Manufacturing Matters
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With the UK now in deep recession, after a near 20-year period of uninterrupted growth, two crucial events stand out for scrutiny, namely the bulldozing of the Siemens chip plant in North Tyneside and the shameful discrediting of the financial services industry.

In the mid-1990s, the UK was poised to dethrone Germany as Europe's largest chip manufacturing region, only to fall victim to the 1998 chip market downturn that caused a then unprecedented 10 percent of the world's wafer fab capacity to be shuttered. The Siemens plant was not the only UK victim; other closures included plants owned by Fujitsu, NEC, Goldstar and Hyundai. Sadly, these closures added fuel to the argument that UK-based manufacturing-based industries, especially high-tech ones, are doomed to oblivion.

In parallel, ARM, fledgling chip-design company in Cambridge, was laying the foundations to become the world's leading provider of IC design IP, building a business without ever needing to manufacture a single commercial chip. ARM delivered the goods and has built a world-class business out of selling intellectual property. The UK thrived in this design-centric environment, spinning out several hundred IC design firms, mostly formed by redundant or frustrated engineers previously part of larger UK-based electronics groups bent on downsizing.

These events helped fan the flames of conventional wisdom that ultimately drew the conclusion that the UK and Europe's high-tech future lay in design and R&D services rather than manufacturing end products. After all, design and R&D services required intellectual skills, something the UK was good at; manufacturing on the other hand was all about being cost competitive.

With the simultaneous, but unrelated, rise in importance of the financial services sector and its ever-growing, recession resistant, contribution to UK GDP, service-based industries became the bye-word for UK wealth creation. It seemed the perfect solution, had significant intellectual appeal and became a cause celebre. Services were in fashion; manufacturing was out.

Then the wheels fell off. IC IP services were successful, but their GDP wealth contribution is extremely low, limited by the fact it occurs so far down the value creation chain. Financial services were different; their contribution was huge … until this was revealed as nothing more than the Emperor's new clothes.

Perhaps now is the time to reawaken interest in manufacturing? Europe has proved it has world-beating R&D, both via research consortia like MEDEA, CARENE and ENIAC and institutions like IMEC and Frauhofer … it is a relatively small step to put a 'plastic box and shrink wrapped package' around this IP and sell it on the street.

At Future Horizons we have always believed that the assertion that says a high-cost base economy cannot support a world-class manufacturing industry is fundamentally flawed. Hopefully the time is ripe for this issue to be reopened. What governments in the UK (and Europe for that matter) ought to be doing is to ask themselves the question "What needs to be done to provide the right fertile conditions?"

This guidance and direction however must come from industrialists; it is government's role to listen. Perhaps now is the time for organisations like the IET to mobilise industry consensus and start driving this point home at the UK and EU-level.