FOREIGN DIRECT INVESTMENT IN GREAT BRITAIN

VOLUME I
(OF TWO VOLUMES)

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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 1 INTRODUCTION

1.0 Introduction - The Nature of the Study and its Organisation

Foreign direct investment (1) in Great Britain appears to have grown considerably in recent years. The aim of this study is to consider this growth and to analyse British policy towards foreign investment and its attraction. The approach used is a systematic stepwise progression beginning with the delimitation of the scope of foreign investment in Great Britain. This is followed by an examination of government policy on inward investment and on policies that may either impinge upon or be affected by foreign firms in Britain. Attention then shifts towards examining the implementation of policy and the actors involved in this. Throughout a strong emphasis is placed on the attitudes and perceptions of actors in governmental and implementing organisations so as to establish underlying reasons for policy orientations and operational approaches. The ultimate aim of the study is the production of policy recommendations to improve policy towards foreign investment and, in particular, its attraction.

The purpose of the opening chapter is to provide a prelude and back drop to the study as a whole. The study is basically a policy analysis and so it is first of all necessary to set out the nature of the study in this context. Following this, in the second and third sections of this chapter, the wider aspects of foreign investment are considered by looking at the nature of multinational companies and, in particular, their relationship with host states. Throughout the first chapter it is the intention to show the basic motivations behind the research. A most fundamental motivation is highlighted by examining the literature covering the debate on foreign investment and the impact of multinationals and on considering previous studies within the field. It will be shown that many of the various writings have shortcomings as a result of limited analysis and even the use of evidence selected to fit into a polemical or sometimes rhetorical format. To counterbalance such approaches, however, the more thorough studies that have been completed have often been narrowly confined in their analysis, interpretation and applicability. In general, then, most studies tend to cover either multinationals as actors in the international political system, or have been case studies of national policies, or have seen foreign investment in terms of economic and industrial development. Focusing on the single state, the present study employs a framework for analysis which attempts to encompass and embrace the issues by straddling the various levels of analysis, this being a necessary consequence of the multidimensional nature of the problem being addressed. Put simply, it appears necessary to assess and examine ordinary and operational relationships in order to provide adequate interpretation at higher levels of analysis, this being in preference to making interpretations based on the isolated events occurring in the international system.

In looking at Britain the present study aims to throw light on the following:

a) The power relationship between the state and the multinational company.

b) The nature of the interface between the state and the foreign company, especially the motivations for the arrival at the policy or policies to manage that relationship.

c) The nature of the interface between the state and the foreign company in terms of the implementation of such policies as have been reached for managing that relationship.

d) Means for improving the nature of that relationship in terms of maximising benefits accruing from foreign investment.

In order to draw these aspects together and to provide some cohesive threads to thethesis a series of propositions is made at the end of the chapter.

An important aim of this policy analysis is to provide information to enable the suggestion of improvements in policy and the way in which it is undertaken. This can often, though not always, be an aim in a policy analysis. There is no doubt that the policy analyst can, if he so wishes, contribute to policy by suggesting improvements and making recommendations. The policy analyst can contribute to the understanding and improvement of policy by being able to step outside the fire-fighting environment and being able to offer an embracing perspective when sifting through the merits and demerits of existing approaches. When the policy is a continuing one it is almost inevitable that policy recommendations will become an aim no matter how implicitly this may be expressed. Invariably, policy recommendations will seek to change relationships and activities having arrived at a best fit model. Best fit, that is, having been circumspect of all the constraints be they political, economic or simply practical.

A policy analysis is concerned with policy inputs, such as demands and resources, and with policy outputs. Instead of simply placing intervening elements in a black box the policy analyst endeavours to sift through the various elements of the decision system and organisational network in order to ascertain how and why policy outputs are arrived at.

In the present analysis the first objective is to arrive at what can be considered to be government policy as an intention. This is achieved by examining the actual and perceived environments with regard to the foreign firm.

It is clear that attitudes and perceptions are important in determining policy. The attitudes of actors is the independent variable (2) relating to the policy chosen as the dependent variable. In this case Britain's policy has not been clearly articulated and so has to be gleaned from various sources and attitudinal studies in particular.

Attitudinal aspects are important for gauging future policies which will be crucial to the strategic and global planning in international business. On the other hand in the immediate sense attitudinal determinants are important to firms in that they make a difference to the quality of operation of government policy, especially in terms of meeting the needs of, and offering service to firms.

Attitudinal studies are not new. Hodges devotes a chapter of his book (3) on multinational companies and the British government of 1964-70 to studying the attitudes of a small number of politicians and senior civil servants. Another study undertaken by Fayerweather (4) compared the attitudes of politicians, civil servants, businessmen and senior trade unionists in Britain, France and Canada. Both studies are adequate in as far as they go (the latter basically generates rather than interprets information) but the research herein covers a broader spectrum.

Of the previous studies made, the one undertaken by Hodges bears most resemblance to the present study. Both studies look to the widest international contexts and consequences of the growth of multinational companies as their starting point. Hodges, however, took an alternative route towards throwing light on the nature of the relationship. His main concern was with finding out where foreign investment fitted in with the 1964-70 Labour government's aim of 25% growth in GNP during its term of office. Using evidence gained from attitudinal studies and from his own two case studies of the computer and motor car industries he concluded that there had been a benign neglect with regard to foreign investment. Hodges contributed a valuable examination of a specific government's approach to industrial policy and the part that foreign investment had to play. He perhaps stretched these findings too far in generalising on the state-multinational relationship rather than addressing more specific propositions but nonetheless his views were often based on evidence more substantial than commonplace in the literature at the time. The present study builds upon Hodges' findings by bolstering their general validity. However, the present study's policy analytic approach allows the breaking of considerable new ground by considering different propositions, by making use of more data from a wider range of sources, by combining studies from more diverse subject areas and, most importantly, by analysing the management and implementation of the relationship between foreign firm and state.

In considering the interface between foreign firm and state the present study considers the various agencies with which the firm has to deal, particularly at the most crucial time of the investment decision. Attention is focused right down to the Local Authority level which has not previously been considered in terms of foreign investment. One extensive survey on the role of Local Authorities in the attraction of investment (not specifically foreign) done by Camina (5) is now unfortunately outdated largely as a result of the local government reorganisations of 1974. Reference will, nonetheless, be made as appropriate to this and to the more recent study on Local Authorities and Industrial Development completed by Falk in 1978 (6). The studies undertaken by Camina and Falk provide useful data on the role of industrial development agencies in Local Authorities and New Towns but both, however, shed little light on the specific activities in relation to foreign investment. This aspect is made up for herein and furthermore consideration is made of the previously neglected spectrum of actors especially at national and regional levels which go to make up the organisational framework for dealing with foreign firms.

During the study it becomes clear that government policy on foreign investment is to welcome it and attach minimal importance to foreignness. It also becomes clear that the policy has moved gradually from a passive welcome to being a policy of active attraction. However, the means by which this should be achieved and how foreign firms should be encouraged has not been laid down in chapter and verse. The government's policy states neither the actors that should be involved nor the acts that should be pursued in order to actively encourage foreign investment. With such a lack of central direction it would seem reasonable to expect the translation of an inarticulated policy to be somewhat disjointed. In order to ascertain the approach towards attracting foreign firms the implementing organisations inevitably come under scrutiny. The characteristics, resources, activities and dispositions of the various implementing bodies are examined along with their inter-organisational relationships.

The vehicle used for analysis is a step by step framework rather than a theory although the framework does fulfil the basic functions of a theory, that is, description, explanation and prediction. First, government policy and the policy of welcome are ascertained and described. An attempt is then made to explain the existing state of policy via examining attitudes and then considering the translation and implementation of policy. Finally, predictions are made on the basis of these findings and these predictions give rise to and are couched in prescriptions for improvement. The study does not aspire to producing a theory of foreign direct investment in relation to the nation state, but it does apply appropriate social science ideas and methods to describe, explain and predict in order to arrive at an adequate understanding of a policy area so as to enable suggestions for policy improvement.

Fundamentally, a substantial proportion of the examination is concerned with the somewhat untidy world of policy implementation. Having completed a systematic analysis of which actors are doing what, when, where, how and why, means for improvement are considered. In doing this there is inevitably a return to one of the most pervasive questions in policy analysis, that is, whether the approach should be one of laissez-faire or central bureaucratic control. Central government certainly has the right, if not the inclination, to operate the system that it considers most appropriate and best serves Britain as a whole. In the present policy setting it becomes clear that the system owes more to social interaction between and within implementing organisations than to planning, rule setting, or detailed regulation from the centre. In the light of this, change is certainly made more difficult within an area of almost benign neglect and disinterest.

The study goes on to reveal the reliance on there being a consensus amongst all actors concerned in dealing with and attracting foreign investment. However, this consensus simply goes as far as a shared agreement that foreign firms should be attracted. The consensus collapses as a result of the different, and often spatially limited, perspectives of organisations involved. Many actors are chasing a far from plentiful resource and cannot remain indifferent to others active in chasing that resource. It seems necessary, for these reaons, to devote considerable effort to the examination of organisational perspectives and profiles and inter-organisational relationships and dependencies.

In the present study the institutional framework and organisational networks are laid out on organisational, hierarchical and spatial bases. Thus organisational controls, links and interdependence are examined in terms of expertise, information and technical and administrative responsibilities. Superordinate and subordinate relationships are considered in terms of organisation, procedural norms, priority - setting, directive-giving, and co-ordination of activities. The possible wastefulness of the duplication of activities resulting from the transposition of a competitive international framework into an intra-state framework is considered.

To summarise, the major foci of attention are the policy in question and the translation of that policy towards desirable outcomes. In order to do this, reliance is placed on examining the perspectives of actors and their organisational context and interactions. To a large extent then, we are considering implementation as a "process of interaction between the setting of goals and actions geared to achieving them" as it has been described by Pressman and Wildavsky (7).

Work by Pressman and Wildavsky demonstrates some of the problems of implementation. In a case study they found the performance of the Economic Development Agency (EDA) in Oakland, U.S.A. to be abysmal in relation to its meritable aim of providing jobs for minorities via financial aid schemes, public works and the like. This poor performance is put down to the conflicting goals of the EDA and local interests regarding business development and the needs of the long term unemployed. There was a disagreement on means if not on ends. The actors involved clearly had differing ideas on constraints and time-scales. With a lack of control and co-ordinated mobilisation the implementation of a straightforward policy which attracted no serious controversy went awry. It will become clear that parallels can be seen between the policy of the attraction of inward investment to Great Britain and the failings demonstrated by Pressman and Wildavsky.

The attention to implementation throughout the present study underlines the need to examine both the structures and processes involved. Focusing on implementation also leads to the consideration of the sister concept of evaluation; a prerequisite to prudent policy recommendations. Evaluation is difficult in this case as yardsticks are not readily available not least because it is evident that the policy under consideration lacks a statement outlining which actors should act, what acts they should pursue and what their targets should be.

Measurement of the success of policy is difficult, to say the least. Nevertheless, a comparative assessment is inevitable. During the course of this study the shortfall in Britain's performance in attracting foreign investment, particularly in relation to Eire, became a political hot potato. The incentives available and the opportunities for foreign firms became a secondary issue to that of examining how well the organisations involved in attracting foreign investment were performing in their task. Consequently, management consultants, Coopers and Lybrand, were hired by the Department of Industry in order to examine development organisations in England. Select Committees were given the task of investigating development bodies and their efforts at attracting inward investment in both Scotland and Wales.

The present study is more embracing and wide-ranging than the government-sponsored investigation. In particular, the view is of Britain as a whole and the role of all agencies from the lowliest Local Authority upwards is considered. The organisational arrangements, methods employed and main activities of all types of organisation involved in industrial promotion are examined closely. Implicitly the successfulness of them is carefully scrutinised, although as with the general tenor of the study wider understanding and judgement are preferred to superficially more comparative statistical analyses for measuring success. The conscious preference is also towards a wide-ranging approach in order to give a well enough balanced supply of information to support the progression of the analysis and conclusions.

The main techniques used for obtaining information for the study are by survey analysis, interviews, documentary analysis and by use of published materials. Examination of how well various organisations were doing in stimulating enquiries, obtaining investors, and dealing with them was made possible by considering the issues from numerous view points. The perception of the organisations involved from bothinside and outside was researched. Hence perceptions are the key to the whole study although interpretation can only be a matter of policy analyst's judgement.

The specific research techniques used vary by each section of the analysis, depending upon which techniques were considered appropriate. Consequently research method and design are dealt with as the study proceeds. In general the research designs are quasi-experimental in that they are not stimulus-response in nature. The basic approach is, however, scientific by the inductive route having reduced an area of interest to an operationalised researchable area bringing forth hypotheses to be tested by obtaining data, which once analysed can be used for making generalisations.

Overall, the study is specific, although eclectic, in approach. Full use is made of a "baggage" of social science concepts and of a range of subject areas. In particular, areas important in the study of policy making, policy translation, implementation and evaluation are examined. Insights are offered into other areas of politics such as decision-making, central-local relations and organisational behaviour and relationships.

The study that follows is sequenced to progress from examining the wider aspects of the international political system and the role of multinational companies through to the relationship of one state, Britain, and its inward investment. Finally, we focus most attention on Britain's welcome to foreign investment and the way in which attraction is achieved. In order to give an overall view of the sequencing and framework of the study a chapter by chapter summary is given below.

The overall objective of the remainder of the present chapter is to make necessary reviews of the background literature and to provide further indication of the motivations behind the issues and problems to be addressed.
Initially foreign investment and multinational companies are considered in the widest international political and economic contexts. Following this we move in closer to examine the 'relationship' between host states and inward investors. The

focus is on Britain but some comparisons are made to policies towards inward investors in other states. After this, at the end of the chapter propositional benchmarks for the rest of the study are arrived at. In all then, the rest of the present chapter can be seen as providing the general framework and contextual setting for the remainder of the study.

The second chapter provides a detailed picture of foreign investment and its effects on Britain. The chapter is given over to a statistical and factual description of the growth, scope and distribution of foreign investment in Britain. Tables are used liberally in order to depict trends in inward investment and its contribution in both spatial and economic terms. The chapter thus provides a benchmark against which to assess at least some of the perceptions that are considered later.

The third chapter establishes the policy towards foreign investment and examines the roots of this policy. Government policies towards, and impinged on by foreign investment are assessed and an attempt is made to sift through the decision system in order to relate the attitudes of politicians as policy shapers and the policy positions that have been adopted. In assessing the opinions of politicians, propositions relating to the goals of government and foreign firms and propositions examining the effect of inward investment on government policies are considered. In an attempt to trace the source of policy positions and orientations specific propositions relating to the perception of the merits of foreign investment are utilised. In the end the long-standing policy of a virtually unqualified welcome to inward investment in Britain is established.

In chapters four, through to six, the implementation of policy as an intention to welcome foreign investment is discussed by looking at the organisations involved. A series of propositions relating to the attraction of foreign investment are considered, thus examining policy translation in this unusual policy setting where the policy of "welcome" specifies neither the actors to be involved in implementation nor the acts they should pursue.

In the first two of the three chapters dealing with the policy implementors and policy implementation, attention is spread across the whole range of agencies concerned with inward investment right through from Local Authorities to the Department of Industry's Invest in Britain Bureau. The multi-organisational and organisational goals and responsibilities are considered as a prerequisite to understanding the ways in which various organisations are involved in the attraction of foreign investment. Considerable emphasis is placed on obtaining the views of individuals involved in policy implementation as they play their role as proximate decision makers in the absence of central directives.

In the sixth chapter assessments of the organisations involved are made. The problems arising from a multi-organisational setting, including those of competition and duplication of efforts, receive attention. The possibility of multi-organisational sub-optimisation is examined, and a central issue 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. A black and white approach is not assumed. By this we mean that it is not assumed that a multiplicity of agencies necessarily means inefficiency and poor results for this could be a potentially false premise.

The penultimate chapter restores some balance to the study by considering the view from the firm. The chapter is largely based on the literature of international business and economic geography. Surveys and studies done by others are drawn upon as the strategies of firms, their location policies and the functions of multinationality all come under scrutiny. The fundamental pressures on companies to make foreign investments and the actual processes of making transnational investment and locational decisions and moves are considered. In this way the needs and desires of foreign firms are laid out and the extent to which these are understood and are being met in Britain are discussed.

The conclusion fulfils the usual role of recapitulation and drawing together of ideas, as well assessing what the study has shown and added to understanding. The links between attitudes and policy are considered and the paradox of a consensus leading to incoherence in the only aspect of policy identified, the policy of "welcome", is subjected to constructive criticism. The major part of the chapter is devoted to making policy recommendations predominantly in relation to the approach to attracting foreign investment.

1.1. Foreign Investment and Multinational Companies - The Wider Perspective

In this section the main features and capabilities of multinational companies are considered especially in their relation to the nation state. The vast majority of political scientists who have written on this subject take a rather doomwatch stance in expressing anxiety about the growth of multinational companies and their effects on the nation state. Although an attempt has been made to put over the general tenor of the views of political scientists in the discussion following, the positing of alternative views has been a conscious effort in order to attain a more balanced appraisal.

At the outset of the discussion two basic questions appear relevant. First we must ask in what ways has the status of multinational corporations been changing, and secondly, how do the actions of multinationals affect the power of states and governments? A lack of hard evidence coupled with diagreements amongst recognised authorities on the subject means that conclusions are not easy to reach.

Until recently studies of the impact of corporations and multinationals were few although such studies have become a major growth area for about a decade since the Harvard Business School began the trickle which turned into a bibliographic flood. Initially corporations were considered from purely economic viewpoints. They were seen as new business organisations that would come to challenge the validity of the ageing free enterprise system. Discussion of political implications was restricted to a few more obvious issues and suffered from superficiality was a result. Political scientists were later entrants to the forum of discussion. Most political scientists tended to retain their traditional focus on governments and states as primary political actors, thus largely ignoring the business enterprise and therefore perpetuating a rather unrealistic view of sovereignty. Most political scientists writing on the subject tended to constrict their view of multinational sompanies to looking at the concentration of power in multinationals and the growth of multinationals as an undemocratic force. Many apparently felt that multinational companies were beginning to usurp, and would eventually overthrow, the nation state as the main actor on the world stage. Whilst business journals proclaimed the immense economies of scale and benefits accruing from multinationals, political scientists worried about the potential costs and damage to world order.

Political scientists soon recognised the potential importance of the topic and began to suggest the demise of a world of states founded om the concept of sovereignty. According to Kavanagh:

> "It is suggested that internally the corporations are tending to by-pass the legislatures and other representative institutions, while externally the multinationals are integrating sectors of economies of actor states and employing a management which may owe primary loyalty to the corporation and not the state in which they are based.....
>
> .....The emergence of multinationals therefore, not only seriously challenges many of our cherished political institutions and procedures, it also confronts our patterns of thinking about the sovereign state, which have been inherited from the 16th Century.....
>
> .....In that they escape from the constraints of national boundaries and representative instituions it is alleged that the corporations are rendering obsolescent our traditional concept of both peace and sovereignty." (8).

The overwhelming majority of political scientists see at least a diminution of sovereignty and the independent activity of states resulting from the rise of multinationals on the world stage. Vernon has suggested that "sovereignty is at bay" (9) as a direct result of the rise in number and stature of multinational business enterprises. Kindleberger has proclaimed that "the nation state is just about through as an economic unit" (10). He goes on to suggest that:

> "At the moment, I think the multinational corporation is evolving into the international one faster than national governments are girding themselves to produce adequate policies. I suggest the need to hurry." (11).

Added to this, Modelski has said that it would be wrong to neglect the growth of the multinational company:

> "Corporations are an important part of present and future international systems and, even though we need not think of them as becoming governmental organisations in their own right, their political functions as structural components of systems of world politics can only be neglected at our peril." (12).

Kavanagh, Vernon, Kindleberger and Modelski were all concerned with the growth of corporations and the power relationship between states and multinational companies. All were writing in the early 1970's and offering thought-provoking conclusions although these were based mainly upon limited examples of multinational companies behaving in a manner disturbing to the predominance of state sovereignty. At the time the warnings on the possible demise of sovereignty and the need to gird against multinational companies at least succeeded in drawing attention to the scale of international business and the need for government policies commensurate with the scale of the burgeoning phenomenon of multinationals in the international system. There may have been an over-reaction on the part of many political scientists but simply by highlighting actual and potential problems there may have been some modifications to the behaviour and relationship of firms and governments. Perhaps the most major omission in these studies, however, was the failure to recognise the symbiotic nature of the state-company relationship. States require successful business to provide economic development whilst it is the state system which provides multinational business with many of the advantages of actually being multinational. It is worth noting that once corporations have stepped over state boundaries they in no way seek to break down the boundaries, for these borders are a major source of advantage for multinationals. The existence of national frontiers means that multinationals are able to exploit many advantages such as differential wage and exchange rates, the competitive incentives governments provide to attract investment and different state laws, especially those covering taxation and pollution. As Modelski later identified:

> "In fact, the giant companies with numerous subsidiaries have flourished precisely by taking advantage of national frontiers as shelters." (13).

He also modified his own view to a less alarmist position than previously:

> "National sovereignty is not really at bay at all, and the conflict of the multinational company with the state is not really as great as made out to be." (14).

It would seem that a host of political scientists have at some stage offered views on the strength of the impact of multinational companies in relation to states. Invariably, such alarmists seem to offer only limited and isolated evidence from which they extrapolate scenarios of companies not states dominating the stage of the international political system. In doing this there is a denigration of the potential of states for accommodating the new force. Less alarmist political scientists such as Nye (15) and Gilpin (16), however, having considered the the more mundane majority of the multinational-state relationships concluded that although the two types of actor impinged upon one another's behaviour ideas such as the rendering of sovereignty obsolete were far too extreme. The present study attempts to shed light on the debate by considering how one developed state behaves in its relationship with foreign based companies, especially as they operate within its own boundaries.

One common flaw in analyses covering the state-company power debate is to liken the two types of organisation unduly. As one author puts it:

> "Companies, it should be noted, possess many of the attributes of sovereign states. They have large resources at their disposal, they command the loyalty of large numbers of employees to whom corporate identity is often more important than national identity, they have their own spheres of influence as a result of the division of world markets among themselves and they engage in diplomacy and espionage activities which have traditionally been viewed as the exclusive domain of governments." (17).

It is certainly true that both states and multinationals may possess similar fundamental elements of complex organisations viz. an identity, members, a budget and a bureaucracy but the two are playing necessarily different games, those of the state being much more multi-faceted.

There can be no doubt that the impact of multinational companies can have a significant bearing on state policies and policy making but the impression that multinationals are so powerful <u>vis a vis</u> the state that they will render sovereignty obsolete and bring about a new world order is not well founded. Such analysis is deficient and has been recognised as unwise as it ignores the heavy dependence of the corporation on the state and existing world order (18). Multinational companies are fully cognizant of the fact that the continuance of an amenable milieu for their operations depends on the benefits accruing to host states outweighing any costs imposed. Business enterprises whether national or multinational are likely to see their interests as best served by the maintenance of the status quo and the avoidance of conflicts with the aspirations of nation states.

At this stage a view of the actual complexities is called for. Before further examination of the state-multinational relationship it is necessary to consider the various definitions, characteristics and attributes of multinational companies.

In the first instance, it needs to be stressed that just as states differ both in characteristics and behaviour patterns so do multinational companies. Multinationals are all too readily branded as uniform in nature and it is often presumed that they behave rationally along the lines of Allison's Rational Actor model to the exclusion of his other explanatory models for state behaviour (19). Just as the Rational Actor model alone is inadequate as an explanatory model for state behaviour so it is for multinational behaviour. It is true that profit motivation may lead to predominance of rational action but company goals are more multifarious than this. Furthermore, the operational environment is dynamic and the activities of competitors and other actors have to be anticipated and accommodated. The idea of there being a uniform entity called the multinational company which possesses predictable behaviour patterns is manifestly too simplistic.

With such variable patterns of behaviour, defining the characteristics of a multinational company proves difficult and consequently there can be no typical relationship between state and multinational, there being no typical state or multinational. Though the state-multinational relationship will vary the fear still remains that a state will not be able to insulate itself effectively from the penetration of an exogenously based actor playing possibly disruptive games. Nevertheless, most multinationals are keen to cultivate the image of "good corporate citizens" even though their position may provoke much of the controversy about state autonomy and its validity.

Having recognised the heterogeneity of multinational companies, and consequently at risk of over-generalisation, both the definitions and main features of multinational companies require attention. A generally useful definition is put forward by Raymond Vernon. He describes multinational companies as:

> "A cluster of corporations of different nationalities that are joined together by bonds of common ownership that respond to a common strategy and draw on a common pool of human and financial resources." (20).

The United Nations Commission on Trade Law (UNCITRAL) provides another broad definition:

> "The term multinational enterprise is used in a broad sense and includes enterprises which through branches, subsidiaries or affiliates or other establishments engage in substantial commercial or other economic activities in States ("host" States) other than the State or States in which decision making and/or control is central (the "home" State)." (21).

This encompassing definition is probably most useful for the purposes of this study. It can be used to cover both the smaller type of firm with operations inonly one or more host states as well as the more highly visible large companies operating in many states.

The more operational definitions of multinationals rely on various indicators. Thus if a certain percentage of a company's total activities in terms of sales, investment, production, markets, or employment are foreign then these are often taken as indicators of multinationality. An example of a useful operational definition is that used by one of the world's largest financiers of multinational enterprises, Citibank. To be classed as a multinational by them, four criteria have to be met by the company in question (22):

1) Manufacturing facilities in at least four countries.
2) More than 25% of the consolidated revenues arising from foreign sources.

3) Commitment to international business,

4) Global strategies with regard to manufacturing, marketing and financial management.

Attempts at providing an all-encompassing definition would be futile achieving nothing more than a further definition to an already over-burdened list. All that needs to be stressed is the heterogeneity of multinational companies. Perhaps then, as an alternative to definitions, classificatory systems may be helpful. Various measures of size, type of shareholding, enterprise function and product type are often cited as important, but a similar classificatory system for states (where N is much smaller) proved less than advantageous when attempted by Rosenau. (23).

Despite feelings that definitions and classificatory systems are necessarily inadequate three main features distinguishing the mature multinational and underpinning power relative to the state can be suggested. First in importance is the size of some of these organisations. In economic importance large multinationals such as I.B.M., Ford, and Unilever can overshadow many states. They can make themselves extremely stable by virtue of the economies of scale, and consequently can support, among other things, a technostructure of experts, high risk activities, and can enter into long range planning to a far greater extent than the small company in a system where there is much more free-enterprise.

The second characteristic is the ability to specialise and thus exploit economies of scale and comparative advantage. This characteristic can be of great importance to high technology operations. Contrary to this, however, is the counter trend to offset over-specialisation by accumulating a wider range of activities, possibly to the extent of becoming conglomerate rather than specialist.

A third characteristic is that mature corporations are often economically very important entities, their central capabilities being demonstrated in the possession of capital, technology, and access to world markets. They can often set up an amenable milieu by making relations with the state symbiotic. Large corporations are susceptible to unpredictable and unplanned markets and so must rely on the state to provide stability in these areas. As the large mature corporations become interwoven with the state their aim must be to influence policies such as the regulation of aggregate demand, prices and incomes, and government purchasing.

Although multinational companies have certain important strengthening characteristics to enable them to maintain and improve their position, multinationals are, by their presence, likely to pass on benefits to their host state. In perceiving this, states are likely to adopt a position whereby they can attract inward investors and the benefits they may bring. On the other hand, states are liable to be sensitive to the ability of multinational companies to act contrary to specific policies, particularly those of a developmental, fiscal, economic or employment nature. It is logical to assume that the more detrimental are the behaviours of foreign firms, the more desirous will the host state be for controls to be placed on inward investors. These points are dealt with in the form of propositions set out later in the chapter.

It is inevitable that any desire for states to gird against the possible detrimental aspects of multinational behaviour has always to be balanced against the possible loss of firms.

A foreign company will not be attracted to the state offering excessive restrictions compared to those prevailing in other states. The state which does impose extra restrictions and monitoring will lose out in the competition to attract investors who may otherwise have brought benefits such as new technology, job provision, or addition to national growth. The state that succeeds in attracting foreign investment will be the one which is perceived to be offering most opportunities. It therefore follows that any variation in the stance taken by states will lead to variation in their attractiveness. Out of self interest, therefore, states are likely to compete in the minimisation of restrictions on inward investors. Furthermore, because re-locating multinationals are a relatively scarce commodity, states are likely to become involved in active encouragement policies with inducements. This may reach such a pitch that re-locating firms can play off states or even intra-state bodies in order to maximise financial or other inducements.

A foreign company once arrived will no doubt have to comply with existing state legislation directed at all companies and once a foreign company has established itself in a particular state that state may not be able to tighten up controls to any considerable degree. It must not be forgotten that the multinational has the ability, if not so often the inclination, to move its operations elsewhere, or at least to decide on future investment being located elsewhere. International re-location is unlikely except for extremely footloose industries for the costs involved both for the physical re-location and the opportunities which may be lost can be prohibitive. This is partly why it tends to be older, and less efficient plants that are used as bargaining chips and are prone to the "rationalisation axe".

In a case of extreme dissatisfaction with a foreign investor a host state can take the drastic step of ejection or nationalisation. Both will be options that are rarely invoked. Nationalisation may be futile when a branch or subsidiary plant forms part of an integrated operation. The nationalised plant might find itself stranded with crucial functions such as marketing or the production of vital components for manufacture being carried out in other states. Less extreme measures than nationalisation are possible but any serious attempts at control can be met by the transnational nature of many multinational companies. "The international corporation (according to Kindleberger) belongs everywhere and nowhere and is truly international." (24). Kindleberger is among many authors in portraying the elusive status of such organisations and the problems of pinpointing them. Whether such a view is in touch with reality is open to question. It must be remembered that the sort of large scale investments involved can hardly be branded as elusive and, furthermore, the idea of belonging everywhere and nowhere is misleading for it is generally the case that multinational corporations are centrally co-ordinated under global planning operations even if spread worldwide in operational terms.

With centralisation in a home state common, the focus for controlling companies should perhaps be the home state. It is most likely that the home state will impose restrictions, particularly with regard to such things as capital movements but should home state legislation not go far enough to satisfy a host, then perhaps the host should lobby the home state with the aim of altering legislation.

The main alternative to individual states controlling the behaviour of multinational companies is seen as taking internationally agreed steps at control. The logic of control agreements being international is legitimate inasmuch as multinational companies are international, or at least transnational, in scope. The major problem inherent in any international co-operative approach is that the states involved either adopt individualist positions or multi-state blocs with irreconcilable differences tend to form. In the field of multinational business the split tends to be between developed and developing states though a dichotomisation is an over-simplification.

Discussing the international control of the multinationals is a game played by many international organisations. Unfortunately the main trend is for the blaming of multinational companies for ills and wrongs for which they are hardly responsible but, then again, the multinationals are ideal whipping boys. The Third World states can accuse them of exploitation and often depict them as being in cahoots with the richer half of the world which is determined to keep exploitation continuous by maintaining an ever widening economic gap, but, then again, the rich states are no better, often blaming the woes of society on corporations and the multinational ones in particular.

The U.N., the O.E.C.D., I.L.O., E.E.C., the International Confederation of Free Trade Unions, the World Confederation of Labour, and even the International Chamber of Commerce (I.C.C.) are amongst the bodies suggesting controls to be placed upon the activities of multinational companies. For the U.N. the question of controlling the multinationals is bound up in the desire of the Third World for a redistribution of wealth via a New Economic Order. Not surprisingly, opposition to the codes that the developing states support emanates from many developed states. However, the developed states may be persuaded to support implementation so long as the teeth of any code are not too sharp.

The labour organisations are interested in similar areas to the U.N. on a moral level, but the main emphases are on the Trade Union rights of recognition and participation, the need for regulation of restrictive practices, and the detrimental aspects of the rapid spread of job-shedding technology.

Codes have been forthcoming even from the rich states. An I.C.C. code was produced in 1972 but despite its recognition of the special needs of the Third World and recommendations that multinational enterprises should promote the advancement of developing states it was full of loopholes, such as suggesting that companies should promote technological development "whenever practicable", or should use local suppliers "if prices and quality are competitive." The I.C.C. code was years too late and with its convenient company biased loopholes could achieve little more than the prudent businessman would already practise.

Issues pertaining to multinational companies have been discussed in the E.E.C. Community company law does assist in "control" in that it is applicable across state boundaries, but measures specific to regulating multinational companies have yet to go beyond the discussion table. The Commission gave a basis to discussions in a communication to Council in 1973. (25). This urged the alleviation of worries about the activities of multinational companies and dealt with such matters as informa-provision, competition and mergers, employment and employment protection, and general harmonisation of company law and taxation. Discussions have continued but changes have been few. Nevertheless, the generation of information on approximately 9,500 multinationals has been achieved by the Commission using data given by member states (26) and this may be a contribution to considering future policy, although the cynic may judge the information generation as an end in itself seen as useful in avoiding future policy.

The O.E.C.D. has been one of the most active bodies in the field of drafting and proposing codes of conduct for multinational companies. O.E.C.D. proposals have largely been acceptable to business, if not to trade unionists. The proposals have been more reasonable than those emanating from organisations where Third

World representatives have a significant voice. The most recent O.E.C.D. Code is probably more likely to succeed in that it is recognised that three quarters of multinational company activity is in O.E.C.D. countries, and notably not in the Third World.

A consideration of the O.E.C.D. code may be beneficial inasmuch as rich states recommend it. The Code set up in 1976, and now under review with the Trade Union voice pressing for stronger measures, basically makes the following recommendations:

a) Companies should recognise government policy objectives.

b) Supply of information by subsidiaries to enquiring local governments should be encouraged, although a loophole allows business confidentiality to be over-stressed.

c) Bribery and corruption should not occur.

d) Subsidiaries should not be fettered by management policies which restrict freedom to develop and sell where it pleases.

e) Information should be published on structure, ownerships, results, intra-group pricing etc.

f) Abuse of dominant market positions should be avoided by allowing competition and avoiding unfair pricing policies etc.

g) Companies should co-operate in anti-trust investigations.

h) Companies should not seek to avoid national taxes by methods such as transfer pricing.

i) Trade Unions should be allowed under conditions comparable with those existing in the host state. Trade Unions should also be given information on the company's performance and proposals in states where this is possible.

j) Transfer of operations should not be used as a bargaining chip particularly in labour negotiating contexts.

On the whole the proposals whilst encompassing are normative recommendations lacking the teeth required to allow successful regulatory implementation, although some companies have taken them seriously. (27).

The British Government has not given great weight to actually pursuing guidelines. Although the O.E.C.D. text was published by the Government (28) and Mr. Alan Williams, Minister of State in the Department of Industry in the last Labour Government said that the "the O.E.C.D. declaration and decisions constitute a major step forward" (29), the application of guidelines hardly seems high powered. The O.E.C.D. has been kept as the main forum for reviewing guidelines and resolving problems. The main contribution from Britain to the O.E.C.D's Committee on International Investment and Multinational Enterprises is through views expressed on these matters by the Business and Industry Advisory and the Trade Union Advisory Committees. The intergovernment consultation machinery in the O.E.C.D. also provides a route for information passed on through U.K. Departments to the Government regarding any difficulties. Debate may be better than nothing, but the measures taken appear to gloss over the need perceived by many for an inspectorate with teeth able to match the strength of multinational companies.

In terms of the present study the most significant aspect of the subject of producing international codes for control is in stressing that international organisations are an additional group joining the many academics, intra-state organisations and states themselves in showing concern with the multinational company and the need for controls.

The O.E.C.D. guidelines do serve to summarise the most salient problems envisaged by states vis a vis multinational enterprises. Some of these deserve expansion. Major fears arise from the multinational domination of crucial sectors of national economies. In Britain, for instance, multinational companies tend to be predominant in terms of manufacture and sales in three important sectors; computers, microprocessors and micro-electronics, and motor vehicle manufacture. Issues of National Interest emerge as even the sensitive defence sector comes to depend on these "foreign-dominated" sections. (30).

A major concern of states is the financial losses that multinationals can cause especially by financial manipulations. Major losses in state revenue can be brought about by multinational companies escaping from full tax payments brought about by wriggling out of national fiscal controls by transfer pricing. (31). Further problems can arise from the repatriation of capital to the host or other states. Many states fear becoming too dependent for capital on the investment of foreign companies.

When in 1963 multinational companies based in the United States followed government guidelines on the repatriation of capital and limitations on exports of investments, many states, particularly Canada, Belgium and Australia, were quick to protest. They feared that this sort of action clearly demonstrated the multinational company's centre of loyalty in a case of intergovernmental disagreement.

Many writers, particularly those on the left, fear the strength of a connection between the state and multinational company. A common view is that the spread of the multinational company is a mere facade for the growth of American or Western capital that perpetuates the colonial structure of the world economy in a modified form. Need the Third World countries have any more ammunition than this for their arguments against the multinational companies?

Demonstrating a strong link between the state and the multinational company is exceptionally difficult unless a few examples where this may have been the case are used and then thinking is extrapolated from these examples. The Soviet author, Dmitriev, clearly sees a link when suggesting the operations of multinational as "intruding directly in the sphere of Foreign Policy.... to the extent of being an instrument of Foreign Policy." (32). That foreign based companies often have substantial power and leverage potential in states is not disputed but it seems more likely that the company will act in its own interests, whenever possible avoiding home-state manipulation, even if policies may appear to be of a similar perspective to those of the home state governments. However, the coincidence of multinational and home state policy towards another state is likely as both company and government officials are likely to share a similar social, cultural and political ethos.

Occasionally the home state will try to manipulate companies with operations in other states to act in its favour rather than invoking another possible arm of foreign policy. The I.T.T. - Allende affair in Chile is often cited, though is as often as not wrapped in a mist of myths as in hard evidence. Inevitably this will be the case in a situation surrounded by suspicion and innuendo. If there was a collaboration between the American government and the company concerned then this is one of probably only a small number of cases. In most cases it would appear that firms would resent being manipulated. For instance, the two year ban on computer technology transference imposed by the United States on France in order to slow down its nuclear programme had to be enforced on the companies who were primarily only interested in selling their products.

Dmitriev (33) has suggested a number of cases where a collaborative link could be seen between multinational companies and home governments seeking to impose foreign policy preferences on other states. However, in all the examples he uses it is possible to conclude that companies are only acting in their own interests which may just be coincidental with those of the home state. A couple of examples he cites serve to support this view. First he cites the multinationals funding right-wing parties in Europe. Secondly, he recognises their high investment in states under right-wing regimes such as South Korea and Taiwan. Further, he sees the multinational companies as the mainstays of the South African regime. In all these cases Dmitriev could be recognising the link between multinationals and their home governments, but without going on to prove the link it is possible to argue that companies are acting autonomously in their own interest of obtaining an amenable operational milieu.

It is interesting to note that it is not just a fear from the left that exists with regard to external manipulation. A two year study by the Commerce, Consumer and Monetary Affairs Committee of Congress in the U.S. recently reached the conclusion that the U.S. as recipient to increasing amounts of foreign direct investment was becoming increasingly vulnerable to often politically inspired and poorly reported (34) investments from abroad. The Chairman of the Committee, Mr. Benjamin Rosenthal commented that "The bottom line is that more decisions made about our economy may be made outside the United States by foreign companies frequently subject to the foreign policies of their home countries unfriendly to America." (35).

It is worth noting that in this statement state-company links are being assumed. This contrasts with alarmist writers seeing multinationals as eventually usurping state sovereignty. In this instance, however, it would seem that Mr. Rosenthal's statement was a reaction to the sudden recognition of their being many more foreign based companies in the U.S, than first assumed.

The home state-company link is to some degree inevitable but multinational companies have the ability to act completely outside their home state or to even completely ignore the concept of possessing a home state. They can be independent to a large degree, especially by being able to raise capital internally and to act outside traditional money markets, especially since the emergence of internationally liquid funds such as Eurodollars. A basic asymmetry between state and multinational corporation can arise by virtue of the latter's ability to possess and move around vast sums of money thus posing a threat to the strength of national currencies,

Evidently, multinationals can be upheld as independent international actors, though the extent of this independence lies in the eye of the beholder. Complaints about multinational companies abound:

> "It fiddles its acounts. It avoids or evades taxes. It rigs its intra-company transfer prices. It is run by foreigners, from decision centres thousands of miles away. It imports foreign labour practices. It doesn't import foreign labour practices. It overpays. It underpays. It competes unfairly with local firms. It exports jobs from rich countries. It is an instrument of rich countries imperialism. The technologies it brings to the third world are old-fashioned. No, they are too modern. It meddles. It bribes. Nobody can control it. It wrecks balances of payments. It overturns economic policies. It plays off governments against eachother to get the biggest investment incentives. Won't it please come and invest? Let it bloody well go home." (36).

The multinational company is clearly a favourite scapegoat, being criticised for more than that for which it is directly responsible. At least the present study attempts to throw light on the above list of gut reactions.

A major problem is that studies often either consider isolated examples of bad behaviour or they end up declaring that the world is soon to be similar to the one described by Orwell in his book 1984, where a few major companies willown and run everything in sight. Much of the writing on the subject has a Dick Tracey ring to it:

> "Will the multinational continue to be ruled by faceless corporate elites who commit important

> political acts but are not bound by notions of constituency, responsiveness and accountability?" (37).

Or will the state system fight back and maintain control?

Despite criticisms the multinational enterprise cannot be devoid of any virtue. Just as Marx was able to praise the achievements of the bourgeois society in his Communist Manifesto the multinational can be praised. The interdependence created by transnational organisations amongst which the multinational company is predominant can be considered as contributory to peace. From a national viewpoint the host may benefit from foreign investment as it "adds to capital formation in the host country, brings managerial and technical skills, may promote regional development by moving into depressed areas, stimulate internal competition, and may contribute significantly to the expansion of export earnings of the country". (38).

States undoubtedly gain from inward investment and "potentially the multinational company is an overwhelming force for material progress in the world." (39). It would appear that inward investment would bring such material progress to host states in that it has an effect on government policies and in the following areas:

(a) Employment. Inward investment may bring a net addition to employment,

(b) Regional development. Inward investors may be pulled or pushed into lagging regions and this may assist in their reinvigoration.

(c) Competition. Foreign investment may stimulate competition and force productivity improvements in existing industry.

(d) Development. Foreign firms may, by virtue of inherent advantages such as those related to scale and access to capital and markets, be more able than indigenous firms to invest in high risk sectors, infant industries and industries that are inefficient at present.

(e) New technologies. Inward investment may short-cut the route to new technologies and skills of a technical or managerial nature.

(f) Trade. Inward investment can stimulate trade and may bring benefits to the balance of payments by virtue of import substitution or additional export opportunities.

Despite this impressive list of potential and actual advantages accruing to the state from foreign investment it remains that the vast majority of academic outpourings on the subject have highlighted the detrimental aspects of foreign investment, sometimes almost to the exclusion of the beneficial attributes. As Galbraith has recognised:

> "In the past thirty years no economic institution has so intruded itself on the economic landscape as the multinational company. None has provoked so much discussion or been the subject of such obsessive concern-and almost every reference has in it a note of anxiety." (40).

In his major TV series, The Age of Uncertainty Galbraith happened to make some amiable references about multinational companies. He suggested that multinationals may be beneficial in serving to diminish nationalism and contribute to world economic development. Galbraith found that no other reference in the series brought on such indignant criticisms as these. (41).

Galbraith and the cheermongers are in a definite minority in relation to the doomwatch majority. In the foregoing it has been attempted to reflect the prevailing viewpoint but, wherever possible, it offers alternative perspectives. If desires for undertaking a piece of research such as this arise from a feeling of puzzlement, then it lies in the apparent lack of girding by states to deal with the detrimental aspects of multinational behaviour as suggested by the doomwatch authors. In relation to this study the puzzle can be formally stated thus:

> The majority of political scientists writing on multinational companies and inward investment emphasise the detrimental aspects of the behaviour of foreign firms and their effects on host states. In spite of these writings it appears that these detrimental aspects have not been recognised and translated into policies to gird against and deal with them at least in the British case.

In the foregoing some criticism of the doomwatch authors has begun to provide insights as to the answer to this puzzle. Perhaps we can already assume that the answer is that the detrimental aspects are not significant. However, having criticised many previous studies for their lack of thoroughness and extrapolation from the exceptional it is necessary to give the matter the precision and attention that is due to it. Here then, we aim to add systematic empirical research to throw light on and counterbalance the generally alarmist writing which has often been approached by scouring the evidence for the support of hypotheses.

1.2 The Host State Position - Great Britain

Before moving on to set down a number of propositions a brief and necessary excursion is made into looking at the host state position in general. The approach to foreign investment in other states is considered to see whather there are any peculiarities in British policy that may go towards answering the puzzle of the apparent lack of policies to gird against the detrimental aspects of foreign investment as reoognised by many political scientists.

At the outset it must be re-emphasised that the views about foreign investment will vary from state to state. Very broadly, developing and developed states will have different views of multinational companies and their operations. The focus in this study is on the developed state and later in this section we will briefly look at Canada as a state where foreign multinationals dominate the economy, and France where foreign investment has increased considerably in recent years and is becoming more similar in scale to that in Great Britain, the state under scrutiny in the remainder of this study.

Concentrating the study upon one state is in keeping with suggestions made by the Conference Board's study of multinational companies. In their second report (42) they suggest: "our experience thus far underscores what we suspected at the outset: More research, focusing on single countries and a limited number of multinational companies - and stressing in depth interviews in the future. Without it, we will be severely handicapped in efforts to separate what is valid and 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."

Host states will undoubtedly differ in their perception of the utility of foreign investment. Their perceptions will relate to the opinions held on the costs and benefits of such investment. Curzon has identified four potential sources of opposition to foreign investment (43) :

(a) The Left
(b) Nationalists
(c) Zero growthers
(d) Redistributionist

It can be assumed from this that the more strongly influenced by, or reflective of, these groups that a host government may be the more likely host state policies will reflect this. It must be presumed that the converse also holds. It would seem reasonable to propose that in the light of a lack of strong influences from these potential sources of opposition in Britain over recent years this would have some bearing on policies being more welcoming that restrictive.

In most developed states hostility to multinational companies and foreign investment is generally subdued despite the existence of some possible sources of opposition. Certainly the recognition of undeniable benefits accruing to states from possessing foreign investment has perceptibly muted criticism in times of scarce investment, but benefits have to be balanced against costs be they economic, social, cultural or political.

Often it is not so much the multinational company that is criticised but it is the failure of governments to produce coherent policies to cover foreign investment and the activities of multinationals. This is noted by La Palombara and Blank (44) in particular reference to Italy. Hodges (45) in his study of multinational companies and the 1964-70 Labour Government in Britain came to a similar conclusion. He concluded that British policy on inward investment had been a case of benign neglect. Hodges' study is useful in that he reached the conclusion that much of the alarmist writing on multinationals and their impact on the state did not stand up to a thorough-going analysis. Hodges actually found that foreign investment was not seen as threat but was seen as a means to achieving economic objectives. He also found less evidence of "Detroit style" insensitivity than of co-operation with national aspirations and the policies of the Labour government of the time. It may have been assumed from what Curzon was saying above, that a government left of centre would have been keen to take measures to control foreign investment, but any costs were seen as undeniably outweighed by benefits.

In Canada where a large part of the economy is foreign (largely American) owned, the lack of clear articulated policy formed the focus of the Canadian debate which culminated in the 1976 Foreign Investment Review Act. This Act set up an Agency to implement the guidelines that were laid down for dealing with foreign investment. Not surprisingly the guidelines are not dissimilar to the control recommendations of the O.E.C.D. set out earlier. The major points of the Canadian Act can be summarised:

(a) Subsidiaries should be given a high degree of autonomy (especially the right to choose their own technology).

(b) If an enterprise is mainly raw materials oriented then as much processing as possible should be carried out in Canada.

(c) Foreign markets should be freely accessible for exports and allocations should not emanate from headquarters.

(d) Enough profits should be retained to allow development.

(e) Pricing policy should be open. This being aimed at the avoidance of transfer pricing.

(f) Foreign companies should allow and encourage equity participation by Canadian nationals.

(g) Management should be substantially composed of Canadian nationals.

Whether these restrictions will cause Canada to lose investment only time will tell but much will be dependent on the Agency's interpretation and the vigour with which it implements the guidelines. (46).

In Western Europe the picture is somewhat different, there being lower levels of foreign investment than in Canada. Policies, if existent, tend to be less extreme. In the Canadian case the control guidelines refer as much to existing foreign enterprises as to new investments. In Europe it is only the latter which receives separate attention there being little effort to treat foreign owned operations, once established, any differently from indigenously owned ones.

Torem and Craig have considered developments in the control of foreign investment in France. (47). They recognise a higher degree of receptivity to such investment since the days of social unrest in the 1960's. Nevertheless they believe it is possible to identify some restrictive guidelines regarding foreign investment although such have never been officially published. They suggest that the following group of factors would favour authorisation of a foreign investment:

(a) If it makes a positive contribution to the balance of payments.

(b) If the deal involves the establishment of a new company as opposed to a takeover.

(c) If there is a technological contribution to the economy.

(d) If it provides competition in a sector where it was lacking.

(e) If there is a contribution to France's overall economic plan and decentralisation policy.

(f) If there is a French participation in the corporate decision making process.

Alternatively it is suggested that the following factors would be unfavourable to the granting of investment authorisation:

(a) If it would lead to the domination of a sector of the economy.

(b) If there was any interference with an officially sponsored "privileged field", e.g. the computing industry where indigenous manufacture and development are encouraged.

(c) If excessive "border area" investments were involved especially in Alsace where the Germans are heavily investing. (However, prevention of such investment would be both contrary to E.E.C. rules and against the interests of an area desperately in need of industry).

The criteria are quite logical and with the possible exception of the last factor could be said to be relevant for Great Britain. In the French case Torem and Craig are able to list seven major examples of refusals to potential inward investors, and this provides support to their analysis of criteria. However, in the British case refusals would be much harder to find, and a summary of the criteria used in judging the value of potential investment would be much more difficult to establish.

Britain has increasingly played the host state role since

1945, though overall, inward investment is still smaller than outward investment, even if the gap is narrowing. Great Britain therefore has the dual role of being both a "home" and a "host" state although this study focuses on its role as the latter. That Britain is home to a number of multinational companies will have some bearing on its role as host. For instance it is unlikely that Britain would begin to impose harsh conditions on inward investors as it could result in retaliation on British overseas investments. More important than this, however, is the fear that inward investors would choose alternative locations in other states.

Britain's position as a host is interesting for study in that "the British position has been consistently favourable to the incoming foreign investor" (48), at least according to the last major study on the subject done for the Department of Industry. In this study, Hodges, (49) as mentioned eerlier, concluded that inward investment remained largely a non-issue for the 1964-70 Labour Government, there being hardly any differentiation between foreign and indigenous enterprises.

In that Britain has adopted a position of welcome with the bare minimum of controls is to some extent a reflection of the general tenor of the relationship between the government and firms. More often than not this relationship has been ad hoc and sector specific. However, in the last twenty years government involvement in the affairs of private enterprise have certainly grown and at the same time many firms, particularly the larger ones have adopted policies in order to influence state behaviour. Given the increased interdependencies of firm and state increased involvement in each other's affairs is inevitable.

During the last two decades there have been many changes in the relationship between government and firm. In the mid 1960's there was an attempt to formalise the relationship via the joint involvement of government and industry in national planning. The subsequent failure of this system led to further support to the belief that an arm's length approach to industry was perhaps more appropriate. Despite this damaging blow to the relationship, government soon became involved in industry in setting up the Industrial Reorganisation Corporation (IRC) with its aim of promoting mergers to strengthen industrial groupings capable of competing with large scale and often multinational companies.

During its lifetime, the IRC, nevertheless, maintained an arm's length approach and notably worked separately from Whitehall. It retained a relatively low profile being persuasive and suggestive rather than interventionary, but despite this it was soon disbanded by the incoming Conservative government keen to return to an approach more reliant on market forces. However, even this administration was soon to find itself involved in "lame duck" rescues as the IRC had been in its later years. The need for such rescues coupled with general industrial decline was possibly seen as related to the relative success of companies overseas. Such success was brought close to home by the increasing numbers of successful inward investors, this in itself assisting in the move towards closer relations between government and firms once again. However, no coherent pattern was to emerge during this period. Reluctance to becoming more closely involved with industry and the abhorrence of national planning led to pragmatic and ad hoc involvement.

The liberal tradition also aided in the view that foreign investment should be welcomed and that policies should not discriminate between foreign and indigenous firms. In part, as had been seen with the IRC in the 1960's, the 1970's underlined the idea that the challenge from inward investment should not be met by illiberal and restrictive policies towards foreign firms but by competing against them. The arm's length approach and liberal tradition may provide some explanation to the puzzle as to why there has been little girding against the possible detrimental behaviour of foreign firms as outlined by many political scientists.

Although in the 1970's we have perhaps seen governments being more positive and interventionary on occasion (and even girding against the behaviours of foreign firms, at least according to Jenkin in his study of the development of the North Sea (50)), there appears to have been little deviation from the secular commitment to liberal capitalism at least in the non-nationalised portion of the economy. The present Conservative government has been eager to uphold this tradition and reverse most, if not all, of the limited deviations of the last Labour government which was in itself conditioned by the liberal tradition.

In spite of the fact that there have been fluctuations around a trend in recent years most government policies impinging on firms have been either compulsory and universal or ad hoc, non-compulsory and selective arising in response to crises or major changes. The latter responsive approach had, in fact, diminished during the present administration. However, the foundations for more interventionary approaches have at least been laid in the past.

Implicit to the remainder of the study is the tenor of the government - firm relationship entrenched in the policies of successive governments and specifically we look at the "welcome" which has been identified in previous studies. However, previous studies on Britain have not gone beyond establishing the British position. Although they have established a policy of "welcome" to foreign investment they have not gone a step further to analysing the implementation of that policy and suggesting means of maximising foreign investment and the benefits from it. To some extent this is only to be expected as it is only in recent years that there has been a transition from passive to active policies for attraction. Issues of inter and intrastate competition on this front have only become salient in the same period. With stronger competition the need for optimising approaches becomes paramount. This study examines policy at this level as well as right down to its attitudinal roots. This approach is reflected in the propositions that have already been suggested. In the following section the propositions made are more clearly stated in order that they may be used as referential yardsticks in the policy analysis that follows.

1.3 Initial Propositions

The provision of a series of propositions gives a cohering referent for the study as whole. The propositions that are set out below are placed in four categories covering:

(i) The goals of government and firms - Propositions 1 - 3.

(ii) The effect of inward investment on government policies - Propositions 4 - 7.

(iii) Saliency of issues and attitudes - Propositions 8 - 10.

(iv) The attraction of foreign investment - Propositions 11 - 13.

The thirteen propositions fall roughly into two groups. Firstly the earlier propositions relate to the puzzle of why there appears to be no girding against the detrimental aspects of foreign firms in the British case. As there appears to be no such girding the propositions are couched mainly in terms of inward investment being beneficial, although it is recognised that opposing propositions would be possible. These earlier propositions cover the overall policy on foreign investment and the effect of such on various other policies. They are considered, in the main, in the earlier part of the study,

The later propositions generally relate to the implementation of policy. Whilst the former propositions consider the reasons for the arrival at policy as an intention to welcome foreign investment, the latter ones cover the implementation of that policy. They are proposed from the basis of prima facie assumptions made about organisational behaviour in a multi-organisational setting.

(i) THE GOALS OF GOVERNMENT AND FIRMS

The three propositions in this section arise from the assumption that the apparent lack of girding against inward investors in Britain probably relate to the perceived benefits of inward investment and to the similarity of the goals of government and firms in terms of economic growth. Undoubtedly, one of the major goals of government is to achieve economic growth to increase the well-being of its citizens. The firm is also growth oriented via fundamental goals such as maximising profits, maximising sales, or increasing market share. By virtue of sharing growth goals, the goals of government and firm may be either conflictual or supportive. However, in order to maximise the returns to each actor, the two are likely to pursue a symbiotic policy orientation, one being unable to flourish without the other at least in the context of foreign firms pursuing low costs and access to British and E.E.C. markets and of Britain seeking investment from overseas sources in order to make up for quantitative and qualitative indigenous shortfalls.

PROPOSITION 1 In Britain state and firm growth orientations are mutually supportive.

Following on from this Britain would seem unlikely to impose any restrictions that may discourage foreign investment. This may reflect Britain's liberal, arm's-length relationship with industry, and may also reflect prudence, as restrictions or the excessive favouring of indigenous firms would be likely to discourage much needed inward investment. In this, there may also be a reflection of the lack of influences as may lead to the emplacement of restrictions on foreign investment being evident. In other words, none of the groups identified by Curzon - the Left, nationalists, redistributionists and zero-growthers have been particularly influential either within or upon government,

PROPOSITION 2 In Britain restrictions on foreign investment will be minimal, if existent.

In all, it would appear reasonable to assume that the lack of girding by Britain would be reflective of the fact that the perceived benefits of foreign investment outweigh the costs.

PROPOSITION 3 Britain will be favourable to foreign investment as benefits are seen to greatly outweigh costs in general.

(ii) THE EFFECT OF INWARD INVESTMENT ON GOVERNMENT POLICIES.

Earlier, the possible areas where foreign investment may have beneficial effects were listed. That is, employment, development, particularly regional development, new technology, competition and trade. In making propositions a more cautionary stance considering possible costs is adopted in looking at the possible strengths of foreign firms in relation to indigenous industry and government policies. It is clear that foreign companies may have scope for acting contrary to government policies. This scope is likely to be greater than it is for indigenous, non-multinational firms.

PROPOSITION 4 By virtue of inherent advantages such as access to capital, world markets and technology, multinational companies have more scope for acting contrary to government policies than do indigenous firms.

It would be impossible to assess definitively the costs and benefits of foreign investment on a range of government policies in a study of this nature. Herein, a major aim is to examine how and why the "welcoming" policy has been arrived at. In order to throw light on this the next three propositions are made about areas in which there is often substantial controversy regarding costs and benefits. They therefore provide useful referents for assessing the attitudes of decision makers and implementors and the policy positions adopted by them.

The first of the three propositions consider the strength of the foreign company in relation to fiscal policies. Multinational companies can and have used transfer pricing and financial juggling in order to exploit differing fiscal arrangements in different states. The extent to which this actually occurs or is perceived to occur is important in assessing attitudes. The fifth proposition is made perhaps somewhat provocatively for it is the extent to which firms use any of their advantages that is important. Nevertheless,

PROPOSITION 5 Multinational companies are often able to skirt state fiscal policy giving them a competitive edge over indigenous firms.

Another area where there always appears to be at least ambivalence is regarding the effect of foreign investment on the balance of payments. Foreign firms may be instrumental in causing increased imports if components from overseas form a high proportion of the product. In the long run, the effect on imports may be even more substantial. Foreign firms may enter a state, overwhelm the competition and then retreat overseas once again, thus bringing about greatly increased imports over the long term. Some would argue that the short term benefits from such activity are at least worthwhile pursuing in preference to the almost traditional collapsing of British industry under pressure from manufacturers abroad which at no stage involves any direct investment and thus possible benefits accruing to Britain. Contrary to the views of the doomwatchers direct investment may bring benefits to the balance of payments via import substitution effects and the export orientation of inward investors. Such benefits would serve to provide some explanation of a favourable view towards inward investment.

PROPOSITION 6 Foreign firms improve the balance of payments position.

A third area where there is often controversy is in regard to the manpower policies of foreign firms. This is a favourite of the polemicist keen to point out the exploitation of workers by companies operating outside their home state. However, in an advanced western state such as Britain, legal restrictions and the desire by firms to provide themselves with an amenable operational environment would make it seem likely that foreign firms would adopt the stance suggested in Proposition 7.

PROPOSITION 7 Foreign firms in Britain will fall in line with the prevailing system of labour practices and trade union recognition.

(iii) SALIENCY OF ISSUES AND ATTITUDES

The three propositions in this section cover the overall attitude to foreign investment, the effects of a favourable stance in a competitive environment, and policy translation from policy as an intention to its implementation.

Clearly, if the detrimental aspects of inward investment are seen as salient they may reach the policy agenda. In Britain this has not occurred as girding appears virtually non-existent. It is worth stating the relationship between attitudes and policy in a proposition;

PROPOSITION 8 If the activities of foreign investors in Britain are seen to be detrimental then the desire for the control of their activities will be given a high priority.

Judging by Britain's apparent lack of controls on foreign investment and the desire to encourage it, it may be presumed that Britain will make conscious efforts to obtain foreign investors and the benefits they may bring. In this case Britain will join other states in chasing the relatively scarce prize of foreign companies desiring to move overseas. In a competitive environment the offering of inducements becomes likely. The same may be true on an intra-state level as various localities seek to reap the benefits accruing from an inward investor. Given the likelihood of competition it would seem likely that the mobile firm would seek to exploit its sought-after status. Hence, Proposition 9 is offered as one upon which it would be helpful to throw some light via the ascertaining of the views of those involved in dealing with inward investors.

PROPOSITION 9 Foreign firms will play governments or other bodies off one against another in order to gain more favourable deals.

Taken one step further such competition is likely to become active when it is felt that the results are of benefit. Hence Proposition 10 would seem likely.

PROPOSITION 10. Inward investment will be actively encouraged in Britain.

(iv) THE ATTRACTION OF FOREIGN INVESTMENT

This group of propositions considers policy implementation. If the policy is an intention to encourage foreign investment by active means we may go on to make some propositions regarding the actors involved. As a unitary state the British government may establish the organisational system and processes which are considered most suitable to obtaining foreign investment. In these matters the use of organisations which deal with the implementation of general industrial policy would be likely to be invoked. Organisations given the remit of developing the economy of a given spatial area may see benefits stemming from getting foreign firms to establish in their area, and the likelihood that organisations would enter into attracting foreign firms would seem enhanced by the reasons given in Proposition 11.

PROPOSITION 11 Development organisations may actively engage in attracting foreign firms, and, the likelihood to do so 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

If development organisations enter into attracting foreign investment then competition may occur and, as well as give scope for playing bodies off one against the other (Proposition 9) this may lead to unnecessary duplication of effort and may be detrimental in overall terms by virtue of the inadequacy of agencies, and by putting firms off. The competition may on the other hand, be beneficial in that more firms are attracted than otherwise may be. We can thus offer two final propositions.

PROPOSITION 12 If many organisations are involved in attracting foreign investment any resultant competition may lead to more foreign investment than there otherwise would be and hence be beneficial.

PROPOSITION 13 The duplication of activities in attracting foreign investment may be wasteful and off-putting to firms and hence be detrimental.

The initial propositions provide a benchmark for reference as the study unfolds. The whole of the opening chapter in fact provides a general framework into which the rest of the thesis fits. The wider perspective based on the study of foreign investment within the subject area of international relations and on the specific problems of host states provide the necessary backdrop for analysis. To some extent this can be said to be the role of the next chapter which is designed to collect together basic data on the contribution of foreign investment to Great Britain.

(1) The word "direct" is stressed here to make explicit what type of foreign investment is involved. Elsewhere the word "direct" may be dropped, hence, foreign investment will refer to direct investment not to any forms of indirect investment such as portfolio.

(2) It is recognised that in the structure of causation, attitudes can alternatively be seen as the intervening variable.

(3) M. Hodges Multinational Companies and the National Government, Saxon House, 1974, Chapter 4, p. 135 - 179.

(4) J. Fayerweather "Elite Attitudes towards Multinational Firms", International Studies Quarterly, 16(4), 1972, p. 472 - 490.

(5) M. M. Camina Local Authorities and the Attraction of Industry, Pergamon Press, 1974.

(6) N. Falk Local Authorities and Industrial Development, Urbed, 1978.

(7) J. L. Pressman and A. Wildavsky Implementation, University of California Press, 1973, p. XV.

(8) D. Kavanagh "Beyond Autonomy? The Politics of Corporations", Government and Opposition 9(1), 1974, p. 42.

(9) In reference to R. Vernon's Sovereignty at Bay. The Multinational Spread of U.S. Enterprises, Longman, 1971.

(10) C. P. Kindleberger American Business Abroad, Six Lectures on direct investment, Yale U.P., 1969, p. 207.

(11) C. P. Kindleberger ibid., p. 210.

(12) G. Modelski "The Corporation in World Society", Yearbook of World Affairs, 1968, Stevens, 1968, p. 78.

(13) G. Modelski "Multinational Business", International Studies Quarterly 16(4), 1972, p. 429.

(14) idem

(15) J. S. Nye "Multinational Corporations and World Politics", Foreign Affairs, October 1974, p. 153 - 175.

(16) R. Gilpin "The Politics of Transnational Economic Relations", International Organisation 25(3), 1971, p. 419.

(17) D. Osterberg and F. Ajami "The Multinational Corporation: expanding the frontiers of world politics", Journal of Conflict Research, 15(4), 1971, p. 459.

(18) D. P. Calleo "Business corporations and the national state", _Social Research_ 41(4), 1974, p. 702 - 718.

(19) G. T. Allison _Essence of Decision_, Little, Brown and Co., 1971.

(20) R. Vernon "Multinational Business and National Economic Goals", _International Organisation_ 25(3), 1971, p. 694.

(21) UNCITRAL, I.E. 133(11) of 3 August, 1973.

(22) From a document shown to me by a Canadian employee of Citibank.

(23) J. M. Rosenau _The Scientific Study of Foreign Policy_, Free Press, 1974.

(24) Quoted in D. Osterberg and F. Ajami _op.cit._, p. 458.

(25) E.E.C. _Multinational Undertakings and Community Regulations_ (R/2746/73) of 7 November, 1973.

(26) The information provided may not be sufficiently wide ranging. This was recognised in a Parliamentary answer made by Mr. John Fraser, Minister of State for Prices and Consumer Protection in the last Labour Government. _Hansard_, 1977 - 78, 13 April, 78, Col. 527 (Written Answer). It read: "The competition laws of most developed countries, including the U.K. and the E.E.C. itself, contain provisions restraining the authorised disclosure to third parties of information which firms have supplied in confidence and often on a voluntary basis to competition authorities. Governments may also find it necessary to protect legitimate national interests. The implication of this in relation to multinational companies are under discussion in the O.E.C.D."

(27) See _The Economist_, 31 March, 1979, p. 60.

(28) _International Investment: Guidelines for Multinational Enterprises_, Cmnd. 6525.

(29) _Hansard_, 1975 - 76, 7 July, 76, Col. 546 (Written Answer).

(30) It is noted that by virtue of such dependence or interdependence it can alternatively be argued that peace and co-operation are more likely, and therefore overall chances for stability are maintained. However, nationalism is still a dominant ideology that is preciously guarded by states in the international political system.

(31) Perhaps the most prominent case of losses resulting from transfer pricing in Britain was not a Tax loss but a loss to the National Health Service. The 1973 Monopolies Commission Report stated: "La Roche has imported the raw ingredients from its parent company for Librium at

£407 per unit and Valium at £1,014, whilst they are respectively available from Italy at £9 and £20....This overpricing cost £19m over six years."

(32) J. Dmitriev "Super Monopolies: role in imperialist foreign policy", International Affairs (Moscow), No. 5, 1977, p. 84.

(33) J. Dmitriev ibid., p. 84 - 91.

(34) The study estimates that foreign direct investment in the U.S. now stands at S350billion, that is seven times the figures given by the U.S. Department of Commerce. See The Guardian, 9 August, 1980, p. 16.

(35) The Guardian, 9 August, 1980, p. 16.

(36) The Economist, 24 January, 1976, p. 68. The list was drawn from various sources.

(37) B. Osterberg and F. Ajami op.cit., p. 469.

(39) L. Turner Invisible Empires, Hamish Hamilton, 1970, p. 213.

(40) J. K. Galbraith "The defense of the multinational company", Harvard Business Review, March and April, 1978, p. 83.

(41) idem.

(42) J. LaPalombara and S. Blank "Multinational Corporations in Comparative Perspective", The Conference Board, 1977.

(43) G. Curzon "Introduction" in G. Curzon and V. Curzon (eds,(The Multinational Enterprise in a Hostile World. Macmillan, 1977, p. 1 - 14.

(44) J. La Palombara and S. Blank Multinational Companies and National Elites: A Study in Tensions, The Conference Board Report 702, New York, 1976.

(45) M. Hodges op.cit.

(46) FIRA has generally reflected government policies in Canada on this subject i.e. talk tough but act soft. Recently, however, FIRA has blocked the sale of the Canadian portion of the Ambassador Bridge between Windsor and Detroit to an American company that failed to ask FIRA's permission. Whether FIRA can reach into the U.S. and undo a de facto business sale is yet to be seen.

(47) C. Torem and W. L. Craig "Development in the control of foreign investment in France". Michigan Law Review, 70(2), 1971, p. 285 - 336.

(48) M. D. Steuer *et. al.* *The Impact of Foreign Investment on the U.K.*, H.M.S.O., 1973. This Report recognised very few problems, although it called for closer monitoring than had been previous government practice. A major criticism of the investigation is that it based many findings on figures that were no more recent than the 1963 Census of Production, although it is recognised that the age of statistics is a perennial problem to any research undertaking. Nevertheless, it does seem about time that some of the findings were scrutinised and re-assessed whether more recent statistics exist or not.

(49) M. Hodges *op.cit.*

(50) See M. Jenkin *British Industry and the North Sea*, Macmillan, 1981.

CHAPTER 2. THE SCOPE AND DISTRIBUTION OF FOREIGN INVESTMENT IN GREAT BRITAIN

This chapter is a necessary and valuable element of the thesis in that it collects together, interprets and constructs evidence on the contribution of foreign investment in Great Britain. Although the total dimensions of foreign investment cannot be gathered together statistically the chapter makes a significant contribution to setting out the overall contribution of foreign firms. Many of the tables provide a useful reference for the comparison of attitudes on foreign investment and for analysing issues as considered later in the study.

Tables are used liberally in order to depict trends and demonstrate the general value and contribution particularly in employment, spatial and economic terms. The observations made concentrate upon the tables (which are collected together at the end of the chapter) drawing attention to pertinent points. This approach to interpretation facilitates reference back and prevents confusion of statistical and other findings. Normative comments are also resisted at this juncture and are reserved for later consideration.

Unfortunately, the necessary data for delineating the scope and distribution of foreign investment is far from ideal, hence judgements made upon the basis of them cannot be conclusive. However, in the spirit of the Dunkirk rescue when use was made of what vessels were available, rather than waiting for the most suitable vessels, the available statistics have been used to present an outline of the impact of foreign investment on Britain in recent years. The most recent statistics available have been employed or, when deemed necessary, trends havebeen examined from 1964 onwards. One problem encountered is that most statistics are for the United Kingdom as a whole, whilst the study focuses solely on Great Britain. Hopefully, the inclusion of Northern Ireland is not too distortive to the statistics.

2.0 Inward Investment: general value and contribution to Britain

Fortunately, the overall volume of foreign direct investment has been adequately documented in statistical terms. Inward investment in the United Kingdom is shown to have increased considerably in the post-war years, the principal source of this investment being from the United States. As Table 2.1 shows, in 1962 64% of all foreign investment in Britain in terms of book values had emanated from the United States. This figure had fallen to 56% by 1974, as investment from European countries and some other developed states, principally Commonwealth ones, increased at a greater rate than that from the United States (See Tables 2.2. and 2.3).

Before continuing with the discussion of statistical evidence, some explanation of the trends relating to country of origin would be helpful.

American investment has largely been concerned with gaining access to markets. With the acute dollar shortage that lasted until the mid 1950's Europe was unable to import many American products so this placed a premium on setting up a European manufacturing facility. Coupled to this the prospect of a "United States of Europe" meant that a potential market could be missed if tariff barriers became the order of the day. Furthermore, and on a more business-like level, Europe's lower wage costs and advanced technological expertise created an attraction for setting up operations. Britain was a natural magnet for this American investment in that she possessed a sizeable market, Commonwealth and European ties and both cultural and linguistic affinity. However, United States investment in Britain began to slow, not least because Britain fell from being the most important national market in Europe and also failed to join the most important European market of the E.E.C. until rather late in the day. Britain is not solely to blame for the slowdown which can also be placed at the door of a declining dollar and higher unemployment in the United States which has led to a stay at home mentality.

Much of the slow down in investment from the United States has been counterbalanced by increased inward investment from other states. Firms in Commonwealth countries have exploited traditional links and gained access to E.E.C. markets by establishing or expanding in Britain, whilst many European companies have been attracted by lower cost operations and a sizeable national market. It has quite often been the case that European and some O.P.E.C. states have concentrated on portfolio investment induced by favourable exchange rates. In absolute terms investment from other parts of the world continue as a mere trickle, although Japanese firms investing in Britain have recently been regarded as a growth sector that has yet to reveal itself in the statistics on inward investment.

On the obverse side of the coin Britain remains a net creditor with regard to direct investment. Britain has the second largest amount of overseas investment by book value, second only to that of the United States. Inward investment in Britain is worth only two thirds the value of outward investment. (See Table 2.4). Concentration of the outward investment is in former colonies although in percentage terms in recent years the major growth has been in Western Europe. In 1968 Western Europe accounted for 14% of the total book value of U.K. overseas direct investment. This had doubled by 1974. Outward investment seems likely to increase further in both in Europe and elsewhere with the Thatcher government's abolition of Exchange Controls.

Table 2.5 depicts the consistently larger amounts of outward investment than of inward investment over the last fifteen years. During this period, 1964 - 78, a common cry from the left and the often in power Labour Government, was for the restriction of outward investment, as it results in loss of indigenous investment thus losing jobs and exports whilst increasing imports. On the positive side, however, overseas investment is seen as allowing capital to follow profitability creating considerable earnings (see Table 2.6), and forging trading links, amongst other things.

Returning to inward investment, what, then, has been the change in the contribution of foreign investment in recent years? Comparing the 1963 Census of Production to the most recently available figures (1975) Table 2.7 shows a considerable increase in the contribution of foreign companies to the U.K. economy. Although the number of foreign enterprises and establishments remain relatively low at 1.2% and 2.1% of the respective totals in 1975, compared to 0.8% and 1.3% in 1963, the scale of operations of foreign enterprises is often large and consequently the contribution to employment and national output is significant both now and in 1963. With foreign firms providing 13.0% of employment in private sector manufacturing and 16.6% of the net output in the U.K. in 1975 the contribution of foreign companies can begin to be seen in a perspective which is otherwise disguised if the figures for enterprises and establishments are considered in isolation. In keeping with the high level of contribution in terms of employment and output, high capital expenditure is also a feature of foreign firms operating in Britain. This amounted to 13.1% of all capital expenditure in manufacturing industries in 1963 and 19.2% in 1975. Higher capital expenditure is also reflected in a considerably higher net output per head in the manufacturing sector (U.K. 1963 n.a., 1975 £4,973 in all enterprises compared to £6,350 in foreign enterprises).

In aggregate, then, foreign companies can be seen to make a not inconsiderable contribution to the British economy. We can now move on to consider the types of affiliate concerned and foreign involvement by industrial sector.

In numerical terms Table 2.8 shows that by far the majority of affiliates in Britain are subsidiaries (84%), that is, 84% of affiliates are companies incorporated in the U.K. and broadly speaking, with more than 50% overseas ownership. Only the North Americans and the Japanese tend to be involved in running branches where, by definition, foreign ownership is 100%. Associates that is, those with less than 50% overseas ownership often indicate joint ownership, hence the considerable number of intra E.E.C. associates, the E.E.C. having both encouraged and facilitated such practice. The formation of associate companies has been seen as enabling the gaining of a foothold without complete commitment. The Japanese tend to either trade gingerly in this manner or they tend to the other extreme of translocating operations maintaining 100% ownership.

Disaggregating figures by industry reveals a concentration of foreign investments in particular industrial sectors. Highest investment in terms of value is to be found in chemical and allied industries, mechanical engineering and distribution sectors where in each case there is in excess of 10% of the total value accounted for by foreign investment (see Table 2.9).

Most foreign investment, then, is concentrated in the more dynamic or higher technology sectors. Investment in manufacturing textiles, leather and clothing, or shipping for instance, is very low. The distribution sector can be excluded from the high technology categorisation, yet of the sectors with high levels of foreign investment distribution has shown most growth in the last few years, a trend which may have resulted from more efficient marketing of imported goods at the expense of the establishment of manufacturing facilities in Britain. In general the growth of foreign investment in distribution has come from the E.E.C. in recent years but, as in other sectors, North American investment still accounts for the highest proportion of the totals (see Table 2.10). E.E.C. investment in Britain, although increasing, remains surprisingly low and has only just begun to out-strip that originating from E.F.T.A. countries, and even in some major sectors, for example mechanical engineering, investment from European Community states is less than half the amount of E.F.T.A. sourced investment in the sector.

Many sectors are dominated by foreign companies; motor vehicles (Ford, General Motors and Talbot), electronics (I.B.M., Philips, Honeywell, Texas Instruments), pharmaceuticals (CIBA, Brown and Polson, Geigy) and office machinery (I.B.M., Imperial, Olivetti). Dunning constructed a list of the approximate foreign owned share of total production of various goods for 1966 (see Table 2.11) and with the increase in foreign investment it can be presumed that this can only have expanded since then. The listing indicates a concentration in high value products and re-emphasises the importance of foreign investment in high technology sectors. As the Steuer Report put it, "Clearly, foreign investment has flowed into the newer expanding industries and for this reason alone its importance in the economy is likely to continue to grow". (1).

2.1 Inward Investment: employment contribution

Having looked at the role of foreign investment in terms of value perhaps we can move on to examine the contribution of foreign investment to employment (Table 2.12), which is perhaps a more meaningful measure of contribution in political terms.

In 1963, 68% of total employment in foreign industries was concentrated in four sectors; chemicals and allied industries, mechanical engineering, instrument and electrical engineering and shipbuilding and vehicles. By 1975 the picture was barely different, with 66% being concentrated in the same sectors. However, the 1975 figures, unlike the 1963 figures, separate instrument and electrical engineering revealing that instrument engineering accounts for only 4.4% of the total employment in foreign manufacturing industry so the concentration can perhaps be said to be in three sectors. Another point to note is that although shipbuilding and vehicles account for approximately twenty per cent of the total employment in foreign firms this is largely accounted for by the vehicles sector.

To assess the concentration of employment in comparison with employment in all U.K. manufacturing industries a concentration quotient may be employed. This is based upon the null hypothesis that if foreign investment followed the same patterns as all investment then the concentration quotient would be 1.00. Below this and employment derived from foreign firms is relatively low and above this it is relatively high. The picture now changes and the four sectors identified above as possessing high foreign investment in relation to total foreign investment do not necessarily correspond with the concentrations of employment as identified by using the quotient. The measure may omit important contributions in that it deals with employment only when factors such as capital intensity may be important, consequently these are dealt with later.

The contribution to employment by foreign firms relative to private sector firms is high in five sectors; coal and petroleum products (mainly the latter), chemical and allied industries, instrument engineering, and shipbuilding and vehicles (mainly vehicles). The most marked increase between 1963 and 1975 was in coal and petroleum products, this being partly related to the spin off from North Sea activities. Change in concentration has not been so marked in other sectors, but less than expected increases can be put down to increased capital intensity in foreign firms compared to indigenous firms. Nevertheless, the importance of foreign firms in newer, expanding industries as noted by Steuer Report appears to have been supported. In the older, declining industries, basically within SIC XIII to XVIII, both the low concentration quotients and the lower absolute totals support this.

Just as foreign investment generated employment growth by industrial sector has not increased uniformly so this has been the case in terms of nationality of enterprise. In total the percentage increase in number of foreign enterprises (see Table 2.2) has out-paced the percentage increase in employment resulting from foreign investment in the period 1963 to 1975 (see Table 2.13). (As an exception Australian and Irish firms have produced percentage increases in employment of four times the amount they have in enterprises). Employment increases have also been quite large in relation to the increase in the number of enterprises in German, Danish and Canadian firms between 1963 and 1975. During the same period the percentage increases in employment is held down by the lower labour intensity in new French, Dutch, Swedish, Swiss and, in particular, American operations.

Again considering employment as a yardstick, how involved are foreign enterprises in big business in Britain? Table 2.7 showed that the foreign sector accounted for 1.2% of all manufacturing enterprises in Britain and for 2.1% of establishments yet succeeded in generating 13% of employment. Thus these enterprises would appear to tend towards the larger in size. This is reflected in that thirteen of the hundred largest enterprises, based on employment, are foreign (Table 2.14).

In both the sample of the hundred largest firms and in relation to all firms (Tables 2.14 and 2.7) the number of establishments of foreign firms is low at 6.0% and 2.1% respectively. Coupled with the high employment generated by a small number of establishments this would indicate that the location of much foreign investment could have strong local impact and be of considerable importance in regional terms and thus to Regional Policy.

2.2 Spatial Distribution of Foreign Investment

Attention can now be turned towards examining the spatial impact and distribution of foreign investment in its regional and local contexts. Once again using employment as a measure of concentration, Table 2.15 shows foreign investment to be concentrated spatially. This concentration is highest in four Standard Regions; East Anglia (concentration quotient 1.54), the South East (1.48) and, to a lesser extent Scotland (1.26) and Wales (1.21). However, on an Assisted Area basis (2) concentrations vary considerably from this. In Scotland the picture is as to be expected if steering of incoming firms and Regional Policy has been effective, hence the highest concentrations of foreign firms are in areas receiving the most assistance (1.50) and the lowest concentrations are in areas receiving the least (1.00).

In England the picture is different: employment in foreign firms is likewise concentrated in the areas receiving highest assistance, the Special Development Areas, (1.12) though this concentration is barely different than that in areas that are non-Assisted (1.10) under the auspices of Regional Policy. In the Assisted Areas of England an interesting finding is that employment resulting from foreign firms is more concentrated in the Intermediate Areas (0.67) than Development Areas (0.55), though it must be re-emphasised that much higher concentrations of employment generated by foreign firms are found in the Special Development Areas (1.12), and particularly in the North West areas of Merseyside and the Wirral (1.42). In general then, employment resulting from foreign investment in England is most concentrated in the South East (1.48) and East Anglia (1.54), and in other regions to a lesser extent; the North West (0.95), North (0.74), South West and West Midlands (both 0.61), Yorkshire and Humberside (0.57) and the East Midlands (0.47).

In Wales employment in foreign firms is high (1.21). A greater concentration is found in Special (1.30) as opposed to Development (1.15) Areas, but the highest concentrations are found in the Intermediate Areas (1.37).

Unfortunately, a lack of published statistics on a County, District or lower level regarding the distribution of foreign firms, means that the evidence based upon the regions is as far as we can go in terms of making observations about the spatial distribution of foreign firms without having to invoke the

Dunkirk spirit of making use of what is to hand from which to derive evidence.

To obtain data on foreign firms in Counties and Districts use has to be made of information available from the various regional agencies that have the remit of attracting investment. This means that in the non-Assisted Areas such information is not available. The Department of Industry's Invest in Britain Bureau with the assigned task of attracting inward investment does not publish such information placing reliance on the regional agencies to do so. The problem is not too traumatic in terms of this study in that attention is focused on five Standard Regions to allow more depth in the study within the confines of temporal and financial parameters. Four assisted regions, Scotland, Wales, the North and the North West were compared along with the South East region. This meant that at least in the four regions receiving regional assistance some listings of foreign firms were obtainable, although only in terms of the number of foreign establishments as opposed to the more preferable terms of employment generated. One drawback with the lists available is that none are directly comparable as they were drawn up at different dates and the criteria for inclusion on the list also differs. The main purpose, however, in each case, appears to be to indicate to the interested investor the extent of existing foreign investment in the region, the country of origin of that investment, the activity being followed in establishments of foreign enterprises and that location of the establishments usually by town.

For each region tables have been derived from the listings produced by the regional agencies to show the general pattern of foreign investment in the region. Nationality and location of foreign establishments are given, where possible, on County and District bases. A problem commonly encountered in all the tables derived was that of assigning location of foreign establishments in terms of local government areas when the raw data gave either only the name of a town, or of the now defunct Local Authority boundaries. Although derivation was as rigorous as possible slight inaccuracies could have crept into the change from raw data to the tables presented herein. Further difficulties are referred to in the source notes of the tables (Tables 2.16 - 2.19).

Beginning with Scotland, Table 2.16 shows that three quarters of the foreign establishments in Scotland, and located there since 1945 are American in origin. The rest are largely European in origin, eight (5%) being Dutch and seven (5%) Scandinavian. Eight (5%) establishments are given as Canadian. Over half the establishments of foreign enterprises are in Strathclyde Region. This is as one would expect in that half of Scotland's population and the majority of its industry is concentrated in this region, a major part of which has Special Development Area status. Obversely it is also not unexpected that the more peripheral parts of Scotland possess very little foreign direct investment. Of all foreign establishments, nearly a quarter are to be found in the five New Towns, even though these towns account for less than five per cent of the total population in Scotland. The only other local areas with any significant concentrations are to be found in two Districts central to Special Development Areas, Dundee District (8 foreign establishments, 5% of the total) and the City of Glasgow District (13, 8%).

In Wales (see Table 2.17) nearly 70% of foreign affiliates are American, most of the rest being European (in the main German - see source notes to Table 2.17). The majority of foreign establishments are to be found in five Counties: Clywd County (19 in number, 12% of the total), Gwent County (33, 21%), Mid Glamorgan (41, 26%), West Glamorgan (21, 13%) and Dyfed (20, 13%). We can briefly look at these and other Counties in turn. First, Clywd, and particularly the Wrexham area appears to be attractive as a result of close proximity to Merseyside and Development Area status. However, Intermediate Assisted Area status appears not to have been detrimental to Gwent as a magnet for foreign firms. The New Town of Cwmbran in Gwent has assisted in this process but to nothing like the degree to which this has been the case with the Scottish New Towns. Concentrations of foreign establishments are to be found in the Special Development Areas covering the three Counties of Glamorgan but this is equally the case in a number of Development Areas in South Wales, such as at Cardiff, Bridgend and Swansea. The Special Development Area of North West Wales also contains a number of foreign establishments. Finally, the foreign firms in Dyfed are largely concentrated in Llanelli and Milford Haven, the latter largely achieving this as a result of the deep water port and refinery facilities.

American firms are also dominant in number in terms of establishments in the Northern Region of England (Table 2.18). Over 60% of establishments listed are American, whilst seventeen (11%) are Norwegian or Swedish and seven (5%) are Dutch. The Metropolitan County of Tyne and Wear contains 37% (55) of the foreign establishments in the region, although, rather surprisingly only three (2%) of these are in the central city of the region, Newcastle. Cleveland hosts twenty foreign establishments that are in the main involved in heavy industry and chemicals. Thirty-six (24%) of overseas owned establishments are present in Durham County, although twenty-two (14%) of these are in New Towns of Aycliffe and Peterlee. Twelve (8%) of the 23 (16%) foreign establishments in Northumberland are to be found in the "aborted" New Town of Cramlington. Washingtown New Town in Tyne and Wear has also attracted fifteen (10%) of the foreign firms in the Northern Region, and, taken together, the three New Towns plus Cramlington contain 49 or a third of the total of foreign establishments in the Region.

Cumbria is interesting in that it is part of the Northern Standard Region, but, as a County it has demonstrated some ambivalence as to its regional niche. Hence, figures for foreign firms present in Cumbria are given both by the North of England Development Council (NEDC) and by the North West Industrial Development Association (NORWIDA) as both bodies have had recent experience in representing Cumbria in terms of industrial development (see Tables 2.18 and 2.19). The fact that the Cumbria sections differ in both tables demonstrates the incomparability of the derived tables for foreign establishments by County and District. However, it is only in the case of data derived from NORWIDA's publication that there appears to be any considerable difference, the other three regions' figures being approximately comparable. The list for NORWIDA is much larger than those in the other regions appearing to include all operations including those in distributive and service sectors. Returning to Cumbria as the comparative example we see that NORWIDA lists twenty-four establishments as opposed to only fourteen according to the NEDC list. The disparity is even greater than this in that NORWIDA records an extra Danish establishment, five more American, five Dutch and an Italian establishment over and above the NEDC list which records two more Swiss establishments than NORWIDA.

In all NORWIDA record 795 foreign establishments in the North West Standard Region, excluding Cumbria, (see Table 2.19). Just under half the establishments are American affiliates and 14% are Dutch - largely reflecting the activities of Unilever and Royal Dutch Shell. In percentage terms other countries are represented to a similar extent as in other regions, the highest representation being German at 8% of the total. The largest collection of foreign establishments in the North West, 44% (349), are in Greater Manchester County which in itself contains over forty per cent of the region's total population. In terms of establishments per head Cheshire is the only other County over-represented with 14% of the region's total population and 17% of the foreign establishments. The New Towns of Warrington and Runcorn have some bearing on this in that they have attracted 53 of the 147 foreign establishments in the County. For comparison Merseyside possesses 23% of the region's population and 18% of foreign establishments, (Skelmersdale New Town attracting 19 of the 143 foreign establishments in Merseyside), Lancashire 20% and 13% and High Peak 1.20% and 0.75%.

In the North West Region Merseyside and some of northern Cheshire have Special Development Area status, the rest being Intermediate. Table 2.15 shows that foreign enterprises are more concentrated in the Special Development Areas when comparing numbers employed in foreign firms and those employed in all firms, yet on the measure of population to establishments Merseyside is relatively poorly endowed. This serves to indicate that measures taken in isolation can be misleading. In this case, Merseyside can be seen to be much more dependent for jobs on a relatively small number of establishments. Consequently, the impact of a withdrawal of a foreign establishment could be traumatic in local terms. Thus, figures displaying the location of establishments are not as useful as would be figures indicating numbers employed at each establishment.

2.3. The Economic Impact of Foreign Firms Compared to All Firms

The overall numerical and monetary value dimensions of foreign investment have been statistically documented, and an attempt has been made at demonstrating the spatial distribution of foreign firms. Now we can complete the examination of the scope and distribution of foreign investment by considering the economic effects of foreign firms, in the main by comparing their importance in relation to all U.K. firms. The following will have to be considered in turn; wages, industrial disputes, output and exports, capital expenditure, profits and taxation.

On the wages front foreign firms consistently pay higher wages on a comparison by sector when compared to all firms (see Table 2.20), except in two cases SIC V, Chemical and allied industries, and operatives in SIC XVI, Bricks, pottery, glass, cement etc. Unfortunately measuring against all industries is misleading as so many small, often less-well-paid firms will distort the average, and as we have seen, the foreign firm tends towards the medium to large scale. The most valid comparison would be with firms of a similar scale but such is not available. In the one sector where foreign firms actually pay less, chemical and allied industries, there may even be grounds for comparability in scale of operation and this would then contradict any contention that foreign firms pay higher wages as may be concluded from the given statistics. A further unknown variable is whether the nationality of origin of the enterprise would have any bearing on wage levels. With very little variability inpay rates, as wage levels are often arrived at on a national basis, the scope for offering higher wages may be reduced unless extra remuneration is made possible by productivity deals or in compensation for acceptance of company conditions such as non-unionisation and so, although the statistics given do indicate that higher wages are being paid by foreign firms definite conclusions cannot be made.

Labour relations as indicated by industrial disputes appear to be better in foreign owned firms than in domestic firms according to Steuer and Gennard (see Table 2.21). Basing their findings on 1963 and 1968 they show that the ratio of foreign to total stoppages in terms of number of stoppages, workers involved, and working days lost were lower in foreign than in domestic owned firms, with the exception of 1968 after the removal of the engineer's one day strike. For purposes of this study more recent figures have not been produced mainly because it is felt that the time needed to compile them would be disproportionate to the findings that would almost certainly indicate a better record in foreign firms.

Output per head is higher in foreign firms than in all firms (Table 2.22) except in the case of SIC XVI, Bricks, pottery, glass, cement etc., which incidentally only involves 2.1% of all foreign investment at a concentration quotient of 0.60 when compared to all firms. With high net output per head generally indicated it is not startling to find that twenty-two foreign enterprises are among the hundred largest enterprises in the U.K., ranked in terms of size of net output (Table 2.23). Furthermore, in terms of total sales and work done twenty-seven foreign firms are amongst the top hundred enterprises based on this factor (Table 2.24).

Foreign enterprises have provided approximately just over a quarter of all exports from the United Kingdom (Table 2.25) in recent years; a contribution worth £5541m. in 1976 and far larger than that to be expected from such a relatively small number (taken on any measure) of foreign firms. Thus, a substantial contribution to exports is made by foreign firms, though, this may be partially offset by imports as indicated by the large amount of exports being directed to related concerns. In 1976 exports to related concerns, at £2625m. accounted for half the total exports made by foreign controlled enterprises.

Capital expenditure by foreign firms is, in general, high in comparison to all firms (Table 2.26). In recent years approximately sixteen per cent of all capital expenditure made in manufacturing industries in the U.K. has been made by foreign firms. In particular industries capital expenditure by foreign enterprises has been very high, namely in petroleum, chemicals and the various types of engineering. Once again, foreign investment can be seen to be concentrating in the higher technology growth sectors.

Finally, foreign investors have tended to achieve higher rates of return on their investments in the U.K. than have U.K. quoted companies (see Table 2.27). This has been the case in every year during the period 1964 - 74 except in 1969. It is interesting to note also that E.E.C. direct investments achieve less than half the rates of return achieved by their American counterparts. E.E.C. direct investors have, furthermore, only begun to achieve rates of return higher than those of U.K. quoted companies since 1972.

A consideration of rates of return on direct investment completes the examination of the scope and distribution of foreign investment. Tables have been presented, and explanations and interpretations have been made as far as possible on the basis of these figures. As with the propositions made earlier, this approach will facilitate later reference. Initial propositions are not discussed here because they refer mainly to attitudes and opinions and even where it could have been expected that light could be thrown on a particular proposition, for example, Proposition 6, stating that foreign firms improve a state's balance of payments position, statistical evidence on imports was unavailable and so conclusions cannot be reached with certainty.

(1) M.D. Steuer et.al. The Impact of Foreign Direct Investment in the U.K., H.M.S.O., 1973, p 192.

(2) Assisted Areas as at 1 January, 1975.

TABLE 2.1 Inward Investment: Book value of direct investments by country and area, 1962 - 74.

£ million

	1962	1968	1974
WESTERN EUROPE	298.8	594.3	1,850.5
E.E.C.	133.7	278.2	1,084.2
Belgium and Luxembourg	8.9	14.7	209.7
Denmark			64.4
France	31.5	51.0	162.8
German Federal Republic	5.7	26.6	168.2
Irish Republic			27.7
Italy	13.8	17.7	114.4
Netherlands	73.8	168.2	337.1
E.F.T.A.	158.6	309.6	751.7
Denmark	7.4	13.1	
Finland	3.5	10.2	53.5
Norway	0.9	2.5	33.4
Sweden	24.0	59.7	165.7
Switzerland	122.5	221.6	493.8
E.F.T.A. nes	0.3	2.5	5.3
OTHER WESTERN EUROPE	6.5	6.5	14.6
Irish Republic	2.3	1.2	
Spain	..	..	11.8
Other Western Europe nes	..	..	2.7
NORTH AMERICA	1,085.7	2,054.8	4,086.3
Canada	169.2	232.0	422.3
U.S.A.	916.5	1,822.8	3,664.0
OTHER DEVELOPED COUNTRIES	32.7	48.6	302.9
Australia	8.5	6.0	59.6
Japan	-4.0	1.7	-18.5
New Zealand	1.5	4.1	11.4
South Africa	26.7	36.8	250.3
REST OF THE WORLD	12.5	30.3	345.7
WORLD	1,429.7	2,728.0	6,585.3

Source: Trade and Industry 25 February, 1977.

TABLE 2.2 Number and percentage increase in foreign enterprises: analysis by nationality of enterprise, 1963 and 1975, United Kingdom private sector enterprises in manufacturing.

Nationality of enterprises	Enterprises, Number 1963	1975	% increase 1963 - 1975
France	19	49	158
Germany, Federal Republic	5	53	960
Netherlands	17	43	147
Denmark	5	14	180
Irish Republic	6	15	220
Australia	4	20	400
Canada	19	38	153
Sweden	14	37	164
Switzerland	27	50	85
U.S.A.	369	665	73
ALL	502	1,030	105

Source: Census of Production, 1963 and M4 Business Monitors

TABLE 2.3 Number and percentage increase in establishments of foreign enterprises: analysis by nationality of enterprise, 1963 and 1975, United Kingdom private sector enterprises in manufacturing.

Nationality of enterprise	Number of Establishments 1963	1975	% Increase 1963 - 1975
France	30	77	600
Germany, Federal Republic	5	94	1,780
Netherlands	53	122	130
Denmark	6	20	233
Irish Republic	6	22	268
Australia	11	79	618
Canada	41	133	151
Sweden	23	57	278
Switzerland	72	112	56
U.S.A.	813	1,327	63
ALL	1,098	2,121	93

Source: Census of Production, 1963 and M4 Business Monitors

TABLE 2.4 <u>Outward Investments: Book value of net assets attributable to United Kingdom from direct outward investments by area and country year end 1974.</u>

£ million

WESTERN EUROPE	2,781.1
E.E.C.	2,196.5
Belgium and Luxembourg	290.2
Denmark	72.2
France	459.5
German Federal Republic	626.6
Irish Republic	312.1
Italy	198.6
Netherlands	237.3
E.F.T.A.	377.2
OTHER WESTERN EUROPE	207.4
NORTH AMERICA	2,214.5
Canada	941.2
U.S.A.	1,273.3
OTHER DEVELOPED COUNTRIES	2,968.2
AFRICA	2,154.0
ASIA	932.2
Middle East	63.8
Other Asia	868.4
OTHER	484.3
WORLD	10,117.8

Source: <u>Trade and Industry</u>, 25 February, 1977

TABLE 2.5 Annual Direct Investment Flows 1964 - 78.

£ million

	Overseas direct investment in U.K. private sector	U.K. direct investment in overseas private sector	Balance
1964	162	- 263	- 101
1965	197	- 308	- 111
1966	195	- 276	- 81
1967	170	- 281	- 111
1968	274	- 410	- 136
1969	322	- 549	- 227
1970	363	- 546	- 183
1971	450	- 676	- 226
1972	408	- 737	- 329
1973	734	- 1,621	- 887
1974	854	- 1,575	- 721
1975	527	- 1,094	- 1,581
1976	718	- 2,108	- 1,390
1977	1,257	- 1,790	- 533
1978	1,373	- 2,178	- 805

Source: C.S.O. United Kingdom Balance of Payments

TABLE 2.6 Net direct investment and earnings

£ million

Net annual investment	1966	1968	1970	1972	1974	1976p
Outward (1)						
Unremitted profits	183	277	322	465	851	1,244
Other investment	93	133	224	272	725	630
Total	276	410	546	737	1,575	1,874
Inward (2)						
Unremitted profits	93	176	179	301	243	568
Other investment	102	98	175	103	594	185
Total	195	274	354	404	837	753
Net earnings						
Outward	429	568	710	911	1,490	2,064
Inward	204	329	360	552	609	1,045

(1) Excluding oil companies.

(2) Excluding oil companies and insurance.

p Provisional.

Source: Trade and Industry, 25 February, 1977.

TABLE 2.7 Comparison of contribution to foreign enterprises to the United Kingdom economy, 1963 and 1975, United Kingdom Private Sector enterprises in manufacturing.

	Total all enterprises U.K. 1963	Foreign 1963	Foreign as a % of U.K. 1963	Total all enterprises U.K. 1975	Foreign 1975	Foreign as a % of U.K. 1975
Enterprises Number	64,367	502	0.8	86,646	1,030	1.2
Establishments Number	83,774	1,098	1.3	103,778	2,121	2.1
Employment '000	7,695	539	7.0	7,119	926	13.0
Net Output £m.	10,470	1,106	10.6	35,403	5,879	16.6
Net Output per head, £.	1,361	-	-	4,973	6,350	-
Capital expenditure less disposals, £m.	983	129	13.1	3,016	579	19.2

Source: Census of Production, 1963 and M4 Business Monitors

TABLE 2.8 Inward Investment: Numbers and values of direct inward investments by organisation, area and country.

	Subsidiary Number	Branch Number	Associate Number	Total Number	Value £million
WESTERN EUROPE	1,167	3	219	1,389	1,850.5
E.E.C.	702	..	..	850	1,084.2
Belgium and Luxembourg	58	-	21	79	209.7
Denmark	48	-	7	55	64.4
France	150	-	40	190	162.8
German Federal Republic	221	-	41	262	168.2
Irish Republic	53	..	..	57	27.7
Italy	36	-	10	46	114.4
Netherlands	136	..	..	161	337.1
E.F.T.A.	441	..	..	515	751.7
Finland	..	-	..	14	53.5
Norway	34	-	7	41	33.4
Sweden	132	-	12	144	165.7
Switzerland	256	..	..	306	493.8
E.F.T.A. nes	..	-	..	10	5.3
OTHER WESTERN EUROPE	24	-	-	24	14.6
Spain	14	-	-	14	11.8
Other Western Europe nes	10	-	-	10	2.7
NORTH AMERICA	1,399	48	198	1,645	4,086.3
Canada	112	6	24	142	422.3
U.S.A.	1,287	42	174	1,503	3,664.0
OTHER DEVELOPED COUNTRIES	113	14	25	152	302.9
Australia	46	..	..	56	59.6
Japan	31	9	9	49	-18.5
New Zealand	10	..	..	13	11.4
South Africa	26	..	..	34	250.3
REST OF THE WORLD	114	6	31	151	345.7
WORLD	2,793	71	473	3,337	6,585.3

Source: Trade and Industry, 25 February, 1977

TABLE 2.9 Inward Investment: Values of direct investments by selected industry, 1975.

	1975 £m.	% of total
Food, drink and tobacco	559.3	8.5
Chemicals and allied industry	739.8	11.3
Metal manufacture	314.2	4.8
Mechanical engineering	970.5	14.7
Electrical engineering	640.7	9.7
Motor vehicles	387.8	5.9
Textiles, leather, clothing	81.7	1.3
Paper, printing, publishing	291.3	4.4
Rubber	285.6	4.3
Other manufacture	429.9	6.5
Total manufacture	4,700.7	71.4
Construction	74.2	1.0
Transport and Communication	9.9	0.2
Shipping	102.6	1.5
Distribution	863.8	13.1
Other financial institutions	219.7	3.3
Property owning and managing	194.6	2.9
Other activities	439.7	6.6
Total non-manufacture	1,884.6	28.6
TOTAL	6,585.3	100.0

Source: M4 Business Monitors

TABLE 2.10 Inward Investment: Values of direct investments by selected industry and selected areas.

£ million

	Total manufacture	Chemicals and allied industries	Mechanical Engineering
WESTERN EUROPE	1,171.2	239.6	131.4
E.E.C.	612.5	134.1	38.3.
Belgium and Luxembourg	38.1	..	..
Denmark	23.1	-	..
France	96.2	45.4	8.2
German Federal Republic	84.0	..	13.2
Irish Republic	19.0	-	-
Italy	100.8	-	..
Netherlands	251.2	24.7	0.6
E.F.T.A.	555.3	105.5	93.1
Norway	14.1	..	..
Sweden	107.2	..	33.2
Switzerland	410.8	81.6	59.9
E.F.T.A. nes	23.3	-	..
OTHER WESTERN EUROPE	3.4	-	-
NORTH AMERICA	3,420.3	458.7	831.6
Canada	344.9	3.7	..
U.S.A.	3,075.4	455.0	..
OTHER DEVELOPED COUNTRIES	80.1	21.3	6.5
REST OF THE WORLD	29.1	20.3	1.0
WORLD	4,700.7	739.8	970.5

continued....

TABLE 2.10 continued. Inward Investment: Values of direct investments by selected industry and selected areas.

£ million

	Total non-Manufacture	Distribution	Total
WESTERN EUROPE	679.3	360.3	1,850.5
E.E.C.	471.8	192.8	1,084.2
Belgium and Luxembourg	171.5	17.1	209.7
Denmark	41.3	36.3	
France	66.5	23.9	162.8
German Federal Republic	84.2	66.9	168.2
Irish Republic	8.7	7.1	27.7
Italy	13.6	13.3	114.4
Netherlands	85.9	28.1	337.1
E.F.T.A.	196.3	159.8	751.7
Norway	19.3	..	33.4
Sweden	58.6	47.5	165.7
Switzerland	82.9	66.6	493.8
E.F.T.A. nes	35.5	..	58.8
OTHER WESTERN EUROPE	11.2	7.7	14.6
NORTH AMERICA	665.9	395.6	4,086.3
Canada	77.3	41.1	422.3
U.S.A.	588.6	354.5	3,664.0
OTHER DEVELOPED COUNTRIES	222.7	44.8	302.9
REST OF THE WORLD	311.4	63.2	345.7
WORLD	1,884.6	863.8	6,585.3

Source: Trade and Industry 25 February, 1977

TABLE 2.11 Foreign control of U.K. Industries 1966

It has been possible to compile a list, from a number of sources, of the approximate share of the total production by all U.K. enterprises, of various products, accounted for by foreign-financed companies at the end of 1966. In some cases their share of the total goods bought by U.K. consumers will be less, due to the contribution of imports.

80% or more
Boot and shoe machinery, carbon black, colour films, custard powder and starch, sewing machines, tinned baby foods, typewriters.

60 - 79%
Agricultural implements, aluminium semi-manufacturers, breakfast cereals, calculating machines, cigarette lighters, domestic boilers, electric shavers, instant coffee, potato chips, razor blades and safety razors, refined petroleum products, soaps and detergents, spark plugs, tinned milk.

50 - 59%
Cake mixes, cosmetics and toilet preparations, electric switches, ethical proprietaries (drugs sold to National Health Service), frozen foods, foundation garments, pens and pencils, motor cars, pet foods, petroleum refinery, construction equipment, refrigerators, rubber tyres, tractors, vacuum cleaners.

40 - 49%
Computers, locks and keys, photographic equipment, printing and typesetting machinery, watches and clocks.

30 - 39%
Abrasives, commercial vehicles, dental equipment, floor polishers, elevators and escalators, portable electric tools, washing machines.

15 - 29%
Greeting cards, industrial instruments, materials handling equipment, medical preparations, soft drinks, mining machinery, paperback books, petro-chemicals, synthetic fibres, telephones and telecommunications equipment, toilet tissues.

Source: J. H. Dunning "Foreign Investment in the United Kingdom" in I. A. Litvak and C. J. Maule (eds.) Foreign Investment: The Experience of Host Countries, Praeger, New York, 1970, p. 247 - 8.

TABLE 2.12 Employment in manufacturing industries by industry 1963 and 1975.

SIC	Foreign % of Total 1963	Foreign % of Total 1975	U.K. % of Total 1963	U.K. % of Total 1975	Concentration Quotient 1963	Concentration Quotient 1975
III Food, drink, tobacco	7.6	8.6	9.5	10.4	0.80	0.83
IV Coal and petroleum products	1.1	1.2	0.6	0.5	1.83	2.40
V Chemical and allied industries	9.0	10.2	5.0	5.4	1.80	1.89
VI Metal manufacture	4.9	2.4	7.2	6.5	0.68	0.37
VII Mechanical engineering	16.5	16.1	12.8	12.4	0.99	1.30
VIII Instrument engineering	21.3	4.4	11.3	2.1	1.88	2.10
IX Electrical engineering		15.7		10.0		1.57
X-XI Shipbuilding and vehicles	20.8	19.5	12.5	12.9	1.66	1.52
XII Metal goods nes	4.0	4.6	6.4	7.1	0.63	0.65
XIII Textiles	2.9	2.5	16.4	7.1	0.18	0.36
XIV Leather goods XV clothing, footwear		1.0		6.3		0.16
XVI Bricks, pottery, glass, cement etc.	1.5	2.1	7.2	3.5	0.21	0.60
XVII Timber, furniture etc.		0.3		3.6		0.09
XVIII Paper, printing and publishing	2.0	5.2	7.3	7.6	0.27	0.69
XIX Other manufacturing industries	6.4	6.2	2.3	4.6	1.86	1.35
ALL MANUFACTURING INDUSTRIES	100.0	100.0	100.0	100.0	-	-

Source: 1963 Census of Production and Business Monitors

TABLE 2.13 Employment in foreign enterprises, number and percentage increase: analysis by nationality of enterprise, 1963 and 1975, United Kingdom private sector enterprises in manufacturing.

Nationality of enterprise	Employment, thousand (1) 1963	1975	% increase 1963 - 1975
France	15.6	31.3	101
Germany, Federal Republic	1.0	13.0	1200
Netherlands	27.7	63.0	127
Denmark	0.5	2.5	400
Irish Republic	0.5	4.9	880
Australia	1.4	18.2	1200
Canada	34.6	60.3	174
Sweden	11.8	17.3	47
Switzerland	23.7	43.2	82
U.S.A.	406.2	658.2	62
ALL	539.0	925.7	71

(1) Average number employed (full and part-time) during the year (including working proprietors) by the establishment.

Source: Census of Production, 1963 and M4 Business Monitors

TABLE 2.14 Analysis of the private sectors 100 largest enterprises by size of employment, U.K. enterprises in manufacturing, 1975.

	Size of employment. (Total foreign 13) All	Of which foreign	% foreign
No. of establishments	3,839	220	6
Employment (1) thousand	2,670	309	12
Total sales and work done (2) £m	36,758	5,646	15
Net output £m	14,168	1,790	13
Gross value added at factor cost £m	12,468	1,581	13
New capital expenditure (3) £m	1,294	159	12

(1) Average number of employees (full and part-time) during year (including working proprietors) in the establishment.

(2) Includes sales of goods merchanted or factored and services rendered.

(3) New building work and requisitions less disposals of land and existing building and plant and machinery.

Source: Business Monitors

TABLE 2.15 Employment in foreign enterprises: Analysis by region and assisted areas, 1975. United Kingdom private sector enterprises in manufacturing. (1) (2)

Standard Region or Country & Type of Area	Employment (3) (a) Thousand Foreign Firms	(b) Thousand All Firms	(c) (a) as % of (b)	(d) Foreign % of U.K.	(e) % of all U.K. industry	(f) Concentration Quotient
North						
Total	41.9	457.1	9.2	4.5	6.1	0.74
SDA	30.9	296.2	10.4	3.3	4.0	0.82
DA	11.0	160.9	6.8	1.2	2.2	0.54
Yorkshire and Humberside						
Total	51.9	727.2	7.1	5.6	9.7	0.57
DA	} 51.9	12.0	} 7.1	} 5.6	0.2	} 0.57
IA		715.0			9.6	
East Midlands						
Total	34.0	580.7	5.8	3.7	7.8	0.47
NA	26.8	291.3	9.2	2.9	3.9	0.74
IA	3.5	84.8	4.1	0.4	1.1	0.90
DLC	3.7	204.4	1.8	0.4	2.7	0.14
East Anglia						
Total (NA)	36.8	197.2	18.7	4.0	2.6	1.54
South East						
Total (NA)	347.9	1,905.1	18.3	37.6	25.5	1.48
South West						
Total	31.3	418.6	7.5	3.4	5.6	0.61
NA	24.9	354.5	6.4	2.7	4.7	0.58
DA	} 6.4	29.5	} 10.0	} 0.7	0.4	} 0.78
IA		34.6			0.5	

continued..

TABLE 2.15 continued. Employment in foreign enterprises: Analysis by region and assisted areas, 1975. United Kingdom private sector enterprises in manufacturing. (1) (2)

Standard Region or Country & Type of Area	Employment (3) (a) Thousand Foreign Firms	(b) Thousand All Firms	(c) (a) as % of (b)	(d) Foreign % of U.K.	(e) % of all U.K. industry	(f) Concentration Quotient
West Midlands						
Total	77.0	1,018.9	7.6	8.3	13.6	0.61
IA	-	2.7	-	-	0.8	-
NA	60.7	907.1	6.7	6.6	12.1	0.55
DLC	16.3	108.6	15.0	1.8	1.5	1.20
North West						
Total	122.9	1,051.3	11.7	13.3	14.1	0.95
SDA	46.0	260.0	17.7	5.0	3.5	1.42
IA	76.9	790.9	9.7	8.3	10.6	0.78
England						
Total	743.7	6,356.2	11.7	80.3	85.1	0.95
NA	497.1	3,655.4	13.6	53.7	49.0	1.10
SDA	76.9	556.0	24.5	8.3	7.4	1.12
DA	13.6	202.8	13.8	1.5	2.7	0.55
IA	136.0	1,628.7	8.3	14.7	21.8	0.67
DLC	20.0	313.3	6.3	2.2	4.2	0.52
Wales						
Total	48.5	319.2	15.2	5.2	4.3	1.21
SDA	16.2	99.4	16.3	1.7	1.3	1.30
DA	22.6	157.2	14.4	2.4	2.1	1.15
IA	9.7	62.6	15.5	1.1	0.8	1.37
Scotland						
Total	101.2	638.8	15.8	10.9	8.6	1.26
SDA	63.8	341.2	18.7	6.9	4.6	1.50
DA	37.5	297.4	12.6	4.0	4.0	1.00

continued..

TABLE 2.15 continued. Employment in foreign enterprises: Analysis by region and assisted areas, 1975. United Kingdom private sector enterprises in manufacturing. (1) (2)

Standard Region or Country & Type of Area	Employment (3) (a) Thousand Foreign Firms	(b) Thousand All Firms	(c) (a) as % of (b)	(d) Foreign % of U.K.	(e) % of all U.K. industry	(f) Concentration Quotient
Great Britain						
Total	893.4	7,314.3	12.2	96.5	98.0	0.99
NA	497.1	3,655.4	13.6	53.7	49.0	1.10
DLC	20.0	313.3	6.4	2.2	4.2	0.53
IA	145.7	1,691.3	8.6	15.7	22.7	0.70
DA	73.7	657.6	11.2	8.0	8.8	0.91
SDA	156.9	996.9	15.7	16.9	13.4	1.27
Northern Ireland						
Total	32.3	152.7	21.2	3.5	2.0	1.75
United Kingdom	925.7	7,467.0	12.4	100.0	100.0	1.00

Key:

NA - Non-assisted
SDA - Special development area
DA - Development area
IA - Intermediate
DLC - Derelict land clearance

(1) The term enterprise is used to mean one or more establishments under common ownership or control. Foreign enterprises are those controlled or owned by companies incorporated overseas.

(2) Including estimates for establishments not making satisfactory returns, non-response and establishments employing less than 20 persons.

(3) Average number employed (full and part-time during the year (including working proprietors) by the establishment.

Source: Business Monitors

TABLE 2.16 Location of foreign firms in Scotland by nationality of origin.

Region and District	Pop. '000 (6)	AUSTRALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHERLANDS	NORWAY/SWEDEN (7)	SWITZERLAND	U.S.A.	N.E.S. (8)	TOTAL
BORDERS	99	0	0	0	0	0	0	1	1	0	4	0	6
Berwickshire	18	-	-	-	-	-	-	-	-	-	1	-	1
Ettrick and Lauderdale	32	-	-	-	-	-	-	-	-	-	1	-	1
Roxburgh	36	-	-	-	-	-	-	-	-	-	1	-	1
Tweedale	14	-	-	-	-	-	-	1	1	-	1	-	3
CENTRAL	269	0	0	0	0	0	0	0	0	0	3	1	4
Clackmannan	48	-	-	-	-	-	-	-	-	-	-	-	0
Falkirk	143	-	-	-	-	-	-	-	-	-	3	1	4
Stirling	79	-	-	-	-	-	-	-	-	-	-	-	0
DUMFRIES and GALLOWAY	144	0	0	0	0	0	0	0	0	0	1	0	1
Annandale and Eskdale	35	-	-	-	-	-	-	-	-	-	-	-	0
Nithsdale	56	-	-	-	-	-	-	-	-	-	-	-	0
Stewartry	22	-	-	-	-	-	-	-	-	-	-	-	0
Wigtown	30	-	-	-	-	-	-	-	-	-	1	-	1
FIFE	336	0	4	1	0	0	0	1	1	0	19	1	20
Dunfermline	124	-	3	-	-	-	-	1	-	-	6	-	10
Kirkcaldy (exc. Glenrothes)	113	-	1	-	-	-	-	-	-	-	2	-	3

continued

TABLE 2.16 (cont.) Location of foreign firms in Scotland by nationality of origin.

Region and District	Pop. '000	AUSTRALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHERLANDS	NORWAY/SWEDEN	SWITZERLAND	U.S.A.	N.E.S.	TOTAL
Glenrothes (1)	34	-	-	1	-	-	-	-	1	-	11	1	14
N.E. Fife	65	-	-	-	-	-	-	-	-	-	-	-	0
GRAMPIAN	449	0	0	0	1	0	0	0	0	0	4	0	5
Aberdeen City	210	-	-	-	1	-	-	-	-	-	3	-	4
Banff and Buchan	75	-	-	-	-	-	-	-	-	-	1	-	1
Gordon	48	-	-	-	-	-	-	-	-	-	-	-	0
Kincardine	35	-	-	-	-	-	-	-	-	-	-	-	0
Moray	81	-	-	-	-	-	-	-	-	-	-	-	0
HIGHLAND	182	0	0	0	0	0	0	0	1	0	4	0	5
Badenoch	9	-	-	-	-	-	-	-	-	-	1	-	1
Caithness	30	-	-	-	-	-	-	-	-	-	-	-	0
Inverness	53	-	-	-	-	-	-	-	1	-	2	-	3
Lochaber	20	-	-	-	-	-	-	-	-	-	-	-	0
Nairn	9	-	-	-	-	-	-	-	-	-	-	-	0
Ross and Cromarty	39	-	-	-	-	-	-	-	-	-	1	-	1
Skye and Lochalsh	9	-	-	-	-	-	-	-	-	-	-	-	0
Sutherland	12	-	-	-	-	-	-	-	-	-	-	-	0
TAYSIDE	402	0	1	0	1	0	0	0	0	0	8	0	10
Angus	98	-	1	-	-	-	-	-	-	-	1	-	2

continued

TABLE 2.16 (cont) Location of foreign firms in Scotland by nationality of origin

Region and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
Dundee	195	-	-	-	1	-	-	-	-	-	7	-	8
Perth and Kinross	119	-	-	-	-	-	-	-	-	-	-	-	0
ISLAND AREAS	0	0	0	0	0	0	0	0	0	0	0	0	0
Orkney	-	-	-	-	-	-	-	-	-	-	-	-	0
Zetland	-	-	-	-	-	-	-	-	1	-	-	-	1
Western Isles	-	-	-	-	-	-	-	-	-	-	-	-	0
LOTHIAN	754	0	1	0	0	0	0	0	1	0	9	2	13
East Lothian	79	-	-	-	-	-	-	-	1	-	3	-	4
Edinburgh	470	-	1	-	-	-	-	-	-	-	-	-	1
Midlothian	84	-	-	-	-	-	-	-	-	-	-	-	0
W. Lothian (exc. Livingston)	88	-	-	-	-	-	-	-	-	-	4	-	4
Livingston (2)	33	-	-	-	-	-	-	-	-	-	2	2	4
STRATHCLYDE	2,505	1	2	1	0	2	1	6	2	4	63	2	82
Argyll and Bute	65	-	-	-	-	-	-	-	-	-	1	-	1
Bearsden and Milngavie	38	-	-	-	-	-	-	-	-	-	-	-	0
Clydebank	57	-	-	-	-	1	-	-	-	-	1	-	2
Cumbernauld (3)	54	-	1	-	-	-	-	-	-	-	3	-	4
Cumnock and Doon	48	-	-	-	-	-	-	1	-	-	1	-	1

continued

TABLE 2.16 (cont) **Location of foreign firms in Scotland by nationality of origin**

Region and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/ SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
Cunninghame (exc.Irvine)	96	-	-	-	-	-	-	2	-	1	1	1	5
Irvine (4)	55	-	-	-	-	-	-	1	-	-	4	-	5
Dumbarton	80	-	-	-	-	-	-	-	-	-	6	-	6
East Kilbride (5)	81	1	-	-	-	-	-	-	-	3	5	-	9
Eastwood	51	-	-	-	-	-	-	-	-	-	-	-	0
Glasgow City	881	-	-	-	-	-	1	-	-	-	11	1	13
Hamilton	107	-	-	1	-	-	-	-	-	-	2	-	3
Inverclyde	106	-	-	-	-	-	-	-	-	-	3	-	3
Kilmarnock and Lowdon	83	-	1	-	-	-	-	-	-	-	4	-	4
Kyle and Carrick	111	-	-	-	-	-	-	-	-	-	4	-	4
Lanark	55	-	-	-	-	1	-	1	-	1	1	-	3
Monklands	109	-	-	-	-	-	-	1	-	-	5	-	6
Motherwell	160	-	-	-	-	-	-	-	1	-	6	-	7
Renfrew	209	-	-	-	-	-	-	-	-	-	5	-	5
Strathkelvin	80	-	-	-	-	-	-	-	1	-	-	-	1
TOTAL	5,206	1	8	2	2	2	1	8	7	4	115	6	155

TABLE 2.16 continued. Location of foreign firms in Scotland by nationality of origin.

(1) Glenrothes is a New Town in the Kirkcaldy District;

(2) Livingston is a New Town in West Lothian District.

(3) Cumbernauld District (population 54,000) and Cumbernauld New Town are not separated.

(4) Irvine is a New Town in the Cunninghame District.

(5) East Kilbride District (population 81,000) and East Kilbride New Town (population 76,000) are not separated.

(6) Estimated population as at 30 June, 1975 (Provisional) and as at March 1977 in the case of the New Towns of Glenrothes, Livingston and Irvine.

(7) Four Norwegian companies and three Swedish.

(8) N.E.S. - Not Elsewhere Specified (3 - Belgium, 1 - Italy, 1 - Iran, 1 - India).

Source: Derived from Scottish Economic Planning Department/Industrial Development Department list of foreign firms established in Scotland since 1945. The list was produced 5 October 1976. Criteria for inclusion on list is not given. In that the list is post - 1945 only, a number of long established foreign firms are missing. It must also be noted that, as in Tables 2.17 to 2.19, a few establishments have since compilation ceased operation, whilst a number of new establishments have come into operation.

TABLE 2.17 Location of foreign firms in Wales by nationality or area of origin.

County and District	POP. THOUSAND (2)	AUSTRALIA	CANADA	EUROPE (3)	JAPAN	U.S.A.	NIGERIA	TOTAL
CLWYD	375	0	0	4	0	15	0	19
Colwyn	46	-	-	-	-	2	-	2
Rhuddlan	50	-	-	-	-	1	-	1
Delyn	61	-	-	1	-	-	-	1
Alyn and Deeside	70	-	-	1	-	-	-	1
Wrexham-Maelor	108	-	-	1	-	10	-	11
Glyndwr	39	-	-	1	-	2	-	3
DYFED	322	0	0	7	0	13	0	20
Ceredigion	57	-	-	-	-	-	-	0
Preseli	64	-	-	-	-	7	-	7
S. Pembroke	38	-	-	-	-	1	-	1
Carmarthen	50	-	-	1	-	-	-	1
Llanelli	77	-	-	6	-	3	-	9
Dinefwr	36	-	-	-	-	2	-	2
GWENT	440	1	1	11	0	20	0	33
Blaenau Gwent	84	1	-	4	-	2	-	7
Islwyn	66	-	-	3	-	6	-	9
Torfaen (exc. Cwmbran)	44	-	-	-	-	3	-	3
CWMBRAN (1)	46	-	-	3	-	2	-	5
Monmouth	67	-	-	-	-	1	-	1
Newport	134	-	1	1	-	6	-	8

continued..

TABLE 2.17 continued. Location of foreign firms in Wales by nationality or area of origin.

County and District	POP. THOUSAND (2)	AUSTRALIA	CANADA	EUROPE (3)	JAPAN	U.S.A.	NIGERIA	TOTAL
GWYNEDD	224	0	0	2	0	7	1	10
Ynys Mons	64	-	-	2	-	3	-	5
Arfon	53	-	-	-	-	2	1	3
Dwyfor	26	-	-	-	-	1	-	1
Aberconwy	50	-	-	-	-	1	-	1
Meirionnyd	31	-	-	-	-	-	-	0
MID GLAMORGAN	540	2	1	10	2	26	0	41
Ogwr	128	-	-	2	1	9	-	12
Rhondda	86	-	-	-	-	3	-	3
Cynon Valley	70	-	-	-	-	-	-	0
Merthyr Tydfil	61	1	-	2	-	1	-	4
Rhymney Valley	106	1	-	2	1	7	-	11
Taff-Ely	90	-	1	4	-	6	-	11
POWYS	101	0	0	0	0	2	0	2
Montgomery	44	-	-	-	-	2	-	2
Radnor	19	-	-	-	-	-	-	0
Brecknock	37	-	-	-	-	-	-	0
SOUTH GLAMORGAN	392	0	0	0	1	9	0	10
Vale of Glamorgan	107	-	-	-	-	3	-	3
Cardiff	284	-	-	-	1	6	-	1

continued..

TABLE 2.17 continued. Location of foreign firms in Wales by nationality or area of origin.

County and District	POP. THOUSAND (2)	AUSTRALIA	CANADA	EUROPE (3)	JAPAN	U.S.A.	NIGERIA	TOTAL
WEST GLAMORGAN	372	1	1	3	0	16	0	21
Swansea	191	-	1	2	-	11	-	14
Lliw	58	1	-	-	-	2	-	3
Neath	65	-	-	3	-	2	-	3
Afan	58	-	-	-	-	1	-	1
TOTAL	2,765	4	3	37	3	108	1	156

(1) Cwmbran New Town is in Torfaen District. The population figures for Cwmbran are as at March 1977.

(2) Estimated population as at 30 June, 1975 except Cwmbran.

(3) The map from which the table is derived unfortunately does not disaggregate the European firms. An earlier list arrived at by G. Davies and I. Thomas in Overseas Investment in Wales, Davies, 1976, indicates that approximately half the European companies are German. They list 129 foreign firms, only 23 of these being European (13 - German, 2 - French, 1 - Dutch, 2 - Swiss, 3 - Swedish, 2 - Norwegian) at the end of 1974.

Source: Derived from map Firms with Overseas Associations, Welsh Office, 1975.

TABLE 2.18 Location of foreign firms in the Northern Region of England by nationality of origin.

County and District	Pop. '000 (3)	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/SWEDEN (4)	SWITZER-LAND	U.S.A.	N.E.S. (6)	TOTAL
TYNE AND WEAR	1,193	3	2	3	1	2	0	3	9	1	31	0	55
Newcastle	296	-	-	-	-	1	-	-	2	-	-	-	3
N. Tyneside	206	-	-	-	-	-	-	-	2	-	9	-	11
S. Tyneside	172	-	-	-	-	-	-	-	1	-	4	-	5
Gateshead	221	-	-	1	-	-	-	-	2	1	4	-	8
Sunderland	298	2	1	-	-	-	-	1	1	-	8	-	13
Washington	47	1	1	2	1	1	-	2	1	-	6	-	15
CLEVELAND	565	0	1	0	1	1	0	2	0	0	13	2	20
Hartlepool	97	-	-	-	-	1	-	-	-	-	5	-	6
Stockton	164	-	1	-	1	-	-	2	-	-	2	1	7
Middlesborough	153	-	-	-	-	-	-	-	-	-	3	-	3
Langbaurgh	151	-	-	-	-	-	-	-	-	-	3	1	4
DURHAM	608	2	1	0	0	2	1	2	6	0	22	0	36
Chester-le-Street	47	-	-	-	-	-	-	-	-	-	-	-	0
Derwentside	91	1	-	-	-	-	-	-	-	-	1	-	2
Durham	87	-	-	-	-	-	-	2	-	-	1	-	3
Easington	106	-	-	-	-	-	-	-	-	-	-	-	0
Sedgefield	92	-	-	-	-	-	-	-	-	-	2	-	2
Wear Valley	64	1	1	-	-	-	-	-	1	-	1	-	4

continued

TABLE 2.18 (cont.) Location of foreign firms in the Northern Region of England by nationality of origin

County and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
Teesdale	24	-	-	-	-	-	-	-	-	-	-	-	0
Darlington	98	-	-	-	-	-	-	-	-	-	3	-	3
Aycliffe	27	-	-	-	-	1	-	-	4	-	6	-	11
Peterlee	28	-	-	-	-	1	1	-	1	-	8	-	11
NORTHUMBERLAND	287	0	1	1	0	3	0	0	2	1	15	0	3
Berwick	26	-	-	-	-	-	-	-	-	-	1	-	1
Alnwick	29	-	-	-	-	-	-	-	-	-	-	-	0
Castle Morpeth	48	-	1	-	-	-	-	-	1	-	1	-	3
Wansbeck	63	-	-	1	-	-	-	-	-	-	-	-	1
Blyth (2)	66	-	-	-	-	3	-	-	-	1	12	-	16
Tynedale	55	-	-	-	-	-	-	-	1	-	1	-	2
CUMBRIA (3)	474	0	0	0	1	2	0	0	0	1	9	1	14
Barrow	98	-	-	-	1	-	-	-	-	-	1	-	2
Carlisle	95	-	-	-	-	-	-	-	-	-	2	1	3
Allerdale	42	-	-	-	-	1	-	-	-	-	4	1	6
Eden	71	-	-	-	-	-	-	-	-	-	-	-	0
Copeland	93	-	-	-	-	-	-	-	-	-	2	-	3
S. Lakeland	74	-	-	-	-	-	-	-	-	1	-	-	1
TOTAL	3,126	5	5	4	3	10	1	7	17	3	90	3	148

TABLE 2.18 continued. Location of foreign firms in the Northern Region of England by nationality of origin.

(1) Districts exclude New Towns of Washington, Aycliffe Peterlee which are listed separately.

(2) Twelve of the sixteen foreign firms in Blyth District are in the "aborted" Cramlington New Town.

(3) Note the discrepancy between the figures for Cumbria here and as listed by NORWIDA (Table 2.19). The discrepancy arises from the greater comprehensiveness of NORWIDA's list. This Table for the North, for instance does not list five Unilever plants which NORWIDA lists as Dutch. There are also fewer American plants on this list than as listed by NORWIDA.

(4) Estimated population as at 30 June, 1975 (provisional) and as at March 1977 in the case of the New Towns of Washington, Aycliffe and Peterlee.

(5) Seven Norwegian companies and ten Swedish.

(6) N.E.S. - Not Elsewhere Specified (1 Belgium, 1 Austria and 1 Finland)

Source: Derived from International Investment in the Northern Region of England. (The introduction to this listing purports to list manufacturing companies with facilities in the Region). NEDC.

TABLE 2.19 Location of foreign firms in the North West Region of England by nationality of origin

County and District	POP. '000 (6)	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/ SWEDEN (7)	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
GREATER MANCHESTER COUNTY	2,709	18	12	3	26	37	6	43	16	20	191	22	394
Wigan	310	3	-	-	-	-	-	6	1	-	12	-	22
Bolton	263	3	1	-	4	-	-	1	2	2	17	-	30
Bury	180	2	-	-	-	2	-	3	1	1	8	2	19
Rochdale	211	-	-	-	2	3	-	4	-	5	10	-	24
Oldham	228	-	1	-	-	1	-	2	-	-	14	-	18
Tameside	222	-	-	-	2	5	1	2	2	2	11	-	25
Stockport	293	2	1	1	4	12	1	6	3	3	27	4	64
Manchester	506	5	7	2	9	4	1	10	4	3	48	10	103
Salford	266	2	1	-	2	2	-	3	1	-	10	3	24
Trafford	226	1	2	-	3	7	3	6	2	4	34	3	65
MERSEYSIDE	1,588	3	5	2	5	2	0	38	8	1	65	14	143
Wirral	348	-	2	-	-	-	-	25	1	-	15	2	44
Sefton	305	-	-	-	-	-	-	1	-	1	4	1	7
Liverpool	549	3	2	1	3	1	-	8	2	-	29	6	55
Knowsley	191	-	1	1	2	1	-	3	2	-	10	2	22
St. Helens	195	-	-	-	-	-	-	1	3	-	7	4	15

continued

TABLE 2.19 (cont.) Location of foreign firms in the North West Region of England by nationality of origin

County and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/ SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
CHESHIRE	910	1	11	1	2	16	2	22	7	6	71	8	147
Warrington (1)	165	-	3	-	1	2	1	9	-	2	20	3	41
Halton (exc.Runcorn)	57	-	-	-	-	-	-	-	-	-	9	-	9
Runcorn (2)	54	-	-	1	-	1	1	1	1	-	4	3	12
Ellesmere Port and Neston	85	-	-	-	-	-	-	8	1	-	11	1	22
Vale Royal	110	-	2	-	-	5	-	-	-	-	6	1	14
Macclesfield	148	-	2	-	1	4	-	1	1	4	11	-	24
Chester	117	1	1	-	-	1	-	3	3	-	5	-	14
Crewe and Nantwich	98	-	2	-	-	-	-	-	-	-	1	-	3
Congleton	77	-	1	-	-	2	-	-	1	-	4	-	8

continued

TABLE 2.19 (cont.) Location of foreign firms in the North West Region of England by nationality of origin

County and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
LANCASHIRE	1,369	1	8	2	6	8	1	8	7	2	54	8	105
Lancaster	126	-	-	-	-	-	-	3	-	-	2	-	5
Wyre	99	-	-	-	-	-	-	-	-	-	-	-	-
Blackpool	147	-	-	-	-	-	-	1	1	1	1	-	4
Fylde	70	-	-	-	-	-	-	-	-	-	3	-	3
Preston	132	-	-	2	2	2	-	2	-	-	7	2	17
Ribble Valley	54	-	1	-	-	-	-	-	-	-	1	-	2
Pendle	86	-	2	-	-	-	-	-	2	-	2	-	6
Burnley	93	-	1	-	1	-	-	1	-	-	8	-	11
Rossendale	62	-	2	-	-	-	-	-	-	-	4	-	6
Hyndburn	81	-	1	-	-	2	1	-	1	-	6	2	12
Blackburn	142	-	1	-	1	-	-	1	2	1	6	-	12

continued

TABLE 2.19 (cont.) Location of foreign firms in the North West Region of England by nationality of origin.

County and District	Pop. '000	AUST-RALIA	CANADA	DENMARK	FRANCE	GERMANY	JAPAN	NETHER-LANDS	NORWAY/ SWEDEN	SWITZER-LAND	U.S.A.	N.E.S.	TOTAL
Chorley	83	-	-	-	-	1	-	-	1	-	-	1	3
South Ribble (3)	90	1	-	-	-	1	-	-	-	-	1	1	4
West Lancs. (exc. Skelmersdale)	105	-	-	-	-	-	1	-	-	-	-	-	1
Skelmersdale (4)	42	-	-	-	2	2	-	-	-	-	13	2	19
HIGH PEAK	80	-	-	-	-	-	-	1	-	-	5	1	6
TOTAL IN REGION	6,658	23	36	8	39	63	9	112	38	29	386	52	795
CUMBRIA (5)	474	-	-	1	1	2	-	5	-	1	12	2	24
Carlisle	98	-	-	1	1	-	-	1	-	1	3	2	9
Allerdale	95	-	-	-	-	1	-	3	-	-	6	-	10
Eden	42	-	-	-	-	-	-	1	-	-	2	-	3
Copeland	71	-	-	-	-	-	-	-	-	-	1	-	1
S. Lakeland	93	-	-	-	-	1	-	-	-	-	-	-	1
Barrow	74	-	-	-	-	-	-	-	-	-	-	-	0
TOTAL	7,131	23	36	9	40	65	9	117	38	30	396	54	819

TABLE 2.19 continued. Location of foreign firms in the North West Region of England by nationality of origin.

(1)	The majority of which is Warrington New Town (Population 135,000, March 1977).
(2)	Runcorn is a New Town in Halton District.
(3)	South Ribble and surrounding districts form much of Central Lancashire New Town (Population 247,000, March 1977). Unfortunately it is not possible to separate figures for this New Town.
(4)	Skelmersdale is a New Town in West Lancashire District.
(5)	Cumbria is part of the Northern Economic Planning Region but as it is a member of the North West Industrial Development Agency (NORWIDA) figures are included here. The figures given for Cumbria are also given in the Table dealing with the Northern region. There is some discrepancy between the two Tables resulting from the use of different criteria for inclusion in the list.
(6)	Estimated population as at 30 June 1975 (Provisional) and as at March 1977 in the case of the New Towns of Warrington, Runcorn and Skelmersdale.
(7)	Two Norwegian companies and thirty six Swedish.
(8)	N.E.S. - Not Elsewhere Specified (23 - Ireland, 11 - Belgium, 6 - Italy, 3 - Finland, 3 - Liechtenstein, 2 - New Zealand, 1 - Arab, 1 - Poland, 1 - Luxembourg, 1 - South Africa.

Source: Derived from North West England - Centre for International Industry, NORWIDA Publicity Document. This list is the most comprehensive produced by the regional agencies for industrial promotion but despite this the introduction to the list states: "Whilst this list is not intended to be an exhaustive survey of overseas investment in North West England, it is hoped that it will present a broad picture of the wide range of companies and the many countries represented in the region". Comparisons with lists derived from data produced by other regional agencies is made in the text.

TABLE 2.20 Wages and salaries paid by foreign enterprises compared to all private sector enterprises in in manufacturing, 1975.

SIC		Operatives per head £ Foreign	All	Others per head £ Foreign	All
III	Food, drink, tobacco	2,473	2,188	3,199	2,896
IV	Coal and petroleum products	3,677	3,326	4,331	3,979
V	Chemical and allied industries	2,661	2,739	3,549	3,556
VI	Metal manufacture	2,806	2,683	3,432	3,339
VII	Mechanical Engineering	2,700	2,603	3,160	3,049
VIII	Instrument engineering	2,217	2,111	3,093	2,941
IX	Electrical engineering	2,250	2,167	3,263	3,069
X-XI	Shipbuilding and vehicles	3,017	2,776	4,358	3,466
XII	Metal goods nes	2,416	2,222	2,833	2,852
XIII	Textiles	2,370	1,930	3,129	2,841
XIV-XV	Leather goods, clothing, footwear	1,609	1,568	2,720	2,687
XVI	Bricks, pottery glass, cement	2,527	2,549	3,180	3,078
XVII	Timber, furniture etc.	2,462	2,330	2,968	2,923
XVIII	Paper, printing and publishing	3,104	2,644	3,169	3,010
XIX	Other manufacturing industries	2,677	2,150	3,058	2,916
	ALL MANUFACTURING INDUSTRIES	2,648	2,357	3,399	3,101

Source: Business Monitors

TABLE 2.21 Aggregate comparison of industrial disputes in foreign and domestically owned firms. 1963 and 1968.

	Number of Stoppages	Workers involved	Working days lost
1963 (% of all employees employed in foreign owned firms 7.0%)			
1. Foreign owned	70	21,046	58,077
2. Domestic	1,998	434,154	1,938,923
3. Total	2,068	455,200	1,997,000
4. 1 as a % of 3	3.3	4.6	2.9
1968 (% of all employees employed in foreign owned firms 9.7%)			
5. Foreign owned	208	75,532	454,437
6. Domestic	2,170	1,998,468	4,264,563
7. Total	2,378	2,074,000	4,719,000
8. 5 as a % of 7	8.7	3.6	9.6
1968 (removing one day token stoppage of 1.5 m. workers in engineering and related industries 15 May, 1968)			
5. Foreign owned		75,532	454,437
6. Domestic		682,068	2,735,523
7. Total		757,600	3,189,960
8. 5 as a % of 7		10.0	14.0

Source: M. Steuer and J. Gennard "Industrial Relations, labour disputes and labour utilisation in foreign owned firms in the U.K." in J. H. Dunning (ed.). The Multinational Enterprise, George Allen and Unwin, 1971, p. 121. The Department of Employment made the annual volumes available to Steuer and Gennard who, overwhelmed with the sheer volume of material chose to look at two years only. The aggregate figures do provide some indications but to do the analysis justice disaggregation by industry, magnitude and cause (e.g. non-wage/wage) normalisation was used by them. However, this table is indicative. Ideally it would be useful to update this but this would be time consuming in relation to achieving barely different findings to those for 1963 and 1968. Department of Employment co-operation would be necessary as the Employment and Productivity Gazette draws no foreign-indigenous distinction.

TABLE 2.22 Net output per head by foreign enterprises compared to all private sector enterprises in manufacturing 1975.

SIC		£ per head Foreign	All
III	Food, drink, tobacco	8,476	6,166
IV	Coal and petroleum products	38,326	28,180
V	Chemical and allied industries	8,385	8,328
VI	Metal manufacture	5,865	4,853
VII	Mechanical engineering	5,950	5,121
VIII	Instrument engineering	4,176	3,998
IX	Electrical engineering	5,011	4,479
X-XI	Shipbuilding and vehicles	5,950	5,121
XII	Metal goods nes	4,901	4,249
XIII	Textiles	4,799	3,648
XIV-XV	Leather goods, clothing, footwear	4,181	3,181
XVI	Bricks, pottery, glass, cement etc.	5,428	5,738
XVII	Timber, furniture etc.	5,709	4,560
XVIII	Paper, printing and publishing	6,437	5,101
XIX	Other manufacturing industries	5,750	4,511
	ALL MANUFACTURING INDUSTRIES	6,350	4,948

Source: Business Monitors

TABLE 2.23 Analysis of the private sectors 100 largest enterprises by size of net output, U.K. enterprises in manufacturing, 1975.

	Size of net output (Total foreign 22) All	Of which foreign	% foreign
No. of establishments	3,717	260	7
Employment (1) thousand	2,566	348	14
Total sales and work done (2) £m	39,799	5,154	13
Net output £m	14,769	2,513	17
Gross value added at factor cost £m	13,026	2,246	17
Net capital expenditure (3) £m	1,375	210	15

(1) Average number of employees (full and part-time) during year (including working proprietors) in the establishment.

(2) Includes sales of goods merchanted or factored and services rendered.

(3) New building work and acquisitions less disposals of land and existed building and plant and machinery.

Source: Business Monitors

TABLE 2.24 Analysis of the private sectors 100 largest enterprises by size of total sales and work, U.K. enterprises in manufacturing, 1975.

	Size of total sales and work (Total foreign 27) All	Of which foreign	% foreign
No. of establishments	3,591	301	8
Employment (1) thousand	2,462	364	15
Total sales and work done (2) £m	40,942	7,436	18
Net output £m	14,345	2,574	18
Gross value added at factor cost £m	12,629	2,299	18
Net capital expenditure (3) £m	1,389	255	18

(1) Average number of employees (full and part-time) during year (including working proprietors) in the establishment.

(2) Includes sales of goods merchanted or factored and services rendered.

(3) New building work and requisitions less disposals of land and existing building and plant and machinery.

Source: Business Monitors

TABLE 2.25 United Kingdom Exports. Total exports analysed by category of enterprise. % of total exports. (Returns adjusted approximately for non-response).

Percentages of total Exports accounted for by	1966		1970		1976	
	All Exports	Exports to related concerns	All Exports	Exports to related concerns	All Exports	Exports to related concerns
U.S.A. controlled U.K. enterprises	19	10	20	11	18	10
Other foreign controlled U.K. enterprises	7	3	7	3	8	3
U.K. associates of foreign enterprises	5	1	4	1	4	1
U.K. enterprises with overseas affiliates	60	16	61	16	52	15
Other enterprises	9	-	8	-	18	-
TOTAL	100	30	100	31	100	29

Source: M4 Business Monitors

TABLE 2.26 Capital expenditure by foreign enterprises compared to all private sector enterprises in manufacturing.

SIC		Foreign capital expenditure, % of total capital expenditure in sector			Total net capital expenditure 1975, £m	
		1971	1973	1975	Foreign	All
III	Food, drink, tobacco	9	11	12	57.5	451.4
IV	Coal and petroleum products	21	88	62	55.0	87.5
V	Chemical and allied industries	31	20	22	131.6	575.6
VI	Metal manufacture	37	5	6	41.1	628.4
VII	Mechanical engineering	23	17	22	62.0	280.2
VIII	Instrument engineering	40	50	48	20.4	42.4
IX	Electrical engineering	21	23	24	55.3	222.4
X-XI	Shipbuilding and vehicles	34	29	21	74.2	339.8
XII	Metal goods nes	12	7	9	14.5	160.2
XIII	Textiles	2	10	9	17.8	186.5
XIV-XV	Leather goods, clothing, footwear	16	4	2	0.9	42.6
XVI	Bricks, pottery, glass, cement, etc.	5	3	7	10.6	143.6
XVII	Timber, furniture etc.	7	2	2	1.4	66.4
XVIII	Paper, printing and publishing	2	3	6	13.1	195.9
XIX	Other manufacturing industries	61	22	21	23.9	113.1
	ALL MANUFACTURING INDUSTRIES	16	15	16	579.3	3,535.8

Source: Business Monitors

TABLE 2.27 Average rates of return on direct investment compared to U.K. quoted companies (1). Net attributable earnings after tax and depreciation as a percentage.

	Inward Investment			U.K. Quoted Companies (1)
	World	U.S.A.	E.E.C.	
1964	11.1	-	-	8.6
1965	11.7	-	-	9.6
1966	8.5	-	-	6.1
1967	8.3	-	-	5.5
1968	11.8	13.7	7.4	10.4
1969	9.7	11.5	4.6	10.0
1970	10.2	11.9	6.4	8.7
1971	9.3	10.9	6.3	8.6
1972	11.5	13.5	9.5	8.5
1973	12.4	15.6	7.3	7.1
1974	8.0	9.8	4.8	3.7

(1) To 1967 manufacturing industries only.

Source: M4 Business Monitors and Trade and Industry, 22 September, 1978

CHAPTER 3. FOREIGN INVESTMENT AND BRITISH POLICY

Chapter three first provides a brief tabular summary of the organisational framework of government departments that deal with inward investment both in its initial stages and in the subsequent behaviours of firms.

Most of the chapter attempts to establish British policy on foreign investment by examining policies for regulation and by considering government policies in order to ascertain policy positions regarding foreign investment. Economic, industrial and regional policies are scrutinised but the policy towards foreign firms is found to be barely different from that which is directed towards indigenous firms. This is further supported by the generally benign neglect of issues and problems of foreign investment, potential or existent, as revealed in the latter part of this chapter where the attitudes and opinions of those who shape policy, politicians themselves, are analysed.

3.0 Controls on Foreign Investment in Great Britain

No single agency or Government Department is given responsibility for the foreign firm and so, as Table 3.1 shows an array of Departments are involved. The involvement of a number of departments has been the case over a number of years (1). The sheer number of partially involved departments contributes to both a general paucity of information on the impact of foreign investment and also a degree of unco-ordinated fragmentation in the awareness of problems relating to foreign investment that may exist.

TABLE 3.1 Foreign companies: Departments and their responsibilities in Great Britain, 1979.

Bank of England
Exchange Control Access to Currency Markets.
Treasury
Inland Revenue Dividend Control Customs and Excise
Department of the Environment
Planning Permission.
Department of Industry
Selective Assistance Regional Assistance and Policy National Enterprise Board Planning Agreements Disclosure (Industry Act) Contact with O.E.C.D. work on multinationals Invest in Britain Bureau
Department of Trade
Import and Export Flow Licensing Export Credit Guarantees Disclosure (Companies Act)
Department of Employment
General Industrial Relations Disclosure (Employment Protection Act) Contacts with the I.L.O.
Other Departments with functional responsibilities,
e.g. Department of Health and Social Security (especially the Pharmaceutical Companies), Department of Energy, Department of Transport.

The Department of Industry takes the lead role in concerns regarding the foreign company. Even within this Department no specific section deals with foreign owned companies. In fact, there is barely any differentiation between foreign and indigenous firms. Nationality of ownership is of little relevance to the main focus upon assistance and elements of the production function.

The "welcome" described in the first chapter at first appears to have little scope for qualification but we need to see what the qualifications are and how they are implemented.

Permission for initial entry is relatively straightforward as no special laws on foreign investment in Great Britain exist. The only clearance need in making an inward investment used to come under the requirements of the 1947 Exchange Control Act. The Act set up a Foreign Exchange Committee composed of members of the Bank of England and the Treasury. The Committee looked at a foreign investment and providing that financing was adequate, exchange control permission was virtually always granted. The need for going through this procedure was lifted in October 1979 but it is worth examining some of the details of the old system.

The Exchange Control Act of 1947 had a two fold aim; first, to vet the initial entry of an inward investor, which usually meant the assessment of the appropriateness of financing, and second, to assess the method of control to be used in relation to the financial affairs of the affiliate. The criteria used in the assessment were not laid down but guidelines were made available to the merchant banks that advised potential foreign investors (2). Prior to 1972 the criteria tried to balance out benefits based on gaining reserves in return for any loss of control. The guideline was that if a foreign company retained 75% of the voting shares then the financing of fixed assets should be the same as this at 75%, and so on. This was the case up until the 1972 Budget when relaxations were introduced in an effort to come into line with E.E.C. directives on capital movements. E.E.C. member states were now to be permitted unlimited sterling borrowing within the U.K. for direct investments. At this time provision was also made for all foreign companies making direct investment in the Areas for Expansion to obtain unlimited sterling borrowing in an effort to attract more investment. Recently the trend grew towards even more flexibility with permission normally being granted for foreign companies to borrow sterling in Britain if they so wished (3).

Controls, as mentioned earlier, were in fact completely abandoned in October, 1979.

The second aspect of regulating inward investment used to involve assessment of general desirability. Once again no rules were published although a civil servant in the Department of Industry informed me that potential investors did come under scrutiny even since the abandonment of Exchange Controls. An inward investment would be looked upon less favourably if there were impressions that it would damage existing industry or the general industrial strategy being followed by the government. For instance, foreign investment in "defence" related industries would also be unlikely to be given the go-ahead, although such a case would be unlikely to arise. These criteria are very similar to those detected by Hodges during his investigation of governmental control over multinational companies in the United Kingdom. He also found a lack of hard and fast criteria and remarked on a lack of definitions of key words like "damage" in statements such as "damage British industry". He quotes a Ministry of Technology official as saying, "it is hard to define an elephant, but I know one when I see one." (4). The prevailing attitude appears to be that in general what is good for General Motors is good for Britain (Proposition 1 supported).

The 1975 Industry Act introduced an important qualification to the "welcome" to foreign investment. Part II of the Act gives powers to prevent an "important manufacturing undertaking" passing into foreign control (taken as 30% ownership) when this would be against the interests of the U.K. or a substantial part of it. Tne powers allow for the prohibition of changes of control and can enable the compulsory acquisition of assets or shares in order to prevent a change of control. This second part of the 1975 Industry Act qualifies the welcome. In practice, however, this aspect of the Act has not been used and so any qualification remains latent. It is also worth noting that this legislation, even, is confined to take-overs and portfolio in-investment rather than direct investment in factories, plant and machinery.

The previous Labour Government entered into planning agreements with companies. These planning agreements stemmed from the 1975 Industry Act which allowed for formal agreements to provide a record of understandings between government and major firms. The agreements were intended to provide the two parties with a better understanding and basis upon which to plan policies and strategies. Although the government did enter into a number of informal discussions with firms which did provide such understandings there were only two agreements which were fully documented and signed within the narrow sense of Planning Agreements under the 1975 Act. These were agreements with the National Coal Board and Chrysler. They consisted of a series of statements made by the government and firm. The statements tended to be vague and in the "we undertake to behave as good citizens" vein rather than being based on detailed investigations and figures. Being voluntary arrangements the companies were not bound by their undertakings, this allowing planning changes in the economic climate. Likewise, the government was in no way restricted by the agreements in terms of its policy making. The only case where failure to live up to formal and signed planning agreements was subject to possible sanction was when a firm happened to be in receipt of Government regional financial assistance. On the other hand the only substantial commitment by government was covered by Section 21 of the 1975 Industry Act where provision was made for the guaranteeing of any assistance during the period of a planning agreement.

Labour governments prior to the last one had made use of government - firm agreements in an effort to allow planning to supersede pragmatism. A most notable case was that struck with Chrysler in 1966. In its take-over of Rootes, Chrysler undertook to continue with a majority of British Directors, to establish Britons in Directorships in the French and International operations, to continue expansion plans and improve exports to the level prevalent in the U.K. motor industry and to leave 15% of the equity outside the hands of Chrysler's shareholding. The exercise benefited Chrysler's corporate image at the sensitive time of a foreign takeover but the government gained little as no sanctions could be imposed if Chrysler failed to fulfil its undertakings. The 1975 Act's provisions did at least allow the withholding of any assistance as an option, but this was not used even if firms did not behave as they undertook. With no procedures for monitoring or reviewing company behaviour to enable ascertainment as to whether the excuse of a changed climate was legitimate as an explanation for non-fulfilment of agreements even the later and more formal Planning Agreements of the 1975 Act were not very useful.

One senior civil servant suggested that the lack of monitoring never failed to strike him as amazing; "Even when the government hands out large sums if money in assistance monitoring is barely existent. We may send around a man once a year to see progress but we have little manpower to do much else." (5). He admitted that the case was no different for indigenous and foreign companies but went on to quote examples of large international firms who, on receiving Regional Development Grants and Selective Financial Assistance, had made undertakings such as achieving certain levels of job creation yet had never got anywhere near them, being able to make the excuse of unforeseen changes in the international economy.

A lack of restriction is also evident regarding the repatriating of profits from Britain. It is therefore difficult to judge the amount of profits generated in Britain that are transmitted abroad although in a Parliamentary answer it was suggested that over the four years 1970 - 73 directly affiliated foreign companies (excluding oil and insurance) had retained about three fifths of their profit in Britain (6). Profits can be freely transmitted abroad whilst permission for repatriation of investment proceeds require specific consent. This consent is invariably given, subject to provisions for United Kingdom liabilities.

The oft repeated "qualified welcome" is reflected in the lack of restrictions. The only major restriction (if it can be so called) was that in the now defunct Exchange Control provisions which attempted to minimise the benefit accruing to foreign exchange reserves. Certainly the procedure of Exchange Control was extremely simple and could not be seen as an imposition or deterrent to the interested firm. The attempt of the 1964 - 70 Labour government to introduce planning agreements with foreign firms involved in take-overs (7) was not developed into a general method for assessing and monitoring foreign investment. Planning agreements could have done this to a limited extent but in practice were so riven with loopholes and so lacking in sanctions as to be virtually irrelevant.

Another indicator of the reluctance to interfere with the potential investor was the speed with which the whole process of granting exchange control permission used to be conducted. Part of the reason for this was that merchant banks or management consultancies handling the entry process for client foreign firms ensured that an application for exchange control was practically sure of acceptance prior to submission. Consequently, rejections were extremely rare, totalling less than ten since 1945. Refusals were related to only the most dubious and absurd applications such as in the case of setting up "front" companies to avoid tax or benefit from subsidies. In one case a refusal was given to a defence-related operation when assurances on the continued U.K. production of certain products were not given by the company.

In the last decade refusals have been extremely rare. The major fear was of the multiplier effects of failing to grant permission to one company. The lack of refusals may indicate the general tenor of encouragement, though doubts have to be expressed as to whether scrutiny of inward investors was always sufficiently thorough, as suggested by the rapidity of granting exchange control permission. A decision was usually reached in a week or less, interested Departments having been canvassed and the Foreign Exchange Control Committee having deliberated upon briefs prepared by the Bank of England. The whole process has been known to have been achieved in a little over twenty-four hours (8). In talking to Treasury officials Hodges found the speed and informality of the process quite startling:

> "....in many instances, inter-departmental consultation and approval of exchange control applications has been carried out by telephone; and even when the Foreign Exchange Committee meets physically, it usually only consists of

three or four officials who use their past experience, rather than intensive research on the application itself, to judge the pronouncements of the investor company." (9).

The Hitachi case was perhaps the most controversial issue of the 1970's regarding inward investment. The Hitachi company wished to set up a TV assembly plant in the New Town of Washington, Tyne and Wear. The New Town Development Corporation and the Department of Industry were only too pleased but their efforts at attracting the company were destroyed by pressure and protest emanating from a protectionist (and collapsing) British TV tube industry. The government under internal pressure was compelled to impose restrictions upon Hitachi, restrictions which were accepted by the company in due course. The conditions included the stipulation that at least half the TV components should be obtained from U.K. suppliers, that imports of Hitachi sets should be curbed and that exports from the U.K. should be high. Despite Hitachi's acceptance of conditions, during the autumn of 1977 the domestic industry and union lobby kept enforcing delay on government decision. Hitachi who had been subject to crude anti-company and anti-Japanese propaganda finally decided to await a decision no longer and shelved its plans on 8 December, 1977 (10). Hitachi had clearly been subject to a situation mishandled by government caught in the face of pressures, and although the case had not been outright refusal it was tantamount to such.

In a fiercely competitive market for the obtaining of investment any stalling or dragging of the feet will probably only mean a loss of investment to another country. The Government, for instance, "lost" the Mostek plant for producing integrated circuits to Ireland early in 1978 by its reluctance to provide the usual Selective Financial Assistance which was inspired by the fear of competition with the Department of Industry and NEB-backed plan for the setting up of an indigenous microprocessor company, INMOS. Problems inevitably arise in cases where the Department of Industry sponsors a sector it wishes to keep British.

It should be clear from the Hitachi and Mostek examples that not allowing exchange control permission was not the only way that a government could turn away any foreign investment it did not want. However, the methods employed in the Hitachi and Mostek cases are probably detrimental in that they became media-focused issues and served to create a bad image of Britain. If there are to be qualifications to the welcome then perhaps it would be more beneficial for the potential inward investor to know the qualifications. Alternatively the government is given more flexibility by having no explicit laid down criteria, assessing applications on an ad hoc basis. If refusals are rare then it can be concluded that the British attitude is one of encouragement but the drawback is that the well publicised, even if rare, refusal can damage many efforts at attracting investment.

The two specific examples highlight the fact that the welcome has not gone without qualification on occasions when sensitivity is high. Not unexpectedly this is the case in the two important sectors of defence-related and primary industries. Obviously, foreign investment in defence-related industries does arouse interest to such an extent that foreign investors are unlikely to attempt entry in the first place. Similarly, foreign investment in primary resource based industries may also be approached warily, especially when some such sectors are dominated by nationalised industry or are otherwise seen by the public as a nationally owned collective good. There is an undoubted psychological impact in the perception of the country being robbed of its patrimony. For instance, the exploitation of North Sea oil by, in the main, foreign companies has such an impact. It has to be remembered that under British Law oil still remains the property of the Crown, not the company with the concession. An excursion into examining government - foreign firm relationships during the exploitation of North Sea resources would seem worthwhile in that such activities would seem likely to throw up qualifications to the policy of "welcome".

In the early 1970's it became increasingly clear that the benefits from the North Sea were going to be far greater than anticipated. The government was particularly slow in realising this potential and it was 1972 before a consultant's report to assess the potential benefits of oil and gas to British industry was commissioned by the government (11).

The Economist sneered at the lateness of the study which "would have been a good idea had someone thought of it a few years ago. As it is, British business is doing a fine job supplying coffee and cigarettes to the oil rough necks who man the drilling platforms but, with few exceptions, the contracts for sophisticated services and equipment are going to American Companies", (12).

The report from the consultants was accepted in principle by the government. The report showed that Britain was missing out on business in the areas of direct employment, services, equipment buying and construction. With unemployment topping a million and with concentrations of such in areas adjacent to the oilfields it was easy to see the benefits of greater involvement in the offshore supplies sector.

Intervention to influence, direct or even nationalise the oil companies came nearer with the incoming Labour government of 1974. The new government embarked on policies to close taxation loopholes and also set up the British National Oil Corporation (BNOC) thus bringing about direct government involvement in the exploitation of North Sea resources. The establishment of BNOC was a step towards redressing the general reticence of British bankers and industrialists. Its establishment was also partly to appease the popular view that a gift horse was otherwise being missed. In earlier years the oil companies had undoubtedly got off lightly, this being partly due to the scale of the risks they were taking in relation to the uncertain returns.

A study, British Industry and the North Sea has been completed by Michael Jenkin (13). This study examines changes in government policy towards oil companies operating in the North Sea. In particular, it considers the ways in which the government attempted to influence (mainly foreign) oil companies to buy from British suppliers. It was all too apparent that oil companies were tending to purchase supplies from countries other than Britain. This was inevitable for reasons such as familiarity with traditional suppliers which were perceived as more technologically capable and most important, more reliable to deliver on time. The many reasons may be subsumed as uncertainty reduction. With such a state of affairs the British government being desirous of bringing more benefits to British industry began using techniques ranging from Ministerial persuasion including favouritism with regard to future licensing to administrative procedures in attempts to persuade, and notably not sanction, more orders to be placed in Britain. The administrative technique was a new venture in government intervention. Firms were now obliged to submit to government details of their offshore purchasing on a quarterly basis as had been recommended in the aforementioned consultant's report (14). This procedure, which became known as auditing, involved analysis of the returns made by firms and their follow-up by the Department of Industry's Offshore Supplies Office. The aim of the exercise was to persuade oil company executives to consider British alternatives and capabilities (15). Auditing remained a technique to give British industry a full and fair chance to compete and to remove the non market inducements (the elements of uncertainty reduction discussed above) to favour foreign contractors (16). The technique was a clear reaction to the abysmal responsiveness and competitiveness of large sections of British industry. Jenkin, however, suggests that the techniques amounted to a departure from the policies of welcome and non-discrimination between foreign and indigenous companies (17). This view, however, does not seem to be the case as policies were aimed across the board at all oil companies and not just the foreign ones. The policies undoubtedly focused more on foreign based multinational companies than on indigenous ones as the latter were often pursuing uncertainty reduction in using a greater proportion of indigenous suppliers than their foreign counterparts were in the first instance (18). It would be wrong to say that the approach to foreign investment was being qualified. Inherent in the techniques being employed was a definite departure from the free-trade, arm's-length approach to industry. Although there was an increased involvement of government in the affairs of industry there was no departure from the policy of "welcome" in this. With regard to the initial welcome to inward investment the policies may even have encouraged more investment from overseas than would otherwise have been the case.

In the North Sea the first departure from the policy of welcome came during the present Conservative government. This departure was that in the seventh round of North Sea licensing the Department of Energy now urged at least a 50% British interest in companies wishing to obtain licences. To facilitate this desire the Department of Energy offered the better blocks to applicants with such British interests (19). This policy led to foreign companies scouring the City in efforts to find British firms wishing to become involved in consortia. A year later it was interesting to see that the shortage of British companies with oil interests had led to consortia involving many British companies with no previous involvement in oil, for example, Tube Investments, RMC, Grand Metropolitan, Unigate and National Westminster Bank. Jenkin may have been premature in his conclusion on auditing leading to a deviation from the free-trade based "welcome" but he appears to have been correct in predicting the possible beginning of a departure on the policy of "welcome" (20).

In the case of industry in the North Sea it would seem that the importance of this tangible national resource in terms of the National Interest led to some qualification of the "welcome". This at least demonstrates a preparedness to make qualifications which is made easier when the government is in an advantageous position, that is, when oil companies have limited choice in that oil is a much demanded natural resource that is not univerally available. In the case of more footloose manufacturing industry there is, in contrast, little scope for such qualifications when firms can easily choose another country in which to locate.

Qualifications then, have occurred and will continue to be made on occasions when it is possible to make them, that is when a position of strength is obtained by the government in relation to a sought after and spatially specific resource. They will also occur when sensitivity is high be this manifested by opposition from industry interest groups or government departments as in cases such as refusals relating to Hitachi, Mostek or those in defence or primary resource sectors. Nevertheless, this does not alter the general tenor of the policy of welcome which is, in the vast majority of cases, unqualified.

For this reason the remainder of the study refers to the policy of "welcome" being unqualified in general, although strictly speaking some specific qualifications may be found as has been shown.

Britain's general imposition of very few restrictions on foreign investors is similar to the prevailing approach in many West European states as identified in a comparative study of seven states conducted by Professor Jean Boddewyn (21). He found that all the states had exchange controls similar to those that existed in Britain and that most states steered foreign investors through regional policies where possible. Whilst he found Britain did not have special legislation favouring foreign firms she does have a discriminating policy favouring indigenous firms via a system of preferential government purchasing of British computers, tele-communications and pharmaceuticals where possible, which discriminates in an attempt to maintain an independent industry. However, similar measures derived for similar reasons were identified in France and West Germany. Altogether he found very few restrictions on foreign investors and their behaviour in the seven states he studied, that is, Belgium, West Germany, France, Italy, Sweden, Switzerland and the United Kingdom. The latter was amongst those operating the minimum of restrictions.

3.1 Foreign Investment: Costs, Benefits and Government Policies

Referring back to the initial puzzle stated at the outset of the first chapter it seems that British policy on foreign investment is under-developed, but this appears little different from that in other developed states with possible exceptions such as Canada. Certainly the pleas for governments to gird themselves against exploitation from foreign investors and multinational companies made by Kindleberger, Modelski and Vernon as outlined in the first chapter do not seem to have been greatly heeded in Britain, or anywhere else in the developed world, for that matter. In the developing world, of course, the ball game is completely different and blanket restrictions on foreign investment are common even if often ineffective in the situation of desperately desiring investment whilst despising its foreign origin.

Judged from the legislation directly considered so far the discouragement of foreign firms wishing to come to Britain is rare. Treatment of foreign firms does not differ from that of indigenous firms. Perhaps we can move on to consider other policies affecting foreign investment and investors and the reverse, the affect of foreign firms on policies, to provide clues to the reasoning behind the policy of virtually unrestricted welcome. Costs and benefits are considered and thus a deeper perspective is given to some of the statistical evidence given in the last chapter.

The benefits of foreign investment are seen as most important to Britain's economic strategy. The overall aim is to achieve increased investment, to bring faster growth, greater productivity, and increased exports. Britain has been trying desperately to improve her record on all these fronts in post war years. Whether strides are made in these directions as a result of indigenous or foreign investment is not considered as relevant, just so long as strides are made. From a nationalistic point of view achieving aspirations indigenously is preferable, but should this prove inadequate then foreign investment will be seen as an alternative route to achieving goals. Furthermore, foreign investment is often seen as more beneficial as a whole range of benefits can accrue; capital, products, knowledge, techniques and markets. In short, many stimuli to economic advance and development can be injected by inward investment.

We have seen that restrictions on foreign investment are minimal (Proposition 2 supported), and that in terms of overall benefits to economic strategy inward investment in Britain will be actively encouraged (Proposition 10 supported). In global terms, judging on the basis of overall industrial and economic aims, the benefits, often related to the inherent advantages of the multinationality of firms are perhaps so overwhelming as to obscure their costs (Proposition 3 and 4 supported). However, costs cannot be ignored, but should not be overstated. In the first chapter we saw how the foreign or multinational firm came in for the blame of many woes of the world. A more balanced view of the costs and benefits was given in a report on foreign ownership in Canada:

> "the very inflow of inputs that come with foreign investment and create the benefits also tend simultaneously to generate costs or problems. The influx of senior personnel from the parent provides management skills of a higher quality; but the ease with which managerial and entrepreneurial skills can be imported may reduce incentives to improve these skills in the host country. Capital inflow increases aggregate savings and investment and the rate of economic growth; but the institutional development of a national capital market may be inhibited and the range of choice facing the investor reduced. The direct investment firm provides easy access for the subsidiary to the technology of the parent; but the latter is not necessarily the appropriate technology for the host country, and the potential to become a leader rather than a follower may be diminshed. Foreign affiliation may provide an assured market for the subsidiary's output, particularly of raw materials and semi-processed goods; but, to the extent the taxation authorities do not ensure otherwise, the resulting "prices" may not result in maximum benefit for the host country. In manufacturing, the subsidiary gains access to the trademarks for tested products and the residents of the host country to the latest consumer goods; but the subsidiary may become simply an appendage of the parent, copying products for the domestic market and in the unlikely event it is efficient, restrained from exporting, while the absence of distinctive national products may limit national advertising and impede the development of national media in the host country." (22).

Although both firm and state are growth orientated a major conflict may be that emphases may differ. A multinational firm may act detrimentally in national terms yet be benefitting its own growth orientations. For example, the multinational has the advantage of market sharing between subsidiaries and can maintain growth of the conglomerate whilst running down an affiliate contrary to the wishes of the state in which it is to be found.

Disinvestment is perhaps the most drastic cost possible. Unfortunately, the closed nature of many companies and government reluctance to ask for all but minimal information disclosure as under the Companies Act means that forewarnings of changes such as disinvestment are rarely adequate for government to develop strategies to cope with localised job loss and so on.

In recent years particularly during and since the 1973-75 international economic difficulties disinvestment has become a worrying issue. Statistics evidencing the scope of this problem are not available for Great Britain but a major study (23) that focused on four European countries found sharp increases in closures of foreign companies during 1973 and 1974 followed by a higher closure rate than prior to 1972 continuing after these years. The most detailed study was on Belgium in 1975 - 76. Here it was discovered that foreign owned affiliates do tend to close more frequently than indigenous firms, but that employment loss was higher in indigenous firms as the large foreign owned companies tended to be more stable than large indigenous firms.

Another recent study (24) which focused on Ireland found no evidence of foreign firms closing their overseas plants in preference to those in the home state. The study considered 191 foreign-owned plants (employing 27,000 or about 15% of Eire's manufacturing workforce) established between 1951 and 1971 compared to a similar number of Irish owned plants. It was established that closure rates and employment loss in foreign firms was barely different than those of indigenous, and that in the former post-recession recovery rates were also better. And this was despite the fact that all the foreign plants had received hefty assistance, so often wrongly seen as a prop to uneconomic firms. The situation in Britain regarding closures is probably little different than this. The press tends to highlight foreign firm closures and hence distort the picture but, nevertheless, there may be more closures of foreign firms in Britain than in Ireland, not least because of their longer establishment in some cases, giving more time for plant to wear out and markets and costs to change.

Evidence, unfortunately, cannot be conclusive, but Van den

Bulcke succinctly summarises the typical argument.

> "Foreign investments come last and go first. When the overall corporation is in trouble, the foreign units are the first to be sacrificed because this is easier to justify to stockholders and to the home country government and general public. The troubles of the foreign unit are likely to be less well understood and "emphathised" and, therefore less well remedied. And top corporate managers, for all their proclamations in favour of internationalism are as chauvinistic and patriotic as anybody else, and therefore favour their home country." (25).

The logic can be contradicted by arguments stressing that it is often the case that vast sums of money and effort have been invested in a plant and this will deter closure. Nevertheless, although on occasion closure has been hasty and insensitive there has to be a point at which decisions are taken to cut losses and it is likely to be the periphery that is pruned. In local areas dependent on foreign investment the impact of a recession either internal or external to a firm can have severe ramifications. Tables 2.15 - 2.19 demonstrated that such local areas do exist in Britain, particularly in the less favoured regions such as Scotland. Hence the oft repeated adage that when Wall Street sneezes Scotland catches a cold does have some semblance of truth within it.

In Britain the effective power of multinational companies has been demonstrated. For example, the American owned Marathon shipyard was treated differently from British companies in the Shipbuilding Nationalisation measures of 1976. The Government suggested that this was because she had to honour pledges not to nationalise the company having given the company high levels of subsidy to attract it to Britain in the first place. Would such a pledge have been honoured or given had Marathon been British? Similarly, Chrysler, not only having failed to meet pledges regarding maintenance of employment and production facilities in Britain made during the 1967 Rootes take-over, was able to extract very favourable benefits when it threatened withdrawal from its loss-making U.K. operations (although Chrysler did not persuade the government to take-over its U.K. operations which it wanted).

The Chrysler collapse is a major example of the problems posed by disinvestment, actual or potential. A Chrysler withdrawal would have been both destabilising to balance of payments and employment. The Government stepped in with finance amounting to £160m. over three years in an effort to get Chrysler to stay. Nationalisation was not seen as a serious option, despite the Government of the day. Car production in Britain was already excessive. Another ailing car manufacturer to compete with British Leyland, and dealers who would no doubt have stayed with Chrysler's international products were hardly indicators of good future prospects. Not only did the Government finance Chrysler but they allowed freer access to the British market for French-produced Chrysler cars and the only market that Chrysler guaranteed its U.K. operation was the short-lived Iranian one. The lack of stringent obligations on Chrysler were later subject to much criticism (26).

The fourth chapter of the Expenditure Committee's Report on Public Expenditure on Chrysler U.K. Ltd. entitled "A Pistol to the Head?" shows that "only if the Chrysler Corporation had begun to withdraw unilaterally and immediately could they have put the Government in a more exposed position than that which resulted from the press conference on 29, October", 1975 (27). At the conference Mr. Ricardo, Chairman of the Board of Chrysler released his company's plans to possibly pull out from Britain altogether unless assistance was forthcoming. Clearly the Government was surprised and shocked by the announcement (28). Various statements made by officials of the company had during the previous year indicated that the company was here to stay but the Government, it seems, should have been aware of the possibilities of a Chrysler U.K. collapse as a result of the "actual events over the preceding year and before; and its confirmation in our MVI report, in the CPRS report, and in the views of the witnesses in our present enquiry." (29). The Government had been placed over a barrel, a situation that would have been at least in part avoidable if potentially detrimental actions could have been predicted and avoided.

The need for monitoring and information disclosure to assist government in its industrial strategy appears to exist. One place where monitoring receives considerable attention is in competitive situations which have on occasion involved foreign companies. Of the companies investigated by the Monopolies and Mergers Commission about a third of the investigations published between 1960 and 1976 involved foreign companies; These were:

(1) Supply of electrical equipment for mechanically propelled land vehicles.
HC 21. 18 December, 1963.
Involving Champion Spark Plugs.

(2) Supply of petrol to retailers in the U.K.
HC 264. 22 July, 1965.
Involving Shell, Esso, Texaco, Mobil, Total, Continental (and BP).

(3) Supply and processing of colour film.
HC 1. 21 April, 1966.
Involving Kodak, Agfa, 3M, Ferrania and GAF.

(4) Supply of household detergents.
HC 105. 3 August, 1966.
Involving Unilever and Procter and Gamble.

(5) Supply of aluminium semi-manufactures.
HC 263. 20 December, 1966.
Involving Alcan.

(6) Second report on the supply of electric lamps.
HC 4. 2 December, 1968.
Involving Philips.

(7) Supply of starches, glucoses, and modified starches.
HC 614. 18 October, 1971.
Involving Brown and Polson.

(8) Supply of ready cooked breakfast cereals.
HC 2. 20 February, 1973.
Involving Kelloggs.

(9) Supply of chlordiazepoxide and diazepam.
HC 197. 11 April, 1973.
Involving the Roche Group.

(10) Supply of frozen foodstuffs for human consumption.
HC 674. 9 November, 1976.
Involving Birds Eye, Findus (and Imperial Foods).

Foreign companies are not monitored for monopolistic practices to any greater extent than are indigenous, and in the Commission's Reports the foreign aspect does not receive attention, except perhaps when brief historical sketches of the companies in question are being made. The extraterritorial aspects of the operations of foreign companies under investigation is virtually completely ignored and terms familiar to international business such as global strategy and transfer price seem to be forgotten as pricing policy and the U.K. market are selected out and treated as if it is possible to treat these in isolation. Worries have also been expressed about the ability of the Monopolies Commission to investigate multinational conglomerates such as Lonrho, where sector domination is less important than the destabilising influence possible from a company with a multiplicity of holdings (30).

The nearest the Commission came to taking a worldwide perspective was in case 9 above where the Roche Group was severely criticised and ordered to recompense the National Health Service in respect of overcharging for the branded drugs Librium and Valium. Even here the indictment of transfer pricing was skirted despite issues being publicly debated. In case 6 above, regarding Philips Industries, no investigation was made of royalty and research and development payments to the Dutch parent, the Commission being satisfied with the profits being made. And in the first case above involving Champion, no inquiry was made into the transference of insulators for spark plugs from the United States at rates thirty per cent below the customs valuation and the large reverse charges being made for research and development and administration by the parent, similarly went uninvestigated.

In six of the cases above the Monopolies Commission did make recommendations and relied on voluntary compliance. In no case was the Monopolies legislation enacted to anything like its potential, and treatment of foreign firms was done wearing kid gloves so as to avoid jeopardising present or potential foreign investment.

On the mergers side, few are referred to the Monopolies Commission and of these very few involve foreign firms. As with the Exchange Control Act, and the Chrysler case of "black-mailing" the government in order to stay in Britain the concerns are primarily with balance of payments issues (31) and to a limited extent with job maintenance.

A lack of interference on the mergers front can be attributed to the logic behind the Industrial Reorganisation Corporation (IRC) which aimed at creating large industrial units to maintain or improve competitiveness internationally. The IRC, although shortlived, operating from 1967 to 1970, was catalytic in bringing together companies such as G.E.C., I.C.L., and British Leyland. To some extent the IRC was setting up companies to compete with the large international enterprises and this aim overrode the desire for these IRC - encouraged companies to be exclusively British for trans-national mergers were sought where a British alternative was lacking (32). Of eighty-six IRC projects ten involved foreign companies.

The 1970-74 Conservative government adopted a less interventionary approach to industrial strategy than the previous government. However in some cases foreign investment was encouraged, for example, the bringing-in of the U.S. company Marathon to take over a Clydebank shipyard in 1972. On the defeat of the Conservatives the subsequent Labour government resurrected and considerably changed its body for industrial reorganisation. The new body, the National Enterprise Board (NEB) was given the remit of encouraging industrial efficiency promoting employment and improving the balance of payments. This was to be a different animal from the IRC, although the NEB's propping up and encouragement of indigenous industries could be broadly interpreted as an attempt to provide at least a modicum of indigenous competition against imports and foreign firms.

If indigenous industry is to be maintained then there may be some justification in trying to adopt industrial strategies which try to assist the domestic firms. Foreign firms, as we have seen in the last chapter have, in general, higher productivity, output, sales and work records than do indigenous firms. Taken in isolation this would indicate that in the long run domestic firms will lose out to the foreign firms competitively. As suggested in Proposition 4 foreign, and particularly multinational, firms appear to be able to exploit inherent advantages of access to capital, world markets, and technology that may exist. The government will logically wish to encourage the more efficient and successful foreign firms but may be walking the tightrope of catalysing the decline of indigenous industry in the process, which if coupled to subsequent disinvestment by the inward investing firm could lead to the economic turmoil of reliance on imports, at least in the short term. Examples demonstrating these types of phenomena are difficult to document but, even when exposed the Monopolies Commission has failed to recognise them. In one notable case the Monopolies Commission even made things worse for the indigenous competition by its adherence to examining issues solely in terms of price. Even though it may have intended to achieve the opposite the Monopolies Commission brought about severe problems for Kodak's competitors (Case 3 above), when Kodak was told to reduce its prices of colour film by twenty per cent. The Commission was successful in its aims on the price front but had failed to consider wider implications. Subsequently the only indigenous competitor, Ilford, that had previously only survived by undercutting Kodak, was taken over by CIBA, the Swiss chemicals company.

On the aggregate level the various detrimental implications of foreign investment are often ignored. Some bolstering of the existing machinery, such as the Monopolies Commission, could be possible, and if achieved with care would be unlikely to be of great detriment to future inward investment.

In examining the Monopolies Commission's investigations much reference has been made to various methods of minimising the international tax burdens of foreign companies. In the U.K.

the detrimental effects of such behaviour have been little studied. Studies in Austrailia and Canada have revealed examples of host states losing out (33) but Dunning suggests there to be only limited opportunities for such activity in Britain (34). However, in terms of exports Table 2.25 showed that about half of the exports of foreign controlled firms are made to related concerns. Although unquantified, a similar situation probably exists regarding imports to foreign enterprises with the U.K. It can be concluded that the scope for transfer pricing and taxation manipulation does exist even if unused.

A major difference between the foreign firm and the purely domestic firm is the ability to indulge in transfer pricing via intra-company transactions. The foreign enterprise is thus able to gain a distinct advantage should it so desire. One may even reach the situation whereby the value of goods being transferred in a transaction is virtually unimportant, for an unrelated, internally-determined transfer price will be used to minimise overall fiscal burdens. The Steuer Report clearly recognised the problem:

> "The resources available to giant international companies in calculating and single-mindedly pursuing their relative advantage in a world populated with national states each running different tax rates are immense." (35).

The British approach to taxing the multinationals is quite simple. Profits are taxed if a company is resident in the U.K. (i.e. possess central management and control in the U.K.) or, if a non-resident, then on income arising here. To avoid double taxation in various states Britain uses over sixty bilateral agreements allowing companies freedom from being taxed twice. This approach eliminates much incentive for transfer pricing but there is still an obvious advantage in declaring profits in states with lower taxation than in the U.K.

The general feeling amongst many relevant individuals interviewed during the course of enquiries was that the skill and adeptness of the Inland Revenue Department ensured the prevention of blatant abuses without needing to invoke heavy handed techniques which could in turn be detrimental to inward investment. However, in the last decade there has been a considerable bolstering of the Inland Revenue Department's activities vis a vis foreign enterprises. Serious oversights have been made, the most glaring example being the overcharging of the National Health Service for Librium and Valium made by Roche. Apparently, despite the Inland Revenue's confidence about containing blatant transfer pricing, the overpricing by a factor of about fifty times the cost of the active ingredients of the drugs was only revealed by accident, when a member of the Monopolies Commission happened to buy some of the drugs whilst holidaying in Italy. (36).

Legislation in recent years has strengthened the Inland Revenue's hand. Section 485 of the 1970 Income and Corporation Taxes Act allows the Inland Revenue to reallocate profits and charge tax on them as if they had been transactions between independent persons and not intra, or related company transfers. The 1975 Finance Act further enhances the Inland Revenue's position by requiring greater disclosure of information by companies, although a major drawback is that this is kept secret to the Inland Revenue Department who cannot even transfer information on abuses to other potentially interested bodies such as the Treasury or Department of Industry. Perhaps the greatest benefit of the 1975 Act is that it generates tax revenue at little cost for the onus falls on the company concerned to challenge and prove that the taxation imposed is unfair.

The strengthened responsibilities were given to what was generally referred to and herein called a Special Unit within the Inland Revenue (37). The main benefit is that this Unit can consider situations in depth, building up complete tax histories by both fishing out and demanding information if necessary. Despite being a small unit of around twenty staff successes in terms of extra tax generation have been significant, even if investigations are slow. The Unit is a substantial improvement on dealing with tax affairs through local tax offices which are inadequately equipped to deal with the tax affairs of big business.

Loopholes, almost inevitably, will exist and efforts to close them all would probably be disproportionate to the benefits accruing. Even after the tightening of the methods used the Inland Revenue has not employed a heavy handed approach. Adjustments have been made by informal discussions varying by the particular circumstance of the case at local tax districts or head office. As informality prevails data on the number of informal adjustments are unavoidable but formal orders were only necessary in three cases in two and a half years of operation (38). Estimates as to the benefits since the Special Unit has been operating cannot be certain for local adjustments are not easily measured. Nevertheless, Mr. Denzil Davies, Minister of State at the Treasury in the 1974 - 79 Labour Government was willing to make an estimate whilst pointing out some of the difficulties in changing taxation levels:

> "Adjusting the prices of multinational companies may not immediately increase tax chargeable on the company concerned but may offset available tax allowances or reduce tax losses. Such offsets may result in immediate extra liability upon other companies within the group, if not they could increase tax liabilities of the group companies in later years. The indirect results cannot be quantified so a meaningful figure of additional revenue resulting from such adjustments cannot be given. Since the beginning of 1974 profits made centrally by what has been described as a special transfer price unit has been about £50m." (39).

The generation of such a considerable amount of extra revenue serves to prove that special investigations were necessary in a situation where the prevailing ethos is the avoidance of paying taxes if at all possible.

The Special Unit came as a response to demands that no-one should be able to avoid tax, and the establishment of the Unit came as a timely reminder that government demands its pound of flesh. The existence of the Unit as it stands seems unlikely to mean loss of investment given that such systems have been operating in other countries for some time, and as one Labour M.P. put it, "Indeed it is thought that the treatment of United Kingdom based transnationals in the United States and West Germany is partly responsible for the setting up of this

Unit." (40).

Even if taxation policies have been tightened up the foreign firm can still be a destabilising element in terms of currency policy. Hedging against impending currency valuation changes is an inevitable capability of foreign direct investment when coupled with multinationality. In the prelude to the 1967 devaluation Vernon found that in twenty-five American subsidiaries he studied in Britain little action was taken to protect sterling positions against devaluation concluding the inaction to be both in order to maintain a good corporate image and to prevent a destabilising burden on the British economy (41). Nevertheless, hedging must occur. Companies are well informed on these matters. Ford's experts claim that they have been right in predicting 69 our of 75 devaluations. (42). But, although there is scope for action it seems that companies do exhibit restraint with regard to disrupting currency policy.

On the balance of payments front it is difficult to reach definite conclusions as to the effect of foreign firms, largely because the requisite data on imports made by foreign firms is unavailable. Table 2.25 showed that a quarter of exports from the U.K. are achieved by foreign firms. The other major bonus, difficult to quantify, is the saving on the import bill resulting from manufacturingin the U.K. On the detriment side foreign firms will probably increase imports and also create a drain on foreign exchange by repatriating profits. Taking into account all these effects Steuer concluded that foreign investment had a beneficial effect on the balance of payments in the order of ten percent of the output from foreign companies in the U.K. With the high level of exports and the concentration of foreign direct investment in export oriented industries, this conclusion seems plausible (Proposition 3 supported). Accurate assessments are impossible given no hard data and even then, transfer pricing, royalty and administrative payments would be difficult to intermesh with statistical evidence.

On another policy front, that of Regional Policy, foreign investment has come to play a significant part since the war. The absolute figures for foreign firms by region and local government area (see Tables 2.15 - 2.19) serve to illustrate the concentrations of foreign investment. Although employment in foreign firms is concentrated to a greater extent in the non-Assisted Areas as opposed to those that are Assisted (see Table 2.14) there is reason to believe that the concentration in Assisted Areas would have been even lower without Regional Policy, and that foreign firms have been beneficial to the development of lagging regions when judged in terms of employment generation. Nevertheless a Board of Trade study did show that although foreign firms did contribute 18% of new employment in Assisted Areas between 1945 and 1965 this was slightly lower than in the more prosperous regions (19% 1945 - 65) (Table 3.2). Furthermore, the most recent half decade given in this study, 1960 - 65, is marked by a decline in the percentage contribution of foreign firms to new employment when compared to the contribution from United Kingdom firms.

TABLE 3.2 Origin and destination of manufacturing establishments, 1945 - 65.

Source	Destination of employment.			
	United Kingdom		Assisted Areas	
	Employment in Thousands	%	Employment in Thousands	%
United Kingdom				
1945 - 65	467	81	377	82
1960 - 65	138	86	117	87
Abroad				
1945 - 65	108	19	82	18
1960 - 65	23	14	18	13
Total				
1945 - 65	575	100	459	100
1960 - 65	161	100	135	100

Source: Board of Trade, The Movement of Manufacturing Industry in the United Kingdom 1945 - 65, H.M.S.O., 1968, p. 40.

Despite the frequent assertion that foreign investment has been extremely important in terms of Regional Policy, steering does not appear to have been as strong as one might have supposed. The usual supposition is that it is fairly easy to steer new investment, particularly if foreign in origin as it may have fewer preconceptions and commitments to a particular area for its location (43). The locational analysis conducted by the serious investor tends to contradict this, however (44). Interviews revealed that steering was seen as important, and possible, but that "while it is not the case that the foreign firm is simply told to locate in a certain spot or nowhere, a choice of Development Area locations is often proferred." (45).

One major reason why the role of foreign investment in a Regional Policy which purports to aim at employment generation has to be played down, is that the incentives offered under the auspices of Regional Policy have been largely capital based (with notable exceptions such as the now defunct Regional Employment Premium) and have consequently led to the establishment of capital-intensive industries reaping the benefits of grants and selective assistance. This has led to many capital-intensive, science-based industries establishing in the Assisted Areas.

In spite of misgivings about the lack of employment creation relative to grants given, the government's report on the impact of foreign investment clearly adopted the view that foreign investment had been beneficial to Regional Policy, though doubts about the future were expressed:

> "Although the record of (multinationals) in the U.K. is, at present very good in respect to policies like regional development....the future may well give cause for anxiety. The persuasion costs accruing to governments is likely to increase in the future with a corresponding reduction in national sovereignty. In certain cases costs may become so high as to effectively preclude national objectives." (46).

In all then, is there a British policy on foreign investment? Suggesting that British policy on foreign investment may be summarised as a "qualified welcome" is misleading, for although the adjective "qualified" is strictly correct, it is inappropriate in that qualifications as have occurred have been specific. There have been few exceptions to the blanket policy of "welcome" and the accompanying non-differentiating between foreign and indigenous firms. The exceptions which have been discussed earlier in this section do show that sensitivities may be sufficiently aroused to bring about what amounts to not allowing inward investment. Such ad hoc refusals or qualifications that have no basis in stated policies to inward investment are damaging but will no doubt recur. In contrast, in cases of defence related industry at least a potential inward investor will be aware that a state's National Interest may override business interests. Since some favouring of indigenous firms in the oil sector has come about foreign firms are now aware that even supposed bastions of free trade will seek the maximisation of returns to its own nationals when in a position of strength in controlling a finite natural resource.

Despite the specific qualifications the general tenor remains as a policy of "welcome" to inward investment. Unfortunately this is the only yardstick we can go by in examining policy in terms of implementation and evaluation. If the study was considering Canada then the guidelines of the Foreign Investment Review Act could be taken as a yardstick and an analysis undertaken upon the basis of it. In Britain this approach is not possible. More evidence is therefore needed to enable the reaching of conclusions as to why foreign investment has become a non-issue in policy terms. To this end the final section of this chapter focuses on the attitudes of politicians to foreign investment and its effects (47).

3.2 Politicians, Political Issues and Foreign Investment

The major part of the present chapter has demonstrated both a lack of a policy that is significantly different from that directed towards indigenous firms and a generally low level of concern with the potential difficulties associated with foreign-controlled firms. By examining actors in the political arena this section follows on from these observations by attempting to throw light on this situation.

Political interest was examined by looking at party and government documents, especially Hansard, for the Parliaments between 1964 and 1980 (48). The major issues arising during the period were identified and a movement from a period of a passive "welcoming" policy to the active attraction of foreign investment was evident. The period studied was also one of rapid increase in foreign investment in Britain although this has fallen slightly in recent years.

During 1964 to 1980 there was a considerable increase in references to issues relating to foreign investment and it seemed likely that some of them might have become serious political issues on the agenda. The whole subject is interesting in that issues were raised but little has been done. In contrast a period of questioning the role of foreign investment in Canada culminated in the Foreign Investment Review Act within a few years. In Britain discussions have been intermittent and tended to have been provoked by specific issues involving foreign companies reaching the news. Thus in Britain issues on foreign investment have largely generated hot air and little else.

The previous section of this chapter has already been devoted to looking at government policies relating to foreign investment and concominantly at government policy on foreign investment. From this examination it would appear that the views of opposing parties and politicians barely differ in this regard. Certainly the political hue of the party in government does not seem to make a difference to the overall policy of "welcome". This has been shown by declarations of senior Ministers in all recent governments:

> "Our general policy is to welcome inward investment in this country by United States and other foreign countries." Mr. Callaghan, Chancellor of the Exchequer during the 1964 - 70 Labour Government (49).

> "In general since 1945 Governments of both parties have encouraged international companies to come to this country." Mr. Heath, Prime Minister during the 1970 - 74 Conservative Government (50).

> "Mr. Healey was enthusiastic about the benefits which might flow from foreign investment. He referred to a "valuable stimulus to industry and employment in Britain over the next few years" if there was a substantial influx of investment from abroad." Mr. Healey, Chancellor of the Exchequer during the 1974 - 79 Labour Government (51).

> "The UK welcomes inward investment and will continue to contribute towards costs where the project would not otherwise come here. The Government aims to create a stimulating climate which will make the UK a more attractive place for foreign companies to invest." Sir Keith Joseph, Secretary of State for Industry in the Conservative Government elected in 1979 (52).

Government policy has tended to stand firm despite changes in political persuasion. The possible detrimental aspects of foreign investment have, however, been raised on occasion, generally by Labour backbenchers. But despite a few exchanges in the House, foreign investment has never become a significant political issue in Britain, and parliamentary consideration has generally been low (see Table 3.3) (53).

Nearly half of the Parliamentary questions as set out in Table 3.3 were asked of the Secretaries of State in the Departments of Trade and Industry (48%, 43, N = 90). A sizeable proportion were put to Ministers in the Treasury (28%, 25, N = 90) these mainly being questions on figures and on the Special Unit within the Inland Revenue. Fourteen questions (16%, N = 90) were asked of Prime Ministers during the period although only one has been directed to the Prime Minister since 1972. Not surprisingly, those Departmental Ministers who asked questions on foreign investment came from the Departments with some responsibility for handling foreign firms as set out earlier in Table 3.1 (54).

Analysing the questions asked of Ministers reveals the issues about which there was backbench concern. A large proportion of the questions (27%, 24, N = 90) (see Table 3.4) basically asked for figures often as "fed" questions in order to record success in attracting foreign firms. Alternatively, the questions on figures which became increasingly frequent after 1974, were merely to make a point about the behaviour of foreign firms. For example, two M.P.s were keen to point out the relatively low level of direct investment from E.E.C. countries (55). Two other M.P.s wanted details of the import and export records of foreign companies (56). Others wanted to show the seepage of profits abroad by asking questions on the profit retention record of foreign companies (57).

TABLE 3.3 Parliamentary Consideration of Foreign Investment, 1964 - 79.

Session	No. of Hansard index references (1)	No. of separately identifiable questions (2) by party of questioner				
		Written		Oral		Of which on figures only
		Con.	Lab.	Con.	Lab.	
64 - 65	1	-	-	2	-	-
65 - 66	0	-	-	-	-	-
66 - 67	1	-	-	-	1	-
67 - 68	1	1	-	-	-	1
68 - 69	1	-	-	1(Lib)	3	1
69 - 70	0	-	-	-	-	-
70 - 71	2	-	1	-	1	-
71 - 72	4	-	1	2	6	-
72 - 73	5	-	4	-	3	2
73 - 74	2	2	-	-	-	2
74	5	-	5	-	-	-
74 - 75	14	1	13	1	1	12
75 - 76	19	3	16	-	-	3
76 - 77	11	-	11	-	-	2
77 - 78	6	-	4	-	3	2
78 - 79	4	-	4	-	-	1
TOTALS	76	7	59	6	18	25

(1) Index references used were: foreign investment, foreign owned companies, foreign owned investment, foreign owned subsidiaries, foreign industrial investment, foreign companies and subsidiaries, foreign enterprises, foreign shareholdings, multinational companies, multinational and international companies, multinational corporations. This approach allowed consistency although the problems of the possible inconsistency in indexing and the missing of issues indexed elsewhere were overcome by adding to the specific references tabulated here by following up issues thought pertinent by the author and these are discussed in the text where relevant.

(2) In all except the first column the separately identifiable questions are listed. The last column indicates the number of separately identifiable questions on figures only. Hence in 1974 - 75, 14 Hansard references contained 16 separately identifiable questions, 12 of which were on figures alone.

Source: Hansard.

TABLE 3.4 Parliamentary Consideration of Foreign Investment. Subject area of Questions by Governments, 1964-79(1).

SUBJECT AREA AND SUBJECT	1964-70	1970-74	1974-79	TOTAL
NEED FOR FURTHER STUDY				
Statement on policy wanted.			1	1
Further study/CBA requested.	2	1	2	5
NEED FOR IMPROVED MONITORING				
Improved monitoring.	1	4	8	13
Improved inter-departmental handling.		1	2	3
Special measures needed to safeguard against closures.		2	1	3
More British involvement in foreign firms needed.	1	1		2
NEED FOR IMPROVED ATTRACTION				
Improved attraction of foreign investment desirable.		1	1	2
Running of the economy needs to be good.	3			3
QUESTIONS ON FINANCIAL POWER				
Request for information on Assistance to foreign firms.		1	1	2
Hedging.		1		1
Need monitoring to overcome transfer pricing.		2	4	6
Special Unit's operation and benefits.			7	7
INTERGOVERNMENTAL ACTION				
Need intergovernmental action.		1		1
U.N. involvement.			3	3
O.E.C.D. information on involvement.			4	4
O.E.C.D. guidelines on implementation.			4	4
E.E.C. involvement.			6	6
FIGURES REQUESTED				
General.	1	4	11	16
Foreign firms from E.E.C.		1	1	2
Profits retention.			4	4
Exports and Imports.			2	2

(1) See note (1), Table 3.3.

Source: Hansard.

Implicit in most other Parliamentary questions asked on foreign investment was the need to pay attention to the potential or actual detrimental activities associated therewith. In the period 1964-79 questions were asked on the need for studies on the costs and benefits of foreign investment in Great Britain on five occasions (58) and one statement of policy was requested (59). The need for more monitoring and control provided a consistent theme of questions throughout the period under study. And Government Ministers of both political persuasions have also been consistent in believing that the surveillance and control of foreign investment is adequate (60). Much of the reasoning behind keeping minimal surveillance and control is in order to make Britain appear favourable to foreign investment. This was shown up in a Commons Committee discussion:

> Mr. W. Howie (Labour): "The only factor which protects a British Government is self interest on the part of the international company beyond that point what we require is that the firm should be much more closely regulated and much more closely controlled than such firms are now"...
>
> Mr. J. Bruce - Gardyne (Conservative): "Beyond the point at which acquiescence in the rules and regulations of the host country makes sense in terms of the international company's commercial self-interest, the rules become so onerous that the company will be encouraged to move its investments elsewhere." (61).

Pragmatism appears to overrule the desires for control.

On occasion, Members requested action to be taken against what they saw as closure-prone foreign companies. Ministers often replied that foreign companies actually brought far more important employment benefits than costs (62), and, that special measures would not be in keeping with the desire for non-discrimination between British and foreign owned companies (63). Interference such as introducing legislation to get British management, directors and equity stakes or simply to keep workers informed of company plans have in their turn been rejected by Conservative and Labour Ministers acting pragmatically (64). In general then, backbench proposals for surveillance or control are met by Ministers determined not to discriminate on the basis of nationality and eager not to scare off inward investment.

Questions have occasionally been asked in the House about the active attraction of foreign investment regarding techniques and departmental responsibilities. Disquiet about the number of Departments involved in dealing with foreign firms has been evident but not on a large scale, at least in terms of the floor of the House, although this has become an issue in recent years in Select Committees and outside Parliament. Parliamentary answers to questions on Departmental roles and responsibilities try to suggest good co-ordination despite apparent detrimental multiplicity. For example, Mr. Dick Douglas (Labour) asked the then Conservative Prime Minister if he was satisfied with the degree of co-ordination between the Department of Trade and Industry and the Scottish Office in the attraction of investment to Scotland. Mr. Reginald Maudling, replying on behalf of the Prime Minister merely replied "Yes, Sir. There is already close co-ordination between all Departments concerned with promotion in Scotland as well as other parts of the country." (65). At a later date, Mr. Jim Craigen probed the apparently loose framework for dealing with foreign companies. Mr. Gerald Kaufman, Under Secretary of State in the Department of Industry suggested there was a lack of individuals dealing specifically with foreign firms but that:

> "Many officials in the Department are concerned with the activities of multinational companies within the framework of their functional or industrial sponsorship responsibilities." (66).

Such a loosely organised system of dealing with foreign companies would seem difficult to co-ordinate tightly, and if claims about the potential or actual detrimental nature of multinational companies are founded then attempts to counter foreign firms using a flimsy framework for dealing with them will not meet with success. However, Ministers have rarely accepted views on the detrimental aspects. For example:

> Mr. Joseph Ashton (Labour) asked the Prime Minister if he was satisfied with the co-ordination between the Department of Trade and Industry and the Department of Employment in dealing with multinational

companies. "Are not multinational companies now bigger and stronger than the British Government? Are they not in a position to move jobs, work and currency around and in general to create havoc with the Government's policies?"...

Mr. Edward Heath: "I do not accept these statements. There is a great deal of interest in multinational companies, and they are being widely studied not only in academic institutions but also in business and Trade Unions. If the hon. Gentleman will give me an example of a multinational operating in the country which has been damaging to the national interest I will study his thesis. Multinationals are subject to the laws of this country just like a home based company....Any company which is trading outside this country has a certain scope for currency movement in the speed with which it moves its receipts and makes the payments which it has to make abroad. That is not limited to multinational companies it applies to any company which is trading overseas." (67).

The potential of multinational companies to create financial disruption has often been brought up in Parliament as an issue relating to foreign investment. The survey of Hansard uncovered sixteen (18%, N = 90) questions posed relating to financially disruptive aspects and the need for their control. Two questions showed concern that multinational companies could exploit Regional Policy. The first (68) elicited the usual response that the eligibility of foreign companies for assistance were the same as that for indigenous firms. This also meant that a question asked about amount of loans and grants going to foreign companies could not be answered as figures on foreign firms were not kept separately and so were "not readily available." (69).

Wider disruptive activites have been discussed in Parliament. Following the disruptive upward movement of the Deutschemark in the early 1970's some were ready to blame the multinationals. Mr. Charles Fletcher Cooke (Conservative) saw the disruptive potential from companies increasing their currency movements in order to arrange profits in a strong currency country. Prime Minister Heath agreed that this was a possible disruption but he went on to state that there had not necessarily been any causal link between the activities of multinational companies and foreign exchange difficulties such as that created by the upward movement of the Deutschemark (70).

The issue of transfer pricing has been another contentious subject for debate in the 1970's. During the 1974-79 Labour administration action was taken on transfer pricing in the form of setting up a so-called Special Unit in the Treasury in order to investigate companies suspected of avoiding taxation. This was the only case of concern about foreign firms which led to unilateral action.

Many of the issues brought up, it was felt, were best dealt with internationally. Consequently the British Government has been actively involved in many international organisations discussing multinationals and the problems of controlling international business operations. British involvement in the United Nation Commission on Transnational Corporations, the O.E.C.D. and the E.E.C. led to seventeen questions (19%, N = 90) being asked in Parliament (as identified by the Hansard search) between 1974 and 1979 (27% of the questions asked in that period, N = 62). No questions on international organisations in relation to multinational companies had been asked previously largely because it was not until the 1970's that international organisations became active in the field of controlling international business.

Questions to Ministers about international organisations tended to be either to check on whether Britain was making active contributions to the debate in the organisations concerned or, especially in the case of the O.E.C.D., to ask how Britain would actually implement guidelines. Questioners were rarely satisfied as respondents usually said they were either awaiting further reports or, that in the case of implementation, frameworks were being considered. Backbench members were keen to get the Government actively involved in implementing guidelines, such as those of the O.E.C.D., but it was clear that "reviews" conducted within the O.E.C.D. would be preferred to an inspectorate located in Britain. For example, Alan Williams, Minister of State in the Department of Industry stated that "the O.E.C.D.'s Committee on International Investment and Multinational Enterprises will be the forum for member governments to keep the guidelines under review for resolving problems. The Business and Industry Advisory Committee and Trade Union Advisory Committee will be invited to express their views to the Committee periodically." (71). Dealing with multinational enterprises at a distances and just talking about multinational companies in the context of international fora was preferred by a Government anxious not to discourage foreign investment in Britain. Taken cynically, the international discussions appear to pay little more than lip service to the problems, thus achieving little of a substantive nature. Such "action" did, however, serve to relieve pressure on the Labour Government that was coming from the Unions and the non-Parliamentary echelons of the Labour Party (72). The Government was at least demonstrating its involvement by its participation in international fora even if this probably meant that issues were being compartmentalised and avoided.

In general then, many Members of Parliament appear to exhibit awareness of some of the problems associated with foreign investment, even if in somewhat limited terms. Benefits are seen to overwhelm the costs and although some M.P.s were only too keen to bring up cases of foreign firms closing or taking actions to the detriment of Britain, these opinions tended to be those of backbenchers who were met by Ministers of both political persuasions keen to reiterate the benefits of foreign investment and apparently exhibiting a considerable degree of cognitive dissonance.

We can turn to some of the other studies that have been done to compare results. Fayerweather's work (73) on elite attitudes towards multinational companies in Britain, France and Canada unfortunately does not disaggregate national legislators and so his studies are less revealing than they otherwise might have been (74) but he does provide some insights (75). His overall findings indicate that legislators in Britain do believe foreign firms to be both beneficial to and have a substantial effect on Britain.

Another writer, Hodges (76), provides further data on the views of M.P.s. His survey of the House of Commons Debates

(1964-70) along with the press releases and speeches of Ministers provides additional evidence on the attitudes of politicians. Hodges found a marked attitudinal difference between the two major parties on the topic of foreign investment. Labour M.P.s were much more inclined to cite disadvantages and the need to take measures to control foreign investment than were Conservatives. He also found a marked attitudinal difference between Labour ministers and backbench colleagues, the former recognising control rather than investment and also favouring existing control rather than stricter control. In the survey of Parliamentary questions on foreign investment (1964-79) done for this study conclusions much the same as these were reached. Although difficult to compare as only thirteen questions of the ninety identified were asked by Conservative M.P.s, it appears that there was a marked difference between Labour and Conservative M.P.s with regard to the advantages and disadvantages of foreign investment and the desirable measures in relation to it. Labour Ministers continuously mellowed the views of their backbench counterparts and during the Conservative Government of 1970-74 Conservative Ministers were barely different from their own backbenchers regarding foreign investment, although their views tended to be opposite to those of the Labour backbenchers who spoke on the subject.

The difference in viewpoints on foreign investment and multinational companies prominent during the 1970-74 government tended to become more stark as some Labour members became more outspoken against foreign investment.
Examples serve to show this:

(a) Mr. Stoddart (Labour): "Does the Prime Minister not agree that these organisations, which recognise no role other than maximising profits, represent one of the greatest social evils of the present day and have already been responsible for factory closures and widespread unemployment (HON.MEMBERS "Too Long") and that their activities in under-developed countries have viciously exploited the poor and unorganised people in these countries."

Mr. Edward Heath: "The Hon. Gentleman has made a series of unsubstantiated allegations which are completely unjustified....Many areas of this country, especially those which suffer from heavy unemployment owe a great deal to foreign investment. They will not be encouraged by the Hon. Gentleman's attitude. Similarly, the invisible exports of this country benefit very much from our own international companies based here. This has a tremendous effect on our balance of payments for which the Hon. Gentleman should be grateful." (77).

(b) Mr. Tony Benn (Labour) "The answers given by the Right Hon. and learned Gentleman to this and earlier questions underline the legitimate anxieties felt in this country and many others about the power of multinational companies. They can overcharge and in the case of Roche they have overcharged the British N.H.S. for drugs. They have power to invest abroad, employ people at low wages and then compete unfairly against British workers. As the Right Hon. and learned Gentleman confirmed earlier, he does not even have statutory power to enforce the provision of information by such companies. In the Green Paper on companies legislation, will the Government please give serious attention to the power of the multinationals that bring some benefits but also tend to erode national sovereignty and affect both workers and organisations in the countries where they operate?"

Sir Geoffrey Howe (Conservative) Minister of Trade and Consumer Affairs: "Anyone who tries to take an intelligent look at the world trading scene is aware of the position of multinational trading companies, but in looking at the situation one must take account of the extent to which they provide a wide range of investment, sometimes in this country and sometimes in the form of British multinational companies being able to invest abroad to increase the capacity of our country to export. The factors raised by the Right Hon. Gentleman ought not to be overlooked, but I think that they have to be set alongside other factors, including the power - often the impenetrable power - of state trading monopolies in countries where it is impossible to discover anything at all. These things must be kept in perspective." (78).

Despite huffing and puffing whilst in opposition the Labour members, even as Ministers, have done little to overcome what they see as detrimental activities associated with foreign and multinational firms.

Politicians of all shades in Britain recognise that considerable benefits can accompany foreign investment. The attitudes towards foreign investment and its costs depend on the political premises assumed initially. Members of Parliament are virtually hide bound to be enthusiastic about investment be it from a foreign or British source. Although an implicit xenophobic preference for indigenous growth is evident, pragmatism inevitably reigns. In certain instances it has to be accepted that indigenous growth was unlikely to be forthcoming or viable. Thus the Heath Government persuaded the American oil-rig construction company, Marathon, into the ailing Scottish shipbuilding industry with the aid of large amounts of finance. A similar recognition was made during 1966 when Imperial Typewriters were about to be taken over by the American company, Litton Industries. Mr. Peter Shore, a junior Minister in the Ministry of Technology commented:

> "We have to recognise the deplorable fact....that that section of the industry was already substantially undermined and was not seriously competitive with its rivals." (79).

The common shared belief of M.P.s throughout the period 1964 - 79 appeared to be that Britain could hardly avoid the need for foreign investment in order to improve her economy. Britain was seen as simply not strong enough to undertake a rigorous policy on foreign investment which could possibly discourage such investment. In the light of such a view emanating from a developed western state one can only despair at the chances for much weaker developing states trying to obtain a "fair deal" from multinationals and foreign investors.

Differences in views along party lines have already been alluded to but only on the basis of that which M.P.s in each party have said. On a straight party basis this may reflect the thinking within the Conservative Party as a whole. Although this may also be the de facto case for the Labour Party as well, the Parliamentary Labour Party is theoretically the implementor of National Executive Committee (NEC) and party conference decisions. This means that some heed has at least to be paid to policy decided on by Conference.

Issues regarding foreign investment and multinational companies and their behaviour have been discussed quite often in

Labour Party circles and conference. For instance, the Labour Party's "Into the Seventies" published in 1969 reviewed the issues bound up with multinational companies and worthy of political attention. However, it was not until 1977 that a conference debate on "Industrial Development and International Big Business" was instituted (80). The issues discussed were those put forward in a 136-page policy background paper (81) and conference approved a somewhat condensed statement of this put to them by the NEC (82). This statement recognised a number of major issues; transfer pricing and the "fiddling of profits and losses", the power of multinational companies vis a vis the state in terms of its high mobility, the influence multinational companies can have on international finance and exchange rates, and the ability of multinationals to challenge Trade Unions (83). In its policy for the future the statement said that the aim was not "to place multinational companies in a separate category, but to isolate the special problems they create and to put forward the policies to deal with these special problems." (84). The statement indicated a preference for effective international action but in the absence of binding codes coming from the O.E.C.D. and U.N. and, in the light of the slow progress in the E.E.C., it was recommended "that the Government should concentrate first on what it can do at home." (85). It is interesting that thinking appeared to have swung full circle in the space of a few years. In the early 70's Labour Party hopes were pinned on international action, national action being viewed as inadequate:

> "As the Labour Party now recognises, national policies by themselves are not enough: some form of international action is essential. In November 1973 the Commission submitted to the Council of Ministers a draft resolution which aims at establishing a general approach to the problem, as a first step towards evolving a concrete common policy. There is no such thing as a national solution to the problem of the multinationals." (86).

The 1977 Conference of the Labour Party approved an eleven point plan "for restoring our national economy and economic sovereignty." (87). These were:

(1) Multinational companies cannot be considered in isolation from the general industrial strategy of the Party.

(2) Britain has a dual responsibility - both as a base for a large number of British owned multinational companies, and as the host to foreign owned multinationals.

(3) A Foreign Investment Unit must be set up, as a matter of urgency. It should as soon as possible form part of the National Planning Commission. It will be closely involved with Planning Agreements.

(4) Planning Agreements must be obligatory for all Category 1 companies (88).

(5) A general set of guidelines should be laid down for all U.K. - owned multinationals.

(6) In particular cases, where necessary in the national interest, the public ownership of foreign owned multinational subsidiaries or branches should be considered.

(7) We should move towards the situation where new inward investment is on a joint venture basis.

(8) The National Enterprise Board together with other public sector companies should own at least one viable, large company in each sector of industry.

(9) Co-operation between British publicly owned bodies and foreign governments should be encouraged.

(10) The Government should encourage international trade union links.

(11) The Government should pursue with other democratic socialist governments, the creation of binding and legally enforceable code of conduct for multinational companies (89).

An overview of the eleven point plan reveals few new ideas. The first two points of the plan are merely pointing out a recognition of the situation, whilst the last three points are just further statements encouraging international co-operation. The fifth proposal, suggesting guidelines for British multinationals operating overseas whilst commendable in attempting to prevent exploitation, suffers from a lack of enforceability, this difficulty being recognised earlier in the Statement (90). More involvement in Planning Agreements where companies set out their basic strategy for the next few years is one which Governments would welcome. The more a Government knows of the future plans of firms the more easy it should be for it to plan its own strategy but, Planning Agreements have hardly been a success in the past, as mentioned earlier, although the sort of Planning Agreements suggested in the Labour Party document would be stronger than the easily flouted "we pledge to behave as good citizens" type used previously. A specific Foreign Investment Unit under these proposals would basically be a system for monitoring via Planning Agreements and, for these reasons, may not be worth establishing both because of cost and the possible discouragement of foreign investors simply by virtue of there being a special unit in existence. The other plans in the eleven point programme, such as increasing public ownership and at least achieving joint ventures with foreign firms, whilst supposedly part of the Labour Party's ultimate aims under Clause IV seem unlikely as alternatives especially when dealing with globally integrated multinational companies.

One main aspect of the proposals had already been defeated in Parliament a few months prior to the NEC statement (91). Mr. Douglas Hoyle, Labour, had proposed a Bill to establish an Inward Investment Board. He claimed the present monitoring framework to be inadequate and lacking in sound criteria. He even referred back to the Steuer Report that had recommended better monitoring. Mr. Hoyle's arguments were defeated by a House perceiving the benefits of foreign investment as outweighing the costs and also being prudent in hoping to continue to attract foreign investment by making the system look as unfettered as possible.

After the set of proposals was laid down by conference, the Labour Government made no movements towards changing its strategy on international big business. It merely continued involvement in international fora whilst continuing with minimal interference with the all too welcome foreign companies. A substantial difference on this and other issues exists between Parliamentary and non-Parliamentary elements of the Labour Party. The Parliamentary Party tends to listen and allow non-

Parliamentary views access via backbenches but the Labour Government's line has been to replace idealism with pragmatism. Labour Governments, like Conservative Governments encourage foreign investment. Government ministers of either hue tend to pay little more than lip service to elements of dissention to their approach to foreign investment whether from an intra- or extra-Parliamentary source. Some Labour backbenchers and the non-Parliamentary Labour Party have been particularly keen to point out the inherent disadvantages of the state compared to multinational companies (Proposition 4 supported), the ability of the multinationals to skirt fiscal policies (Proposition 5 supported), and the ability of multinational companies to play off states to gain better deals (Proposition 9 supported). These people point to the need to control foreign investment as they perceive the activities of foreign investors to be somewhat detrimental (Proposition 8 supported). However, they do not go so far as contradicting Proposition 3 and saying that costs outweigh benefits. No need for the discouragement of inward investment is recognised (Proposition 10 supported).

Some variation in approach by Labour and Conservative Governments may be seen. For instance, the 1974 - 79 Labour Government was actively involved in international fora since recognising that multinationals at least had the scope to act contrary to government policies. The Conservatives often recognised this but saw it as unimportant (Proposition 4 supported). The Conservatives also rarely saw the ability of foreign firms to skirt fiscal policy as important, but the Labour Government did set up a "Special Unit" in the Treasury in order to investigate this (Proposition 5 supported).

The chapter as a whole has provided much support to Propositions 1 to 4 and Propositions 8 and 10. In general, the presence and activities of foreign firms are seen as beneficial to Britain and so desires for control are of low priority and a policy of "welcome" is pursued. Although inherent advantages of multinationality are evident and recognised as occasionally beneficial to foreign firms in dealings with government (e.g. Marathon and Chrysler in specific instances, transfer pricing and hedging in general), behaviour is more often than not no different from that of indigenous firms. Where different, the tables presented in the second chapter generally show foreign firms to be more successful, and hence more beneficial to the economy than indigenous ones.

Government policies have generally shown no discrimination between foreign and indigenous firms. Although we have seen some exceptions to this it would seem that from looking at government policies and political attitudes the policy towards inward investment is the policy as an intention to welcome foreign investment. This chapter has largely answered why this has been the case, that is, the benefits greatly outweigh the costs. Left with a policy which equals nothing more than "welcome" this is the single element requiring further investigation. We can move on to see how this is being achieved and who is achieving it. We can assess the attitudes and motives of policy implementors or, as Lindblom calls them, "proximate decision makers" (92). Finally, it can be decided whether efforts match up to the best way in which foreign firms can be attracted to Britain.

The underlying theme for the rest of the thesis is that we have been able to establish a general consensus on the policy of "welcome" and with such a consensus it would not be unreasonable to expect the implementation of the policy of "welcome", that is the actual attraction and handling of foreign firms, to be well developed and coherent. Although the relation between consensus and coherence is fundamental to the rest of the study, attention to this is somewhat implicit, at least, until the concluding chapter when, what the study has shown and what theoretical insights we have gained from it are discussed.

(1) The list in Table 3.1 shows little difference, apart from departmental names (e.g. substitute Board of Trade for Departments of Trade and Industry) from the organisations recognised as involved by M. Hodges Multinational Companies and National Government, Saxon House, 1974, esp. p. 61 - 73, in his study of multinational companies and the 1964 - 70 Labour Government. The most significant changes have been in the organisations involved in the attraction of foreign investment, discussion of which is left until subsequent chapters (see section 4.1 in particular).

(2) M.D. Steuer et. al. The Impact of Foreign Investment on the U.K., H.M.S.O., 1973, p. 178. Also confirmed during interviews.

(3) Department of Industry "Investment. Regulations: your questions answered", Invest in Britain, 1978, p. 4.

(4) M. Hodges op. cit., p. 78.

(5) Personal interview with author.

(6) Hansard, 1974 - 75, 13 February, 75, Col. 183 (Written Answer).

(7) There were in fact only three such cases of undertakings, all in late 1966; Chrysler's take-over of Rootes, Philips of Pye and Litton Industries of Imperial Typewriters. Only the first of these, the one involving Chrysler, was made public.

(8) M. Hodges op. cit., p. 80.

(9) idem.

(10) Hitachi have subsequently set up in Britain via a "more acceptable" joint venture with G.E.C. in South Wales.

(11) International Management and Engineering Group of Britain Ltd. Study of Potential Benefits to British Industry from Offshore Oil and Gas Developments, H.M.S.O. for the Department of Trade and Industry, 1972.

(12) The Economist, 27 May, 1972, p. 111.

(13) M. Jenkin, British Industry and the North Sea, Macmillan, 1981.

(14) International Management and Engineering Group of Britain Ltd. op.cit., p. 6.

(15) M. Jenkin op. cit., p. 164.

(16) ibid., p. 189.

(17) ibid., p. 194 and p. 212.

(18) see ibid., Chapter 7, especially Tables 7.2 - 7.6.

(19) The Economist, 24 November, 1979, p. 101.

(20) M. Jenkin op. cit., p. 213.

(21) J. J. Boddewyn The Bulletin, New York University Graduate School of Business Administration, Institute of Finance No. 93 - 96, March 1974, p. 36 - 43.

(22) Queens Printer Foreign Ownership and Structure of Canadian Industry, Ottawa, 1968, p. 38 - 39.

(23) Van de Bulcke et. al. Investment and Disinvestment Policies of Multinational Corporations in Western Europe, Saxon House, 1979.

(24) D. McAleese and M. Counchan ""Stickers" or "Snatchers"?", Oxford Bulletin of Economics and Statistics, November, 1979.

(25) Van de Bulcke et. al. op. cit., p. 125.

(26) See Expenditure Committee (Trade and Industry Sub-Committee) Public Expenditure on Chrysler UK Ltd., Session 1975-76, Vol. 1, H.M.S.O., 1976. Criticism by the NEC of the Labour Party was also strong. In NEC Statements to Annual Conference, October, 1977, p. 41., the Government was criticised using examples such as their shortcomings in allowing the research and development costs of the Chrysler Alpine to be charged to the British operation when the car was produced in France.

(27) Expenditure Committee, op. cit., para. 99.

(28) ibid., para. 101.

(29) idem.

(30) This refers to a question put to the Minister of State in the Department of Prices and Consumer Protection, Mr. John Fraser, by Mr. Frank Hooley. Mr. Fraser felt that provisions under the 1973 Fair Trading Act were adequate. Hansard, 1975 - 76, 27 May, 76, Col. 374 - 5.

(31) See Board of Trade. Mergers: A Guide to Board of Trade Practice, H.M.S.O., 1969.

(32) IRC. Report and Accounts, 1967 - 68. p.12 - 13.

(33) D. Brash American Investment in Australian Industry, Australian University Press, 1966 and A. E. Safarin Foreign ownership in Canadian Industry, McGraw Hill, 1966.

(34) J. H, Dunning "Foreign investment in the United Kingdom" in I.A. Litvak and C.J. Maule Foreign Investment: The Experience of Host Countries, Praeger, 1970, p. 241.

(35) M. D. Steuer et. al., op. cit., p. 165.

(36) The Labour Party International Big Business, October, 1977, p. 28.

(37) The term Special Unit was not liked by many. In answer to a Parliamentary question, Mr. Robert Sheldon, Financial

Secretary to the Treasury in the 1974 - 79 Labour administration said "There is no special unit, but an existing head office unit has been given the job of co-ordinating the approach of local inspectors of taxes to the assessment of the profits of multinational companies." <u>Hansard</u> 1976 - 77, 27 January, 77, Col. 758, (Written Answer).

(38) <u>Hansard</u>, 1975 - 76, 2 August, 76, Col. 595 (Written Answer).

(39) <u>Hansard</u>, 1978 - 79, 9 November, 78, Col 315 (Written Answer).

(40) J. Rooker M.P. in the Labour Party's <u>International Big Business</u>, op. cit., p. 105.

(41) R. Vernon <u>Sovereignty at Bay: The Multinational Spread of U.S. Enterprises</u>, Longman, 1971, p. 133.

(42) C. Tugendhat <u>The Multinationals</u>, Eyre and Spottiswoode, 1971, p.37.

(43) For a discussion of this see G. M. Yannopoulos and J. H, Dunning "Multinational Enterprises and Regional Development: an exploratory paper", <u>Regional Studies</u>, 10, 1976, p. 389 - 399.

(44) Discussed in Chapter 7.

(45) M. D. Steuer <u>et. al</u>., <u>op. cit</u>., p. 104.

(46) M. D. Steuer <u>ibid</u>., p. 170.

(47) Section 5.3 examines the opinions and attitudes of actors involved in attracting inward investment, that is, what Lindblom calls "proximate decision makers" or those who have to deal directly with foreign firms and implement government policies see C.E. Lindblom <u>The Policy Making Process</u>, Prentice Hall, 1968.

(48) Unfortunately attempts to build up a picture of the views of the political elite was not readily obtainable. Some personal interviews with M.P.s were made but a survey of M.P.s conducted in late 1979 was not fruitful. This exercise was undertaken in an effort to obtain a large enough sample to gain insight into shared attitudes and allow comparison of attitudes in relation to party affiliation, business background and interests, type of M.P. (Backbench/Minister), geographical region, and type of constituency represented (in terms of the percentage of foreign investment and its volatility). A study similar to this and covering some of these elements was done by Stevenson in Canada. See G. Stevenson "Foreign Investment and the Provinces: A Study of Elite Attitudes" <u>Canadian Journal of Political Science</u>,7 (4), December 1974, p. 630 - 647.

(49) <u>Hansard</u>, 1965 - 66, 12 July, 66, Col. 1196.

(50) Hansard, 1970 - 71, 8 June, 71, Col. 856.

(51) The Times, 14 February, 1975, p. 19, referring to a speech made by the Chancellor of the Exchequer to the Diplomatic and Commonwealth Writers Association on 13 February, 1975. When asked in the House whether this represented Government Policy the Prime Minister said it did, Hansard 1974 - 75, 4 March, 75, Col. 366, (Written Answers).

(52) Statement made in a speech made at the opening of a new plant in South Wales in September, 1979, and quoted as indicative of the Government's view of foreign investment by the Conservative Research Department.

(53) Hodges undertook a similar exercise of searching Hansard for the discussion of foreign investment during the 1964-70 Labour Government see M. Hodges op. cit., p. 166. His results differ from those shown in Table 3.3 Without knowing the criteria he used for what he categorised as Parliamentary consideration and despite an unsuccessful attempt to contact him, it was not possible to replicate and expand his Table. And, furthermore, the survey of Hansard done in order to give a tabular over-view of Parliamentary consideration between 1964 - 79 did not pick up any Debates from index references, even though Hodges refers to thirteen such Debates in 1964 - 70 alone. For the present study debates which could be said to involve foreign investment were picked up by searching Hansard in a fashion hide bound by index referencing and these enter the discussion later but to have included these in Table 3.3 would have led to inconsistencies.

(54) The remaining eight questions were directed at Departmental Ministers in Employment (2), Prices and Consumer Affairs (3), Foreign Office (2) and Scottish Office (1).

(55) Hansard, 1973 - 74, 21 December, 73, Col. 491 (Written Answers) and Hansard, 1974- 75, 30 January, 75, Col. 497 - 8 (Written Answers).

(56) Hansard, 1974 - 75, 14 October, 75, Col. 698 (Written Answers) and Hansard, 1975 - 76, 16 December, 85, Col. 617 - 18 (Written Answers).

(57) Hansard, 1974 - 75, 11 February, 75, Col.89 - 90 (Written Answers) and similar questions in three other places.

(58) Hansard, 1966 - 67, 12 July, 66, Col. 1189 - 90;
Hansard, 1968 - 69, 18 March, 69, Col. 205 - 6;
Hansard, 1970 - 71, 8 June, 71, Col. 856;
Hansard, 1974 - 75, 3 February, 75, Col. 923 - 4.
(Two questions).

(59) Hansard, 1974 - 75, 4 March, 75, Col. 366 (Written Answer).

(60) For example, Hansard, 1970 - 71, 18 February, 71, Col. 551 (Written Answer);
Hansard, 1978 - 79, 2 April, 79, Col. 489 - 90 (Written Answer).

(61) Commons Standing Committee's Official Report Session 1969 - 70, Vol. 5, Standing Committee H, 5 May, 70, Col. 423 - 4.

(62) Mr. Edward Heath, Hansard, 1971 - 72, 2 December, 71, Col.644.

(63) For example, Mr. Dudley Smith, Secretary of State for Employment, Hansard, 1972 - 73, 5 December, 72, Col. 359 - 60 (Written Answer) and Mr. Clinton Davies, Under Secretary of State for Trade, Hansard, 1975 - 76, 27 May, 76, Col. 351 (Written Answer).

(64) For example, Mr. Peter Walker, Secretary of State for Trade and Industry, Hansard, 1972 - 73, 12 December, 72, Col. 105 - 6 (Written Answer) and Mr. John Grant, Under Secretary of State for Employment, Hansard, 11 May, 76, Col. 103 (Written Answer).

(65) Hansard, 1971 - 72, 21 December, 71, Col. 1304.

(66) Hansard, 1974 - 75, 13 October, 75, Col. 564 - 5 (Written Answer).

(67) Hansard, 1971 - 72, 6 July, 72, Col. 746 - 7.

(68) Hansard, 1972 - 73, 12 December, 72, Col. 105 - 6 (Written Answer).

(69) Hansard, 1976 - 77, 6 December, 76, Col. 55 (Written Answer).

(70) Hansard, 1971 - 72, 6 July, 72, Col. 746 - 7.

(71) Hansard, 1975 - 76, 1 July, 76, Col. 294 - 5 (Written Answer).

(72) These are discussed later. See The Labour Party's International Big Business, op.cit., and Statements to Annual Conference by the National Executive Committee, op.cit., p. 39 - 46. This was subsequently approved at Conference in Brighton, see The Labour Party's Report on the 76th Conference, 1977, p. 368.

(73) J. Fayerweather op.cit.

(74) For example, in the present study some politicians were found to have extreme views on foreign investment thus using an average opinion recorded as four on a continuum of one to seven as Fayerweather does, fails to indicate the range of opinion. The figure four could have been derived from two equal sets of extreme opinion and not

necessarily by a clustering at the mid-point.

(75) The results from four of Fayerweather's questions, two on overall opinions and two on specific aspects, are similar to those asked in later surveys in the present study and are thus noteworthy. These questions asked of national legislators in Britain are given with the results:

(i) What do you believe is the net economic result of the operation of foreign companies in Britain? They give more than they take = 1; They take more than they give = 7; Result: 3.8.

(ii) How great an affect do you believe the operations of foreign companies in Britain have on Britain? Small = 1; Large = 7; Result 5.0.

(iii) Do you believe that foreign companies in Britain are more or less willing to recognise trade unions than British firms are? More willing = 1; Less willing = 7; Result: 4.9.

(iv) How do you believe the treatment of workers by foreign companies in Britain compares with that by British firms in respect of wages? Foreign firms: Better = 1; Worse = 7; Result: 2.6.

The last two more specific questions do at least point to attitudinal positions that could not have been revealed by document searches and the like.

(76) M. Hodges op. cit., p. 165 - 177.

(77) Hansard, 1971 - 72, 2 December, 71, Col. 644.

(78) Hansard, 1972 - 73, 18 June, 73, Col. 19 - 21.

(79) Hansard, 1966 - 67, 13 December, 66, Col. 242.

(80) The Labour Party Report of the 76th Conference, op. cit., p. 335 - 341.

(81) The Labour Party International Big Business, op. cit.

(82) Statements to Annual Conference by the National Executive Committee, op. cit., p. 39 - 46.

(83) ibid., p. 40 - 41.

(84) ibid., p. 41.

(85) ibid., p. 45.

(86) Labour's Programme and Europe, The Young European Left, 1974, p. 5. Underlined sentence is in heavy type in the original.

(87) The Labour Party *Statements to Annual Conference by the National Executive Committee*, *op. cit.*, p. 45.

(88) Category 1 companies are those with an annual turnover of over £50m in Britain.

(89) The Labour Party *Statements to Annual Conference by the National Executive Committee*, *op. cit.*, p. 45 - 46.

(90) *ibid.*, p. 43.

(91) *Hansard*, 1976 - 77, 21 June, 77, Cols. 1095 - 1104.

(92) C. E. Lindblom *op. cit.*, See footnote 47 above.

CHAPTER 4. THE ATTRACTION OF FOREIGN INVESTMENT TO GREAT BRITAIN: Organisations and their techniques.

4.0 Introduction

It has been established already that the only concrete policy objectives of successive British governments has been to welcome inward investment. Politicians have maintained a general consensus on this despite a small amount of left wing disquiet. With a consensual setting it could be assumed that policy would be clearly defined and coherent. In this and subsequent chapters evidence is presented in order to test out this assumption and to provide basic data on what is actually being done, and by whom, in order to attract foreign investment to Great Britain.

This chapter focuses on the bodies, and the individuals within them, that are the implementors of the government's policy of welcoming foreign firms. These individuals are what Lindblom labels as "proximate decision makers", that is, those who have to deal directly with and also implement government policies (1). The main difficulty in undertaking such a study is that although the policy of "welcome" is clear, there has been no specification of actors and acts in which they must engage in order to achieve the desired results of obtaining foreign investment (2). With such a lack of direction the system that has actually grown up must be examined and an attempt must be made to ascertain and understand the methods being used.

The initial aim was to gather empirical information on what various bodies were doing in the effort to attract foreign investment. Such findings provide the necessary bed rock for the present study, as well as being of potential interest to the agencies concerned (especially in providing information as to what others are thinking and doing in terms of provision and promotion). The study may also be interesting to companies, especially foreign companies. They may benefit from indicators as to how the system works, what opinions are held about them, and how they may expect to be treated, particularly in terms of assistance and incentives.

To provide the basic data, surveys were undertaken to obtain factual information and to find out the views of the relevant individuals in the organisations concerned. Interviews and postal questionnaires were used for this purpose (3). Questions used centred on promotional activities, structural - organisational relationships and attitudes towards foreign investors as held by policy implementors. The results of the surveys are spread through this and the next two chapters. In the present chapter, firstly, a summary is made of basic organisational settings. Secondly, the methodologies used in obtaining data are outlined and the last section of the chapter begins to look at the results by examining the activities of the many bodies involved in attracting inward investment.

Evaluation of the framework and techniques is attempted throughout this and later chapters. Both implementation and evaluation of policy are troublesome in that no explicit goals exist against which to judge results. First, it is difficult to say whether a foreign firm would have established in Britain with or without attempts at attraction. And second, evaluation in terms of the Government's "welcoming" policy may be hard to achieve given that the individual bodies concerned may be evaluating success on a basis exclusive to themselves or, at least, different from an evaluation applicable to the national policy of "welcome".

4.1 Organisational Setting

In this section a brief outline of the main bodies involved in the attraction of foreign companies is made. The actors examined range from the central Invest in Britain Bureau to Local Authorities.

Great Britain

The national organisation set up to attract and assist inward investors is the IBB. This body was formed in 1977 out of the relevant sections of the Department of Industry that were handling inward investment. It remains part of the Department of Industry and so can provide definitive information including, on occasion, help in providing incentive packages most appropriate to firms.

A small staff of about 40 is supplemented by a large network overseas. It operates through the commercial sections of Embassies, High Commissions and Consulates - General, although contact can also be direct with the IBB in London. The staff in the overseas posts are Foreign Office appointed but the need for placing priority on certain countries is agreed between the IBB and the Foreign Office.

The usual pattern of handling interested firms is for the IBB to be informed of any contacts made by Consular offices. The enquiry is assessed and the IBB would probably become involved with the potential inward investor. A visit to Britain may be arranged and this would normally be handled by a regional office of the Department of Industry. Once an area has been chosen the IBB generally hands over negotiations to the Department's regional office.

The IBB represents Britain as a whole but has to abide by Government policies and so it has to encourage firms to go to Assisted Areas in preference to the non-Assisted Areas. Despite efforts towards equality of treatment, at least between areas receiving the same levels of assistance, the attraction of foreign firms is handled by many bodies in Britain (see Table 4.1), and the existence of many such bodies may lead to imbalances in attention paid to various areas by foreign firms. Prior to in-depth study their sheer number may also provide a high potentiality of incoherence to the consensual policy frame. But, it would be premature to make judgements and first we must continue to look at the organisations concerned before we can begin to analyse the ways in which they operate.

TABLE 4.1 Foreign companies. Main bodies involved in their attraction, 1979.

Central Departments
Department of Industry.
Invest in Britain Bureau.
Regional Departments
Regional Offices of the Department of Industry in England.
Scottish Office (Development and Industry) and Scottish Economic Planning Department.
Welsh Office (Industry).
Subsidiary and linked bodies (statutory Development Agencies)
Scottish Development Agency and Highlands and Islands Development Board.
Welsh Development Agency (direct promotion mainly by the Development Corporation for Wales) and Development Board for Rural Wales.
Subsidiary and linked bodies (development associations)
Devon and Cornwall Development Bureau.
Yorkshire and Humberside Development Association.
North West Industrial Development Association.
North of England Development Council.
Local Authorities
County Councils (Regional Councils in Scotland).
District Councils.
Inter Local Authority Consortia (e.g. Committees subdividing NORWIDA etc.)
Local Areas
New Town Development Corporations.
British Steel Corporation (Industry).

Scotland

A number of bodies are involved in attempting to attract inward investment into Scotland. The most important is the Scottish Development Agency (SDA) set up in 1975. The main aims of the SDA are to develop the economy, secure employment and improve the environment. The SDA was given a very high degree of operational freedom. Amongst other things the SDA can take equity stakes in industry, can build, lease and rent many forms of property and can give grants. In practice many of the activities that it can enter into have not been used but, in the main, the SDA has been busy making investments, building industrial premises and improving the landscape. The agency tends to see itself as a catalyst to development. To others it is a merchant bank, a means of public sector ownership, and a Local Authority. To some extent it has characteristics of all three.

The other development organisation special to Scotland, the Highlands and Islands Development Board (HIDB), pre-dates and is smaller than the SDA. The HIDB is generally aiming to assist the small-scale industrial and commercial development of a region which generally lacks the infrastructure and large markets associated with larger scale developments.

The main Government office dealing with investment and industry in Scotland is the Scottish Economic Planning Department (SEPD). Like other government departments the SEPD does not produce glossy brochures and enter into the marketing game. This is left to other bodies, especially the SDA with which it has close links.

The Scottish Council (Development and Industry) has also had an important role to play. Previously supported by government funds and now supported by a subvention from the SDA the role of the Council in attracting investment has gradually declined as the SDA has taken over more of the work previously done by the Council. The SDA has moved rapidly from being an organisation capable of only responding to enquiries, to be a very active body in the attraction of investment, involving itself in missions, exhibitions and the like in an effort to attract inward investment.

Wales

The principal measures taken in recent years with the aim of improving the objectives of industrial development in Wales have been the establishment of a Welsh Development Agency (WDA) in 1976 (with a remit very similar to that of the SDA) and the establishment of the Development Board for Rural Wales (DBRW) a year later. The WDA has been busy building factories, improving the landscape, and providing finance. The "merchant bank" function of the WDA has been particularly prominent. The DBRW's activities are much lesser in scale (just as the HIDB is in relation to the SDA), being achieved mainly by building advance factories and industrial estates.

The Welsh Office (Industry) oversees the activities of the subsidiary bodies such as the WDA and DBRW but, its main task is to act like a regional office of the Department of Industry so it does things such as provide information and data, write speeches for Ministers, and administer Selective Financial Assistance.

The active bodies promoting Wales as an industrial location are the WDA and the Development Corporation for Wales (DCW) which pre-dates the WDA, being founded in 1958. The DCW acts as a specialist development association tending to focus its attention overseas, whilst the WDA focuses its attention moreso within the U.K. The DCW's funding comes mainly from the WDA (£240,000, 1978/79) and the remainder is made up of contributions from industry and commerce (£55,000) and from Local Authorities (£40,000). Small contributions also come from the DBRW (£5,000) and the Council for the Principality (£5,000), the latter representing the District Councils in Wales. Obviously the WDA will have most say in the affairs of the DCW but, nevertheless, the DCW has the problem of serving more masters than one. This problem does not exist in Scotland, at least in the sense that Authorities and bodies do not become members of the SDA, it being financed centrally. However, the problem of many pipers paying for the tune is evident in the English development associations.

England: The North West

No Development Agency exists in the North West and consequently local initiative and assistance from central government is probably greater than it would otherwise be in order to compensate for this lack. The main government body involved in industrial development is the Department of Industry's Regional Office. Its role is administrative and responsive leaving the North West Industrial Development Association (NORWIDA), established in 1931, to be the main body for promotion. NORWIDA's role is basically to attract investment by promotion and by lobbying central government, although the latter role is only a minor one.

NORWIDA's membership consists of County and District Councils, Chambers of Commerce, Trade Unions, infrastructural organisations (e.g. banks, services and developers), companies and M.P.s. Its membership is thus very broadly based and indicative of wide ranging contacts. NORWIDA is financed mainly by the Department of Industry (£150,000, 1978/79), with the rest coming from Local Authorities (£85,000), Chambers of Commerce and the like (£3,000). Expenditure is approximately halved between domestic and overseas efforts.

England: The North

The Department of Industry's Regional Office and the North of England Development Council (NEDC) are the two main bodies concerned with the economic development of the Northern Region. The Department of Industry's role is similar to that in other English regions (that is, passive and responsive) and the NEDC does most of the promotional work for the region as a whole.

The NEDC set up in 1961, is larger than NORWIDA in terms of finance, activity and staff (30 + compared to 13). It is active in attracting new industry, providing information, and in generating exports by organising trade missions. The bulk of expenditure (90%, 1978/79) is on investment promotion activities, with trade missions being paid for by the firms themselves. Finance comes from the government (£275,000, 1978/79), Local Authorities (£190,000), and commerce and trade unions (£20,000).

The main Local Authority involvement is from the County Councils in the North East. Cumbria, although part of the Northern Standard Region, withdrew membership in 1978, in favour of being a member of NORWIDA.

A division of labour between organisations in the North East has been brought about in recent years. The North East County Councils Association (NECCA), set up in 1978, and consisting of the County Councils, negotiated with the NEDC to establish a clear relationship. The working arrangements between NECCA and the NEDC gave the latter the role of providing publicity and of promotion generally in the effort to bring about new employment opportunities. The working relationship NEDC has developed with the regional office of the Department of Industry is similar. The NEDC promotes, whilst the Department provides information and steers. This division of labour is logical for the NEDC, it being outside the civil service and so constrained by government policies allowing little freedom in promotional terms. On the other hand the Department of Industry is well placed to negotiate, steer and make deals with industry. The NEDC promotes, whilst the Department services. Despite apparent clarity of roles, however, these developments have only become firmly established in the last few years.

England - The Other Regions

Only two other regions receive substantial amounts of assistance; Yorkshire and Humberside and the South West. Both regions sport development associations; the Yorkshire and Humberside Development Association (YHDA) and the Devon and Cornwall Development Bureau (DCDB). The YHDA is similar to the NEDC and NORWIDA but it operates along more modest lines. The DCDB is really just two counties that have decided to pool some activities and divide labour thus making their efforts greater than could be achieved separately.

The non-Assisted Areas are not without their problems, and there are some bodies in those areas that are concerned with industrial development activities. For example, in the London area we see desperate need for developing some inner areas and, in particular, the docklands. Consequently, London now has an active Industrial Centre and a Docklands Development Organisation implementing development programmes.

Great Britain: The Other Agencies

To counterbalance the powers of the Scottish and Welsh Development Agencies with their equity participation and direct involvement in companies the National Enterprise Board (NEB), set up in 1975, has been given the role of a type of Development Agency for England, by the Conservative government elected in 1979. Until then the NEB had possessed a U.K. role especially its large scale investments such as BL. However, it has always focused on regional investments in the North West and Northern regions where it possesses both regional boards and offices.

The NEB differs from the Development Agencies elsewhere in that it is not actively stimulating inward investment and does not have a promotional role. It operates along the lines of a merchant bank possessing a portfolio of investments or, as interpreted by some observers, it is an organisation for nationalising via the back door. In general its central focus is supportive and it assists industry in financial, exporting and advisory senses. It is a tool of industrial strategy also, and so sees itself as catalytic in the advancement of technology. The creation of the INMOS facility for microprocessor production and development is part of this remit. The NEB, however, has not taken an active part in foreign companies and may be seen as a body for promoting indigenous industrial advance.

Another body, British Steel Corporation (Industry) Ltd., set up in 1974 as a special subsidiary of British Steel, had considerable interest in the attraction of industry. BSC (Industry) is operating in areas where the steel industry is in decline: Cambuslang and Motherwell, Hartlepool, Deeside, Ebbw Vale, Cardiff, Irlam, Shelton and Newport with other areas being added to the list as further closures and run-downs occur. BSC (Industry) is promoting its areas vigorously and offering high inducements. Regional Development Grants and Selective Financial Assistance are being supplemented by loans from the European Coal and Steel Community and from the European Investment Bank, as well as by training or re-training grants, and by the "topping up" of earnings. The BSC is acting as a promotional agency offering to "cut red tape" by working "hand in glove" with the agencies in the field of industrial development. BSC (Industry) has not gone in for active attraction overseas but has asked the Steel Corporation's international contacts and the IBB to keep its interests in mind.

Great Britain - Local Authorities and New Town Development Corporations

Much of the onus for industrial strategy falls on Local Authorities and New Town Development Corporations despite the existence of the many active agencies described above. New Town Development Corporations, particularly the more recently designated ones, often have large scale development plans with the concomitant need to attract substantial amounts of industry. The New Towns were, in many cases, a conscious effort to set up growth centres in order to stimulate regional and local rejuvenation.

The role of Local Authorities in industrial development has grown in a much less directed manner than that of the New Towns. Local Authorities thus vary significantly in the attention they pay to this topic. An Authority severely in need of development or one which has a projected plan for significant population growth is far more likely to be involved than one with relative stability. Of their own accord, and in terms of their local priorities, Local Authorities have increasingly engaged in industrial development policies. Furthermore, some directives and central government legislative acts have encouraged Local Authorities to get involved in industrial matters. Various Acts such as the Local Authorities (Land) Act (1963), the Inner Urban Areas Act (1977) and the various local Acts such as the Port Talbot Act (1972) and the Tyne and Wear Act (1976) have encouraged Local Authorities to increase their involvement in industrial development. Despite this, comprehensive studies of the involvement of Local Authorities have been few although interest has recently increased (4). Some attempt is made here to redress that deficiency although most attention is on foreign investment specifically, both in keeping with the rest of the study, and because a study focusing upon this aspect has not previously been done.

4.2 Sources of Information: Interviews and Surveys

The contents of the rest of this chapter and the two subsequent chapters rely heavily on a series of interviews and surveys undertaken in the summer of 1979. Having outlined the array of actors involved in industrial development in the last section it should be no surprise that key individuals in these bodies were the subject of the interviews and surveys. This section is an interjection that briefly, but necessarily, outlines the approach adopted for the gathering of information.

Early in 1979 requests for promotional literature were sent out to many Local Authorities in Great Britain(5). The letters sent out also asked about the willingness of the Industrial Development Officer or his equivalent to participate in a future interview programme. Results were encouraging and an interview programme was arranged for the summer months. Table 4.2 shows how many interviews took place, and where, broken down by region.

It was decided to concentrate further studies on the Assisted Areas, which by very definition need to attract investment. Non-Assisted regions were seen to be much less involved in industrial development so only one such region, the South East, received further attention and became a very rudimentary comparative "control" (6).

TABLE 4.2 Region where interview took place.

	No.	%
Wales	9	21
South East	6	14
Scotland	10	23
North West	9	21
North	9	21

The majority of interviews (56%) were with officers in Local Authorities (see Table 4.3) but the purpose was to have discussions in as wide a range of agencies as possible. An attempt was made to visit the regional office of the Department of Industry in each region as well as visiting the main regional quango(s) concerned with industrial development. New Towns were also considered as important in that they often appeared to be considerably active in the promotion and attraction of investment. These bodies and the Local Authorities visited, were chosen from the favourable replies received in response to initial enquiries. Those visited were therefore not just the most active, but were from amongst those most amenable to helping with further research. Stricter controls on selection could not be achieved given that time, cost and willingness to be interviewed were all constraining variables.

TABLE 4.3 Type of agency where interview took place.

	No.	%
Government Department	4	9
Quango	7	14
New Town Development Corporation	8	19
Non-Metropolitan County Council	8	21
Metropolitan County Council	1	2
Non-Metropolitan District Council	11	26
Metropolitan District Council	4	9
TOTAL	43	100

Note: Local government in Scotland differs from that in England and Wales. In this table Scottish Regions are subsumed under the heading of Non-Metropolitan County Councils and Scottish Districts under Non-Metropolitan District Councils.

There being no standard title or department for the specific officer with responsibility for industrial development in each agency the individuals interviewed also varied in terms of their job category. In many authorities more than one officer participated in the interview but Table 4.4 lists only the main respondent. A major note of caution that must be recognised at the outset is that except on factual questions the respondents could only be considered as giving their own subjective views conditioned both by their functional responsibilities and their occupational niche. Factors such as the length of time in the job and the giving of answers that were "expected of them" were also problems. By targetting the individual as best possible it was usually not too difficult to pick on individuals who, in the past, had had direct experience of dealing with foreign companies.

TABLE 4.4 Job category of interviewee.

Officer.	No.	%
Industrial Development	21	49.
Planning Department	6	14
Estates Surveyor Department	8	18
Public Relations	1	2
Research and Economics Department	5	12
Policy Unit	2	5
TOTAL	43	100

The interview schedule that was used is set out in Appendix A. This schedule of questions was reduced and altered for a postal questionnaire (see Appendix B). The reduction of the interview schedule to a size suited to postal application was achieved with extreme difficulty. The postal questionnaire was made easy to complete and, as short as possible, in an effort to ensure as high a response rate as possible. Some of the more interesting questions were consequently omitted as they were only considered suitable for use in interviews. One drawback with the shortened questionnaire was the possible appearance of superficiality. The in-depth personal approach yielded an understanding of local conditions thus putting responses into context, but a short postal questionnaire could not pretend to do such. However, the postal questionnaire did fulfil its aim of data provision.

In the interview programme questions covered basic information on activity in industrial development, promotional activities, provision for incoming firms, views on foreign investment, and a flexible schedule of questions relating to specific interviews. Some of the questions as set out in Appendix A were not asked as they were inappropriate to particular respondents. The postal questionnaire concentrated to a greater extent on promotional activities, organisational relationships and opinions on foreign investment. The existence of two overlapping surveys means that the results herein often differ in size of sample.

The full postal questionnaire was sent to all Local Authorities and New Town Development Corporations that had not been covered in the interview programme in the five regions concerned. The only exception to complete coverage was in the South East where only a third of the non - Metropolitan Districts were sent questionnaires. The interviews and a small pilot survey (7) had identified low activity rates in this region.

TABLE 4.5. Postal questionnaires sent out.

	New Town D.C.	Non-Met. County	Met. County	Non-Met. District	Met. District	TOTAL
Wales	0	6	-	32	-	38
S.E. (excl. London)	4	10	-	32	-	46
Scotland	3	7	-	51	-	61
N.W.	2	1	1	18	13	35
North	1	3	1	22	3	30
TOTAL	10	27	2	155	16	210

The response rate from the postal questionnaire was pleasing. A similar but much more general survey on Local Authorities and industrial development was recently completed by the Urbed Research Trust in conjunction with the Association of Industrial Development Officers (8) . This study entailed the sending out of questionnaires to 300 Local Authorities. This generated 119 responses, a response rate of 51% with 39% of the 119 being usable. The response rate achieved in the present survey was good in comparison. The response rate was 66% with a usable response rate of 45% (see Table 4.6). A certain number of questions were not answered as often as others, however. For instance, many were cagey about budgets but, even here, there were surprisingly few problems. Most questions were answered even if in some cases the lack of involvement of the Local Authority concerned meant that questions asked of them were somewhat peripheral and obtuse.

TABLE 4.6 Responses: Postal questionnaire to Local Authorities and New Town Development Corporations.

	Total Returned	Number Used	Number Not used: Late Response	Number Not used: "Not involved" response	% Response
Wales	21	17	2	2	55
S.E.	33	15	2	16	72
Scotland	46	28	3	15	75
N.W.	23	20	2	1	66
North	16	14	2	0	53
TOTAL	139	94	11	34	66

When the personal interviews held in Local Authorities and New Town Development Corporations (32 cases) are combined with the usable responses to the postal questionnaire (93 cases) (as was possible for many of the questions) the usable response rate climbs to 52%. Tables 4.7 and 4.8 give details of the combined results.

TABLE 4.7 Responses: Local Authorities and New Town Development Corporations. Combined results of interviews and postal questionnaires by region.

	Used responses	%	Relative Frequency,%
Wales	23	52	18
S.E.	20	40	16
Scotland	34	50	27
N.W.	27	73	22
North	21	50	17
TOTAL	125	52	100

TABLE 4.8 Responses: Local Authorities and New Town Development Corporations. Combined results of interviews and postal questionnaires by type of authority.

	No.	%
New Town Development Corporation	14	11
Non-Metropolitan County	18	14
Metropolitan County	2	2
Non-Metropolitan District	77	62
Metropolitan District	14	11
TOTAL	125	100

The results of the surveys are outlined in this and the next two chapters. Results that are presented numerically or as a percentage refer only to Local Authorities and New Town Development Corporations and they have either been obtained by personal interviews (N=32), postal questionnaires (N=93) or a combination of the two (N=125). The N number on each table identifies which group(s) of respondents are being referred to. The interviews involving other organisations are referred to extensively in the text but, are not recorded in the Tables presented. They are seen as highly relevant to the analysis because they include important central and regional bodies involved in industrial development.

Most of the findings of the surveys are reported herein. Some of these are peripheral to the specific focus on foreign investment but do give background to overall policy and setting. For completeness, findings which provide what may seem rather mundane results are reported for the adage that one man's platitude is another man's revelation seems highly relevant. In the last analysis much is interpretation relying on the author's own judgement.

4.3 Attracting Inward Investment

4.3 (i) General Activity and Expenditure

The amount of promotional activity is to some extent region related. In the South East region very little activity was found except in some coastal Local Authorities. Kent and East Sussex Counties and some Districts in these Counties and Essex were found to be involved in promotional activites. These, however, are very limited activities and virtually always domestic to Great Britain or more often little beyond the local area. The activities compare, nevertheless, to the least active Local Authorities in the Assisted Areas. The promotional activities of New Towns such as Milton Keynes in the South East were, however, on a par with the New Towns in the Assisted Regions. Thus certain of the later - designated New Towns in the South East are clearly in a game dissimilar to that prevailing in the South East and are more akin to the newer New Towns throughout Britain. London and some London Boroughs (which were not part of the surveys) are active in promotion. A commonly held belief in London and the surrounding areas was that Regional Policy was seen to go against their potential to actively promote their own development. Certainly this area is attractive to firms not least because it is part of the golden triangle of downtown Europe (9). Certainly, frustration with not being able to promote the areas fully and having to turn away industry was a characteristic commonly found in the South East. On the other hand many areas could do very little even if completely free to attract for they are subject to acute land shortages, limited scope for industrial expansion, and restrictions imposed in terms of Structure Plans and the Green Belt.

In the Assisted Areas it is a different story. Promotional activities are more common throughout the whole gamut of Authorities and bodies. The Development Agencies and development associations spend much money and effort to this end (see Table 4.9).

TABLE 4.9 Approximate spending of Development Agencies and Development Associations on promotional activities. Financial year 1978/79 (including salaries).

NEDC	£500,000
NORWIDA	£250,000
DCW	£350,000
SDA	Figure not separable.(1) "Guesstimate" - £1,200,000
WDA	£600,000

(1) The SDA's expenditures for 1979/80 are given as £652,000 in the U.S.A., £197,000 in Europe and £14,000 in Japan plus the expenditures leaking from other programmes. See Select Committee on Scottish Affairs Inward Investment, Session 1979-80, Vol. 1, No. 769, H.M.S.O., 28 August, 1980, para. 5.10.

In analysing the spending on promotional activities it is difficult to pinpoint exact expenditure. The figures in Table 4.9 would probably be considered as inflated by the agencies concerned, and salaries are included in the approximations. Local Authorities and New Town Development Corporations vary in what items they included in their promotional budgets, (although salaries are generally excluded) so Table 4.10 outlining their figures can only give an impression. Taking the mid-point figure in each of the categories in table 4.10 (first category £500; last £200,000 for ease of calculation) we can approximate that the hundred and thirteen Authorities and Development Corporations replying to this question spend over two and a quarter million pounds collectively. This means that on top of the approximated £2.8 million pounds spent by the main Development Agencies and development associations the Local Authorities and New Town Development Corporations are probably spending two to three times that much again. When one adds expenditure by other bodies such as BSC (Industry), the Yorkshire and Humberside Development Agency and the Devon and Cornwall Development Bureau the figure mounts and this is even before the spending of the Department of Industry's Invest in Britain Bureau and Consulate work is added. The cost of Consulate work is practically impossible to separate but the direct cost of the IBB was put at £350,000 for 1977 - 78, including salary costs and an assessment for superannuation, accommodation and common services (10).

TABLE 4.10 Provision made for promoting Local Authorities and New Town Development Corporations to industrialists. Financial year 1978/79 (or nearest year available). N = 125

	No.	%	Cumulative %
No budget to £1,000	35	33	33
£1,001 - £5,000	13	12	45
£5,001 - £10,000	19	18	63
£10,001 - £15,000	6	6	68
£15,001 - £20,000	7	7	75
£20,001 - £50,000	16	15	88
£50,001 - £100,000	7	7	96
£100,001 - £150,000	0	0	96
£150,001 and above	4	4	100
Question not answered	18	-	-
TOTAL	125	100	100

The above estimations may be inaccurate in that the budgets may cover more than it is possible to call industrial promotion. As well as this a common fault, best warned against at this juncture, is that once aggregate figures are used in this way the implicit reaction may be to jump to the conclusion that wasteful duplication is occurring without examining what is actually being done with the sums being spent. Some may be wasteful and duplicatory, although duplication, by definition, can only become evident when considering more than one case. Thus in its own terms an authority cannot be duplicating effort and, even if it accepts that others are doing the same thing it can always claim to be doing something exclusive in the context of its own spatial concerns and responsibilities. Perhaps the more important issue is not whether too many are doing the same thing but whether what they are doing is being done well and efficiently. These issues are only mentioned here to reduce pre-judgement of the situation. The issues of duplication and competition are considered later and in much more depth. How well industrial development and promotion are being done are referred to throughout the study in an effort to reveal how the marketing of areas, sites and premises is being achieved and how improvements can be made.

Still referring to budgets it seems useful to give some clearer idea of who is spending what and where. On a regional basis much smaller budgets are devoted to industrial promotion in the South East where 80% of Local Authorities spend less than £1,000 annually. In the Assisted Areas the Welsh authorities spend the least, this being largely a function of the small size of Local Authorities and that Wales has only one major New Town, Cwmbran. New Towns generally spend most on industrial development (see Table 4.11) which probably explains why they are the most coy about disclosure on spending. Thirty-five per cent of the responding New Towns chose not to disclose the size of their budget compared with a fourteen per cent non-response rate to that particular question on all usable questionnaires.

TABLE 4.11 Promotional Budget and Authority Type.

N = 125

	Development Corporation	County Council	District Council
No budget to £1,000		4	30
£1,001 - £5,000		1	12
£5,001 - £10,000			19
£10,001 - £15,000		1	5
£15,001 - £20,000		2	5
£20,001 - £50,000	2	8	6
£50,001 - £100,000	5	2	
£100,001 - £150,000			
£150,001 and above	2	1	1
Questions not answered	5	1	13
TOTAL	14	20	91

The New Towns in general operate in the top league for promotional activities. Some of the most active, such as Milton Keynes spend over £350,000 per annum. The County Councils then come behind the New Towns in the spending league, most spending between £20,001 and £50,000. One County Council was found to be in the top bracket for spending and surprisingly the respondent giving this figure expressed the view that despite high spending their record was abysmal. On the other hand, some Counties barely enter into industrial promotion and these are mainly, though not exclusively, in the South East. Apart from one District which was described as "desperate for development" the Districts are generally third order in promotional terms, many virtually opting out of the promotional game.

In his survey in 1978 Falk (11) asked Local Authorities about their annual budget for industrial development, whilst the question asked in this study refers to promotional budget only. Compared to the present study he found fewer spending £5,000 and under (32% as opposed to 45% in this study) and many more spending £100,000 and over (26% as opposed to 4%). In general it is to be expected that the industrial development budget will be higher than the promotional budget and it would be wrong to think that the figures in any way indicate a decline in promotional activities. Since Camina (12) asked about advertising budgets in 1972 there has been a definite increase in expenditure on that aspect. Other indicators such as number of Industrial Development Officers and committees for dealing with industrial development re-emphasise this, and are outlined later. In all there has been considerable growth in activity and, in fact, Forester (13) was making a highly pertinent point when in 1979 he described the effort being expended by local and regional authorities in trying to attract new jobs to their area as possibly "the fastest growth industry in Britain."

Many authorities have been getting into and are planning to enter into promotional activities. Conversely, a handful of authorities expressed the view that they saw the effort to attract industry as outmoded. The strengthening of the existing industrial base and supporting and assisting local industry is seen as the best central focus by the latter group. Nevertheless most authorities try to play local support and attraction roles simultaneously but the financial restraints placed upon them clearly prevents promotional activities in some cases, and especially with regard to attracting foreign investment. As one Local Authority officer put it:

> "The attraction of foreign investment by a borough council with limited resources can be both too time consuming and unproductive. In order to make best use of resources this council is concentrating its efforts on the expansion of industry, the encouragement of small firms and the attraction of specific types of industry from outside the borough, best related to location, communications, skills and existing industries."

Such succinct views on policy were rare in Local Authorities, many paying little attention to what was in need of doing in relation to their specific locality. Often behaviour was seen to be imitative and thus related to doing the most visible things such as advertising. One cause of this, discussed later, is that Industrial Development Officers or Industrial Development Committees often feel they have to do something which can be seen to have been done. Unfortunately, however, newspaper advertising and commissioning expensive glossy brochures can soon engulf budget allocations, which may have been better spent elsewhere.

The view held in many of the more sophisticated industrial development departments, particularly in the New Towns, was that unless there is a preparedness to both spend a lot of money and employ individuals with marketing skills then viable promotion, particularly overseas, cannot be conducted. It is clear that many Local Authorities cannot get involved in such expensive activities. Hence there is a tendency by some to leave promotion to better endowed agencies covering wider spatial areas than themselves. Unfortunately, some Authorities have done this but have been so displeased with the outcome that they have turned full circle and re-entered the promotional game. (The general topic of satisfaction with agencies is a subject for later discussion).

A typology of possible behaviours for New Towns and Local Authorities could be summarised thus:

Level of Industrial Development Activities	Reliance on Other Agencies	Likely Example
Do little or nothing	Generally Highest	Small Districts.
Assist and encourage Local industry	↓	Districts (especially in Assisted Areas), and Counties.
Attract industry from other parts of G.B.	↓	Counties and some Districts (both in Assisted Areas).
Attract foreign investment	Generally Lowest	Counties (especially in Assisted Areas) and recently designated New Towns.

This typology is too neat and can serve only as an abstracted generalisation. In many cases the attraction of industry is an unshakable first priority. The view often held is that advancement can only be job led. In practice, however, whether promotional techniques are employed or not shows considerable variability. Different areas may have extremely similar problems yet take very different approaches. For instance, in Greater Manchester County, Salford does practically no promotion, whilst Oldham is heavily involved, even going so far as poster campaigns on the London Underground. The behaviour of other authorities is often ad hoc and idiosyncratic:

> "The budget may not be separable but the Chief Executive can always get the money for industrial promotion if he wants it."

> "The Managing Director's philosophy is personal contact. Money spent on personal contacts is far better than indirect promotion. He is it. He sells it." (14)

Priorities, philosophies and budgets vary, but not necessarily in relation to an objective indicator of need.

Typical budgets cannot be given accurately but, nevertheless, some examples of what might be the major budgetary breakdowns may prove useful. Here are a few examples based on actual findings, but given hypothetically, in order to retain anonymity:

Three hypothetical budgets for industrial development

(A) Five year old New Town in Development Area.	£
Advertising	90,000
Exhibitions/Miscellaneous	40,000
Literature	30,000
Direct Mail	5,000
Travel/Subsistence	55,000
Industrial Development Employees	130,000
TOTAL	350,000

(B) Medium sized County in Development Area.	£
Advertising	20,000
Exhibitions/Miscellaneous	7,000
Literature	10,000
Direct Mail	1,000
Travel/Subsistence	2,000
Industrial Development Employees	60,000
TOTAL	100,000

(C) Medium sized District in Development Area.	£
Advertising	2,500
Exhibitions	500
Literature	1,000
Local Directory	500
Industrial Development Employees	8,000
TOTAL	12,500

The budgets for industrial development are heavily biased towards promotion, although employee costs are also high. Progressive budgetary restraints on Looal Authorities in recent years, have assisted the movement towards higher expenditure on employees relative to other items of industrial development budgets. This may catalyse further movement away from promotional activities to more specific non-promotional local activities. In many cases this would be most welcome in that professional assistance to the local firm may be the most useful role that Industrial Development Officers or their equivalent could fulfil. Certainly some have yet to realise that the attraction of industry is only likely to be successful with large budgets. Few would claim a small scale programme could achieve significant results, although there have been exceptions (15).

4.3(ii) Promotional Activity: Use of the media, advertising and promotional documents.

It is worthwhile examining publicity documents and advertising as it forms a major part of the expenditure on industrial development. The publicity relating to specific areas abounds, yet much of it could be described as, at best, mediocre. Only a few of the larger authorities and Development Corporations employ professionals with expertise in marketing and very few employ in-house advertising experts. Many Local Authorities use advertising agencies (71%, N = 32), but the agencies used are often not very suitable. Most of those Local Authorities employing agencies for purposes of industrial promotion employ the agency that the Local Authority uses in general, and advertising agencies are often used because they cost nothing. (Advertising agencies often receive a percentage take from the media concerned). To overcome the possibility of an agency determining policy many authorities restrict the freedom of advertising agents to design and layout functions. Other problems which may occur when using advertising agencies are time lags and low client knowledge. Whilst the advertising agencies may be quick at exploiting current trends and getting them into campaigns for major clients they are not as inclined to do so for a Local Authority or New Town client. Unless the Local Authority or Development Corporation seizes opportunities and then briefs the advertising agency quickly, the opportunities will be missed. In Peterlee New Town, for example, one of their companies won the Sunday Times Export Award just as Star Wars was majoring in national advertising. The Development Corporation seized the opportunity, linked the two and, had a spoof advertisement in the press within a week. Local Authorities are rarely able to be so flexible and act so quickly. The basic restraints on advertising and publicity are basically budgetary and with such budgetary constraints it is important that the best value for money is achieved. This, once again, can only be attained by adopting a professional approach with definite and clear views of objectives. Unfortunately this is found very rarely and any useful techniques tend to be picked up either accidentally or by non-professionals who put them into imitative practice.

Although definitions of marketing vary, few Local Authorities recognise the fundamental tenet of marketing recognised by Peter Drucker:

> "marketing is the central dimension of business.... there is only one valid definition of business purpose; to create a customer." (16).

The basic inputs to the marketing approach that need to be recognised are the need to identify targets, the need to understand and provide for customer wants and needs in the context of what is most suitable and desirable for the area, all this being achieved and understood by market research. With such a strategy the customer should be provided with a product which almost sells itself. Even the smallest Local Authority should at least attempt to avoid waste by clearly understanding what it is and should be doing. If it then concludes that it is incapable of achieving its aims the Local Authority should make sure some other body does it for them. It may be better to let a regional body do the spadework and then climb on their backs. And it must be remembered that all these points about efficient marketing are even more pertinent when attracting foreign companies.

Reliance on umbrella bodies for much of the marketing whilst conducting actual sales through Local Authorities and other local bodies may be a viable organisational setting. A body which purports to represent a whole region can only really be in the marketing game. The region may contain a hundred sites or factories suitable for a firm but it only wants one. In an effort to represent all and to avoid steering firms, regional bodies such as the English development associations have to restrain themselves from selling. For the Department of Industry and the Development Agencies, steering is a possibility that is legitimised by Regional Policy.

In all then, Local Authorities are often making a poor job of advertising and using promotional literature. Financial constraints obviously contribute to many deficiencies. Some of the small authorities that have entered into corporate advertising are wasting money that should be going on selling specific sites. Some of the highly expensive, glossy promotional literature will certainly do little to help attract industry. The glossy brochures that are produced are often pleasing to local officers and councillors and hardly anyone else. Admittedly the glossy productions are often not meant to be solely aimed at attracting industrialists but are merely a recent manifestation of the old style Town Guides, and to be fair to those that do go in for this type of document, the vast majority of respondents viewed them as only supportive gloss to accompany specific information tailored to and sent out to the enquiring firm.

All promotional agencies, most New Towns and many Local Authorities produce publicity literature and enter into advertising. Those generated by the central agency, the IBB, contain a guide on how to go about investing in Britain and general facts on Britain. The Development Agencies and development associations send out generally an even wider range of more glossy information which is matched in amount by some New Towns and Local Authorities, though in the latter publicity documents range from good to abysmal. All document packages tend to cover the same topics. Generally the contents include information on:

i) Communications

ii) The environment

iii) Recreation and leisure facilities

iv) Housing

v) Community and education facilities

vi) Public utilities

vii) Details of existing industry

viii) The incentives available, useful contacts and general facts and figures

ix) Sites and premises available

Both advertising and publicity documents seek either to pass on facts or dispel myths, sometimes by even creating alternative myths. Merseyside, for instance, tries to overcome the reputation of being a hotbed of industrial unrest and an advertising slogan used by them is: "Merseyside - forget the myths - find the facts." The SDA, likewise try to overcome the image of Scotland's peripherality by emphasising the marketing potentialities in Scotland, Britain and Europe when working from a Scottish base.

Plagiarism and unoriginality abound in promotional documents and advertising, just as they do in general techniques. The better agencies, for instance, were very secretive about their activities and felt they had to keep many steps ahead of their imitators. Plagiarism makes similarity of approach so common that the impact of advertising (often done in journals crammed full of similar advertisements) would seem limited. The same could be said for many information packages that are sent out to industrialists. They are probably given little more than bin room.

The impact of advertisements can only be very limited and much of the effort expended is probably a waste. An individual may be familiar with a country and consider setting up a plant there but will he have heard of small towns or cities? A Mid-West American businessman has probably heard of little more than England, Scotland and London in the U.K. and even the international businessman could probably identify little more than a handful of British cities. The argument is a rather tautological one for the promotional campaign may be aimed at getting across a name in the first place. However, it is unlikely to succeed unless done on a large scale and in a professional manner. The numbers of agencies doing the same thing is huge and it would be impossible for the businessman to assimilate them all presuming that he ever wanted to do so in the first place! Only those bodies prepared to devote most effort and finance to promotion would get anywhere. Furthermore, such advertising on its own would probably be inadequate without personal contact with the targets in the context of a long term programme.

It may be legitimate to promote large and readily known and identifiable areas such as Britain or Scotland for chances are that they have already been heard of. Also, large areas such as these are capable of generating or being provided with the necessary finance that is simply not available to smaller areas such as Local Authorities. The Industrial Development Authority for Ireland with its one contact point and single national promotional agency approach is often upheld as the ideal model. Despite these views the case for a multi-agency approach may be valid and this is subject to analysis in subsequent chapters. However, the point to be stressed at this stage is that much advertising has been, and continues to be, rather wasteful but, then again, its intrinsic value cannot be dismissed out of hand. Try telling Kellogg's that they no longer need to advertise Corn Flakes or try telling Heinz that if "Beanz Meanz Heinz" they also no longer need to keep telling everyone.

In spite of the drawbacks of advertising it is widely used by Local Authorities and Development Corporations. Eighty-nine per cent of Local Authorities and Development Corporations (N = 125) responded that they made use of the media for advertising and promotion. In the South East only 40% were involved and so if they were removed from the data set 96% of responding Local Authorities and New Towns in the Regions receiving some Assistance were making use of the media. The only Authorities found not to be making use of the media were two non-Metropolitan Counties and twelve non-Metropolitan Districts. The amount of advertising being done has increased since Camina's Survey (17) in 1971. She found only 55% of County Councils (83% in Development Areas), 47% of County Boroughs (74%), 21% of lower tier Authorities (35%) and all the Development Corporations were advertising. Falk's research (18) revealed 77% of all Authorities to be organising exhibitions and publicity and 74% were publicising vacant property. This differentiation is useful for many of those using the media for promotion were involved in attempting to sell property or sites. The function of this sort of advertising, providing it is done properly, is legitimate as it serves the purpose of improving the market knowledge for an industrialist considering a locational move. However, many, it was found, were involved in "corporate", blanket or global advertising in an effort to get or keep names known. Less were involved in sectoral advertising specific to local needs. Very few Authorities, it seemed, had clearly thought through the details of advertising, that is, what was the message to be given, how often and to whom.

The Development Agencies and development associations are involved in a considerable amount of promotional activity. They and the IBB are most active in foreign promotional activities in particular. Half of the Local Authorities said they left all overseas promotion to other agencies such as these. This is the commonly held logic as one Local Authority Officer put it:

> "We leave overseas promotion to the DCW. We've restricted finance overseas and have to depend on them. From a cost point of view we cannot do it; we lack the expertise and experience necessary."

The impression given by many is that if their Local Authority had the finance then it would promote overseas. The limited budget was the factor mentioned most often as a reason for not promoting overseas and not that they were satisfied with other bodies doing the job on their behalf. (Satisfaction with the bodies concerned is discussed in Chapter 6). The squeezing of Local Authority finances may seem the answer to curtailing action but the problem is that such squeezing as is occurring at present actually seems to lead to higher budgets being allocated to industrial development which is so desperately needed in times of recession. There may also be increasing impetus to increase overseas promotion as fewer opportunities for persuading re-locations in Britain arise with degeneration of British industry.

Sixty-three (50%, N = 125) Local Authorities and New Towns said they were aiming promotion at foreign firms specifically and using foreign media in the process. Very few of the Authorities in the South East were involved. In all the regions receiving Assistance over half the Authorities were aiming promotion abroad using foreign media (see Table 4.12).

TABLE 4.12 Local Authorities and New Town Development Corporations aiming promotion specifically at foreign firms using foreign media by region. N = 125

	Not doing so		Doing so	
	No.	Row %	No.	Row %
Wales	10	43	13	57
South East	16	80	4	20
Scotland	14	41	20	59
North West	12	44	15	56
North	10	48	11	52
TOTAL	62	50	63	50

The New Town Development Corporations are the most active in promoting overseas with thirteen of the fourteen in the survey doing so. Seventy-five per cent (15) of the Counties were active in this field and although only 32% (25) of the non-Metropolitan Districts were promoting overseas 71% (10) of the Metropolitan Districts were doing so (see Table 4.13). The higher degree of involvement by Metropolitan Districts than by ordinary Districts appears to be a reflection of the former's more desperate need for industry, consequently allowing higher budget allocations. Table 4.14 shows that there is a strong relationship between Authority budgets and involvement in promotion aimed at foreign companies.

TABLE 4.13 Local Authorities and New Town Development Corporations aiming promotion specifically at foreign firms and using foreign media by type of authority. N = 125

	Not doing so No.	Not doing so Row %	Doing so No.	Doing so Row %
New Town	1	7	13	93
County	5	25	15	75
Non-Metropolitan District	52	68	25	32
Metropolitan District	4	29	10	71
TOTAL	62	50	63	50

TABLE 4.14 Local Authorities and New Town Development Corporations aiming promotion at foreign firms and using foreign media by size of promotional budget. N = 125

	Not doing so No.	Not doing so Row %	Doing so No.	Doing so Row %
No budget to £1,000	33	94	2	6
£1,001 - £5,000	8	62	5	38
£5,001 - £10,000	9	47	10	53
£10,001 - £15,000	2	33	4	66
£15,001 - £20,000	2	29	5	71
£20,001 - £50,000	3	19	13	81
£50,001 - £100,000	1	15	6	85
£100,001 - £150,000	0	-	0	-
£150,001 and above	0	0	4	100
TOTAL	58	54	49	46
Missing cases	4	22	14	78

If this survey revealed sixty-three Local Authorities and Development Corporations promoting overseas then at a rough estimation probably sixty more from outside the survey's remit are doing likewise. This approximation is based on the assumption that those Authorities in non-Assisted Areas are less involved in promoting overseas than those in the Assisted Areas. If we add the Development Agencies, development associations, the IBB and BSC (Industry) we probably reach a total of a hundred and thirty bodies involved in promoting overseas. Only a few of the total are involved to any considerable and significant degree, these being mainly central and regional bodies, many New Towns and some larger Local Authorities. Furthermore, the number involved appears to be declining. A number of Authorities said that they used to promote overseas in the past but now left it to other bodies. This is particularly the case in Scotland and Wales since their Development Agencies have grown in importance. A counter trend is occurring; some of the Authorities late to get involved in industrial development are considering moving into overseas promotion. It seems quite common for authorities to get involved and then pull out of overseas activities having experienced little success. Many, however, feel they have to continue attracting foreign investment because they have at least to be seen to be making full efforts at attracting industry. And foreign investment does seem to have growth potential, the logic being that British industry is in decline and for growth we have to therefore look elsewhere. Certainly the results of the study on the amount of new employment created in manufacturing industry between 1945 and 1965 (see Table 3.2) shows that foreign investment accounted for about a fifth of the increase. The concentration of foreign investment in certain local areas, and especially the New Towns, also gives impetus to the view that foreign investment can be an important method of achieving development. The perceived possible local benefits, rather than the national benefits, will persuade Local Authorities and Development Corporations to try to secure foreign investment.

It is difficult to say what priority is being given to attracting foreign firms by various bodies. To some extent the Development Agencies and development associations treat it as high priority, this being due largely to their self image of their role as performing this task on behalf of the Local Authorities in the area. Promotion overseas is expensive, and even if afforded a higher budget than for indigenous promotion this does not necessarily mean higher priority. The attraction of a large multinational company does bring more public glory than the setting up of a local small business but despite a certain amount of backbiting between individuals and agencies wishing to take the credit the prevailing mood seems to be that any growth in investment, no matter how achieved, is welcome.

4.3(iii) Promotional Activity: Techniques used in attracting foreign firms compared to activity in Britain

Having taken an overview of some promotional activities, it seems necessary to try and find out who is advertising what and where, and compare indigenous with foreign activities. The first differentiation, as already mentioned, is that many more authorities involved in advertising were doing so in Britain than they were overseas. Within Britain a higher degree of selectivity regarding the medium to use in relation to the target to be reached seemed evident, but this is probably just a reflection of being more able to understand the possibilities in Britain in comparison to overseas. Some of the bodies were able to understand both indigenous and overseas advertising and marketing frameworks although this understanding often required overseas officers, agents or advisers in order to overcome the all too easy trap of replicating methods successful in Britain that are not necessarily capable of transfer into the overseas context.

Press advertising has been used by 70% (78, N = 125) of the authorities making use of the media in general for advertising purposes yet only 21% (13) of authorities using foreign media have used the overseas national press. Although the tendency is to use only the quality press such as the Financial Times, The Times or Die Welt, there is a problem of whether selectivity is sufficient, which is even more important in relation to the high cost of national advertising (19).

TABLE 4.15 Local Authorities and New Town Development Corporations making use of the national press for promotion. N = 125 - 14 (not using media for promotion) therefore N = 111 and for foreign N = 125 - 62 therefore N = 63.

	National Press			Foreign National Press		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	2	12	86	6	7	54
Counties	2	16	89	13	2	13
Non-Metro. District	26	39	60	21	4	16
Metro. District	3	11	79	10	0	0
TOTAL	33	78	70	50	13	21

The national press in foreign countries is only used by some authorities, and all of these spend over £20,000 annually on promotion. Thus, using the foreign national press is largely the domain of the Development Agencies, development associations, and New Towns. All the bodies advertising in the foreign national press indicated a preference for the respectable and specialist financial press though most saw advertising in trade journals as more beneficial.

The local press is widely used in Britain, usually for advertising sites or premises. Eighty-eight (79%, N = 111; 70%, N = 125) Local Authorities and New Town Development Corporations using the media for promotion were using the local press, although only eight (13%, N = 63; 6%, N = 125) of the agencies using foreign media for promotion made use of the local press abroad. These eight authorities were again amongst those spending over £20,000 annually. Their approach seemed to be to target specific industrial areas or to promote an impending visit by an agency.

TABLE 4.16 Local Authorities and New Town Development Corporations making use of the local press for promotion.
N = 125 - 14 (not using media for promotion) therefore N = 111 and for foreign N = 125 - 62 therefore N = 63.

	British local press			Foreign local press		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	3	11	79	9	4	31
Counties	3	15	83	14	1	7
Non-Metro. District	16	49	75	23	2	8
Metro. District	1	13	93	9	1	10
TOTAL	23	88	79	55	8	13

Trade and specialist journals are widely used for the promotional activities of Local Authorities and New Towns in Britain (90 cases; 81%, N = 111; 72% N = 125). The reason for concentrating advertising here is that the targets are found to be more specific than advertising in the press and, the costs are often lower. Many authorities were content to advertise in the business location journals such as the Estates Gazette or the Business Location File although many felt that the more specific trade journals were more fruitful because the general location journals were not read so often by businessmen as were the specific journals with which a businessman needs to remain familiar. An indicator of the perceived utility of advertising in trade journals is that advertising in journals is the media most widely used by bodies advertising overseas (31 cases; 49%, N = 63; 25% N = 125). However, the journals most widely used were the more general business and business location journals such as Business Week and Area Development. The bodies with specific targetting policies were most likely to use journals with narrower and more specific readerships. Such an authority would be more likely to advertise in a West German pharmaceutical journal than a general business news publication.

TABLE 4.17 Local Authorities and New Town Development Corporations making use of trade and specialist journals for promotion.
N =125 - 14 (not using media for promotion) therefore N=111 and for foreign N=125 - 62 therefore N=63.

	British trade and specialist journals			Foreign trade and specialist journals		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	2	12	85	3	10	77
Counties	4	14	78	8	7	47
Non-Metro. District	13	52	80	15	10	40
Metro. District	2	12	86	6	4	40
TOTAL	21	90	81	32	31	49

Camina's study (20) in 1971 asked Local Authorities about their use of press advertising for promotion in Britain. She found 62% to be using the national press, 52% the local press and 60% trade journals. Although in the intervening period there probably has been an increase in those using such advertising, the increase in use has not been great in terms of the number of authorities engaged in the activity, however, the amount being done by each one has probably increased considerably. Camina did not separate British and foreign advertising although the latter probably increased to a far greater extent than the former for she only found a few councils making specific reference to the foreign press in questionnaire responses (21).

The use of television and radio for promotional purposes is rare. Indigenously use of such media was found to have been made by only nineteen Local Authorities and New Town Development Corporations (17%, N = 111; 15% N = 125). Most of the authorities were using local radio and mainly as a Public Relations exercise. Thus some relatively low spenders were involved in this activity. On the other hand only a few authorities, all from amongst the large spenders, were found to have used television. For instance, Strathclyde Region used a television campaign in the London area, whilst NORWIDA used a series of sixteen thirty-second slots on the North West's regional station, Granada, in January, 1979 (22). Using television and radio overseas has been rare and only two cases, both New Towns with large budgets, were found.

TABLE 4.18 Local Authorities and New Town Development Corporations making use of television and radio for promotion.
N = 125 - 14 (not using media for promotion) therefore N = 111 and for foreign N = 125 - 62 therefore N = 63.

	British T.V. and Radio			Foreign T.V. and Radio		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	12	2	14	11	2	15
Counties	13	5	28	15	0	0
Non-Metro. District	56	9	14	25	0	0
Metro. District	11	3	21	10	0	0
TOTAL	92	19	17	61	2	2

Camina found that television and radio played very little part in advertising (23). This has been changed by the advent of local radio although the use of television is still rare. The use of television and radio overseas has not been explored greatly and although expensive should not be overlooked by the wealthier bodies involved with promotion, for it can have great impact particularly if it is combined with other promotional techniques.

At the other end of the scale direct mailing is a highly selective method of disseminating information that is often used. Sixty (54%, N = 111; 48% N = 125) authorities said they were using direct mailing techniques in Britain. Direct mailing overseas is used almost as often as advertising in foreign journals. Twenty-eight (44%, N = 63; 22%, N = 125) cases of using direct mail to companies abroad were recorded.

TABLE 4.19 Local Authorities and New Town Development Corporations making use of direct mail for promotion.
N = 125 - 14 (not using media for promotion) therefore N = 111, and for foreign N = 125 - 62 therefore N = 63.

	Direct Mail in Britain			Direct Mail Overseas		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	2	12	86	3	10	77
Counties	7	11	61	9	6	40
Non-Metro. District	36	29	45	17	8	32
Metro. District	6	8	57	6	4	40
TOTAL	51	60	54	35	28	44

The usefulness of direct mailing as a technique provoked mixed feeling amongst respondents. The key variable seemed to be the quality of the mailing list. Those who were merely using undifferentiated lists of all companies in an area, or listings such as the top five-hundred companies in a country, tended to find the technique not to be useful. Such approaches yield few responses. Companies often regard the letters and documents as junk mail which receives little more than a cursory glance on its way to the bin. One County Officer said that his authority had sent out a thousand mailings to U.S. companies on one occasion and that the exercise had yielded only two replies, one of which was a request to be taken off the mailing list! However, there can be no general rule. Another County used direct mail shots on a similar general list yet were not displeased by low returns for if of the few returns one eventually led to a company establishing then the whole exercise had been successful.

Direct mail needs precise targetting. The sophisticated and precise listing of targets is the major prerequisite to optimum success. Many larger authorities, New Towns and agencies go to great lengths to produce such lists so these bodies are often the ones that are most successful in using direct mail. The success is only partially dependent on hitting the target for the next most important factor is the quality of the information sent. The key is to send a relevant message and proposition irrespective of whether the aim is long term awareness or the sale of a specific property.

Overseas direct mail is often essential, particularly to advertise visits, exhibitions and seminars. Selection of targets will be spatially related and a route often used is to work with local Chambers of Commerce. Surprisingly less rigour in compiling listings for overseas targets than for indigenous ones was often evident:

> "Yes, we use direct mail overseas. Which ones? Well it's an ad hoc system. We use lists that appear in overseas directories with cut off criteria relating to jobs and product. We don't use concerted sector campaigns - just manufacturing and engineering."

> "We just get names from the Compass trade directory and base mail on size of company and non-heavy industry."

These comments made by members of large development organisations during interviews indicate a general lack of rigour in selection. Better selection may entail more effort but this is more beneficial than wasted effort at a later stage. Certain New Towns, in particular, were much more rigorous in their approach to direct mailing. They often linked the present industrial setting to future needs and undertook searches for industry with links to existing industry and also searched for particular types of industry narrowing them down by meeting criteria such as certain profit levels, export levels to Europe and Britain and so on. This approach in Peterlee New Town is obviously beneficial:

> "Every subsequent direct mail operation has learnt from its preceding one. Our response rate has improved every time we have done a direct mail operation as we have statistically compared results and improved on the basis of them. And, of course, as we have built up contacts, revisited and revisited, so our mail order needs have declined." (24).

The only learning done by some authorities is that the failure of a poorly executed direct mail shot has ensured that no more are attempted. However, with improvements direct mail can be useful and an extremely good way of building up a one to one relationship which is difficult with the more general advertising approaches.

An alternative route to building up contacts is via exhibitions and seminars as a form of promotion. Very few Local Authorities and New Towns set up their own exhibitions or seminars but they often participated in those organised by the IBB, the Development Agencies and development associations. Within Britain thirty-four (31%, N = 111; 27%, N = 125) Local Authorities and New Towns were active in exhibitions and nineteen (17%, N = 111; 15%, N = 125) in seminars. Overseas the respective numbers are eighteen (29%, N = 63; 14%, N = 125) and four (6%, N = 63; 3%, N = 125).

TABLE 4.20 Local Authorities and New Town Development Corporations making use of exhibitions for promotion
N = 125 - 14 (not using media for promotion) therefore N = 111 and for foreign N = 125 - 62 therefore N = 63.

	Exhibitions in Britain			Exhibitions Overseas		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	5	9	64	8	9	39
Counties	10	8	44	9	6	40
Non-Metro. District	51	14	22	19	6	24
Metro. District	11	3	21	9	1	10
TOTAL	77	34	31	45	18	29

TABLE 4.21 Local Authorities and New Town Development Corporations making use of seminars for promotion
N = 125 - 14 (not using media for promotion) therefore N = 111 and for foreign N = 125 - 62 therefore N = 63.

	Seminars in Britain			Seminars Overseas		
	Not Using	Using	%Using	Not Using	Using	%Using
Development Corporation	7	7	50	11	2	15
Counties	14	4	22	13	2	13
Non-Metro. Districts	59	6	9	25	0	0
Metro. Districts	12	2	14	10	0	0
TOTAL	92	19	17	59	4	2

Exhibitions are often marred by "too many fishing after too few fish" as one Local Authority Officer described the Sunday Times "Business to Business" exhibition. Foreign exhibitions such as the Hanover Fair were mentioned as being just as susceptible to such problems.

Seminars tend to mean those organised by the Department of Industry which often relate to particular industries or industrial applications such as the use of microprocessors in manufacturing. Overseas seminars tend to mean those organised specifically by the IBB. All the regional agencies and associations are invited to participate in these and representatives of these bodies usually attend themselves or, on occasion, send along representatives of Counties or Districts. The seminars are usually with businessmen often invited in co-operation with a local Chamber of Commerce. (One general exception to the usual routes of contact is Japan where the usual route is through banks who are interested in companies considering moving overseas for they want to be involved in financing the operation). At the seminars the main speakers are often of Ministerial rank who are sometimes followed by other individuals concerned from particular organisations. The whole process is an attempt to dispel myths and build contacts, the latter being followed up by invitations for further discussions and visits to Britain.

Considered on a regional basis (see Table 4.22) the type of media being used varies quite substantially. For promotion within Britain the aggregate figures indicate that over 95% of respondents in the North, North West and Scotland are using the media for promotion, with Wales 87% and the South East 40%. Unfortunately these figures do not indicate the range of activities in which the authorities are involved. In other words some authorities may be using the media just in terms of the local press, whilst others are using several different types of media, so if the percentage using each form of media are combined and then divided by the number of response categories, we obtain some indication of the actual relative level of the use of the media (25). By this disaggregation, recombination and division technique we find the authorities in Scotland and the North West to be the most active with scores of 60 and 59 respectively, then Welsh and Northern authorities with scores of 46 and 47, and lastly the South East with 28. These figures give an indication of the quantity of advertising and promotion emanating from each region's Local Authorities and Development Corporations.

TABLE 4.22 Type of media used for promotion in Great Britain and overseas by Local Authorities and New Town Development Corporations by region of authority. N = 125.

	Percentage making use of media. Wales	S.E.	Scot.	N.W.	N.	Overall N
Within Britain						
Media used for promotion	87	40	97	100	95	111
National press	60	46	88	78	55	78
Local press	65	45	85	85	95	88
Trade journals	75	64	85	90	80	90
T.V./Radio	10	18	12	33	10	19
Direct Mail	60	36	58	56	50	60
Exhibitions	25	0	46	37	20	34
Seminars	5	0	30	26	5	19
Other	20	9	18	11	15	17
Combined %	320	198	422	414	330	
Activity Ratio(1)	46	28	60	59	47	
Overseas						
Media used for promotion	48	15	47	44	38	63
National press	25	13	31	20	8	13
Local press	25	13	6	7	17	8
Trade Journals	50	38	63	40	50	31
T.V./Radio	0	0	6	7	0	2
Direct Mail	42	13	69	33	50	28
Exhibitions	25	38	50	20	8	18
Seminars	0	0	18	7	0	4
Other	8	0	19	27	8	9
Combined %	175	115	262	171	141	
Activity Ratio(1)	25	16	37	24	20	

(1) See text for explanation of how this is derived.

For foreign promotion, in particular, the disaggregation, recombination and division technique reveals findings that differ to some extent from the original set of figures obtained from the question on the use of foreign media for promotion. By the recalculation method we find Scottish authorities to be most active with a score of 37, followed by Wales (25), the North West (24), the North (20) and the South East (16). This gives some indication, although only in an approximate sense, of the relative amount of promotion from each region's Local Authorities and New Towns that is being received abroad.

There is considerable variation in the use of individual media types or techniques by region as set out in Table 4.22. Numbers involved are often quite small and so it would be misleading to use significance tests but, nevertheless, generalisations can be made even if somewhat tentatively. Table 4.22 sets out the findings and only a few of the more outstanding points require comment. In general, authorities in the South East are least active so comparisons here are confined to the four Regions where Assistance is given that are being considered. First then, for promotion in Britain advertising is most strongly orientated locally in the North and least in Wales. In all cases in Britain advertising in the local press is more widely made use of than the national press, except in Scotland, and this result may be due to a questionnaire fault in that by "national" the Scottish respondents equated this with Scotland not Great Britain. Television and radio are used more in the North West than elsewhere and this seems to be due to the importance of commercial radio locally. It is difficult to see why exhibitions and seminars are more widely mentioned in Scotland and the North West. Localised imitations as was seen with aspects of industrial development may be important. One specific possibility is the SDA's and NORWIDA's readiness to involve Local Authorities in their own activities.

The number of authorities involved in foreign promotion are even smaller and so findings are even more liable to interpretative error. Perhaps the most notable factors are the high use of trade and specialist journals and direct mail (particularly in Scotland) and the concentration on these methods plus exhibitions when compared to the figures for promotion within Great Britain.

4.3(iv) The Targets of Promotional Activity Overseas

We have seen what techniques have been used in promotion, now we can see where efforts are being directed in terms of countries and sectors.

Just over half the Local Authorities and New Town Development Corporations said they were focusing attention on specific countries (see Table 4.23). Of these most focused attention on the U.S.A. This reflects the historical tendency for large amounts of investment to emanate from the United States and may be some indicator of the relative ease and suitability of an American focus in that they use the same language, or, should we say, nearly the same language, for some authorities such as the NEDC, have produced American versions of their publicity documents and advertisements. Most other attention is on Europe, Scandinavia and Japan.

TABLE 4.23 Local Authorities and New Town Development Corporations focusing promotional attention on specific countries. N = 125

	Number Using	% of total N	%of those using foreign media
One or more states	63	50	100
U.S.A.	37	30	57
France	12	10	19
Germany	26	21	40
Other E.E.C.	13	10	20
Scandinavia	17	14	26
Other European State(s)	4	3	6
Japan	17	14	26
Other State(s)	4	3	6

The Development Agencies and development associations tend to have similar promotional foci overseas. These bodies and the better organised Local Authorities and Development Corporations also tend to enter into sector-specific activities and not just country specific ones. Unfortunately many bodies are ill-equipped both in terms of staff and expertise to concentrate on a country or sector-specific activities. One Industrial Development Officer focusing attention on the U.S.A. or Japan can hardly cover all possibilities and so there has to be a balance struck between spreading and concentrating activities. The more professional agencies do both, but place a definite emphasis on concentration. They tend to choose targets by country, industrial sector, and then the firm and the specific individual to be contacted. This choice can either involve intense study and ground work or just involve an ill-considered and often emulative decision to try a few targets. In the case of the carefully considered the needs of the area in particular relation to what it has already got in industrial terms is the crucial first order concern. The sectors most often avoided thus turn out to be heavy industry and industries in an uneasy state such as textiles. Most authorities were interested in electronics, computing, and chemicals-based and related industries, although general engineering, service industries and food, drink and tobacco were also mentioned.

Many of the smaller agencies were only following the trends evident to them by past inward investment. In some cases respondents felt their options to be foreclosed. A Scottish civil servant suggested:

> "There can be no focus, we just follow the trends. Europe is pretty much saturated by British organisations trying to attract firms and German and French firms are concerned with proximity factors such as South Wales and Heathrow. The U.S. we hammer hard to follow up what we have already, and we're making inroads into Japan."

Predicting future investment patterns is an important consideration for knowing which countries and sectors to concentrate upon. Prediction cannot be totally scientific and so speculation is inevitable. Many stick to their past success. For example, Scotland's foreign investment is three quarters American (see Table 2.16) and so there is a conscious effort to continue to attract more. Other agencies do this for other states such as Japan even though in this case past investment is minimal (see Table 2.1), and in no region does it exceed more than 2% of total foreign investment.

Most attention is paid to the U.S.A. by the various authorities in Scotland and Wales (see Table 4.24). The SDA and DCW are also working hard in the U.S.A. and spend a good deal of time pushing forward their "national" identities. Both agencies are heavily involved in promotion and visits to the U.S. and both employ agents there. NORWIDA and the NEDC are involved in similar, if less adventurous activities in America and the Local Authorities and Development Corporations in these regions are not as highly involved as their Scottish and Welsh counterparts.

TABLE 4.24 Local Authorities and New Town Development Corporations focusing attention on specific states by region. N = 125.

	Wales	S.E.	Scot.	N.W.	N.	TOTAL
Focusing attention on specific states	10	6	20	19	10	65
U.S.A.	8	1	15	9	4	37
France	3	3	1	4	1	12
Germany	4	2	9	8	3	26
Other E.E.C.	3	3	2	4	1	13
Scandinavia	2	0	5	5	5	17
Other Europe	0	0	3	1	0	4
Japan	2	1	5	6	3	17
Other State(s)	2	0	1	1	0	4

Attention on the U.S. still continues even though there has been only slow growth in investment from America since the mid-

1960's (see Tables 2.2 and 2.3), but nevertheless, in volume terms U.S. investment still continues to be very important to Britain although severe downturns in the dollar, high unemployment, and cheaper exports from the U.S. have contributed to a stay at home mentality of late.

Attention to investment from the E.E.C. has increased rapidly over the last decade as have investments(see Tables 2.1 to 2.3). Paying attention to European states is important because in contrast to British and American practice "the foreign subsidiaries of Continental enterprises in 1971 were located first and foremost in Europe" (26). All the major agencies concentrate considerable effort on European states and Table 4.24 indicates that the states in question are also the concern of the Local Authorities and New Towns. In terms of the number of these authorities involved the most popular single European state is Germany (mentioned by 40 authorities) followed by other E.E.C. states (20) and France (19). The sheer economic success of West Germany tends to be the major factor attracting agencies and authorities to Germany. However, Germany has been exporting over 2.5 billion dollars of direct investment annually over the last six or seven years (27) and Britain has failed to secure much of this. Most respondents suggested that the Germans exhibit caution over British labour relations problems and one respondent was particularly despondent regarding his authority's failure to secure German investment concluding that the "Germans are too cautious to invest in the Western outreaches."

The concentration on France and other E.E.C. states is much lower than that on Germany (Table 4.24) and tends to exhibit some regional variation in terms of the Local Authorities and New Towns. The attention to France and other E.E.C. states is highest in the South East, Wales and the North West (Table 4.24). Little attention is paid to these states by those authorities in the Northern Region and Scotland (Table 4.24). Geographical relation probably has a bearing on this with Germany obviously being made the exception as a result of its elevated economic status. The attention paid to Scandinavian states also probably exhibits some distance decay as indicated by the present locational concentration of Scandinavian firms, with 11% of all foreign investment in the Northern Region (Table 2.18) and 5% in Scotland (Table 2.19). This goes far towards explaining why agencies, associations, and authorities in these two regions, and to a lesser extent in the North West, are concerned with attracting Scandinavian firms.

The first ripples of investment from Japan have caused many authorities and agencies to move into promotion activities with regard to Japan. Attracting firms from Japan has become important to authorities that have already gained Japanese firms and many of the New Towns are also involved (see Table 4.25). The view held by many is that Japanese firms fear European protectionism and consequently wish to set up in the E.E.C. The low cost of Britain appears to hold most appeal but the labour relations problems have to be played down as much as possible. Making contacts with Japanese firms via the media has proved very difficult. The usual approach is to meet and discuss opportunities with Japanese businessmen. To get such a meeting the contact channel has usually been the banks who set up meetings as they are keen to become involved in financing.

TABLE 4.25 Local Authorities and New Town Development Corporations focusing attention on specific states by type of authority. N = 125.

	New Town Dev.Corp.	County	Non-Met. Dist.	Met. Dist.	TOTAL
Focusing attention on specific states	12	14	28	11	65
U.S.A.	12	8	15	2	37
France	3	3	4	2	12
Germany	9	6	7	4	26
Other E.E.C.	5	2	6	0	13
Scandinavia	5	5	5	2	17
Other Europe	1	1	2	0	4
Japan	8	4	4	1	17
Other state(s)	1	0	2	1	4

Attention to other states in the E.E.C. tends to be on the Netherlands, Belgium, Denmark and, occasionally, Italy. Outside the E.E.C. Spain, Finland and some Middle East states are often mentioned. Little interest is directed elsewhere despite increases in foreign investment from many other states such as those in the Commonwealth (see Tables 2.1 - 2.3).

The New Towns tend to be the best endowed and most capable of the authorities surveyed and the countries upon which they focus attention are some indicator of which countries provide the most potential (see Table 4.25). Quite often bodies have found themselves with readily exploitable benefits. Peterlee has used its contact with the Japanese company NSR to set up 200 contacts in Japan. Likewise the DCW has found many contacts in Japan and agencies in the Northern Region have built upon close links with Scandinavia. Other authorities tend to follow the lead or decide independently to focus attention on the same group of states. A handful of authorities decide consciously to avoid the lemming like approach by targetting different countries and sectors and so they want to know what their competitors are doing. This contributes to a general uneasiness about secrecy and confidentiality as witnessed previously with regard to promotional campaigns.

Further indications of where attention is focused may be given by considering the 69 (N = 125) authorities that produce publicity documents and literature in foreign languages. (Most other authorities rely on making tailored translations as and when necessary). In general, the most used language for promotional literature from Local Authorities and New Towns is German (48 cases) (see Table 4.26), with French next (35), this probably reflecting the traditional approach to translating into French as a second language rather than relating to the degree of concentration of promotional activities on that state. French, nevertheless, is useful in other European states and in Canada. Japanese literature is rapidly increasing in use and is currently used by fifteen of the Local Authorities and New Towns in the survey. Scandinavian language documents are produced by nine such authorities, these being mainly in the Northern Region.

Other languages used in documents include Spanish, Italian, Russian and Arabic. The Development Agencies, development associations, and the IBB use a wide range of languages in their promotional materials.

TABLE 4.26 Local Authorities and New Town Development Corporations using foreign languages in promotional materials. N = 125

	Number Using	Relative Frequency %	Adjusted Frequency %
One or more foreign language	69	55	100
French	35	28	51
German	48	38	70
Danish	2	2	3
Other E.E.C. language	8	6	12
Scandinavian language	9	7	13
Japanese	15	12	22
Other language	2	2	3

Languages used and comments on attentional focus are useful indicators of activity. Some of the most active bodies, however, go much further and employ overseas officers or agents. The IBB, however, do not need to be involved with agents and officers because the framework for such activities already exists. The British Consular Offices do the overseas representation for the IBB. Unfortunately most Consular staff cerned with attracting firms to Britain are only involved on a part-time basis, and the desire for full-time professionals employed overseas is strong within the IBB. The I.D.A. of Ireland with nine offices in Europe, five in North America, one in Japan and one in Australia, is equipped as a completely autonomous body. It is unlikely, though perhaps desirable, that the IBB would become similar but even within the existing set up the IBB's framework could soon be improved. Nevertheless, the

Foreign Office desires to maintain its say in activities abroad and how the system is operated. The Foreign Office often seems somewhat wary of the increasing role of Consular staff as promotion men. For instance, in the United States the staff in the twelve Consular Offices located in the main cities spend as much as half their time on promotional activities, as does the British Consul General in the U.S.A. Whether such individuals are suited to the task was questioned by many individuals in other agencies and authorities in Britain. Many felt that career diplomats and civil servants were not well suited and that marketing men were needed in order to match the expertise of the agencies of other countries, particularly the I.D.A. of Ireland.

The Development Agencies and development associations have set up overseas offices and/or employ overseas agents of their own. The main aim is, of course, to promote their own area which they feel no-one else will do for them. Secondary aims are to combat the challenge of authorities such as the Irish I.D.A., to overcome problems they see with the central government's operation and, particularly in the case of using agents, to ensure that each country is approached in the most suitable way preventing the overlaying of methods appropriate in Britain but inappropriate elsewhere. Despite this overseas officers are still a rare thing. The SDA has two such officers in New York and beyond that only one authority, a New Town, reported employment of an officer overseas.

An alternative to officers is to employ overseas representatives and consultants. The Development Agencies and development associations all have representatives. Amongst these the SDA and DCW are most involved in this activity. NORWIDA has only one representative, in New York, whilst the NEDC has them in New York, Los Angeles, Tokyo and, until recently, in West Germany. The DCW has three American representatives, four in Europe and one in Tokyo. The SDA is still building up its representation but by 1979 had at least three representatives and consultants in the U.S. and two in Europe.

The surveys uncovered seven Local Authorities and New Towns as having representatives. Six were New Town Development

Corporations and the other one was a non-Metropolitan County. All have large budgets. There was, however, a certain amount of disdain for overseas representatives even amongst respondents in authorities engaging representatives. One Industrial Development Officer described their overseas consultant as barely used and as little more than a Public Relations image builder within the Development Corporation itself. Another revealed that despite employing active overseas consultants on an annual retainer exceeding £50,000 their authority had never gained an establishment through this route even though contacts had been set up.

The cost of consultants and representatives was an obvious deterrent to many authorities. Many preferred to lean heavily on the government and regional bodies, whilst others chose to rely on frequent visits to retain contact even if lacking representation. The costs of making visits can be high. Making contacts via banks, Chambers of Commerce, other organisations, or by direct mail is expensive and can be costly let alone the costs of the actual visits and their arrangement. Single visits are rare and considered a waste by the more professional bodies so multiple visits are used and this further multiplies the cost. One New Town officer calculated that a week long visit to Japan for one person cost £3,500 , at 1979 prices, excluding the cost for the general arrangement and organisation of the visit. The Corporation in question made two such week-long visits to Japan, visiting about sixty companies, sending two men each year, so these visits alone would cost nearly £30,000. If such visits are also undertaken in North America and Europe then the scale of the costs begin to become evident.

Thirty (N = 125) New Towns and Local Authorities said that they made overseas visits. This varied by authority (see Table 4.27) and also by region (Table 4.28). The most active by far are the New Towns (12, 85%) followed by the Counties (7, 35%), especially those with the severest unemployment and industrial problems. There seems to be some relationship between region and authorities making overseas visits. Fully half (17) the Local Authorities and New Towns in Scotland said they were involved in overseas visits compared to only one in Wales, four in the North West and five in the Northern Region. The variation is quite substantial. The high level of involvement in overseas visits by Scottish authorities reflects the existence of five New Towns and the SDA's policy of taking Local Authorities along with them on overseas missions. The SDA only take the Regions, however, mainly because involving the Districts would escalate the numbers involved to unmanageable proportions. Districts in Scotland and elsewhere do, nevertheless, make overseas visits although, in the main, these activities are extremely limited and may involve little more than a trip of the Chief Executive to Scandinavia, Europe or, occasionally, the U.S. Unlike the sophisticated arrangements of the Development Agencies, development associations, and New Towns, these visits are often poorly organised and implemented, becoming of little more value than a "trip for the boys". A certain amount of "sour grapes" was mentioned in this regard by authorities looking at their neighbours having "free trips on the rates".

TABLE 4.27 Local Authorities and New Town Development Corporations making overseas visits to attract industry. N = 125.

	Number	%
Development Corporation	12	86
Counties	7	35
Non-Metropolitan District	9	35
Metropolitan District	2	14
TOTAL	30	24

TABLE 4.28 Local Authorities and New Town Development Corporations making overseas visits to attract industry by region. N = 125.

	Number	%
Wales	1	4
S.E.	3	15
Scotland	17	50
N.W.	4	15
North	5	24
TOTAL	30	24

In summary, visits overseas tend to be the remit of New Towns, Scottish Regions (usually under the guidance of the SDA), a handful of English Counties (especially those with severest problems) and a few Districts wishing to do their own promotion. The visits differ in approach. Most are either company liaison and visits or dinners, receptions and seminars for industrialists. Company visits are used by Local Authorities, New Towns, Development Agencies and development associations. Seminars and, sometimes, receptions are usual for the IBB and some regional bodies. The SDA on its visits to the U.S. has, for instance, held a series of luncheons and receptions in a number of cities, each one attracting about a hundred guests who can meet a team of SDA men and perhaps twenty-five others from the Scottish Regions and other bodies.

Overall, this chapter has given a picture of the actors and the techniques they are using in an effort to attract foreign firms to Britain, or in other words, in order to implement the consensual "welcome". By outlining the general activities employed towards this end we have begun to expose an apparent failure to translate a policy of consensus into a coherent framework for implementation. This theme is mentioned here in order to forewarn of its subsequent development. First, however, it is necessary to continue with presenting findings. Having looked at organisations and the techniques they employ in the effort to attract foreign investment we move on to assess how well this is being done.

In the next chapter we begin to see how relevant actors view their own efforts and we also consider their attitudes towards foreign firms, in an attempt to uncover fundamental reasons for the methods employed and to assess the extent of the value placed on obtaining foreign investment. The separation of the survey results into the present and the next chapter is made in order to split "factual" information from that based largely on opinion.

(1) C. E.Lindblom The Policy Making Process, Prentice Hall, 1968.

(2) H. Pressman and A. Wildavsky Implementation, University of California, 1973 p. XIII - XIV. They discuss issues of whether it is possible to study implementation. Strictly speaking, they claim that it is not possible to study implementation in the case discussed herein for policy is not being translated into techniques for its attainment, i.e. actors and acts are not specified. This author views their opinion as too idealistic, especially in the British case, where pragmatism tends to prevail over vigorous policy analysis in the government arena.

(3) These are set out in Appendices 1 and 2.

(4) Until recently the only studies available were M.P. Fogarty Plan your own Industries, A Study in Local and Regional Development Organisations, Blackwell, 1947, and M.M. Camina Local Authorities and the Attraction of Industry, Pergamon, 1974. More recently work has been done by Urbed (see N. Falk Local Authorities and Industrial Development, Urbed, 1974) and the Centre for Advanced Urban Studies (see M. Boddy and S. Barrett Local Government and the industrial development process, CAUS, Bristol, 1979, and G. Bramley, M. Stewart and J. Underwood Local Economic Initiatives, CAUS, Bristol, 1979).

(5) Requests were sent to those who were obviously active, as demonstrated by journal advertising campaigns and to a sample of other authorities selected from the Municipal Yearbook, Municipal Journal Ltd., 1978.

(6) The South East was chosen because of ease of visiting the area given that a certain amount of interviewing of M.P.s and civil servants had to be done in London in any case. The inclusion of the South East region could only be as a partial control as the region is not necessarily typical of the non-Assisted Regions.

(7) The pilot survey was a 10% sample of the whole, i.e. 21 postal questionnaires sent out. The results of the pilot survey are included in the overall results. Its purpose was to test responses and wording. Consequently, a few changes were made and this would explain why the questionnaires sent to some bodies differ slightly from the format given in Appendix B.

(8) N. Falk op.cit.

(9) See P. Odell "London and the Golden Triangle" New Society, No. 398, 14 May, 1970, p. 821 - 823.

(10) Parliamentary answer by Mr. Bob Cryer Hansard, 1977 - 78, 10 November, 77, Col. 726.

(11) N. Falk op.cit., Appendix A, p. 6.

(12) M. M. Camina op.cit., p. 122 - 125.

(13) T. Forester, "The great jobs hunt: trying to beggar thy neighbour", New Society, 3 May, 1979, p. 252.

(14) Personal interviews with author.

(15) For example in 1979 the Borough of Afan had to call a halt to its modest programme of attracting industry being overwhelmed with enquiries.

(16) P. F. Drucker Management: Tasks, Responsibilities, Practices, Heinemann, 1975.

(17) M. M. Camina op.cit., p. 120 - 123.

(18) N. Falk op.cit., p. 4.

(19) For example in 1979 the smallest advertisement in the Financial Times cost £370, half a page cost £5,000 and a full page £10,000.

(20) M. M. Camina op.cit., p. 127.

(21) M. M. Camina ibid., p. 128.

(22) This focused on the regional incentives and assistance available and yielded over six hundred responses for information. The cost of over five and a half thousand pounds put the average cost per reply at just under nine pounds. This resulted directly in a number of applications for financial and other assistance and served to increase awareness of NORWIDA.

(23) M. M. Camina op.cit., p. 128.

(24) D. Stevenson, Chairman, Aycliffe and Peterlee Development Corporations. From a speech made in summer 1979 on the professional approach to inward investment.

(25) We are still left with the problem of not knowing the level of use of each medium. A qualitative distinction is not made between the occasional use of the press and concerted campaigns, for instance.

(26) I. Thomas U.S. Banks in Britain, unpublished Ph.D. thesis, University of Wales, 1976.

(27) German Ministry of Economic Affairs figures.