



## The industry slayer

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# The 'exhilarating mission' of Sir Keith Joseph

The Thatcher government's plans are aimed at "restructuring" and rationalizing British industry around a smaller industrial base. The only sectors slated to increase production under this "post-industrial" perspective are defense, aerospace, electronics, specialized equipment industries such as coal-cutting equipment and oil and gas pipelines and platforms to service North Sea production.

Under the Thatcher program, Britain will also continue restricted expansion of nuclear power. However, expansion of the non-productive military sector on a shrinking industrial base will tend to further aggravate Britain's inflation. Just as the "deindustrialization" of Britain has proven less controllable than Sir Keith Joseph anticipated, the "post-industrial" phase will be far more difficult.

### In search of U.S. capital

Minister of Industry Sir Keith made a two-week tour of the United States May 22-June 2, meeting with top-level American banking and corporate spokesmen as well as some of Ronald Reagan's key advisers. The goal of the visit was to draw U.S. investment into Britain, particularly into the risky and highly competitive electronics field. During his stop in Chicago, Sir Keith emphasized to the Mid-America Committee and others the desirability of multinational corporations' expansion in the United Kingdom. Corporate executives and bankers attending a June 2 Barclays Bank dinner for Sir Keith in Chicago came from Alcoa, Engelhard Minerals, ITT, Exxon, Standard Brands, Grumman, Sun International, Chemical Bank, Norton Simon, Marathon Oil, Coppers, Texaco, and General Motors.

At a one-and-a-half-day gathering at Georgetown University, sponsored by Georgetown's Center for Strategic and International Studies (CSIS), discussions focused on the desirability of importing Thatcher's economic policies to the United States, and the necessity of breaking the trade unions to make those policies work. Sacrifice, Sir Keith said, is essential to increasing pro-

ductivity; there can be no retreat from credit restrictions.

Larry Martin of CSIS, former National Security Council member Brent Scowcroft, and David Watt of the Royal Institute for International Affairs pursued the second theme of the conference—the need for redoubled sacrifice in order to undertake a military buildup, given what Watt and Scowcroft agreed was the striking similarity of the decline in U.K. and U.S. power. Many of the speakers and participants (see box) have been engaged for months in studies of military conversion of U.S. industrial capacity, much of it rendered "excess" through Federal Reserve Chairman Paul Volcker's economic policies.

More specifically, according to sources at Georgetown, Bechtel, the Hoover Institution and the Hudson Institute, Sir Keith's private discussions in the U.S. centered around potential Anglo-American agreement on military reconversion, creation of a coal export cartel run by English-speaking producers along lines proposed in the recent World Coal Study by Carroll Wilson of the Massachusetts Institute of Technology, and concentration of private credit flows into both areas.

Sir Keith described this "exhilarating mission"—a term coined by Prime Minister Thatcher—in his remarks at the Georgetown seminar as part of the present U.K. government's campaign to promote the resurrection of an imperial British Commonwealth. This is Britain's "last chance," he said, "the last stop on the decline-and-fall line."

In California, Sir Keith met with top executives from U.S. microelectronics and aerospace centers, including the Bechtel group, Hewlett-Packard, and Texas Instruments. Bechtel has since become a consultant to Britain's Central Electricity Generating Board.

Britain has already launched its "post-industrial strategy" of buildup in the electronics sector, with heavy emphasis on defense-related output. The microelectronics venture set up by the Labour government, called INMOS, is waiting for £25 million from the Thatcher government, while Joseph decides how to obtain foreign

capital and what the optimal public-private mix in this area is to be.

### Scottish reconversion

Meanwhile, Scotland provides a case study of the "post-industrial" conversion effort, in the context of an even higher rate of traditional industry's collapse than England's. Shipbuilding, steel and wood pulp in particular have been obliterated, creating the U.K.'s highest unemployment rate—up to 20 percent in some of the traditional manufacturing areas, and still climbing.

The architect of Scotland's post-industrial policy is Sir Monty Finniston, who accompanied Sir Keith to the United States. Overall, 35,000 jobs have been created around the "New Technology" or "New Industries" centers in the last 15 years, centered around electronics and defense. In 1966 Scotland had 100 people in electronics. Now the total is 8,000, and the Scottish Development Agency predicts another 1,000 next year.

Marconi Space & Defense Systems at Hillend, near Dunfermline, is the U.K.'s largest electronics firm. Marconi works exclusively on defense contracts. Britain's second largest firm, Phillips, is now abandoning manufacturing of TV components and focusing on the defense field. Ferranti, another major and almost wholly electronics-based company, has over 60 percent of its business in military electronics at this point.

Apart from electronics, Scotland's largest employer is the Royal Navy dockyard at Rosyth, with a labor force of 6,000 civilians. In Fife, conversion of shipbuilding into oil-platform production has taken place.

Anderson Strathclyde, the U.K.'s primary manufacturer of coal mining equipment, is now expanding production for export to the Commonwealth. Last week, Sir Monty Finniston became head of the company. In a recent article praising Anderson Strathclyde, the *Financial Times* emphasized the MIT coal study as a basis for developing this sector of industry.

## English-speaking reunion

*Among the participants at the Georgetown University Center for Strategic and International Studies conference in May featuring British Industries Minister Sir Keith Joseph were:*

**Anne Armstrong**, former U.S. Ambassador to the United Kingdom; former co-chairman, Republican National Committee; member, Council on Foreign Relations; director, Atlantic Council; professorial lecturer in diplomacy, Georgetown University; staff member, CSIS; advisor to U.S. presidential candidate Ronald Reagan.

**Samuel Brittan**, economic commentator.

**Geoffrey Chandler, C.B.E.**, Director General of Britain's National Economic Development Office; former senior executive of the Royal Dutch Shell Group.

**Frank Chapple**, General Secretary of the U.K.'s Electrical, Electronic, Telecommunications and Plumb-

ing Union; member, National Electronics Council and National Economic Development Council.

**Melvin A. Conant**, consultant on strategic raw materials to the U.S. Congress, Rockefeller Foundation, U.S. Defense Department and CSIS; member, Council on Foreign Relations and International Institute for Strategic Studies; former government relations adviser to Standard Oil and Exxon Corporation; former assistant administrator for international energy affairs in the U.S. Federal Energy Administration.

**Sir Monty Finniston, F.R.S.**, chairman, U.K. Policy Studies Institute; chairman, Council of the Scottish Business Institute; industrial consultant; former adviser, U.K. Atomic Energy Authority, Harwell; former chairman, British Steel Corporation; former director for magnetohydrodynamics research, International Research and Development Company.

**Joseph Godson**, former U.S. Consul General, Edinburgh; European Coordinator for CSIS, London.

**Sir Nicholas Henderson**, British Ambassador to the United States;

former ambassador to France and West Germany.

**Laurence W. Martin**, head of department of war studies, King's College, University of London; research associate, Johns Hopkins University; consultant, Sandia Laboratories, Los Alamos Scientific Laboratory, Hudson Institute; member, CSIS International Research Council.

**George Melloan**, deputy editorial page editor, *Wall Street Journal*.

**Rudolph A. Oswald**, former economist, AFL-CIO; member of the board, National Bureau of Economic Research; president-elect, Industrial Relations Research Association.

**Lieutenant-General Brent Scowcroft** (retired), assistant to the President for National Security Affairs under Henry Kissinger; member, President's General Advisory Committee on Arms Control.

**Hugh Thomas**, historian.

**David Watt**, former political editor, the *Financial Times* of London; director, Royal Institute of International Affairs.