

Shocks, Resilience and Regional Industry Policy: Brexit and the Automotive Sector in Two Midlands Regions

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What are the implications for Brexit for manufacturing supply chains? This is the focus of a new open-access paper just available in *Regional Studies*, co-authored by Alex de Ruyter, David Hearne and Raquel Ortega-Argilés.

We look at the impact of post-Brexit trade dis-integration on the automotive sector in the East and West Midlands of the UK as a long-run slow burn process and consider the ramifications for industrial policy and resilience. We suggest these are illuminating case studies given their vulnerabilities to Brexit disruption due to the intricate nature of the auto supply chain's trading relationships with the EU.

Detailed survey data in the paper has brought out four major themes: OEM dependent exposure; EU trade exposure; workforce exposure; and Brexit preparedness. Across all four we find significant subnational ramifications from Brexit trade disruption, with Brexit seen as having a 'slow burn' disruptive impact.

For example, trade disruption poses existential risks to delicate just-in-time supply chains. Since industries are spatially concentrated – and the automotive sector is a prime example – the regional impact of trade disruption is significant in both the short and longer term. In this regard, the actions taken by firms to mitigate Brexit risks and maintain sectoral resilience impact regionally, with a consequence for regional resilience.

While there are no 'quick fix' policy solutions to these issues, the analysis presented here points to the need for an appropriate regional industrial policy to anticipate and mitigate some of these impacts with a focus on regional resilience and sustainability of the regional industrial ecosystem.

Whilst this needs coordinating with national-level policies, it could take a range of approaches in limiting the impact of disruption (resistance), promoting recovery and enabling opportunities for renewal and reorientation through a partnership approach between regional bodies and business.

Particular attention needs to be paid to the development of skills in the region and the changing demands of an evolving sector (particularly with disruption linked to the shift to EVs, automation, digitalization and globalization far beyond the EU. This also raises a question of what a 'Just Transition' looks like for the auto sector, its supply chain, especially in the context of the shift to Net Zero and Industry 4.0.

This links industrial policy debates with notions of resilience developed by Ron Martin and others in suggesting the need for a wider agenda around both regional reorientation – to enable a focus on growth industries at a time of disruption – and recovery from a potentially transformative disruption to trade.

But the highly centralized administrative governance arrangements within England are inimical to coherent regional policymaking at the micro and meso-scales. And a significant danger arises for policy making with the effective abolition of the government's industrial strategy, which risks 'building back badly'.

We suggest that genuine devolution of both financial resources and, crucially, power is necessary (but perhaps not sufficient) to deal with the consequences of ongoing disruptive events adequately.

Read the paper here, open access in *Regional Studies*:

<https://doi.org/10.1080/00343404.2022.2071421>

David Bailey works at the Birmingham Business School and is a Senior Fellow at the ESRC's UK in a Changing Europe programme, which part funded this work.