the single market, rejoining was not seen as an option. Similarly, significant renegotiation of the Trade and Cooperation Agreement (TCA) seemed to offer limited returns. The price of any increase in access would be loss of regulatory freedom, especially in AI and financial services, where some regulatory divergence had already taken place.

The discussion focussed on pragmatic short-term opportunities for strengthening UK-EU ties, particularly in areas where incremental alignment could bring mutual benefits. Is consideration of some areas of regulatory alignment possible at a moment when the EU is revising its approach to regulation, with sections of European rightist parties also pushing de-regulatory agendas. Do these shifts in emphasis create pockets for more serious discussion of regulatory change?

Reviewing the TCA and/or bilateral arrangements between countries incrementally seemed to offer some practical steps. Could improvements be made, for example, to business mobility and availability of short-term visas, or deliver the long called for mutual recognition of professional qualifications, some aspects of youth mobility, capital market unions, areas of university research collaboration, and some innovations in agriculture? There are a series of small bilateral measures but also opportunity costs in making what are marginal gains and which could distract from more fundamental rethinking. Moreover, incremental improvements, while useful, are not sufficient to drive meaningful economic growth in the UK. Will marginal gains from bilateral trade deals or revisions to the TCA justify the effort, given the limited impact of GDP? On balance and given the overall value of EU trade to the UK, the answer had to be yes, but as part of an evolving 'wait and see' approach.

Outside of EU agenda-setting frameworks, it is hard for the UK to articulate a clear ask and to co-ordinate cross-government interests. There was not thought to be an obvious mechanism for a big picture analysis. Should Prime Minister Starmer lead for example on AI, bringing a cross-government consensus along behind? Could the government create a framework within which to build specialist AI services for European companies? Are there niche areas of advantage in AI that the UK could operationalise in EU settings? Such options require leadership in AI and regulation to support the necessary coordination.

There was thought to be scope to take forward aspects of defence procurement outside the single market, but that these are longer-term development opportunities which take a generational view. There are specialisms to be scaled within various European defence ecosystems and supply chains. And important though these kinds of developments are, spending on defence was not thought to contribute to short-term growth.

While a reset with the EU is important (it is the UK's largest trading partner) and is necessary to stabilise and deepen relations, short of a new trade deal with the EU it was not obvious how this reset would support significant additional short-term growth. In the meantime, there is work to be done in clarifying national priorities and addressing domestic challenges, particularly the needs of regional economies. This internal recalibration requires stabilising the fiscal situation, syncing industrial strategy with regional development, strengthening regulatory competitiveness in key sectors such as AI and life sciences, and enhancing the UK's comparative advantages in research and higher education and driving areas in which the UK has absolute advantage.

A prerequisite to deepening engagement with the EU was more surety over the ways regulation could work to link up the components of growth: human capital (people, ideas and labour, skills, research); capital (infrastructure, access to capital and markets); technology (innovation); and resources (energy, materials, land). How can regulation support the coordination between the components of growth and find specialist sectors and geographical areas to be coordinated?

Sensible pragmatism of a doomed attempt to have your cake and eat it?

Due to the difficulty of the US, European and Chinese relationships, participants asked what existing external relationships the UK could benefit from. Participants observed that Saudi Arabia, India and East Africa were developing into a free trade triangle, from which the UK could benefit. For Saudi Arabia, regional partnerships with the North East, due to engagement with Newcastle United F.C., serve as a foothold for broader investment, with money going into niche sports science, health, hospitality and hydrogen production to build out skills centres and a pipeline for talent in both the North East of England and Saudi Arabia. Both India and Saudi Arabia have existing relationships in the UK over gene therapy and are currently looking to invest in return for knowledge exchanges. India currently has the industrial advantage in manufacturing biomedical kit at scale and has an ambition to go up the innovation curve on API and generic pharmaceutical products, which could serve as a potential area of collaboration. As India is currently 'underflying' in comparison to its growth, collaborating over a sustainable aviation industry may prove to be lucrative. However, some participants felt that the British public would not be willing to grant the 'cost of entry' in the form of visa schemes.

Personal relationships between leaders, limited central government capacity in both the treasury and foreign office for building partnerships, and a lack of clarity in the UK 'USP', were also seen as limitations to attracting this foreign investment.

It was thought that the Saudi-UK relationship was unique for its focus outside of London, and it provides a model of the strength of further devolution to regions, although the window for further devolution was seen to be closing quickly if not already closed. Participants felt there was little incentive to create institutional structures where others may take control. For example, how would Labour react to a powerful unitary authority headed by Reform UK? Another risk was seen to be devolving power to local authorities that have limited institutional capacity, after decades of a much more limited mandate. Labour may fear devolved fiscal power with centralised accountability.

One area in which this limited capacity is evident is the lack of clarity and capacity in investment and trade strategy. Participants reported uncertainty from investors on 'whose door to knock on' even at the level of central government, and limited attention from the Department for Business and Trade, although the new Office for Investment was praised. Regionally, more support was seen to be needed for negotiating commercial deals on behalf of the regions, with a crucial gap in pre-project prep and expert 'dealmakers'. Participants acknowledged that while devolution could promote policy innovation, 'losers' were inherent to this structure. Tolerance for failure and how to resolve this failure were two processes that required more thought.

In terms of filling the skills gap, some participants suggested that existing skills-based visa schemes could be better suited to different regional needs. Local salaries may be lower than the threshold for a Skilled Worker Visa, thereby undermining implementation. Varying the threshold regionally was suggested, although some thought that the public would see this as a 'back door' and would once again feel betrayed on the question of migration.

While participants agreed that implementation of industrial strategy was best delivered locally, central government had to provide overarching strategy. There was disagreement among participants about central government's capacity to deliver this successfully. Participants asked how specific policy can be without becoming too narrow and undermining entrepreneurship. Some participants felt a fitness mechanism to drive competition was crucial, as were long term (20-30 year) commitments to specific industries (which often eluded governments even with party continuity), and dynamic and market-based elements.

Specific shortcomings in previous iterations of green industrial strategy were identified. For example, the failure to include UK component requirements and a focus on the demand rather than supply side in initial green industrial policies some 15 years ago now had to be addressed. It was also thought that skills and trade strategies had to line up with industrial approaches, or we risked creating unhelpful shortages. Overall, however, there was an appreciation of the current government's resolve and commitment.

Both the newly formed National Wealth Fund (NWF) and GB Energy were highlighted as ways to fill these shortcomings, although some participants questioned the capacity of the NWF to perform at the same level as a commercially managed fund – a culture of risk taking, entrepreneurism and the cadence of the flows of money were seen as skills better left to the public sector. Others, however, defended its record, based on success as UKIB and a newly expanded mandate. GB Energy's role was seen to be less defined, but with the capacity to fill the 'pre-deal prep' gap in the wind sector – acquiring seabed leases, preparing grid connections, environmental and geological surveys in preparation for CfD bidding rounds. Other functions, like taking equity stakes in projects or co-investment, were seen as unnecessary.

Participants agreed that reform of electricity markets was necessary to reflect the shift away from fossil fuels and to bring down the cost of domestic energy use. Although REMA has developed strategies for reform, it was felt that no senior politician had the ability to simply explain the reforms that were needed, and significant vested interests could add friction to the process of reform. Participants also felt that investment in upgrading infrastructure to be climate resilient was key to making green industrial strategy coherent, however this serves a very different fiscal argument as upgrades would not create new revenue streams.

LOOKING AHEAD

This conference provided a substantial agenda for governments: electricity market reform, delivering growth that can be felt (rather than seen in GDP), and new measures to support innovation. For Ditchley, further discussion on 'Big 7' technology innovation and comparative vs absolute advantages in our economy were seen to require further exploration, as were discussions on building a realistic Gulf, China and India strategy, given our need for external partners.

This summary reflects the writer's personal impressions of the conference. No participant is in any way committed to its content or expression.

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Chairman, Record Plc

Ms Rain Newton-Smith
CEO, Confederation of British Industry (CBI)

Mr Neil Record

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