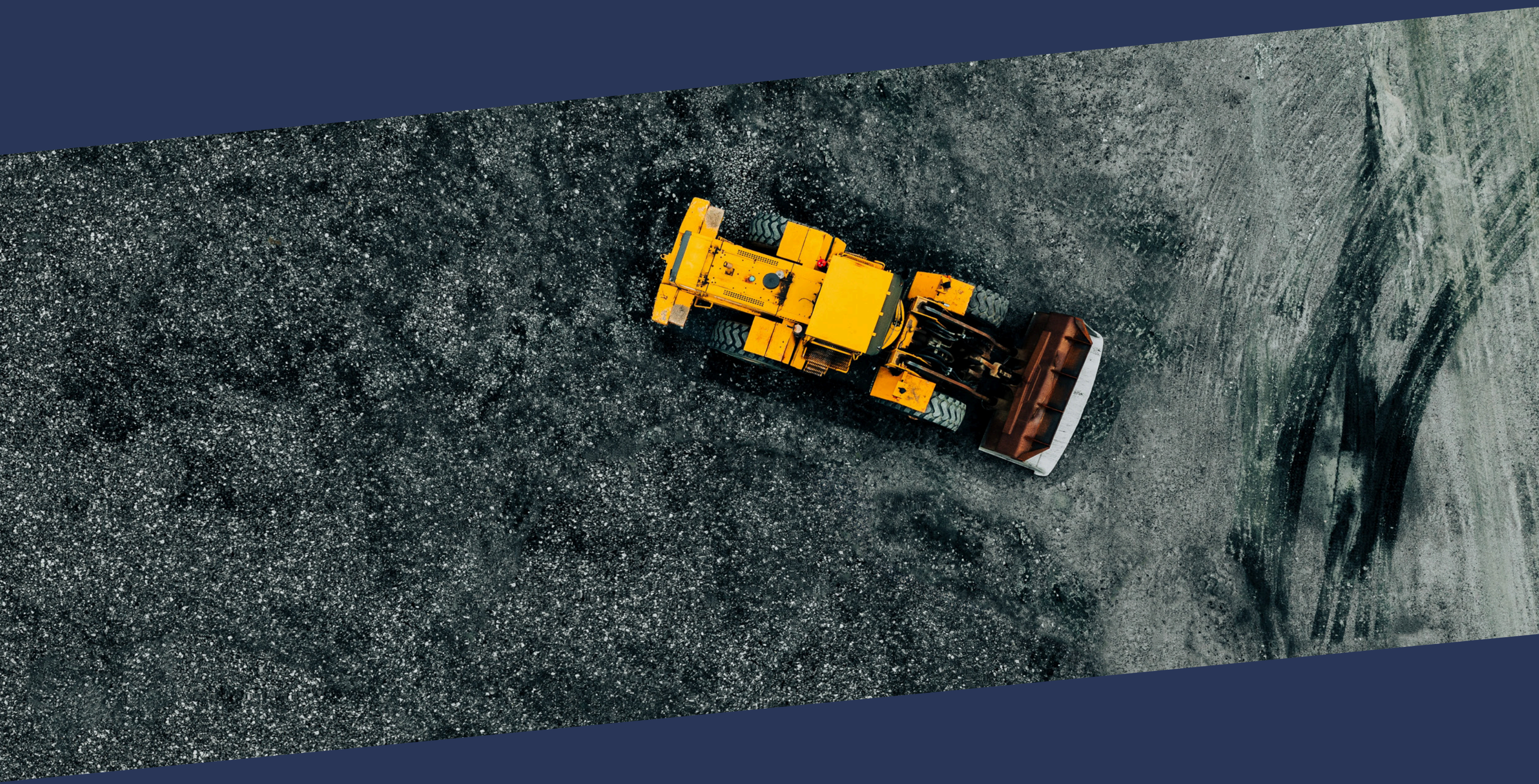
Putting Industrial Policy in its Place

Securonomics and Reindustrialisation Between Defence, Digital and Decarbonisation



A Foundation for European Progressive Studies & Progressive Britain Position Paper

Frederick Harry Pitts, Theo Cox, Ed Atkins,
Gerard Rinse Oosterwijk, Tom Collinge

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1. Introduction: The Politics of Industrial Policy

The recent Strategic Defence Review puts flesh on the bones of the 'whole of society' concept of security that has been a feature of Labour's rhetoric in opposition and government, placing defence at the centre of a new political economy for the country at large.

Learning from Nordic social democracies, the review's recommendations take a broad approach to defence – not simply as a function of the armed forces but of society and industry more widely. This runs through plans to protect critical national infrastructure, expand cybersecurity capabilities and use defence spending as a mechanism for regional reindustrialisation.

Retooling individuals, industries and institutions seems, at the time of writing at least, to be seen as an alternative path to national security without committing to significant immediate increases in defence spending. But these concerns aside, it also provides a centre-left response to the populist challenge faced in the UK, US and Europe.

On the European side of the Atlantic, at least, security seems to be the most promising and practical organising principle for a new relationship between communities, workers, businesses and the state. This represents a political economy that takes seriously the roots of the rise of populism whilst also engaging more deeply with defence than progressives have tended to do in the recent past.

The challenge of this agenda will be ensuring that the jobs and investment that flow from the new political economy based on security outlined in the SDR are felt in communities across every corner of the country. It will also be necessary to tell hard truths about which economic activities need to be deprioritised to make way for the sectors of the future.

This requires an industrial policy attuned as much to politics – and geopolitics in particular – as economics. Responding to this need, this paper introduces a new project funded by the Foundation for European Progressive Studies in collaboratin with Progressive Britain, Demos Helsinki and the Community trade union.

It is a UK-EU collaboration about how social democrats can better develop, implement and manage the politics of industrial policy in critical sectors and regions.

There is plenty of talk about 'place-based' industrial policy and 'local' growth, but the meaning of 'place' and the 'local' is often undertheorised or taken-for-granted by policymakers squeamish about its consequences.

Place is not just a relational location through which flows of people, products and industrial processes pass; but a concrete, physical site to which those people, products and processes belong on the basis of deep roots, ties and attachments – whether in terms of social infrastructure or natural advantages.

Due to their dependence on concentrations of resources both human and natural- from longstanding wellsprings of skilled labour overground to reserves of mineral wealth underground - the industries that will shape the future cannot be located anywhere, but must be located somewhere. And this 'somewhere' is as much a matter of political identification as it is one of geographical location.

Articulating this aspect of our identities through industrial policy provides a way of speaking to both the political and economic sides of political economy. At a time when volatile cultural and emotional dynamics intertwine with material concerns to drive an electoral realignment away from the centre-left, it offers a way to reconnect with voters Labour may otherwise stand to lose

Place's role as a source of pride and prestige has, in many parts of the UK and Europe, become disconnected from its role as a source of pay and purchasing power. – Progressive industrial policy can, and must, attend to both the former and the latter aspects.

To explore these connections, our project uses case studies of particular sectors rooted in particular places, and the value chains of which they are part, centred on twin transition industries spanning digital and green tech, and the metals, minerals and materials that sustain them- from steel and lithium to hydrogen and semiconductors. The case studies span the UK and EU countries: Cornwall and South Wales in the UK; Pori in Finland; and Dresden and Saxony more widely in Germany.

The project's goal is to understand how social democrats can do progressive industrial strategy that is rooted in place, recognises the intersections across sectors of national significance and holds a genuine social democratic component from the shopfloor to the supra-national.

In a fast-changing world and with the challenges of the twin digital and green transition of our economies and society, progressives in European countries seek answers to support key industries. Geopolitics, from wars in Europe and the Middle East to tensions with China and the US, has catapulted security to the top of many people's agendas. And this new playing field has seen economic and national security combined in new ways. The geopolitical transition to a seemingly more chaotic multipolar world order intersects in several respects with the twin transition towards digital transformation and net zero. Digital transformation is bound up with the question of who controls contested global supply chains in key goods and resources, and who will achieve supremacy in next generation digital technologies. Net zero is increasingly seen not only as an ecological intervention but as a process of economic change—with demand for new sectors, jobs, and skills emerging whilst decline is felt elsewhere.

Progressives, at least in the UK, have been shattered by economic transition in the past – particularly deindustrialisation which precipitated conflict and social change that we still reckon with today. The economic changes brought by digitalisation and net zero—from deindustrialisation to reindustrialisation—will be different from previous patterns of economic restructuring in several ways.

First, whilst people found some resilience in previous rounds of industrial change by travelling further for work, labour mobility is now more limited by social networks, the housing crisis, and ever-higher transportation costs.

Second, digital and net zero transition not only threatens the job loss associated with deindustrialisation, but is also characterised by a strong narrative of opportunity associated with reindustrialisation. In many cases, the new work and better, greener jobs are located in precisely those areas impacted by previous rounds of deindustrialisation.

Third, and most importantly, these transitions will mark the most dramatic and wholesale transformation of the economy at least since the industrial revolution.

To date, British policy on these 'twin transition' industries has primarily been sector-driven: seeking to back particular technologies and sectors with a comparative advantage (e.g. carbon capture, utilisation and storage). However, the opportunities and impacts of this will be regional and rooted in place: for instance, many green sectors of work—such as hydrogen, electric vehicle manufacturing, and offshore wind—will cluster in regions in places that either have the natural resources or the skills, infrastructure and institutional capacities to support them.

Urban centres often lack this combination of natural and human resources and any industrial policy focused too narrowly on them will miss where all the action is happening. Many of the places most harmed by previous industrial transformations have enormous potential to provide the productive and extractive power to propel the transitions underway today, resourcing the security and sustainability of nation states. But the damage wrought upon places by those prior transitions requires concerted policy and action and governance interventions for capacity-building, skills development, and supply chain growth. These regional dimensions necessitate a place-based governance approach to ensure that all regions benefit and no communities are left stranded by the transition.

Industrial policy can respond to this need, connecting up the experiences and livelihoods of workers and communities on the ground with the national interest. This takes shape in a variety of ways.

Firstly, economic development and structural transformation of economies. In the case of Western liberal democracies like the UK, this process of development and transformation is synonymous with reindustrialisation motivated not only by the pursuit of GDP but also by three other important trends: the twin transition associated with green and digital innovation; the need to de-risk and onshore in reaction to geopolitical shifts and security threats; and the commitment to creating good jobs and broader-based more inclusive growth in response to regional decline and the populist upheavals of the past decade.

There are several contemporary examples of where this imperative is being picked up. The British Labour Party emphasises securonomics while the EU's Competitiveness Compass seeks to coordinate across the continent to intertwine digital innovation with decarbonisation in service of competitiveness and strategic autonomy. Bidenomics and the Inflation Reduction Act in the US- while far from perfect- provided an example of industrial policy in critical sectors which also seeks to improve working conditions. A place-based approach ran through much of the Bidenomics programme via direct regional investment and differential impacts of even more general subsidies. But, ultimately, it did not work politically or electorally, and the centre-left has lessons to learn from its defeat.

Understanding this defeat and responding to it in such a way as to safeguard a progressive politics of security from the alternative offered by the populist right is made more difficult by the sometimes competing character of the different objectives of industrial policy. For instance, there are tensions between the overarching commitment to job creation in deprived (often post-industrial) regions and the real and perceived impacts of green and digital transitions on work (such as those in high-emissions sectors or at risk of automation). It is these contradictions that continue to provide fertile ground for those seeking to slow net zero policy, in particular.

The key question for successful UK and European industrial policy approaches remains how to construct industrial policy programmes which effectively integrate different levels of economic governance: supranational coordination, national strategic objectives and the concrete social outcomes of place-specific projects. Regional (i.e. subnational) level governance and policymaking is an often overlooked but nonetheless critical element of the 'mission-oriented' approach to industrial governance that the new Labour government is using to structure its agenda.

Learning the lessons from some of the failures of Bidenomics to connect concretely with the concerns and experiences of some communities, it is important for industrial policy to tangibly make people's lives better. Only this sense that policy is making a difference can secure the continued buy-in from electorates that is necessary in a democracy to insulate long-term, large-scale, structural transformations from the vagaries of electoral cycles.

In part, this depends on social conditionalities being included in industrial policy provision, so that businesses and industries in receipt of support are compelled to upgrade skills and working standards in a way that passes the benefit onto workers and their families, hire and contract locally, or invest in the infrastructure and institutions that underpin the communities in which they are located. The forms such conditionalities take will necessarily be specific to particular sectors and their profiles- something we hope to explore further in this project.

As well as passing on concrete benefits to workers and communities, there is also a need for an active politics of industrial policy that in addition to making a tangible difference to people's livelihoods also provides a framework through which it can be made meaningful. With the impacts of economic transition providing a key emotional narrative in the lasting appeal of populism, new stories are needed. Linking the story of digital and green transition to imperatives of defence and national security may well be one way to head off the threat of growing resistance and criticism in the face of net zero initiatives.

In the sphere of place-based industrial strategy, there are already some good examples dispersed across Europe - indeed, the EU SS3 notes the benefits of leveraging regional strengths in policy delivery - which need to be brought together to form a starting point for good quality industrial policy delivery in the UK in turn.

These can help provide answers to some of the dilemmas posed to Labour's agenda in the UK, as well as social democrats elsewhere - insulating people and places from global conditions beyond their control, and where possible taking advantage of those conditions to advance economic and industrial revitalisation; balancing the needs of net zero transition with political and economic stability in the national interest; adopting a more sovereign posture on some areas of production and supply chains whilst welcoming highly-mobile private capital that can invest in growth industries; and growing the economy in a broad-based, inclusive way within severe financial and institutional constraints.

2. Reindustrialisation right or left

In the UK at least, Labour's articulation of 'securonomics' represents a starting point for exploring these issues. As right and left alike present competing visions of reindustrialisation in response to defence and climate crises, securonomics is back but under a markedly different guise. In opposition, Labour's green industrial strategy was largely presented as a means of safeguarding the welfare of ordinary people through economic and energy security. There was a residual centre-left timidity about reprioritising Britain's political economy in line with the needs of its national security.

A stormy spell in government has crystallised what is at stake in securonomics, resolving its tensions in the direction of a hard, rather than soft, vision of security. An increasingly dramatic geopolitical backdrop has seen the chickens come home to roost on decades of industrial decline.

As the capacity to procure and produce physical means and materials defines a new political economy, question marks emerge over our capacity to produce what we need to power and protect the country. Providing an answer requires a new alignment of security and sustainability, and of reindustrialisation and decarbonisation.

This is not only an economic and defence imperative; but a political and electoral one, too. As charted in previous work for Progressive Britain and the Foundation for European Progressive Studies, when Labour were in opposition securonomics simultaneously provided a policy response to both the sense of social insecurity many saw as driving populism, and the geopolitical insecurity associated with a rapidly unravelling global order. Its essence was a new focus on an industrial strategy driven by a more expansive notion of national security, emphasising sovereign capabilities, material resources, and critical infrastructure in a more dangerous world.

Whilst a promise of a break with market-led orthodoxy defined its political-economic pitch on the path to power, Labour's nervous first months in government saw this underpinning appeal to security cast aside. In its place was an attempted accommodation of international market forces- what some commentators saw as an anachronistic attempt at 'globalisation in one country'.

Such a departure can be seen in the 'Modern Industrial Strategy', which whilst modern, is not nearly modern enough. The existing Green Paper sometimes implies the UK still has the luxury of producing ideas and services whilst leaving manufacturing and heavy industry to other countries elsewhere. The final version of the strategy, informed by consultation and individual sector plans, must meet our moment of significant geopolitical and industrial crisis by returning to the pessimistic securonomics outlined in earlier iterations.

This is because the capacity to procure and produce physical means and materials defines the new political economy of our time. In the UK, what little is left of an industrial base has experienced a period of mass redundancies and closure. In the steel sector, Port Talbot and Scunthorpe have all been severely impacted. The government's admirable but overdue decision to step in and impose the power of the state on the situation stimulated a much-needed debate about how to correct course.

One tendency within this debate has been to blame plant closures on climate action. Critics can point to the loss of jobs in the steel sector owing to a move from blast furnaces - intensive in terms of energy, emissions and the labour required - to electric arc technologies, even as operators like Tata Steel continue to build new blast furnaces elsewhere – in Odisha, India, for example.

Reform has pounced on this perceived tension, having found language to lean into the moment of 'reindustrialisation' free of any compliance with the idea that decarbonisation might be a worthwhile goal to pursue. Reform are not alone in clothing themselves in the garb of reindustrialisation, with siren voices across the political spectrum pointing to the apparent tension between industrial renewal and net zero.

This narrative leaves out the far more substantial impact that the forces of globalisation have had on the industrial base: between 1970-2014 jobs in the UK steel industry had already declined 90%, a year before the Paris Agreement and well before any UK net zero targets. However factual falsehood does not lessen the political importance of the narrative. Many of the communities most impacted by the costs of redundancy and closure are those where Labour faces a substantial electoral challenge from Reform. Even within the party of government, there are voices that suggest decarbonisation represents a limit on the reindustrialisation necessary to rebuild the defence industrial base at Europe's point of greatest peril since the Second World War. Such disquiet will not be resolved through facts and statistics alone.

As a new paper from Progressive Britain shows, this polyvalence presents a problem. With a spectrum of approaches to industrial strategy, who is listened to and which definition gains traction and resonance? Despite efforts to bridge net zero with other policy goals and missions, Progressive Britain's recent paper points out that there is yet to be an effective vector for an industrial strategy incorporating both national security and the green transition. In fact, there often has been a 'cultural disconnect', as the paper puts it, between those concerned with the environment and those concerned with defence. Yet a common language can be found, and instructive examples do exist- a purpose of this project being to make connections between them.

If the challenge for Labour is to redefine its industrial strategy around its own distinctive reindustrialisation agenda, it cannot fall into the trap of a perceived mutual exclusivity. Sustainability and security are not conflicting goals.

Supply chains need to be secured and protected. Domestic energy security provides for both cheaper bills and lower costs for firms, while lessening reliance on precarious routes of supply controlled by others. And a resilient workforce and citizenry which feels the support of their state will be better equipped to respond to outside shocks, including from hostile military actors.

By contesting the terrain on which competing programmes for reindustrialisation are posed against one another - one green, another geared more towards defence - Reform's narrow message can be beaten. This will be done not by leaning into the artificial separation of security and sustainability but by suspending the traditional dilemma between 'guns or butter', putting in place the local and national social infrastructure that both (em)powers and protects democratic society. In short, the promise of securonomics is guns and butter.

In this sense, industrial strategy is the mechanism through which the geopolitical headwinds are mediated at the level of everyday life for workers and communities in particular places. There are many arguments offered for industrial strategy: any given speech from a politician, policymaker or commentator will lay greater or lesser stress on growth, green, security, or community. Others combine these messages, emphasising growth and security, growth and green, growth and community, or green and community.

As the recent Progressive Britain paper highlights, there is a potential space of political opportunity for a politics of industrial policy that stresses both security and sustainability – although, crucially, we would argue that such a politics requires the place-based dimension present in more communitarian approaches to industrial policy in order to make itself tangible and concrete.

3. Place-based case studies from the UK and Europe

Our new project, funded by the Foundation for European Progressive Studies and bringing together partners including Progressive Britain, Demos Helsinki and Community Union, puts this challenge in the context of the wider struggles of European social democrats to maintain relevance in the wake of the dramatic shifts of recent months and years.

Our focus is on how industrial policy mediates between the global level of intensified geopolitical tensions and the local level of everyday economic life. What are the connections between security and sustainability - in energy, defence, supply chains and critical sectors - in an age where reindustrialisation is necessary, but the old social and material infrastructures that supported industrialisation are fundamentally eroded? What are the new infrastructures that will support the short- and long-term renewal of the industrial base necessitated by the digital, green and geopolitical transformations afoot?

In order to provide such resources, the project centres on roundtables and case studies in four places undergoing processes of industrial transformation based on sectors lodged at the intersection of economic security and the 'twin transition' of green and digital innovation. Two of these are in the UK and highly relevant to the political and economic challenges confronting Labour; the European cases act as an opportunity to import best practice from social democrats and centre-left politics elsewhere.

The most critical industries for contemporary economic and environmental transitions have a particularly innate tie to place, and some of those places are within the UK. From critical minerals extraction under the ground to wind energy off the coast, place-specific projects are where the rubber of industrial policy hits the road.

The case studies at the centre of this project concern the materials, metals and minerals, spanning everything from semiconductors, steel and lithium, that will power the twin transition of digital and green transformation. They represent good examples of where existing concentrations of resources, expertise and infrastructure enable viable production and extraction, as well as a potential contribution to the market need of trading partners in Europe and elsewhere.

Steel in South Wales

Steel is pivotal to many everyday objects and structures around us. The steel produced in South Wales is crucial to both national security - via the contribution of sovereign supply of steel to defence production - and green transition - via its contribution to the production of turbines for offshore wind and e-vehicles. The sector supports thousands of skilled jobs at the backbone of working-class communities in Wales and elsewhere, as well as broader supply chains and production networks.

However, poorly managed industrial policy around the sector, the failure to replace EU-level anti-dumping regulations on cheap, dirty steel, and a lack of consideration of security concerns around international ownership have created a crisis in the UK steel sector to which the proposed solution - a rapid and singular shift to electric arc furnace methods - is widely seen as the wrong step representing 'decarbonisation on the cheap' at the cost of many jobs. Until the government stepped in recently to impose itself on the situation, it seemed that closing the blast furnaces on which production is presently based will leave the UK the only G20 country without sovereign steel supply.

Other countries - both allies and competitors - have shown a capacity to develop much more substantial and ambitious packages of state support to protect the steel industry whilst simultaneously moving it forwards on a more sustainable long-term footing, particularly as regards the potential for 'green blast furnaces' and hydrogen to power a new generation of production. This more farsighted approach is particularly pressing in a world where threats to national security are proliferating. An independent capacity to produce steel is absolutely crucial to sovereign capability in defence manufacturing and enables the UK to withstand dependence on rivals that may not have the country's best interests at heart.

There is tremendous opportunity for the steel sector to adapt to greener methods that produce a cleaner, higher-quality product that can stem the dumping of dirty imports, including from geopolitical rivals. But workers have felt the brunt of decarbonisation as the imposition of a cheap and rapid transition away from existing techniques has cost many thousands of jobs across the sector. There are no quick fixes, especially in the UK where hydrogen production lags other nations, and there are concerns about the haste with which targets for decarbonisation are being set in light of the lack of convincing and durable alternatives in the immediate future.

In this sense, the case appears to highlight some of the contradictions within the government's wider policy agenda. Racing to shut blast furnaces when most comparator countries are biding their time, the drive for net zero by 2050 diminishes the industrial capacity needed to sustain supply of critical materials, including for the green transition itself. At a time where the government is rightly grasping the nettle of economic inactivity, jobs are being lost rather than gained in sectors that can sustain durable, skilled livelihoods.

The case study is a chance to capture vital lessons about what works and what doesn't where government attempts to navigate the competing imperatives of industrial strategy outlined above. Among the positives that could be taken forward and adapted for future scenarios, there is the £13.5m of funding to support steel contractors and workers in the wake of Tata's decarbonisation programme. Moreover, Port Talbot has seen Community Union establish a local support centre to connect workers with training and other opportunities via public and private sector links. Tata, as a social partner, occupy a unique position in the value chain through their other interests in battery production and automobile manufacture.

Where the Conservative government largely left the fate of steel to the market, Labour have shown a belated willingness to take the centrality of the sector to the country's security and green transition seriously. Labour's National Wealth Fund, and likeminded policies to channel investment into the productive industries that will underpin Britain's defence and energy security in future, presents an opportunity to not only shore up steel and associated sectors in its value chain such as manufacturing, but also develop them in line with the needs of a changing, warming and more dangerous world.

In particular, the £3bn green steel investment fund shows the seriousness with which the new government is taking the future of steel hotspots and downstream sites, as well as the willingness to work with unions in negotiating better outcomes with owner Tata in the shape of investment and commitment to protect jobs. This can take as its inspiration the multi-union plan developed by Community and other partner unions as a template for 'just transition' in the sector.

Labour's proposals to create a more favourable environment for investment by putting the state's weight behind industrial strategy and skills development should form a vital part of this case, but the imperative is to flesh out how these initiatives and the new institutional structures responsible for enacting them will translate on the ground in particular places and sectors. This must address several challenges.

Firstly, the apparent promise of digital and green industries to provide replacement careers for those displaced from the steel sector is limited. Whilst geographically nearby in distance terms, in practice battery factories and freeports supplying offshore renewables in Wales and the Western Gateway feel much further away, and currently lack both the volume and quality of jobs capable of soaking up the skilled workers released into the labour market by lay-offs, compounded by the challenge of retraining.

Another area to look at is conditionality, particularly as regards industrial relations- a vital complement of industrial strategy that translates policy in pay and productivity gains. This is a question of what can be tacked onto investments beyond numbers of jobs in terms of dignity, ownership, skills and worker's power. In opposition, Labour suggested that state intervention and investment would have strings attached insofar as public money would be used to promote collective bargaining. But this has been dialled back in National Wealth Fund investments and in the steel industry the new investments leveraged by government are not necessarily adhering to the strong social partnership traditions of the sector.

The government's decision, late in the day, to impose itself on the situation in Scunthorpe, where the Chinese ownership runs directly against the national interest, does show a path forward, however. Collaborating with workers and unions, this celebrated and safeguarded the contribution they made to our economic and national security.

Critical minerals in Cornwall

The rebirth of mineral extraction and metals mining in Cornwall is a very different example of the green transition in action - one of potential job gain rather than job loss.

After having been at the forefront of the industrial revolution owing to the globally significant reserves of primary resources abundant in its granite bedrock, Cornwall suffered a long and protracted industrial decline which commenced before most of the rest of the country - and, by extension, the world - had begun industrialising at all.

The mining industry - including world-leading engineering and manufacturing firms in its supply chain - limped on in fits and starts until the early nineties when the last tin mine closed, leaving only china clay operations intact. This was not for a lack of viable resources, so much as globalisation seeing cheaper suppliers outcompete Cornish companies on cost.

Nothing came along in mining's wake to offer durable skilled livelihoods to some of the most deprived districts in the country. However, Cornwall's granite depths have been found to be home to the majority of the UK's critical metal and mineral reserves needed to support a new age of renewable energies and net zero. The region is perhaps home to the biggest such deposit in Europe. Its unique geology home to several resources is now deemed critical or strategic to the UK's future in the context of the green, digital and defence transitions: tin, tungsten and lithium. This has seen hopes revived of a new Cornish industrial revolution, with the government taking a stake in key companies via National Wealth Fund investments and interest from the UK's allies.

These reserves have been presented by many as a key promise for a new economy for Cornwall and its communities. Cornwall's future is mapped on to the region's history of mining: companies are using historic mine workings to drill and explore, with older mines—such as South Crofty, which operated for 400 years up to 1998—due to reopen. Less clear, however, is how such an economy might be purposed to support the deprived places and communities in which many operations are located.

Many of the operators seeking to take advantage of these deposits place particular stress on their role in developing local supply chains, robust value chains and accessible job creation. There are potentially as many as 3000 direct jobs across plants; with an estimated multiplier of upwards five times that in terms of indirect jobs via services and contractors. But the sector requires governance support in building the skills pipelines, infrastructure and institutions that will allow the gains from this to be shared; moreover, aside from Unite's representation of the workforce in the longstanding china clay industry, there is little industrial relations muscle memory left following the closure of the last hard-rock mining operation in 1998.

The successful positioning of Cornish minerals and metals deposits in the UK's digital and net zero economy can promise new, good and green jobs for many people in the region. More broadly, Cornwall's geographic and geological advantages render it well-placed to make a strategically pivotal contribution to the country's security and sustainability - whether georesources under the ground, deep harbours and strong winds on the coast, and clear, sunny skies above to solar, space and satellites.

Yet, there is every possibility that this becomes the latest in a succession of unfulfilled economic promises. The danger is that the government's narrow designs for devolution leave Cornwall without a specific approach to local skills and economic development that works from the particularity and peripherality of the place itself - from the granite bedrock upwards.

If the promise of Cornwall's strategically pivotal role in the UK's reindustrialisation - not only jobs in critical minerals, but also in offshore wind and marine, space and satellites, and defence and critical infrastructure - is not realised, then it will feel like a failure of government investment and industrial strategy.

A key way of ensuring that any future green economy in Cornwall is inclusive and place-sensitive is understanding what practical place-based governance mechanisms can direct, animate and ensure the accountability of future national policy and safeguard opportunities for the region.

In this sense, green economy opportunities in places like Cornwall need to be situated within broader questions of governance. In particular, the Labour government needs to consider the importance of place-based green skills and jobs agendas to ensure that the economic benefits of this transition remain in the region. A comprehensive, place-sensitive and community-focused approach is needed to ensure that the benefits of net zero in Cornwall and elsewhere are enjoyed equitably.

This would include the development of inclusive, place-based skills pipelines that support young people into green careers and support lifelong learning for older workers to retrain. The opportunities for movement and progression that such careers should sustain would be fostered by the provision of supply chains that allow for broader economic benefits to be grounded and experienced in communities across the region—rather than being exported across global value chains and markets.

More broadly, there is a potential for green investment to go some way in providing a long-term alternative to the European structural funding that supported communities across Cornwall and the subsequent Shared Prosperity Fund, which is set to end leaving many parts of the economy and civil society facing a financial cliff-edge. This would help address the overlap between emergent green jobs and skills agendas and current regional inequities, tensions, and governance challenges related to housing (availability and affordability) and infrastructure (i.e. public transport and National Grid).

Labour's devolution agenda has promoted the notion that decisions should be made by those with 'skin in the game', and net zero will change the institutional responsibilities and possibilities that define which public institutions, private employers, and community organisations are best-placed to guide place-sensitive transitions in Cornwall and beyond. This requires serious thought about which governance mechanisms, structures and approaches provide avenues for ensuring a just, equitable and positive twin transition for Cornwall as a case study on what can be achieved in other similar places. Drawing on examples from elsewhere, approaches may include regional commissions, sovereign wealth funds, and place-based skills programmes.

This focus on devolution is important as a Level 2 Cornwall Devolution Deal was signed in November 2023. This deal gives Cornwall Council powers over the adult education and skills budget and includes the creation of a Cornwall Floating Offshore Wind (FLOW) Commission. Against the constraints facing local authorities today, the task for Labour is to encourage the further development of these tentative forms of devolution to ensure a place-based, community-sensitive industrial policy. Cornwall, in this sense, is just one case relevant to a much broader array of localities.

Semiconductors in Saxony, Germany

We will also look at the politics of place-based industrial policy in the context of Dresden, Germany, and the wider 'Silicon Saxony' cluster. Here, semiconductor and microchip factories are seen as guaranteeing decent jobs as part of the digital transition - similar to the promise of battery production for the South Wales/Western Gateway region.

In our digitalised world microchips are an essential resource, or rather a half-product, for a lot of household goods. They are essential to keep our industries and economies running. Add to this the development of AI that is powering the new wave of the digital revolution that is linked to the processing power of these chips and it becomes apparent that the production of microchips is one of geostrategic and political importance.

The EU consumes 20% of the global market for microchips, but only produces 10% of the chips. The largest part is produced in Asia, with Taiwan, China and South Korea accounting for 70% of the market. While the US has a good position in producing the most advanced chips used for AI development through companies like NVIDIA and INTEL.

Europe's vulnerabilities due to the reliance on third countries for chip production became apparent when during and even after the COVID-19 pandemic, acute shortages in the chips market forced factories to shut down production. This led the European Commission to adopt a European Chips Act that aims to double the EUs microchip capacity by 2030 - enough to balance the demands of EU industry and significantly reduce our reliance on external production.

Setting targets is easy, but scaling up the microchip industry in Europe will take a place-based approach. That is why it is interesting to look into the already existing bright spots of the microchip industry in Europe. One contender for being the microchip frontrunners is Dresden as the capital of Silicon Saxony, a region where one-third of Europe's microchips are produced. 3% of the global market, in such an essential sector, comes from this region in the former eastern part of Germany.

In the microchip development and production economies of scale are important and an ecosystem is needed to run the complex innovation and production process. Silicon Saxony unites 600 companies in and around Dresden.

Partly this can be explained for historic reasons, Dresden being a hotspot for micro electronics already before the fall of the Berlin wall. Connected also to a strong ecosystem of technical universities and research centres. It was one of the first sectors that bounced back after the big changes in the 1990s, and it is interesting to learn how and why the ecosystem is sustained and can be supported.

For a large part the EU has not been a source of support, with state aid rules holding back public investments and support for this essential sector. But the EU Chips Act is showing that the industrial policy approach of Europe is changing.

For the benefit of tech sovereignty and reducing dangerous dependencies on chip supply chains we need to learn fast. 2030 is around the corner and to double the chip capacity in such a short notice will be a challenge.

The good news is that Europe is managing to reshore some of the chip production to these success regions. Last summer TMSC, the chip production giant from Taiwan, decided to build a microchip mega factory in Dresden in consortium with European chip developers. The case provides a chance to explore how we can duplicate this success elsewhere.

Green Hydrogen in Pori, Finland

We will also look at the port of Pori in Finland, which occupies a potentially important position in the energy transition there - similar to the promise of the freeport at Milford Haven for its supply of the offshore wind industry.

The City of Pori is on the west coast of Finland and has faced extensive deindustrialisation in the modern era as its former industries declined. To attract new investment in the local economy it has formulated a local industrial strategy to become a key national producer of green hydrogen, which has been identified as essential for decarbonising the strategically important steel and chemicals sector, among others. Interestingly, Pori is also exploring the potential to attract more direct investments around the defence sector to the city, creating the potential for it to embody the synthesis of green transition and defence in a very literal sense.

Green hydrogen is recognised as important for hard to abate industries such as steel, and insufficient production has been raised by the European steel industry as a major impediment to transition. But green hydrogen is notoriously energy intensive to produce, as well as being difficult to store and transport due to its volatility. Areas like Pori see a significant opportunity in this new reality: cheap and abundant fossil-free energy in the Nordics creates a unique comparative advantage in green hydrogen production, while the difficulty in storing and transporting hydrogen creates the potential to develop wider local ecosystems of industries requiring hydrogen. The success of such places in capitalising on these opportunities will likely have an outsized impact on the ability of Europe to reconcile its strategic defence and environmental objectives, as well as the green transition as a whole.

Finland has other lessons from which social democrats can learn. If industrial policy is to enhance national security in this sense, we must take a more holistic approach to what security means. Societal resilience is key for crisis response, and here the trust and cohesion tied to employment and living standards are essential. One of the partners in this project, the think-tank Demos Helsinki, recently published a paper outlining lessons for UK climate policy from the overall Finnish approach to security. As the government continues to develop its National Security Strategy, the example is instructive for joining the dots between defence and decarbonisation as anchors of national and economic security.

The Comprehensive Security Model provides a framework for collaboration across all parts of the national and local state and civil society to anticipate and respond to threats and crises. The model provides vital perspectives for a vision of preparedness and readiness attuned to both defence and climate crisis, and the ways in which they intertwine. As the Finnish Ministry of the Environment states quite explicitly: “The green transition will also strengthen comprehensive security. Phasing out fossil fuels of foreign origin and increasing national production of clean energy will improve our security of supply."

The Finnish Comprehensive Security Model (CSM) has been evolving since 2003 but was formalised in the 2017 Security Strategy for Society. The CSM identifies that preparing for a wide range of threats to the essential operations of society is crucial; preparedness for the likes of power and telecommunications disruptions, natural disasters, pandemics, terrorism, and hybrid influencing are integrated into a single framework. The framework is highly cooperation-based, bringing together a wide range of public and private actors, including citizens themselves, to support resilience. The CSM is thus conceptually and operationally broad, identifying a wide range of risks as matters for national security and encompassing all levels and actors of Finnish society as having a role to play in both preparedness and response.

The core aim of the model is to safeguard seven 'vital functions for society' : leadership; international cooperation; defence capability; internal security (e.g. public order and safety); economy, infrastructure and security of supply; functional capacity of the population and services (including welfare and social security); and the psychological resilience of individuals and society as a whole.

Emphasising the mutual dependence of the domains, this gives both an expansive but also integrated approach to security that spans several policy areas. The very notion of what security is, what counts as a matter of national security and who counts as a security actor are all greatly broadened from how they are usually understood elsewhere. And even though traditional defence capabilities are still emphasised, these are understood to rely on a broader political and social fabric that supports societal and psychical resilience.

The Finnish model also offers a more democratised notion of security, engaging almost all sectors of society in preparedness planning and placing emphasis on building a widely shared analysis of the security context as a source of both operational effectiveness and legitimacy. Preparedness and response structures are often highly decentralised, distributing agency across a range of actors in local and regional government, civil society, and other groups.

Most notably, perhaps, the offers a far more encompassing and cooperative vision for how democracies are secured. Rather than devolution casting regions further from the centre of government, it is used as a means of enabling regional agency and supporting the strategic contribution of all parts of the country to the national effort.

Politically, this empowers people and places with the status of being participants in the security of the country and its way of life, rather than decisions being made by distant elites. This democratising instinct counteracts the tendency towards a hard 'securitisation' of state and civil society, normalising in the long-term what otherwise might be imposed via extraordinary measures in the short-term.

The model combines a top-down framework based on expert insight, central government coordination and training of local and regional stakeholders with a bottom-up, collaborative process of strategic assessment and response planning by public, private and civil society actors within the relevant devolved geographies. This sustained process of evidence-led collaborative planning and foresight across regions, localities and organisations helps create shared understanding and common purpose ahead of rather than after the worst happening. The meaning of 'security' is therefore iterated and defined through grassroots collaboration rather than top-down imposition.

Moreover, by rehousing sustainability within an expansive notion of security, a different politics is constructed around the need to respond to climate change. Rather than appearing as a source of insecurity for working people and their communities, initiatives like circular economy and decarbonisation measures are recast as a source of security; this is in line with how the Labour government frames its forthcoming Circular Economy Strategy.

4. Conclusion: 'Whole of society' security and industrial strategy

The Finnish model represents a deeply serious and concerted approach to domestic statecraft that Labour should learn from in the UK. Whereas there is a danger that documents like the Modern Industrial Strategy weigh down the UK's responsiveness to fast-evolving threats through a surfeit of strategy and a poverty of tactics, the Finnish model creates a flexible strategic concept for a more tactical approach. In particular, it recognises that risks and adaptation to numerous phenomena have deep ties to community, and that the climate and defence transitions rest on physical resources and infrastructures that are themselves rooted in place and geography.

This place-based dimension is crucial in the context of the UK's fragmented regional geography. In the UK, any 'comprehensive' vision of security bridging defence and climate action would likely have several key components, including a focus on the sovereign supply of energy and minerals to sustain industrial capacity and protect households from fluctuating energy prices and a broader understanding of the impacts of climate breakdown for mental, physical and societal resilience.

The natural and human resources central to the reindustrialisation necessary to do this are firmly rooted in the geography of place. This includes access to skilled labour above ground, critical minerals below, ports and turbines on the coast and critical infrastructure where it matters most. Those claiming that the plight of many communities facing deindustrialisation requires slowing the climate transition often overlook that many of these strategic advantages are situated in precisely the peripheral areas crying out for investment and transformation.

For these places to benefit, a key pillar of an industrial strategy focused on a more secure and sustainable economy has to be supporting people and places to succeed. Yet, a focus on growth alone can have a tendency to privilege existing clusters of knowledge-intensive industries in urban centres. This is evident in recent announcements of new investment in the Oxford-Cambridge corridor, and the arguable failure of the Invest 2035: Modern Industrial Strategy Green Paper to match the moment.

Despite its title, the Modern Industrial Strategy sometimes seemed stuck in a past where people and services flowed freely, rather than the world of physicality and fixity we inhabit today.

The Modern Industrial Strategy Green Paper gave no reliable compass to the place-based aspects of the transitions afoot. Focusing on areas like life sciences, it had little to say about a state of affairs whereby cheap Chinese and Indian steel floods defence supply chains and the lack of physical infrastructure like a heavy gauge plate mill constrain the construction of a robust end-to-end value chain in the UK.

The Green Paper also had little for Cornwall to hold onto. As one of the subsector plans that will flesh out the Modern Industrial Strategy in its finalised form, it is important that the upcoming Critical Minerals Strategy does not confine its ambitions to a purely import-driven focus on securing resource supply chains, but also our own domestic capacity to secure provision and market position in tin, tungsten and lithium.

The political stakes are high. The areas where the return of mining holds the most potential to make a difference are precisely those where Reform threaten to overturn the unprecedented Labour successes in Cornwall in the last election. The lesson of Bidenomics in the US is that people need to be able to feel the benefit of reindustrialisation in Britain's equivalent of the Rust Belt and have access to argumentative and analytical frames that fit the experience of people and place within broader processes of transformation.

In many of the areas affected by the unfolding crisis in the steel sector, meanwhile, Reform are surging on the back of widespread discontent that threatens to destroy Labour's gains in the last general election and propel a broader backlash against net zero. There is a need to quickly deploy the cash and resources allocated to the sector to link public and private investment to a new national interest based on a balance of both security and sustainability.

With even harder industrial, geopolitical and ecological adjustments ahead the need to learn from recent experience is all the more pressing, necessitating an industrial strategy that works upwards from places in order to give power to the people who live there. Reflecting on the failure of Bidenomics to shift the dial electorally against Trump's populism, a key concern needs to be how industrial strategy is felt and talked about as well as how it is implemented. New jobs and industries will have little political impact if people do not feel the material and emotional benefit of renewal – rooted in particular places.

A right-wing reindustrialisation based on a dangerous distinction between defence and decarbonisation can be confronted. But further work is required to set out what differentiates a centre-left vision of reindustrialisation which harmonises these objectives, from one which presents them in conflict.

This is made all the more pressing because, if industrial policy does not bear material fruits and fails to produce a persuasive political pitch, it will be the populist right who step into the breach to offer an a more convincing source of status and storytelling – and, as we have seen in recent weeks, this might not be in the interests of the country's security or sustainability.

Our project will apply lessons from elsewhere to these emergent examples of security-sustainability transitions in the UK. As demonstrated in its Comprehensive Security Model, and in the context of its geographical and geopolitical specificities, Finland in particular provides an instructive example of how security and sustainability can be combined in a whole-of-society industrial policy attuned to the specificities of place and social partnership.

Whilst there are obvious perils in attempting to insulate decision-making from the vagaries of the electoral cycle, the Finnish approach provides a basis to contest the right-wing populism that rebels against decarbonisation in the name of a partial vision of reindustrialisation.

The conceptual framework of security that it offers creates a compass with which to navigate the competing demands of cost and timescale in search of so-called 'no-regret' options for investment. Walking the line between reindustrialisation and decarbonisation, security and sustainability, this maintains focus on the fact that adaptation to a more dangerous world also has other public benefits.

Defence reindustrialisation is just one part of a broader shift through which there is a broader opportunity for an empowerment of the working class through which Reform can be beaten. The jobs created represent a wellspring of status and prestige expressed in the power of workers to command better pay in return for their contribution to the country's productivity and prosperity.

Realising the promise of this moment is imperative for making industrial policy feel politically tangible to voters and stave off the threat of a rising populist right in the UK and Europe. From this starting point, the project will explore how a regional approach to industrial policy can be used to enable businesses, workers and their unions to capture the opportunities of a new geopolitics by utilising their advantages of proximity to the right resources, infrastructure and skills.

This, we suggest, provides a platform for two interventions. Firstly, to reinforce places, sectors and the value chains of which they are part against the risks and shocks of a more uncertain and dangerous world. Secondly, support the renewal of areas that have felt the negative consequences of poor policy responses to global transformations in the past. In short: stronger places make for stronger people and a stronger country in the face of the threats that confront our security and prosperity.

In a political economy based on the production and control of physical resources rooted in place, industrial policy at the national level mediates between the local and the global. Particular places have material advantages in specific combinations not found elsewhere; but the conditions for these advantages to be the source of jobs and livelihoods are shaped by geopolitical fractures associated with conflict and competition.

The job of industrial policy is connect these dimensions by prioritising high-value and high-productivity areas of economic activity above others according to the security and prosperity of the country at large, and put in place the supporting infrastructure - whether social or technical - to ensure the supply of human and natural resources is on stream in advance of demand. This is not just a rational economic question - but a political one based on telling stories and giving a steer to policymaking in line with the ideological and electoral challenges of our time.

Authors

Frederick Harry Pitts, University of Exeter
Theo Cox, Demos Helsinki
Ed Atkins, University of Bristol
Gerard Rinse Oosterwijk, FEPS
Tom Collinge, Progressive Britain

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