

FOREIGN DIRECT INVESTMENT IN GREAT BRITAIN

VOLUME II  
(OF TWO VOLUMES)

HAROLD M. MYCOCK

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## ABSTRACT

Many scholars of international politics have warned of the need for states to gird themselves against multinational companies who are able to outsmart and disrupt governments and their policies. In Britain measures to guard against such disruptions are non-existent. Britain benefits considerably from inward investment and the need to gird against foreign companies appears to be an overstated case.

Central decision makers (M.P.s) have shown virtual bipartisan favour to foreign investment in Britain. Consequently there is no policy differentiation between foreign and indigenous companies. The only identifiable policy relating to inward investment is a policy of "welcome" to it. This is not a policy in the usual sense for the actors and the acts they should pursue remain unspecified. The policy of "welcome" is thus implemented by approximately a hundred and thirty different bodies - Local Authorities, New Towns, development associations, Development Agencies and central bodies - all actively engaged in encouraging foreign firms to come to Britain. With little central direction the individuals in these bodies have become proximate decision makers and policy-shapers. The bulk of the study examines how well these individuals and actors go about their task and suggestions for improvement are made.

Four key concepts are used: consensus, coherence, competition and co-ordination. There is, first, a consensus on the benefits of inward investment shared amongst decision makers, both central and proximate. Paradoxically, however, despite this consensus on the policy of "welcome", the lack of specification of actors and the acts that they should pursue has led to incoherence in the implementation of policy. Such incoherence has caused concomitant competition amongst the actors concerned. This has probably been beneficial, but there is clearly a need for improving both methods and co-ordination in order to maximise the amount of inward investment coming to Great Britain.

CHAPTER 5. THE ATTRACTION OF FOREIGN INVESTMENT TO GREAT BRITAIN: Provisions, perceptions and attitudes.

In this chapter further results from the survey, outlined in the last chapter are recorded. First, the problems of assessing the success of activities are considered prior to examining what the needs and requirements of foreign firms are perceived to be. Finally, we record and consider the attitudes and opinions of the actors interviewed, as they form the group both implementing policy and having direct experience with handling foreign firms.

5.0 The Success of Promotional Activities

Having painted the picture of promotional activities in the last chapter, attention is now turned to considering how the bodies concerned perceive their activity levels and either consider or measure their success. Questions on this matter were asked in the interview programme.

When asked of their perceived activity in attracting foreign investment relative to authorities of the same type in all regions the authorities in each region held different perceptions. The South East perceived themselves as least active, the Scots and Welsh as the most active and those in the North and North West as generally between the two. This tended to match the general findings in relation to specific approaches to promotion. This was also the result when respondents were asked about perceived activity relative to all authorities in the same region. On an agency basis the Development Corporations perceived themselves as most active and the non-Metropolitan Districts as the least active with the other types of agency falling in between.

Two questions on the perceived successes in attracting investment in general, and foreign investment in particular, were also asked in the interview programme (see Table 5.1). Most respondents felt their authorities had been successful (71%, N = 32 and, for foreign investment only, this was 62%, N = 32). Those seeing themselves as most successful were New Towns and non-Metropolitan Counties. In other agencies there was considerable variation in opinions on their success. How-



ever, with such a small N it is difficult to draw firm conclusions and for the same reason it was also not possible to relate perceived activity with perceived success and reach significant conclusions although it can be said that little relationship did appear to exist.

TABLE 5.1 Local Authorities and New Town Development Corporations. Respondents' opinion of their authority's success in attracting investment.

N = 32 - 1 missing case = 31

<u>Category Label</u>	<u>Success of attracting investment in general</u>		<u>Success of attracting foreign investment in particular</u>	
	<u>Number</u>	<u>%</u>	<u>Number</u>	<u>%</u>
Very unsuccessful	0	0	0	0
Unsuccessful	2	7	2	7
Partially unsuccessful	3	10	4	13
Neither successful nor unsuccessful	4	13	6	19
Partially successful	5	16	9	29
Successful	8	26	3	10
Very successful	9	29	7	23

Morgan and Hockaday's study of Local Authorities and their industrial development activities in South Wales (1) used a basket of factors of Local Authority activity to produce an "objective" index of activity which was based on factors such as the existence of council committees for industrial development and the existence of industrial land and buildings ready for occupation. This index of activity was compared to a question they asked about success. They found the extent of non-correlation between their objective index of activity and the subjective rating of success to be quite remarkable. Their results and the very tentative results shown by this study suggest that some authorities are successful without much effort



(for example, many authorities in the South East) and others remain less successful despite considerable activity. Camina did not try to relate a question on success to one on activity in the questionnaire she used but did spend a chapter of her study (2) defining and producing a normative activity index using Principal Components Analysis. A composite bundle of activities, similar to those used by Morgan and Hockaday was established.

Even when using sophisticated techniques whether it is possible to establish a measure or index of success is open to some considerable doubt. Attempts to measure the success of attraction policies are inevitably fraught with difficulties. It may be possible to compare the utility of a continuous programme in relation to one agency using a cost effectiveness measure based on elements such as number of jobs created, firms attracted or enquiries generated (3) but it is virtually impossible to say authority X was instrumental in attracting firm Y for so many intervening and exogenous factors could have a bearing on this. This is particularly important when Local Authorities and other agencies want to claim a success. A firm may be under the persuasive influence of the IBB, the regional body, and a Local Authority all trying to get it to locate at a particular site, but it is not possible to tell who was most influential without an individual case study. Judging success by claims of success would be fruitless. Whilst one body may go in for publicity and press releases galore in order to publicise what it sees as its success another's efforts may go unsung yet may have been crucial.

Any attempts to measure cost effectiveness are often lost from the start. Many agencies appear to keep no data on their programmes or are, at least, not willing to release them, and so interpretation has to be largely impressionistic. Nevertheless, keeping information on enquiries generated, or firms located would, as already mentioned, not necessarily demonstrate success or cost effectiveness. Programmes are not readily amenable to measurement. Many problems exist. For instance, the activities of one organisation are not easily separable, time lags exist,

promotional programmes may be aimed at promoting a name rather than attracting firms, and even the elements of a single agency's promotional programme are not necessarily separable.

Making cost effectiveness analyses on cross authority or agency levels may thus be a dubious method of assessment. Such was the feeling of the NEDC (4), for instance, when they and other bodies were assessed in an unpublished review of industrial promotional agencies in England produced for the Department of Industry by the consultants, Coopers and Lybrand, in late 1979. The problem is that authorities and agencies have different aspirations, advantages and disadvantages, and comparison can only be false when they are often playing totally different games.

It did seem clear that many agencies were only too aware of the problems in evaluating their activities and were ready to use this as a smokescreen for inadequacies. The New Towns were often most keen to produce evidence of their success. They were often capable of relating enquiries, company visits, company establishments, and jobs created to campaigns, methods and expenditures even if not prepared to disclose such data. The development associations and bodies claiming to be more concerned with general image-building promotion rather than the more direct attraction of firms and jobs (as associated with the New Towns) were able to field more arguments as to why measuring programmes and successes and making cost-effectiveness comparisons were neither easy to produce nor meaningful, especially when comparing different bodies. There seemed to be a reluctance to say what data was kept, how it was assessed, and how it was assimilated into future programmes. Many of the reasons given for this situation were somewhat evasive. Long time-scales for investment decisions, and the inability to separate off the efforts of regional bodies from those of others were often given as reasons. Nevertheless, assessments of activities do seem necessary if only in order to convince others of their worth and for developing future programmes.

Making evaluations is inevitably problematic. If independent evaluation is conducted, objections are raised from within and if an evaluation is internal then it is unlike-



ly that things will be painted as anything but good. Camina, undertaking an external evaluation, tried to measure success. For example, she suggested a County Borough was successful if it attracted one firm per year producing 70 to 150 additional jobs (5) but such can only be a very rough yardstick. This sort of view of success tends to be one based on a "norm" above which one is doing well and below which the authority is unsuccessful.

No such conclusions as to what is success are made here. One could glibly say that firms plus jobs are what a Local Authority wants but success based on such criteria, although measurable is not necessarily useful. For example, the establishment of a capital intensive heavy industry with few local links cannot be compared to a labour intensive plant with considerable local multiplier effects, yet both are counted as an establishment and both may employ the same number of people directly. Success can only be related to local goals, be they short or long term, and they require individual and specific bench marks and monitoring frameworks that are not amenable to generally applicable simple formulae or norms.

Although it would be interesting to produce league tables on activity and success this author believes that even with sophisticated Principal Components Analysis too much would be lost in calculation. Furthermore, their basis would inevitably be normative and it would seem more honest to leave consideration at the level of discussing activity item by item as done in the preceding chapter. Camina clearly recognised problems:

"While it would have been satisfying to have been able to demonstrate high correlations between items of provision or promotion and success in terms of number of firms or jobs created, it soon became apparent that this was not realistic both because adequate responses on the numerical data were limited and because authorities in practice do not single out particular "items"."  
(6).

Also like Camina's study, the present study suffered from inadequate responses to questions relating to number of firms

establishing and number of jobs being created by them.

It seemed that few had this information. This was revealed in the interviews and consequently these questions were not used in later surveys. Alternative sources of this data were not available and so a comparison between activity and success was not possible for this and the other reasons already mentioned.

In general then, to any of the bodies concerned, success is a subjective matter. Respondents ranged in their views from considering their authority to have achieved nothing, with success being termed as abysmal, to considering their authority as being embarrassingly successful. Despite such differences it is not possible to say that the authority with poor results should therefore copy the approach of the authority with the best for, even if the authorities were identical, which in actuality they plainly are not, the success need not necessarily be replicable. Whilst rigour may be applied to marketing, selling and pursuing a policy of attracting industrialists, the crux issue is that scientific principles and rationality do not hold. In a behavioural framework the approach needs to be as much an art as a science.

Despite the foregoing comments it would seem useful to conclude this section by commenting on the number of foreign firms the various agencies and authorities are dealing with before discussing respondents' perceptions which are based largely upon their contacts with foreign firms. The question asked in the interviews was:

"Approximately how many foreign companies have you and your authority been in serious direct contact with in the last twelve months?"  
Followed by "How were these contacts achieved and what were the reasons for them?"

It seemed that contact was mainly with existing foreign firms. Many talked about non-too-serious contact such as via mail shots and it was apparent that the majority of Local Authorities were in serious contact with only a few foreign firms wishing to invest. Four out of the thirty-one respondents had experienced no serious contact in the last year, although all said they had



previously had contacts. Over half of the respondents had seven or less contacts in the last twelve months. At the other end of the scale, however, some New Towns, and even some Counties, with their long term programmes to attract investment had been in serious contact with not just tens but hundreds of foreign companies in the previous year.

The civil servants and members of Development Agencies and development associations who were interviewed, said they and their agencies had usually been in touch with many foreign firms. They were often able to give figures on the number of in-depth and superficial contacts they had experienced in the past but, in general, records seemed poor, making the development of future programmes and priorities less easy.

In all, it seemed legitimate to consider respondents to be qualified to answer questions on their views of foreign investment. Perhaps, those authority officers and authorities where contact with foreign firms had been greatest were more able to answer the questions as examined in this chapter but, nevertheless, the aim of the next sections is to ascertain exactly what Industrial Development Officers, their equivalents and others think and feel about foreign investment and what they and their authority do for the inward investor. The findings can be related to the statistical evidence presented in Chapter 2 and to the view from the firm examined in the penultimate chapter.

### 5.1 The Perceived Needs of Foreign Firms

In the surveys respondents were asked to rank a list of factors they considered most important to the foreign firm wishing to invest. The list of factors was drawn up by considering the types of questions that had been asked in previous empirical studies on the location decision of the firm and by adding other elements considered relevant. These previous studies are combined with theoretical studies and further researches in Chapter 7 when we look at the view from the firm and begin to match the perceived views and needs outlined here with those held by decision makers in firms.



Perhaps the major factor in deciding where to locate is the availability of low costs. This was pointed out by a number of respondents and although the author considered this to be taken as read it is worth mentioning at the outset of the discussion.

The question on factors influencing industrial location is an attempt to disaggregate what factors respondents perceive as having a bearing on reducing costs and, in the absence of cost differences between alternative locations, the factors that would then be seen as important in determining locational choice. Recognition of these factors has been discussed earlier, at least in terms of what bodies try to do to market and sell their area and specific sites and premises. If we can see what the officers and civil servants concerned perceive as important we can go some way towards explaining the concentration on particular aspects within overall promotional activities.

Conclusions cannot be concrete for so much depends on the individual case, but it was only the general impression that was required from asking the question on the needs of firms. The question asked was prefaced by allowing for the needs of firms differing by case:

"Granted the fact that the needs of firms differ by case, which of the following factors do you see as generally most important to the foreign firm wishing to invest?"

The choice of factors are outlined in Table 5.2. (7)

TABLE 5.2 Local Authorities and New Town Development Corporations. Respondents' views on the factors most important to the foreign firm wishing to invest. N = 125 - 12 missing cases therefore N = 113.

	<u>Number mentioning factor</u>	<u>Adjusted Frequency %</u>	<u>Number mentioning factor as one of the three most important factors</u> N = 95
Good transport links	93	82	44
Readily available sites	90	80	57
Government financial incentives	79	70	27
Readily available factories	77	68	35
Pool of skilled labour	77	68	28
Good labour relations	73	65	32
Good environment	61	54	3
Ample area for expansion	58	51	15
Central to market	49	43	20
Nearby airport	49	43	6
Housing for key workers	48	43	2
Local financial incentives	41	36	4
Educational facilities	40	35	2
Professional location assistance	28	25	3
High unemployment	18	16	0

That so much depends on the individual case was often mentioned by respondents. The type of firm and field of operation was considered to be important. For example, foot-loose operations are less common than they would seem. Take, for instance, a microprocessor production unit. This for various reasons cannot be near the sea, near metal refineries and in areas where there is noise and vibration, amongst other things.

Another point often mentioned was that factors listed



became relevant at different stages. For instance, general factors about a country's economy are considered important initially, whilst the second stage involving the selection of a specific location, brings in more basic factors such as labour availability, premises and so on. This corresponds with the evidence provided as to the way in which the firm undertakes investment overseas, as outlined in Chapter 7.

The results did not differ markedly on the basis of body or region of respondent and for this reason they can be taken as an overall opinion of the actors dealing with attracting investment and having to deal with foreign firms.

A look at the list of the usual contents of publicity documents as set out in the previous chapter is a good indicator of what were seen to be the most important factors for the foreign firm wishing to invest. One of these elements, good transport links, often given prominence in promotional documents, was mentioned as important most often whilst the existence of readily available sites was the factor rated as highly important most consistently.

The reference to good transport links was seen as important to foreign firms not so much in relation to materials but in relation to accessibility to markets and even for the convenience of managers. The existence of a nearby airport could be taken as an indicator of the importance attached to accessibility but the need for a nearby airport (43%, N = 113) was seen as amongst the most important factors by only six respondents (N = 95), five of these being near Heathrow. Generally, transport was considered an important element, particularly to American firms.

Centrality to market was seen as a very important factor by twenty respondents (N = 95). The respondents tended to view it as the opposite side of the coin to good transport links. It was also widely held that centrality to market nowadays meant less in terms of local and national markets but more in terms of the E.E.C. as a whole. Getting inside the E.E.C. was often perceived as an important reason for locating in Britain but the desire of firms to remain central to the E.E.C. market was seen as a reason for the disappointing amounts of investment emanating from within the E.E.C. The most common view was that the key to obtaining

European firms was to ignore factors of location in relation to market and stress the lower costs of operating in Britain.

The factors of transport and market are spatially variable considerations seen as important in the decision to locate in Europe, Britain and in a specific place within Britain. However, at the other end of the scale the availability of sites, factories and, to a lesser extent, room for expansion were viewed as the most important purely local factors in making a decision to locate. Many felt that ready availability was essential for firms who despite their supposed long term planning, wanted sites or premises immediately and had little reason to wait for those in one area when needs could often be fulfilled in a number of places. Respondents often commented that they found distinct psychological advantage in possessing sites and premises and occasionally authorities found they were embarrassed when clients arrived and there were no goods to sell.

The generally held belief was that the foreign firm, in particular, was not simply dipping a toe into the water and would know its requirements exactly. Sites, preferably freehold, were seen as a preference more usually required by foreign, particularly American firms, than they were by indigenous firms. Ideally, sites need to be amenable to early occupation meaning that infrastructural services and rapid planning permission are crucial. Firms are unlikely to wait for a factory to be built which usually takes a minimum of twelve months when suitable premises are available elsewhere. Depending on circumstance choice may be limited. For instance, Ford's choice for its new engine plant in Bridgend, South Wales was largely conditioned by the need for a vast site which was readily available and next to a motorway, amongst other things. Its choice was probably limited to just a handful of sites in Europe.

The need for room for expansion was, it seemed, a common characteristic in locational choice seen as important by just over half the Local Authority and New Town respondents. Firms were reported as always tending to over-estimate their requirements for expansion for fear of being inhibited in growth at a later stage but authorities had to be realistic in their



allocations of the scarce commodity of land and a useful method of preventing the tying up of land for too long was to offer firms options on the land.

Flexibility was seen as the key word by many. Provision of sites and premises in a range of sizes appeared to overcome many problems. Such flexibility is, however, only usually available to the larger Local Authorities and New Towns who were able to provide a variety of sites and premises thus preventing gluts and scarcities. Smaller authorities often had very little flexibility and scope for even a semblance of a programme.

Financial incentives and assistance available were seen as having a bearing on locational choice by alleviating financial burdens in general. Government financial incentives (70%, N = 113) were seen to be much more important to the foreign firm than local incentives (36%, N = 113). This is logical in that government incentives are large and widely publicised whereas local incentives tend to be small and rarely made use of but, despite this, over a third of the Local Authority and New Town respondents said local incentives were important, four putting this variable among the three most important factors.

Although many responded that they thought foreign firms considered government financial incentives as important, a few commented that they themselves attached little importance to the grants and they felt firms were obliged to say such grants were important whether they were or not, for otherwise they could be lost. Ambivalence about the role of financial inducements amongst respondents tended to arise from the opinion that as the financial package is the same in one place as in another of the same status, then it becomes a somewhat irrelevant consideration in the absence of scope for bidding up. The pervasive feeling was that financial incentives did initially enhance the attractiveness of Britain as a low cost industrial location, being especially useful as a catalyst in neutralising obstacles to investment.

Foreign firms were often regarded as being more aware of grants and assistance available than indigenous firms. This is due largely to more careful search procedures and is a function



of size. It is important that the foreign firms tend to be subsidiaries of large, highly competent firms with considerable in-house expertise. There is thus little difference between them and the large British company. The perceived greater knowledge of foreign firms is only really in relation to smaller British companies.

The system of grants was often criticised as unclear, unduly complex, difficult to explain, and too changeable. Certainly the simpler the better for explanatory purposes but simplicity would reduce flexibility in the present system, particularly with Selective Financial Assistance which can help projects go ahead, can be related to job creation or maintenance and can assist in steering investment. The civil servants consulted recognised the dilemma between simplicity and complexity and sympathised with the view that it would be far easier to sell definite grants but, on balance, they felt that the national interest was best served with flexibility. In promotional terms flexibility can even be used to advantage but it is probable that a firm would prefer to hear that it would receive X amount of assistance early on in negotiations whereas an officer can only approximate the amount of assistance that the government may be willing to give.

Officers and civil servants mentioned numerous examples of ignorance of the assistance available which has been borne out by recent studies (8) but the common comment was that ignorance was rare amongst foreign firms seriously wishing to invest. A handful of foreign and British companies were even criticised as grant-grabbers. This process would involve obtaining grants, re-tooling, operating for a short period and then moving out, utilising or selling plant and machinery elsewhere. The scale of this occurrence seemed small but the officers relating the causes they had experienced did indicate the ill-feeling created by such activity.

Financial incentives, abused or not, serve to lower costs and make Britain look more attractive to the foreign investor. However, the low costs are often outweighed by the labour problems that may be incurred in Britain (9). Hence, good

labour relations (65%, N = 113) and the availability of skilled labour (68%, N = 113) are seen as important factors for the foreign firm wishing to invest. Labour relations are seen as Britain's Achilles heel and it is ever likely that respondents saw this factor as important in the mind of the location decision maker. The international image of poor labour relations in Britain exacerbated by the national press was regarded as the aspect which most needed countering in promotional activities. The problem is that areas with good labour relations have to counter the myths whilst localities with poor labour relations often have to adopt an honest approach, admitting problems in certain sectors but stressing their non-generalizability, if at all possible.

The need for a pool of skilled labour was a factor ranked highly, although many commented on its importance as a smoke-screen than a real concern. Firms may often cite this factor for not locating or as the reason for its withdrawal. Respondents felt that if the firm was prepared to pay for the labour it wants then, within reason, it should then get that labour. However, in this way poaching and local wage escalation could become concomitant problems.

Few saw high unemployment as important to the foreign firms (16%, N = 113). Some left wing opinion (10) has suggested that the large or multinational firm will be drawn to areas of high unemployment in order to be able to pay low wages and exploit the workers. This is open to interpretation, but it certainly is true that under certain circumstances high unemployment may be an important factor if a large-scale labour intensive plant is built.

A good environment (54%, N = 113), good educational facilities (35%, N = 113) and housing for key workers (43%, N = 113) were all seen as general non-economic factors which provided "icing on the cake" and could have a bearing on locational choice in the light of alternatives. Together they only featured in eight cases of the three most important perceived considerations of the foreign firm as to whether to invest and they were definitely of only secondary (but sometimes



determining) importance.

High technology industries were often seen as needing links with local educational facilities, but in terms of schools this was seen as an important consideration for child conscious parents. Those who would consider housing provision as important were the companies who bring key workers from abroad, or need to have housing as an additional bonus to attract personnel.

The promotional literature produced tends to emphasise the environment available local to the area concerned. The ease of producing glossy photographs with considerable impact may be important in getting an individual to warm to an area prior to visiting, and this is probably more important to the unfamiliar foreigner with fewer pre-conceptions than the British person.

Two views of what was meant by environment became evident. First, one concept of a good environment was taken to mean aesthetically pleasing surroundings to keep senior management and personnel happy. Hence local culture, sports facilities and scenery would be emphasised in the promotion. These, it seems, were often important considerations of Japanese, American, Scandinavian, Danish and West German nationals, but generalisations could not be drawn because respondents in the same area often referred to firms putting the environment high on their list whilst others could not care less. At the micro level firms were also just as variable in relation to sites and premises. Some preferred complete freedom, others preferred clean and well maintained environs and one respondent even said that the simple task of mowing the grass on readily available sites often contributed to achieving a generally pleasing image which visitors often admired.

The second concept of a good environment was taken to be related to the provision of a place where business is encouraged to flourish. This tends to be seen as requiring a Local Authority which fosters the welfare of industry and provides it with favourable local conditions. Promotional literature often contains quotations from local businessmen and, quite often, interested investors are encouraged to visit local firms,

especially if of the same nationality as the potential investor.

The provision of professional location assistance was not considered to be a variable important to the foreign firm wishing to invest by most respondents (25%, N = 113). Firms know what they want and often employ professional agents to assist in their search for a location rather than rely on such assistance from the inevitably biased Local Authority. Nevertheless, a professional approach and positive attitude by the Local Authority or other agency concerned is often upheld as especially beneficial.

One respondent said that the attitude and interest shown by the Local Authority was important and in his experience had been decisive. In a series of case studies Davies and Thomas (11) found examples of the importance of attitudes held in Local Authorities. They quote one managing director of a German/British firm setting up a plant in South Wales as saying:

"It would appear that the development of a particular area is mainly dependent on the attitude of the Chief Executive and the Development Officer and their capacity to make decisions within a time scale which is acceptable to industry." (12).

The Steuer Report stressed the importance of this and the possible key importance of local champions who, by virtue of economic, political and social connections could bring new foreign investment to areas outside major commercial and industrial centres (13).

The view generally held was not that professional assistance was necessary but that the general attitude of the agency or Local Authority was the important factor. This view is in keeping with Government views:

"Local authorities do a great deal to create the right atmosphere for growth by showing an awareness and understanding of the needs of industry and a willingness to help." (14).

The most professional agencies and Authorities go so far as extending professional assistance by giving a helping hand to industry even after it has been established. After-sales



service, helping industry when it so requires, impresses potential investors. Local Authorities and other agencies should make known their willingness to assist but would be best warned not to interfere unless specifically asked to do so. Careful monitoring of local industry can also pay dividends in projecting future programmes and policies and can allow feedback from industry itself. A few respondents felt that looking at one's own patch was the best way of analysing and deciding what future strategies to follow.

In the past major agencies and even some New Towns have appointed consultants to provide them with information suitable in devising future policies. The IBB has been most active in this recently. They are anxious to know why firms have come in the past and what to focus attention on in the future. The IBB has hired consultants to investigate these things in relation to Japan and in relation to micro-electronics companies in the United States (15). These studies have shown that it is strikes and low productivity in Britain that outweigh the fact that unit costs are lower in Britain than in much of the E.E.C. The IBB thus makes conscious efforts to rectify this image if it can do little to alleviate the actuality.

## 5.2 Providing for the Foreign Firm

Having examined the views on the perceived needs of foreign firms as held by officers in various agencies and authorities we can turn to looking at what provisions are made for dealing with the foreign firm and for providing it with assistance. The factors that are thought to discourage firms from setting up in a particular area can also be considered. The contents of the remainder of this section is thus just as relevant and applicable to the indigenous firm as to the foreign.

A major aspect of provision for firms is that of support achieved by assistance from Industrial Development Officers or their equivalent (16). Beyond this, however, we can look at what is actually being made available to firms.

First, land. Camina concluded that the local body's main

task in terms of provision was "to ensure a constant supply of industrial land, preferably available for immediate development" (17). In 1978 Falk found that 72% of all Local Authorities he surveyed were offering serviced land with planning permission (18). During the present study most Local Authorities (all except a few in the South East), all New Towns, the Development Agencies and the English Industrial Estates Corporation (EIEC) were offering land for development. The provision of readily available sites on industrial estates was also very widespread. Even among Local Authorities and New Towns 84%, (N = 32) were making such provisions. New or nearly new premises were generally available. The Development Agencies and the EIEC were involved in extensive advance factory provision and 72%, (N = 32) of Local Authorities and New Towns were making similar provisions.

Land, sites and premises for the incoming firm were also readily available. Unfortunately, however, despite apparent ready availability in Britain the hold-ups prior to occupation slowed things down considerably, especially when compared to other states (19). Obtaining planning permission can be particularly long-winded and the longer time needed for construction in Britain compared to other major states (20) serves to be off-putting to investors.

Perhaps the most important provisions made for investors are financial, rather than the physical ones that have just been outlined, although between areas receiving equal financial assistance the latter may form the basis of choice to the firm and competition between the agencies. The assistance available from central government is basically that made available by the 1972 Industry Act, and covering the Assisted Areas (21), although a Regional Policy offering assistance has been operating since the 1930's (22). At present the assistance consists of automatic Regional Development Grants (R.D.G.s) and Selective Financial Assistance (S.F.A.) offered, within limits, at the discretion of the Department of Industry. The latter provides the flexibility sometimes needed to encourage a project to go ahead, particularly if it is an inward investment. However, the Department is at pains to point out that there is equality of treatment both on



the basis of the nationality of firms and between regions in the U.K., in order to prevent preferentiality and competition. Whether this is always the case is in doubt. The flexibility of S.F.A. gives the Department more scope for action but on the other hand does not allow firm figures to be talked about until late in the day. Many respondents found this a severe restraint when talking to investors who were keen to hear how much they would get in concrete terms rather than as possibilities and probabilities.

On top of promotion and physical provision the various agencies also make financial provisions different from those available through the Department of Industry. The Development Agencies have the greatest ability in this field being able to offer equity finance and having the opportunity to act as merchant banks. The scope for assistance from Local Authorities is much more limited and is mainly in the form of loans and grants. Scope for Local Authority action comes from various Acts and circulars (23) supplemented, in about twenty cases, by Local Acts of Parliament (24).

Quite a variety of levels of involvement in local assistance is evident. In the personal interview survey (N = 32 - 1 missing case = 31) surprisingly few areas possessed Local Acts allowing them to assist industry (4, 13%). Table 5.3 shows that many more than those with Local Act provisions were involved in giving loans, grants and reliefs. Local loans (16, 52%) and relief in the form of rent reductions were mentioned most often. The grants given (10, 32%) tended to be site preparation grants in the main, although in the larger conurbations such as Merseyside quite substantial grants were mentioned.

TABLE 5.3 Local Authorities and New Town Development Corporations. Assistance given to industry.

N = 31

	<u>No.</u>	<u>%</u>
Local Act provisions	4	13
Loans given	16	52
Reliefs given	23	74
Of which:		
Rent relief	21	68
Rate relief	3	10
Key worker housing	15	48
Grants given	10	32

Although many provisions are available the actual giving of assistance by the Local Authorities appeared rare, most respondents suggesting that this is due to lack of finance. Another major reason given for not giving financial assistance was that in the interests of giving equality and preventing additionality the Department of Industry would take local assistance into account when allocating Selective Financial Assistance. Advertisements often appear to show local grants as additional to those available from central government. In this instance, this can only be seen as misleading for Department of Industry interviewees were resolute that such would not be possible, although in the light of the changes in Regional Policy in 1979 which made Selective Financial Assistance less "automatically" available local assistance may become more important giving inter-local competition a boost.

Respondents in the Department of Industry were insistent that they knew what local provisions were made in each case but the extent to which this is the case, and also the degree to which they are taken into account in determining S.F.A., remains unclear. Certainly in the large projects and major inward investments the Department is probably very well informed but in smaller cases the Department is probably less well placed. But, nevertheless, assistance as a provision for the firm must be kept in perspective. Even if local assistance



does "top-up" central assistance it is only very limited and may amount to little more than an alternative loan source.

As far as inward investment is concerned problems arise from the uncertainty surrounding assistance. When making comparisons between European states, firms are unlikely to make judgements on what they may get in Britain, preferring to simply judge on what they will get. On this basis, R.D.G.s as the only definite financial assistance, are taken to indicate the total assistance available when in actuality assistance is usually much higher when S.F.A. is added. The same applies to such things as taxes, but in a reverse fashion. Taxes in Britain are often seen as harsh. It needs to be brought to the attention of inward investors that although this may appear to be the case on the face of raw figures, the rates imposed are actually much lower once substantial allowances are taken into account (25). Certainly, the people talking with potential inward investors need to be very well versed in matters such as these, whereas many are so parochially oriented that they can only talk of local matters.

In general, provisions in Britain are better than they may seem. Sites and premises are widely and readily available and financial provisions are more substantial than they may at first appear when talking only about "automatic" assistance. Any confusion may be in the variety of bodies involved in provision, one so often mentioned by respondents referring enviously to the I.D.A. of Ireland.

### 5.3 Opinions and Attitudes on Foreign Firms held by Actors Involved in Attracting Inward Investment

The final section examining the findings relating to bodies at the interface focuses on the views held about foreign firms. How authorities and the relevant actors within them go about attracting and providing for foreign firms is now supplemented by what the relevant actors think about foreign firms as based on their direct experience and assembled impressions. We can thus see the extent to which the views of those meant to be dealing directly with foreign firms tally with the statistical data presented in the second chapter and

with the views of politicians as set out in the third chapter, as well as simply observing what opinions are held.

In the third chapter the focus was on politicians and political opinions and attitudes. The attitudes of politicians are important in determining policy and assessing what factors shape the tenor of policy towards foreign investment. The consensus on the policy of "welcome" has been identified and now it would seem worthwhile to consider those individuals actually implementing this policy and dealing with foreign firms as they form a significant group with a bearing on the success of policy. There have been no previous studies to identify systematically the views of these officials despite the important part they have to play in implementing policy.

Questions asked in the surveys related to general views on the net economic impact of foreign companies, on the problems that either could or do result from foreign investment, on the behaviour of foreign companies compared to their British counterparts and, views on the desirable measures that ought to be taken in relation to foreign companies. Thus these individuals are asked their opinion on cost and benefit viewpoints outlined in the first chapter which were put into some sort of quantified context whenever possible in the second chapter.

Respondents in the Local Authorities and New Towns generally felt that the net economic results of foreign companies in Britain were beneficial in that more said foreign companies gave more than they took than said vice versa. Thirty-eight per cent (12, N = 32) considered that foreign firms gave more than they took, the same number felt that the give and take was about balanced and 25% (8) suggested foreign companies took more than they gave. In the other interviews civil servants and officials from the Development Agencies and development associations took a positive view of foreign investment saying that the give and take was at least balanced, although some suggested that nevertheless, the benefits from an indigenous rather than a foreign company would be greater.

Respondents were not asked to explain what they were assessing on the give and take spectrum but the question was useful in providing a broad appraisal of views on the economic



contribution of foreign investment. Respondents who expanded their views saw important contributions to be in terms of job creation, growth in output, and exports. Such views match the benefits of foreign investment identified in the statistical tables in the second chapter and they support the view that Britain will be favourable to foreign investment for benefits are seen to outweigh the costs (Proposition 3). Amongst respondents elaborating their views there was a tendency for them to make generalisations and then single out any foreign companies contrary to this. For example:

"In (our area) most, particularly the Americans give a lot to the local economy and want to get involved. At the other extreme some are 100% take and no give. For example, we've one Scandinavian firm which has created jobs but only by stealing labour and, contrary to assurance, the firm has not trained a soul nor become involved in local buying."

The feelings expressed were that unacceptable behaviour was evident in some cases but not in general. Moving up the level of analysis steps to the international system a parallel could be drawn with ITT's behaviour in Chile and the behaviour of multinational companies on the world scene in general. In the first chapter we saw that views of the multinationals in the international system as held in much of the literature on international politics tended to be extrapolated from individual cases in such a way. If anything, the interviewees discussed herein held more balanced views.

Respondents' views of the net economic result of foreign companies operating in Britain barely differed from their views on the net effect in general. Twenty-nine per cent (9, N = 31) felt foreign companies operating in Britain had a relatively small net effect on Britain. More (42%, 13) felt the effect was large and 29% (9) considered the net effect to be neither large nor small but moderate. Using the standard measures of central tendency - the mode, median and mean, the views on the net economic results and net effect of foreign companies on Britain yield a balanced view in both cases (26).

A generally neutral appraisal on the two questions to assess overall perspective was conditioned by what appeared to

be a somewhat favourable attitude which tended to be moved towards neutrality by virtue of negative reaction on specific points as examined below. First, however, it is important to achieve an approximate disaggregation of the last two questions by examining the criteria considered as important for evaluating the value of foreign companies to Britain. The results are summarised in Table 5.4.

TABLE 5.4 Local Authorities and New Town Development Corporations. Respondents' evaluation of criteria important for judging the value of foreign companies to Britain. N = 31

	<u>Mentioned as important.</u>	
	<u>No.</u>	<u>%</u>
Creation of jobs	28	90
Access to new technology and methods	23	74
Effects on national growth	18	58
Overcoming regional problems	15	48
Effects on the balance of payments	12	39
Opportunities for managers	6	19
Role of Britain in the world	5	16
Control over national affairs	3	10

Clearly, the creation of jobs is seen as the most valuable contribution of foreign investment to Great Britain and as Table 2.7 showed foreign companies contributed a considerable level of employment opportunity amounting to the provision of 13% of the total employment in private sector manufacturing, not to mention the multiplier effects on employment. All the interviewees in the Development Agencies, development associations and government departments ranked the creation of jobs as very important. Certain respondents were sceptical about the role of foreign investment in creating jobs. They reflected general ambivalence present in many quarters. Investment is seen as generally beneficial but quite often very



few jobs are created for the most in need, the semi- and unskilled, but this is part of a much wider issue involving the decreasing need for labour as an input in the production function as the bias towards capital intensity proceeds as technology advances. Alternatively, the argument can also be posed that the net effect of an incoming enterprise bringing new technology can even cause job losses in the firms now made less able to compete. This was, of course, the case put against Hitachi as discussed earlier. In another well publicised case trade unions in Britain blamed Chrysler for considerable job losses in its British operation by virtue of favouring its French operation, Simca.

It was almost inevitable that creation of jobs should have been ranked highest by respondents for this is the goal most identified locally. The other alternatives that respondents were asked to judge the importance of, were definitely more nationally orientated. Amongst these, access to technology and new methods was seen as the most important factor in judging the value of foreign investment. It seems ironic, however, that such benefits are also the ones that generally give lower levels of employment for a given level of output in the long run.

The only other factor judged to be important by over half the respondents was the effect of foreign investment on national growth. Output, capital expenditure and profitability are high in foreign companies in Britain (Tables 2.22 - 2.27) and these were all considered important elements by respondents when expanding their views that foreign investment is of value in that it adds to capital formation in the host state.

Nearly half the interviewees mentioned the overcoming of regional problems as an important element in judging the value of foreign investment and all those questioned in the Development Agencies, development associations and the regional and national offices of the Department of Industry thought this to be an important factor. Although much foreign investment goes to the non-Assisted Areas, as discussed in Chapter 2, the respondents generally felt that Regional Policy did cause more foreign investment to go to the Assisted Areas than would

otherwise have been the case in the absence of the policy.

The other factors listed in Table 5.4 were not seen as very important by most. The effect of foreign investment on the balance of payments, when mentioned, was seen as beneficial, thus providing some support to Proposition 6. The rare mention of the value of providing opportunities for management may be due to its encompassment within the "access to new technology and new methods" category. The role of Britain in the world was seen as only a peripheral factor in judging the value of foreign companies to Britain.

Control over national affairs was the criterion considered least important in judging the value of foreign companies to Britain in contrast to M.P.s who so often put their views within the rhetoric of National Interest, sovereignty and xenophobia. Clearly the problems against which states need to gird themselves as Kindleberger and others put it (see Chapter 1) were not regarded as important by respondents. A number of initial propositions were thus supported by the sample in question. These include Proposition 3, that the benefits of foreign investment outweigh the costs, and Proposition 10, that in Britain foreign investment will be encouraged actively. Negative reactions to foreign investment were few, and the lack of problems emanating therefrom, as identified by respondents, was reflected in answering a question on what they saw as major or minor problems for Britain (see Table 5.5).



TABLE 5.5 Local Authorities and New Town Development Corporations. Respondents' evaluation of problems arising from foreign investment.

N = 30

	1	2	3	4	5	6	7
	<u>Very</u> <u>Minor</u>			<u>Midway</u>			<u>Very</u> <u>Major</u>
	<u>Number of Respondents</u>						
The potential of foreign companies to take decisions against British interests	13	9	3	2	1	2	-
Circumvention of government policy	14	5	6	3	1	1	-
Potential domination of particular industries by foreign companies	1	8	7	9	3	2	-
Circumvention of taxation and transfer pricing	10	12	2	5	1	-	-

Few potential or actual problems were perceived by respondents. Only the potential domination of particular industries appeared to arouse slightly more concern than the other alternatives in Table 5.5 and then, only 17% (5, N = 30) believed there to be a problem of major proportions.

The results given in Tables 5.4 and 5.5 indicate a general lack of concern about possible problems resulting from foreign investment and they also show a widely held belief that foreign investment is beneficial. The interviewees are not necessarily the best informed group to answer questions on the widest implications of foreign investment in Great Britain, but their views should reflect their experience gained and impression conditioned by the press, government and the behaviour of firms themselves. Their views are those of important policy implementors who, judging by the results recorded so far would appear to hold a consensual view on the need to welcome foreign investment. If anything, the respondents exhibited xenophilia rather than xenophobia with regard to

foreign firms. The acclaim afforded the obtaining of a foreign company in a local area is witness to this.

Having answered broad questions the interviewees were asked more specific ones which related more to their direct experience. First, they were asked whether they believed foreign firms in Britain offer better, worse or similar wages to those of indigenous firms. Table 2.20 showed that at least statistically foreign firms pay better wages in the vast majority of sectors in manufacturing. Such figures are not necessarily accurate in that they do not compare like groups and so opinion based on experience is a valuable contribution to deciding whether foreign firms underpay or overpay relative to indigenous firms. The generally observed view was that foreign firms either paid better rates than (12, 40%, N = 30) or similar rates to (15, 50%, N = 30) indigenous firms. This view was also expressed by respondents in the various Development Agencies and development associations. A number of reasons for the giving of higher payments were put forward. Foreign firms were often starting with new premises, equipment and employees giving more ideal conditions than the norm. It seems that compared to many indigenous firms (or older foreign firms for that matter), with their entrenched practices and less up to date equipment, many foreign companies are able to offer better wages. Looked at from another angle foreign companies can even be said to be underpaying, for their productivity may be relatively high and thus wages are relatively low. A few respondents even mentioned that they advised incoming firms to conform with local and national wage patterns wherever possible in order to avoid local wage escalation and disruptive labour desertions from other firms.

On the labour front most respondents felt that foreign firms had better labour relations than indigenous firms (16, 53% said foreign firms better; 12, 40% similar; the rest "Don't know", N = 31). but, except in specific cases, there was no identifiable difference in the willingness of foreign and indigenous firms to recognise Trade Unions (6, 20% said foreign firms were less willing; 17, 56% about the same; 5, 17% more



willing; the rest "Don't know", N = 32). The better labour relations were often seen as a function of the newness of firms. Indeed, it does tend to be the traditional and now overmanned industries in Britain that get into most labour relations difficulties. Foreign firms are less prone to industrial disputes (see Table 2.21) but better labour relations appeared to mean more than this to most respondents. Even in cases where wages were no better in the foreign owned plant, officers sometimes spoke of long waiting lists of people wishing to become employees of these companies. Management philosophies and better atmospheres for working were mentioned as influential in this.

The importance of foreign labour practices had been observed by a number of interviewees. For instance, most Japanese firms set up in Britain were seen as paternalistic. American firms were said to want to impose "the way things work back home" and were slow to adopt the maxim of when in Rome do as the Romans do. It was pointed out that it was generally the American companies which showed less willingness to accept Trade Unions. Often they were able to resist unionisation via financial compensation or by better working conditions, but it seemed that unions were often accepted in the end, especially as the number of employees grew. The consensus of opinion then, was that although some resistance may occur in the early stages, and a few firms managed to continue on a non-unionised basis, foreign firms fell in line with the prevailing system of labour practices and Trade Union recognition.

Respondents, in the main, perceived foreign investment as beneficial and non-too-different in behaviour to indigenous firms, and where they were different they were generally seen as better. How well the foreign firm impacted upon the local community and its degree of local responsiveness was one important question that could only be answered via impression. In its investigations on this matter the Steuer Report attempted to assess local impact by a rapid, almost cursory, case study of foreign firms and their effect on Greenock (27). The Steuer Report concluded that the impact of foreign firms depended upon

the foreign firms to which one was referring. Such findings were borne out in the present study. In many cases no special significance could be attached to foreignness.

One case which can be extremely detrimental locally is the withdrawal of an operation. An oft-repeated and widely held opinion, both in the press and in academic literature, is that foreign firms are more likely to do this than are indigenous ones. More research is needed to assess whether this is truth or myth. There has been no conclusive evidence offered on this when looking at Britain, but studies on other countries do suggest no difference between foreign and indigenous closure rates (28). Opinions in Local Authorities and New Towns varied somewhat but half the respondents saw no difference between the tendency to close foreign and indigenous firms. More felt that foreign companies closed down their plants less often (7, 23%, N = 30) than felt they closed down more often (4, 13%).

A rigorous analysis is in need of being done in order to establish comparable closure rates and to investigate problems of what is called a branch plant economy where there is reliance on external control (29). If anything, problems do appear to show some distance decay. An officer in a Scottish authority put it this way; "there's no difference in closure rates: whether the company's centre is London or New York they'll close us first in a recession". The problem of peripheralism is one of the central difficulties of Regional Policy which may even serve to catalyse closures in that marginality is encouraged by financial incentives. Closure rates were often seen as a problem by respondents:

"foreign firms do not represent an attractive proposition as far as strengthening the economic base of the town is concerned because they lack stability and there is increased likelihood of withdrawal during an economic recession."

"British firms tolerate mediocre performs to a greater extent. Foreign firms are more prone to closure if they do no better than mediocre. We had one foreign firm which closed because of low profits but they weren't bad by British standards, and the Official Receiver was able to sell it as a going concern."



"It's the old New Town story. We get the branch plants, the winds chill and the multinational companies go."

Others expressed viewpoints counter to these:

"Foreign companies afford more autonomy to their overseas plants than do multi-branch British companies like GEC. So the foreign investment is more stable."

"Overseas investors are integrated well. They're not branch plants. They pull out no more than anyone else. Closures are rare but the loss of future potential investment is a problem."

On balance it was viewed that foreign firms were no more prone to closure than indigenous firms. But, with regard to closures and other possible detrimental behaviours many respondents did suggest the need for better monitoring so that if a company pledged to achieve certain goals its efforts could be more closely observed. However, the implementation of such proposals would be both difficult and costly. Imposing stronger clawback provisions, although proposed by some would probably cause more problems than solutions.

On the subject of what measures ought to be taken to attain an ordered framework on the behaviour of foreign firms it is hardly surprising that there was little support for imposing extra control and monitoring measures given that the behaviour of foreign firms was not seen as at all troublesome as shown by the findings on opinions and attitudes already outlined. Finally, we can look at the last "opinion" question where respondents were asked "Which of the following do you see as desirable measures?" A summary of results is given in Table 5.6.

TABLE 5.6 Local Authorities and New Town Development Corporations. Respondents' views on what would be desirable measures on foreign investment. N = 32 - 2 missing cases = 30

	<u>No.</u>	<u>%</u>
Improvement of the investment climate in Britain	22	73
Increased financial encouragement of indigenous firms to compete with foreign companies in Britain	17	57
Increased dialogue between foreign companies and government in Britain	16	54
Creation of intergovernmental codes for corporate behaviour	9	30
Increased government surveillance of foreign companies in Britain	2	7
Increased government control of foreign companies in Britain	2	7

Not surprisingly most respondents were keen to see the investment in Britain improved whilst the majority also favoured the increased financial encouragement of indigenous firms mainly out of patriotism and fear of domination. Of these respondents some mentioned the important role that the IRC and NEB had played in the aim of helping along indigenous industry. Only two respondents out of about ten who mentioned the Hitachi case thought that the reasons put against Hitachi by the indigenous industry were justified. On another subject, the favoured buying of British goods by the government, seven respondents volunteered this to be important. Preferential treatment of indigenous firms within Regional Policy was mooted by a few respondents but nearly all respondents were of the opinion that Britain had to continue to attract foreign investment, especially that which used advanced technology, in order to prevent even further slippage in the industrial



stakes.

Increased dialogue between foreign companies and the government was favoured by just over half the respondents. The hope was that government could then have an idea of what a firm's intentions were and they could plan accordingly. The system of planning agreements and selection procedure for S.F.A. was already seen as adequate by many and a few thought government was already too involved. Although increased dialogue was favoured by about half the respondents only a couple saw increased government control and surveillance as desirable. Virtually all felt that the government already did this adequately through monitoring even if this was relatively ad hoc and uncodified. The creation of intergovernmental codes received a more favourable response but this was seen as more of a help to the more vulnerable Third World and as an aid to preventing specific problems of a financial nature such as taxation dodging, currency speculation and hedging.

The opinions and attitudes of respondents in the Local Authorities and New Towns were thus in the main in favour of foreign investment. Problems were identified by some but they appeared to be specific to individual firms and issues rather than generally applicable. A parallel with the views of M.P.s on foreign investment was evident. They also sometimes recognised the existence of specific problems but saw them as insufficient to cause alarm and require general measures or action.

Respondents' views provided support for the proposition that the benefits of foreign investment in Britain are seen to outweigh the costs (Proposition 3). They found little to worry about in terms of foreign investment and so supported the view that restrictions on foreign investment should be minimal (Proposition 2). They saw little difference between the behaviour of foreign and indigenous firms, and if there were differences foreign investment was seen as having even higher utility than indigenous investment. There was a general contradiction of the view that foreign companies have more scope for acting outside government policies (Proposition 4) (or at

least if they did have more scope than they did not exploit it). Foreign investment was seen as anything but detrimental and thus increased control seemed barely necessary to respondents (Proposition 8 supported). The need to actively encourage inward investment was a view shared by the vast majority (Proposition 10 supported).

In the first chapter the debate on foreign investment and multinational companies and the potential and actual policies towards them were outlined. In the second chapter statistical evidence showed that foreign investment appeared to have been a net benefit to Britain and foreign companies were shown to be generally more successful than indigenous ones. In the third chapter Britain's policy of "welcome" and the favourable posture of politicians towards foreign investment was evidenced. In the present chapter we have found that important implementors and strategic actors within the overall policy framework of welcoming foreign investment are usually well disposed towards inward investors and either welcome them when they arrive or openly pursue the attraction of foreign firms. In all, a general consensus on the value of foreign investment appears to be shared between the proximate decision makers (the policy implementors) and central decision makers (M.P.s). It might be expected that an efficient and well co-ordinated system of attracting and handling foreign investors would logically follow on from this. In the previous chapter, however, we saw the large number of bodies that were involved and suspicion was aroused as to whether the system was optimal and coherent, despite the general consensus. This discussion on coherence and optimality is the substance of the next chapter.



- (1) R. H. Morgan and M. J. Hockaday "The Role of the Local Authority in Town Planning", Research Paper, Dept. of Town Planning, UWIST, May 1973.
- (2) M. M. Camina Local Authorities and the Attraction of Industry, Pergamon, 1974.
- (3) D. J. Storey and J. F. F. Robinson have done an, as yet, unpublished case study of Cleveland County Council for the Centre for Environmental Studies. They attempt to evaluate the success of Local Authorities attracting industry. The formal assessment criteria they use fit neatly into mathematical models which probably hide more than they expose largely because the causal linkages between a Local Authority's activity and a firm arriving are inadequately explored. Nevertheless, the formal models may be used by individual Local Authorities but selling such models to political mentors would be difficult.
- (4) The Guardian, 8 December, 1979, p. 16.
- (5) M. M. Camina op. cit., p. 169.
- (6) M. M. Camina ibid., p. 86.
- (7) There are some apparent differences between the findings presented in Table 5.2 and one of the most thorough and recent studies on the subject. See J.M. Northcott Industry in the Development Areas: the experience of firms opening new factories, P.E.P., 1977, esp. Table 12, p. 43. These differences can be put down to a number of factors. Firstly, there were differences in the sample of respondents. Northcott interviewed key decision makers in 62 firms that had recently opened in Special Development Areas. Unfortunately, 24 of these firms were foreign and so a straight foreign and indigenous comparison is not possible. Secondly, there were differences in obtaining the opinions of respondents. Northcott simply allowed his respondents free rein to explain their reasons for locational choice. He then placed the reasons given into ten broad categories. In the present study respondents were asked to choose the factors they considered to be most important from a list of fifteen alternatives. Both approaches have their shortcomings. One problem with the list approach is the possibility of the "donkey effect". In retrospect this possibility could have been overcome by producing a number of lists in different order. Fortunately, however, no such effect was apparent when the results were analysed. A further reason for quelling such doubts is the greater degree of similarity between the findings of the present study and those of Northcott than may at first seem apparent. In Northcott's study the most often mentioned factor for locational choice being made was that of "factory or site" availability whereas the single most often mentioned factor

in the present study was the availability of good transport links. However, in the present study readily available sites was given as one of the three most important factors by the greatest number of respondents. Further, when the two categories of readily available sites and readily available factories are combined this becomes the most often mentioned factor, in line with Northcott's findings.

The only other major differences between the two tables of results is that "Labour" seems to be of great importance to Northcott's respondents. However, as with factories and sites this "difference" can be overcome by combining the two elements of pool of skilled labour and good labour relations on Table 5.2 of the present study and subsuming them under the title of "Labour" as in Northcott.

- (8) G. Walker Regional Incentives and the Investment Decision of the Firm, Studies in Public Policy, C.S.P.P., University of Strathclyde, 1979.
- (9) It is interesting to note that the Select Committee on Scottish Affairs, Inward Investment, (Session 1979 - 80) Vol. I, No. 769, H.M.S.O., 28 August, 1980 saw labour relations as the most important preoccupation of would-be investors (para. 4.3). It also stresses the importance of financial inducements (para. 4.10). In both cases it recognises that factors seen as important are many and varied (para. 4.9 and 4.11).
- (10) For example see Counter Information Services The Ford Motor Company, Report 20, 1979. The report links high unemployment to Ford's decision to locate a new engine plant near steel-closure areas in South Wales. The parallel is drawn between this move and Ford's past projects in high unemployment areas in Europe where the workers have supposedly been exploited.
- (11) G. Davies and I. Thomas Overseas Investment in Wales, Christopher Davies, July, 1976.
- (12) ibid., p. 191.
- (13) M. D. Steuer et. al. The Impact of Foreign Investment in the U.K., H.M.S.O., 1973, p. 104.
- (14) Department of the Environment Circular 71/77, 11 July, 1977.



- (15) Discussed in The Economist, 1 December, 1979, p. 91.
- (16) See M. M. Camina op. cit., especially p. 97 - 110, and N. Falk Local Authorities and Industrial Development, Urbed, 1978.
- (17) M. M. Camina ibid., p. 85.
- (18) N. Falk op. cit., Appendix A, p. 3.
- (19) See a series of publications on this matter published by Slough Estates since 1976. For example, N. Mobbs The Inner City. A Location for Industry? Slough Estates, 1976. The findings of a recent study in this series are briefly summarised in The Business Location File, 3(4), June/July 1979, p. 17.
- (20) The Business Location File, 3(4), June/July 1979, p. 17.
- (21) The incentives available are given in Incentives for Industry, Department of Industry pamphlet, 1978. They are up-dated in Regional Industrial Policy Changes, Department of Industry pamphlet, January, 1980. For an excellent survey of the incentives available in Britain and the other E.E.C. states see European Regional Incentives 1980 D. Yuill and K. Allen (eds.) C.S.P.P., University of Strathclyde, 1980.
- (22) For a history of assistance available see G. McCrone Regional Policy in Britain, George Allen and Unwin, 1969 and 1975.
- (23) For details of the statutory basis for local action on this front see M. Boddy and S. Barrett Local Government and the Industrial Development Process, Centre for Advanced Urban Studies, Bristol, 1979, especially Appendix 2.
- (24) Local Acts are often modelled on the Tyne and Wear Act Act of 1976. For details of this see P. B. Rogers and C.R. Smith "The Local Authority's Role in Economic Development; the Tyne and Wear Act, 1976", Regional Studies, 2(3), p. 153 - 163.
- (25) See M. C. C. Goolden "Tackling the tax tangle" The Business Location File, 4 July, 1980, p. 17 - 21. The IBB has recognised the need to bring to the attention of industrialists that taxes are lower in Britain than they seem, see Financial Times 11 June, 1980, p. 24.
- (26) The results obtained by Fayerweather on M.P.s attitudes to these questions do not differ from these views. See Footnote 65, Chapter 3.

- (27) M. D. Steuer et. al., op. cit., p. 108 - 117.
- (28) See evidence in Van de Bulcke et. al. Investment and Divestment Policies in Multinational Corporations in Western Europe, Saxon House, 1979 and D. McAleese and M. Councan "Stickers" or "Snatchers?" Oxford Bulletin of Economics and Statistics, November, 1979. Both are discussed in Chapter 3.
- (29) For a discussion of the problems of external control see J. Finn "External Control and Regional Policy" in The Red Paper on Scotland, Edinburgh University Student Publications Board, Edinburgh, 1975, p. 153 - 169.



In this chapter more of the results from the surveys are presented and used in an examination and evaluation of the overall process of attracting foreign investment to Great Britain.

The problems of the multi-organisational framework and duplication of effort receive considerable attention. Fundamental questions are asked about the existence of a competitive framework for attracting investment at international, inter-regional and intra-regional levels.

The possibility of multi-organisational sub-optimisation is examined, and, a central issue that is addressed is whether or not it matters that superficial or actual competition or duplication of effort is wasteful so long as the results are acceptable. With the consensus on attracting foreign investment it would nevertheless seem legitimate to strive towards an efficient framework for achieving the aspirations of the "welcome".

Later in the chapter respondents' views on the best framework are assessed. A black and white approach is not assumed. By this we mean that the conclusion that a multiplicity of agencies necessarily means inefficiency and poor results is not seen as an inevitable premise from which examination should begin. This is examined further in the remainder of the chapter in an effort to find ways of improving the overall approach. Throughout, the results and views obtained during interviews and surveys of individuals intimately involved in the implementation of policy are considered and used to shape the general assessments made.

In short, in this chapter we consider how the consensus shared by central and proximate decision makers on the policy of "welcome" does not naturally lead to a coherent framework for attracting foreign investment. We continue to expose the link between incoherence and competition and we begin to look at the concept of co-ordination. This is developed further when assessing and making recommendations for the development of the

overall framework for attracting foreign investment in the concluding chapter.

## 6.0 Competition and Duplication

This section overviews the possible inefficiencies of the framework for attracting foreign investment to Great Britain. Building upon the results and findings set out in the preceding chapters we consider whether and how the actors concerned perceive the competition for attracting foreign investment. Later in this section the question of the existence of unnecessary duplication in attracting foreign investment is examined.

Possible sources of competition are reduced by the Department of Industry's efforts at achieving equality of treatment throughout Britain. However this does give an incentive to shift competition towards non-governmental, non-central organisations involved in attracting foreign investment. Thus the Development Agencies, development associations and local government bodies are given the incentive to try to attract investment to their particular areas at the expense of others. However, their ability to offer financial assistance is restricted by various Acts of Parliament and by limited financial capabilities. The scope for competition based on offering financial inducements is thus subject to limitations but the scope for competition on the basis of providing for industry and by highly visible promotional and marketing activity can be a major area for competitive activity. The limitations of finance and expertise available restricts a situation of perfect competition as does the sheer variety of organisations and their activities.

Physical limitations on competition exist but it should be noted that particularly in the Local Authorities and to some extent in the New Towns there is considerable variation in attention paid to the topic of attracting investment and this is especially so with regards to foreign investment. Such variation arises as often as not as a result of political decisions as it does by restraints on action of a statutory or financial nature.

Clearly competition can involve both promotion and making provision for industry. Who is doing what, where and why has



already been scrutinised in the last two chapters and so in this chapter reiteration is avoided except in the sense that the applicability of the term duplication is considered in relation to these findings. For instance, does the fact that 50% (N = 125) of Local Authorities and New Towns advertise overseas mean that there is duplication or is this just healthy competition? The scope for competition exists, as the evidence presented in Chapters 4 and 5 has shown but whether this is healthy or not depends on whether one sees competition as actually meaning unnecessary duplication. It becomes a question of whether one considers a tightly co-ordinated and united front (as evident in the I.D.A. of Ireland's approach) to be of more benefit than the much more multi-organisational approach resting on "a high level of local and regional initiative, pressure and competition" (1) as evident in Britain. At the outset it must be stressed that the all too readily made assumption that a multi-organisational framework necessarily means inefficiency and duplication is not seen as a legitimate starting premise. To obtain opinions on competition respondents were presented with a list of possible competitors and asked to list those they felt their authority was in competition with the most. The responses and results are given in Table 6.1.

TABLE 6.1 Local Authorities and New Town Development Corporations. Respondents' views on the bodies with which their authority is in competition with the most in attracting foreign investment. N = 125 - 10 missing cases = 115

	<u>Mentioned as important</u>	
	<u>No</u>	<u>%</u>
Other regions in the U.K.	74	65
New Town Development Corporations in the same region.	53	46
Countries other than the U.K.	52	45
New Town Development Corporations in other regions.	51	44
Districts/Metropolitan Districts in the same region.	40	35
Districts/Metropolitan Districts in other regions.	29	25
Counties/Metropolitan Counties and Scottish Regions in the same region.	27	24
Counties/Metropolitan Counties and Scottish Regions in other regions.	24	21
Other	4	4

Competition with other countries was seen as important by many Local Authority and New Town respondents. It was seen as the most significant competition by respondents in the Development Agencies, development associations and the Department of Industry. The views held in these bodies reflect their greater involvement in competition at this level, especially in Europe. The focus of such competition was seen to vary. In general large scale investments such as in the motor car industry tend to be concerned with finding a location anywhere within the E.E.C. Less foot-loose industries such as petrochemicals tend to consider Britain, Belgium, Holland and North West Germany in the main. However, in many cases the country with which there is competition cannot be certain. In the Assisted Areas the assumption usually made



was that competition was with other regions in other states that were offering assistance, but in the non-Assisted Areas it was generally not known with whom the competition was occurring. It may be that competition in the non-Assisted Areas is largely with France and West Germany rather than Italy or Ireland.

The country most often mentioned as a competitor was Eire. The I.D.A. of Ireland was often upheld as the ideal model for an industrial development organisation and considerable envy was apparent. Certainly the Irish have been very active and successful in attracting investment by applying thorough and persistent techniques. An SDA officer remarked that "wherever we go we find 'Kilroy was here' before us". Certainly the picture most often painted is one of "the Irish versus the rest" as the figures given in Table 6.2 show.

TABLE 6.2 "The Irish Versus the Rest"

	<u>Total of foreign firms</u>	<u>Firms located during 1978- 79</u>	<u>Population m.</u>	<u>Unemployment June 80</u>
Scotland	275	13	5.2	9.9
Wales	140	21	2.8	9.0
Ulster	61	12	1.5	12.7
North of England	146	10	3.1	10.3
Republic of Ireland	654	185	3.0	8.1

Source: Table and title as it appeared in The Scotsman, 14 July, 1980, p.9.

All European states offer incentives to incoming industry and the press often talks of competitive bidding and Eurosubsidy spirals all aimed at attracting investment. For instance, when in 1978-79 Ford planned to build a new car plant in Europe The Economist described it as "the great Eurosubsidy auction".

(2). As a consequence of the competitiveness the concomitant problems of bidding have been brought up in both E.E.C. and O.E.C.D. forums, but little has been done to check the practice as states invariably claim extenuating circumstances necessitate

high inducements to satisfy their desperate need for investment. In Europe the first test came in 1979. This was against the handing out of excessive assistance to the Philip Morris Company which had been given aids which were deemed unfair. Whether this sort of finding will be repeated remains to be seen but it is unlikely that one state will divest itself of its inducements unilaterally.

The degree to which foreign companies were seen to be involved in playing countries off one against the other in order to gain better deals was assessed in a separate question in the surveys. The belief that this type of behaviour occurred was widespread. Three quarters of respondents (92, N = 125) said they felt that such "playing off" took place and only 2% (3, N = 125) felt it did not, the rest falling into the "Don't know" category. Despite the widespread view of its occurrence as held both in the Local Authorities and New Towns (as well as in government bodies), the view most often posited was that only some, predominantly the large scale multinational companies, were involved in this practice to any significant degree. The ceilings on government assistance in E.E.C. states were seen as preventing much international competition but the suspicion was that ceilings were all too often ignored, although cases such as the Philip Morris one mentioned above were rarely heard.

The most disturbing factor evident was that many felt much of the auctioning was futile, The firm knew where it wanted to locate and no amount of financial incentives would drag it away from its preferred location, but threats of upbidding emanating from other states could be used to increase the thickness of the icing at the preferred location. In the case of the new Ford plant locating in Bridgend, for instance, the British government was slow to grasp the fact that this was probably Ford's most favoured European site. Ford kept up a pretence of examining other sites in other states and even succeeded in getting Special Development Area grants in a Development Area when at the last minute a change of site was made (3).

Returning to the issue of the perceived greatest competition the respondents in the Local Authorities and New Towns



mentioned competition coming from other regions most often from amongst the available responses. When asked to expand on this interviewees invariably mentioned Scotland or Wales or both, setting great store in the existence of the Development Agencies. One of the reasons why these regions are singled out is the ease of identifying them as separate bodies able to promote a separate "national" entity in a co-ordinated fashion.

Table 6.2 showing the success of different regions in the U.K. (as well as in comparison to Ireland) is an indicator of the potential for inter-regional rivalry. This came out strongly in the submissions made by the SDA and WDA to recent Select Committees on Scottish and Welsh Affairs(4). The Welsh were only too keen to discredit the activities of the SDA, who despite spending ten times as much on the United States target and three times as much on the European target had not attracted as many foreign firms as the Welsh (5). Such comparisons are not necessarily fair (6) but do provide ammunition for the continuation of inter-regional rivalry and battles.

The New Towns were seen as important in the competition to attract foreign investment. New Towns in Britain do possess many attributes which may give them competitive advantages. They often possess a great deal of expertise in industrial development and its attraction. They can often offer factories virtually "off the peg" and are renowned for the speed at which they offer complete packages to industrialists. One officer in a large District Council said that whilst it took three weeks for their bureaucratic machine to deliver an offer after an enquiry the nearest New Town could achieve the same thing in two days.

The New Towns have been threatened by their own success, the argument often being put that their success comes only at the expense of the inner cities. It is true that there may be good reasons for channelling resources to the inner cities but it is unlikely that slowing down growth areas to do this necessarily means concomitant improvement in the depressed areas. Nevertheless, many respondents did see the growth of one as at the expense of the other. It is not irrational, however, to see

the New Towns as major competitors in attracting foreign investment. Many of the findings in Chapters 4 and 5 have shown the high level of involvement of New Towns in attracting foreign investment and a glance at the figures showing where foreign firms are located in Britain (Tables 2.16 - 2.19) clearly demonstrates the success of New Towns in attracting foreign investment. Although all bodies seemed to put great emphasis on attracting foreign investment, not least for the kudos element the New Towns seem particularly keen:

"While all good incoming industry and commerce is welcome, it is fair to say that the overseas companies are considered as the jewels in the development corporations' crowns, and the readiness with which they have been absorbed into local communities is an added source of pride." (7).

The Districts and Counties were seen to be the least important in the overall competition to attract investment. Districts were seen as more relevant in the competition, because they often own sites and buildings which is often not the case for Counties.

The fact that respondents, with an occasional exception, accepted the term competition does point towards their recognition of a competitive framework be it healthy or not. Competition is inevitably high given the associated prestige of foreign investment and the attractiveness of possible "at a stroke" solutions to employment problems.

Inter-local and inter-regional competition is inevitable. Actors representing a delimited spatial area are inevitably competitive. Local Authorities given their ambitious local and structure plans and given a part to play in government industrial strategies (as outlined in government circulars) are inexorably drawn into the competitive arena. Local politicians and officials can be just as keen to attract investment as counterparts at the national level.

Making an economic analogy, at the regional level an oligopoly, which has been described as "almost a synonym for cut-throat competition", (8) is evident. At the local level the system is one of almost perfect competition; influence by each actor is negligible unless the local actor



is one desperately needing to attract new industry as may be seen in many large metropolitan areas or New Towns which claim special circumstances for greater involvement than is the norm. Witness to the large number involved is that nearly a hundred Local Authorities submitted plans and sites for INMOS, the NEB's microprocessor facilities (9). Submissions varied but Tyne and Wear, for instance, were offering eight sites and a combination of government assistance and local assistance under the Tyne and Wear Act, 1976, that could have amounted to about £9 million, or about 30% of the setting up costs.

It would seem that the very existence of a multiplicity of agencies and bodies is necessarily linked with competition. Peterlee's copyrighted system for estimating assistance available using a portable computer terminal known as "Competer" was commented on as most aptly named by one correspondent. Most respondents recognised the existence of competition as shown by the results in Table 6.1. Whilst interviewees in Development Agencies and development associations were apt to ignore lower level competition or treat it as an annoyance hopefully overcome with the magical ingredient of "co-ordination" few of the respondents in the Local Authorities and New Towns felt the situation was so under control.

Some respondents, put forward interesting views. One from a New Town was commenting on the feeble attempts to attract investment by other bodies when he said that although on one level the existence of others meant that all the actors were competitors, in actuality efforts by most were so weak and dilute that there was no significant competition in evidence. Another New Town respondent re-emphasised this and also set out the different levels where competition could impact:

"Competition varies. You can virtually ignore the Counties down - but this depends on the imminence of the project. The nearer the project the more the competition becomes at a lower level. The progress is U.K. v Europe, U.K. regions v each other and then on to those offering sites in each region."

In summary, the majority of those involved in attracting

foreign investment accept competition, and suggest that it is possibly wasteful. Forsyth concludes his investigation on U.S. investment in Scotland with a warning that competition could be wasteful:

"Whilst it is certainly true that competition from other European countries should be met, it is important that resources are not wasted in this process by one British region's bidding against one another." (10).

To return to the "playing off" issue again, just as a question was asked about states being played off one against the other, the question was put whether it was felt this occurred between agencies and authorities within the U.K. The belief that foreign firms did play agencies and authorities off one against the other to gain better deals was common. Seventy-two per cent (89, N = 125) of respondents in the Local Authorities and New Towns said foreign firms did play off agencies and authorities and only 7% (8, N = 125) said this was not the case, (the rest being "Don't know"). These results are only slightly different from the views expressed on the degree to which foreign companies play off states. Slightly more felt there was less playing off of agencies and authorities than of states. The views of respondents from Development Agencies and development associations were divided but all the civil servants questioned said that playing off within Britain could not occur as everyone could only offer the same. The civil servants were reflecting nothing more than their view that on the basis of regional assistance firms could only be offered the same levels of assistance according to the status of the Assisted Area concerned and any other financial incentives were only possible within strictly limited parameters. One civil servant put it this way:

"What is available is firmly controlled by London. Competition is prevented. For example, the rent free period, the government set down a maximum so this is a maximum for all authorities and there can be no stepping out of line."

Amongst the respondents from Local Authorities and New Towns



there was an undercurrent of suspicion. One officer in a Local Authority said:

"I'm very suspicious. These companies will play off after maximum grants. Any organisation will get the best bargain it can. We aren't able to compete in this game. You're never party to who offers what and why. Firms go around and get what they can. You never know why they're being offered more elsewhere."

Respondents in the Local Authorities and New Towns often referred to firms or their agents hopping around looking for the best deal. This inevitably occurs in a thorough search and giving the impression of having better offers elsewhere is probably used as a tool whether or not such offers exist.

On balance, it appears that suspicions about the existence of surreptitious activities are not founded. Differences in financial assistance, beyond that available under Regional Policy, are possible depending on preparedness to make maximum use of the possibilities for financial assistance within the bounds of laid down limitations. But even here despite limitations contained in Acts of Parliament and so on, one Local Authority respondent who was cognizant of a whole range of financial possibilities was led to comment:

"Authorities can give extra money. I'm often unaware where they get the money from. They play around with government circulars. I get them and can't see where the incentives are coming from. There is a greater flexibility than there at first seems to be."

Suspicion, if not necessarily the actuality is evident. All parties seem to suspect others of producing "magic money" and the very existence of the term in government circles suggest that such does exist if needed.

In the last chapter it was suggested that scope for competition, although it could be based on the willingness of authorities to maximise their limited financial incentives, was shifted to the level of the ability to make physical provision for the firm and willingness to accommodate the firm's wishes. If any playing off is possible then this is where there is some scope for its occurrence. For instance, the Development

Agencies and many New Towns tend to be in the advantageous position of being able to offer readily available factories and packages. Their scale of operation provides them with added flexibility.

In Britain many factor inputs do not vary spatially but it is factor costs that interest firms. Firms are less concerned with actors competing amongst themselves in order to present the best amenities and environment than with costs such as rents, rates and utilities (as we see in the next chapter). The job of anyone marketing an area is to provide information on these costs and this is where there becomes a need for an individual to explain and guide firms through data which may be of interest to them. Although professional location assistance was only mentioned as an important factor to the foreign firm wishing to invest by 25% of respondents (N = 113, see Table 5.2) the way in which the potential investor was dealt with did appear to offer scope for competition. The views of three respondents bear this out:

"Pulling cords is the competitive level - on planning permission, key worker housing and general red tape cutting."

"Financial incentives are all the same so competition goes into willingness to bend over backwards, cut the red tape and bend the rules. The attitude of Local Authority officers matters, they need to take a positive attitude with a make things happen approach."

"Foreign companies in particular are concerned about stringency and regulations. If we say 'O.K. we'll fix up the meetings for you' with planning, the water and fire authorities and so on regulatory things then become low hurdles not giant oak doors. This is where we can help and have the edge over others. You must overcome the impression of difficulties. Flexibility is the key."

Limited scope for competition does exist particularly at the level of the attitude of the Local Authority. This competition is probably more important to the foreign firm if it is unfamiliar to Britain but competition is just as evident in the game of



trying to attract mobile British firms. The bodies may be providing a service to the foreign firm and so competition is useful in assisting in the all important location decision. Whether there are too many bodies to do this and do it usefully must be considered as we move on to examine the issue of duplication.

On taking up his position as Secretary of State for Industry in 1979 Sir Keith Joseph was keen to show his concern with the possible harmfulness and wastefulness of competition leading to unnecessary duplication in attracting foreign investment. Amongst his list of necessary reading for those concerned in his department were some articles relating to these issues. For example, one article entitled "U.K. regions at War" (11) was a serious indictment on the rivalry and confusion within Britain which led to losing potential investors. Later, Sir Keith also expressed his concern about the need to limit competition by making changes in Regional Policy (12). Cyril Silver, the Director of the IBB had gained high level sympathy with his view that there were problems with the existing framework and that this led to unnecessary duplication of effort in attracting foreign investment to Britain (13).

A competitive framework does appear to exist. The plethora of advertisements in the field are a manifestation of this. Things are made worse by the secrecy and confidentiality that is so pervasive. The bodies concerned are troubled by plagiarism and are fearful of passing on information on precious investors who may be torn from their grasp. The situation regarding inward investment may not be as bad as it seems. The frenzied activity of development bodies within Britain is less intense in the overseas context as was shown in the last two chapters but nevertheless the situation is thought of as detrimentally competitive and duplicative by so many that it is not easy to talk of the framework in any other terms.

In summary, it can be said that the array of actors often fight in direct, if not explicit, competition for what development is available. A competitive framework appears evident both objectively and as based upon the views of respondents. The next step after attaining the view is to move on to see how far

respondents go along with the view of there being unnecessary duplication of effort in the attraction of foreign investment and, how far the degree to which this, if existent, appears to be of negative value.

Clearly, Sir Keith Joseph came to power with the intention of reducing what he saw as wastefulness in many areas including that of industrial promotion. The sheer number of organisations involved in this activity, as shown earlier, indicates that a revision of the framework may be necessary. The problems to be encountered in attempting to alter the situation are manifold. It is inevitable that each area will be forced into competition as each has its own axe to grind. It follows that as each operates with a considerable degree of independence, effort will be duplicated. With such inevitability this system could be changed by establishing central direction of activities but this would seem too naive a solution in terms of political acceptability. Alternatively, and as the IBB has tried to do, central guidance can seek to reduce the most disruptive forms of duplication and confusion arising from such a system by achieving higher degrees of co-ordination when possible.

Eighty-four per cent (27, N = 32) of respondents in Local Authorities and Development Corporations (as well as practically all respondents in other interviews) felt there was too much unnecessary duplication of effort in attracting firms from overseas and that the framework could be confusing. Paradoxically, however, the respondents generally did not want to accept any imposed reduction of their efforts or of their ability to pursue industrial and promotional policies. In general, most respondents accepted both the existence of competition and of duplication but the latter was rarely seen as raising problems.

The degree to which duplication and co-ordination to avoid it is evident in the four Standard Regions most involved in industrial development (Scotland, Wales, the North West, and Northern) was examined both to allow comparison and to ascertain the utility of techniques for overcoming problems of duplication.

### Scotland

The Scottish bodies were generally the most active in



attracting foreign investment in all the regions concerned. Views about the competence of the regional framework in Scotland to attract foreign investment varied, although in Scotland the lowest proportion of individuals believing there to be unnecessary duplication of effort was recorded. In other regions where belief in excessive duplication was much stronger there was only an occasional voice dissenting from this view.

In general the organisations representing the whole of Scotland tended to hold the opinion that the present situation was generally effective, efficient, and successful but, the more local the body the more that doubts were expressed. Within the various government departments with responsibility for industrial promotion and within the SDA the general consensus was that in recent years, especially in the late 1970's, and since the establishment and development of the SDA, wasteful fragmentation of effort had been reduced. The view was that fragmentation used to be a severe problem in Scotland but now the SEPD had gained a firm control of authorities who were now watched over and prevented from doing things such as making overseas visits without express permission. In the SDA a similar picture was painted. The SDA tend to view the framework as well co-ordinated and genuinely co-operative. They use the example of their visits overseas, when they take along representatives from the Scottish Regions, to show success in co-ordination.

Since its inception the SDA has gradually been carving out its position as principal promoter. The Scottish Council (Development and Industry) has virtually handed over the task of promotion except for some administrative functions. The SDA has come to see itself as "the key to Scotland's industrial front door" (14). It has regarded a key element of its marketing strategy as "to provide a unified 'single-door' approach to U.K. and overseas companies and to avoid the fragmentation of effort and confusion caused by Local Authorities and New Towns conducting their own campaigns" (15). This differs from the situation in other regions where the New Towns are often considered as best left to their own devices; mainly because they

are seen to be good at their jobs and because interference would bring resistance. Respondents in New Towns in all regions often mentioned that they would resist any interference, and this was no less the case in Scotland where, despite the SDA's aspirations, the New Towns appeared to desire only a minimum of co-ordination. One respondent in a Scottish New Town said:

"They (the SDA) asked us for information on our sites, plans etc., for their computers, but we would not give them. Once they had that they would start taking over and directing us. We're more experienced and professional than the SDA. They've a long way to go to catch up."

Despite doubts about their own opinion of their success and ability at least the SDA has firmly grasped the need to overcome problems of duplication and fragmentation.

At the other end of the scale "the fragments", that is, the Local Authorities and Development Corporations themselves, are less convinced that duplicatory problems have been overcome. A couple of respondents proffered open hostility towards the SDA but the majority appeared willing to go along with the SDA's efforts at reducing, or at least better co-ordinating, the actors. Many of the smaller Scottish authorities accepted the existence of too much duplication and the need to overcome it by a transfer of the task of industrial promotion to the SDA (16). Consequently the authorities had moved towards a lobbying function vis a vis the SDA. One Chief Executive of such an Authority put it this way:

"In view of the fact that there is operating in the district a multiplicity of agencies with a development role (HIDB, SDA, Regions, Scottish Council (Development and Industry)), the District Council decided some time ago to be cast mainly in an influencing role only and to that end our efforts are concentrated on lobbying other agencies and providing the necessary statistical data in support of our claims."

Despite the acceptance of the situation by some authorities



many Local Authorities resent the usurpation of their role in promoting and assisting industry (17). Much of the dissatisfaction surrounds the fact that functions are being eroded by non-elected bodies such as the SDA. Such arguments are inevitable but may be possibly outweighed by the benefits of simplification and co-ordination. Despite the strides made so far, unfavourable criticism is still possible in that although external promotion may appear more co-ordinated, the interested firm would still have to deal with a large number of bodies in order to set up a plant. Not only would local layers of government be involved but also a large number of government departments would participate. One company, the Glasgow-based "Planning Exchange" provides a manual to simplify the framework which they claim to involve no less than twenty five government departments and agencies just in the area of administering financial assistance for economic development (18).

### Wales

In Wales problems with duplication of effort were also evident. Just as in Scotland the Development Agency in Wales has attempted to reduce duplication and concomitant inefficiency. The Development Corporation for Wales has been bolstered by WDA funding to enable it to act as the central promotional agency overseas.

Granville Davies, the DCW's publicity manager is convinced of the benefits of a co-ordinated approach in Wales: "We can have every organisation involved around a table within an hour where inward investment is concerned." (19). This boast, although little more than an indication that the relevant organisations are concentrated in the Cardiff area, may be a partial reason why the framework is less well co-ordinated than it may at first seem in that there is, and will be, a tendency for distance decay in the opinion held about the adequacy of co-ordination the further one travels from Cardiff. Davies admits the task is difficult: "We have tried to convince the local authorities of the need to have a corporate body to do promotional work overseas otherwise you have a fragmented effort, which can cause chaos and confusion." (20).

From its inception the WDA, like the SDA has tried to forge itself in a central co-ordinating role. An editorial in the WDA newspaper Wales Ahead commented that "flying visits by small local groups - starting from cold and ill equipped to supply the detailed information on which foreign industrialists base decisions - do little but cause irritation and confusion among the people they are designed to interest." (21).

The issue of duplication in Wales was rekindled when the 1979 Select Committee on Employment's Report stated there were too many involved in industrial promotion in Wales. The Report failed to go into depth or make any suggestions, and on reflection it seems that similar things could have been said regarding any region in the U.K., although one respondent felt that the situation in Wales was so bad that the problems could be called "a Welsh disease". The feeling amongst respondents was that references to problems have to be treated sceptically as they fail to enter into detail. This is true, but such statements are important in that they do often bring about action and can provide ammunition for those in favour of centralisation or streamlining.

Within the U.K. itself Welsh Local Authorities are probably amongst the most active in the field of industrial promotion, but for overseas work there has been an increasing acceptance that a central body, the DCW, is a better face to present. Many of the Local Authorities in Wales have been far more active in the past than they are at present. Their increased reliance on central bodies for this has not been solely because of persuasion but has also come about as a result of the escalating costs of attracting the increasingly hard to come by foreign company. The successful persuasion of some Local Authorities to pull out of overseas promotion in order to leave it to the DCW and WDA was apparent. Some Authorities felt that they benefitted from formally moving out of overseas promotion to leave this to central agencies in that they were subsequently treated preferentially by the central bodies. This factor appeared to be recognised by both those Local Authorities benefitting and those losing out as a consequence. The use of preferential



treatment as a reward is, of course, denied by central bodies although such seems a possible technique for persuading authorities to pull out of the overseas promotional forum.

Accusations of preferentiality are to be expected. In Wales such problems are exacerbated by the existence of a Cardiff-centred, South Wales polarity. The administrators in South Wales seemed to be conscious of the natural advantages of South Wales and did see a need to "favour" North Wales to counter the balance. The activities of Local Authorities in the field of industrial promotion do seem to differ greatly in North and South Wales. Two examples at the extreme show this. Clywd, for instance, has an industrial development department with fourteen employees, whilst South Glamorgan only has one and a half employees working in this field.

In summary, in Wales few Local Authorities continue to direct effort towards overseas firms. Most Authorities accept the role of the DCW in avoiding duplication and most of the others have been persuaded of the merits of having a central body. The basic problem in persuasion is identified by the Director of Resources and Planning at Wrexham Maelor District Council:

"Until such time as specialist organisations like this (The DCW) deliver the goods, I think you will get many local authorities continuing actively to promote their own areas. Obviously they would not want to continue doing this unless they felt it was necessary, because they would prefer to use the money they are spending for other purposes. But authorities feel they have a responsibility towards their own populations." (22)

#### England: The North West

Every respondent, both in Local Authorities and other agencies in the North West felt that there was too much duplication of effort. In Wales and Scotland Development Agencies have statutory obligations as well as a national identity to sell but the North West and other English regions lack such benefits.

The regional development association, NORWIDA, is neither as capable of persuasion nor as able to mount a level of activity comparable to the Development Agencies. Efforts by the Counties

and particularly Merseyside's MERCEDO make co-ordination difficult and duplication is obvious. District Councils are often quite active and Liverpool City District Council, for instance, is not even a member of MERCEDO.

There has been improvement. According to most respondents the creation of wasted and duplicated effort was much worse in the past. Matters had been improving steadily until recently when what was seen as a lack of substantive lead from both government and at regional level had given a new impetus to local activity.

#### England: The North

The North's development association, the NEDC, has often found itself justifying its central place in often over-heated and public debate. It has striven to reduce duplicative activities in the region but has only been partly successful. The NEDC strives to avoid duplication via co-operation and discussion. It attempts to put itself forward as having the necessary expertise. Regular liaison with the County Councils and annual strategy discussions do give the Local Authorities a good deal of involvement which on the face of it should go towards overcoming the problems of duplication. However, disillusionment with the NEDC has at times been evident and faith in it has wavered. Cumbria actually left the NEDC in favour of NORWIDA and Tyne and Wear threatened to leave the NEDC in 1978.

The level of activity of Local Authorities in the North of England varied considerably but with the odd exception belief in unnecessary duplication of effort was strong with intra-regional problems being cited as often as the wider problems of duplication in the U.K. as a whole. One Industrial Development Officer despaired that there was "quite simply, too much duplication of effort in the region degrading the value of activity to zero".

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Overall in the four regions concerned duplication was seen to be a problem both intra-regionally yet even moreso nationally. Judging from the findings outlined in Chapter Four, particularly in relation to spending, advertising and general promotional



activities of authorities and agencies, the case for rationalising a situation of wasteful duplication appears strong. Duplication, however, only becomes a problem when it becomes clear that a reduction in the number of actors or of their areas of activity would lead to greater success overall. A Minister in the Department of Industry may be dismayed by the number of actors on the scene, by the amateurism of many, and by the rife plagiarism, but this is not necessarily the picture received by the inward investor and that is the crucial factor. The crux is that a centralised approach such as practised by the Irish may look more appealing and neat but there is more than one way of landing a foreign company, and the involvement of many agencies, although bureaucratically untidy, may bring political benefits such as allowing local and regional involvement in industrial development issues.

The level at which one can argue about advertising and promotion is similar to the overall question of where and in how many bodies industrial development and promotion activities would optimally be placed. In a situation of competition he who does most promotion, hitting the right targets with the best propositions should make the most inroads into the market share, that is, assuming that these activities can have a bearing upon decision making in firms. A position approaching perfect competition may become more prone to duplicated wastefulness on promotion even if it is well executed but, if benefits accrue to the individual promoter by what seems to be a result of promotion then it will be difficult to stop. Advertising and promotion can always be claimed as wasteful but as Lord Leverhulme is supposed to have originated: "Probably half of every advertising appropriation is wasted but nobody knows which half."

Most respondents claimed that promotion was useful in making achievements over and above those obtainable with no promotional activity. However, many respondents in the Local Authorities and New Towns felt that overseas promotion required such high expenditures and involvement that only larger bodies could afford to be involved sufficiently to have significant impact. One officer in a very active Welsh Local Authority spelt out a view, that was

clearly shared by so many others:

"It is our view that little is achieved by foreign advertising and promotion. Money is wasted and I couldn't recommend my council to allocate funds."

The most important challenge to the present framework is not that of just too many, but too many - too ineffectively.

Problems may be exacerbated by detrimental pestering. "A foreign company need only hint that it is interested in investing in Europe and within days pamphlets and representatives come flooding in." (23). This sort of behaviour can be seen as detrimental and duplicative pestering which is unlikely to be useful to the firm or it can be less harshly criticised as merely a dilute form of bidding for a tender as would be practised normally in industry. The various bodies concerned are simply engaged in marketing and selling and so contacting firms is a necessary part of their job. They are unlikely to opt out of such activity, just because others may be doing the same. "When in doubt we pester" is the way a respondent in a Scottish Local Authority put it.

Whether a firm is being provided with useful information and worthwhile propositions depends on the quality of such provision. Many of the better organised actors would argue that quite often the information received by firms is not useful. Often Local Authorities, in particular, are accused of providing sub-standard information based on inadequate research.

The I.D.A. of Ireland, as a single national agency, is no less involved in the pestering and badgering of firms. Dr. Hanna of the I.D.A.'s electronics division recognises the need to pester, but to do it effectively: "The last thing they (firms) want is to be bothered by the I.D.A. Year in, year out you have to build up a relationship with the decision makers." (24). This type of argument is strong in many of Britain's regional agencies, New Towns and the more competent Local Authorities. There is a clear recognition that the firing off of mail or the sending of a representative to a firm likely to be making a relocation are not the best ways to attract firms. Pestering or badgering has to be avoided yet at the same time contact has



to be substantial in scope, clearly thought out and professionally executed in order to overcome the potential for annoyance.

The IBB would like to take firm control to prevent problems from too many ineffective actors, but it finds itself constrained by political factors such as regional and local claims for self representation. The IBB can provide important witnesses to the difficulties arising from the existing multi-organisational setting. Peter Jay, former British Ambassador to the United States, for instance, claimed that as a result of fragmentation into too many agencies one major investment was nearly lost by pestering which, at one stage, involved four agencies in as many days. (25). Another example of pestering is contained in one of the articles that Sir Keith Joseph recommended to be read by his Department of Industry officials. It said that "It is not unknown for a U.S. company to have a visit from a representative of a regional agency, from a County within that region and from a town within that County - all of them arriving in the same week." (26). The examples, however, are of rare events and with the growth of regional bodies and the IBB such cases are less likely to occur, even with the somewhat limited degree of co-ordination they achieve at present.

Pestering would not be so bad if it were not for the fact that it is the same companies that appear to be subjected to it. Many respondents suggested that they actually avoided these firms, however, and concentrated on others selected usually by careful searches but, occasionally, by stumbling upon them.

The Department of Industry is able to provide a handful of examples of problems resulting from unco-ordinated visits. To counter these examples it can be argued that this is merely a hazard of a system which by virtue of involving many actors may reach more targets than would a single or a handful of actors. The IBB cannot cover all the ground, nor could a single

body. There are so many firms to contact although admittedly few are likely to move. An earlier study points out: "there are eight million business units in the U.S. alone" (27).

One New Town respondent suggested that his Corporation found that "firms are rarely contacted by anyone else, it's all IBB hooch hah. If they go to a place and find three others have been there beforehand they are shocked but it's nothing." Dennis Stevenson, the Chairman of Peterlee and Aycliffe Development Corporations in a speech made in 1979 added his views to the debate: "We have yet to come across an industrialist who has genuinely marked the U.K. down or indeed gone to another country because he has been bothered with a vast number of enquirers. The point often argued that we present a confusing face to ourselves is overstressed."

Feelings run high when there are a number of tiers and a variety of actors all trying to justify and maintain their positions. Fears of being restricted in any sphere of activity are intense when the parish pump predominates. Respondents quite often saw the situation of the preponderance of the parish pump as inevitable. Many stressed that a major or even the main objective of Local Authorities was employment creation and so it would be seen as a desertion of duty not to be seen to be striving to this end. At the regional level these views were reiterated. With such parochial feelings in different areas of the country control from London would not be easy. Giving up the role of attracting foreign investment to a more central or regional organisation was seen as logical by many Local Authority and a few Development Corporation respondents but mistrust in the ability of such organisations and the feeling that a body representing many political mentors could not show favour to all stalls such change. Furthermore, even in a framework where organisation was more central, locals would still possess local information and expertise often so essential in the minutiae of the decision to locate at a specific site.

Co-ordination is certainly the key if the aim is to iron out issues of duplication in a framework where many organisations are accepted as being legitimately involved. The IBB, as the relevant branch of the national sponsoring department has the



most central role in this, and has gradually been making inroads into this field but the difficulties it is up against are considerable. Inter and intra-regional rivalries abound (28) and satisfying everyone is a virtual impossibility. "In Britain region can be pitted against region, town against town and they can all be fighting government departments at the same time. The participants are many, and varied and confusing." (29).

A debate on the line that the IBB takes at the moment and ought to pursue in future with regard to the co-ordination of industrial promotion was re-kindled in 1979 with a short article by Jeremy Howell, Industrial Development Adviser of Warwickshire County Council (30). He was dissatisfied with the way in which all Local Authorities were advised by the IBB not to enter into independent efforts to attract foreign investment. And he was perturbed by the fact that if a Local Authority outside an Assisted Area approached the IBB, help would not be forthcoming even if the motive for approaching the IBB was in an effort to prevent such independent action being disruptive and duplicative. The view Mr. Howell put over was that a great deal of Britain, that is, the non-Assisted Areas, was being undersold abroad, although the wider issues on the pursuance of Regional Policy in its present format underlay the debate.

Partial support for Mr. Howell came from correspondents in other non-Assisted Areas. Norman More, General Manager of Redditch Development Corporation re-iterated the underselling of Britain and the view that the IBB was really only an Invest in Parts of Britain Bureau (21). Douglas Smith (Industrial Adviser, Thamesdown District Council) said that despite the successes of his authority in overseas visits "it was suggested by both the IBB and an official of a certain Consulate in the U.S.A. that visits by teams from non-Assisted Areas such as Swindon were 'embarrassing and a waste of public money'" (32). With Local Authorities wanting to undertake overseas promotional ventures the IBB is caught between the government's Regional Policy with its worthy aim of encouraging growth in areas of greatest need and the desire to persuade investors to come to Britain regardless of location.

The IBB sees itself as the central focus for the investor with the other organisations being important at a later stage. "This means liaising with all the local organisations which are much more familiar than the IBB ever can be with particular services and environmental attractions which they represent." (33). The IBB reluctantly accepts the role of other organisations in Britain seeing local interests as important to them. The co-ordination issue is less important than the IBB's desire that those acting abroad are thorough, consistent and professional. In a situation where the IBB cannot take total control of Britain's activity overseas, largely due to the strength of local interests and the parish pump the atmosphere of antagonism between the IBB and Local Authorities such as Thamesdown ought not to occur but such conflict is inevitable when the IBB aims to reduce independent action and adhere to Regional Policy.

The IBB can only slowly increase co-ordination of effort. It has been uncertain about making compromises such as accepting the view that Scotland has a valuable and exploitable identity overseas (34). Even if some acceptance has been made the Department of Industry still firmly holds the purse strings much to the dismay of the Scots who still feel that foot-dragging in London was responsible for the "loss" of Mostek, the prestigious microelectronics manufacturer, to Ireland in 1979. At this time the multiplicity of organisations involved was up for criticism once again and the Irish I.D.A. was upheld as the perfect model for Britain to ape particularly in order to prevent further difficulties such as the Mostek case. The IBB is certainly nowhere near being such an organisation and with regional and local pressures seems unlikely to progress in that way.

The IBB both itself and via regional Agencies and associations can attempt to encourage co-ordination of activities in terms of overseeing who is doing what, where and when. The IBB has also attempted to ascertain whether it can overcome the inevitable problems of the multiplicity of actors and reduce duplication of activities by instituting an examination of the activities of industrial promotional organisations. To this end in 1979 the Department of Industry appointed management consultants Coopers



and Lybrand to make a review of some of the promotional organisations in England (35). The situation in Scotland and Wales was not considered in this way but by investigations made by Commons Select Committees on Scottish and Welsh Affairs. This separate reviewing of the actors was a criticism made by many of the organisations under scrutiny in England, but the Welsh Report did suggest that a consultant's review similar to that done in England was necessary for Wales (36).

The Coopers and Lybrand study was only a partial overview which omitted Scotland and Wales and the role of Local Authorities, (37) all of which were outside the terms of reference for their investigations. The study was directed mainly at regional organisations (NORWIDA, NEDC, Yorkshire and Humberside Development Association, and the Devon and Cornwall Development Bureau) plus BSC (Industry) Ltd., and three New Towns (Warrington, Peterlee and Washington). The study also assessed Ireland's I.D.A.

The implicit aim of the investigations of activities of the various organisations appears to be to give foundation to altering the existing framework. In the case of the study of English actors the development associations in the regions seem most vulnerable. The timing of the consultant's study was prior to the triennial allocation of funds from government to the development associations and so the report was obviously aimed at providing a basis for making change. However, bias was evident in that the study was only partial in scope and another indicator of the desire to discredit or justify a reduction in funding was that the "selected New Towns" in the study were amongst the most successful particularly in attracting foreign investment.

The consultant's report has not been published and even the organisations under study were only allowed to see that section which pertained to them specifically. The NEDC was probably the most severely criticised of those in the report. The report suggested that the NEDC's overseas promotion work had "not been commensurate with the resources expended" (38). The NEDC was quick to challenge the criticisms claiming that

the consultant's measure of cost-effectiveness was "based upon a formula which cannot withstand close scrutiny and crumbles when contested" (39). Any cost-effectiveness measure used would seem inadequate when comparing a New Town with a regional development association but a measure which apparently showed that the costs per job "created" by the NEDC's activities was ten fold that of a New Town in the area did provide the Department of Industry with ammunition for criticism even if the comparison was not really legitimate. The criticism was expressed by the reduction of the government's budgetary allocations to this and other regional bodies (40).

Undoubtedly the Department of Industry would like to see the regional associations acting more along the lines of, and being as successful as, many New Towns, but the New Towns are fundamentally different in that they have something to sell and can talk terms directly. Alternatively the regional associations could be removed as an alternative to changing them. The IBB could handle the general aspects of policy in Britain passing on firms to regional offices of the Department of Industry and involving Local Authorities at the later stage. Nevertheless, the regional associations exist as a result of the political need to be seen to be devolving industrial development activities to the regions. They cost relatively little and the job they do is beneficial even if they are relatively cost-inefficient in job creation terms (if such can be measured).

The Select Committees investigating Wales and Scotland expressed doubts about the effectiveness of the present framework for attracting foreign firms just as had been the case in England. The Welsh Committee severely criticised the effectiveness of the DCW and were scathing about what the Committee perceived as a failure to assess effectiveness and adopt planned strategies for specific countries or market sectors (41). They concluded that the DCW should be wound up and the WDA should take over the promotional role in a fashion analogous to that in Scotland (42). The Committee agreed with the Secretary of State for Wales that there was no point making change for the sake of it (43) but they were almost



cursory in their dismissal of the DCW, suggesting its demise yet giving no substantial reasons why the WDA would necessarily do a better job. The suspicion is that hares thrown out by a few witnesses, notably CBI Wales, were all too readily chased by the Committee. The Committee was determined to see the demise of the DCW it seemed, even before giving the DCW chance in the review of actors that they proposed (44).

The Select Committee on Scottish Affairs also suggested what it thought to be suitable changes for improving the promotional framework and making it more effective. The rather disappointing Report of the Committee seems to have fallen heavily towards overcoming just one aspect: the vexed issue of the SDA's offices in New York, San Francisco and Brussels. Although it does make recommendations on improved marketing and functional co-ordination its preoccupation was with removing the SDA's offices overseas, which were seen as duplicatory (45). But, in doing this, the Committee were determined not to lose a Scottish voice and so suggested that a number of Scottish staff should be put into both the IBB and into the Consular Offices abroad, the latter being much along the lines of the system operating for Northern Ireland. This approach, whilst looking neat when wearing Scottish blinkers, falls down under examination. First, it has to be accepted that Northern Ireland is a special case for obvious reasons. Second, Scotland is not a special case for her problems cannot be singled out as being significantly different from other parts of Great Britain. Third, and following on from the second, the special treatment of Scotland in this way would lead to demands from many other bodies and parts of Britain for similar treatment. This would prove unworkable. The Committee on Scottish Affairs was obviously persuaded by Department of Industry and Foreign and Commonwealth Office arguments for a compromise in order to overcome a potential proliferation of overseas offices. Nevertheless the Committee would have been better advised to listen to those with a more adventurous marketing bent. The SDA's overseas offices have not been given sufficient airing and the Committee should have at least have given them chance to succeed. Clearly,

if of little use they would be abandoned and the incentive to copy would dissipate. If they succeeded then there is no reason why others should not enter into the same area. If worried that it would not succeed, be duplicatory, and a waste of money the Committee should have said this but should have been prepared to give a fair trial whilst recommending that the approach ought not to be expanded and copied by other bodies. The Committee was over-concerned about overseas offices and appeared to neglect and be almost too easily satisfied by the strides made by the SDA as an umbrella organisation aiming to reduce local competition and duplication (46). Regional bodies may be beneficial for reducing the pressure from Local Authorities to become more involved in industrial development activities to a greater extent than that to which they are at present thus lessening the possibilities for duplication. The very existence of regional bodies may achieve this even before they take on an umbrella or co-ordinating role. The Local Authorities and their activities are not easily "controlled" from the centre. Funding and monitoring Local Authority activities from central government would be difficult and costly. It would mean interfering with the current Rate Support Grant system and furthermore, would require the compromising of the present Conservative government's supposed philosophy of non-interference in Local Authority operations. Any reduction of duplication, it would seem, has to come either via Development Agencies and development associations, both already having had some limited success and, via IBB persuasion and co-ordination.

In overcoming duplication intra-regionally the Development Agencies have been more successful than the development associations in England. This difference is probably more fortuitous than by design although a few reasons as to why Development Agencies have had more success may be offered. The Development Agencies have the advantage of youth, appropriate labelling, and national identities. Development Agencies operate in a wider range of areas and activities such as factory building and financing projects this giving them a higher profile than the development associations in England. The Development Agencies also have closer ties with government departments than to development associations. The backing of the SEPD and the



Welsh Office (Industry) has given the respective Development Agencies greater clout when persuading Local Authorities to establish working relationships based on supplementation rather than duplication. This said, however, even if the impact of the Development Agencies has reduced duplication to some extent, the vast majority of respondents in all regions agreed that there was still too much duplication. The prominence of the parish pump was regarded as inevitable, and to a limited extent desirable. As Hood suggests: "If there were no duplication at any point (at intra, inter or supra organisational level) everyone would be doing work no-one else could understand and therefore evaluate" (47).

Local Authorities and other actors, bearing in mind their parish pump attitude, are unlikely to alter of their own volition activities that they supposedly duplicate. The Local Authorities and other actors being accused of duplication felt that it was the job of those making the criticisms to make alterations but, reducing the duplication is a difficult task for the IBB. Such a task summons up images of the Queen's plight in Alice in Wonderland: "'Off with her head' cried the Queen at the top of her voice. Nobody moved."

The IBB has been able to do less than it would have liked to in order to make the framework more neat because of restraints on what it can do. Political restraints have been discussed and the lack of a clear framework based on superordinate and subordinate roles and responsibilities is a concomitant problem. In such a framework a rationally co-ordinated system based upon directive giving and role definition is not possible. A clear hierarchy of organisations does not exist and competition is engendered by the presence of similar organisations differentiated spatially but without allocated foci for attention. The IBB would like to hold the reins but a directive system gives way to an ad hoc one. An alternative system, one that is co-ordinated perfectly, is not feasible as the objectives of actors are simply in conflict. The mini-debate sparked off by Jeremy Howell, Warwickshire's industrial Development Adviser demonstrated this.

#### 6.1. The Best Framework

This section explores the issue of what respondents felt the best framework ought to be for dealing with foreign investment and

its attraction. It is worthwhile ascertaining their attitudes in that they are based on their grasp of actual difficulties and problems that they perceive rather than on the basis of a simplistic desire to reduce competition and duplication in the name of organisational tidiness. Prior to outlining the normative views of respondents, however, the existing framework is subjected to scrutiny for although the structure appears clear the process by which potential investors are handled and the usual organisational channels through which they pass requires examination.

Respondents in both the interviews and the postal survey were asked the following question: "In general, what is the main route by which foreign companies wishing to set up a plant approach you?" Their answers are summarised in Table 6.3. The importance of regional and national agencies is indicated by the fact that half the respondents in Local Authorities and New Towns considered that the main route by which foreign companies approached them was via regional or national bodies. In the few cases where comment was made on this, the Development Agencies and development associations were considered much less important than regional offices of the Department of Industry and the IBB. However, a sizeable proportion (just under a third) felt that the main route was for foreign firms to come to them direct.

TABLE 6.3 Local Authorities and New Town Development Corporations. Respondents' opinions on the main route by which foreign companies wishing to set up a plant approach them. N = 125 - 11 missing cases = 114.

	No.	%
Comes direct.	36	32
Having been passed on by bodies covering a larger area than your own.	62	50
Having been passed on by bodies covering a smaller area than your own.	0	0
Other.	6	5
Do not know.	10	9



The results of the question on what respondents saw as the main route for foreign companies wishing to set up a plant were crosstabulated by region (see Table 6.4) and by type of authority (see Table 6.5) of the respondent. In the non-Assisted region surveyed, the South East, all respondents said that the main route was for foreign companies to come direct indicating the absence of a regional agency and showing that the passing on of information about interested firms was conducted in keeping with Regional Policy priorities. In the Assisted regions, in terms of the ratio of those seeing the main route as direct to those seeing it as being passed on by bodies covering a larger area, firms approaching direct are most important in the North West, followed by Wales, the North and Scotland in that order. Though conclusions can only be tentative it may be that the strength of regional bodies may have some bearing on these views. On an authority basis, Metropolitan Districts and New Towns are the bodies where at least half of the respondents considered that most foreign firms came direct. In the case of New Towns, with their often vigorous and independent overseas promotional activities, this is not surprising. In the case of the Metropolitan Districts (and also in the non-Metropolitan Districts where over a third of respondents claimed that foreign firms came direct more often than by other routes) the high response to the "come direct" option may hide the fact that in many cases the Districts are dealing with only a handful of firms each year. There is need to be wary of the responses in another sense in that responses were tentative on occasion, and quite often respondents, particularly at District level, were not aware of other bodies being involved even when they were!

TABLE 6.4 Local Authorities and New Town Development Corporations. Respondents' opinion on the main route by which foreign companies wishing to set up a plant approach them, by region.  
N = 125 - 11 missing cases = 114.

	<u>Come direct</u>	<u>Passed on (1)</u>	<u>Other</u>	<u>Do not know</u>
Wales	6	13	1	3
South East	10	0	3	3
Scotland	6	22	0	2
North West	10	13	2	0
Northern	4	14	0	2
Total	36	62	6	10

(1) Having been passed on by bodies covering a larger area than your own.

TABLE 6.5 Local Authorities and New Town Development Corporations. Respondents' opinion on the main route by which foreign companies wishing to set up a plant approach them, by type of authority. N = 125 - 11 missing cases = 114.

	<u>Come direct</u>	<u>Passed on(1)</u>	<u>Other</u>	<u>Do not know</u>
Development Corporation	7	7	0	0
County	3	14	2	0
Non-Metropolitan District	19	36	4	10
Metropolitan District	7	5	0	0
Total	36	62	6	10

(1) Having been passed on by bodies covering a larger area than your own.

A set route for foreign firms does not seem evident from the responses obtained. Firms, in fact, often appear to be going through many routes simultaneously themselves and knowledge of this is not always interchanged between the various organisations involved. A civil servant explained the usual



procedures they have for dealing with the foreign investor:

"The Department of Industry gets information from abroad and then a clearing house system comes into operation. Regional offices are telexed the information and they consider their potential for accommodating the firm. The response is usually rapid and a number of locational possibilities are transmitted. A telexed response is followed by more detailed information packages. The information then goes back to posts abroad before it is transmitted to the company. Often this goes on without anyone outside the Department of Industry and its regional offices knowing. Secrecy is important to firms."

However, quite often the Department of Industry does not appear to be privy to information on potential moves yet it would be difficult for many of the organisations involved in attracting foreign investment not to become aware of potential movers. Secrecy is not always upheld and quite often Development Agencies and development associations, who have contacted the firms in the first instance, work in close co-operation with regional offices of the Department of Industry. Some industrial development units, especially in the New Towns, try to maintain secrecy in relation to government departments but this can only be short-lived as potential movers soon have to become involved with the major provider of finance.

The clearing house system described above is often used by central, regional and county bodies. Such an approach appears fair, even if it is less than optimal. A major complaint is that those responding to a telex saying no more than "Electronics company wants 30,000 square feet" can hardly avoid providing a lot of garbage information as so little is known from such a description to be able to tailor the information, unless the responding agency is one of the more informed bodies and can speculate on or even pinpoint the actual company concerned. The Department of Industry's system is unfair to non-Assisted Areas as there is bias towards the Assisted Areas, thus in the South East we get respondents complaining of their potential being ignored.

In the Development Agencies and development associations the

claim was that most firms came to them direct. The large amount of groundwork being done by these bodies means that they are likely to achieve direct contacts, cultivate them and, if lucky, land the firm. The longer the bodies had been in existence the more this was possible and respondents in the Development Agencies and development associations often talked of very long gestation periods from initial contact to actual establishment of a company.

In Britain then, all manner of routes for firms wishing to set up appear to exist. Once again all appears very untidy when compared to an organisation such as Ireland's I.D.A. The pressure for change of the fragmentary organisational framework would again seem to be prey to "the intelligent man's first naive reaction" (48). Respondents were asked another question in order to test feelings on where the actors in the industrial development game felt that the attraction of foreign investment would best be focused. The results obtained from the Local Authorities and Development Corporations are set out in Table 6.6.

TABLE 6.6 Local Authorities and New Town Development Corporations. Respondents' views about the level at which the attraction of foreign investment should be focused.  
N = 125 - 13 missing values = 112.

	<u>No.</u>	<u>%</u>
More centrally	20	18
More regionally	24	21
More locally - County level	25	22
More locally - District level	10	9
Mixed	22	20
As at present	8	7
Do not know	3	3

No clear guidance as to the most preferable level can be gained from the results set out in Table 6.6. Few (7%, 8, N = 112) Local Authority and New Town respondents think that the present framework for attracting foreign investment is optimal.



20% (22, N = 112) believe that a mixed framework, but different from the present one, should exist. Similar numbers, that is, around twenty per cent advocate approaches that are more centralised (18%) (49), more regionalised (21%) or more localised at the County level (22%). Less (9%) believe that the attraction of foreign investment should be even more locally focused at District level.

When the results set out in Table 6.6 were crosstabulated a few interesting results came out. Feeling for a more central focus was strongest in Scotland (11, 33%, N = 33). In Wales only one respondent (5% N = 22) felt that the focus should be more centralised and here the largest group (6, 27%, N = 22) felt that a mixed system would be most preferable. In the North West a local focus at County level was mentioned most often out of the available options (8, 30%, N = 27). In the Northern Region most opinion favoured a regional focus (6, 32%, N = 19) and least a central or local (District) focus (in both cases 1, 5%, N = 19). In the South East focusing at County level was most favoured (6, 32%, N = 19) and the regional option was not mentioned at all.

The results were also crosstabulated on an agency basis. In the Development Corporations opinion was that the focus should either be more centrally (5, 36%, N = 14) or under a mixed system (6, 43%, N = 14). The preference in the Counties appeared to be towards a more central (6, 30%, N = 20) or more regional approach (4, 20%, N = 20). In the Districts the central and District options were the least favoured (in both cases 9, 10%, N = 86). Respondents in the Districts most favoured County level (23, 27%, N = 86) and regional level (19, 22%, N = 86) foci.

No generalisations can really be made from these crosstabulated results but they should be noted. The differences between Scotland and Wales with the respondents in the former preferring a more central system yet in the latter choosing this least often as a response, is interesting. In the North of England where the NEDC appears to have the most torrid of times of the regional organisations vis a vis localised bodies it is worthy of note that most in this region felt that the best focus would be

regionally. This was different from the North West and South East where the most frequent response was for a County level focus. A Local Authority focus, but not at the District level, was favoured in these two regions. The lesser degree of regional identity but desire for a semblance of local action can be posited tentatively as reasons for this. On an agency basis most opinion appears to veer towards the best focus being at spatial tiers above that from which respondents came. Thus respondents in Districts tend to favour a County focus and in the Counties they appear to favour regional or central foci. The Development Corporation respondents differed from this favouring either a more central or a mixed approach. This is probably a reflection of the more holistic views held by the generally more professional individuals in the New Towns.

To most respondents in all of the agencies studied a mixed central and local approach was seen as having potential in alleviating or eliminating problems arising from one or other extreme. Consequently, conflict and the difficulties of co-ordination were uppermost amongst opinions on the difficulty of achieving change.

Respondents evaluated the best focus on the basis of their own rudimentary judgement of costs and benefits. Few were considering the situation in terms of cost effectiveness but most were thinking along the lines of the best focus in terms of political desires within the complexity of central-local relations. The structural relations and the allocation of areas of activity for the relevant bodies appeared to cause most concern.

Only a few, and then only Local Authority respondents, felt that a more local approach would be the best focus for attracting foreign firms. Many of these were firm believers in the hope that revivification of Britain's economy would come by local initiative and independent efforts. Characteristically they saw themselves as intimate with core problems and this allowed them to understand needs and set realistic objectives. Larger bodies they considered too distant from grass root problems and biased in objectives. They felt that localising the response to problems would be more likely to lead to solutions.

Amongst those believing in more local action and autonomy



views differed as to whether Districts or Counties should be the most active in attracting investment. Those individuals who always believed in devolving to the "sharp end" of action inevitably saw the District as most important. For these respondents Counties had too general a role. Fears of wasteful duplication were exceptional for these respondents, some of whom clearly considered that competition and duplication were preferable in an activity considered to be based fundamentally on competition. A local focus would not be without inter-organisational problems. The two tiers of local government are just as susceptible to problems of poor co-ordination and detrimental competition as the other organisations in the industrial development arena.

Those who felt a more local focus was necessary but that the attraction of foreign investment was too large a subject for Districts to handle wanted a County level focus with Districts backing them up with information provision. This sort of view is a localised version of regions wanting Counties backing them up and, at another level regions supporting a central government organisation. The philosophy differs. The aim of a localised approach is to overcome the alienation at being distanced from decision making. Central or regional activities when seen as too distant and failing to produce solutions are seen as a lost cause.

Other respondents were of the opinion that regionalising or centralising the attraction of foreign investment would lead to a more professional job being done in a more profitable and less confusing manner. The desire for local activity ebbs and flows largely in relation to how well Local Authorities perceive themselves to be benefitting from the existing framework. Another important variable conditioning opinion on the best framework is the success Local Authorities have had in their activities. Foreign investments are rare occurrences for an individual Authority and hence many feel that they would be wasting their time seeking out foreign firms and so they elect to concentrate their industrial policies on the attraction of indigenous firms and assisting existing firms.

A common preface to statements made regarding the best focus

stressed that all depended on how well Local Authorities conducted themselves. Local activity could pay dividends. Some of the New Towns have been especially successful. Some Local Authorities have failed miserably and are consequently supportive of more centralised arrangements for the attraction of foreign firms. This by no means indicates that Local Authorities are abrogating responsibilities. They are merely accepting what they see as a more efficient method of attracting foreign investment. The regional and central bodies need to bear this in mind for Local Authorities want firms and want involvement in their attraction. The problem for the regional and central bodies becomes not so much one of achieving co-ordination but of tapping local enthusiasm and not stifling it. One Industrial Development Officer in a Local Authority saw this as best achieved by a single central body attracting foreign investment with local involvement only at a later stage:

"I am convinced that the idea of Local Authorities advertising abroad and sending delegations and so on are on the whole counter-productive. The IBB should be sole promoter. That is the way it should be - the British representatives overseas should pinpoint potential investors in Britain and then national government agencies should descend on those investors. Only when over here should Local Authorities be involved except by chance projects or contacts."

Another re-asserted this view:

"Promotion for inward investment from abroad is for central government alone but Local Authorities are the logical and only body capable of backing up central government when the available choices have been short listed. Regional bodies should not get involved and Local Authorities should not send anything but promotional literature abroad to encourage, from scratch, investment in their area and only if they have something uncommonly attractive to offer. They might send a person with local information if requested by central government for a particular project."

Just as with advocates of a more localised approach the



common belief was that a more centralised approach would be optimal if the existing framework was improved (50). Arguments against a more centralised approach were common and often based on the drawbacks evident in present activities. Some criticisms were fundamental and suggested that centralised activity would have to be based on radically different types of organisations and structures than those at present. As one New Town officer put it:

"Marketing is not a function for which central government is suited... Apparent advantages in financial terms of pooling resources for national or regional promotions are more than offset by the considerations which preclude such promotions from featuring any constituent part of the country or region. As a result promotions at those levels lack point - concepts are promoted not specific investment opportunities."

Another New Town respondent was also doubtful about the present approach by the Department of Industry:

"I'm not sure of the quality of the presentation put forward. I always try and formulate an approach based on good economic reasons. They're not sentimentalists in industry. So often I am at odds with those selling to industry as they would a tourist resort."

The centralised approach is criticised as too distanced from selling goods but, then again, if marketing a name is important then keeping the name of Britain in the mind of the foreign industrialist may be beneficial. Criticism about centralisation then, is based on the unsuitability of a government department for the task. Government departments have to be "fair" to all, have to apply government policies which steers industry to the Assisted Areas and may be possibly be criticised as too distanced from problems.

A mixed system of some sort would seem a way of overcoming conflicting views of localisation and concentration. Unfortunately it is not necessarily likely that the best elements of each approach would be involved and co-ordinated in a manner minimising

overlap. With the present framework duplicative waste is exacerbated by each actor acting with a high degree of autonomy. Nevertheless, because many actors want to be involved and not curtailed it is inevitable that many respondents in Local Authorities, New Towns and other bodies suggested that the best framework would be a mixed one with central, regional and local actors working together with a high degree of co-ordination. The relationship between actors would ideally be complementary and mutually reinforcing with vertical control preventing duplication but allowing interdependence.

An ideal situation satisfying all and without waste cannot exist. Co-ordination or acceptance of roles is extremely difficult to achieve. A senior civil servant painted the picture as he saw it:

"There are so many problems with co-ordination. I have seen dissatisfaction, suspicion and antagonism. I recently had a discussion with the Secretary of State to discuss the issue of duplication but it wasn't fruitful. Everyone has their own axe to grind and they fear we steer too much, but that is not our role. The criteria must be giving industry what it wants in the first place, then attempting to steer it to areas of most need and suitability, that is high unemployment plus suitable men to do the job. The talks reached no conclusion but revealed the passing of information as a problem. Local Authorities don't inform us - they know we have different priorities to their parochial ones and so we may pass firms on to what we see as more suitable areas and sites. We asked Local Authorities to pass on information to us. They said only if you pass it on to us. We won't. We don't want an affray after companies so that plan was shelved. Suspicion and antagonism are inevitable and we haven't got the manpower to liaise."

Such a statement indicates why a mixed framework, whilst satisfying many by giving them a say, is difficult to achieve. No easy answers are forthcoming. Perhaps the best approach is to continue to strive towards increasing efficiency within the present framework. Central and regional actors have to show their worth in order to persuade local actors to pull out. The local actors are constrained from doing so for they need to be at least seen to be striving for local developmental goals but they also aim to reduce costs which is an incentive to leave it to others.



To see how well regional bodies and the IBB were being perceived and to ascertain reasons for views on the best focus the Local Authority and New Town respondents (in the postal questionnaire only) were asked to say how satisfied they were with these agencies. The results are shown in Table 6.7 and 6.8.

TABLE 6.7 Local Authorities and New Town Development Corporations. Respondents' satisfaction with regional bodies by region. N = 93 - 16 missing cases = 77.

	<u>Dissatisfied</u>		<u>Neither dissatisfied nor satisfied</u>		<u>Satisfied</u>	
	No.	%	No.	%	No.	%
Wales	5	29	1	6	11	65
Scotland	8	29	6	21	14	50
North West	9	47	1	5	9	48
North	7	54	4	31	2	15

Greatest satisfaction was shown by Welsh respondents. One Local Authority officer in Wales expressed this clearly whilst stating an inevitable problem in answering this type of question:

"We are entirely happy that we share a close and valued relationship with the DCW but no authority with the employment problem faced by this area can ever describe itself as being 'satisfied'."

Half the Scottish respondents (14, N = 28) were satisfied with the SDA in promoting the region and attracting foreign investment, and, only just over a quarter (8, 29%, N = 28) were definitely dissatisfied. It is in the areas covered by development associations rather than Development Agencies where dissatisfaction was greatest. Development associations, of course, have less capabilities than the Agencies in Scotland and Wales, but bearing this in mind, it is significant that about half the respondents in the North West (9, 47%, N = 19) and Northern (7, 54%, N = 13) regions were dissatisfied. The picture differs in the two regions regarding satisfaction. In the North West region the same number are satisfied as are dissatisfied. In the North, however, only two (15%, N = 13)

were satisfied with the activities of the NEDC.

The NEDC is very active in overseas missions, is very publicity conscious and often engages in open argument with the Local Authorities it is meant to represent. The dissatisfaction with the NEDC was less focused on a poor record, existent or not, than on media induced and often NEDC induced publicity. The NEDC was subject to much adverse comment during interviews conducted in the North of England. The "loss" of Hitachi was laid at the door of the NEDC by a number of officers who claimed that the NEDC was too keen to publicise Hitachi's interest in the area giving British manufacturers the time to stop the establishment of the company. The style of the NEDC and, in particular, its Director in aiming for publicity and acclaim was subject to much criticism. The lower profile of NORWIDA seemed more preferable. At least the Local Authorities and New Towns were left more free to "blow their own trumpets" in the North West.

If the IBB aims to win support and hence induce other authorities to get out of the business of overseas promotion then the opinions of Local Authority and New Town officers as to their satisfaction with the agency are discouraging (see Table 6.8). Only 5% of respondents (5, N = 91) said they were satisfied with the activities of the IBB. Most respondents answered with "Don't know" responses and some added that they did not even know what the IBB did. Others, admittedly mainly in the South East, gave a sad testament to the IBB by claiming that they did not even know of the IBB's existence! A few respondents' comments about the IBB were revealing:

"Though I should know - I've simply no idea how it operates."

"I'm just not aware of its activities. There is a failure to communicate."

"The IBB. We believed when they set up that they would do their overseas thing well. We believed them and abided by their recommendations, unlike most other New Towns, but now we know better."

"The IBB don't approve of organisations such as this but they're not doing a good job so we have to go out



and sell. They're too unprofessional, and have the handicap of being career civil servants."

TABLE 6.8 Local Authorities and New Town Development Corporations. Respondents' satisfaction with the IBB by region. N = 93 - 2 missing cases. = 91.

	<u>Dissatisfied</u>		<u>Neither satisfied nor dissatisfied</u>		<u>Satisfied</u>		<u>Don't know</u>	
	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>	<u>No.</u>	<u>%</u>
Wales	2	11	0	0	2	12	13	77
South East	1	8	4	31	0	0	8	62
Scotland	8	29	4	14	1	4	15	54
North West	7	37	4	21	1	5	7	37
North	6	39	0	0	1	7	7	50

The IBB is subject to a great deal of adverse criticism by other agencies in the industrial development sector. The offering of suggestions for alternative modus operandi for the IBB to adopt are therefore common (51). Bolstering its activities is sometimes proposed. At present it has only forty three members of staff in London and it has to rely on Consular staff (selected by the Foreign Office, not the IBB) for much of the overseas activities. Its offices in London are in a small, insignificant section of a building mainly occupied by the National Research Development Council. And, most significantly, its involvement in attracting firms is only minimal. An IBB Officer stated that "Few of the hundred or so foreign companies set up last year were dealt with by the IBB."

Criticisms of the actors concerned with promotions abounds. The IBB is criticised but it should not be forgotten that it has been provided with plenty of ammunition to retort to its critics in the form of the findings of the Select Committee and consultancy reports discussed earlier in the chapter.

Opinion on what constitutes the best framework varies. The adage "where you stand depends upon where you sit" appears more or less true, but many, especially in the Local Authorities,

felt that changes should be made in order to improve the framework but that these changes should not necessarily bolster their own position in the attraction of foreign investment so long as changes improved Britain's overall efforts and achievements. There is no consensus as to which organisational level(s) would provide the best focus for attracting foreign investment. Judgements, when made, are always open to dispute, particularly when cost effectiveness measures or success comparisons are so problematic as like is often not being compared with like. Often the bodies concerned cannot be certain of what contributions they are making in efforts shared by a number of bodies. If anything conclusions as to what organisational framework would best serve Britain in the attraction of foreign investment are not reached by economic-type cost-benefit analyses but by making an in-depth analysis of the framework and the issues. Unfortunately, even if done by the most objective of observers, conclusions reached are open to all manner of counter arguments. Nevertheless, it would be a derogation of what has popularly come to be regarded as analyst's duty of making normative suggestions. In order to prevent confusion with the results being reported here and the comments made thereon, overall conclusions and suggestions are not made until the last chapter.

## 6.2 Improving the Situation

This section reports the views of respondents on how they considered that Britain's effort to attract foreign investment could be best improved. Overlap with the preceding section is inevitable for many respondents thought that most improvements could be made by having a better organisational framework.

Table 6.9 sets out the results from respondents in the Local Authorities and New Towns on where they felt most improvements could be made in the aim of attracting foreign investment. Clearly, better promotion (in which most respondents included a better organisational framework) was considered important most often. This was also the case when these results were crosstabulated by type of authority and by region, except in the case of Wales where only 30% (6, N = 20) felt better promotion to be important with most (40%, 8, N = 20) favouring



better incentives (52). This may be explained by the importance attached to financial incentives for Wales, with much of Wales benefitting from being the Assisted Area nearest to the relatively prosperous markets of Southern England.

TABLE 6.9 Local Authorities and New Town Development Corporations. Respondents' views on where most improvements could be made in Britain's overall efforts to attract foreign investment.  
N = 125 - 6 missing cases = 119.

	<u>No.</u>	<u>%</u>
Better promotion	55	46
Better provision of facilities	13	11
Better incentives	26	22
Other	11	9
Do not know	14	12

Respondents from the New Towns and Local Authorities had both severe criticisms and constructive comments to make on the overall framework and techniques employed to attract foreign firms. Much was naive and showed an inability to perceive wider perspectives but, nevertheless, much was worthy of attention not least because these respondents are policy implementors that are rarely consulted. From amongst the indictments flung out at regional and national bodies a desire for improved promotion based on organisational framework modifications and methods was evident.

In the active New Towns respondents advocated the need to adopt marketing methods and fundamentally streamline regional and national bodies. They, however, still saw the need for local units that could help the firm through all stages of a development. A two tier approach was that generally favoured, probably because a one tier approach in a centralised body would inevitably mean the demise of the respondents' own organisation. Nevertheless, the I.D.A. was unceasingly mentioned as the model to copy even though this is effectively a single tier body.

The glaring success of the I.D.A. of Ireland (see Table 6.2)

is ever likely to be seen as worthy of copying. It is involved in the whole programme of industrial development:

"The I.D.A.'s streamlined service covers all aspects of setting up a manufacturing or service project. We handle the government's system of substantial tax concessions and cash grants. We take care of all negotiations and arrangements on behalf of an incoming company: financing, site, building, work force recruitment and training. We also operate a comprehensive after care service geared to help each project reach its production targets on schedule." (53).

Ireland's "one-door" approach was praised by many as beneficial in overcoming duplication and in simplifying things for the potential investor. Not least important is the ability of the I.D.A. to quote definite figures regarding incentives, something which the development organisations in Britain are incapable of doing. One Local Authority officer summarised much of the thinking:

"From my experience this year of two promotions in the U.S.A., I am of the opinion that Britain presents a very fragmented image abroad, knocking on the same doors, and there is no doubt we have been taught a sharp lesson by the I.D.A.'s one door approach. Would be investors can talk to one body which represents the whole of Ireland and decisions can be made on the spot."

Much of the praise of the I.D.A. was intended to show that there ought to be either a single similar organisation for Britain or, at least, Development Agencies on the I.D.A. model for the major problem regions. Some supported the view that the IBB ought to be radically changed (as was seen in the previous section) to being along the lines of the I.D.A. Others felt that the methods employed by the I.D.A. should be copied and that the organisational level at which this should be pitched was irrelevant.

A few words of caution seem necessary. The translocation of an I.D.A. like approach to the British context, particularly if contained in a single national body would be extremely difficult. Ireland is in a somewhat different circumstance. First, it is a small state of about three million people that is undergoing industrialisation. Perhaps more important,



local and regional pressures are not so great as in the much larger Great Britain. In Britain there is no escape from a multiplicity of organisations and demands where the problems of reconciling conflicting interests are great. Irish techniques could be copied or translated for use in Britain by the many agencies involved, but this would not alter the fact of many actors being involved.

Returning to views on making improvements to the overall framework, "better promotion" was not the only way in which respondents felt improvements could be made. Incentives, though often thought to be of dubious benefit, were mentioned as an area for improvement next most often to the need for better promotion. By "better incentives" few necessarily felt that the overall amount of incentive needed to be increased. The E.E.C. - imposed upper limits on financial incentives was mentioned as a limitation on increases but some felt that financial incentives should at least be as high as possible within the restrictions. Most comments about the "better incentive" response showed a need to make improvements of the incentives currently available. Not least important was the perceived need to link incentives more closely to the jobs created, and also to make the incentive package more simple. One respondent felt that the incentives were so unduly complex that they were made to look much less favourable than they actually were, especially in relation to Eire:

"Our incentives are not violently adrift from the Irish so we can score handsomely if this is made clear. We have other assets; a reservoir of trained labour, back-up and infrastructure, supporting facilities for industry and, as opposed to Eire we've a large population and an immediate market."

The response that most improvements could be made by the better provision of facilities was rarely expanded upon. Where such responses were made the respondents were thinking along the lines of better sites and factories in general, but a couple did refer to a need for a better institutional support with more preparedness to take financial risks. In summary, most felt that improvements in the organisational framework and methods employed

were necessary. Many respondents were also of the opinion that incentives should be improved in the sense of being more definite and less selective rather than actually being raised.

Regarding Propositions 12 and 13 findings are not conclusive, not least because of a lack of a control. Ireland with its body for attracting firms could be seen as a control but, then again, the circumstances in Britain and Ireland do differ considerably. Ireland's success has been much greater than that of Britain in recent years but this is not necessarily related to the organisation per se although, other things being equal, the I.D.A. does appear to have employed better techniques. In Britain a single body would be unlikely to be both acceptable politically and as successful as a number of bodies. As Britain has a number of organisations involved in attraction it could be assumed that this has led to more contacts with foreign firms than would have otherwise been the case (Proposition 12 supported). The number of contacts being generated direct to various bodies and the small number of foreign firms being handled by the IBB provides more support to this. Although the multiplicity is possibly wasteful little evidence of firms being upset by pestering or being put off by agencies was found (Proposition 13 not supported). The majority of respondents did see the multiplicity of organisations as meaning more scope for firms playing off bodies against one another both inside and outside Britain (Proposition 9 supported). Nevertheless, the extent of this occurring was seen as limited, and mainly the province of a few large multinationals.

### 6.3 Conclusion

In this chapter a number of the initial propositions have been addressed. Proposition 11 is supported; development bodies are active in attracting foreign firms and those most involved are those whose activity is enhanced by the possible reasons given in the proposition. That is, the likelihood for development organisations to be actively engaged in attracting foreign firms is enhanced if:

- (a) they are not restrained from doing so by central bodies



(b) central or other development bodies covering or representing a larger spatial area than themselves are not perceived as representing the interests of the organisation concerned

(c) The needs for investment in the area are high

This chapter apart from throwing light on a number of propositions has confirmed the lack of coherence in the policy of attracting foreign firms. It has shown there to be a widespread acceptance of competition and duplication. However, respondents in the many actors concerned were unable to agree on what this meant in terms of the harm or benefit to the policy of "welcome". This was further reflected in a lack of consensus on what would be the best organisational framework to achieve the aim of improving the attraction of foreign firms to Britain. Much advice on improvements was offered by respondents but once again views on optimality tended to be conditioned by the respondents' particular perspective.

This chapter also concludes the report on the findings of the study of the proximate decision makers. Thus far we have moved from the initial chapter where many students of international politics were warning of the need for nation states to gird against foreign and multinational companies. In contrast to this we have found that barely any such girding has taken place in Britain and policy distinctions between foreign and indigenous companies have been exceptional cases (54). Although the stated British policy is that of welcoming foreign firms we have seen that a lack of a more substantially stated policy specifying the actors and the acts they should pursue has led to the paradox of consensus on policy leading to incoherence. In the last three chapters we have seen how the policy delivery organisations have harboured proximate decision makers who have actually become policy shapers. This has led to a piecemeal approach whereby the parish pump predominates and the consequence of incoherence has been shown to be competition. A further consequence, discussed in this chapter, is the need for a more optimal organisational framework and the need for the application of better methods.

The results of the surveys as reported on in this and the

previous two chapters have been subjected to some comment and evaluation throughout but the main analysis is reserved for the last and concluding chapter when these views are assimilated, at least implicitly, and incorporated in normative suggestions. Prior to that, however, the next chapter, on the view from the firm, interjects. This serves the purpose of balancing out the central bias of the study. It also provides comparison to the findings presented so far and it provides the wider perspective as a context in which to make final conclusions.

- (1) Recognised as early as 1964 by M.P. Fogarty in "The agents of industrial growth", Town and Country Planning, 32, 1964, p.142.
- (2) The Economist, 28 April, 1979, p.93.
- (3) For a discussion of this see Sunday Times, 9 October, 1977, p.17.
- (4) Select Committee on Welsh Affairs The Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales, Session 1979 - 80, Vol.1, No. 731 - 1, H.M.S.O., 30 July, 1980. And Select Committee on Scottish Affairs Inward Investment, Session 1979 - 80, Vol.1, No.769 - 1, H.M.S.O., 28 August, 1980.
- (5) The Economist, 14 June, 1980, p.6.
- (6) This is pointed out in the Select Committee on Scottish Affairs op.cit., Vol.1, para. 5.10: "Scotland is a good location for companies interested in export possibilities, while the attractiveness of Wales is perceived in relation to the U.K. market" The implication is that Scotland therefore loses out to Eire with her high financial inducements and to Wales which gets the firms interested in the U.K. market.
- (7) L. Hennessey "Investment in Scotland", Trade and Industry, 35 (13), 28 June, 1979, p.15.
- (8) G. Davies "Regional Economic Civil War" Regional Studies Group Bulletin, No.4, University of Strathclyde, November, 1966, p.5.
- (9) Financial Times, 6 February, 1979, p.12.
- (10) D.J.C. Forsyth. U.S. Investment in Scotland, Praeger, 1972, p.271.
- (11) L. Mazur "U.K. regions at war", Engineering Today, 1 May, 1979, p.33 - 36.



- (12) On a televised press conference made just after announcing changes in Regional Policy on July 17, 1979, Sir Keith commented that as a result of changes in future "there won't be competition from so many areas on the map as there has been up to now."
- (13) Cyril Silver's viewpoint given in M. Fitzgerald "Local Authorities and Industrial Promotion", Local Government Chronicle, 6 October, 1978, p. 20.
- (14) SDA Annual Report, 1978, p. 43.
- (15) SDA Annual Report, 1979, p. 44.
- (16) Many of the "Nil" returns of questionnaires in Scotland were because Local Authorities claimed they had transferred the function of attracting investment and industrial development to other bodies or to the Regional Councils.
- (17) The Scotsman, 11 March, 1978, p. 8.
- (18) The Guardian, 14 March, 1980, p. 8.
- (19) Quoted in L. Mazur op. cit., p. 36.
- (20) idem.
- (21) Quoted in M. FitzGerald op. cit., p. 20.
- (22) idem.
- (23) L. Mazur op. cit., p. 33.
- (24) The Guardian, 24 April, 1980, p. 19.
- (25) P. Jay, talking on "Current Account", B.B.C. Scotland, 25 October, 1979.
- (26) L. Mazur op. cit., p. 33.
- (27) G. Davies and I. Thomas Overseas Investment in Wales, Christopher Davies, July, 1976, p. 3.
- (28) Local and regional rivalries are common and there have been many arguments against the favour shown to certain areas under government policies supposedly designed to "equalise". Regional Policy is often criticised for its discriminatory nature and for missing many problem areas such as in the Midlands. In Scotland a smaller scale version of this is evident. For example, eight of the nine areas coming under the auspices of the Inner Urban Areas Act are in central Strathclyde.

- (29) L. Mazur op.cit., p.33.
- (30) J. Howell "A cry from the heart of England", Business Location File, 3(4), 1979, p.19.
- (31) "Letters" Business Location File, 3(5), 1979, p.4.
- (32) ibid., p.5.
- (33) K. Binning, IBB, in ibid., p.4.
- (34) The Economist, 1 December, 1979, p.91. suggests that Scotland's separate role has been accepted by the IBB but The Scotsman, 14 July, 1980, p.8 - 9 suggests otherwise.
- (35) The review is much more limited than the present study in that it does not include the whole British framework and the role of Local Authorities. However, being appointed by the Department of Industry meant the consultants had far more access to information and were in a position to evaluate success and cost-effectiveness from a more sound base.
- (36) Select Committee on Welsh Affairs, Vol. 1, op.cit., para. 97.
- (37) A small group consisting of central and local representatives has been set up by the Department of Environment to review the Local Authority's role in assisting industry and recommend upon the most appropriate fields of action for Local Authorities British Business, 20 June, 1980, p.214.
- (38) Quoted in The Guardian, 8 December, 1979, p.13.
- (39) idem.
- (40) Future allocations were given in a written Parliamentary answer made by Sir Keith Joseph. As from 1 July, 1980 the following government allocations were to apply (1977/78 figures are given for comparison):

	£ thousand			
	<u>80-81</u>	<u>81-82</u>	<u>82-83</u>	<u>77-78</u>
NEDC	210	230	250	250
NORWIDA	190	210	230	135
Yorkshire and Humberside Development Association	60	65	70	30
Devon and Cornwall Development Bureau	50	55	60	-

- (41) Select Committee on Welsh Affairs, Vol. 1, op.cit., para. 92.



- (42) Select Committee on Welsh Affairs, Vol. 1, ibid., para. 95.
- (43) ibid., para. 92.
- (44) In its principal conclusions the Select Committee on Welsh Affairs, Vol. 1, ibid. p. xliv, said that "the DCW's promotional work should be taken over by the WDA, but we recommend that before this is done that a review (be) carried out."
- (45) For recommendations see Select Committee on Scottish Affairs, Vol. 1, op. cit., para. 6.2.
- (46) ibid., para. 3.16.
- (47) C. Hood The Limits of Administration, Wiley, 1976, p. 59.
- (48) This opinion was expressed by Dennis Stevenson, Chairman of Aycliffe and Peterlee Development Corporations in a speech made in 1979 entitled "The Professional Approach to Inward Investment", p. 7.
- (49) As mentioned before slight problems occurred with using the terms central and regional in the case of Scotland. Respondents on occasion took central to mean Scotland and regional to mean Scottish Region.
- (50) Suggestions for making improvements are discussed fully in Section 6.2.
- (51) For example see the series of "Letters" in the Business Locational File, 3(5), 1979, p. 4 - 6.
- (52) A questionnaire fault may have been the failure to distinguish financial incentives from incentives which may be regarded as a more general term.
- (53) I.D.A. Ireland Annual Report, 1977, p. 1.
- (54) Exceptions and qualifications to the "welcome" are discussed in Chapter 3, Section 3.0.

In this chapter we begin by considering the theories of direct investment and analysing the underlying basic determinants of foreign investment. The literature is searched in order to address four main questions:

- (i) Why do firms move?
- (ii) Why do firms move abroad?
- (iii) Why do foreign firms choose Great Britain?
- (iv) Why and how do foreign firms choose specific locations in Great Britain?

Having done this assessments are made on the significance of two elements influential in attracting firms to Britain; financial inducements and promotional activities.



## 7.0 Foreign Investment: Multinational Companies and International Business.

In 1971 Galloway (1) claimed that the study of multinational enterprises had been neglected because of:

- (a) A preference of academics to study governments, and intergovernment activities rather than those of non-government entities.
- (b) The problem of obtaining data from and about these non-government actors.
- (c) Because the prominence of such actors was only a recent phenomenon.

These views are more or less as valid as they were a decade ago. Although the 1970's have seen considerable outpourings on the subject of multinational companies substantive contributions have been few. It is worth re-stating what the American research organisation, The Conference Board, emphasise as the need to overcome this. They see the requirement to be: "More research, focusing on single countries and a limited number of multinational companies and stressing in-depth interviews.....Without it we will be severely handicapped in efforts to separate what is valid or invalid from the avalanche of theories, claims, charges, hunches, ideas and fantasies people have about the operations of the multinational firm outside of its home country." (2).

The present chapter does not offer any new evidence to the literature on multinational companies but rather, the work of others is assimilated in an effort to balance out the central focus of the study, that of governmental bodies. To take this focus was a conscious decision rather than a preference to avoid studying non-government entities as Galloway puts it. It would have been useful, to have asked key decision makers in firms about their attitudes and their motives for moving in comparison to those put forward in this study by respondents on the other side of the fence but, the second of Galloway's reasons for the neglect of studying multinational enterprises comes into operation. First of all, the number of firms making inward investment in Britain each year is relatively low and so

scope for suitable cases is not great. Secondly, getting access to relevant individuals in firms is problematic (3). However, awareness of difficulties is no excuse for not attempting to study important elements such as these and rather than saying that this area would be a good, if difficult one, for further research (which it undoubtedly is) an attempt is made to offer some evidence from work done by others in order to reach conclusions. Any gaps due to inadequate time or having a governmental focus to this study are therefore overcome.

A question that the bodies attempting to attract foreign investment would like answered is what motivates firms to come to Britain. Respondents in the various bodies examined in this study held general views on this but the basis for their views was often extremely narrow. For instance, a company was so often seen as choosing a location because of single characteristics such as a suitable site or the right sort of labour being available. However, it is necessary to go further than this and examine the wider context of more fundamental pressures. To this end the chapter draws on studies of theories of direct investment, decision making in multinational companies and empirical studies of why firms have moved abroad, particularly to Britain. Consideration is thus at three levels.

- (a) Why do firms make investments overseas?  
Source: mainly studies of International Business.
- (b) What considerations are important to the firm in the general sense in relation to making foreign investments? i.e. Why do they move abroad?  
Source: checklists and empirical studies.
- (c) What considerations are important to the firm making a specific locational choice? i.e. Why did a firm set up at a particular location?  
Source: findings from the present study and decision making studies in economic geography.

All three levels offer insight into why firms go abroad. In asking firms why they go abroad (a), and to a lesser extent (b), are most relevant. For more specific levels (c), and to a lesser extent (b), are most relevant.



## Theories of direct investment

Theories of direct investment are a starting point for attempting to understand what steps foreign firms will take when moving abroad. Many such theories have been put forward and as with all theories they offer only a partial description, explanation and prediction of the actual process whose overall utility varies by case.

International trade theory based on the foundation stone of the doctrine of comparative advantage continues to shape much thinking in business and government circles but such a theory fails to anticipate and explain much of international business today. A trade theory based on transfers between countries is outmoded largely because of one basic flaw. This flaw is that countries themselves are little involved in trade and the majority of international transfers of goods and services are undertaken by companies not countries. This recognised, it can be seen that trade theory is inadequate. The Ricardian international market-place where commodities are standard, basic and transferable has been replaced by a world where marketing strategies are continually adjusted making such things as standard commodities irrelevant. Once it can be established that trade theory is inadequate for explaining international business per se and therefore direct investment specifically we can move on to more realistic explanations.

An early economic approach to explaining foreign direct investment was put forward by Ohlin (4). He envisaged capital movements occurring in direct relation to interest rates. Capital would flow from low to high interest rate countries. Such an approach, whilst neat, is inadequate for it fails to take into account that firms can more easily channel funds through international capital markets rather than set up overseas manufacturing operations.

Many approaches to explaining international investment are in terms of cost reduction. Hymer (5) provides a widely accepted view of the way in which a firm can exploit market imperfections and achieve lower cost production by establishing abroad. He sets up the perfect model with perfect international markets for

technology, management, labour skills, components and material inputs and then goes on to explain why the foreign firm can have some advantage over the local enterprise because of better technology, greater access to capital, better management capability, greater organisational scale and so on. However, Hymer's quasi-monopoly or oligopoly model is at best only partial. It tends to explain foreign investment only in the short term, that is, during periods of increasing advantage for the investing firm. Cooper (6) notes that foreign investment can continue to expand in fields where advantages are not necessarily present. Furthermore, there is no reason why direct investment should be used in preference to exporting or licensing.

Economic models, of which we have examined two of the more prominent ones, clearly do not provide an embracing theory of foreign direct investment on their own. Motivations may be much simpler. For example, the company may merely be instituting a portfolio theory to overcome risks in single countries, markets, or products. Or, the aim may be to get around tariff barriers. In all cases when foreign investment is seen in purely economic terms important, perhaps crucial, behavioural reasoning has been missed. Cyert and March's "Behavioural Theory of the Firm" (7) sets out the omissions concomitant with relying on Rational Economic Man. They still maintain the central importance of economic factors but they also input personal and group interests as motivating forces for firm behaviour.

Other models, notably Vernon's Product Cycle model (8), suggest a sequential explanation of foreign investment. The model emphasises product evolution and innovation. First, a company produces a new product which it later exports. When the technology involved in production becomes sufficiently routine and the mature product stage is reached the enterprise is induced abroad, generally to another developed state but as the product reaches the standardised product stage relocation is likely in low cost locations in developing states from which exports can then be made. However Vernon does note that less developed regions in developed states may be recipients of



subsidiaries at a standardised product stage. For example, "the laggard North of Britain and Ireland both seem to be attracting industry with standardised output and self sufficient process" (9).

The Product Cycle Model may be a useful way of conceptualising the past history of some foreign investment and Vernon admits that it is a model relevant moreso to the firm on the verge of making foreign investment than to the firm already possessing a global strategy and outlook (10). Vernon's model is furthermore too concentrated on product and oligopolistic advantages thus consciously playing down many of the factors of location economics particularly in relation to markets, sales effort, and locational costs in general (11).

An embracing framework attempting to explain foreign investment has been put forward by Fayerweather (12). He extends the idea of resource transfers in trade theory beyond the usual factors of the Production Function and emphasises entrepreneurial, managerial and technological attributes. He argues that the demand-supply relationship between states generates opportunities for resource flow thus giving opportunities to the firm operating outside a single state. Important then, are resource differentials (which may be distorted by government policies) and the way in which the firm is prepared to take its strategy. A national firm has fewer opportunities to exploit than the firm prepared to operate with a global horizon. In fact it is the major multinational company with which Fayerweather is centrally concerned, and his model, unlike others outlined above, does not address itself to the process by which firms step out of the solely domestic setting, nor does it provide a theory for the historical growth of international business. Like all the models and theories this one is of explanatory value in relation to some but not all foreign investments, and, as with theories in general it is distant from both basic motivations and, at the other end of the scale, the decision making process itself.

#### Basic determinants of foreign investment

It is all too easy to miss what are the underlying deter-

minants of foreign investment. Aims may be to maximise sales, market share and so on but most see profit maximisation as the major goal that would inspire a maximising goal of some other type. Work by Stevens (13) summarises forty five of the most important studies done between 1956 and 1973 on the subject of the objectives and motives of multinational companies, mainly in terms of locational decisions. He found that in thirty eight of the forty five cases the determinant of investment was profit maximisation. Some of the ideas and models outlined above did find support. His results showed that the studies supported the following:

- 38 supported profit maximisation.
- 4 supported growth/sales/market share maximisation.
- 3 supported behaviour theory.
- 2 supported risk minimisation.
- 2 supported portfolio theory.
- 1 supported oligopolistic matching of investments.

Profit maximisation appears to be the major underlying goal of firms but whether or how this means operating in the international sphere depends so much upon the organisation and orientation of the firm. Perlmutter (14) summarised what he saw as three primary attitudinal frameworks deterministic in decision making in the multinational firm. He felt that executives shaped the company's overall perspective into being either ethnocentric (home country oriented), polycentric (host country oriented) or geocentric (world oriented). Orientations such as these seem to be reflected in the degree of autonomy afforded to operating units (15). The important lesson to be gained is that different animals have to be approached in different ways. Attracting further firms to Britain may not be possible by simply contacting senior executives. For some firms pleasing the local management which will in turn feed back to decision makers is most important. A local manager pleased with his company's performance and its treatment by governmental organisations in Britain may have far more impact on future locational decisions than may a zealous Local Authority Estate Officer.

In this section a number of the more prominent models attempting to explain foreign investment have been over-viewed. It seems that such models and theories are rarely



considered by practitioners in the game of trying to attract foreign investment but it would be of value understanding such fundamental pressures in order to provide for more specific desires. This is not just the cry of the academic saying it is necessary to put things in a wider perspective but it is the cry of someone who feels that valuable insights could be missed if more general considerations are not taken into account. Knowing the wider difficulties of firms, their organisational problems, their goals, their operating ethos and the crucial importance of location in terms of goals can only be advantageous in handling firms and relating to individuals within them by employing the optimal business rapport. Theories and models assist in this by attempting to set out fundamental elements so easily missed when negotiating and dealing with the firm. These are often missed because most negotiation and contact comes at a late stage, that is, by the time a firm has begun its search for the most suitable location rather than at the time at which it is considering whether to undertake an investment. For this reason the factors influencing firms as set out in the models and theories seem so distant from the factors which are believed to influence firms.

### 7.1 Industrial Location across National Boundaries

From the beginning of modern day thinking on industrial location (16) most authors have talked about cost elements. More recently emphasis has gradually shifted towards balancing studies of decision making on industrial location from a Rational Economic Man approach to taking a behavioural view (17). Despite such developments in the field little has been said on the specific problems of locating across national frontiers in the literature of economic geography and industrial location (18). A fusion of work on industrial location and international business has yet to appear.

The field of international business provides us with general theories and explanations of why firms decide to step outside their home state and set up operations abroad. From economic geography we get worthwhile breakdowns of what factors firms take into account when they make a locational move. The

two blocs of literature can be said to be describing a two step process and the division of the present chapter is a recognition of this.

Aharoni succinctly summarises the complexity of the decision to invest abroad:

"A foreign investment decision process is a very complicated social process, involving an intricate structure of attitudes and opinions, social relationships both in and outside the firm, and the way such attitudes, opinions and social relations are changing. It contains various elements of individual and organisational behaviour, influenced by the past and the perception of the future as well as by the present. It is composed of a large number of decisions, made by different people at different points of time. The understanding of the final outcome of such a process depends on an understanding of all its stages and parts." (19)

The decision to relocate locally is relatively simple. This situation is made more complex with a multi-unit structure where phenomena such as inter-unit rivalry, control, trade and autonomy complicate matters. Such problems are multiplied further if the units are located in different states. In this case basic factors such as languages, customs, legal systems and industrial practices may differ but, even so, industrial location theory pays a scant heed to these considerations. On the contrary, many of the bodies involved in attracting investment to Britain place particular emphasis on overcoming perceived difficulties and dispelling myths of a general nature before going into the selling of specific sites. The IBB and regional agencies concentrate much energy on this activity, although many smaller bodies seem barely capable of such wide appreciation but they may be more suited to selling a specific product.

The separation of a decision into two, first the decision to make an overseas investment and second the choice of a site in a chosen state or group of states is simpler for analytic purposes and hence chosen in preference to a model which straddles theories of foreign investment and of industrial location theory. This fits in with the two levels of search which firms themselves seem to recognise. In the first case the



initiation of the need to go abroad will probably have been dictated by the perceived need of the firm or by the opportunities available. Hence it will be rare that every state in the world will be considered as a potentially suitable location. There may be a choice between say a number of West European locations or a number in South East Asia but choice will rarely cover the two areas at the same time. There may not even be a choice situation. The opportunity may be seen as state specific but whether or not one or many states are involved a number of general factors have to be considered. The most common factors are summarised in the Foreign Investment Checklist published by the United States Bureau of Commerce and reproduced in Table 7.1.

TABLE 7.1 Foreign Investment Checklist used by the U.S. Bureau of Commerce

<u>(i)</u> <u>Factors Relating Principally to Foreign Investment</u>	<u>(ii)</u> <u>Factors Relating to Home and Foreign Investment</u>
<ol style="list-style-type: none"> <li>1. General political environment</li> <li>2. Attitudes and policy of host government toward private investment</li> <li>3. Legal system of host economy</li> <li>4. Regulatory and administration practices (e.g. tariffs, quotas, availability and reliability of patent and trade mark protection)</li> <li>5. Existence of an investment guarantee arrangement with United States</li> <li>6. Trade agreements of host with third countries</li> <li>7. Government policy on remission of profits and repatriation of capital</li> <li>8. Tax rates and tax arrangement with United States</li> <li>9. Availability of auxiliary industries and ancillary services</li> <li>10. Transportation (freight and personnel) and communications</li> <li>11. Banking and credit facilities offered</li> <li>12. Social policy, labour law, etc.</li> <li>13. Accounting convention and requirements</li> <li>14. Social customs and formalities</li> <li>15. Cost of living and availability of housing, food, medical and education facilities for personnel</li> </ol>	<ol style="list-style-type: none"> <li>1. Size and potential of home and export markets</li> <li>2. Strength of competition</li> <li>3. Pricing policy</li> <li>4. Distribution system to be used</li> <li>5. Availability (quantity, quality, continuity, and price) of domestic materials and spare parts</li> <li>6. Availability and cost of local machine shops and maintenance services</li> <li>7. Subcontracting possibilities</li> <li>8. Production methods to be used and production mix</li> <li>9. Cost, availability and productivity of unskilled and skilled labour and of professional, clerical, and managerial employees</li> <li>10. Selling and administration expenses</li> <li>11. Utilities - availability and cost</li> <li>12. Capital requirements</li> <li>13. Method of financing and availability of debt capital</li> <li>14. Location</li> <li>15. Construction and other engineering problems</li> </ol>

Source: U.S. Bureau of Commerce, Washington, 1972.



For foreign investments, (Column i of the Checklist, Table 7.1) considerations are generally about wider issues relating to a country's political situation, government policies, the legal framework, and social and infra-structural patterns. These more general elements have to form part of any feasibility study for a move outside the home state. However, many considerations are no different than they would be for assessing a home investment (Column ii of the Checklist, Table 7.1). These considerations are more practical and specific, focusing largely on the availability and cost of the various factors of production.

Various location consultants such as Plant Location International and the Fantus company have taken the Checklist approach a long way. The basic factors taken into account by one of them, Fantus, are reproduced in a Checklist (See Table 7.2) developed by the company. The Checklist is a guide to ensure that nothing is overlooked and must only be seen as a simple representation of a complex analysis which moves locational analysis towards the level of scientific evaluation, and beyond considerations of the desires of a manager's wife or a host government as to where a firm should locate, even though these can, nonetheless, be crucial or determining factors.

TABLE 7.2 Plant Location Checklist used by the Fantus Company.

<p>The following checklist may be used to develop a comparative analysis of candidate communities, sites, and available buildings. Detailed review is necessary to reach an informed decision among the leading contenders.</p>	<p><u>Taxes</u> Current tax rates, city and suburbs Assessment practices State or provincial taxes, corporate and personal</p>
<p><u>Community</u> Population Location Distance to nearest major city Description of central business district Description of residential areas</p>	<p><u>Living Conditions</u> Housing availability, purchase and rental Recreation facilities Cultural facilities Religious facilities (including schools)</p>
<p><u>Transportation</u> Air access Rail service Motor carrier services Water carrier services Parcel services Bus lines</p>	<p><u>Support Services</u> Hotels and motels Restaurants Financial institutions Post Office Telephone company Machine repair and industrial supply</p>
<p><u>Labour Market</u> Size of the labour force Commuting patterns Labour availability Present employers Wage levels Fringe benefits Turnover Absenteeism Labour-management relations Vocational training facilities</p>	<p><u>Incentives for Investment</u> Financial assistance Tax moratoriums and credits Training assistance Special grants</p>
<p><u>Utilities</u> Availability and cost of electric power Availability and cost of gas Price of alternate fuels Capacity of water system and rates Capacity of sewer system and rates Chemical analysis of water supply Regulations on waste disposal</p>	<p><u>Sites</u> Size and description Foundation conditions Flood hazards Zoning Road access Rail access Utility lines, size and position Tax rate Ownership Asking price</p>
<p><u>Municipal Services</u> Description of police protection services Description of fire protection services Public schools, enrolment statistics and quality Hospitals</p>	<p><u>Available Buildings</u> Size and description (including land area) Ceiling clearance and column spacing Floor thickness and surface condition Zoning Fire protection facilities Boilers, air compressors, etc. Truck and rail facilities Taxes Ownership Asking price or rental quotation</p>

Source: C. Linton Hock of the Fantus Company, The Annual Investment File, 1980, p. 10.



Checklists may look superficial but may be very good guides to action. Nevertheless, assessments based upon them can be wildly wrong. The weight and importance attached to various elements may be based misguidedly on basic premises or marketing forecasts that are inaccurate in the first place. The old maxim applied to computers applies here: "Garbage in - Garbage out." At least the checklist approach based on a range of carefully searched factors does balance boardroom gut reactions as to where is best to locate.

Although checklists and elements in need of consideration will differ from firm to firm the major elements can be summarised (20):

- (i) Material inputs.
- (ii) Factor inputs.
- (iii) Transportation costs.
- (iv) Market influences.
- (v) Government activities.
- (vi) Other factors e.g. idiosyncracies of decision makers, the impact of promotional bodies.

Most of the studies done by others on the question of what elements are important vary in focus. In the following examination of various studies (21) those considered initially are some that ask firms why they make industrial location changes and what factors are important. The remainder of the studies examined ask questions on why firms chose Britain, a specific region, a specific town or even a specific site. The factors that firms felt as influential in choosing a specific region or town are given most emphasis. Nevertheless, in looking at the studies of firms it is as worthwhile reporting such things as general reasons why firms invested abroad as it is finding out reasons for specific choice being made, for all are important in trying to assess ways of improving the attraction of foreign firms to Britain.

#### Why firms move

Indicators of the causes of movement internationally are

given by various studies that have sought to discover what factors caused a firm to consider opening a new plant at a new location. An early work in this field was by Katona and Morgan (22). They asked respondents in over two hundred firms why they happened to locate a new plant in Michigan rather than elsewhere. They found that the decision to set up at a new location was because of the push caused by a lack of room to expand at a present location, market influences or personal considerations. The Inquiry into Location Attitudes Group (I.L.A.G.) survey of five hundred firms in Britain (10% of which were of overseas origin) conducted by the Board of Trade (see Table 7.3) (23) found that the reason for opening a new plant at a new location was mainly in order to allow expansion because this was being restricted by such things as inability to expand at another or existing site because of inadequate premises, site, labour supply, or I.D.C. and planning difficulties. The I.L.A.G. findings confirmed earlier work by Luttrell (24). He found the main impetus for new locations was the expansion of business with the problems of expansion in the sense of site being of secondary importance (25).



TABLE 7.3 Inquiry into Location Attitudes Group Survey, 1968:  
Overall replies to the question "What caused you to  
consider opening a new plant in a new location?"

N. of firms = 500

	<u>Percentage of all Respondent Firms</u>		
	<u>Major Reason</u> (1)	<u>Minor Reason</u> (2)	<u>Outstanding Single Reason</u> (3)
1. To permit an expansion of output	83	8	20
2. Inadequate existing premises or site	50	11	8
3. Unsatisfactory labour supply at existing location	40	11	15
4. Inducements and facilities made available by official bodies	27	14	2
5. Opportunity to purchase or rent premises or site at new location	20	8	3
6. Too far from established markets	19	1	9
7. Refusal or expected refusal of I.D.C.	12	4	5
8. Town planning difficulties	11	3	4
9. Lease of former premises fell in, or good offer received	5	2	3
10. Desire to be in more attractive surroundings	4	8	1
11. Too far from supplies, actual or prospective, of materials or services	3	2	1
12. More profitable elsewhere, no postulated reason being major	1	0	1
13. No one outstanding reason	0	0	28
			<u>100</u>
(1) Percentage replying 'major' to at least one of the factors named			
(2) Percentage replying 'minor' to at least one of the factors named			
(3) Percentage replying to the question "Was any of the following factors outstandingly more important than the rest in causing you to open a new plant in a new location?" If so, which?"			

Source: Expenditure Committee (Trade and Industry Sub-Committee)  
Regional Development Incentives, Session 1973 - 74,  
 Vol. 6., Minutes of Evidence Appendices and Index,  
 H.M.S.O., December, 1973, p. 532.

In a major study covering two thousand companies MacMillan (26) asked about the considerations in selecting a site at a new location (See Table 7.4). This study revealed that in choosing a specific place of operation the costs and availability of transportation and other factor inputs were most important. Specific considerations such as these tend to come after the general market and expansion considerations that appear to motivate the initial decision to set up at a new location. Once again, two stages of appraisal appear evident. Clearly national boundaries are more relevant to decision making in the first stage of the decision to set up new operations than they are in the second stage when specific towns and sites are being considered, although site selection can still cover sites in a number of different states.



TABLE 7.4 Considerations in selecting a site at a new location.

<u>Area of Interest</u>	<u>Percentage of respondents indicating significant interest</u>
Trucking	76
Reasonable cost of property	67
Reasonable or low taxes	65
Ample area for expansion	63
Favourable labour climate	62
Favourable attitude of community and residents to industry	57
Nearness to present sales area	56
Reasonable cost of construction	53
Favourable climate for personnel	50
Availability of labour skills	48
Access to utilities	43
Near sources of raw materials	42
Need for plant to service new or expanding sales areas	42
Favourable political climate to business	40
Pleasant living conditions	39
Commercial services	37
Rail facilities	35
Zoning restrictions	34
Cost of living and economic conditions	34
Labour rates	33
Education facilities	32
Favourable climate for productive process	30
Inexpensive fuel and power	29
Public transport	29
Recreational and cultural facilities	25
Water supply	22
Waste disposal	21
Near airport	20
Topography	8
Water transport	8

Source: T. E. MacMillan "Why Manufacturers Choose Plant Locations v Determinants of Plant Locations", Land Economics, 43, August, 1965, p. 265.

### Why firms move abroad

It is not easy to supply definitive variants of the studies just described, in relation to foreign investment. Not least of the problems is that in any analyses completely new inward investments are rarely separated from inward investments made by foreign companies already operating plants in Britain. The I.L.A.G. survey stressed that "developments with an overseas origin were far more often than not set in train by a desire to get nearer markets, but it is important to note that firms operating from an overseas base could give this answer whenever their minds turned to the U.K. if they were intending supplying the U.K. market, or even the European market in the case of American firms, whereas a case classed as having an origin in the U.K. could only contemplate moving nearer its market in a far more restricted sense." (27).

Several empirical studies of why firms invest abroad have been conducted; most, unfortunately, do not differentiate between completely new moves and expansion of existing facilities. Brooke and Remmers (28) completed a major study based on multinational enterprises, part of which considered their strategic considerations on the move abroad. Table 7.5 gives an overall summary of their findings. They divided the reasons for moving abroad in terms of defensive, aggressive and/or other pressures. This conceptual division is useful. Defensive strategies are generally market protection oriented whilst aggressive strategies relate to the desire to reduce factor costs or make maximum use of resources that are available. "Other pressures" are subdivided into those external and those internal to the company. External pressures are generated by government encouragement or from the approach of other companies wishing to benefit from amalgamation, pooling of resources, licensing and so on. Internal pressures are those of bureaucratic politics. Managers with different functional responsibilities will want different things. For example, a product or sales manager seeing a smaller proportion of his sales being generated overseas is unlikely to wish for expansion abroad, but a marketing manager or financial planner extrapolating market growth or nation by nation profitability forecasts may argue for investment overseas.



TABLE 7.5 Considerations in selecting a move abroad.

<u>The reasons</u>	<u>The frequency with which this reason was mentioned (symbols explained foot of the table)</u>
<b>1. <u>Defensive Strategies</u></b>	↘
A company is operating abroad to defend its existing business as a result of:	
1.1 Government action in establishing or increasing:	
(a) tariff barriers	A
(b) the subsequent lowering of tariff barriers	B
(c) import controls	D
(d) legislation (at home or abroad) against monopolies or trade agreements	C
(e) legislation for import substitution, usually by enforcing part local manufacture or assembly	D
1.2 Demands for local manufacture and other problems of nationalism in overseas markets	C
1.3 Transport costs and delays	A
1.4 Difficulties with agents and licensees	A & B
1.5 Troubles with after-sales service and other technical difficulties abroad	C
1.6 The need to protect patents	C
1.7 The need to ensure supplies of raw material and components	C
1.8 The need to go international when competitors, suppliers or customers do so	B
1.9 The need to protect shareholders at home from trade recessions by:	
(a) a geographical spread	C
(b) product group diversification (which may involve geographical as well)	D
<b>2. <u>Aggressive Strategies</u></b>	
A company is operating abroad in the search for:	
2.1 More profitable uses for underemployed resources at home in:	
(a) capital and equipment	C
(b) personnel	D
(c) know-how	C
2.2 Lower factor costs, including those for:	
(a) capital (availability as well as cost)	C
(b) labour	C
(c) supplies	D
2.3 The more effective use of opportunities by the development of global plans and strategies for resources and markets	C
2.4 Access to foreign knowledge or methods	D
2.5 The need to expand, when this can only be abroad, and the possibility of escaping from constraints at home	E
<b>3. <u>Other Pressures</u></b>	
3.1 Influence of governments, for example:	
(a) by general encouragement to foreign investment	D
(b) tax concessions	D
(c) cheap loans	D
(d) grants or guarantees	D
(e) buildings	E
3.2 Influence of other companies, e.g. approach for know-how	C
3.3 Internal to company, such as pressure groups advocating overseas manufacture because of the expertise and insights of members	C

continued....

TABLE 7.5 Considerations in selecting a move abroad.  
continued

Note on the frequency (col. 2): It proved impossible to give a weighting to the different pressures in the form of: "2.2 was reported by sixteen companies". Over 100 companies were questioned, but the more enquiries that were made, the more acute became the problem of defining a company opinion. If Company X is said to report a certain motive, who for this purpose is Company X? - The chairman? The managing director? A majority of the board? The public relations officer? The official historian? Or who? In the end the answer lies in the judgement and integrity of the investigator, not in the number of people who can be persuaded into answering his questionnaires. Hence the following symbols have been used to represent as accurately as possible the weight given to the different motives: A: This motive was mentioned by virtually everyone questioned or reported in every company to which it was applicable at all for instance under heading 1.1 companies exporting manufactured goods and under 2.2 companies importing scarce raw materials. B: Mentioned in some form or other by executives in over half the companies investigated or reported. C: Mentioned by executives in less than half, but more than two of the firms. D: Mentioned once or twice only. E: Not mentioned at all in companies questioned, but referred to in the literature. Judgement was also, of course, applied in the numerous cases where contradictory opinions were expressed in the same company.

Source: M. Z. Brooke and H. L. Remmers The Strategy of the Multinational Enterprise, Pitman, 1978, p. 162 - 3.



Brooke and Remmers attempted to overcome the problem of the differing views of respondents on their question of why firms decided to go into foreign operations by assigning a judgement scale (See note at foot of Table 7.5). Using this they found that most operations were established abroad for defensive reasons mainly to surmount tariff barriers, to overcome transport costs and delays, to go international because that was what competitors were doing or to overcome difficulties with agents and licensing. Aggressive strategies were much less important. Other pressures in terms of government influence were rarely mentioned as important but, the influence of other companies and pressures internal to the company were slightly more important than this.

The very existence of states, with their physical boundaries and their physical separation, was seen as crucially important in establishing abroad for defensive reasons:

"...the majority of firms cited defensive reasons for the move. Under questioning they did not usually see themselves as aggressive entrepreneurs, merchant adventurers looking for fresh fields to conquer. As with their financial policies, their commercial policies were apt to be described in defensive terms. They went abroad, they asserted, to protect markets or to provide greater security for their shareholders. Apart from a few exceptional firms risk-taking, both personal and corporate, was reduced to a minimum, in spite of publicity statements to the opposite effects. If there were no such things as tariff barriers or transport costs, we were repeatedly told, most companies would not be multinational." (29).

The basic reasons for undertaking foreign operations are probably clinched in this quotation, although other elements are not to be forgotten.

Amongst other pressures, government influence on foreign investment is important. "Negative" actions such as the erection of tariff and trade barriers are seen as central influences. Efforts to purposefully and positively attract foreign investment using financial inducements are also sometimes seen as influential as is shown later in this chapter.

Questions on why firms invested abroad have been asked in

a limited number of studies in Britain. One, by Forsyth in Scotland (30) and another by Davies and Thomas in Wales (31) contain interesting findings. Both these studies were on foreign firms (only United States firms in Forsyth's study) that had already located in the respective countries they were studying. Respondents in the companies concerned were first asked why they had located abroad and second why they had chosen either Scotland or Wales specifically. The results they obtained for the question on the move abroad are outlined in Tables 7.6 and 7.7. The similarity of findings is striking. Market growth was found to be overwhelmingly the most often cited reason, with overcoming tariff walls being the second most important reason for moving abroad.



TABLE 7.6 U.S. firms operating in Scotland, 1969: reasons for moving abroad.

	Number of firms			Total
	<u>1</u>	<u>2</u>	<u>3</u>	
1. Market Growth in U.K. and Europe	41	1	-	42
2. Market Growth in U.K.	31	1	-	32
3. Market Growth in Europe	8	-	-	8
4. Barriers to Trade	6	16	6	28
5. Country-Specific Industry in Scotland	3	-	-	3
6. To Maintain Share of International Markets	2	15	11	28
7. To Be Near Source of Supply	2	1	-	3
8. To Maintain Close Contact with Customers	1	2	1	4
9. To Follow Customers to Scotland	1	-	-	1
10. To Match a Rival's Investment	-	2	5	7
11. To Improve the Reliability of Market for Parent's Exports	-	1	1	2
12. Specific U.K. Government Encouragement to come to the U.K.	-	1	-	1
13. Preference of Local Customers for Local Products	-	1	-	1
14. Expiration of Licensing Agreement	-	1	-	1
15. Fear of Antitrust Problems in United States	-	1	-	1
16. Other	4	4	1	9
TOTAL	99	47	25	171

Source: D. J.C. Forsyth U.S. Investment in Scotland, 1972, p. 220.

TABLE 7.7 Overseas-owned firms in Wales, 1974: reasons for moving abroad.

	Number of firms		Total..
	<u>Rank</u>		
	<u>1</u>	<u>2</u>	
1. To increase market share in U.K. and rest of Europe	14	2	16
2. To increase market share in U.K.	10	4	14
3. To increase market share internationally	3	3	6
4. Because of take-over	2	3	5
5. To jump the U.K. tariff wall	1	2	3
6. Because of U.K. Government encouragement	1	0	1
7. Because of E.F.T.A. ties	0	1	1
8. Because convenient for agents	0	1	1
TOTAL	31	16	47

Source: G. Davies and I. Thomas Overseas Investment in Wales, Davies, 1976, p. 69.



Another study by Northcott (32) completed a survey of new openings in Special Development Areas between 1973 and 1976. Twenty four of his sample of sixty two from a total of a hundred and seventy two new openings were overseas owned. Eight of the overseas owned firms already had branches in Britain and gave reasons for opening new plants very similar to those of indigenous firms. Respondents in the sixteen new overseas - originated plants said that primary move considerations were in terms of British and E.E.C. markets. The choice of Special Development Area locations was put down to both push and pull. The companies had to fit in with the Government's Regional Policy but were pulled by the inducements at the same time. Among the important specific reasons why foreign firms established were the low costs in Britain as part of the E.E.C. market, linkage with North Sea development, National Health Service purchasing policy, proximity to customers, and the ending of a licensing agreement with a British company.

Brooke and Remmers findings are substantiated by these studies on Scotland, Wales and the Special Development Areas. The majority of firms moved abroad for market - led reasons. Unfortunately, the studies in Scotland, Wales and the Special Development Areas do not separate market growth and market protection and so separation into aggressive (Table 7.5, Factor 1) and defensive (Table 7.5, Factor 2) categories as suggested by Brooke and Remmers is not easy. However, defensive strategies are probably the most common, and this is certainly the case amongst non - market factor reasons given. Brooke and Remmers categorisation of "Other Pressures" (Table 7.5, Factor 3) relating to the influence of government (Table 7.5, Factor 3.1) receive minimal support in the three studies. Pressures internal to the company (Table 7.5, Factor 3.3) are not brought out in the studies although this does not deny their importance.

#### Why foreign firms choose Great Britain

The studies undertaken in Scotland and Wales attempted to ascertain the specific reasons why foreign firms (U.S. only in Scotland) had come to locate in these areas. (See Tables 7.8 and 7.9 for results summary). Financial inducements and

availability of labour were major reasons in both cases. In Wales the availability of suitable sites and/or factories was mentioned as important more often than the availability of labour. However, 68% actually mentioned the availability of labour as important (but not necessarily in the first three ranked factors given in Table 7.9) as opposed to 44% mentioning the availability of site or factory as important. In contrast to the large number mentioning site and factory availability as important in Wales relatively few mentioned this as important in the Scottish study. In Wales the suitability for distribution and transport links was the fourth most often cited response reflecting the fact that Wales is the Assisted Area nearest to London. In Scotland suitability for communications and goods transport was recorded as only the eleventh most important factor ranked first by only one respondent, compared to ten in the Welsh study. Other reasons were similar in both Scotland and Wales. Interestingly, and very pertinent to this study assistance or encouragement from Local Authorities and/or promotional bodies was mentioned as a category only in the Welsh study. For Scotland Forsyth does not tabulate this element but he does state that a number of respondents did mention the important part played by the Scottish Council (Development and Industry) (33). Government involvement through Regional and I.D.C. policies was seen as quite influential in most cases, the financial inducements being regarded as compensation for settling for a less favoured location. The Government's welcoming policy, with the placing of few obstacles in the way of incoming firms was often mentioned as important by interviewees in Forsyth's study (34).



TABLE 7.8 U.S. firms operating in Scotland, 1969: reasons for locating in Scotland.

	Number of firms			Total
	<u>1</u>	<u>Rank</u> <u>2</u>	<u>3</u>	
1. Government Financial Inducements	32	16	4	52
2. Availability of Labour	13	32	8	53
3. I.D.C. Policy	13	-	-	13
4. Market Growth in Scotland	12	2	-	14
5. Development Area Policy	7	1	-	8
6. To Be Near Sources of Supply	3	-	-	3
7. Need for Close Contact with Customers	3	-	-	3
8. Country-Specific Industries	3	-	-	3
9. Good Performance of Other U.S.-Owned Firms in Scotland	2	2	7	11
10. To follow Customers to Scotland	2	-	4	6
11. Suitability for Communications and Goods Transport	1	6	11	18
12. Existence of Advanced-Technology Growth Complex	1	3	3	7
13. To Match Rival's Investment	1	2	3	6
14. To Improve Reliability of Market for Parent's Product	1	-	-	1
15. Low Wage Rates	0	5	13	18
16. Availability of Factory	0	3	1	4
17. Other	2	4	2	8
TOTAL.	96	76	56	228

Source: D. J. C. Forsyth U.S. Investment in Scotland, Praeger, 1972, p. 222.

TABLE 7.9 Overseas-owned firms in Wales, 1974: reasons for locating in Wales

	Number of firms			<u>Total</u>
	<u>1</u>	<u>2</u>	<u>3</u>	
1. Availability of government financial inducements	29	17	8	54
2. Availability of suitable site and/or factory	15	7	7	29
3. Availability of labour	10	25	11	46
4. Suitability for distribution and transport links	10	5	11	26
5. Government 'persuasion' and/or I.D.C. policy	7	0	0	7
6. Proximity of linked suppliers and/or raw materials	4	4	3	11
7. Proximity to major customers in Wales	3	0	0	3
8. Favourable experience of other overseas-owned companies in Wales	1	0	1	2
9. Assistance or encouragement from Local Authorities and/or promotional bodies	0	3	1	4
10. Lower wage rates	0	1	3	4
11. Other reasons	2	1	3	6
TOTAL	81	63	48	192

Source: G. Davies and I. Thomas Overseas Investment in Wales, Davies, 1976, p. 71.



In making a choice between areas where financial inducements are the same, reasons for a locational choice appear to be based on such things as local linkages with suppliers and customers and on labour availability as well as on factors that can be presented as important by local promotional bodies. The competitive element between promotional bodies is inevitable for the spatial margins to profitability are often wide enough to allow sub-optimal locations to be acceptable. Furthermore, whether the optimal site actually exists is doubted even by the consultants at Plant Location International:

"In a quarter of a century of making location studies, searching for the site without any faults, after handling many hundreds of cases, and, in the process of studying thousands of sites, I can testify to having only twice found such a site." (35).

#### Why and how foreign firms choose specific locations in Great Britain

The majority of companies aim towards optimal location decision-making when going in for an overseas investment. The checklist approach is widespread and the factors taken into account are many. For instance, for its new engine plant, now being built in South Wales Ford executives scanned Europe:

"Armed with questionnaires running to 96 separate headings ranging from the state of the local labour market to, in the case of Wales, the strength of the Welsh nationalists they put together one of what the company call their "Doomsday" books." (36).

The multinationals usually approach investment decisions in an orderly scientific manner such as this, although some firms often lack focused searches and bow to expediency and satisficing behaviour. In a study of forty American owned international companies Stobaugh (37) found that decisions to locate outside the United States were often based upon only one or two factors. Respondents in bodies attracting firms to Britain generally were of the opinion that rigorous searching was the order of the day. Firms, they felt, would always come armed with details of what they wanted and stories of how their needs could easily be satisfied elsewhere.

Compared to indigenous firms the searches of foreign and

multinational companies appear to be much more thorough. This impression, derived from respondents that have to deal with foreign companies, has been substantiated in a thorough case study on the mechanical engineering industry in Britain (38) and also by Townroe (39). Townroe found that in a study of fifty-nine indigenous companies the tendency was not to use rigorous study prior to making a locational change. He went on to produce a subjective assessment of what he considered good decision-making in a "scenario of righteous behaviour". He listed twenty-two factors considered important in decision-making (see Table 7.10) and concluded that there was little "righteous behaviour". For example, less than half the firms worked from written objectives and less than a fifth used outside consultants when making location decisions. Furthermore, he found that most firms appeared to be satisficing by accepting the first satisfactory solution and only seventeen of the firms appeared to be optimising by not choosing the last site visited.



TABLE 7.10 The considerations of firms made prior to a change in industrial location.

	Number of Companies (Total = 59)
1. Not moving considered	32
2. Written Objectives	25
3. Early decision on key factors	46
4. Search requirements specified	20
5. Sequence to search	24
6. More than five locations	32
7. More than five sites	39
8. More than five visits	36
9. Use of consultants	12
10. Consultations with Trade Unions	18
11. Consultation with other firms	27
12. Staff attitudes considered	25
13. Staff facilities considered	27
14. Consultation with existing employees	12
15. Key factors changed	19
16. Costing	43
17. Use of Discounted Cash Flow techniques	22
18. Tight financial standards set	20
19. Cost of search considered	5
20. Group decision	37
21. Decision 'evolved'	37
22. Formal presentation	26

Source: P.M. Townroe "Some Behavioural Considerations in the Industrial Location Decision", Regional Studies, 6(3), 1972, p. 266.

The I.L.A.G. survey offered more evidence on the greater thoroughness of searching employed by overseas firms. Foreign firms were found to consider more locations. More foreign firms considered sites in four or more regions in Britain, whilst only 7% considered only one location (compared to 14% for all firms). Table 7.11 reproduced from the I.L.A.G. survey shows that a greater proportion of foreign rather than indigenous firms took cognizance of data on all thirteen selected factors.



TABLE 7.11 The use of data, mainly of a statistical kind, by firms in the process of choosing a new location.

	<u>Overseas owned</u>	<u>Overseas origin</u>	<u>All firms</u>
Government inducements	83	90	65
Factory sites in New Towns	56	64	41
Factory sites elsewhere	75	79	69
Data on labour supply	79	79	73
Data on wage rates	61	60	47
Rail charges and service	26	23	21
Road transport charges	43	50	40
Air transport charges	23	33	9
Docks, shipping charges and frequency	35	40	18
Distribution of actual market	63	73	45
Distribution of potential market	57	65	38
Actual and potential sources of supply	53	50	41
Telecommunication services and charges	27	33	21

Source: Expenditure Committee (Trade and Industry Sub-Committee) Regional Development Incentives, Session 1973 - 74, Vol. 6., Minutes of Evidence, Appendices and Index, H.M.S.O., December, 1973, facing p. 164.

## 7.2 Influences on Foreign Investment: Financial Inducements and Promotional Bodies

### Financial Inducements

The extent to which firms take into account financial inducements and other elements of Regional Policy has been a subject for speculation and assessment for many years. Respondents in this study generally expressed the view that financial incentives were important and the studies of foreign firms located in Britain generally show that firms see inducements to be important (see Tables 7.8 and 7.9, for instance). Nevertheless, firms are often reluctant to acknowledge the influence of financial inducements as Brooke and Remmers have noted:

"Executives are apt to say that government incentives to business change so frequently that it is impossible for a company to base plans on them. However, in some cases the behaviour of the company throws in doubt the correctness of belittling positive government incentives. For instance, in countries which adopt measures to attract business to areas where unemployment is endemic, there is often a concentration of foreign companies in just those areas. This suggests, contrary to what their executives say that multinational companies are responsive to government incentives." (40).

Some such concentration was shown in the tables generated for the second chapter, especially Table 2.15.

There also appears to be evidence that shows that financial inducements are more important to foreign firms or, at least, they take more heed of them than do indigenous firms. The I.L.A.G. survey (see Table 7.11) showed that 58% of firms of overseas origin, compared to 39% of all firms said government inducements were of major importance to locational choice. In assessing I.L.A.G.'s findings Ashcroft and Ingham suggest:

"The evident thoroughness of multinational company location search process suggests that multinational companies are more likely than indigenous companies to minimise the excess costs of a development area location. Furthermore the evidence shows that multinational companies are more able to recognise and therefore maximise the advantage to be obtained from the available regional policy package." (41).



The debate on the importance of Regional Policy to inward investing firms continues. Some researchers such as Stuart Holland (42) have stressed that the inherent advantages resulting from multinationality have meant that firms can threaten to locate abroad if an Industrial Development Certificate (I.D.C.) is refused or they can see inducements as barely important for themselves as they can easily shift tax burdens to low tax states or locate in much lower cost developing countries. Interestingly Yannopoulos and Dunning (43) came to the general conclusion that multinational companies were more responsive to Regional Policy using very similar evidence as that cited by Holland when he claimed they were less responsive. They claim that the shifting of tax burdens by transfer pricing and the generally lower commitments to specific locations than indigenous counterparts make foreign firms more responsive to Regional Policy. Looking at the two pieces of work the different interpretation put upon the same piece of evidence from an Expenditure Committee Report (44) is worthy of note. Referring to Univac's decision to set up in Britain, Yannopoulos and Dunning suggest that discussions with the Department of Industry were influential in that company going to an Assisted Area (45). On the other hand Holland interprets the same statement as showing no influence, at least in response to the inducements of Regional Policy (46). Holland is perhaps guilty of distorting the evidence to fit in with his left-wing views.

A valuable contribution to the debate has been made by Ashcroft and Ingham (47). Using a regression model they compared the movement of foreign firms with indigenous firms and concluded that foreign firms had been attracted by industrial and regional incentives. They found that whilst foreign firms were more responsive to individual investment incentives the overall response was proportionately lower because of the lesser significance of I.D.C. control and Special Development Area incentives. Nevertheless, they estimated that 45% of foreign firms locating in the Assisted Areas between 1961 and 1971 were attracted by Regional Policy giving approximately a 16% net addition to employment in these areas assuming, rather

falsely, that jobs were not lost by such moves or created by multiplier effects. The evidence is not conclusive, and nor could it be, for it may be that foreignness is less important in measuring responsiveness than are enterprise and product characteristics.

We can return to empirical assessments to complete the building of a picture of the importance attached to and influence of financial inducements. De Meirleir, the President of Plant Location International, reports that management rate financial incentives in a range from the very positive to the extremely negative. He gives three examples of the reasoning employed by firms:

- "(a) We do not want to locate in an area of maximum incentives because it is obviously an area with maximum problems. We never accept hand-outs from any government to keep our freedom of action.
- (b) We are looking for a site only in a maximum incentive area, thus a special development area, since it is our policy to minimise investments and maximise profits, to return our money on a short term basis.
- (c) We are looking for the optimum site for our plant, and if the area we selected for our preferred site qualifies for incentives, we will take them." (48).

Business leaders often attach little importance to government inducements and stress market considerations as the only sound basis for investment (49). The manager of Ford's Belfast plant, made this point even though the outside observer would immediately think that firms moving to Northern Ireland were doing so because of the high level of inducements available. He said:

"Henry does his sums but he does not take grants into account. They're just the cream on the cake. He's looking for a viable, feasible product." (50).

We have already mentioned that incentives may be considered late in the process of decision making but what appears to be



happening when individuals say inducements are of little importance is that firms are trying to set themselves up as strong organisations able to go their own way without the need for government support. The attitude they seem to have is that even if they do not need them, if inducements are available then the firm may as well take them.

Yair Aharoni's work (51) based on interviews with businessmen found that managers involved in the foreign investment decision process had a tendency to say that the integration of inducements into the decision process depended on specific conditions. Aharoni, nevertheless, concluded that government concessions did act at least as catalysts. He found some senior managers quite open. For example he quotes one as saying:

"I can honestly say that we would not have gone to (the foreign country) had we not gotten tax concessions, but I think it would be a grave mistake if the (foreign) government should cancel these concessions, because they make the investment more attractive." (52).

Firms, it would seem, may be pulled from establishing in a non-Assisted Area to an Assisted Area by the incentives available, notwithstanding the push from restrictions on development in non - Assisted Areas. Whilst firms claim diseconomies can be incurred by such Assisted Area locations some claim considerable benefits can ensue from such a location (53). Foreign firms, as mentioned before, are strongly represented in Assisted Areas and Brooke and Remmers view that "contrary to what their executives say... multinational companies are responsive to government incentives" (54) appears valid.

#### Promotional bodies

Aharoni judged that concessions were just one factor assisting in the neutralisation of obstacles to investment. However, he felt that promotional activities were crucially important:

"Those governments that did succeed in stimulating foreign investments chose a very different path (from incentives such as tax exemptions, etc.): they concentrated their efforts in an integrated promotional plan, designed to familiarise prospective investors with possibilities available in their country and create a "good image." (55).

This approach seems to assume inducements are "taken as read" and are more or less equal, but, different levels of incentives do exist. One problem is the discretionary nature of some assistance and the uncertainty that it brings. Such uncertainty may detract from the actual level of assistance potentially available especially in relation to those given in other states. This may be the case in Britain regarding Selective Financial Assistance, for instance (56). For development bodies outside central government talking terms and being exact about the benefits that would accrue to a potential project is extremely difficult. If the "assistance taken as read" rider is attached to Aharoni's statement it remains interesting that he is saying that a proficient promotional agency can be crucially important in stimulating foreign investment. Many of the respondents in agencies questioned for the present study felt themselves to be very important in this sense yet previous evidence in the present chapter, apart from that of Aharoni, seems to suggest little importance attached to the various promotional bodies by firms. The situation probably is that firms underrate the importance of promotional bodies whilst the bodies themselves in defensive fashion over-inflate their importance.

Promotional organisations consider themselves to be highly important. A blinkered, self-righteous view is almost inevitable. By virtue of their narrow conception there is a propensity to inflate their own importance. This provides a basis for organisational competition. The promotional bodies are prone to see a firm's choice of an alternative location as due to the activities of promotional and industrial development bodies and not as the independent action of a firm. Admittedly, such organisations may be responsible for making the firm aware of other options but it is not just the action of the development organisations that persuades the firm to make an alternative choice, it is the perceived advantages of a particular location that are important.

Promotional activities are only a minor part of the elements considered by a firm wishing to make a move abroad but a judicious promotional agency can make considerable inroads into attracting a firm, especially in the case of a firm considering a number of



options falling within its requirement field.

Promotional bodies can be involved in a firm's plans at a very early stage, even prior to a firm initiating plans to expand abroad. Consequently, pin-pointing where a promotional agency should focus its attention is not easy. At present national, regional and some local bodies, notably New Towns, are attempting to influence the behaviour of firms even at the earliest stages of a potential inward investment. Thus these bodies are likely to pass on information about things such as taxation arrangements, general government policies, and general administrative practices, thus covering many of the wider factors. However, when it comes to specific and more competitive elements such as sites, local costs and local amenities the national and to some extent, the regional agencies, especially in England, tend to fade into the background bowing down to local expertise. Few bodies can be involved in the whole range of potential points of influence from advising on financial institutions and processes in Britain to giving the thickness of floors or height of doors in factories. Central and local actors are both necessarily involved. Whilst the central government is important in providing financial assistance local government still holds the reins on planning permission.

The more scope an actor has for being involved with the various levels of advice and provision the more points there are at which competition can occur. Furthermore, in the interests of territorial equality the actual differences in the content of many factors such as tax rates or trade arrangements show no spatial variation in Britain. However, the quality of advice - giving on this and therefore the possibility of perceived spatial variation in these overall factors can be made to look considerable. Agencies often appear to be saying they can offer an inward investor many benefits, especially financial ones, as if they are exclusive to them when in reality the bulk of the "benefits" are not spatially variable. This applies equally to financial assistance for areas of equal Assisted Area status unless local topping-up can occur, although this, if available, is often nullified by being taken into considera-

tion when Selective Financial Assistance is given.

Scope for competition at the more local level and relating to specific requirements is potentially quite strong. Earlier, the results of what respondents in agencies and authorities handling foreign firms felt were the factors most important to the foreign firm showed that they were aware of what they wanted and therefore had some understanding of where competition should be pitched (57).

That the factors most important to the foreign firm wishing to invest perceived by respondents in development bodies, Local Authorities and New Towns were similar to those identified as important by the firms themselves would suggest that at least an attempt to meet the requirements of firms would be made. Whenever they can the various authorities strive to provide for the needs of inward investors. The various organisations often try to operate an unfettered welcome stressing the inducements available. Many agencies attempt to improve infrastructure and make physical provisions of sites and factories. However, skill and expertise are very variable and this, as we have seen in an earlier chapter when discussing provisions made for satisfying the needs of foreign firms, is reflected in providing for the inward investor. Whilst one body may provide a rapid turnaround of information and help, provide a wide range of sites and premises available for occupation, and be working in an ethos the central goal of which is the attraction of new jobs another body can be sluggish, unenthusiastic, and have firms turning up on its steps with nothing to offer them. To be influential promotional bodies have to be extremely well organised and professional in approach.

### 7.3 Conclusion

We have seen that the main reasons why firms say that they locate abroad are defensive ones in terms of market growth. Under this heading the more specific influences appear to be tariff barriers, transport costs, difficulties with agents or licences and the emulation of other firms. The choice of a specific location seems to be based on many considerations but firms see the main influences as government inducements, markets,



labour availability, and the availability of site and premises.

The major question is whether Britain satisfies the requirements of foreign firms. Can Britain offer good prospects for them? This means can Britain offer the potential for low cost, profitable operations in a viable market. There seems to be no reason why this should not be the case but, unfortunately despite low unit costs in comparison to other E.E.C. states it appears to be the perceived poor labour relations and productivity records of Britain that put firms off (58).

There is scope for improvement of the reality regarding labour relations and productivity, but this is too wide a question to address and outwith the scope of this study. Britain desperately needs investment now. In order to improve her success at getting foreign firms to locate in Britain she has to project a good image and structure a programme of attracting foreign firms in the terms of the priorities of firms themselves. Overcoming beliefs is difficult but not insurmountable. For instance, overcoming fears about strikes and productivity records should be quelled by laying more emphasis on the better performance of foreign firms compared to indigenous firms and certain troubled industrial sectors. This is just one example of an improvement, and one of which some development bodies are well aware.

Respondents in this study were generally aware of what was important to foreign firms wishing to invest. (See Table 5.2) (59). Respondents in Local Authorities and New Town Development Corporations (and from other agencies not recorded in Table 5.2) thought that the important factors for foreign firms were transport links (a consideration more important to firms at the stage of justifying a move abroad), readily available sites, factories, and room for expansion, government inducements, labour availability (skilled and with good relations) and market considerations (a factor seen as more important in the decision of a firm to move abroad rather than in choosing a site). The respondents appeared to do well in assessing what the foreign firm wishing to invest would generally look for. Similar uncertainties were also evident. Just as the studies examined in this chapter have

shown, the respondents in the present study were also unsure of the role of financial inducements but they generally suspected them to be important.

Many of the studies that have been described show that firms attach low significance to the activities of promotional bodies themselves. More surprisingly, few Local Authority and New Town respondents mentioned that they thought professional location assistance was among the factors most important to the foreign firms wishing to invest although an option asking if these bodies felt promotional bodies were influential would have probably yielded many positive responses. In general, the promotional bodies are probably more important than firms are willing to admit. The work and efforts of an outside body are unlikely to be acknowledged as having much bearing on a firms locational choice, yet these organisations may be influential, as pointed out by Aharoni.

This chapter has gone a long way towards balancing and complementing the overall bias of the study towards the promotional agencies by looking at the view from the firm. The analysis would have been incomplete without a consideration of the motivations and activities of firms themselves. In particular, these needed to be understood to give indications as to the best policy designs for attracting and/or controlling foreign firms as are considered in the final chapter.

- (1) J. F. Galloway "Multinational Enterprises as Worldwide Interest Groups", Politics and Society, 2(1), 1971, p. 1-20.
- (2) J. La Palombara and S. Blank Multinational Corporations in Comparative Perspective, The Conference Board Report No. 725, 1977, p. 70.
- (3) Not least of the problems is finding a respondent who was actually involved in the investment decision process and who has not been tarred by some after-the-fact rationalisation of motivations and aims. Others studying in this area found this a problem and this is discussed later in the chapter. Even if an interviewee is fully cognizant of the reasons why a firm made an implantation he may still cover up a fundamental reason such as the maximising of profits. The problem of who to interview and who to judge as capable of giving a company view has been dealt with by M. Z. Brooke and H. L. Remmers in The Strategy of Multinational Enterprise, Pitman 1978, p. 162 - 3. Also see Table 7.5 later in this chapter.



- (4) B. Ohlin Interregional and International Trade, Harvard University Press, 1963.
- (5) S. H. Hymer The International Operations of National Firms: A Study of Direct Investment, Unpublished Ph.D. thesis, M.I.T., 1960.
- (6) R. N. Cooper The Economics of Interdependence: Economic Policy in the Atlantic Community, McGraw Hill, 1968, p. 89.
- (7) R. M. Cyert and J. G. March A Behavioural Theory of the Firm, Prentice Hall, 1963.
- (8) R. Vernon Sovereignty at Bay, Basic, 1971, p. 65 - 112 and R. Vernon "International Trade and International Investment in the Product Cycle", Quarterly Journal of Economics, May, 1966, p. 190 - 207.
- (9) R. Vernon Quarterly Journal..., ibid., p. 204.
- (10) R. Vernon Sovereignty at Bay, op. cit., p. 107.
- (11) R. Vernon Quarterly Journal..., op. cit., p. 194.
- (12) J. Fayerweather International Business Management: A Conceptual Framework, McGraw Hill, 1969, p. 15 - 50.
- (13) G. V. G. Stevens "The Determinants of Investment" in J. H. Dunning Economic Analysis and the Multinational Firm, Allen and Unwin, 1974, p. 52 - 76.
- (14) H. V. Perlmutter "Three Conceptions of a World Enterprise", Revue Economique et Sociale, May, 1965, p. 106 - 127.
- (15) For a discussion of this including a discussion of a typology of firms see M. Z. Brooke and H. L. Remmers op. cit., p. 19 - 61.
- (16) The seminal work in the field can be identified as A. Weber Uber den Standort der Industrien, 1909, translated by C. J. Friedrich as Alfred Weber's Theory of Location of Industries, Chicago, 1929.
- (17) This began in earnest after J. Wolpert's "The Decision Process in Spatial Context", Annals of the Association of American Geographers, 54, 1964, p. 537 - 558.
- (18) No doubt some mention of these factors has been made but despite the fact that much investment now occurs across state boundaries basic texts pay no significant regard to this. For instance see P.E. Lloyd and P. Dicken Location in Space: A Theoretical Approach to Economic Geography, Harper and Row, 1972, and D. M. Smith Industrial Location: An Economic Geographical Analysis, Wiley, 1971.

- (19) Y. Aharoni The Foreign Investment Decision Process, Harvard U.P., 1966, p. 46. The last sentence of this quotation provides support and justification for inclusion of the present chapter in the study.
- (20) The considerations to be taken into account are well covered in general texts on industrial location and decision making thereon. See references in footnote 18. Many of the individuals involved in attracting industry, whilst probably having practical experience of immense benefit to them, would benefit from devoting time to reading such works.
- (21) It is difficult trying to summarise and examine empirical studies for the goals and objectives of the studies have differed in so many ways. Often foreign firms have been only part of a study, although the studies discussed below generally refer to foreign firms specifically. Further differences have been in methodology, survey technique and content, the types of firms and timing of surveys. These factors reduce the comparability of the studies but by looking at them certain implications can be drawn out. And, furthermore, such empirical studies do overcome the lack of studies bridging theories of international locational and business behaviour and the theories and empirical studies in economic geography despite the fact that in the latter empirical studies tend to be distanced from theory testing and more akin to information generation. The gap, the lack of tests of theory, can largely be explained by the abstract nature of theory and its distance from reality because of constructed simplifying assumptions and, more significantly, because the goals of theoreticians and empirical researchers differ. Theoreticians aim at explanation allowing optimal patterns. Empiricists are more pragmatic being interested in implications of industrial location and investment patterns for economic development and growth.
- (22) G. Katona and J. Morgan "The Quantitative Study of Factors Determining Business Decisions", Quarterly Journal of Economics, 66, February, 1952, p. 67 - 90.
- (23) Expenditure Committee (Trade and Industry Sub-Committee) Regional Development Incentives, Session 1973 - 74, Vol. 6, Minutes of Evidence, Appendices and Index, H.M.S.O., December, 1973, p. 532.
- (24) W. F. Luttrell Factory Location and Industrial Movement, Cambridge, 1962.
- (25) ibid., p. 39.
- (26) T. E. MacMillan "Why Manufacturers Choose Plant Locations v Determinants of Plant Locations", Land Economics, 43, August, 1965, p. 257 - 293.



- (27) Expenditure Committee (Trade and Industry Sub-Committee) op. cit., p. 555.
- (28) M. Z. Brooke and H. L. Remmers op. cit.
- (29) ibid., p. 160.
- (30) D. J. C. Forsyth U.S. Investment in Scotland, Praeger, 1972.
- (31) G. Davies and I. Thomas Overseas Investment in Wales, Davies, 1976.
- (32) J. M. Northcott Industry in the Development Areas: the experience of firms opening new factories, P.E.P., 1977.
- (33) D. J.C. Forsyth op. cit., p. 223.
- (34) ibid., p. 224.
- (35) M. J. De Meirleir "It's your move go and collect", Annual Business Location File, January, 1970, p. 10.
- (36) Sunday Times, 9 October, 1977, p. 17.
- (37) T. B. Stobaugh, "How to Analyse Foreign Investment Climates", Harvard Business Review, September - October, 1969, p. 31 - 42.
- (38) K. P. D. Ingham, "Foreign Ownership and the Regional Problem: Company Performance in the Mechanical Engineering Industry", Oxford Economic Papers, 28(1), March, 1976.
- (39) P. M. Townroe "Some Behavioural Considerations in the Industrial Location Decision", Regional Studies 6 (3), 1972, p. 261 - 272.
- (40) ibid., p. 165.
- (41) B. Ashcroft and K.P.D. Ingham "The response of Multi-national Company Subsidiaries and Indigenous Companies to Regional Policy: The Effect of Company Adaptation", Discussion Paper No. 4, Dept. of Economics, University of Strathclyde, 1978, p. 8.
- (42) S. Holland, Capital versus the Regions, Macmillan, 1976, esp. p. 151 - 159.
- (43) G. N. Yannopoulos and J. H. Dunning "Multinational Enterprises and Regional Development: An exploratory paper", Regional Studies, 4, 1976, p. 389 - 399.

- (44) Expenditure Committee (Trade and Industry Sub-Committee), Regional Development Incentives, Session 1972 - 73, Vol. 2, Minutes of Evidence, H.M.S.O., 1973, p. 112.
- (45) G. N. Yannopoulos and J. H. Dunning op. cit., p. 395.
- (46) S. Holland op. cit., p. 153.
- (47) B. Ashcroft and K. P. D. Ingham "The comparative impact of U.K. Regional Policy on foreign and indigenous firm movement", Typescript, University of Strathclyde, Department of Economics, 1980.
- (48) M. J. De Meirleir op. cit., p. 9.
- (49) A clear statement of the low importance attached to financial inducements has been made by S. T. Aberg of Ericsson in R. L. Baker (ed.) Business Leadership in a changing world, McGraw Hill, 1962, p. 385.
- (50) The Economist, 28 June, 1980, p. 65.
- (51) Y. Aharoni op. cit.
- (52) ibid., p. 162.
- (53) S. Holland op. cit., p. 151 - 159, and his memo "Multi-national Companies and a Selective Regional Policy" contained in the Expenditure Committee (Trade and Industry Sub-Committee) Regional Development Incentives, Session 1972 - 73, H.M.S.O., 1973.
- (54) M. Z. Brooke and H. L. Remmers op. cit., p. 165.
- (55) Y. Aharoni op. cit., p. 165.
- (56) This was brought out in a study by G. Walker and H. Krist "Regional Incentives and the Investment Decision of the Firm. A Comparative Study of Britain and Germany", Studies in Public Policy, C.S.P.P., University of Strathclyde, 1980. The uncertainty of discretionary schemes make them less attractive than automatic ones.
- (57) See question 5(i), Appendix A, Interview Schedule. For results obtained from Local Authority and New Town Respondents see Table 5.2.
- (58) This was the finding of a recent IBB - commissioned study of why Californian micro-electronics companies do or do not set up in Britain. See The Economist, 1 December, 1979, p. 76.



(59) As with the studies described in the previous section the question asked in the present study only covered part of the picture of why firms happen to go abroad and end up at a specific location. The answer options available clearly focused the question on the issue of why firms chose a specific location. See Appendix A, Interview Schedule, Question 5(i).

## CHAPTER 8. CONCLUSION

In the final chapter the fundamental and overarching themes of the thesis are examined. General conclusions are made but the majority of the chapter concerns the way in which Britain goes about attracting foreign investment. This is assisted by using four key concepts, namely consensus, coherence, competition and co-ordination, concepts that have been used to assist with the explanation as the study has proceeded. In the early chapters it was possible to show the importance of foreign investment to Great Britain. Later in analysing the attitudes of decision makers and policy implementors, it was obvious that the importance of foreign investment was recognised and it was generally seen as beneficial. A high degree of consensus regarding benefits was reflected in a general lack of differentiation between policies towards foreign and indigenous firms. In fact, the single identifiable policy towards foreign investment was that of "welcome". Paradoxically, however, in this single area of active policy a consensus is found not to lead to a coherence in implementation. Evidence of the divorce of implementation from policy is strong and it seems that a lack of synoptic treatment and assessment has led to a multi-organisational competitive framework where it is apparent that there is a necessity for an adjustment of relationships in order to attain a more effective framework possessing a greater degree of co-ordination.

The majority of the present chapter is devoted to looking at ways of making improvements. Normative recommendations are directed towards the various actors involved and means for improving the overall framework are suggested. At the end of the chapter the initial propositions are reassessed when general considerations are drawn together. But, first, a recapitulation and summary of the more general issues raised during the thesis is undertaken.

### 8.0 Foreign Investment in Great Britain: Scope, Attitudes and Issues

Ever since foreign firms have been coming to Britain government policy has been permissive to them, imposing few restrictions and rarely turning them away. Concern with and awareness of actual or potential problems associated with foreign investment has been



and remains low. Britain's desperate need for investment has meant the adoption of a stance of extreme pragmatism and benign neglect. Does this mean that the doomwatchers telling us to neglect multinational companies at our peril are wrong? The answer is both yes and no. Much of what has been said by them, however, does not appear to be particularly relevant to Britain or, as we can probably assume, to advanced western states with strong and established bureaucracies. Admittedly, isolated cases of foreign firms exploiting their strength against the government can be found and, there are some only too keen to keep reiterating them as evidence of the exploitative nature of foreign firms. It cannot be denied that multinational companies had much potential strength and, in an era when politics have become dictated by ability rather than legitimacy, this strength is increased.

Foreign firms have to be given leeway in order to continue presenting an image of Britain as an attractive place to be located. The firms have the ultimate ability to move out of Britain or, at least, not to expand and make further investment here. In order to reduce the uncertainty associated with foreign investment sections of the left in British politics have suggested the need for much stricter controls on foreign investment rather than continuing with the complete absence of such as exists at present. In paying attention to these pressures governments have in recent years concentrated attention on international fora for establishing frameworks for codes of conduct for the international firm. In so doing this there has been a hiving off of attention and lip-service has been paid to the potential problems of the growth of international big business. There has always been a view that the problems of international business and its control should be international in focus for multinational companies are, by definition, actors impinging upon one state. Unfortunately, there is little hope that codes would be obeyed or enforced if they were to place any serious impositions on firms. Acceptable codes that become implementable have limited utility seeming to thrive on loopholes and lack of enforcement.

In Britain it seems that it is not so often the multinational

companies that are criticised than it is the government for lacking coherent policies to deal with them. Britain is both a home and a host for many international companies and this does place some limitations on the scope for restrictive policies for fear of retaliation. Nevertheless, it is probably the desperate need for investment in Britain that has meant a consistently favourable view of inward investment.

This study has gone some way towards answering the puzzle stated at the outset. Some clarification as to understanding why the wealth of literature pointing out the capability of foreign firms to outsmart governments and disrupt their policies appears to be wrong in the British case. The reason is that successive governments have been unable to afford to promote non-issues to issues because the need for foreign investment, or any investment for that matter, is so great and the benefits are seen to outweigh the costs to an overwhelming degree.

In Britain there has been no steady build-up of nationalistic reaction against foreign investment, in contrast to Canada where there is a much higher volume of foreign investment and concern with United States domination is intense. In Britain some Labour Members of Parliament, the Labour Party, a small number of academics and a sometimes jingoistic press have failed to arouse xenophobic feelings to any considerable extent. Anger with foreign firms closing soon dissipates especially because firms themselves so often succeed in placing blame on forces outside their control, such as the actions of governments or world recession in general. On this and other fronts there does not appear to be any attachment of worst behaviours to foreign rather than indigenous firms. The perception of foreign firms as exploiters and as detrimental to Britain is, furthermore, made less likely as a result of the generally superior conditions and wages they have to offer.

In the second chapter the tables presented showed that foreign firms are important to an extent disproportionate to the number of enterprises (1.2% of those in private sector manufacturing, 1975) or establishments (2.1%). These few investments provide 13% of total employment, 16.6% of total out-



put and 19.2% of total expenditure in private sector manufacturing. On all counts the tables presented in the second chapter also demonstrate the better performance of foreign firms compared to all firms. Successive governments have obviously been impressed by the benefits coming from foreign investment seeing their performance as satisfactory and beneficial as a whole. Consequently satisficing has given way to any attempts to maximise benefits. The passive approach can be praised as preferable to industry and beneficial to continued investment as firms are left unhindered. However, problems may arise from such a passive approach. It may, for instance, be necessary for the loss of autonomy resulting from an inward investment to be built into any assessment of the utility of such. By loss of autonomy we mean the loss resulting from the way in which large foreign firms tend to work in tightly integrated frameworks of global planning horizons where little heed may be taken of national aspirations. Thus, overseas plants are often manufacturing plants and little else. Important business functions such as marketing and research and development may be carried on elsewhere. A situation such as this leads to few local linkages, worries about becoming a branch plant economy and a decrease in the potential of self-generated local growth.

The figures showing the better performance of foreign firms compared to indigenous ones do not speak for themselves and show only part of the story. Nevertheless, most actors in Britain that are concerned with foreign firms and their behaviours seem either blithely unaware or little concerned about the costs, being blinded by the benefits. This does not necessarily indicate their naiveness, rather it does reflect how successful foreign firms tend to be both in actuality and as perceived.

Potential problems of the long term are usually pushed aside or regarded as myths. Withdrawal of foreign firms is potentially their most disruptive behaviour. After withdrawals the companies concerned may be able to continue to service the British market from the outside having collapsed or disrupted competition from the inside as an alternative variant on the almost traditional model of British industry failing under

competition with imported products. Whether Britain can avoid continued missed opportunities, or catch up on technology after a foreign firm has come and gone remains to be seen, but an interruption such as that caused by larger, better equipped, technologically advanced firms can possibly had a terminal effect on British competitors. On the positive side, however, it might be said that it is better to have jobs here rather than in Japan or Taiwan. It can be argued that Britain has little need to worry. She has few foreign firms to lose compared with the likes of Canada but, conversely, Britain needs to gain more or else the benefits of foreign investment will go to other states.

The better performance of foreign firms can also have a detrimental affect by altering the terms of reference for industry in general. The substantial wage increases secured by Ford workers in early autumn 1978 which began a succession of large claims during the following "winter of discontent" severely influenced inflation and was instrumental in the fall of the Labour government. Foreign firms able to draw on external finances have more scope for acceding to trade union demands in order to maintain production or to achieve some other company goal. Companies such as British Leyland have less opportunity to do this and the final resort is often the government. Not all foreign companies are as able as Ford, however. Chrysler, for instance, decided to play on its financial difficulties and go to the British government for help. The aid they received subsequently demonstrated that for some foreign firms it was possible to have the best of both worlds.

The multinationality of firms means they have more scope than indigenous firms for acting in terms of their own goals and aspirations which may go against government policies. Foreign firms may have more potential for disrupting the balance of payments, for hedging and for using transfer pricing, but in Britain there seems to be little evidence of such financial disruptions. In fact the balance of payments actually appears to benefit from the operations of foreign firms to a significant degree. In Britain, the behaviour of foreign firms, on balance,



cannot put them into the bracket of the stock villain, a role to which they so often seem to be assigned in writings on international politics. The capabilities of foreign firms, their potentially detrimental and disruptive activities and their potential benefits to Britain should, nonetheless, be recognised and government policies need to be designed to deal with these aspects.

Government policies to deal with and control foreign investment have never really existed. If policies have impinged on issues of foreign investment they have usually only been concerned with foreign investment tangentially. Exchange control, for example, was designed to oversee nothing more than financing arrangements. Other legislation and policies such as the Companies Acts and Regional Policy do not deal with foreign companies in a manner any different from the indigenous firms although policies such as these and foreign investment often crosscut. Even when controls were applied to foreign companies in the shape of planning agreements little attempt was made to monitor the agreements made. Controls specific to foreign investment are non-existent although in specific cases, such as Hitachi and Mostek, for example, the government was responsible for effectively keeping out would-be investors.

Qualifications are likely to occur when sensitivity is high be that because issues of the National Interest are at stake as may be the case of a foreign firm involved in defence related work or when interest groups or influential government departments are worried about the impact of an inward investment. In the exploitation of the North Sea we have seen some favouring of firms with a British involvement. This exception to the non-discriminatory policies to some extent arises from the sensitivity of oil which is popularly regarded as being Britain's patrimony and the lifebelt keeping the economy afloat. For these reasons it is commonly felt that benefits should come to Britain and not to foreign companies. Oil is also unusual in that Britain can get away with discrimination as oil is a much sought after scarce commodity. It seems that exceptions to the non-discriminatory policy may be found and these are not always one way (for example Marathon and Chrysler). However, all the exceptions

apart, there is, in the overwhelming majority of cases, no differentiation between firms of different nationality, at least in regard to government policies, legislation and general treatment.

Over the years the government's view of foreign investment, at least as judged from policies relating to or impinging upon foreign investment, has been and still is that benefits outweigh the costs. Even aspects where foreign firms have a distinct advantage over indigenous firms, by virtue of multinationality, seem to come under scrutiny only on rare occasions. Investigations into monopolies, mergers and exchange controls, for instance, all bear the stamp of superficiality in relation to aspects of multinationality. Investigations have been handled wearing kid gloves and, contrary to the government's own investigation, the Steuer Report, there has been no tightening up of the way in which the government relates to foreign firms.

The benign neglect reflects the flimsy co-ordination of the many departments dealing with foreign investment (see Table 3.1). This has contributed to there being no overall perspective and little attempt at a synoptic view. No written framework or set of guidelines to assist with handling even the trickier cases, such as Hitachi, has been produced. Thus if a foreign firm is treated exceptionally the basis for this is pragmatic, making judgements on a case by case basis. (There is nothing new here, many British policies are approached pragmatically with little use being made of plans or blueprints). Methods have never been systematised. When exchange controls were in operation the only elements considered were of a financial nature and, in general, investigations were almost cursory.

No movements towards establishing any other controls on foreign investment have been made. Even the gathering of information is poor and what little there is, is dispersed amongst many departments. No clear guidelines have been set. No policy or consistent view of foreign investment has been produced nor does one seem likely. With no single department dealing with foreign investment, objectives have not been set and no synoptic view or the overall merits and demerits of foreign investment exists.

The existence of many separate departments with interest on foreign investment and little communication between them on



these matters means that an approach to foreign investment substantially different from that for indigenous investment is unlikely. Such a diversity and division of interest has contributed to foreign investment never being seriously raised as an issue to be dealt with in a synoptic sense. Consequently the prerequisites for commencement of serious decision making and policy formulation have never been reached. With a lack of any policy beyond that of "welcome" how can foreign investment be adequately appraised and assessed for desirability?

Later in this chapter we concentrate on looking at means for improving the efforts at attracting foreign firms to Britain, but perhaps prior to this there is a need for suggesting a means of ensuring the desirability of foreign investment and for emplacing some control over it. Changes such as setting up a British equivalent or a dilute version of the Canadian Foreign Investment Review Agency (FIRA) could be considered. However, in Britain there is little desire and demand for such and the consensus amongst decision makers and proximate decision makers is that the detrimental behaviours of foreign firms are minimal and outweighed by benefits. Consequently, at least in the foreseeable future, even a limited version of a FIRA-like organisation would probably fail through lack of a power base and a lack of anyone caring about it.

#### Attitudes towards foreign investment

It was posited at the outset that the dependent variable, the policy chosen, arises largely from the attitude towards foreign firms, the independent variable. In this case the consensually low level of concern with the potential or actual difficulties connected with foreign controlled firms exhibited by politicians was reflected in the policy chosen, that is, the general lack of a policy placing restrictions on or attempting to control foreign firms. Politicians generally perceived foreign investment as beneficial to Britain (the main exception being a few Labour backbenchers), and this was reflected in the only perceived "policy", that of welcoming foreign investment. If concern was ever roused it was rarely with costs and benefits but more often with specific issues prominent at a given point.

It is also worthy of note that those actually implementing the policy of "welcome" and dealing with foreign firms generally saw foreign firms in an even more favourable light than the politicians.

In Britain foreign investment has never stimulated or upset belief systems sufficiently to produce identifiable problems requiring policies to gird against the actions of foreign firms. General dissatisfaction with the behaviours of foreign firms has never arisen, often because foreignness is not seen as important to departments with only functional responsibilities. Attempts to gather together overall costs and benefits can only come from a much wider perspective. Just as scholars of international politics often identify problems and the need for governments to take action to deal with them, the only synoptic views tend to come from international fora, such as the O.E.C.D., but these bodies are often unable to implement guidelines and can only persuade states to take actions by themselves.

Within Britain all actors concerned with foreign investment, especially those interviewed in the course of this study, tended to view foreign investment in only limited terms. Concern was occasionally expressed about losses of autonomy and economic outflows but this did not alter the overall favourable and receptive attitudes. All those interviewed exhibited considerable degrees of cognitive dissonance. Most had a tendency to favour foreign firms and so saw "misbehaviours" as mere aberrations and deviations from their conceptualisations of the foreign firm. On the other hand, the few left-wingers who adopted a doomwatch stance were able to retain their perception of the detrimental behaviours of foreign firms by reiterating the few cases when foreign firms acted against government desires or the interests of Britain. Closures and transfer pricing were often mentioned as the most evil of the behaviours of foreign firms. In actuality whether foreign firms seem more closure prone than indigenous firms seems unlikely, and as for transfer pricing, whilst no doubt occurring (just as individuals evade tax), this seems probably only limited, this being carefully monitored by the Inland Revenue.

Only low level and limited hostility to foreign firms was



exhibited by the respondents who disfavoured foreign investment. The general feeling was that the possible loss of control over national affairs was limited and unimportant. The general effects of foreign firms were viewed positively by most. The synthesis of the actual and the perceptual led to an overall view in favour of foreign investment which no doubt leads to the reason why foreign investment is welcomed. How well the "welcome" is achieved and suggestions for its improvement are the subject for the next two sections. The next section addresses the matter from an organisational viewpoint and the subsequent section looks at the methods used by these organisations and suggests means of improving the marketing approach. In the final section we return to examining the general approach to foreign investment in Britain and reconsider the initial propositions.

### 8.1 Attracting Foreign Investment to Great Britain: The Organisational Framework

In this section findings are summarised, conclusions drawn and recommendations made. Having made a general summary of what is being done to attract foreign investment to Great Britain, and of the difficulties therein, issues of institutional roles, co-ordination and methods employed are considered. The next section on marketing highlights and expands on this, but in this section an overall assessment of industrial development organisations attracting foreign investment to Great Britain is made. This complements other recent but only partial considerations of the organisations involved in attracting inward investment. Here we refer to the Reports of the Select Committees on Scottish and Welsh Affairs and the unpublished consultant's report for the Department of Industry on English regional promotional organisations, three New Towns, BSC (Industry) Ltd., and the IBB's operations in England. The present study encompasses a much wider coverage. The previously uninvestigated role of Local Authorities and coverage of the whole of Great Britain, not just constituent parts of it, are major contributions of this study which also benefits from initially adopting a standpoint whereby foreign investment is viewed in its widest

context.

In spite of the hope that the addition to knowledge and understanding is beneficial, a few words of caution are necessary before proceeding. First, it is important to note that despite attempts to make conclusions wide-ranging, there are clearly limits on the firmness of conclusions. Whilst every attempt was made to delve into all aspects of the topic by gathering information first hand or by overcoming access problems circuitously further investigations would have proved beneficial. It would have been useful to have asked firms themselves about their views of promotional bodies. Going overseas to assess the work and methods of consultants, agents, Consular offices and foreign counterpart organisations would also have been of benefit. Nevertheless, conclusions can be drawn by assessing the findings presented herein. The word "assessing" is used advisedly for although heed is taken of the findings and views of the many respondents the conclusions made are those of the author.

Perhaps the most fundamental assessment to be made is whether efforts should be directed towards attracting foreign firms in the first place. The answer must be yes for there is a consensus on the policy of "welcome" and Britain cannot do without further foreign investment when the amount of indigenous investment seems to fall short of requirements. The answer must also be positive if for the rather dubious reason that others are doing so and firms expect to be subjected to the offer of blandishments. Virtually all governments are involved in such activity and whilst it may be of benefit to them to cut this down (especially to prevent expensive up-bidding) a unilateral disarmament would be damaging although the present proliferation is expensive and far from optimal.

The same sort of logic can be applied internally to Britain. Many agencies can claim the need to enter the industrial development areas because that is what others are doing. Much of their activity is plagiarised and an end in itself. Some agencies even equate success with being seen to be active. In this instance activity has a symbolic political value rather than having any intrinsic value towards attracting inward investors. Clearly, such activity may give some satisfaction to Chief Executives and



the staff in Industrial Development departments but the satisfaction is false and misplaced as it makes no contribution to the national effort to maximise inward investment. Confronted with a significant proportion of such activity it is not surprising that the government with its ability to organise a system of maximum benefit to the state as a whole has had to consider making improvements. Investigations into means of improving the framework has been made via consultants and Select Committees. Nevertheless, resultant change has been negligible, even though the organisations and methods employed are not ideal, and change does seem necessary. (The problem of bringing changes about is addressed in the last part of this section).

The agencies for industrial promotion had not grown for the same reasons in every case, but growth has come overwhelmingly from social interaction rather than from planned intellectual designs and models of super and sub-structural relations aimed at creating an efficient framework where roles, responsibilities and relationships are clearly allocated. Allowing a continuance of this present system so in need of functional, territorial and hierarchical delimitation may be courting disaster, but the imposition of a rigid and planned framework without taking heed of political realities could also bring failure. Unfortunately, it seems that the idea of a policy stops at the stage of consensus of opinion on the "welcome" but as so often happens no-one is told what to do and how to do it. With a lack of attention to the implementation of the policy, the policy delivery organisations become proximate decision makers and end up shaping policy, which almost inevitably leads to incoherence despite the consensus of opinion and attitude amongst decision makers be they central or proximate.

The main alternatives are to let the organisations chug along as they are, to make sweeping changes in organisational arrangements or to tinker with the actors and their roles. Clearly, all the alternatives are not easy to implement. The "chug" alternative would lead to continued dissatisfaction in government and within agencies concerned. The "sweeping" option would probably please those with a proclivity for tidiness, but not satisfy those seeing political needs for local and regional

involvement. "Tinkering" may be a slow but nevertheless implementable way of dealing with problems, but with the desperate need for investment such an approach may not go far enough, rapidly enough.

There is no doubt that industrial promotion and the attraction of foreign investment could be achieved more efficiently than at present, but in suggesting improvements and changes it is particularly important to bear in mind the needs of firms rather than the desire of organisational neatness. Whilst local politics may dictate there being many organisations involved in attracting inward investment, it has to be remembered that a firm can easily be confused by the involvement of too many actors and all the offers of assistance to overcome red tape and bureaucratic quagmires may be lost from the start as the firm is given too many initial alternatives. However, a desire for consistency in treatment should not be seen as sufficient grounds for quelling local initiative (notably in some New Towns) which has brought firms to Britain. Placing limitations on actors at the local level could also mean a loss of valuable local knowledge which may be useful in persuading firms to come to Britain.

Compared to the costs of industrial and regional policies the costs involved in industrial promotion are low and so arguments for change on the grounds of cost are less important than those for the need to improve efficiency. Nevertheless, much of the money spent on industrial promotion is wasted and not just because activities may be duplicated but because often ill-considered techniques are employed and resources are thrown away. Luckily, there are fewer agencies involved in overseas promotion than in promotion within Britain, although the trend has been for an increasing number to become involved overseas.

Inspiration for the need for change probably starts from being blinded by the sheer number of organisations involved. The number of agencies involved may appear high but if they are achieving more than would otherwise be the case (as may be indicated by the large number of bodies claiming firms come direct to them, let alone claiming responsibility for landing firms) then the present framework is more effective than it would at first appear.



The idea of a consensus on the policy of "welcome" has been developed throughout yet it has become increasingly clear that this does not necessarily lead to a coherence in policy implementation and does not eliminate any detrimental aspects of competition. Clearly this requires some further comment. Perhaps the first comment should be about the consensus to which we have been referring. Consensus is a notorious concept which is seen by some as meaning the total unanimity of a population under consideration. Throughout the present study such zero-one properties are not attributed to the concept. Consensus is seen as reflecting a general and loose agreement of opinion shared by the majority. The populations under consideration in this study, that is, mainly decision makers and influencers at central and proximate levels have been shown to share a high degree of consistency of opinion on the merits of foreign investment and its attraction. There is strong agreement at the level of policy as an intention to welcome foreign investment and pursue conscious and active policies towards attracting foreign investment. This also reflects widely shared views on the desirable attributes of foreign investment. Given such a favourable disposition it would seem legitimate to assume that a consensus over goals and ends would be a recipe for success. However, views on means differ. Techniques employed by various organisations may exhibit considerable similarities but views on what various actors should be doing vary considerably.

It would seem that the consensus on policy goals, ends and intentions actually lack coherence when policy is operationalised. The consensus probably serves to create the complacency on policy translation from intention to operationalisation that in turn facilitates a descent into incoherence. Given the climate of consensus, central government should maximise the benefits to Britain as a whole. What has been allowed to develop, however, is an ad hoc growth in actor involvement and activity. This has occurred in a supposedly unitary state in which case the government should be able to obtain the system most beneficial to the state as a whole. Nevertheless, there has to be a response to local and regional needs which has led to a diversity of actors pursuing goals in this policy area within only limited central control. With such a state of affairs there is little chance

of the successful translation of policy as an intention to the coherent implementation of that policy. The policy adopted by various actors at local, regional and national levels inevitably reflect their own perspectives and interests which in turn leads to both incoherence and duplication.

A consequence of a multiplicity of actors being involved in activities related to parochial interests outwith a planned system inevitably leads to competition as foreign companies wishing to invest in Britain are a scarce commodity. If this competition leads to healthy rivalry, that is, rivalry which causes actors to compete and improve their attractiveness then perhaps it should be encouraged. However, it would appear that the competition has often generated secrecy and suspicion rather than co-operation in order to achieve mutual benefits. If roles and responsibilities were clearer and more optimal, competition would no doubt become healthier. Whether competition should be encouraged within the context of as many and such a variety of agencies as at present has to be questioned. It is important to note that many of those currently involved lack the necessary resources, expertise and know-how for them to perform effectively. Given these problems a need for improved co-ordination is the age old cry. Certainly if this meant the maximisation of benefits to Britain via providing a more optimal system then it is to be encouraged. In the next section we move on to consider some alternative means for improving the way in which foreign investment may be attractive and normative recommendations are made. At that time the problematic concept of co-ordination is considered.

The theme of consensus - coherence - competition - co-ordination provide suitable "attention hooks" giving a cohering thread to assist in developing the analysis as a whole. The key concepts assist as a development theme but elevation to general applicability would be wrong. The components of the theme are approximate in themselves and as a theme they, by their very nature, overlap and are interrelated.

The use of the four key concepts is specific to this study and there appear to be a number of reasons why this is and should remain the same. Initially, it has to be recognised that the topic is of an individual nature. Unlike most policy areas which involve



a multiplicity of bodies, in this case, involvement in attracting foreign investment is generally permissive and not mandatory. Most bodies are free to become involved if they so wish and Local Authorities, for instance, are not fulfilling a statutory requirement as is often the case for other Local Authority activity. Nevertheless, Local Authorities and other agencies do seem to thrive on the symbolic political value of involvement. Local Authorities and other bodies do have some requirement to be involved, however, but only at the responsive as opposed to the active level. The need for such involvement is often outlined in circulars from the Department of Environment which at least means that there has to be preparedness to act on the part of local bodies.

The competition for limited resources also serves to distinguish this particular study from others. No other study would seem to have sufficient parallels to sustain the proposal that the consensus - coherence - competition - co-ordination theme would be useful as a general model of behaviour even in a limited range of settings. Although there can be many cases where consensus does not lead to coherence or where competition leads to cries for co-ordination there would not appear to be any cases where the "attention hooks" used herein could be translated as a whole to another study and then be of explanatory value, reasons for this specificity having been given above.

Having considered the more general points we can now move on to considering alternative means for improving the way in which foreign firms are attracted by considering the various types of actor involved in the overall framework for attraction.

#### 8.1 (i) Local Authorities

Many Local Authorities, particularly in the Assisted Areas, have entered into promotional activities aimed at attracting foreign firms. The reason for their activity has often arisen because of disenchantment with regional and national efforts and, from a desire to pursue all possible avenues in order to secure jobs or, at least, to be seen to be making such efforts in the

eyes of the electorate.

It is not easy for many Local Authorities to succeed in general promotional activities across a number of sectors or countries. Given their shortcomings in finance, expertise and a readily exploitable and saleable image, most Local Authorities would be best advised to follow the lead of some of their number in sticking to selling specific premises and sites and to concentrate on their advantage of specialised local knowledge. In such a case most attention would be focused on assisting the firm through localised problems, be they problems of physical planning or information provision on such things as local labour characteristics or potential industrial linkages. In most cases this should preclude Local Authorities from being active, but such is unlikely given the needs of many of them, and given their lack of faith in other agencies working on their behalf.

In the overall attraction of foreign investment Local Authorities should be self-aware of their lack of any advantages that would make efforts at attracting foreign firms worthwhile. Unfortunately this self-awareness is not common and many need to be persuaded, cajoled, coerced or given incentives to withdraw from a field of activities where most of them can have little influence and success. Nevertheless, overseas contact, if existent, should not be stifled completely and in some cases Local Authorities may be able to justify active promotion. Cities may have a particular capability here for their existence may already be somewhere in the mind of potential investors. Whilst the Counties of Tyne and Wear or West Midlands may not inspire much identity, Newcastle and Birmingham may do so, but success can only come from application of structured marketing for a name is not enough, although it serves as a valuable start.

Another problem with Local Authorities is that two levels exist and may be promoting a given area at the same time. Which authority should do what would have to be the basis for negotiation, but a clear delimitation of responsibilities would have to take into account attributes such as the ability to give planning permission or ownership of sites and premises. This would at least have to be the case if the Local Authorities in question adopted a responsive stance. If they were active,



the level best equipped for promotional and marketing purposes would have to be the level involved. This would vary by case, a matter which is taken up later in discussing the overall framework.

The functional role suggested as that to which Local Authorities are best suited does not mean that they would not get involved directly with foreign firms. For instance, forty per cent of respondents in Local Authorities felt that the main route for foreign firms to approach them was direct. Firms are more likely to go through larger bodies but some do go straight to Local Authorities. The Local Authority keen to keep the interested firm is loath to let a firm become involved with other organisations for fear of loss. In order to put the firm in touch with the organisations best suited to handling it, a high degree of altruism is needed by the Local Authority for it could "lose" a firm to elsewhere. It is difficulties such as these which lead to the mixed feelings of respondents in Local Authorities as to the level at which the attraction of foreign investment would be best focused.

Local Authorities are, arguably, the least important of the actors involved in attracting foreign investment, yet despite this their activity is subject to most criticism from other actors in the field of attracting foreign investment. Not many Local Authorities are active, but many of those that are, are not particularly efficient and effective. This lack of success discourages others and has sometimes led to conscious withdrawals from active promotion aimed at foreign firms. The Local Authority's perception of what its role should be has to be balanced against its own perception of the attention they are paid by other agencies which may, if apparently lacking, lead to further or continued Local Authority involvement. Economic constraints placed upon Local Authorities do not necessarily lead to withdrawal of activities for the dire straits that some authorities find themselves in means that they become even more involved in attempts to attract industry.

The criticism of much Local Authority activity is often well founded. They often fail to make even tacit attempts at researching markets, understanding marketing principles and

employing suitable methods. It is with Local Authorities where plagiarism is strongest, and where the most glaring examples of wasted effort can be found. Decisions to concentrate on certain countries often fail to exhibit any concise thinking or serious probing. Direct mailings can be found to have been sent out on the basis of unresearched lists, advertising is placed in newspapers that happen to have a familiar name and visits overseas often show scant preparation. It is obvious that in instances where Local Authorities are making little constructive effort an activity orientation based on the symbolic political value of foreign investment has taken over. Such criticisms are not exclusive to Local Authorities, nor are all Local Authorities guilty of poor marketing but, as a whole, the Local Authorities are the actors most prone to poor methods that may amount to annoying firms rather than providing them with information and propositions that may be of use and relevance to them.

Local Authorities certainly need to concentrate their efforts, gain a clear appreciation of what they have to offer and adapt many of the marketing techniques necessary for success if they are to be involved in the promotional game. It is unlikely that they would respond to directives simply advising them not to be involved for such directives are likely to come from the very bodies with which they are disenchanted. Furthermore, restrictions might stifle useful contacts. In general, Local Authorities need to be encouraged to do that which they do well and any directives from the centre have to be aware of the need for a subtle approach to persuading them to change their ways. There is a need to persuade Local Authorities that their involvement should in most cases be a local one, helping in the latter rather than the initial stages of a potential investment, although they should always be prepared to grasp opportunities should they arise.

If the recommendations made here are followed, that is, that in most cases and circumstances Local Authorities ought not to enter into active attraction policies, the Local Authorities



need to maximise what they get from central and regional bodies. This can be achieved by adopting a lobbying role or by grouping together either to form a regional body as has begun to happen in the case of the Devon and Cornwall Development Bureau (although this goes little beyond an agreement by two County Councils to share some tasks and allocate others) or by forming an association to oversee the activity of the regional promotional body as in the case of NECCA and the NEDC. Grouping may be difficult but the idea that the other man's grass is always greener or that unfair favour is shown to other Authorities can be lessened by co-operation. Nevertheless, co-operative achievements are easier said than done. Not only in Local Authorities does suspicion, intimacy and general incestuousness show itself and, although improvements have been made within some regions co-ordination is difficult to achieve when conflict is the basis of the relationship. This is particularly true outside the Assisted Areas. In these areas Local Authorities often wish to be involved in attracting foreign firms. Regional Policy is adhered to by the IBB and so firms are encouraged to go to Assisted Areas to the detriment of non-Assisted Areas. Many Local Authorities are thus pushed into undertaking independent efforts and are met by an un-co-operative and disparaging IBB.

The IBB is keen to get Local Authorities into a role where they are purely supportive to the IBB's own efforts. They try to discourage the independent promotional efforts of Local Authorities. This ought not to be the case where effective efforts supplement the IBB's own effort, that is in the cases where Local Authorities can exploit images, links and contacts. If Local Authorities want to make independent efforts the IBB should ensure that it is done well rather than adopt an obstructive stance.

In summary, the waste of effort is not because too many are involved but because too many act too ineffectively. The argument that waste and duplication comes from too many being involved is itself too prominent. Arguments cause too much

bickering, which does not create the climate for successful co-ordination achieved by adjusting relationships from the present conflictual state to a more ideal co-operative one. Admittedly Local Authorities would play only a supportive role in an ideal situation. Their role would mainly be the after-care of firms and the support of a central agency by being on the end of a telephone with information as and when needed. But the present situation is far from ideal and Local Authority support of weak regional and central agencies is unlikely for these organisations are incapable of covering all markets and representing all interests. Whilst much Local Authority effort is ineffective and should be discouraged the efficient should be encouraged for the problem is less one of detrimental pestering (mentioned only in rare examples) but more one of inadequate coverage in need of supplementing in order to match the levels of major competing states in the race to obtain inward investors.

It is easy to say that many Local Authorities would be well advised to withdraw from overseas promotion, and to concentrate on maximising benefits from co-operation regionally and with the IBB but operationalising this is extremely difficult. Whilst addressing these problems in discussing the overall framework it is worth forewarning of some of the issues, for in looking at Local Authorities so many problems, especially problems arising from solutions, have been thrown up. The major problem is deciding who is competent and therefore legitimately involved in supplementing national effort to attract foreign firms. Secondly, who should decide who is competent if Local Authorities do not show self awareness of their own inadequacies? Thirdly, if some and not others are to be excluded, be it by persuasion, legislation or other means, how are the political realities of parochial interests and desire for emulation to be overcome? Fourthly, how can it be made certain that those continuing to be involved in attracting foreign firms do so effectively and within an efficient overall framework? These issues are addressed later when examining the overall framework.

### 8.1 (ii) New Town Development Corporations

Generally, New Towns have been very successful at attracting foreign investment. This stems from a number of advantages which



go towards making many New Towns natural magnets to investors. The ready availability of sites and premises has given most New Towns a head start which has often been built upon by effective Promotional programmes geared single-mindedly to attracting investment. The high-powered efforts of some New Town have been well rewarded and others have had success with only minimal promotional effort placing reliance on other organisations and their own natural advantages.

Job-led growth has been given the highest priority by many Development Corporations. This has led to the efficient organisation of staff and methods. The individuals in promotional teams often bubble with enthusiasm and invoke a "can do" attitude. Consequently, the response time to enquiries is generally the fastest possible in Britain. Much of the reason for this is their relative freedom from political restraints and control over their own products (sites and premises). Nevertheless, and even allowing for their advantages, the marketing ability of many New Towns is impressive. Rapid, problem-solving approaches based on careful monitoring and well organised information have been of great benefit to the New Towns in efforts at attracting firms.

The effectiveness of many New Towns has been a valuable supplement to the overall effort to attract foreign investment to Britain. Careful marketing and monitoring has meant that New Towns have concentrated efforts on projects with a high probability of leading to an establishment, many of these being due to contacts with already established firms, an aspect little exploited by other promotional organisations. Well researched targetting has paid dividends and the New Towns have hit targets not even seen by other agencies.

Most New Towns, particularly the more recently designated ones, are involved in promotional activities to a high degree and their very success has been seen as a threat, particularly to areas where the New Towns are seen as getting all the investment to the detriment of other envious actors. Curtailment of the activities of New Towns would be wasteful of their expertise and the useful contacts they have established. The Development Corporations are achievers that are geared to

development. Prudence would suggest that as with all successful promotional bodies successful actors should be interfered with as little as possible, although the jealous actors outside the New Towns are only too keen to suggest the need for change.

New Towns are often envisaged as successful mavericks whose success shows up the failings of other actors. Various respondents did seem to suggest that New Towns did act independently of other actors and outside the usual framework. Contact with the Department of Industry or regional bodies is often minimal and co-ordination via the New Towns' Directorate of the Department of Environment is virtually non-existent. New Towns are also prone to secrecy often in order to minimise plagiarism, but mainly to reduce competition. Their independent tendencies does make adjusting relationships with other actors, in an effort to achieve greater co-ordination, more difficult.

Despite statutory differences from New Towns, those Local Authorities that do legitimately have a place in the promotional effort would do well to observe the better of the New Towns, that is they would be well advised to become fully cognizant of marketing principles as is the case with so many New Towns. The Local Authorities, although less able to control the flow and availability of sites and premises should not see these drawbacks as an obstacle to being as successful as are many of the New Towns. The main problem, however, may be with political mentors, a fact of life which Local Authorities and regional actors have to accept. The approach to removing any shackles imposed by political mentors or inability to determine programmes without interference has to be via persuasion tapping local initiative and enthusiasm. One note of caution, however, in emulating New Towns other actors would be well advised not to emulate the superficial manifestations of New Town activities such as copying brochures and slogans. What needs to be copied are the marketing techniques, advise on which has been given in earlier chapters and as summarised in Section 8.2.

### 8.1 (iii) Development Associations

The three central government financed development associations in England, the NEDC, NORWIDA and the Yorkshire



and Humberside Development Association (1) are generally under-achieving. Despite possessing the manpower and specific responsibilities they have failed to put into operation adequate marketing principles and sufficiently rigorous procedures for developing their activities. Consequently it is not surprising that only two Local Authority and New Town respondents in the North said they were satisfied with the NEDC and less than half the respondents in the North West said they were satisfied with NORWIDA.

The problem with assessing development associations and commenting on satisfaction with them is that it is difficult to assess their merit as they fill an uneasy niche. They cannot sell specific sites and premises, they cannot hand out financial assistance and they have to try to satisfy a number of political mentors. The role of development associations on a promotional front is a vague, soft-selling one which is aimed at sparking interest in the region rather than creating jobs directly. With such a non-concrete role it is easy to see why development associations are open to criticism. However, criticism is less about the need for them, for most respondents seem to accept the need for development associations, than about the way they go about their task.

The two development associations considered in depth, NORWIDA and the NEDC, seem to use the uncertainty about their role as a smokescreen for their lack of success. Internal monitoring and evaluation seems grossly inadequate in the development associations for they set themselves no clear yardsticks against which to measure and improve promotional programmes. Respondents in all agencies from Local Authorities to central government expressed what seem to be well-founded doubts about the activities and methods of development associations. With the soft-sell approach it is difficult to demonstrate success and easy to think that the associations' role is of little benefit, particularly if it appears to be little different from the job being done by other bodies.

Restraints imposed by political mentors have not been very strong within the development associations despite such complaints from the NEDC and NORWIDA. There seems no excuse for ill-con-

sidered programmes apparently instituted in order to appear to be doing something rather than to be acting in terms of well coordinated and well thought out ways that may provide a less visible manifestation. Research, methods and the measurement of progress all appear inadequate for bodies so largely concerned with promotion. The haphazard approach appears to even bear resemblance to that of some of the most ill-equipped Local Authorities on occasion. Once again lessons could be learnt from the many New Towns with clear, efficient and effective marketing strategies. New Towns may have greater advantages in the overall field of industrial development, but a lack of these advantages can be no excuse for the development associations in their lack of adoption of rigorous and well-focused techniques aimed at maximising return on effort and resources.

The effectiveness of regional associations, not their existence, is that most in question in the regions concerned. A clear mistrust in London-based organisations and a need to devolve initiative to the regions was a sentiment made plain in the English regions. Local Authorities generally want groups distanced from central government, representing them all and attempting the impossible by showing favour to all constituent parts. The regional offices of the Department of Industry are not seen as suited to fulfilling this need as they are perceived as existing in order to execute national policies rather than represent regional interests. What groupings could best fulfil the desires of Local Authorities is uncertain. An imposed neat approach producing regional bodies based on Standard Regions is unlikely to be natural or optimal. The heterogenous Standard Regions do not seem the ideal basis for regional groupings although internal balancing of less pleasant, with more favourable areas, may be a useful marketing ploy. The major disadvantage of any regional approach is that the English regions are in no way capable of projecting an image that is as strong as Development Agencies in Scotland and Wales, let alone the more successful national agencies such as the I.D.A. of Ireland.

In summary the development associations do leave something to be desired but the need for them is clear. Local demand is strong and it does seem necessary for regional representation of



local interests, not least to offset the advantages of Scotland and Wales with their Development Agencies. The existence of regional development associations should also go some way towards alleviating Local Authority desires to become involved in overseas promotion, but to achieve this the development associations have to be skilful in attempting and purporting to represent and satisfy many actors in a region. A prerequisite to this is for them to improve their performance. Their range of activities should include direct promotion, identifying potential investors and persuading them of the advantages of their region, and they should clearly link up with other actors, particularly site owners and local and central actors. Their role must include servicing the needs of firms, especially their informational needs, pertaining to the region, thus complementing regional and national operations of the Department of Industry.

#### 8.1 (iv) Development Agencies

The two Development Agencies in Britain perform many tasks other than promotion although both of them are involved in overseas promotion to a considerable extent. The Welsh undertake overseas promotion by financing the DCW rather than retaining the function within the Development Agency as is the case in Scotland. Local Authority and New Town respondents expressed greater satisfaction with the promotional efforts of the SDA and DCW than did their counterparts in judging the development associations in England. Greater satisfaction was expressed about the DCW than about the SDA.

The Development Agencies have many advantages over the English development associations. Although the Development Agencies are not involved in giving government financial assistance, they can build, lease and rent property, as well as being able to give some grants or take equity stakes in industry. In these provisions they have many advantages over the New Towns, although they do not have the benefit of covering a concentrated spatial area, and controlling all the sites and premises therein.

The Development Agencies have had some success on the promotional front. The Welsh with the longer established DCW undertaking overseas promotion have had more success than the more

recently established promotional programme of the SDA. The SDA which has unfortunately found itself caught up in political wrangles so often has, nevertheless, been busy finding its feet, trying out methods and employing consultants to analyse markets and suggest approaches. With intense research the Development Agencies have executed programmes better considered than those of the development associations but, as always, there is still room for improvement.

The road taken by the Scots has partly been to attempt to ape the promotional efforts of the successful Irish I.D.A. but, in comparison, attempts have often appeared amateurish. The SDA has fiercely tried to sell a Scottish identity, a task much easier for them than it is for the Welsh. Scotland is larger and can claim international attention based on oil, whisky, and national character. The Welsh have less of an identity and for this reason may have taken a much more commercial line. The Welsh approach is less ambitious and flamboyant and promotional spending overseas is only a seventh of that of the SDA, yet in recent years the Welsh have attracted far more inward investors. The comparison is, however, somewhat unfair for Wales does have a perceived locational advantage over Scotland being an Assisted Area much nearer to the South East and London, but this apart, the Scottish approach does seem extravagant and often wasteful in relation to results.

The existence of the SDA and DCW has led to there being a decrease in the number of Local Authorities actively engaged in attracting foreign investment in these regions, but, as many, if not more, are still involved in independent activities to attract foreign investment than is the case in the North and North West regions of England. The satisfaction with there being Development Agencies is not readily translated into satisfaction with what they are doing for constituent Local Authorities.

The Development Agencies have not been delivering the goods rapidly enough and this can only be laid at the door of their yielding to the temptation to be seen to be doing something at the expense of clear programmes with concerted and tight control over progress and improvement. The Development Agencies have,



however, become focal information sources capable of rapid response. Some Local Authorities and New Towns have, however, shown resistance to supplying them with information (on such things as land and factory availability) and on generally co-operating with and trusting Development Agencies. The Development Agencies are often perceived as too close to central government not to be involved in steering and so, some Local Authority and New Town mistrust is inevitable. Paradoxically, distancing from Whitehall is a basic element of the Local Authority's desire for the continuance of Development Agencies.

The Development Agencies are not as shackled by Local Authorities as are development associations and this freedom, if less democratic, has proved more beneficial for the Agencies in the conduct of programmes. The Development Agencies act more or less on behalf of the Local Authorities but are in no way a grouping of Local Authorities. This may provide part of the reason why Local Authorities see less need to drop their own promotional activities than when they are making financial contributions as is the case in the English development associations.

The role that the Development Agencies should adopt on the promotional front has not been resolved in terms of the United Kingdom as a whole. Mention of this is necessary here although co-ordination is discussed later. There appears to be a tendency for Whitehall to accept Scotland and Wales to be something more than another two regions but, when put to the test, the feeling is that Whitehall believes that the Development Agencies and development associations should be similar in role and their approach to promotion. Thus when the SDA began introducing offices in the United States the Department of Industry was disparaging and attempted to persuade the Scots to abandon such overseas operations on the grounds of duplication and the challenge being made to the Consular approach overseas. The Department of Industry is not persuaded by the need for or efficacy of the development of overseas offices by the SDA fearing proliferation and potential unfair advantage to that region. However, with slim finances it seems unlikely that many will

follow suit unless the SDA's approach proves successful. If that is the case then success should not be discouraged. Experimental activities are not to be decried when they are truly experimental, it is those already proven to be useless (unless professionally and expertly conducted) approaches so often copied from body to body that need to be discouraged.

#### 8.1 (v) The Department of Industry

The Department of Industry's involvement in the attraction of foreign investment comes through the central Invest in Britain Bureau. The assistance system is shared between Whitehall and, in England, the regional offices of the Department of Industry. In Scotland this is done by the SEPD, and, in Wales by the Welsh Office (Industry). The giving of assistance, although important for packaging and as an incentive, is clearly allocated as a function separate from promotion. Only about one per cent of expenditure on promotional work by regional offices is on active promotion.

In promotion the role is responsive to enquiries. The regional offices will disseminate promotional documents produced by other such as development associations or Local Authorities in the region, and will supply information on facilities and finance available. They do not get involved in marketing, however, for this is judged not to be a suitable function for these organisations as this would lead to competition with other regional offices. Thus marketing at a level lower than the national one is seen as best left to Development Agencies, development associations, New Towns and in some cases Local Authorities.

The Invest in Britain Bureau is a promotional organisation yet within a civil service department. Its task is difficult for it strives to present no bias in favour of particular areas at the expense of others. It does, however, show favour towards those areas deemed to be in greatest need by Regional Policy. Strongest bias is therefore towards Special Development Areas and scant attention is paid to non-Assisted Areas. This line of approach is severely underselling Britain as a whole despite the worthy aims of Regional Policy to equilibrate problem regions



with those that are better placed. Having to abide by government policies and civil service regulations (such as ceilings on expenses paid out for visiting potential investors) weakens the marketing approach considerably.

Another problem is that the civil servants staffing the IBB are not necessarily the best suited to the task. The civil servants are generally of a high calibre but often lack commercial orientation and industrial experience. The policy of staff turnover is unsuited to the long term gestation periods for dealing with firms. The head of the Bureau claims that the skills required are not those which come easily to officials although strides have been made to select the best individual for the task in order to develop professionalism (2). Experienced professionals could be brought in from the New Towns and from industry but resistance to such change within a civil service department would be great.

In order to achieve greater flexibility on manning and to allow the pursuance of more adventurous marketing techniques the IBB could consider the adoption of a quango status. However, such a move would be of limited benefit. Even existing quangos such as development bodies generally have to work within the guidelines laid down for the civil service. Quango status would also serve to reduce the strength of links with other government departments such as the Foreign and Commonwealth Office and the rest of the Department of Industry. In particular, direct access to the Minister, with his ability to sign agreements would be lost. Quango status could also denigrate the perceived importance of the IBB as a government body. However, such status does not appear to have been damaging to agencies such as the SDA and WDA. Some account may be given to this in that the agencies possess appropriate and authoritative sounding names which disguises their quango status, which is also hidden by the behavioural similarities of such organisations and governmental agencies.

On balance, quango status would seem to have only limited advantages and any improvements in the promotional front could equally be achieved whilst remaining a part of a government department. The best means for increased flexibility could be via the submission of Annual Plans to the Minister which would

allow more freedom for pursuing promotional tactics yet from within a civil service department.

Whatever the institutional resolution for the future, the IBB can be accused of underselling Britain at present and in the past. The IBB has the right label and its actual status is less important than the image it has in the eyes of the investor. It is the only body with a national remit and so unless it sells Britain as a whole no-one will. It would seem that many foreign firms would wish to locate in non-Assisted Areas such as the prosperous South East, an area eminently sellable in a marketing sense compared to the peripheral regions. Selling such areas goes against the grain of Regional Policy, but Britain desperately needs investment and if it can only be enticed to the prosperous areas then all well and good for it is still a net addition to the overall stock. The inducements contained in Regional Policy, and the influence of promotional bodies in the Assisted Areas should, at least in theory, provide advantages substantial enough to encourage foreign firms to set up in Assisted Areas. Regional Policy does have a valuable role to play as it is attempting to alleviate the problems of areas traditionally worst hit by unemployment and industrial decline. Encouraging firms to consider these areas ought to continue but to virtually ignore non-Assisted Areas is failing to realise a valuable asset. The effectiveness of the IBB would be strengthened if its remit was as its title suggests and not just an "Invest in the less favourable parts of Britain Bureau".

All other agencies in Britain are little satisfied with the activities and performance of the IBB. There has been a failure to agree on roles and responsibilities between itself and other agencies and the IBB's lack of visible success has meant that a worrying level of mistrust has grown up. In the non-Assisted Areas dissatisfaction is inevitably high. In the Assisted Areas there is often bickering between various bodies pursuing promotion to attract foreign firms and the IBB. The IBB would like to take a much stronger lead, but this is unlikely to be achievable if the IBB continue to hold what seems to be an unwisely arrogant position suggesting that the task of attracting inward investment would be best left to the wise men of Whitehall. With an unclear picture being generated from the IBB regarding its activities and



its success, pronouncements from this London-based (and, therefore, in the regions viewed as intrinsically doubtful) organisation tend to fall on deaf ears. The IBB has to not only do a better job by being more visibly active and successful but it has to persuade actors in Britain that it is doing a good job in order to prevent what it sees as often half-hearted, ill-conceived activities coming from a proliferation of bodies. These bodies, especially the Local Authorities have been forced into action by local difficulties and what they see as a lack of central initiative designed to alleviate them.

The IBB would like to see Local Authorities cast in a purely responsive role providing information of a local nature to the IBB or, possibly, to the regional organisation, when such was requested. The Local Authorities are unlikely to be receptive to changing to such a system unless they are persuaded by its utility. Persuasion is difficult. There is no way that every Local Authority can be allocated a foreign firm every year or, every five years for that matter but, then again, Local Authority attraction policies would probably be no more successful. Local Authorities are not easily persuaded that others are working or would work for them on their behalf. In fact, regional groupings are more likely to reduce the number of Local Authorities directly involved in attracting inward investment, than are completely separate central or regional entities.

The IBB is also limited in its approach to potential inward investors. Its stance is more responsive than active. Part of the reason for this is the linkage between the IBB and its main source of enquiries from foreign firms, the Consular offices. The IBB has little control over their work which is merely responsive not active and it is the Foreign Office that actually retains control of staff appointment. The Consular route of introducing IBB involvement is probably a cost effective way of achieving responsive initial contact and this channel alleviates the need for duplication of offices. However, the lack of active promotion by the Consular Offices means that a serious shortfall in potential contact occurs. Active promotion by the IBB, via seminars with businessmen, goes only part of the way towards alleviating the shortfall and the IBB's active contact is only minimal, and much

less so than the Development Agencies, development associations and some New Towns.

To gain necessary respect the IBB will have to go a long way in improving its performance both actually and as perceived by other bodies in Britain. Many of the recommendations for changing the IBB as outlined above will need to be vigorously pursued. In summary, some of the major changes necessary for the IBB appear to be to:

- (i) Accept the full remit implied by its title and not concentrate solely on Assisted Areas
- (ii) Act more along the lines of a promotional organisation minimising the constraints of being within the civil service either via working to Annual Plans or, by adopting quango status although the latter would probably be of less benefit as we saw above.
- (iii) Show greater acceptance of the role of other actors and devise clear allocations of what those roles and responsibilities ought to be.

Bearing these factors in mind we can go on to discuss the overall framework.

#### 8.1 (vi) The Overall Framework

Having discussed the various types of organisations in turn, we can now turn to the overall framework. Unfortunately, however, it is only too evident that a prescription satisfying all the actors and reconciling all the normative recommendations made about them thus far, is far from easy. Consequently this section is as much a testament to the problems of bringing about change in a multi-organisational setting where the actors and the acts in which they should engage have never been specified in a synoptic sense, as it is about improving the institutional setting for the attraction of foreign investment to Great Britain.

The approach used in this section is to first consider the main options for change and improvement and then to look at the general problems of bringing about change. No single prescription seems ideal but having assessed the present actors, their techniques and the existing policies and their implications it would be wrong not to offer some prescriptive suggestions. There is no offer of a panacea and suggestions focus mainly on gaining



clear relationships between all the actors concerned and on persuading actors to adopt roles for which they appear most suited.

Before considering the main options for changing and improving the overall framework a number of the initial assumptions have to be spelt out and general comments made.

At the outset it has to be stated that it is important to remember that the label of overall framework is somewhat of a misnomer. This label conjures up links and relationships amounting to an integrated system. This is not the case. The many actors involved have different political and historical bases, and consequently they tend to possess the degree of freedom necessary for them to decide upon what their own aims will be and how they will go about achieving them with little deference to other actors.

Control from the centre in the area of attracting foreign firms and in implementing industrial policy as a whole is rather limited. Various agencies have considerable freedom when one considers that the United Kingdom is a unitary state and thus should be free to adopt strong central control. However, although autonomy does seem considerable in the particular policy field under consideration there are nonetheless elements which reflect the unitary nature of the United Kingdom somewhat. Although there may well be regional and territorially discrete bodies especially such bodies as have been examined above, there are controls in existence. However, such controls are diluted as it is evident that political support from all areas and regions has to be maintained by means such as allowing departments and agencies to have spatially defined jurisdictions. It would appear that it is the response to regional and local pressures that actually goes a long way towards supporting a less than unitary approach towards implementing the policy of welcome and attracting foreign firms.

Apart from controls laid down by sponsoring departments the various bodies concerned are subject to further control from the centre via norms laid down and monitored from within the Treasury. An aim of the Treasury is to minimise differences between regions and localities and to maintain norms. In particular the Industrial Policy Group (IPG) in the Treasury has many functions which aim to stabilise and equilibrate the policies of the many actors in the

field of industrial policy formulation and implementation. It also aims to articulate appropriate ceilings and patterns of behaviour in order to ensure that the implementation of macro and micro economic policies are conducive with the interests of industry and actors in the policy field. The role of the IPC is tenuous for it has no powers and is not responsible for the implementation of any Act. However, it does maintain a wide interest and possesses a guiding function over areas which are in fact the prime responsibility of other Departments. The aim is to give unitary purpose and to maintain a degree of hierarchical authority.

The Treasury has a responsibility to ensure that broad objectives are met from within available financial resources and as such lays down requirements to be met by other departments and within various programmes. The Treasury aims to make sure that advice on such matters is being followed and that departments are operating controls appropriate to the functions and and the public interest. By virtue of possessing this central overseeing role the Treasury has a difficult task, this being exacerbated by its own natural proclivity to see fiscal approaches to problem solving rather than using the wider range of techniques as may be applicable in the industrial policy field.

The now defunct Civil Service Department (CSD) within the Treasury used to achieve a similar function to the Treasury, but only with regard to manpower and related expenditure. This is still achieved but is now divided between the new Management and Personnel Office and the Treasury. Such controls do ensure maintenance of the centralised monitoring of various actors and activities thus supplementing and overseeing the efforts of specific "sponsor" departments with responsibilities for sub-departmental bodies. Centralised control can thus be maintained over spending, manpower, and the activities of the various implementing bodies discussed in this study. The role of such moderating activity is to achieve uniformity and consistency as well as to ensure the maintenance of hierarchies associated with the unitary state. The general means of ensuring the



spill downwards of central management is via advisory and persuasive techniques and there is no doubt that the lack of such influence led to the demise of the CSD. It would appear that heavy handed techniques are not used but the act of persuasion is strong. For these reasons, in making recommendations below, persuasion is seen as being of the essence to success.

It would be wrong to say that there is no central control. Control as it exists is limited but is directed towards maintenance of the primacy of the unitary state and there is no doubt that suggestions for improvements to the approach should aim to maximise the overall benefit to Britain whilst at the same time trying to reconcile the often contradictory and incoherent stances adopted. It would be ideal if a state of affairs was reached where all concerned stood to make maximum gain, but it is patently impossible for all the actors to obtain a "fair share" of the limited amount of foreign investment available. The position adopted is that any recommendations should have the primary aim of maximising foreign investment to Britain as a whole. The persuasion of foreign investors to locate in areas where investment is most needed and the need to be fair to all areas if possible and are only secondary considerations, but both are important. These assumptions are reflected in the prescriptions and suggestions made later.

If, then, the first and foremost aim is to maximise the number of foreign firms coming to Britain the highest priority must be to obtain an institutional setting which will make potential investors aware of opportunities, will minimise any obstacles and costs to the firms and will allow use of marketing techniques towards these ends. The existing system does not ensure that a maximum number of firms are made aware of opportunities, although the sheer number of promotional bodies does mean that more contacts are probably made than would be the case with only a few actors or a single body. On the other hand the number of agencies may mean unnecessary duplication. To reiterate, it is not the number of actors, it is their ineffectiveness and lack of liaison and co-operation to achieve the goal of bringing the

maximum amount of desirable foreign investment to Great Britain that is the problem with which we have to grapple.

There are many options for change available but space and time rules out looking at all of them in depth. The main factor to bear in mind is that any changes or options are not being introduced into virgin territory. At present many actors are involved and competition is strong despite consensus about the merit of attracting foreign investment. The consensus is accompanied by conflict between actors each putting their specific territorial area at the highest priority for attracting foreign investment. Clearly any changes bring us into examining issues of central-local relations.

The most drastic option (apart from the total abandonment of activities, that is) would be the setting up a single "one-door" agency such as in Ireland. To change this the government would have to outlaw all other actors by fiat. This would not only fly in the face of what is seen as acceptable methods for change in Britain but it would appear somewhat illegitimate for it would fail to recognise the fact that many bodies are legitimately involved in industrial promotion for various political and historical reasons and may create more contacts than could be achieved by a single agency. A "one-door" I.D.A.-like approach would not satisfy all the pressures and would be inappropriate for Britain (although many of the techniques used by the I.D.A. may be usefully employed).

Interestingly, north of the border from Eire the approach to industrial development is even less unified than in Britain. This system is maintained mainly for the reason that it is successful. Possible explanation may lie in the high level of financial inducements or in the fact that civil servants because they are largely unfettered by political mentors are able to achieve a greater degree of success. However, "benefits" such as exist in Northern Ireland have arisen for various historical reasons and would be unlikely to be transportable to the mainland.

A general conclusion is that it is extremely difficult to envisage major change from an existing institutional pattern.



This seems particularly true for the case of attracting foreign investment to Britain where the framework has been arrived at incrementally and in an ad hoc manner with no synoptic treatment. With little direction from the centre it is difficult to ensure that the national policy of "welcome" is pursued efficiently despite the general consensus shared at central and local levels.

The reaction to the problems within the existing framework as identified by the Select Committees on Scottish and Welsh Affairs and the outside consultants report on industrial promotion has been to set up a Committee on Overseas Promotion (3). This Committee comprising of the IBB, Foreign and Commonwealth Office, SEPD, SDA, Welsh Office (Industry), DCW, Department of Commerce for Northern Ireland and the Department of the Environment has the following terms of reference:

- (i) to keep under observation the distribution of resources being devoted to overseas promotion for the purpose of direct inward investment by all the organisations represented on the Committee and by agencies within their areas of responsibility with which they are in contact;
- (ii) to prevent clashes between overseas promotional activities;
- (iii) to develop co-operation on research, publicity material, briefing and any other subjects where scope may exist;
- (iv) to act as a forum for discussion on any matters relevant to the search for inward investment;
- (v) to promote mutual trust and to discourage unnecessary secrecy and wasteful competition between agencies.

The gathering together of the various bodies with responsibility for the co-ordination of the actors involved in attracting foreign investment is a step in the right direction. The Committee should at least help relationships between actors present on it and should assist overall co-ordination of strategy, guidelines for behaviour and criteria for involving lower level actors in promotional activities.

When he came into office in 1979, Sir Keith Joseph, as Secretary of State for Industry, was keen to overcome what he

saw as wasteful duplication in the attraction of foreign investment (4). Despite the investigations of Select Committees and consultants the only major change has been the establishment of a Committee, although a few bodies have been given a jolt, notably the NEDC and NORWIDA. It seems doubtful whether the Committee will achieve major improvements. Committees are so often often little more than a tokenism bringing about a formalised combination of links that already exist in an informal sense. It would be premature to make judgement on the utility and effectiveness of the Committee. It would appear that this Committee, which incidentally does not involve any Local Authority, New Town or development association representation, is monument to the difficulties of bringing about change to an established framework.

Leo Abse, the Chairman of the Select Committee on Welsh Affairs, one of the Committees looking at industrial promotion identified the problems associated with achieving change. He said his Committee was "concerned that witnesses in general have been too keen to defend the status quo or, where rationalisation has been proposed, to rationalise everybody apart from themselves" (5). This has also been recognised by Pressman and Wildavsky when they suggest that: "Everyone wants co-ordination - on his own terms" (6) and later: "Achieving co-ordination, again, means getting your own way" (7).

One word which was part of the recurring rhetoric of many respondents was co-ordination. Unfortunately they often fell into the trap of seeing co-ordination as a magical ingredient capable of addition to the framework to bring about improvement (8). Co-ordination is nothing more than a desirable state of affairs whereby an array of actors can achieve goals more readily and effectively. Nevertheless the means by which better co-ordination may be arrived at - by coercion, common purpose, political bargaining and the recognition of technical interdependence are seen as having a part to play when suggestions are made shortly.

Respondents were also well aware of the dysfunctional nature of the present framework for attracting foreign firms and were



keen to suggest improvements. Most felt that promotional efforts and methods should be improved. Improved marketing and a more effective organisational framework for dealing with and attracting foreign firms were recognised as crucially important.

In a system where there is no strong vertical control it is difficult to make changes based on mechanisms associated with a vertical control network. In attempting any change it is imperative for a recognition of political needs and interests and the desire for the tidy organisation of central and sub-national actors should come second place behind political considerations.

Whatever changes and suggestions are made care has to be taken not to allow the evaporation of well-intentioned recommendations. With strong feelings of distrust and alienation between local, regional and central bodies any plans could easily be quashed unless sustained effort is made towards improvement. Whether change is to be by force or persuasion the onus for bringing about improvements is from the centre downwards. As the issue deals with power relationships and strong parochial (political) interests opposition could be considerable and, whether the centre would be prepared to devote time and effort to an area where the benefits in financial savings are minute is open to question. If, however, there is a desire to produce a framework that is more effective in attraction and in handling foreign firms then the commitment of a number of staff of the IBB, say, could have considerable benefit.

Before becoming involved in discussing the merits and difficulties of implementing suggestions it would be worthwhile summarising and recapitulating the basic recommendations made about each type of actor in the earlier parts of this section. After doing this we can see how these recommendations intermesh with the subsequent recommendations for the overall framework.

- (i) Local Authorities All but a few of the more capable and generally the larger Local Authorities ought to withdraw from active attraction of foreign firms and should adopt a role where they are supportive to regional and national promotional efforts in giving help and assistance to interested foreign

firms if so required. The withdrawal of many Local Authorities from active promotion is recommended on the basis that many have had poor track records and generally lack financial resources and the necessary expertise to be successful in attracting foreign firms.

- (ii) New Towns Much the same normative recommendations apply to New Towns as they do to Local Authorities. However, very few New Towns were found to be engaged in inadequate programmes. The more successful New Towns should continue to attract foreign firms, if for no better reason than they have been successful in the past and do seem to possess the necessary resources and expertise.
- (iii) Regional development associations and Development Agencies Although all regional bodies appear to exhibit shortcomings to a greater or lesser extent regional bodies ought to be maintained and improved in the sense of understanding their role and adopting techniques related to that role. A political demand for regional actors was found to be important but this was accompanied by considerable dissatisfaction with regional actors from local quarters. Attention should be paid to the regional - local relationship in particular.
- (iv) The IBB The central agency should be retained within the Department of Industry but its marketing effort should be improved. If necessary part of the IBB's activities could be pulled out from the usual constraints associated with the civil service. This could be achieved internally but if necessary a quango with close links to the IBB in the Department of Industry may be considered. The concern is basically with maximising marketing abilities of the IBB and also to this end it is felt that the IBB should follow its complete title instead of favouring the Assisted Areas to the detriment of the more saleable non-Assisted Areas. The IBB should also adopt a more active role in assisting and interlinking with other actors.

Achieving all of these aims simultaneously is far from easy. To be successful sufficient incentive has to be given to actors to both recognise the need for change and to accept new roles for themselves and others. Unfortunately there can be little guarantee of success for much depends on actors making self appraisals and accepting persuasion for change from the very bodies with which they are dissatisfied. Previous attempts at changing the present



framework have failed. For instance, at the time of the establishment of the IBB, the Development Agencies and the development associations respectively, many actors who withdrew from active promotion at the time found that the new bodies did not meet up to their expectations and they subsequently returned to active promotion themselves. This previous experience is part of the reason why a grand design for change is not attempted and in preference to this some suggestions are made as to means by which roles and responsibilities can be altered in the aim of achieving a better institutional organisation using suitable techniques for attracting foreign firms.

The normative proposals for change in the way the central organisation actually operates have been discussed earlier and here we largely confine discussion of ways in which the IBB can channel its attention to improving the rest of the framework by such means as influence, coercion and persuasion. The IBB should be able to persuade regional bodies of what it desires their role to be via the Committee on Overseas Promotion, by informal linkages and, if necessary, by attaching strings to finance supplied to Development Agencies and development associations from the centre. This would mean making finance contingent upon their behaviour and the adoption of appropriate roles. Tackling the changes required at the local level, particularly in the Local Authorities, is the major problem and so most attention is paid to suggestions on getting the Local Authorities to change roles and methods in the attraction of foreign investment. The main problems evident with changing the behaviour of Local Authorities reflect the main problems in making any change. To re-iterate they are:

- (i) Deciding which Local Authorities are, and which are not both competent and legitimately involved in active promotion aimed at attracting foreign firms to supplement national and regional efforts.
- (ii) Who, if incompetent Local Authorities do not recognise their incompetence of their own volition, should decide on each Authority's competence and legitimacy?

- (iii) If some and not other Local Authorities are to be excluded from active promotion be it by self recognition, persuasion or legislation, how are the political realities of parochial interests and desires for emulation to be overcome?
- (iv) How can it be made certain that those continuing to be involved in active attraction of foreign firms do so effectively and within an efficient overall framework?

Overcoming problems with the Local Authorities and getting them to act in keeping with the normative proposals laid out here is problematic to say the least. Perhaps the easiest way would be for Local Authorities to recognise their inadequacies of their own volition. They can then decide what effort they will put into attracting foreign firms. But this is barely different from the present. Local Authorities, and others involved in attracting foreign firms seem either incapable or unwilling to assess their success and in many cases recognise that they have inadequate resources for the necessary type of marketing operation. Although persuasive arguments constructed from the centre may help Local Authorities in deciding what their role should be, such persuasion would probably be resisted as unwelcome interference. However, there seems to be no way around this problem if the aim of the exercise is to attain a proficient overall framework.

It has to be recognised that those already involved in substantial promotional activities will wish to continue to do so and would be unlikely to give up any activities of their own volition. Many Local Authorities, for instance, have put a good deal of emphasis on promotional programmes and are unlikely, once established, to give them up unless they have been unsuccessful in the extreme, although a lack of monitoring often means that success is not even assessed by the Authorities themselves. This is not to say that success is seen as amenable to measurement. By saying that some and not others should be involved in active promotion, this does not mean that success league tables can be drawn up. What is being said is that you can assess the utility of methods and techniques, that is, you can detect those with a strong likelihood of bringing or helping to bring foreign firms



to Britain, but it is not possible to compare actual success for it would be unfair. Nevertheless, at some stage it may be necessary for a central body to make judgement on which actors should and should not be involved. The key point to remember is that measurement by success, judged in terms of firms attracted, which may be fortuitous anyway, is not seen as suitable for determining who should and should not be involved. Judgement should be based on explicitly laid down criteria as to the marketing capabilities and methods adopted, as will be discussed later.

If those Local Authorities that are not adequately equipped, nor do a good job, do not decide to pull out of active promotion and adopt a more supportive role for which they are more suited, then there is need for an external actor to decide upon each individual Local Authority's suitability for active promotion. How to persuade and give incentive for some, but not others, to withdraw is problematic, perhaps insurmountable, but a declaration of preference or persuasion over coercion, via legislation, is an assumption made. This is because coercion, based on jurisdictional limitation, in an area such as this is not usual in British politics and if used it would probably lead to less co-operation in getting actors to accept allocated roles, for which they were seen as more suited, in an overall framework.

Local Authority willingness to accept control varies. Whilst some successfully resist central intervention, others comply with central instructions, even if the area is a contentious one. A system for control would have to be based on sound reasoning. Building a persuasive case is difficult. The present study has failed to find support for many of the perceived problems. For example, the problem of excessive pestering was found to be only minor. What has, however, been revealed by this study are the poor programmes for marketing overseas and handling foreign firms and we have seen how agencies may be consumed in activity simply for its symbolic political value.

We have to ask what mechanisms other than jurisdictional limitation are available for bringing change. There is a need for local initiative to be balanced and traded off against overall efficiency. In this light the Department of Industry could perhaps issue guidelines for the judging of the capabilities and

marketing methods of Local Authorities and on the basis of these persuade Local Authorities to either get out of active industrial promotion overseas and adopt a supportive and responsive role, or improve their programmes and remain active.

There would have to be an announcement of an intention to introduce a judgemental system for assessing the suitability of Local Authorities and New Towns for active promotion overseas. A series of guidelines could be laid down by the IBB, the contents of which could be as listed below. Each Local Authority or New Town wishing to be actively involved would have to make a submission to the IBB, taking the guidelines into account. The submission would have to fulfil the following:

- (i) Adequate one year, three year and five year plans.
- (ii) Adequate financial, manpower and expertise resources.
- (iii) A saleable image as well as goods (sites and premises) to sell.
- (iv) Ability to provide good basic information and help to foreign firms.
- (v) Potential contacts.
- (vi) Evidence of adequate market research.
- (vii) Ability to be flexible.
- (viii) Ability to re-appraise strategy.
- (ix) Worthwhile links with other promotional organisations.
- (x) A need to attract jobs either to overcome unemployment problems or to meet up to structure plans.

The basic elements are those associated with good marketing. To highlight their importance these are considered separately and briefly in Section 8.2 of this chapter.

The basic criteria cannot be hard and fast, but if a Local Authority or New Town can demonstrate that by their active promotion a worthwhile addition can be made to national effort, then it should be encouraged. Basically, the system could be



that every three years, those given a "seal of approval" by the IBB, would have to re-submit plans for the next five years to gain further approval. Other Local Authorities and New Towns could submit a five year plan at any time, but no more often than annually, to seek approved status. In the meantime, their role in promotion would be purely responsive to regional and national bodies as discussed later. The possibility for approval based on the set criteria and ability to meet them could ameliorate any sour grapes from Authorities that had been curtailed. And such an approach based on the "seal of approval" would help in sorting out when, and to what extent, Counties or Districts should be involved and should interrelate. Basic differences do exist. For instance, Counties rarely own sites and premises, but, nevertheless, they may be the better equipped for promotion purposes, in which case links and relationships with Districts would have to be clear. The outcome would legitimately vary by case.

The benefit to the Local Authorities and New Towns, given approval, could be the offering of full IBB and Consular support. Before making specific forays overseas, however, a venture would have to be cleared by the centre, which no doubt would have to err more on the side of favouring the actions of other British actors than at present. Entrepreneurial activities should be encouraged rather than discouraged, unless, of course, they are inadequately planned or considered. There could even be a system whereby responsive authorities, that is those lacking the "seal of approval" to be active, could get occasional support from central or regional agencies if they had a good proposition for a specific industrial promotion to exploit a commercial contact.

The aim of a plan such as the one based on a "seal of approval" system would be to accommodate the disjointed British approach within a unified framework where common purpose had been engendered. This could be further assisted by establishing a two way flow of staff between the IBB and other promotional agencies. Further assistance to the aim could come from the IBB and regional bodies adopting consultative roles if needs be. Training could have a very significant role to play in getting

all to think along the same lines. There is no doubt that training courses for industrial development officers or their equivalents (which could be made an essential requirement of gaining a "seal of approval") would be beneficial. Training in marketing, the needs of firms, techniques and packaging would be beneficial if seeming a little like going back to school. Other elements of training would be relevant to all and seem less school-like, covering subjects such as national and regional policies, relationships between organisations and how to present the broad level of grants available to firms. More regular briefing and liaison between actors would also add to greater coherence and mechanisms to achieve this could be considered.

Changes such as these would allow better monitoring, accountability and control, but would require strong commitment to change at the centre in both moral and staff terms. Sustained effort at maintaining improvement and providing a viable national framework would be necessary. Although less preferable than persuasion combined with self realisation of inadequacies, this system involving coercion should have a better chance of success and continued maintenance for the persuasive route would probably lose momentum in the long run and any improvements would probably be lost, leading to a re-establishment of the unsatisfactory framework we have at present.

What, then, would happen to the Local Authorities and New Towns excluded from active promotion? They would always have the opportunity to become active and obtain a "seal of approval" but in the interests of improving the overall effort they would still have a role to play. Their role would be responsive to the needs of national and regional actors. Co-operation would be difficult to achieve as amongst these actors would be some that were formerly active, but now excluded. No easy method of overcoming these problems is apparent. The responsive, as opposed to active Local Authorities and New Towns, would have to be persuaded that the only way they could have a part to play in bringing foreign firms to their spatial area would be by servicing the needs of the IBB and regional actors when so requested. In a way they would have to be co-operative and supportive if they wanted to stand a chance of landing a foreign firm. It must be noted,



however, that the IBB and regional actors would not have to show favour to any area whether or not it was deemed responsive or active.

What also, would be the means for bringing change and improvement to regional bodies to persuade them to fit into the new framework? As well as persuasion coercion into acting in the desired manner (discussed earlier and also briefly below) could be achieved by attaching strings to finance. This method for achieving change has already been used to a limited extent. For example, when the grant-in-aid to the NEDC was increased by £100,000 in 1977-78 the strings were that the NEDC should agree to a clearer relationship with the activities of the Northern Regional Office of the Department of Industry. This technique could be expanded if it was felt necessary, that is, if persuasion of regional bodies to fit in with the overall framework were not possible. There would be a necessity for persuasion or coercion of regional bodies to get them to submit plans, organise inter-change of staff, and adopt techniques and relationships as proposed for the IBB and local actors.

Basically, co-ordination via engendering common purpose and coercion between all actors is being expounded but there is another necessary means to achieving co-ordination, that is, via increasing technical interdependence between central, regional and local actors. By this we are suggesting that each type of actor should adopt roles and responsibilities for which it is most suited and appropriate to its circumstance and resources. And by this it is not being suggested that staid and set patterns should necessarily be adopted for as we saw earlier a degree of competition can produce benefits.

If each type of agency adopts a role for which it is most suited, a useful organisational division of labour can occur. But all the coercive means outlined above should attempt to balance control and independence for otherwise healthy competition and novel efforts will be stifled. Whilst a free exchange between central, regional and local levels is to be encouraged, each level should recognise that at other levels policies will need

to be self-designed. Such policies must not, however, exhibit what is seen as the major problem in central-local relations, ambiguity and confusion in the allocation of responsibilities.

For inward investment it would seem that it is essential that investors are initially met by individuals with a grasp of national policies and able to draw on the support of other levels. At the national level a single body needs to be able to give definitive advice on governmental attitudes, incentives, tax rates, cross national comparisons and so on. Regional actors need to have a general marketing role and be able to advise on facilities in the region.

In the case of Development Agencies, there may also be financial packages and sites to offer. The development associations have a more tenuous niche to fill, but they can provide details on infrastructure, potential local suppliers and customers and business services. Their existence as we have seen earlier, is based upon a definite local political demand, and despite the lower necessity for development associations their continuance appears necessary, especially when Scotland and Wales have the advantage of Development Agencies.

At a local level Local Authorities and New Towns are essential in the planning process and providing information and after-care of firms. They often have details of the important minutiae, such as a factory's floorspace, floor thickness or door-size. These elements apply to active and responsive local bodies and indicate that the latter still have an important role to play in bringing foreign firms to Britain.

In the past it has been difficult to untangle responsibilities in this way. Changes in emphases and demarcation of responsibilities should, however, retain some flexibility where possible.

All levels should, and would need to draw on assistance from other levels but interference or capture of interested firm by another agency would have to be discouraged. The mechanisms for achieving this do not exist but there would have to be a reliance on the acceptance of common purpose as in a team spirit engendered by all actors and encouraged from the centre. Team work involving the IBB, a regional and a local actor could be a



possibility, but this would have to depend on the specific case. Nevertheless, there must be a furtherance of the establishment of clear understandings of who is to do what in a specific case. This can be achieved by more liaison and possibly via the newly established Committee on Overseas Promotion. There have already been some cases where agreements have been reached and so such an approach does seem to have a chance of success. For example, the SDA agreed to take a back seat to the IBB in the attraction of Nippon, the Japanese electronics manufacturer. In other past cases relationships have been confused, much to the detriment of Britain. For example, in the much publicised case of Mostek conflict between the SDA, the IBB and the Department of Industry led to a farce culminating in the loss of the company to Eire.

The overall framework then, needs to achieve interdependence in two ways. First, in a technical sense to ensure that the attraction of foreign firms is achieved effectively and second, in a sense whereby various actors are recognised as legitimately involved for political reasons, yet can achieve national aims of maximising foreign investment co-operatively. Any restriction of involvement should be based purely on the grounds of proficiency in the task concerned.

An air of confidence between various levels needs to be engendered. All local and regional actors, for instance, need to know and be reassured of the fact that national bodies act on their behalf and in a fair manner. However, despite the suggestions made herein for moving towards a new system and new attitudes, there will no doubt be extreme difficulty in changing the existing framework where some actors are effectively told they are not fit to be involved and others are told to shed antagonism and switch to common purpose. During this study we have seen examples of antagonism, suspicion and general unco-operativeness at all levels. We have seen some Local Authorities and New Towns that refuse to co-operate with regional bodies by refusing to pass on simple pieces of information on the names of firms or the availability of sites in their area. We have seen a regional body, the NEDC, that has found itself severely criticised by the press and later by a consultant's report. The IBB has poured scorn on independent action, especially if coming from

bodies in non-Assisted Areas, or if challenging what it sees as its sole right to overseas "offices" within the Consular system.

In the end change does seem a necessity in order to achieve the policy of "welcome" so that we can maximise desirable foreign investment in Great Britain. To this end the firm must come first. Which actors are dealing with a firm is less important than ensuring that actors are actually dealing with the firm and that it is easy for that firm to obtain what information it needs and to assemble the package that it requires. The encouragement of actors capable of giving necessary assistance and the discouragement of actors inadequately equipped for this purpose should be pursued.

## 8.2 Attracting Foreign Investment to Great Britain: A Marketing Approach

In the last section we discussed how improvements in organisational settings and relationships could bring about a better framework of organisations involved in attracting foreign investment to Great Britain.

In this section we simply add to this by looking at the methods that organisations use. The section is brief in order to highlight the general findings in relation to the adoption of a marketing approach.

In the previous section it was advocated that many of the organisations currently involved in trying to attract inward investors ought not to be actively involved in direct promotional sense, but ought to adopt to a responsive role supportive of more proficient central and regional organisations. However, despite of the fact that many bodies are not well suited to attracting foreign firms, there seems a strong likelihood that some may continue with policies of attraction unless they are coerced to do otherwise. This being the case this section selects key advice by bringing together, and summarising briefly, many of the points made about marketing in earlier chapters. Many of the points are applicable to all promotional bodies and many may seem platitudinous to some, but judging by the poor efforts of many they can only be a revelation worthy of attention.

The basic maxim to be followed is that bodies should only do



that for which they are suited and capable. The basic principles of marketing should always be heeded. Half-hearted efforts are inexcusable.

A clear, well-thought-out programme is essential. The setting of realistic targets and goals in both the long and short term give a stable basis to the development of a programme. Benchmarks allow the gauging of success and continuance of controls and monitors. Planned programmes need to be judicious, prudent and sensible, clearly stating objectives and matching them with resources. A clear and embracing strategy needs to take full cognizance of what the geographical area in question has to offer, bearing in mind such things as local industry and linkages, labour availability, and the possible impact of new investment. Strengths and weaknesses have to be balanced in assessing an area's potential.

Once the needs of an area have been clarified and its potentialities identified, the main essential task of industrial promotion is client orientation. Many respondents questioned during this study appeared to have a good grasp of the more general needs of foreign firms, but they rarely translated this into a recognition of the problems of making location changes across national boundaries. The role of the development body in simplifying and reducing problems could be greatly improved. Data provision services were often poor. Improvements could be made in assisting foreign investors by providing information, arranging relevant contacts, acting on their behalf and acting as a mediator with bureaucracies and other bodies.

Tailoring and individualising the approach to each firm is essential. Every effort must be made to understand the needs of the firm and once recognised as necessary and possible, any support that can be given should be given. Flexible response within the context of fixed programmes and standard operational procedures must be developed. Rule orientation of programmes designed to attract firms in general must be combined with a task orientation in a "can do" framework. Professional staff, willing to seize opportunities and with an entrepreneurial spirit are essential.

Responses made to enquiring firms, location consultants and

to promotional bodies representing them, must be rapid and efficient. If more active approaches are attempted, then programmes need skilful handling and execution. The I.D.A. of Ireland seems to have all these things clearly understood. They tend to use selling and marketing techniques with which firms are themselves familiar. Advantages inherent to the I.D.A. in that it is both able to be a marketing organisation and can put the details of financial assistance clearly on the bottom line, makes things easier for them. With the increased uncertainty regarding the level of Selective Financial Assistance given in Britain, the task of estimating probable levels of support has been made more difficult for promotional organisations. Although they can never tell a firm what it will definitely receive, those involved in promotion at the sharp end should be given some briefing on the broad levels of assistance available and probable. Close co-operation between those handling financial support and promotional agencies is important.

Aiming at precise targets, with clear and worthwhile propositions and information packages, is essential. The techniques employed to reach targets were found to be ill-considered and poorly executed in many of the promotional bodies. Unfortunately techniques were found to vary in utility and no simple generalisations on the best tack to pursue can be made. For instance, mail shots, newspaper advertising, visits, seminars and so on were all found to be useful in certain cases, but it was clear that their utility depended on the thought that had gone into using them within overall marketing plans and strategies.

Success is related to both knowledge and research. The actors involved need to be fully cognizant of the wider considerations of why firms move, why they move abroad, why they choose Great Britain and why they choose specific locations. There is also a need to understand the wider difficulties of firms, their organisational problems and their goals. Such understanding provides the prerequisite to knowing how to influence potential inward investors. Only with such knowledge and understanding can the all important business rapport be



established with clients. An important way of developing such knowledge is by keeping in close touch with already established firms by providing an after-sales service should such be requested. This may even be more influential on future investments than any other means. The influence of businessmen on one another is all important to cultivate.

Research undertaken by promotional agencies can also have profound influence. Searching out information or, better still, figures that paint a rosy picture of a locality is essential. Research also allows the understanding and evaluating of the market and of customer requirements which can prove of great value. Much of the success of the I.D.A. of Ireland stems from its emphasis on research. Once a market has been researched promotional efforts can be effectively channelled. Finally, the reviewing of activities is extremely useful in measuring the utility of policies and their effectiveness.

From this brief overview of a marketing approach it should be clear that few bodies are capable of, or well suited to the fiercely competitive task of actively attracting firms from overseas, although they all have a potential influence and a part to play in the overall attraction. Many actors ought to be aware that their lack of success and use of random, often inappropriate and plagiarised approaches, shows that they would be better to take a back seat role, providing support to bodies better equipped to go out and attract foreign investment.

### 8.3 Final Comments: Initial Propositions Reconsidered

A consensus on the need for attracting foreign investment to Great Britain was revealed by undertaking this study. Consequently, the way in which the "welcome" is achieved has been considered in depth, and suggestions for improvement have been made. However, despite concentration on this aspect, it is necessary to recollect and reconsider some of the wider reasons for this study by looking at the initial propositions that were made.

A major impetus for the study was the need to balance out the limited ways in which foreign investment in Britain appears

to have been viewed. Making definitive statements is difficult. For instance, whilst statistics, if existent, may show one thing, decision makers may believe another. Interpretation can become little more than a question of belief and it is in this light we return to the initial propositions. No definitive answers can be produced, nor was this the aim of the study. It has to be borne in mind that propositions were to provide yardsticks for reference and in reconsidering them we are only making judgements on their validity. Rather than answers we have at least gained insights. Instead of repeating the details of all the opinions held regarding the initial propositions (9) we will assess the general validity of them in the light of the study.

The first set of propositions on the goals of government and firms in general shows the two to be mutually supportive (Proposition 1 supported). Foreign investment has been seen as a means of fulfilling desires for growth and consequently has been fully consistent with a fundamental desire of successive governments. However, state growth orientations can rarely be at the expense of the firm, but firm growth orientations can be at the expense of the state. This is due to the fact that decisions in the firm may often be taken from outside the state with little regard being paid to national boundaries, the emphasis being placed on markets. A firm may set up in a particular state to increase its market share and then having attained its desires may disinvest but retain its market position by importing. Firm growth can thus be at drastic costs. It must be noted, however, that although the foreign firm has opportunities to do this, their record of closures in Britain, as yet, shows little indication of this being a worrying phenomenon. Another major potential worry is that foreign firms have links with home states and go about implementing their foreign policy. Covert links are difficult to separate from coincidence or just the likelihood that home state and firms will have similar behavioural paradigms. This element is of little worry to Britain. Fears are assuaged by the knowledge that major foreign firms and major western states are somewhat mutually supportive. Instead of drawing states apart, the increased



interdependence caused by foreign investment may be a valuable gain.

Opinions of most survey respondents and M.P.s suggest that restrictions on foreign investment are rightly non-existent . (Proposition 2 supported). Foreign firms are seen as of major overall benefit to economic strategy. Benefits are seen to greatly outweigh costs such as loss of autonomy or increased vulnerability (Proposition 3 supported). Some concern was expressed by elements of the left and, apart from newspapers occasionally trying to whip up the nationalists, this was the only group of those identified by Curzon as possible opponents to foreign investment (10). Although it was recognised that benefits are bound to generate some costs, the apparently disproportionate benefits resulting from foreign as opposed to indigenous firms were revealed in the second chapter. Foreign firms were shown to be major contributors to the British economy and the economic goals of greater growth, increased productivity and higher exports.

Foreign firms, especially the large multinational type, have undoubtedly more scope for acting outside government policies than do indigenous firms by virtue of inherent advantages such as access to capital, world markets and technology (Proposition 4 supported). These advantages are at one and the same time benefits and costs. Any state will want such successful companies operating within its boundaries and bringing benefits such as jobs, technology, exports and import substitution, but when foreign firms actually make use of advantages contrary to government policies, then this will be viewed as a cost. Advantages which, for instance, allow the skirting of state fiscal policy are exploited but only to a limited degree in Britain hence, limited support for Proposition 5 . In states where taxation authorities have less expertise, then firms must be in a stronger position to exploit the situation. Britain should not be complacent, however, for the Special Unit in the Treasury has exposed some significant under-payment of taxation during its lifespan.

Foreign firms do bring benefits in specific and important areas. They are generally perceived to have improved Britain's

balance of payments (Proposition 6 supported). This seems to be the case but without recourse to balance of trade figures and estimating how much transfer pricing does actually occur, this conclusion can only be tentatively made. Foreign firms operating in Britain also benefit Britain in terms of net additions to employment. The general feeling is that labour practices and trade union recognition was generally no different to that of indigenous firms (Proposition 7 supported). If there were differences the foreign firms did on occasion show reluctance to recognise unions, but generally there was praise for better conditions, wages and productivity.

A problem encountered all along in examining attitudes to foreign investment was the difficulty in making comparison, due to the absence of figures that show such things as labour practices, trade union recognition, and balance of payments. It is also important to note that some views may be based largely on surmise. For instance, it was commonly held that foreign firms benefitted Regional Policy, yet figures show that foreign firms often establish in non-Assisted Areas. Why figures are lacking in some ways reflects the lack of a central synoptic organisation intent on analysing the impact of foreign firms in order to gain a comprehensive and balanced view of foreign investment.

The activities of foreign investors in Britain are not seen as detrimental, except in a small number of cases, and so desire for control of their activities is given only a low priority (Proposition 8 supported). Consequently, strategic elites in Britain believe in the active encouragement of foreign investment (Proposition 10 supported). This is reflected in the only identifiable aspect of policy, that of "welcome". Apart from this policy, if it can be really called such, no differentiation between foreign and indigenous firms exists.

This policy of "welcome" has already been scrutinised and has revealed that a lack of a clear statement of actors and actions that they should undertake has led to incoherence, competition and a need for improved co-ordination. The incoherence has manifested itself in wasteful duplication and often bodies have not been doing that for which they are well equipped, and suited.



That wastefulness is evident, gives partial support to Proposition 13, however, this it was felt by most of the respondents at least did not go so far as putting firms off Britain.

Proposition 11 also identified reasons for incoherence. This proposition suggested that the likelihood for development organisations to be involved, would be enhanced if there was a lack of restraints on action from the centre, a lack of larger bodies seen to be acting effectively on behalf of many smaller bodies and a perceived need for investment. On all three counts involvement was enhanced and so many bodies have become involved. Concomitantly incoherence and competition have grown.

The resultant competition has probably led to the gaining of more contacts and more foreign investment than would have otherwise been the case. The many organisations involved serve to supplement an otherwise limited total effort and rivalry and healthy competition between the actors concerned does seem to be to the overall good. With more actors, however, there is more scope for actors being played off one against another. This was found to be much more prominent and costly on an international scale. Playing off actors against one another within Britain was found to be only possible to a limited degree. Local topping up of financial benefits was, in most cases, only limited and was often subject to effective eradication by its being taken into account when giving Selective Financial Assistance. Playing off does occur (Proposition 9 supported) but this is mainly an international phenomenon. Locally, playing off is less financial than psychological, involving the use of persuasive techniques.

Approximately a hundred and thirty bodies are involved in promoting overseas, but only about a sixth of these are involved to any significant degree. The cost of these operations is not great and pale into insignificance when compared to the financial incentives handed out to firms in an effort to support investment. Active promotion if it achieves inward investment that is a net addition, is a relatively cheap way of gaining investment. Improvement of the effort could be at little cost, yet benefits could be immense.

Given that there are perceived to be few grounds for discouraging foreign investment, and that the policy should be a receptive and welcoming one, it is surprising that as the

welcoming has grown more active, the policy has not been more rigorously considered, at least until recently. With one differential and identifiable element of a policy, the policy of "welcome", it is worrying that it has left so much to be desired and has often not been well done. This said, however, it would be unfair not to tender such an indictment without making a general observation regarding this. A scholar has the advantage and privilege of being able to stand back and make a more general evaluation, knowing that he does not have to make decisions. It is all too easy from this position to criticise and belittle attempts to overcome problems seen in a particular policy field. The observer can never be sure what goes on behind closed doors, he can only speculate on the adequacy of consideration or interaction. The scholar can only attempt to look inside and will almost inevitably fall into misleading generalisations, possibly acceptable to fellow scholars but annoying to insiders. For example, we have talked of governments having policies herein without making many qualifications to this. Policies, it needs to be remembered, are a result of a complex array of inputs. For instance, amongst other things the Department of Industry wants sole responsibility for attracting foreign firms, the Foreign Office does not want its overseas operations interfered with and the Scottish Office want an SDA free of restrictions. All cannot have what they want without compromise. Even worse, all three departments want other things and to say department X wants Y is again a gross over-simplification in the first place. All that can be done in this situation is for the author to state a recognition of the difficulties, or otherwise statements would need endless qualification.

Having stepped back and examined the approach to foreign investment in Great Britain it would seem that there is a great need for improving the means for attracting foreign investment to Great Britain, for the ends are potentially so beneficial. There is also certainly room for a less complacent view of the possible detrimental consequences of foreign investment than is presently the case, but, just as the Steuer Report admitted, this author has also found that after much consideration there is less need to worry about the possible perils of foreign investment than



there may at first seem.

- (1) The Yorkshire and Humberside Development Association being the smallest of the three and outside the areas of main focus of the study was not subjected to deep scrutiny. However, the Association did appear to be doing a job more suited to its resources and using more carefully considered methods than the two others. The Devon and Cornwall Development Bureau is not considered as a development association despite receiving grants from central government. The Bureau is, as yet, seen as merely a co-operative exercise between two Local Authorities.
- (2) A point made in the Second report of the Select Committee on Scottish Affairs Inward Investment, Session 1979 - 80, Vol. 1, No. 769, H.M.S.O., 28 August, 80, para. 5.5.
- (3) For details see the Second report from the Select Committee on Scottish Affairs, Inward Investment (Session 1979 - 80), Vol. 2, Minutes of Evidence and Appendices, No. 769, H.M.S.O., 31 July, 80, p. 338, (Memorandum from the Department of Industry).
- (4) One of the items he urged members of his Department to read was an article on unnecessary duplication and wastefulness in promotion especially overseas. It was L. Mazur "U.K. regions at War", Engineering Today, 1 May, 1979, p. 33 - 36.
- (5) The Times 1 August, 1980 p. 1. It seems ironic that Mr. Abse should say this for the Select Committee on Welsh Affairs The Role of the Welsh Office and Associated Bodies in Developing Employment Opportunities in Wales, Session 1979 - 80, Vol. 1, No. 731 - 1, 30 July, 1980, para. 98, shows the Committee's own mentality was similar in that it did not want any independence on industrial development in Wales interfered with nor did they want organisations such as the IBB bolstered at the expense of Welsh bodies. The Select Committee on Scottish Affairs op. cit. is also written in a similar vein. There is an identification of the need to overcome the organisational disarray but the tenor is that in making change Scotland should always get preferential treatment. See para. 6.2(1) and (2) and para. 5.8.
- (6) J. L. Pressman and A. Wildavsky Implementation, California U.P., 1973, p. 134.
- (7) ibid., p. 135.

- (8) This and other problems that exist in trying to bring about change have previously been recognised. For instance, see J. L. Pressman and A. Wildavsky ibid. They discuss the "false messiah" of co-ordination in relation to their case study of the Economic Development Agency in the American city of Oakland, p. 133 - 135 are especially relevant.
- (9) The initial propositions were discussed mainly in chapters 3, 5 and 6, especially chapter 3, p. 95 - 136 and chapter 5, section 5.3, p. 222 - 235. Chapter 3 dealt with the views of respondents on Propositions 1 - 8 and 10 whilst chapter 6 dealt with their views on Propositions 9 and 11 - 13. Although the propositions are referred to implicitly throughout these chapters, they are usually only referred to explicitly when making summaries or chapter conclusions. Initial propositions are explicitly referred to on the following pages.

Proposition No. (see p. 29 - 33)	M.P.s' views		Respondents' views	
	Chapter ref.	Page ref.	Chapter ref.	Page ref.
1	3	98	5	
2	3	104	5	234
3	3	104-5, 116, 135	5	224, 227, 234
4	3	104-5, 112, 135	5	234
5	3	135	5	
6	3		5	227
7	3		5	
8	3	135	5	234
9	3	135	6	288
10	3	104, 135	5	227, 234
11	-		6	288-9
12	-		6	288
13	3		6	288

In all cases the initial propositions gained some support. In one case, Proposition 13, only half the proposition was supported by respondents. In general, respondents felt that duplication was wasteful but they did not think that duplication led to firms being put off. There was generally little difference between the views of central decision makers (M.P.s) and proximate decision makers (the respondents) so when saying there was support for propositions we can generally speak for decision makers, central or proximate. Even many M.P.s opposed to the freedom given to foreign investment gave support to the initial propositions.

- (10) Outlined in the first chapter, p. 17 - 18. Also see G. Curzon "Introduction" in G. Curzon and V. Curzon (eds) The Multinational Enterprise in a Hostile World, Macmillan, 1977, p. 1 - 14.



## APPENDICES

Appendix A and B reproduce the questionnaires used in the study. Care was taken to achieve the best wording and layout as possible in the questionnaires. In the interviews caution had to be observed in asking questions, making replies and elaborating points. Consistency was of the essence.

In the in - depth interviews (Appendix A) teething problems with questions were quickly overcome by making alterations after the first few interviews. Also, questions and topics were added or deleted from the schedule depending on the interviewee's role.

For the postal survey (Appendix B) a small pilot survey was sent out at first. This explains why some of the authorities may see differences between the questionnaire they answered and the schedule laid out in Appendix B. The pilot allowed rewording and restructuring and sifts out silly errors all too easily made.

APPENDIX A.

INTERVIEW SCHEDULE.

Section 1. Basic Facts.

1. (a) Name \_\_\_\_\_  
(b) Position \_\_\_\_\_  
(c) Organisation \_\_\_\_\_

Section 2. Data on the activity of the organisation.

2. (a) Do you have any particular officer(s) concerned with industrial development?

Yes \_\_\_\_\_

No \_\_\_\_\_

If No Do you intend to have such an officer in the future?

Yes \_\_\_\_\_

No \_\_\_\_\_

Details:

If Yes How many? \_\_\_\_\_

If only one How much of his time does this work occupy?

All \_\_\_\_\_

Most \_\_\_\_\_

Half \_\_\_\_\_

Less than half \_\_\_\_\_

Discuss How long has there been a position of this kind and how was it developed?

Details:



2. (b) Has your Authority established any special or separate Committee of Council to deal with problems of industrial development?

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes What is its title?

\_\_\_\_\_

How many members are there in total? \_\_\_\_\_

Are there any other members such as Trade Unionists or Industrialists?

Give details:

2. (c) Is your Authority or are you yourself a member of any joint organisations that aim to attract industry or are in the industrial development field?

Yes \_\_\_\_\_

No \_\_\_\_\_

Give details:

2. (d) Do you think that your Authority is more or less active than other Authorities of the same type in attracting foreign investment?

Much more active \_\_\_\_\_

More active \_\_\_\_\_

Slightly more active \_\_\_\_\_

Same \_\_\_\_\_

Slightly less active \_\_\_\_\_

Less active \_\_\_\_\_

Much less active \_\_\_\_\_

Don't know \_\_\_\_\_

2. (e) Do you think that your Authority is more or less active than other Authorities of all types within the same Standard Region in attracting foreign investment?

Much more active \_\_\_\_\_  
More active \_\_\_\_\_  
Slightly more active \_\_\_\_\_  
Same \_\_\_\_\_  
Slightly less active \_\_\_\_\_  
Less active \_\_\_\_\_  
Much less active \_\_\_\_\_  
Don't know \_\_\_\_\_

Section 3. Promotion.

3. (a) In your estimates for 1979/80 what provision is made for promoting your area to industrialists (excluding any contribution to regional bodies)?

£ \_\_\_\_\_

What sum was set aside for this in 1978/79?

£ \_\_\_\_\_

Is any contribution made to other bodies?

Yes \_\_\_\_\_

No \_\_\_\_\_

3. (b) Is advertising handled by an outside (professional) agency?

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes, by whom? \_\_\_\_\_



3. (c) Which media has been used? Give details.

National press \_\_\_\_\_

Local press \_\_\_\_\_

Trade and specialist journals \_\_\_\_\_

T.V./Radio \_\_\_\_\_

Direct mail \_\_\_\_\_

Other \_\_\_\_\_

3. (d) Is any advertising or promotion aimed at foreign companies?

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes, how is this achieved? Give details:

If Yes, which media has been used? Give details.

National press \_\_\_\_\_

Local press \_\_\_\_\_

Trade and specialist journals \_\_\_\_\_

T.V./Radio \_\_\_\_\_

Direct mail \_\_\_\_\_

Other \_\_\_\_\_

If Yes, do you use languages other than English in your promotional materials? And if so, which ones?

Yes \_\_\_\_\_

No \_\_\_\_\_

Languages used: \_\_\_\_\_

If Yes, do you focus attention on particular countries?  
And if so, which ones?

Yes \_\_\_\_\_

No \_\_\_\_\_

Countries: \_\_\_\_\_  
\_\_\_\_\_

If Yes, do you focus attention on particular firms,  
types of firm, or industrial sector? Give details.

Yes \_\_\_\_\_

No \_\_\_\_\_

Details: \_\_\_\_\_  
\_\_\_\_\_

3. (e) Does your Authority involve itself in overseas  
promotional visits? Give details.

Yes \_\_\_\_\_

No \_\_\_\_\_

Details: \_\_\_\_\_  
\_\_\_\_\_

3. (f) Has your Authority any overseas officers or agents  
dealing with industrial promotion? Give details.

Yes \_\_\_\_\_

No \_\_\_\_\_

Details: \_\_\_\_\_  
\_\_\_\_\_

3. (g) Do you agree with the contention that Authorities  
unnecessarily duplicate effort by making overseas  
visits and involving themselves in other activities  
to attract industry from overseas? Give details.

Yes \_\_\_\_\_

No \_\_\_\_\_

Details: \_\_\_\_\_  
\_\_\_\_\_



Section 4. Provision.

4. (a) Do you think that interested firms have been discouraged from setting up in your area because of any of the following factors? If Yes, give details.

A lack of suitable sites \_\_\_\_\_

An overall land shortage \_\_\_\_\_

Planning policies \_\_\_\_\_

A lack of financial incentives \_\_\_\_\_

Other factors \_\_\_\_\_

Details:

4. (b) At the moment could a company seeking to establish in your area, expect to obtain:

Land serviced and with planning permission ready for development

Yes \_\_\_\_\_ No \_\_\_\_\_

A serviced site on an industrial estate

Yes \_\_\_\_\_ No \_\_\_\_\_

Readily available new or nearly new factory premises

Yes \_\_\_\_\_ No \_\_\_\_\_

4. (c) Are any incentives available to incoming firms?

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes, what are these? Please give details.

Local Act \_\_\_\_\_  
\_\_\_\_\_

Local loans \_\_\_\_\_  
\_\_\_\_\_

Local grants \_\_\_\_\_  
\_\_\_\_\_

Local reliefs -

Key worker housing	_____	_____
_____		
Rent relief	_____	_____
_____		
Rate relief	_____	_____
_____		
Other	_____	_____
_____		

Section 5. Opinions on foreign investment.

5. (a) How successful do you consider your Authority to have been in attracting or obtaining investment in general?

Very successful	_____
Successful	_____
Partially successful	_____
Neither successful nor unsuccessful	_____
Partially unsuccessful	_____
Unsuccessful	_____
Very unsuccessful	_____



5. (b) How successful do you consider your Authority to have been in attracting or obtaining foreign investment in particular?

Very successful \_\_\_\_\_

Successful \_\_\_\_\_

Partially successful \_\_\_\_\_

Neither successful nor unsuccessful \_\_\_\_\_

Partially unsuccessful \_\_\_\_\_

Unsuccessful \_\_\_\_\_

Very unsuccessful \_\_\_\_\_

5. (c) Approximately how many foreign companies have you and your Authority been in contact with in the last twelve months?

\_\_\_\_\_

If any, how were these achieved and what were the reasons for them?

5. (d) In general, by what routes do foreign companies wishing to set up plants, approach you?

Direct \_\_\_\_\_

Passed on by bodies covering a larger area than your own

\_\_\_\_\_

Passed on by bodies covering a smaller area than your own

\_\_\_\_\_

Other \_\_\_\_\_

Details:

5. (e) Approximately how many foreign companies have set up in your area in the last five years?

\_\_\_\_\_

5. (f) In the attraction of foreign investment, which of the following do you see your Authority in competition with the most? (SHOW RESPONDENT CARD LISTING OPTIONS).

Countries other than the U.K. \_\_\_\_\_

Other regions in the U.K. \_\_\_\_\_

County Councils/Metropolitan Counties  
in other regions \_\_\_\_\_

County Councils/Metropolitan Counties  
in the same region \_\_\_\_\_

District Councils/Metropolitan Districts  
in other regions \_\_\_\_\_

District Councils/Metropolitan Districts  
in the same region \_\_\_\_\_

New Town Development Corporations in  
other regions \_\_\_\_\_

New Town Development Corporations in  
the same region \_\_\_\_\_

Other (please specify) \_\_\_\_\_

---

5. (g) In Britain's effort to attract foreign investment where do you think most improvements could be made?

Better promotion \_\_\_\_\_

Better provision of facilities \_\_\_\_\_

Better incentives \_\_\_\_\_

Other (please specify) \_\_\_\_\_

---

Don't know \_\_\_\_\_



5. (h) Do you believe that the attraction of foreign investment should be a more centralised activity or that regional and local Authorities should be given a greater role?

More centralised \_\_\_\_\_

More regional or local \_\_\_\_\_

Details:

5. (i) Despite the fact that the needs of firms differ by case, which of the following factors do you see as generally most important to the foreign firm wishing to invest? Tick any number: (SHOW RESPONDENT CARD LISTING OPTIONS).

Readily available sites \_\_\_\_\_

Readily available factories \_\_\_\_\_

Ample area for expansion \_\_\_\_\_

Good transport links \_\_\_\_\_

Central to market \_\_\_\_\_

Nearby airport \_\_\_\_\_

Professional location assistance \_\_\_\_\_

Good labour relations \_\_\_\_\_

Pool of skilled labour \_\_\_\_\_

High unemployment \_\_\_\_\_

Good environment \_\_\_\_\_

Housing for key workers \_\_\_\_\_

Educational facilities \_\_\_\_\_

Government financial facilities \_\_\_\_\_

Local financial facilities \_\_\_\_\_

Other (please specify) \_\_\_\_\_

---

(ASK TO INDICATE THREE MOST IMPORTANT, IF POSSIBLE)

5. (j) In what way do you think the amount of foreign investment in Britain is likely to change in the next decade?

- Increase greatly \_\_\_\_\_
- Increase somewhat \_\_\_\_\_
- Increase slightly \_\_\_\_\_
- Remain about the same \_\_\_\_\_
- Decrease slightly \_\_\_\_\_
- Decrease somewhat \_\_\_\_\_
- Decrease greatly \_\_\_\_\_

5. (k) How great an effect do you think foreign firms in Britain have on Britain? Please tick. (SHOW RESPONDENT SCALE).

Very small	1	2	3	4	5	6	7	Very large
	_____	_____	_____	_____	_____	_____	_____	

5. (l) What do you believe to be the net economic results of the operations of foreign companies in Britain? Please tick. (SHOW RESPONDENT SCALE).

Give more than they take	1	2	3	4	5	6	7	Take more than they give
	_____	_____	_____	_____	_____	_____	_____	

5. (m) Which of the following do you see as important in judging the value of foreign companies to Britain? Please tick any number. (SHOW RESPONDENT CARD LISTING OPTIONS).

- Effect on national growth \_\_\_\_\_
- Effects on balance of payments \_\_\_\_\_
- Creation of jobs \_\_\_\_\_
- Opportunities for managers \_\_\_\_\_
- Overcoming regional problems \_\_\_\_\_
- Role of Britain in the world \_\_\_\_\_
- Control over national affairs \_\_\_\_\_
- Access to new technology and methods \_\_\_\_\_



5. (n) Do you see the following as major or minor problems for Britain? Please tick. (SHOW RESPONDENT SCALE).

The potential of foreign companies to take decisions against British interests:

Minor    1        2        3        4        5        6        7    Major

\_\_\_\_\_

Circumvention of government policy:

Minor    1        2        3        4        5        6        7    Major

\_\_\_\_\_

The potential domination of particular industries by foreign companies:

Minor    1        2        3        4        5        6        7    Major

\_\_\_\_\_

Circumvention of taxation and transfer pricing:

Minor    1        2        3        4        5        6        7    Major

\_\_\_\_\_

5. (o) Which of the following do you see as desirable measures? Please tick. (SHOW RESPONDENT CARD LISTING OPTIONS).

Increased government control of foreign companies in Britain \_\_\_\_\_

Increased government surveillance of foreign companies in Britain \_\_\_\_\_

More dialogue between foreign companies and government in Britain \_\_\_\_\_

Increased financial encouragement of British firms to compete with foreign companies in Britain \_\_\_\_\_

Improvement of the investment climate in Britain \_\_\_\_\_

Creation of inter-governmental codes for corporate behaviour \_\_\_\_\_

5. (p) Do you believe foreign firms in Britain offer better, worse or similar wages to those of indigenous firms?

Better \_\_\_\_\_

Similar \_\_\_\_\_

Worse \_\_\_\_\_

Don't know \_\_\_\_\_

5. (q) Do you believe foreign firms in Britain have better, worse or similar labour relations to those of indigenous firms?

Better \_\_\_\_\_

Similar \_\_\_\_\_

Worse \_\_\_\_\_

Don't know \_\_\_\_\_

5. (r) Do you believe foreign companies in Britain are more willing, less willing or willing to a similar extent to recognise Trade Unions than are indigenous firms?

More willing \_\_\_\_\_

About the same \_\_\_\_\_

Less willing \_\_\_\_\_

Don't know \_\_\_\_\_

5. (s) Do you think foreign companies close their plants in Britain more often, less often or to a similar extent than do multi-plant British companies?

More often \_\_\_\_\_

About the same \_\_\_\_\_

Less often \_\_\_\_\_

Don't know \_\_\_\_\_



5. (t) Do you believe foreign companies play states off one against the other in order to gain better deals?

Yes \_\_\_\_\_

No \_\_\_\_\_

Don't know \_\_\_\_\_

5. (u) Do you believe that foreign companies do the same with Authorities and agencies within Britain?

Yes \_\_\_\_\_

No \_\_\_\_\_

Don't know \_\_\_\_\_

If yes, Discuss:

Section 6. Any further comments would be welcome.

Section 7. Flexible schedule questions relating to specific interviewee, incorporated as necessary..

APPENDIX B

SURVEY SCHEDULE.

1. (a) Name \_\_\_\_\_

(b) Position \_\_\_\_\_

2. Organisation \_\_\_\_\_

3. Which of the following media have been used in promotional activities directed at industrial investors in the last three years? PLEASE TICK

1. National press \_\_\_\_\_

2. Local press \_\_\_\_\_

3. Trade and Specialist Journals \_\_\_\_\_

4. T.V./Radio \_\_\_\_\_

5. Direct mail \_\_\_\_\_

6. Other (please specify) \_\_\_\_\_

7. None \_\_\_\_\_

4. What provision was made for promoting your Authority's area to industrialists in 1979/80 (excluding donations to regional agencies) ? £ \_\_\_\_\_

5. Is any promotion specifically aimed at foreign companies?  
PLEASE TICK

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes, which of the following media have been used in promotional activities in the last three years? PLEASE TICK

1. Foreign national press \_\_\_\_\_

2. Foreign local press \_\_\_\_\_

3. Foreign Trade and Specialist Journals \_\_\_\_\_

4. Foreign T.V./Radio \_\_\_\_\_

5. Direct mail \_\_\_\_\_

6. Foreign exhibitions \_\_\_\_\_

7. Foreign seminars \_\_\_\_\_

8. Other (please specify) \_\_\_\_\_



6. Do you use foreign languages in any of your promotional material? PLEASE TICK

Yes \_\_\_\_\_

No \_\_\_\_\_

If Yes, which languages? PLEASE TICK

- 1. French \_\_\_\_\_
- 2. German \_\_\_\_\_
- 3. Danish \_\_\_\_\_
- 4. Other EEC language \_\_\_\_\_
- 5. Scandinavian language \_\_\_\_\_
- 6. Japanese \_\_\_\_\_
- 7. Other language (please specify) \_\_\_\_\_

7. If involved with the attraction of foreign investment, would you say your Authority focuses attention of any particular countries listed below? PLEASE TICK ANY NUMBER

- 1. U.S.A. \_\_\_\_\_
- 2. France \_\_\_\_\_
- 3. Germany \_\_\_\_\_
- 4. Other EEC country \_\_\_\_\_
- 5. Scandinavian countries \_\_\_\_\_
- 6. Other European countries \_\_\_\_\_
- 7. Japan \_\_\_\_\_
- 8. Other countries (please specify) \_\_\_\_\_

8. Has your Authority any overseas Officers or Agents dealing with the attraction of investors? PLEASE TICK

Yes \_\_\_\_\_

No \_\_\_\_\_

9. Does your Authority involve itself in overseas promotional visits? PLEASE TICK

Yes \_\_\_\_\_

No \_\_\_\_\_

10. In general, what is the main route by which foreign companies wishing to set up a plant, approach you? PLEASE TICK

1. Come direct \_\_\_\_\_

2. Having been passed on by bodies covering a larger area than your own \_\_\_\_\_

3. Having been passed on by bodies covering a smaller area than your own \_\_\_\_\_

4. Other (please specify) \_\_\_\_\_

5. Do not know \_\_\_\_\_

11. Approximately how many foreign companies have set up in your area in the last five years? \_\_\_\_\_

12. For respondents in Wales, Scotland, the North and North West only.

How satisfied are you with the agency for promoting the region and attracting foreign investment into your region? (i.e. Development Corporation for Wales, Scottish Development Agency, NEDC, NORWIDA). PLEASE TICK

1. Very dissatisfied \_\_\_\_\_

2. Dissatisfied \_\_\_\_\_

3. Partially dissatisfied \_\_\_\_\_

4. Neither dissatisfied nor satisfied \_\_\_\_\_

5. Partially satisfied \_\_\_\_\_

6. Satisfied \_\_\_\_\_

7. Very satisfied \_\_\_\_\_

8. Do not know \_\_\_\_\_



13. How satisfied are you with the promotional activities of the Invest in Britain Bureau? PLEASE TICK

- 1. Very dissatisfied \_\_\_\_\_
- 2. Dissatisfied \_\_\_\_\_
- 3. Partially dissatisfied \_\_\_\_\_
- 4. Neither dissatisfied nor satisfied \_\_\_\_\_
- 5. Partially satisfied \_\_\_\_\_
- 6. Satisfied \_\_\_\_\_
- 7. Very satisfied \_\_\_\_\_
- 8. Do not know \_\_\_\_\_

14. In the attraction of foreign investments, which of the following do you see your Authority in competition with the most? PLEASE TICK ANY NUMBER

- 1. Countries other than the U.K. \_\_\_\_\_
- 2. Other regions in the U.K. \_\_\_\_\_
- 3. County Councils/Metropolitan Counties in other regions \_\_\_\_\_
- 4. County Councils/Metropolitan Counties in the same region \_\_\_\_\_
- 5. District Councils/Metropolitan Districts in other regions. \_\_\_\_\_
- 6. District Councils/Metropolitan Districts in the same region \_\_\_\_\_
- 7. New Town Development Corporations in other regions \_\_\_\_\_
- 8. New Town Development Corporations in the same region \_\_\_\_\_
- 9. Other (please specify) \_\_\_\_\_

15. Granted the fact that the needs of firms will differ by case, which of the following factors do you see as generally most important to the foreign firm wishing to invest? PLEASE TICK ANY NUMBER (INDICATE PRIORITY, IF ANY)

1. Readily available sites \_\_\_\_\_
2. Readily available factories \_\_\_\_\_
3. Ample area for expansion \_\_\_\_\_
4. Good transport links \_\_\_\_\_
5. Central to market \_\_\_\_\_
6. Nearby Airport \_\_\_\_\_
7. Professional location assistance \_\_\_\_\_
8. Good labour relations \_\_\_\_\_
9. Pool of skilled labour \_\_\_\_\_
10. High employment \_\_\_\_\_
11. Good environment \_\_\_\_\_
12. Housing for key workers \_\_\_\_\_
13. Educational facilities \_\_\_\_\_
14. Government financial incentives \_\_\_\_\_
15. Local financial incentives \_\_\_\_\_

16. In Britain's effort to attract foreign companies, where do you think most improvements could be made? PLEASE TICK

1. Better promotion \_\_\_\_\_
2. Better provision of facilities \_\_\_\_\_
3. Better incentives \_\_\_\_\_
4. Other (please specify) \_\_\_\_\_
5. Do not know \_\_\_\_\_



17. Do you believe that the attraction of foreign investment should be a more centralised activity or that regional and local authorities should be given a greater role? PLEASE TICK

- 1. More centrally \_\_\_\_\_
- 2. More regionally \_\_\_\_\_
- 3. More locally - County level \_\_\_\_\_
- 4. More locally - District level \_\_\_\_\_
- 5. Mixed \_\_\_\_\_
- 6. As at present \_\_\_\_\_
- 7. Do not know \_\_\_\_\_

18. Do you believe that foreign companies play countries off, one against another, in order to gain better deals? PLEASE TICK

- 1. Yes \_\_\_\_\_
- 2. No \_\_\_\_\_
- 3. Do not know \_\_\_\_\_

19. Do you believe that foreign companies play off agencies and authorities within the U.K. one against another in order to gain better deals? PLEASE TICK

- 1. Yes \_\_\_\_\_
- 2. No \_\_\_\_\_
- 3. Do not know \_\_\_\_\_

THANK YOU. Any comments on the topic would be most welcome.

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Hansard

Harvard Business Review

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