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PREM 19/5028

Part 2

JM

Confidential filing

Inward Investment

TRADE & INDUSTRY

Pt 1 : Feb '81

Pt 2 : Dec '86

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~4.3.94.~~ ~~28.4.94~~ ~~30/6/94~~ ~~20/7/94~~ PART CLOSED							

PREM 19/5028

PART

CLOSED

31 July 1994

CABINET OFFICE
70 Whitehall, London SW1A 2AS
Telephone: 071-270 0400

Chancellor of the Duchy of Lancaster
Minister of Public Service and Science

KBO4973

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade of Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

31st July 1994

Dear Michael

STRENGTHENING THE INWARD INVESTMENT EFFORT

I have seen your note of 30 June to the Prime Minister which summarises your plans to reinforce inward investment promotion.

I support your plans for a more co-ordinated approach to this important area. The UK is perceived by inward investors to have many strengths, not least of which is the UK's international reputation for world class science, engineering and technology. English is the lingua franca of science and technology. This enables multinationals based in the UK to work closely with our science and engineering base and gives us an additional edge.

The UK's strong science and engineering base last year enabled us to secure the European Bioinformatics Institute (EBI) for Cambridge. This, together with the Sanger Centre will form the heart of the genome campus at Hinxton Hall. We expect this world class research centre to attract significant interest from companies both here and overseas and to become a major international focus for genome-related work. I believe it has great potential as a model for promoting synergy between academic and industrial research, and attracting interest from overseas.

You sought nominations within Departments for those with responsibility for inward investment promotion. I suggest that Bob Hughes should take on this role within OPSS. Meanwhile, I will continue to promote inward investment, both at home and when I am overseas.

I am copying this letter to the Prime Minister, Cabinet colleagues and to Sir Robin Butler.

Yours ever

DAVID HUNT

RESTRICTED – COMMERCIAL

KCPU

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

1. ltr o/r
To write
2. file

The Rt Hon Jonathan Aitken MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

29 July 1994

Dear Jonathan

SAMSUNG: PROPOSED INDICATIVE RSA OFFER

I am writing to tell you that I propose to instruct my officials to discuss with Samsung a possible offer of up to £30 million RSA, spread over the years to the end of the decade.

The offer is aimed at winning for the UK Samsung's prospective European industrial complex. This is expected to create nearly 3,000 jobs and bring total investment of £450 million by the latter part of the decade. The individual projects and the ballpark RSA figure we are considering for each are detailed in the enclosed table. The individual projects are of variable quality ranging from one or two which are unexciting to several which, individually, would give us significant competitive advantage in terms of technology, skills and new markets. The real prize, however, is to secure the whole complex here and we are aiming to structure our support to give Samsung the maximum incentive to do this. We also want to tie in the company to moving their European HQ from Frankfurt to London.

Samsung Group is the largest Korean conglomerate and a world class company - ranked 14th on the latest (1994) Fortune Global 500. Its mission is to become one of the world's top five electronic companies by the end of the century. Part of its strategy for achieving this is to invest in Europe, concentrating (initially) on one industrial complex. The complex would thus be a flagship inward investment and would undoubtedly act as a magnet to further Korean investors at a time when there is increasing competition within Europe for

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such investment. Most important, the prospective employment opportunities would help to demonstrate the success of our economic policies at a time when jobs remain a key area of public concern.

Samsung are looking at possible sites in the North East of England and Scotland (Lanarkshire Enterprise Zone). They are also looking at Spain and Ireland is in the running. They have made clear that grant availability will be a crucial factor (and we can be in no doubt that Spain will make a generous offer). We need to make clear our willingness now to offer financial support if we are to remain in the running. I believe that we can secure more investment overall with less grant by making an approach now covering all the prospective projects. However, it is the combination of a financial package and the marketing of our attractions as an investment location which will give us a chance to win this exciting industrial complex.

I am copying this letter to the Prime Minister and Ian Lang.

Yours ever

Michael

JW7256

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dti
the department for Enterprise

RESTRICTED - POLICY

DEPARTMENT FOR EDUCATION

SANCTUARY BUILDINGS GREAT SMITH STREET WESTMINSTER LONDON SW1P 3BT
SWITCHBOARD 071 925 5000 CENTRAL FAX 071 925 6000 GTN 3060

The Rt Hon Gillian Shephard MP
Secretary of State for Education

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

28 JUL 1994

Dear Michael

STRENGTHENING THE INWARD INVESTMENT EFFORT

I was pleased as Minister of Agriculture to have the opportunity of commenting on your minute of 30 June to the Prime Minister, but I should like to add the support of the Department for Education for the measures you propose to take to encourage inward investment.

There is a long tradition of philanthropic investment in education, some of it from overseas. We shall shortly be launching a booklet designed to promote private finance in education on a commercial basis; overseas investors may be particularly interested in opportunities to invest in research and development.

No less important in the education field is the inward investment in human capital, through academic exchanges and our recruitment of overseas students, which contributes to our economic success in the longer term. We will certainly continue to encourage this, not least by maintaining the quality of higher and further education.

I have asked Eric Forth to take responsibility for inward investment and to take over responsibility for educational export promotion from Tim Boswell.

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DFE

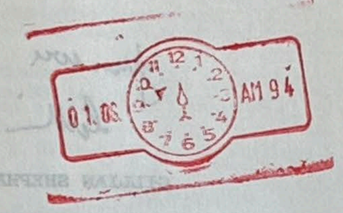
I am copying this letter to the Prime Minister, Cabinet colleagues and to Sir Robin Butler.

Yours ever
Gillian

GILLIAN SHEPHARD

JW7256

dti
the department for Enterprise



The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

MF
KR

Lord Walker
House of Lords
LONDON
SW1A OPW

27 July 1994

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

Dear Peter

I have now met with all the top businessmen you suggested to aid with our Inward Investment efforts (Richard Giordano, Peter Bonfield, Sir Denys Henderson, Lord Kingsdown, Sir Derek Birkin, Ian Gibson and Richard Greenbury). I am delighted to say that they have all accepted.

I know that they will make a considerable contribution as we move towards a more aggressive marketing effort in this area. I expect that you will be discussing with Andrew Fraser the next steps in terms of how we can make best use of their talents.

Andrew will also wish to discuss with you his views on how best to co-ordinate the various activities of the territorial agencies and the English regions. I have asked him to regard you as his Chairman and am, as ever, most grateful for your help.

I am copying this letter to the Prime Minister.

Yours ever

MICHAEL

PE7180

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SCPU

Prime Minister

STRENGTHENING THE INWARD INVESTMENT REPORT

1. Michael Heseltine copied to me his minute to you of 30 June about inward investment. I have also seen the replies from colleagues.

2. As indicated when we discussed this issue at Cabinet, I very much welcome Michael's initiative. He is absolutely right to emphasise the outstanding success we have had over the past decade in attracting inward investment. We in Scotland are particularly proud of our record, due in no small measure to the professional expertise of our inward investment organisation. We need to build on our success, but at the same time we are facing increased competition as a location for inward investment.

3. I am sure Michael's new measures will help us meet these challenges. As we noted in Cabinet, it would be desirable for business people from Scotland, Wales and Northern Ireland to be included in Peter Walker's team. I know that I, John Redwood and Paddy Mayhew value Michael's undertaking to keep us closely in touch here.

4. I also welcome the suggestion that other Cabinet colleagues should take a personal role in encouraging foreign investors in their field. Obviously there is some danger of too many cooks and very close co-ordination will therefore be needed. It will also be important to recognise that colleagues will be acting on a national basis. My Department (and John's and Paddy's) will need to be kept fully in touch. I am sure Michael is alive to these points.

5. Allan Stewart and I already undertake a programme of overseas visits specifically designed to pursue inward investment opportunities. He would be very happy to be involved in the work Michael describes to bring other Departments into a more systematic programme of inward investment promotion.

6. Finally, I look forward to hearing more about Michael's review of the effectiveness of co-ordination with the Territorial Departments. My impression is that these arrangements are already pretty successful, but it could well be worth considering how they could be improved still further.

7. I am copying this minute to other Cabinet colleagues and to Sir Robin Butler.

I L

The Scottish Office
25 July 1994

CPO

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Prime Minister (4) cc Rod Lyne, Chris Meyer, Jonathan Hill

Some good stuff here, which we should make more use of. One possibility is section i William + Mary lecture.

Alex

Yes – also the Party Conference speech. M. copy to N. Tim, Lord Wakeham etc

30.7

Alex Allan Esq
Principal Private Secretary
to the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

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071-215 5000

25 July 1994

Dear Alex,

(following your meeting with the Lord Mayor)

Your letter of 22 June 1994 requested an analysis of inward investment into the UK and other countries and similar information for the locations of Corporate Headquarters.

The attached paper provides such an analysis. Points of particular interest, largely in line with the Lord Mayor's figures, are:

- The predominance of the US as an inward investor in the UK (41% share in 1992), followed by the Netherlands (15%) and Germany (14%).

- In terms of the stock of inward investment, the UK has been second only to the US and has attracted nearly twice as much as Germany in third place.

- In terms of the flow of inward investment, the position of the UK as an attractor of overseas direct investment moved ahead of the US in 1991 and 1992 to make us the world's largest recipient of net investment.

UG *

This is not to say, however, that we can afford to be sanguine. As table 5 shows, France is rapidly catching us up. (We are also doubtful about the Lord Mayor's claim that 136 major companies had their corporate headquaters in Britain as opposed to 77 in France and 67 in Germany. Our figures do suggest that London, with 108 and Paris with 96 are by some margin the most important hosts for corporate headquarters of the top 500 European companies.) We need to ensure that the City and the Corporation of London take this seriously. I have been pressing the Lord Mayor and others including the Governor of the Bank of England, on this issue.

The President also welcomed the recent news that the Corporation of London has now commissioned consultants from Coopers & Lybrand to draw up an economic development strategy for the City.

I am copying this to John Sawers (Foreign & Commonwealth Office).

Yours,

Matth

MATTHEW HILTON
Private Secretary

PE7031

dti
the department for Enterprise

INWARD INVESTMENT INTO THE UK

Table 1 shows the flows of inward investment (II) from different countries into the UK in 1987 and 1992 and the change over that period. In both years II was running at around £9bn. Athough the composition of the total was somewhat different between the two years, the predominance of the USA as an inward investor is clear and in both years something over one third of the total came from the EC.

Flows of II can be very volatile so that flow figures for particular years can give a misleading impression of the relative importance of inward investors. A better indicator is the stock of inward investment. Table 2 shows that in 1992:

- The US had 40% of the stock of assets held by inward investors in the UK.
- The EC had 31% of the assets, with the Netherlands having 14% and France and Germany 7% and 5% respectively.
- Japan had 4% of the stock.

In 1991 the total stock of II in the UK was £113bn. The split between manufacturing, services and energy was 34%, 43% and 23% respectively. Table 3 gives a breakdown by sector.

COMPARISONS WITH OTHER MAJOR COUNTRIES

Comparing the II in the UK with that in other countries is difficult and fully comparable figures do not exist. The best figures available are given in Tables 4, 5 and 6. Tables 4 and 5 show:

- In terms of the stock of II, the UK was second only to the USA and had almost twice the stock of II than that of the country in third place (Germany).
- In terms of the flow of II, the position of the UK as attractor moved ahead of the US in 1991 and 1992 to make the UK the world's largest recipient, although over the five year period as a whole the UK was the second largest recipient.

Table 6 shows the stock of Foreign Direct Investment (FDI) for both the host and origin countries:

- The UK receives almost 40% of US FDI, second only to Japan which receives 44% from the US.
- France and Italy get over half of their inward investment from other EC countries, as does the US.

The UK's stock of outward investment in 1992 was £146bn. Of this 37% went to the USA and 26% went to other EC countries.

LOCATION OF CORPORATE HEADQUARTERS

The best available data on Corporate headquarters is given in Tables 7, 8 and 9. These tables exclude financial services companies.

- Table 7 shows that of the top 500 European companies 137 had their headquarters in Great Britain, with 108 of these in London.

- Table 8 shows that London is the preferred location for Corporate headquarters with 22% of the top 500 European firms locating there. The next most popular is Paris with 19% of firms locating there. The rest of the top 500 companies are spread across Europe.

- Table 9 shows 17 other UK locations for the headquarters of these companies, although London is by far the preferred site.

A study commissioned by the IBB in 1993 looked at past research into the factors affecting the choice of location for inward investors's European Regional Offices. Proximity to markets, availability/cost of a site, availability of support services, the official language, quality of road/rail and air transport, the quality of telecommunications and quality of life were all judged to be important factors.

Table 1

OVERSEAS DIRECT INVESTMENT IN THE UK, 1987 AND 1992

Net investment

	Shares of world total (%)		
	1987	1992	change
Western Europe	**39.3**	**48.0**	**8.7**
EC	**36.2**	**38.4**	**2.2**
Belgium-Lux	4.5	0.8	-3.7
Denmark	0.3	0.8	0.4
France	11.1	8.6	-2.4
Germany	2.0	13.8	11.8
Greece	(a)	(a)	(a)
Irish Republic	0.7	-0.3	-0.9
Italy	0.4	-0.7	-1.1
Netherlands	17.3	15.4	-2.0
Portugal	(a)	(a)	(a)
Spain	0.0	0.0	0.0
EFTA	**3.1**	**9.4**	**6.3**
Austria	0.0	-0.5	-0.5
Finland	0.1	0.6	0.5
Norway	1.6	-0.4	-1.9
Sweden	3.9	1.8	-2.1
Switzerland	-2.5	8.0	10.4
Other Western Europe	**0.0**	**0.2**	**0.2**
North America	**28.6**	**40.8**	**12.2**
Canada	10.9	-0.6	-11.4
USA	17.7	41.4	23.6
Other Developed Countries	**22.6**	**4.6**	**-18.0**
Australia	10.2	3.7	-6.5
Japan	9.5	-0.4	-9.9
New Zealand	(a)	0.3	(a)
South Africa	(a)	0.9	(a)
Rest of the World	**9.5**	**6.6**	**-3.0**
Asia	**5.9**	**7.7**	**1.7**
Caribbean, Central & South America	**3.7**	**-0.4**	**-4.1**
Africa	**-0.1**	**0.2**	**0.3**
Oceania and Eastern Europe	**0.0**	**-0.8**	**-0.9**
World	**100.0**	**100.0**	
Total, in current prices (£m)	**8,986**	**9,231**	

Notes:
A minus sign indicates net disinvestment.
Totals may not equal the sum of component parts due to rounding.
(a) indicates data are disclosive

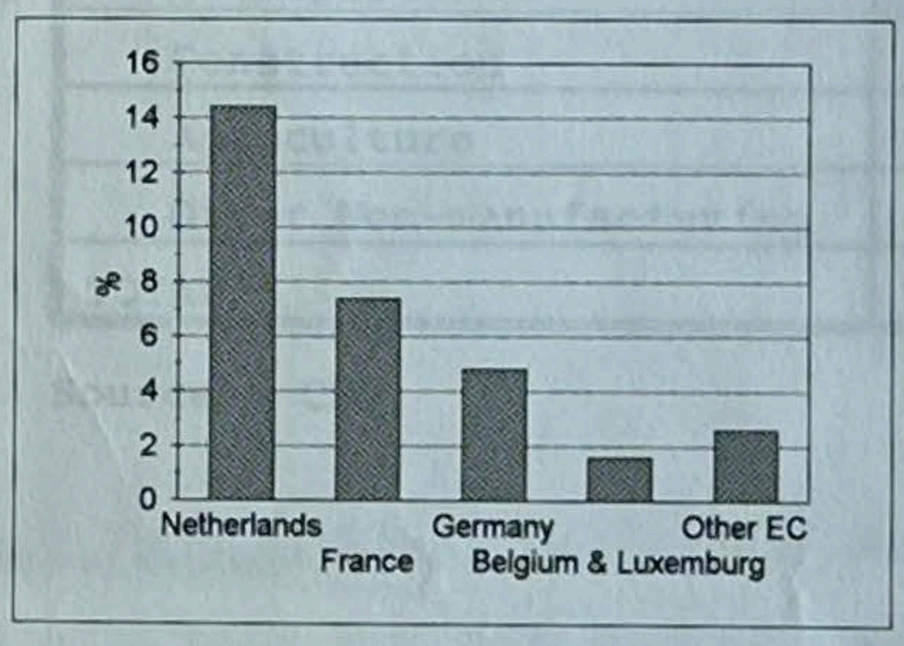
Source: CSO First Release, Overseas direct investment 1992
CSO(94)65, 28 March 1994

TABLE 2

UK Inward Direct Investment - Book Value of Net Liabilities 1992

	£ Million	%
Netherlands	16549	14.4
France	8484	7.4
Germany	5492	4.8
Belgium & Luxemburg	1829	1.6
Other EC	2944	2.6
Sweden	3287	2.9
Switzerland	7243	6.3
Other EFTA	1049	0.9
USA	45942	40.0
Canada	4405	3.8
Australia	8080	7.0
EC	35298	30.8
North America	50347	43.9
Japan	4896	4.3
EFTA	11579	10.1
Rest of the World	12467	10.9
World	114587	100.0

Source: CSO



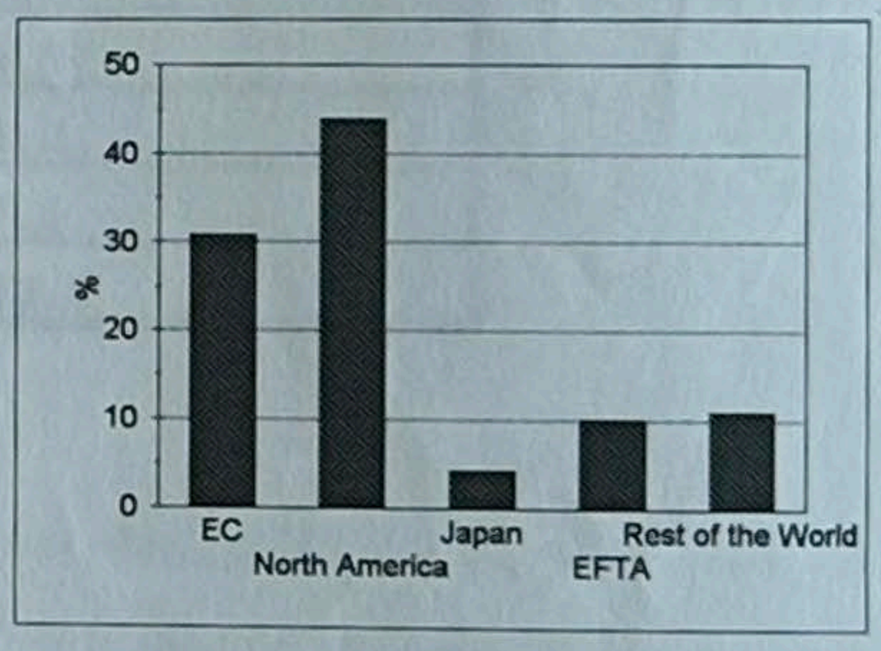


Table 3

STOCK OF INWARD INVESTMENT IN THE UK BY SECTOR 1991

SECTOR	£bn
MANUFACTURING	**37.8**
Paper	7.2
Food, Drink & Tobacco	6.1
Electrical Engineering	5.7
Chemicals	5.2
Mechanical Engineering	4.3
Transport Equipment	3.1
Metal Manufacture	1.5
Other Manufacturing	4.7
NON-MANUFACTURING	**75.0**
Energy	26.5
Financial Services	20.2
Distribution	9.8
Transport	0.7
Construction	0.5
Agriculture	0.2
Other Non-manufacturing	17.1
TOTAL	**112.8**

Source : CSO

Table 4
Comparisons of stocks of direct investment 1991
($US Million)

	Inward
Australia	74,451
Austria	10,055
Canada	112,700
France[1]	86,522
Germany	122,199
Italy	61,816
Japan	15,252
Netherlands[1]	72,455
Spain	55,788
Switzerland	34,311
United Kingdom	237,579
United States	407,577

[1] Data relates to 1990.

SOURCE : OECD

Table 5
Inflows of foreign direct investment 1988-92

($US million)

	France	Germany	Italy	Japan	US	UK
1988	7,204	1,202	6,839	-485	58,571	21,356
1989	9,552	6,997	2,529	-1054	69,010	30,369
1990	9,231	2,313	6,316	1,753	46,108	33,099
1991	11,073	2,919	2,542	1,368	12,619	21,14
1992	16,323	2,967	3,154	2,721	-3,948	19,148
average	10,677	3,280	4,276	861	36,472	25,023

SOURCE : OECD

Table 6
Geographical breakdown of the stock of foreign direct investment, 1991. (Percentages)

investment to	investment from EC	US	Japan	Other Countries	Total
UK	30.9	39.7	4.9	24.5	100
France	58.1	20.4	3.1	18.4	100
Germany	n/a	n/a	n/a	n/a	n/a
Italy	51.6	13.7	1.5	33.2	100
Japan	19.7	43.5	11.91[1]	24.9	100
US	55.6	-	21.3	23.1	100

[1] Investment from Japanese foreign subsidiaries into Japan.

SOURCE : OECD

The European Top 500 Companies

TABLE 7

Summary

		%
Number of companies with their HQ in GB	137	27
Number of companies with their HQ in London	108	22
Number of companies with their HQ not in London	392	78
Excluding Headquarters -with a presence in the UK	51	10
-with no presence in the UK	185	37

Note: The list of companies does not include financial services companies

Source: Europe's 15,000 Largest Companies 1993

Sales Turnover By City For The European Top 500 Companies
Ordered By % of Turnover 1993

TABLE 8

City	City Turnover 000s ($)	% Total	Number of Companies	% Total
London	882,160,637	22.8	108	21.6
Paris	782,288,114	20.2	96	19.2
Ruhr*	361,453,408	9.4	38	7.6
Frankfurt	133,437,885	3.5	14	2.8
Munich	98,335,166	2.5	9	1.8
Amsterdam	97,948,704	2.5	9	1.8
Rome	90,293,709	2.3	4	0.8
Stuttgart	89,051,713	2.3	5	1.0
Hamburg	86,809,067	2.3	16	3.2
Madrid	86,316,105	2.2	17	3.4
Turin	73,860,272	1.9	5	1.0
Zurich	69,121,322	1.8	10	2.0
Stockholm	65,789,950	1.7	14	2.8
Brussels	57,548,924	1.5	8	1.6
Rotterdam	49,377,634	1.3	3	0.6
Milan	49,214,788	1.3	8	1.6
Wolfsburg	47,696,875	1.2	1	0.2
Basel	44,106,013	1.1	5	1.0
Other	703,309,482	18.2	130	26.0

* Ruhr = Dortmund, Bonn, Bochum, Leverkusen, Koln, Essen, Duisberg, Heerlen and Dusseldorf

Great Britain

TABLE 9

London	882,160,637	22.8	108	21.6
Birmingham	21,138,030	0.6	6	1.2
Leeds	13,042,371	0.3	2	0.4
Manchester	10,437,672	0.3	3	0.6
Nottingham	9,281,060	0.2	2	0.4
Bristol	8,249,182	0.2	2	0.4
Liverpool	7,384,090	0.2	2	0.4
Swindon	6,550,000	0.2	2	0.4
Windlesham	4,118,939	0.1	1	0.2
Luton	3,897,879	0.1	1	0.2
Marlow	3,895,455	0.1	1	0.2
Prestatyn	3,513,629	0.1	1	0.2
Wellingborough	3,113,374	0.1	1	0.2
Bath	2,920,606	0.1	1	0.2
Ipswich	2,845,606	0.1	1	0.2
Bracknell	2,742,614	0.1	1	0.2
Maidenhead	2,652,424	0.1	1	0.2
Bedford	2,520,758	0.1	1	0.2
Great Britain	990,464,326	25.6	137	27.4

Note: The list of companies does not include financial services companies

Source: Europe's 15,000 Largest Companies 1993

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071 210 3000

From the Secretary of State for Social Security

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
London
SW1E 6RB

20 July 1994

Dear Michael,

STRENGTHENING THE INWARD INVESTMENT EFFORT

Thank you for sending me a copy of your minute of 30 June to the Prime Minister.

I agree that it is important to build on our success in attracting inward investment.

Turning to your specific proposals:

a. Overseas visits. My Ministerial colleagues and I probably have occasion to make rather fewer overseas visits than colleagues in some Departments. But, when we do, we should be happy to include meetings with potential investors, wherever possible.

b. Visiting foreign investors. Again, our involvement is less than that of some Departments, but we do have dealings with the information technology sector, and could consider meeting potential investors in that field if appropriate.

c. Departmental policies. Our policies will be of considerable indirect concern since social security is the largest component of Government budget and therefore influences the tax and national insurance contribution burden on business. They also affect work incentives. Our approach to both spending and incentives are likely to appeal to inward investors.

d. Nominated Minister. William Astor will take particular responsibility for this in my Department.

E.R.

We shall, naturally, need to rely on the "Invest in Britain Bureau", the FCO and individual British Embassies, to help identify suitable targets, countries and investors.

I am copying this to the Prime Minister, other Cabinet colleagues and Sir Robin Butler.

Yours ever

Peter

PETER LILLEY

chex.ip/ir1/15a.

CPO

CPO.

MAFF

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
London
SW1E 6RB

15 July 1994

Dear Michael

STRENGTHENING THE INWARD INVESTMENT EFFORT

Thank you for copying to me your minute of 30 June to the Prime Minister.

I share the views on encouraging inward investment set out in your minute and I have nominated Michael Jack as the responsible Minister in MAFF. We shall be glad to co-operate in the various measures you propose to meet the growing competition from other European countries.

We are also sponsoring a research project into the factors affecting the location of food manufacturing investment as part of our support for the Prime Minister's initiative on food marketing. This study will be complete by about the turn of the year, and we expect it to produce some practical recommendations on maximising investment in the UK. My officials will be glad to discuss the results of this study with yours at the appropriate time.

I agree with Douglas Hurd that we need to avoid excessive competition amongst the regions of the UK for individual projects. More generally, despite the undoubted large overall benefits of inward investment, we need to bear in mind that there may be a few individual projects which are not of benefit to the UK economy, especially if they involve substantial Regional Selective Assistance expenditure.

I am copying this letter to the Prime Minister, Cabinet colleagues and to Sir Robin Butler.

Yours ever
Gill

GILLIAN SHEPHARD

100%
RECYCLED PAPER

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Treasury Chambers, Parliament Street, London, SW1P 3AG
071-270 5000

PRIME MINISTER

STRENGTHENING THE INWARD INVESTMENT EFFORT

Michael Heseltine copied to me his minute to you of 30 June about inward investment. I have also seen the replies of Douglas Hurd and Virginia Bottomley.

The UK has had an outstanding role in attracting inward investment over the years. The IBB has played a useful role in this, although the main reasons why the UK is attractive to such investment are, of course, our membership of the EU, skilled workforce, low taxation, light regulation and use of the English language. Nonetheless at a time when competition for such investment is becoming increasingly intense, mobilizing our private sector expertise to strengthen the IBB makes sense.

I agree that involvement by Ministers in all departments can have a role to play. I have asked the Economic Secretary to take this on in the Treasury.

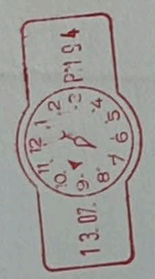
I also support your desire for more effective departmental coordination. I believe that on the whole the present system works well but improved coordination should make prospect of different parts of the UK seeking to bid up projects even less

likely. Given the Treasury's close interest in these matters, I would want my officials to be involved in this work.

I am copying this to Cabinet colleagues and to Sir Robin Butler.

[K.C.]

13 July 1994



RESTRICTED - POLICY

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5817/13
Telex 915564 Fax 071-273 5967

The Rt Hon David Hunt MBE MP
Secretary of State for Employment

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

13th July 1994

Dear Michael

STRENGTHENING THE INWARD INVESTMENT EFFORT

I have seen your letter of 30 June to the Prime Minister on inward investment.

I agree that we should further our efforts to promote inward investment in the UK to meet the competitive challenge we face. I welcome the initiatives you have already set in train and support your ideas for developing Cabinet members' roles.

I attach great importance to encouraging inward investment to the UK. As you know, I recently visited the US and Far East and discussed the advantages of investing in Britain with a number of companies. These visits were immensely valuable and I am sure we can develop further in this area. The impact on foreign investors is very important when formulating policy in my Department. One of the reasons for Britain's success in attracting inward investment and jobs is of course our relatively deregulated and flexible labour market. We should continue to assure investors of our commitment to the removal of unnecessary burdens on employers in the UK, and to our steps to enhance education and training for a highly skilled workforce.

RESTRICTED - POLICY

Secretary of State
for Employment

Encouraging inward investment is an area in which I take a close personal interest and I will take reponsibility for it in my Department.

I am copying this letter to the Prime Minister, Cabinet colleagues and Sir Robin Butler.

Yours ever

DAVID HUNT

RESTRICTED - POLICY

Y SWYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
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071-270 0538 (Llinell Union)
Fax: 071-270 0561

Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
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071-270 0538 (Direct Line)
Fax: 071-270 0561

From The Secretary of State for Wales

The Rt Hon John Redwood MP

12 July 1994

Dear Michael,

STRENGTHENING THE INWARD INVESTMENT EFFORT

I have seen your memorandum of 30 June to the Prime Minister and agree that competition for inward investment is becoming more fierce and that we must continue to sharpen our act if we are to maintain the impressive record that we have had over the years.

I would support a more co-ordinated approach, drawing on the contacts and expertise available to colleagues in their Departments. Certainly, colleagues should take opportunities presented by their overseas visits to argue the case for the United Kingdom.

I would advise caution, however, in dealings with individual companies and projects, where there would be a real risk of too many confusing approaches to potential investors. The lead role rests with your Department and the industry divisions in the territorial departments, who are in constant contact with existing and potential investors in many countries. Any further contacts or lobbying by HMG would need careful clearance and co-ordination, to avoid jeopardising existing relationships. What may be more valuable is informed analysis of markets and market opportunities; technical support; and constructive handling of regulatory issues. I was very interested to read Virginia Bottomley's response to your letter and it would now seem appropriate for the territorial departments to join in the discussions on an inward investment drive in the pharmaceutical sector.

Subject to the points I have raised, I would be content for you to raise this topic at a Cabinet meeting and I am copying this letter to Cabinet colleagues and to Sir Robin Butler.

Rt Hon Michael Heseltine MP
President of the Board of Trade
Ashdown House
123 Victoria Street
London SW1E 6RB

RESTRICTED-POLICY

PM/94/046

PRIME MINISTER

STRENGTHENING THE INWARD INVESTMENT EFFORT

1. I support and welcome Michael Heseltine's proposed measures to improve inward investment promotion.

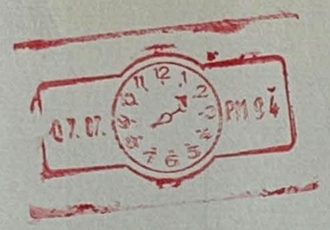
2. Foreign Office Posts overseas play a major part in the UK promotional effort. In countries which are the main targets of that effort (eg US, Japan, Germany), we have staff dedicated full-time to identifying and cultivating potential investors. Foreign Office Ministers become directly involved in supporting this activity when visiting target markets overseas. Our Ambassadors are under instruction to follow up promising companies at a high level and to use all available opportunities to bring leading foreign executives and decision makers into contact with influential and persuasive visitors from Britain. Alastair Goodlad, who has specific responsibility for this subject, regularly discusses with Tim Sainsbury ways in which we can further enhance our effort.

3. I think it particularly important that we should cultivate potential investors by paying high level attention to their companies and their investment projects. I thus endorse Michael Heseltine's ideas about using "top UK tycoonery" and the closer direct involvement of colleagues both at home and overseas. We also need to ensure that our national effort is not handicapped by excessive competition for individual projects from different parts of the UK. The global market for investment is becoming tighter and more competitive.

5. I am copying this minute to Cabinet colleagues and to Sir Robin Butler.

(DOUGLAS HURD)

Foreign and Commonwealth Office
8 July 1994



RESTRICTED - POLICY

File plinvest.ch

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 July 1994

Dear Peter,

STRENGTHENING THE INWARD INVESTMENT EFFORT

The Prime Minister was grateful for the President's minute of 30 June, and was interested to see the further measures in hand to reinforce inward investment promotion. Subject to the views of the Secretaries of State for Scotland, Northern Ireland and Wales, the Prime Minister would be content for the President to raise this topic at an early Cabinet meeting.

I am copying this letter to the Private Secretaries to all members of the Cabinet and to Melanie Leech.

Yours, Mary.

MRS. MARY FRANCIS

Peter Smith Esq
Department of Trade and Industry

RESTRICTED - POLICY

AS

Richmond House 79 Whitehall London SW1A 2NS Telephone 071 210 3000
From the Secretary of State for Health

The Rt Hon Michael Heseltine MP
President of the Board of the Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

5 July 1994

Dear Michael,

Strengthening the Inward Investment Effort

Your note to the Prime Minister of 30 June provides a useful reminder to update you on the work I have been taking forward. You will be aware that my officials have been talking to yours about an initiative we are taking to encourage inward investment in the pharmaceutical and bio-pharmaceutical sectors.

Traditionally the UK has been seen as a favoured location for the industry, and we still punch above our weight in the sector. However, the industry as a whole is now under increasing pressure to change for a number of reasons - escalating costs of Research and Development, the development of bio-technology, tighter regulatory frameworks worldwide and changing health care structures, especially in the USA, by far the largest market. As a result, established companies are reviewing and rationalising their structures, and new bio-technology-based companies are emerging. At the same time the Japanese companies are starting to look overseas, towards western and particularly European markets.

This presents us with a challenge and an opportunity. The challenge is to ensure that we do not lose our pre-eminent position in the global pharmaceutical industry. The opportunity is to capitalise on our strengths by winning investment from the bio-pharmaceutical companies and the Japanese industry.

Building on the success in securing the European Medicines Evaluation Agency for the United Kingdom, I have set in train work to develop an inward

investment initiative for the pharmaceutical sector. My officials, working with yours (including the Invest in Britain Bureau) and with the Association of the British Pharmaceutical Industry, have drawn up an outline strategy for such an initiative. This includes the establishment of an implementation team with a substantial input from the pharmaceutical industry, the research community and the financial sector.

I have discussed this with Sir Richard Sykes, Deputy Chairman and Chief Executive of Glaxo, who has agreed to chair the implementation team and mobilise the resources of the industry in support of the initiative. I think this is a clear demonstration of how we can work together with industry to our mutual benefit. With his help we aim to have the team fully established by the end of the month. I will then make a public announcement, but I thought you might like to know now of Sir Richard's commitment and enthusiasm for the initiative.

I note that, under Peter Walker's chairmanship, you are setting up a small group of top businessmen to advise on inward investment issues. Given Sir Richard's wholehearted involvement in our initiative you might like to consider whether he should be invited to join that group.

You also ask for the involvement of cabinet colleagues. I have actively supported our export efforts in a number of parts of the world, including the former Soviet Union and the Far East. I will be more than happy to promote inward investment, both at home and when I am overseas.

Copies of this go to recipients of your note.

VIRGINIA BOTTOMLEY

RESTRICTED - POLICY

PRIME MINISTER

Max // pc + PS agree Prime Minister
OK to me. Are To see
[illegible] worked? If so Mr.
HH could raise @ Cabinet 1/7.

STRENGTHENING THE INWARD INVESTMENT EFFORT

Inward investment has been a UK success story. As the White Paper on Competitiveness shows, we have

- attracted during the 1980s more overseas investment than the other G7 countries;

- been more successful than any other EU country in attracting investment from the US and Japan over the last 40 years (the UK has 39% of the stock of US inward investment in the EU and 41% of the Japanese stock).

2 This has not only created jobs; it has brought world class production techniques, technical innovation and managerial skills. Some sectors of UK industry, such as vehicles and TVs, have been transformed as a result.

3 With the United States coming out of recession, the emerging Far Eastern economies reaching a maturity in which they will become exporters of capital to Europe, and European industry itself rationalising and redistributing its manufacturing base, there are important new opportunities to be seized. But we need to sharpen up our efforts. Other European countries - some of which had earlier shunned inward investment - have woken up to the benefits and are competing strongly for internationally mobile projects. Provisional

dti
the department for Enterprise

figures for 1992 suggest that France may have done particularly well that year, with 73% of our flow. And there is a growing list of projects we have lost to the Irish Republic.

4 I have set in train a number of measures aimed at reinforcing inward investment promotion, notably:

- the creation of a new post of Chief Executive of the Invest in Britain Bureau (IBB). The appointee, from the private sector, starts on 4 July.

- the appointment of a small group of top businessmen under Peter Walker's chairmanship, to advise on inward investment issues. This "top UK tycoonery" will also be deployed individually to sell inward investment here to overseas contacts.

- a programme of "aftercare" for existing inward investors.

The Competitiveness White Paper identifies several further actions.

5 If we are to seize the prizes, we also need the personal involvement of Cabinet colleagues, by

a. systematically having, as part of their schedule on overseas visits, meetings with people identified by the Embassy/IBB as targets with a potential interest in inward investment;

b taking a leading personal role with visiting potential foreign investors in their fields (eg the

Secretary of State for Health in the case of a medical equipment manufacturer, the Minister of Agriculture, Fisheries and Food for a food processor).

c ensuring that full consideration is given to the impact on foreign investors (and investment promotion) when formulating Departmental policies.

6 In addition, I should be grateful if colleagues would nominate a Minister within their Department with particular responsibility for inward investment promotion. They would have the task of pursuing a more systematic programme to bring inward investment in their spheres, properly co-ordinated with the IBB. This would involve preparation of a list of target businesses and (with the help of the IBB and FCO network) source countries. I have asked Tim Sainsbury to take responsibility for carrying this work forward.

7 I hope that you and colleagues will endorse the proposals in paras 4 and 5 above. We might discuss them at an early Cabinet meeting. I also propose reviewing the effectiveness of co-ordination with the Territorial Departments. My officials will liaise with Ian Lang's, Patrick Mayhew's and John Redwood's on this.

8 I am copying this to Cabinet colleagues and to Sir Robin Butler.

M H
30 June 1994

DEPARTMENT OF TRADE AND INDUSTRY JW6228

dti
the department for Enterprise

01 JUL 94

10 DOWNING STREET
LONDON SW1A 2AA

From the Principal Private Secretary

22 June 1994

Dear Peter

INWARD INVESTMENT

When the Prime Minister saw the Lord Mayor of London earlier this week, the Lord Mayor set out some helpful statistics of inward investment and on the strength of Britain as a centre for multi-national headquarters. He said that, of the top 500 European companies, 136 had their corporate headquarters in Britain as compared to 77 in France and 67 in Germany. He was very bullish about the impact of new technology, saying that increasingly it meant that financial operations were concentrated in one centre in each time zone, with London winning hands down over continental European centres. The City was now seeing a high rate of take up of empty office space, and new construction had started again. He had recently been in Korea and had been very struck by their plans to base European operations in London. He also pointed out that, of total inward investment of £55 billion between 1986-90, the Germans came in second place, with the Japanese in third (though both were well behind the US).

The Prime Minister would be grateful for an analysis of inward investment into the UK from different countries, and a comparison with inward investment elsewhere, together with similar figures for corporate headquarters.

I am copying this letter to John Sawers (Foreign and Commonwealth Office).

Yours

ALEX ALLAN

Peter Smith, Esq.,
Department of Trade and Industry.

EM.betts 1

EPS

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5817/13
Telex 915564 Fax 071-273 5967

The Rt Hon David Hunt MBE MP
Secretary of State for Employment

✓ file

Jim Betts Esq
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

28 April 1994

Dear Jim,

CABINET OFFICE COMMITTEE FORWARD LOOK

My Secretary of State has seen a copy of Gerard Hazelwood's letter of 12 April to you. He has asked me to point out that this Department also has an interest in inward investment matters.

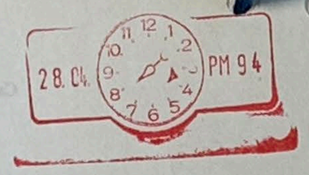
Inward investment brings jobs to the UK. In addition, labour market issues such as pay, industrial relations, training, and employment legislation are factors companies take into account when they are deciding where to invest. The labour attachés and labour reporting officers play an important role in advising prospective investors about the UK labour market. My Secretary of State also takes a strong personal interest in the subject.

I am sending copies of this letter to the Private Secretaries to the Prime Minister, the Chancellor of the Exchequer, the Foreign Secretary, the Secretaries of State for the Environment, Scotland, Wales and Northern Ireland and to Melaine Leech (Cabinet Office).

Yours,
Simon.

SIMON COURAGE
Private Secretary

Employment Service
Health and Safety Executive • ACAS



KK/03220.04

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071 210 3000

From the Secretary of State for Social Security

UCPU

POLICY IN CONFIDENCE

The Rt Hon Michael Portillo MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

22 April 1994

Dear Michael

BRIEFING OVERSEAS ON THE UK ECONOMY

Thank you for copying me your letter of 22 March to Douglas Hurd on the importance of delivering clear messages about the UK to opinion formers abroad.

I agree that ministerial visits offer an excellent opportunity to counter some of the misleading impressions given by the British media. As part of the explanation of our economic policy, I would suggest that the messages also emphasise our planned approach to social security spending.

As you know, we in the UK began to deal with the problem of burgeoning social security costs rather earlier than many other countries. As a result of a continuing process of review and reform of the welfare state, we have not been forced into arbitrary cuts.

The economic brief might therefore include points covering our commitment to an efficient, effective and affordable social security system which protects the vulnerable while preventing expenditure outstripping the nation's ability to pay.

E.R.

I attach at Annex 1 some lines to take which you may wish to incorporate into the telegram and economic brief.

I am sending copies of this letter to the Prime Minister and other members of the Cabinet and to Sir Robin Butler.

Yours ever

Peter

PETER LILLEY

ANNEX 1

Bull Points on UK Social Security Policies

REVIEWS/REFORMS

- The Government are committed to an efficient, effective and affordable social security system which

  - protects the most vulnerable
  - offers all of us the means to cope with the needs and variations of modern life
  - provides benefits which are within the nation's ability to pay for them.

INTERNATIONAL COMPARISONS - COST-CONTAINMENT

- Unlike the UK, many other European countries are having to take urgent action to deal with large social security deficits. Measures taken include:

  - reducing unemployment benefits
  - reducing social assistance
  - reducing disability benefits
  - freezing pensions
  - freezing family allowances

- The UK places less of a burden of social costs on employers, making it easier for them to hire new workers.

- The UK has encouraged private fully funded pension provision so it will not face the same burden on taxpayers as most other EU countries as pension commitments rise

- The UK has more assets invested in pension funds than the rest of the EC put together. 59% of the assets invested in the EC are in the UK.

- The large increase in the number of pensioners will affect the UK later than most other EC countries.

From : Alex Allan
Date : 21 April 1994

PRIME MINISTER

cc : **POBT**
Christopher Meyer
William Chapman

TEXAS INSTRUMENTS

Peter Smith (PS/POBT) has rung me (12.15) to say that DTI have just been told that Texas Instruments are announcing at 1pm today that they are closing all their UK operations. They have some 800-900 employees, mainly at their headquarters in Bedford, with some also at Brighton.

The chairman of Texas Instruments UK is John Butcher MP. He had given the DTI no advance warning and is currently overseas.

DTI do not know the reason for the closure. They speculate that it may be part of a rationalisation of TI's European operations, regrouping at their main European base in Italy. But DTI don't know if TI are announcing job cuts elsewhere in Europe at the same time.

DTI will prepare a line to take for Questions this afternoon as soon as they have more information.

Alex.

ALEX ALLAN

FCS/94/085
Chief Secretary to the Treasury

LAF

MS

RLT: elegant put-down!

File Rum. 14/

Briefing Overseas on the UK Economy

1. Thank you for your letter of 22 March, and its enclosure, which followed up your remarks at Cabinet on 17 March.

2. We are all agreed that Ministers on overseas visits should stress good news about the British economy. So should Ministers and officials receiving overseas visitors here. Many of us already see a large amount of material. To consolidate this, I suggest that we include in the briefing packs of all Ministers going abroad a copy of the 'Bull Points' from the Treasury's Weekly Economic Brief. I ... attach a copy. This provides a valuable and up-to-date summary of developments in the economy, which your Economic Briefing Division might like to circulate to Private Offices. Travelling Ministers might also find it useful to have to hand a copy of the 'Talking Points on Britain's ... Economy' prepared here. I enclose a copy of this too. We shall circulate it from now on to selected Private Offices. I agree that it should be standard practice for travelling Ministers to emphasise such points, whatever the specialised nature of their own visit.

12-4

3. It has long been a fundamental aim of our overseas information effort to put across a positive message about the UK economy. Heads of Mission and their staffs devote a great deal of time to this, as to other economic and commercial work. They are well aware that successful support for individual exporters needs to be buttressed by a constant effort to persuade the business community overseas (as well as foreign governments and the media) that Britain has a well-managed economy, enjoying sustainable growth. Our Posts seek every opportunity to present Britain as a centre of industrial, financial and technological excellence and as a natural place to do business with and in. In key posts, we have officers whose principal role is to encourage inward investment in Britain.

4. We have recently taken steps to co-ordinate our overseas information effort even more closely with the DTI. ... I attach a note about the substantial flow of information provided to our Posts, as well as some examples. This material is used by our Posts both as a quarry for their own work and for direct dissemination to opinion-formers overseas. The Treasury's bull points on the economy, to which you refer in your letter, already go once a month to all but the smallest of our posts. I am, however, arranging for your text, incorporating David Hunt's contribution, to go to all our Heads of Mission too.

5. As you will see, this is a substantial and carefully-focussed operation, going beyond the headlines to the underlying structures and trends of the economy, which is what interests serious opinion-formers and potential purchasers and investors. At the end of the day these sort of people are not going to be persuaded to change their views by the simple repetition of assertions, unless they are soundly based. Just as the eloquence of your Brazilian contacts will not have disguised from you the fact that their inflation rate is at present 40% per month.

6. Of course, what really matters is for us to deliver the economic performance which will force foreigners to sit up and take notice. This is the focus of the important White Paper on Competitiveness, on which we are now actively engaged.

7. I am copying this letter and information note (but not the package of material) to the Prime Minister, other members of the Cabinet and Sir Robin Butler.

Douglas Hurd

Foreign and Commonwealth Office
12 April 1994

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BULL POINTS ON THE ECONOMY

Activity

- Whole economy GDP up 1.9% in 1993 as a whole. Now risen for 7 consecutive quarters, and 3.3% above trough in 1992Q1.

- Manufacturing output (3m to Feb) up 2% on year earlier.

- Industrial production (3m to Feb) up 3.7% on year earlier.

- Car output (3m to Feb) up 6% on year earlier.

- New car registrations (3m to Mar) up 17% on year earlier (SMMT estimate).

- Retail sales (3m to Feb) up nearly 3½% on year earlier.

- Export volumes (exc oil and erratics) to non-EC countries (3m to Feb) up 11% on year earlier.

Business surveys

- CBI survey (Mar) suggests total and export demand is continuing to improve despite weakness in major EC export markets, and manufacturing output expected to go on increasing.

- FT survey of top 500 European companies (Jan 1994) shows UK account for 8 out of top 10 companies by profitability and 10 out of top 20 by market capitalisation.

Interest rates

- Base rates at 5¼% lowest since 1977 and among lowest in EC.

- When fully passed on, effect of cuts in interest rates since Oct 1990 will be worth over £13 billion a year off companies' interest bills.

Inflation

- Underlying RPI inflation (RPI ex MIPs) 2.8% in Feb, in last five months lowest since 1968, and well within 1-4% target range. UK inflation below EC average.

- Whole economy underlying average earnings growth 3¼% in year to January, in recent months at lowest rate for 25 years.

- CBI survey (Jan) shows balance of firms expecting rise in unit costs over next 4 months at lowest ever level.

Housing

- Housing more affordable than for many years. House prices lowest in relation to income since 1985. Lenders' mortgage rates at below 8%, lowest for 25 years.

- Cumulative effect of interest rate reductions since Oct 1990 worth £160 off monthly repayment on typical £33,000 mortgage.

Labour market

- Unemployment fallen by 220,000 since peak in December 1992. Below EC average and only EC country (apart from Ireland) where unemployment fallen over past year.

- Workforce in employment increased between September and December 1993, for third successive quarter.

- Manufacturing productivity (3m to Jan) up nearly 3% on year earlier.

Foreign &
Commonwealth
Office

Talking Points on Britain's Economy

FEBRUARY 1994

This leaflet provides, in a concise form, points illustrating positive aspects of Britain's economic performance. It is published as an aid in discussions abroad or with overseas visitors to Britain.

It is issued every two months. For more up-to-date or more detailed information you should refer to the offices of British missions abroad or, in Britain, to the government departments concerned.

Based on data published between
1 December 1993 and 27 January 1994.

nt of Employment
ill Street, London SW1H 9NF

e 071-273 5817/13
54 Fax 071-273 5967

David Hunt MBE MP
State for Employment

MP

5th April 1994

ECONOMY

copy of your letter of 22 March to
very of clear messages on the UK's economic policy to opinion formers abroad.

I very much support the proposals you have put forward. On visits abroad and in bilaterals with our foreign counterparts, I and the Ministers in my Department attach great importance to explaining and emphasising the merits of the UK economic and labour market policies.

We might make a little more of the section on the labour market. This is a major consideration for potential investors, and it is an area where our policies have resulted in a great improvement in performance. In particular, more emphasis might be given to flexibility in the UK labour market which has helped speed up recovery. To develop these points, I have attached in Annex 1 a number of lines you may wish to include in the telegram and economic brief.

Employment Service
Health and Safety Executive • ACAS

Foreign &
Commonwealth
Office

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GATT (General Agreement on Tariffs and Trade) Settlement

DTI/PMO
16 Dec 1993

The Uruguay round of GATT talks, the world's most ambitious and wide-ranging round of trade negotiations, was concluded on 15 December 1993, following more than seven years of discussions. It has been endorsed by 117 countries. There will be a common institutional framework — the World Trade Organisation — putting GATT on a permanent footing.

The new agreement will reduce tariffs on goods as well as liberalising trade in services and agriculture. The aim is to bring about freer world trade, which will benefit the economies of all countries and provide consumers with greater choice and lower prices. It has been estimated that the new deal could add around US$270,000 million annually to world income by the year 2002, most of which would result from cuts in tariffs and subsidies for agriculture.

The Agreement

The main features of the agreement are:

— there will be overall tariff reductions across all countries of about 40 per cent (tariff reductions will average over 33 per cent by the European Community) and member countries have undertaken not to raise tariffs again on 95 per cent of world trade;

— services are to be brought within the framework of GATT multilateral trade rules for the first time with restrictions on trade in services being made transparent and non-discriminatory;

— agriculture will now come under rules of multilateral trade and there will be a 36 per cent reduction in tariffs as well as substantial cuts in subsidies;

— there are to be agreed multilateral rules governing trade-related intellectual property rights providing protection for patents, copyrights and designs; and

— trade in textiles, where restrictions on imports have been permitted under the Multi-Fibre Arrangement to balance the interests of exporters and importers, will be reintegrated into GATT over a ten-year period.

Benefits for Britain

As the world's fifth largest exporter of goods and commercial services, British industry and commerce stand to gain significantly from reductions in worldwide tariffs, quotas and other restrictions. The other Western European states should also benefit, giving a boost to recovery in Britain's biggest export market. It has been estimated that the GATT deal could add 4 per cent to Britain's national output and generate a significant number of new jobs over the next decade.

Cuts in and, in some cases,

Foreign &
Commonwealth
Office

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Cuts in and, in some cases,

economic policy to opinion formers abroad.

I very much support the proposals you have put forward. On visits abroad and in bilaterals with our foreign counterparts, I and the Ministers in my Department attach great importance to explaining and emphasising the merits of the UK economic and labour market policies.

We might make a little more of the section on the labour market. This is a major consideration for potential investors, and it is an area where our policies have resulted in a great improvement in performance. In particular, more emphasis might be given to flexibility in the UK labour market which has helped speed up recovery. To develop these points, I have attached in Annex 1 a number of lines you may wish to include in the telegram and economic brief.

THE EMPLOYMENT DEPARTMENT GROUP

Employment Service
Health and Safety Executive • ACAS

task force of businessmen and women will continue to advise the Government on deregulation.

A Bill has been introduced to take forward measures requiring changes to legislation. Areas covered include competition law, shop opening hours and company law. The Bill also provides for the removal of legal obstacles to private-sector contractors carrying out certain public functions.

Privatisation

DTI
2 Dec 1993

A Bill to privatise British Coal has received its second reading in the House of Commons. The company's mining assets would be offered for sale in five regional packages. The Government's aim is to achieve the largest economically viable coal-mining industry while ensuring that the taxpayer obtains value for money from the sale.

Privatisation would enable the coal industry to compete effectively in the energy market. A competitive energy market ensures that the nation has access to secure, diverse and sustainable supplies of energy at competitive prices.

So far the Government has privatised 47 major businesses; since 1979 the state-owned sector has been reduced by around two-thirds, and more than 940,000 jobs have been transferred to the private sector.

National Output

CSO
21 Jan 1994

Gross domestic product (GDP) rose by an estimated 0·7 per cent between the third and fourth quarters of 1993, within this figure, output of both the production industries (including manufacturing) and of services increased. For 1993 as a whole total GDP grew by 2·0 per cent.

Trade

CSO/DTI
10 Jan 1994

The deficit on Britain's visible trade in October 1993 is estimated to have been £600 million, £500 million less than in September. This brings the deficit for January to October 1993 to £9,300 million.

These figures continue an improving trend: in the three months to October the deficit was almost £1,000 million lower than in the previous three-month period. The volume of exports in the three months to October was 5 per cent higher than a year earlier, while import volume was only 1·5 per cent up.

Labour Market

DE
12 Jan 1994

Seasonally adjusted unemployment in Britain fell by 46,800 in the month to December 1993 to 2,766,200, under 10 per cent of the workforce. Female unemployment dropped by 15,100 to 640,900 and male unemployment by 31,700 to 2,125,300. Over the past six months unemployment has fallen by an average of 24,300 a month.

Industrial Relations

DE
9 Dec 1993

The latest official figures show that in 1992 Britain's strike record was among the best of the leading industrialised countries. They were the lowest ever recorded in Britain since records began in 1891. Out of 18 developed countries, Britain came fifth lowest in the number of working days lost per thousand employees due to labour disputes.

The British annual strike rate for 1988–92 was 75 per cent lower than that for the previous five years. With the exception of 1984, Britain's strike rate has been below the European Community average in each of the last ten years.

New Car Registrations

DoT
27 Jan 1994

New car registrations for 1993, at 1,776,000, were 11 per cent up on those for 1992. This is the first calendar year increase since 1989.

Telecommunications

The Latvian Government has awarded a contract to a consortium led by Cable & Wireless to modernise its telecommunications network. The deal, involving the consortium taking a 49 per cent share in the Latvian state telecommunications company, includes the installation of at least 650,000 new digital telephone lines, almost doubling the number of lines in Latvia.

Aerospace

Cathay Pacific, the Hong Kong-based airline, has ordered six Airbus A340-300 wide-bodied airliners valued at more than US$800 million.

The A340 is capable of flying further non-stop than any other aircraft in aviation history. To date the part British-owned Airbus consortium has received 241 firm orders from 35 customers worldwide for the A330/340 family.

Abbreviations

CSO – Central Statistical Office
DE – Department of Employment
DoT – Department of Transport
DTI – Department of Trade and Industry
PMO – Prime Minister's Office

Enquiries

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abolition of tariff[illegible]n. leading export se[illegible]lying as the pharmace[illegible]r spirits industries[illegible]re the is to abolish tariffs on[illegible]m and the United States, one o[illegible] largest export markets, will lower tariffs on textiles, scientific equipment, chemicals, steel and ceramics. Cuts in tariffs and subsidies on agricultural products offer British families the prospect of lower prices for staple foods.

As services already account for around a quarter of British exports, service industries in Britain will benefit from the new General Agreement on Trade in Services. Agreement on trade-related intellectual property rights should reduce the number of counterfeit products. This will help British industries such as pharmaceuticals and music recording, providing them with patent and copyright protection for the first time in some countries.

Deregulation

DTI
19 Jan 1994

As part of its continuing campaign against 'red tape', the Government has published details of 443 measures which it is implementing to reduce burdens on business. In addition, it has outlined action being taken to prevent new burdens being imposed in the future, particularly on small businesses. This follows advice from task forces drawn from business and the voluntary sector. A reconstituted

DE 9 Dec 1994 307

Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 071-273 5817/13
Telex 915564 Fax 071-273 5967

The Rt Hon David Hunt MBE MP
Secretary of State for Employment

The Rt Hon Michael Portillo MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
London SW1P 3AG

5th April 1994

Dear Michael

BRIEFING OVERSEAS ON THE UK ECONOMY

Thank you for sending me a copy of your letter of 22 March to Douglas Hurd about the delivery of clear messages on the UK's economic policy to opinion formers abroad.

I very much support the proposals you have put forward. On visits abroad and in bilaterals with our foreign counterparts, I and the Ministers in my Department attach great importance to explaining and emphasising the merits of the UK economic and labour market policies.

We might make a little more of the section on the labour market. This is a major consideration for potential investors, and it is an area where our policies have resulted in a great improvement in performance. In particular, more emphasis might be given to flexibility in the UK labour market which has helped speed up recovery. To develop these points, I have attached in Annex 1 a number of lines you may wish to include in the telegram and economic brief.

Employment Service
Health and Safety Executive • ACAS

Secretary of State
for Employment

I am sending copies of this letter to the Prime Minister and other members of the Cabinet and to Sir Robin Butler.

DAVID HUNT

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in the future, particularly on small
businesses. This follows advice from
task forces drawn from business and
the voluntary sector. A reconstituted

BULL POINTS ON UK LABOUR MARKET

On labour market flexibility, you might wish to consider the following points to build on the general employment points already referred to in the telegram.

- the UK has a long tradition of allowing employers and employees to determine between themselves the terms and conditions of employment. This flexibility has led to a great diversity in forms and patterns of work.

- in the last 15 years, the UK has undertaken a substantial programme of legislative reforms and other policies to improve the effectiveness of the labour market, and reducing rigidities inhibiting job creation.

The effect of these and other reforms has been significant:

- reforms have led to a remarkable reduction in industrial disputes - working days lost are at their lowest for over 100 years, and are lower than most other industrialised countries.

- average earnings growth has now fallen to 3%, its lowest level for 25 years, yet take-home pay is still high relative to other EU countries.

- the UK still retains a high level of necessary social protection - a strong welfare state which targets help on those who need it most, legal rights for people at work including protection against health and safety risks, sex and racial discrimination etc.

- self-employment and part-time working have increased, reflecting the much greater flexibility in working practices demanded by employers and individuals alike.

- employment began growing and unemployment falling within a year of growth resuming, much earlier than in previous economic cycle.

- unemployment in the UK has fallen by over 200,000 in the last year. Its peak was below the peak in the previous economic cycle for the first time since the 1960s.

- employment grew 136,000 since the 1993 first quarter trough - the best performance since 1960.

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

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071-215 5000

The Rt Hon John Redwood MP
Secretary of State for Wales
Welsh Office
Whitehall
LONDON
SW1A 2ER

31 March 1994

INWARD INVESTMENT: STRENGTHENING THE EFFORT

Thank you for your letter of 21 March replying to mine of 25 February.

The Invest in Britain Bureau will of course continue to have a remit to promote inward investment into the whole of the UK, and to this end will plainly need to maintain close co-ordination with agencies in Wales, Scotland and Northern Ireland (as well as within the English regions).

I therefore agree that you, Ian Lang and Patrick Mayhew should have the opportunity of attending meetings of the advisory group of top businessmen. As I have noted before, I envisage the group being informal, and certainly not a paper driven body. But you would of course see any brief scene setting notes that are distributed and have an opportunity to contribute any points to them.

I am copying this letter to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Ian Lang and Michael Portillo.

PE3338

cst.ul/minutes/17.3.94.2

cc PM

Pretty naive

1. DM 3. PM
2. DA

Portfolio for Foreign Secretary?

1) because Embassies already receive masses of guidance on the economy putting out the message has always been part of the business

2) because ministers on, if too obviously programmed brave zombies with a standard propaganda line, will be pretty obvious & ∴ lose credibility.

Treasury Chambers, Parliament Street SW1P 3AG
071-270 5000
Fax 071-270 5456

The Rt Hon Douglas Hurd CBE MP
Secretary of State for Foreign & Commonwealth Affairs
Foreign & Commonwealth Office
King Charles Street
London
SW1A 2AH

22 March 1994

Portfolio should broaden his mind by travelling a little more!

FCO

Dear Douglas

Regards

BRIEFING OVERSEAS ON THE UK ECONOMY

I am following up my remarks at Cabinet on 17 March.

2. The visits abroad which I have made have involved promoting trade and seeking clarification of the policies of other governments. But it strikes me that it is just as important to use these visits to deliver clear messages about the UK to opinion formers abroad, who otherwise draw too readily on impressions given them by the British media.

3. I would propose that Ministers should regard it as standard practice to devote a part of any overseas trip to explaining our economic policy, emphasising the progress that we have made and our success in leading Europe out of recession. I hope you would agree that ambassadors and their staffs should do the same. I attach a possible first telegram. A second early message could, in my view, draw attention to Britain's pioneering work on privatisation. It could, inter alia, highlight former public sector companies that, as private firms, are now investing heavily abroad. It would describe the strength of the City and the ability of British merchant banks to outsell others in share issues throughout the world.

4. We could follow such telegrams up periodically with key economic messages such as those listed at annex B. The Treasury produces such summaries every week.

5. Furthermore, I have been struck in Mexico, Brazil and Chile by the clarity and consistency of the upbeat message on economic

policy delivered by <u>every</u> representative of government. There is clearly some sort of script and the effect of the repetition is impressive. When I visited the Brazilian Ministry of Foreign Affairs last week, the permanent secretary lectured me for 20 minutes on the virtues of Brazil, why its economic management was sound and why it was an excellent place to invest. I believe we should aim to do the same when overseas visitors come to see British Ministers <u>or officials</u>. The note which, I enclose would serve that purpose too, but would you be willing to make this a standing order?

6. I am copying this to the Prime Minister and members of the Cabinet and Sir Robin Butler.

Yours ever

Michael.

MICHAEL PORTILLO

THE UK ECONOMY: POSSIBLE TELEGRAM

Issue

Need to disseminate principles of UK economic policy widely to correct misapprehensions and emphasise that Britain is a good place to invest.

Recommendation

2. Ensure that you use the points in the following text in conversations with government and private sector contacts. Circulate information to local press.

Summary

3. Britain has taken effective action to deal with her budget deficit. Britain is well advanced in her recovery, has low inflation, falling unemployment, low interest rates and good productivity and cost performance. Britain is Europe's premier choice for inward investment and a major outward investor. Britain exports more per head than Japan, and within the EU promotes the ideal of a free-trading Europe in a free-trading world.

Detail

Economic activity

4. The UK economy is projected to grow by about 2½ per cent in 1994. Most forecasters expect it to grow faster than any other major EU economy both this year and next. Industrial production is up nearly 4 per cent on a year ago. Manufacturing productivity is at an all time high. Unemployment is below the EU average, and the UK is only EU country apart from Ireland which has seen a fall in unemployment over the past year.

5. The UK Government believes in sound public finances. By that it means:

bringing the public sector borrowing requirement back towards balance;

a key stage in this process is eliminating the public sector's deficit on current spending;

and reducing the proportion of public spending within national income throughout the medium term.

6. The Government has set a clear objective for public spending: that it should take a declining share of national income. Its rate of growth over time will therefore be kept below trend growth in the economy. The Government made its determination clear in the last budget when it took £15 billion off public spending plans over the next three years.

7. To deliver a sustained reduction in borrowing, the Government has a clear medium-term strategy for tax, which provides for a rising profile of tax revenue.

8. The approach was the right one for the economy. It protected the recovery while it was weak, but it ended uncertainty and provided a clear path to eliminating Government borrowing altogether by the end of the decade. The very fact that the Government faced up to politically unpopular decisions demonstrated that it was in earnest. That boosted confidence.

9. Unlike several other countries, Budget revenue increases have been achieved without raising income tax rates (Canada, Germany, US, Italy and Belgium all raised or are planning to raise rates). Marginal tax rates remain highly competitive. Corporation tax at 33 per cent is the lowest in the G7 and the EU. The UK's top income tax rate (40 per cent) is among the lowest in the OECD.

10. We now project a PSBR of around zero by 1998-99, no deficit on current spending by 1997-98 and a fall in general government spending from 45 per cent of national income to 41 per cent. The ratio of public sector debt to national income is projected to peak in 1996-97 and fall thereafter.

Monetary policy

11. The Government has set out for all to see a framework for monetary policy. It has announced a target range for underlying inflation. It intends to be in the bottom half of the 1-4 per cent a year range by the end of this Parliament. Annual underlying inflation is currently 2.8 per cent: well within this range, and below the EC average. In last 4 months, underlying inflation has been at its lowest level since 1968.

12. The Government sets interest rates in line with its inflation target, taking into account a range of indicators including the behaviour of the money supply, asset prices and the exchange rate. Interest rate changes are made for economic reasons and economic reasons alone. Base rates of 5¾ per cent are currently among the lowest in the EC.

Trade and investment

13. Confidence in the UK economy is attracting overseas investors. There were 303 new inward investment projects in 1992-93, creating 86,000 jobs and representing one third of all inward investment into the EC. Companies operating in Britain benefit particularly from good labour relations: last year strikes were at their lowest level for over a century.

14. Britain is also a major investor abroad. Many household names abroad are in fact British owned: Dunkin Donuts, Lucky Strike cigarettes, Calvin Klein, Moet and Chandon. We are committed to free trade principles: the Prime Minister was instrumental in pushing for a successful outcome to the GATT round.

Supply Side reforms

15. The Government is continuing actively to improve the underlying performance of the economy through its programme of supply-side reforms -

- introducing all the benefits of private sector management and provision of goods and services throughout the public sector - notably through privatisation and market testing;

- improving the regulatory and legal framework by cutting out unnecessary rules and regulations. A new Deregulation Bill follows financial services liberalisation and progressive reduction of labour market rigidities.

Conclusion

16. The results are clear to see:

- low inflation and interest rates

- good productivity and unit cost performance

- rapid response of labour market to recovery.

idt.la.ak.2.9.3

UNCLASSIFIED

MESSAGES ON THE ECONOMY, 16 MARCH 1994

The UK enjoys a combination of economic recovery continuing and inflation remaining low. Compared with a year ago,

* production is up 4 per cent

* sales in the High Street are up nearly 3½ per cent

* unemployment is down by more than 200,000.

Underlying inflation in last 4 months has been at the lowest levels for 25 years.

Points to make

The Government has created the conditions for a sustained upswing: low inflation; a return to sound public finances; and an enterprise culture.

Inflation

In last 4 months, underlying inflation at lowest since 1968.

Factory gate inflation has fallen for 4 consecutive months, and now back to subdued levels seen in 1993 H1 even while recovery continues. Producer input prices falling at fastest rate since summer 1992.

Underlying earnings growth at historically low levels.

Activity/recovery

Retail sales and manufacturing output on clear upward trends.

Retail sales at record levels, up nearly 3½ per cent on year earlier.

Manufacturing output up by over 2 per cent over past year.

Total national output has risen for seven successive quarters.

CBI survey suggested strengthening of recovery in months ahead.

idt.la.ak.2.9.3

UNCLASSIFIED

Labour market

Unemployment down more than 200,000 over past year.

Unemployment below EC average. Only EC country (apart from Ireland) where unemployment fallen over past year.

Employment rising, up 136,000 in 9 months to December.

Stoppages in 1993 lowest calendar year on record. Only 9 stoppages, and 2000 working days lost in January - only bettered by December 1992 figures.

Economic policy background

Now on track to balance budget over medium term. Gap closed by mix of public spending restraint, and revenue increases, but no increase in marginal tax rates, so minimum impact on incentives.

Achievement in getting inflation down has brought lowest interest rates for 16 years with base rates 5¾ per cent.

International comparisons

Rise in UK industrial production up 3.7 per cent (latest 3 months on same period a year ago) compares with falls in France, Germany, Italy and Japan.

Inflation has been below the EC average since August 1991.

Better performance on manufacturing unit wage costs in 1993 than Germany or Japan.

Interest rates are amongst the lowest in the EC.

Unemployment below EC average, and only EC country (apart from Ireland) where unemployment fallen over past year.

H M TREASURY
INFORMATION DIVISION
16 March 1994

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Fax: 071-270 0561

From The Secretary of State for Wales

CT/11187/94

21 March 1994

Dear Michael,

INWARD INVESTMENT: STRENGTHENING THE EFFORT

Thank you for your letter of 25 February.

I am disappointed that you cannot agree to the inclusion of Mr Rowe-Beddoe as a member of the advisory group. The absence of members with knowledge of the different parts of the UK will, I think, be a weakness, and will certainly be regarded with suspicion in Wales.

I feel I must press the point about reporting arrangements for the group. Inward investment continues to be of great importance in Wales and is central to my policies. The Invest in Britain Bureau has been very helpful and its policies and activities have a direct bearing on my inward investment responsibilities. So far as I am aware, it will continue to have a UK remit. It is vital in practical terms that the Welsh Office and other territorial departments continue to be closely involved with the operations of the Bureau, and that we are fully involved in the development of policy. Otherwise we risk fragmentation of the overall UK effort.

I would be grateful for your agreement that it is sensible for all Secretaries of State with inward investment responsibilities to be given the opportunity of attending meetings of the group and of seeing and contributing to papers.

I am copying this letter to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Ian Lang and Michael Portillo.

Yours ever

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

CONFIDENTIAL

18 March 1994

Foreign &
Commonwealth
Office

London SW1A 2AH

Dear Lorraine,

Thank you for your letter of 3 March about the proposed visit by the Welsh Secretary to North America, Japan and Taiwan in September to promote inward investment to Wales and support a Welsh Export Mission.

The Foreign Secretary welcomes Mr Redwood's plans to visit North America and Japan. The dates cause no difficulty.

The Foreign Secretary has considered carefully the suggestion that Mr Redwood might also visit Taiwan. This would be the first visit there by a Cabinet Minister. We would need to be sure that a visit did not come at a time when it risked damaging further our relationship with China over Hong Kong. We do not see insuperable political objections to a visit at that level, provided that there were real business to be done, that it had the same "private" label as visits so far by more junior Ministers, and that we could defend it to the Chinese as trade-related. But a first Cabinet-level visit will be a significant prize for the Taiwanese, and we should not give it away too cheaply.

The most attractive commercial prospect on the horizon is the fourth nuclear power station contract, for which Nuclear Electric, in partnership with Westinghouse (USA), is a front-runner. We understand that this contract (worth up to £700 million to UK) should be awarded by midsummer, though the date may slip. If NE get the contract, this would justify a Cabinet-level visit to Taiwan, and it could help NE win the contract if we could hint in advance that a Cabinet-level visit might follow.

We therefore propose the following way forward:

- at the right moment during consideration of the bids, subject to consultation with the DTI, we should hint at the possibility of a Cabinet-level visit following award of the nuclear contract to NE;

- if NE do not get the contract, or if it has not been awarded by September, Mr Redwood should not pursue plans to visit Taiwan this year;

CONFIDENTIAL

- if NE get the contract, the idea of a Cabinet-level visit should go forward. We understand that the President of the Board of Trade is also considering the possibility of including Taiwan in a trip to the region in October. It would be wrong for two Cabinet Ministers to visit Taiwan in quick succession. But if the President decided not to go, and NE won the contract, the way should be clear for a visit by Mr Redwood

I don't have high chances!

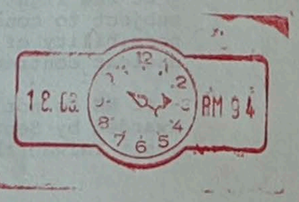
On this basis, the Foreign Secretary would be content for provisional planning to continue for a visit by Mr Redwood to Taiwan in September.

I am copying this letter to Roderic Lyne (No 10), Murdo MacLean (Chief Whip's Office) and Nick Welch (DTI).

Yours ever,

(J S Smith)
Private Secretary

Lorraine Ginger
APS/Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON SW1A 2ER



CONFIDENTIAL

elwiward, SLH

bc PM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 March 1994

STRENGTHENING THE INWARD INVESTMENT EFFORT

The Prime Minister was grateful for the President's minute of 25 February.

He suggests that the President should write to colleagues about the inward investment effort. The President might then refer to this at a full Cabinet meeting (under Home Affairs) once he has circulated his note.

I am copying this letter to Melanie Leech (Cabinet Office).

MRS. MARY FRANCIS

Peter Smith, Esq.,
Department of Trade and Industry

AS

From : Mary Francis
Date : 25 February 1994

MRS. HOGG o/r

cc : Mrs. Lomax
Lord Poole

STRENGTHENING THE INWARD INVESTMENT EFFORT

I should be grateful for your advice on the President's suggestion (minute attached) that he should make a presentation to Cabinet colleagues on inward investment in the next month or two. I also attach his letters of 18 June, 11 November and 25 February about the Invest in Britain Bureau.

MF.

MRS. MARY FRANCIS

→ Mary.

Very time-consuming!

Much better if he writes round to colleagues with specific suggestions. Don't see why PM should have to spend time on a Hezza ego-trip, particularly since it isn't at all clear what ~~he intends~~ this would achieve. h

Mtg: Competitiveness Steve ! Let's do it.

economic\strength.tmw

CePU

PRIME MINISTER

STRENGTHENING THE INWARD INVESTMENT EFFORT

Inward investment is an important factor in enhancing our competitiveness (and will feature in the forthcoming White Paper). Our record in this area is impressive - the UK has 39% of the stock of US inward investment in the EC and 41% of the Japanese stock; in 1992/93 alone some 303 foreign owned companies decided to invest here, involving 56,000 jobs being created or safeguarded.

But we cannot rest on our laurels. Our EC partners have woken up to the benefits of inward investment and they are competing hard and with increasing professionalism for the available projects. Some of them offer incentives (eg grant cards, tax breaks) which we cannot match.

Against this background, as you may know, I asked Peter Walker last year to advise me on ways of reinforcing our efforts. He made a number of valuable recommendations which I am now implementing, eg the appointment of a full-time Chief Executive of the Invest in Britain Bureau from the private sector; the establishment of a small group of top businessmen under Peter Walker's guidance to advise me on inward investment opportunities.

Another of Peter's recommendations is to ensure that it is a continuing part of each colleague's brief to promote inward investment, whether on overseas visits or hosting events here for potential investors. I would greatly appreciate it if you could give this idea your personal backing. This might best

be achieved if you could agree to me making a presentation to colleagues after Cabinet one day, in the next month or two. A slot of a maximum of 45 minutes should suffice.

If you agree to the suggestion, I would gladly provide a short scene setting note.

M H

25 February 1994

DEPARTMENT OF TRADE AND INDUSTRY

PE2234

dti

the department for Enterprise

CPU

The Rt. Hon. Michael Heseltine
President of the Board of Trade

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

Secretary of State

Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
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DTI Enquiries
071-215 5000

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 1AU

11 November 1993

INWARD INVESTMENT: STRENGTHENING THE EFFORT

I thought it would be useful to update you and colleagues on my thinking on strengthening the inward investment effort since my letter of 18 June.

The Board of senior businessmen which I intend setting up will not have a formal role. What I have in mind is a small advisory group (5-6 people) of top calibre people who would participate in periodic strategic discussions with me and who would be ready to be deployed individually to talk to Chief Executives of companies here or abroad. There would be no representatives of particular parts of the UK regions; my idea would be that the group should comprise outstanding business personalities with knowledge of key sectors and/or key overseas regions. My officials will be in touch with yours over suggested names. In view of his experience, Peter Walker remains my choice to chair the group. In view of its informal nature, I do not believe that you and colleagues need have concerns over the relationship with his role as Chairman of the Urban Regeneration Agency.

My Department has also taken the first steps to recruit an external Chief Executive from the private sector for the Invest in Britain Bureau. We have appointed headhunters, with the aim of selecting an individual around the turn of the year.

I am copying this letter to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Michael Portillo and John Redwood.

PE11090

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

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DTI Enquiries
071-215 5000

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
LONDON
SW1A 2AU

25 February 1994

This does'nt seem to have made much progress!

INWARD INVESTMENT: STRENGTHENING THE EFFORT

I am grateful to you and colleagues for your replies to my letter of 11 November.

We are making progress on the selection of an external Chief Executive from the private sector for the Invest in Britain Bureau. I hope we will be in a position to make an announcement around Easter.

I have also been thinking further about the group of top businessmen to advise me on inward investment, under Peter Walker's guidance. As I said in my last letter, I have in mind a group totalling no more than 5 or 6, and operating in an informal way, at periodic strategic discussions with me or being deployed individually to talk to Chief Executives of companies here or aborad. It would not be appropriate for such a small and informal group to have regard to particular parts of the UK; I am looking for outstanding international business personalities such as Denys Henderson, Peter Bonfield or Richard Giordano. I am, however, proposing to set up a separate network of advisers to the new Chief Executive with sectoral and market expertise, and will willingly include the names suggested by you, John Redwood and Patrick Mayhew on that list.

I am copying this letter to the Prime Minister, Douglas Hurd, John Gummer, John Redwood, Patrick Mayhew and Michael Portillo.

JW2235

888-888

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

The Rt. Hon. Michael Heseltine MP
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The Rt Hon Ian Lang MP
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18 June 1993

INWARD INVESTMENT: STRENGTHENING THE EFFORT

The promotion of inward investment into the United Kingdom has been one of our success stories. But we need to do even better. Inward investment offers one of the most promising means of strengthening and broadening our industrial base. Other countries in Europe increasingly recognise this too and there will be keen competition both to secure new investment and to encourage expansion of existing foreign plants at a time when many multi-national companies are rationalising their facilities.

As you know the Invest in Britain Bureau which co-ordinates and supports the total UK inward investment effort is located within the DTI. I believe that it has done a good job with the resources available. I have however concluded that it needs to be reinforced as quickly as possible with some high-level input from the private sector, both part-time and full-time.

I therefore have it in mind to set up a new Invest in Britain Board of very senior businessmen to set the strategy, priorities and objectives for the Invest in Britain Bureau and our overall inward investment effort. This would be similar in many respects to the role of the British Overseas Trade Board in relation to export promotion. In addition to their strategic role the Chairman and members would from time to time help Ministers in promotional activities and in acting as hosts for business leaders from abroad.

888-888

dti
the department for Enterprise

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

The Rt Hon Michael Heseltine Esq MP
President of the Board of Trade and
Secretary of State for Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

7 December 1993

Dear Michael,

INWARD INVESTMENT: STRENGTHENING THE EFFORT

Thank you for your letter of 11 November. I have seen John Redwood's reply of 26 November.

I still have reservations about the likely usefulness of your proposed Board of senior businessmen but I would not propose to stand in your way, subject to the points which follow.

As to membership of the Board, I can see why you want Peter Walker as Chairman, and I could live with that if the rest of the Board is properly balanced and provided we keep an eye on the potential conflict of interest that Peter may face. As to other members, I entirely agree with you that members should not be appointed on a representational basis - whether to represent particular regions of the UK, or any other kind of constituency. However, it is a fact of life that Scotland (and Wales and Northern Ireland) have a particularly significant experience of inward investment activity, and of course also a very close policy interest. It would be surprising if we could not turn up candidates who were strong on their own merits, and I think it will be important that the Scottish experience is available to the Board. I therefore suggest one of the following two names (which I offer in order of preference):

i. Dr Jim Adamson. Apart from his highly successful leadership of NCR, which he runs as one of the most integrated inward investments in the UK, he is also now a senior manager within AT & T and has recently been appointed to the Board of Scottish Enterprise. He would be a genuine heavyweight contributor to the proposed Board.

ii. Mr Crawford Beveridge, who is the Chief Executive of Scottish Enterprise. This is not suggested as a kind of ex officio appointment, but in the light of Mr Beveridge's earlier experience working for Digital in Geneva, and subsequently as the moving force in organising the Sun relocation to Scotland. His direct industrial experience gives him a lot of credibility, and he would be able to contribute well.

On a final organisational point, I agree with John Redwood that in view of our shared interest in inward investment, the Board should report jointly to all Industry Ministers. That may be what you had in mind, but in any case I hope you will be able to agree to it.

Copies of this letter, like yours, go to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Michael Portillo and John Redwood.

Yours ever,

Ian

IAN LANG

WYDDFA GYMREIG
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switsfwrdd)
071-270 0538 (Llinell Union)
Fax: 071-270 0561
Oddi wrth Ysgrifennydd Gwladol Cymru

The Rt Hon John Redwood MP

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 071-270 3000 (Switchboard)
071-270 0538 (Direct Line)
Fax: 071-270 0561
From The Secretary of State for Wales

CT/13591/93

26 November 1993

Dear Michael,

Thank you for your letter of 11 November about the Invest in Britain Bureau.

You will know from my letter of 21 July that inward investment is of vital importance to Wales, and that the work of IBB is greatly valued. I am concerned that the proposed Board, if it is established as you suggest, might be seen in Wales as working against the interests of Wales, something which I am sure you would wish to avoid.

In particular, I do think it important to have a mechanism for the Board to be responsive to the needs of Wales and a straightforward way for this to be done would be for it to report formally to the Territorial Secretaries of State as well as yourself. In addition, I am very keen to take up your earlier suggestion that the Board should have members with links with Wales. This would be useful in ensuring that it operates on behalf of the UK as a whole, and will bring to bear the useful experience and success that we have had in Wales.

I would like to suggest that the Chairman of the Welsh Development Agency, Mr David Rowe-Beddoe, be a member of the Board. He is a businessman of wide international experience and has had made a strong impact on the Agency since he was appointed earlier this year. He has good practical experience of dealing with inward investment projects from all parts of the world, and his appointment would have the additional benefit of linking the Board with the Agency's inward investment work.

If you were to agree to these suggestions, I would see no need to press the point about the Chairmanship.

I am copying this to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Ian Lang and Michael Portillo.

Yours ever

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON SW1E 6RB

CPU

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 1AU

11 November 1993

INWARD INVESTMENT: STRENGTHENING THE EFFORT

I thought it would be useful to update you and colleagues on my thinking on strengthening the inward investment effort since my letter of 18 June.

The Board of senior businessmen which I intend setting up will not have a formal role. What I have in mind is a small advisory group (5-6 people) of top calibre people who would participate in periodic strategic discussions with me and who would be ready to be deployed individually to talk to Chief Executives of companies here or abroad. There would be no representatives of particular parts of the UK regions; my idea would be that the group should comprise outstanding business personalities with knowledge of key sectors and/or key overseas regions. My officials will be in touch with yours over suggested names. In view of his experience, Peter Walker remains my choice to chair the group. In view of its informal nature, I do not believe that you and colleagues need have concerns over the relationship with his role as Chairman of the Urban Regeneration Agency.

My Department has also taken the first steps to recruit an external Chief Executive from the private sector for the Invest in Britain Bureau. We have appointed headhunters, with the aim of selecting an individual around the turn of the year.

I am copying this letter to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Michael Portillo and John Redwood.

PE11090

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

dti
the department for Enterprise

ST ANDREWS HOUSE
EDINBURGH EH1 3DG

Roderic Lyne Esq
Private Secretary to Prime Minister
10 Downing Street
London
SW1A 2AA

6 October 1993

Dear Roderic,

I have seen a copy of Gerard Hazelwood's letter of 4 October to you about the total value of contracts won for British business through Ministerial visits abroad. DTI seem to us to have been cavalier in treating the information we gave them on a different basis from that applied to other departments' information. I suggest a figure of £200 million for Scottish Office should be added, if inward investment is taken into account.

During 1992-93, 65 inward investment projects with a planned investment of £352 million were won for Scotland: Scottish Office Ministers were directly involved in 11 of these projects with a planned investment of £169 million, and there are further projects in the pipeline. Mr Allan Stewart, Minister for Industry, took part in a trade mission to Spain in June this year, and in another mission to the Middle East in September, but it is too early to quantify the results of these activities at this stage. Mr Stewart is in the US at present, and my Secretary of State will be in the Far East next week where he will be engaged in inward investment promotion.

Mr Stewart led a trade mission to Greece in June 1992 which we believe resulted in contracts worth £6.5 being secured.

When the Digital case - in which both the Prime Minister and the President of the Board of Trade were personally involved - is also taken into account, the Scottish Office figure for 1992-3 should be rounded to £200 million. The general caveats mentioned in Gerard Hazelwood's letter as relating to DTI's figures would, of course, apply to these figures.

A copy of this letter goes to recipients of yours.

Yours,

ALAN FRASER
Private Secretary

EML00706:103

F/Inward.OCA
bcc EB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 October 1993

Dear Kate,

INWARD INVESTMENT MISSION

The Prime Minister was interested to read your Secretary of State's minute describing his inward investment mission to Hong Kong, Japan and the United States, and has asked me to pass on his thanks. Mr. Redwood's impressions about the opportunities for British business match those formed by the Prime Minister during his own tour.

I am sending copies of this letter to Stephen Smith (Foreign and Commonwealth Office), Jeremy Heywood (HM Treasury) and Peter Smith (Department of Trade and Industry).

Yours ever,

Roderic Lyne

RODERIC LYNE

Ms. Kate Jennings,
Welsh Office.

F/Inward. OCA
bcc RB

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

4 October 1993

Dear Kate,

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Yours ever,

Roderic Lyne

RODERIC LYNE

Ms. Kate Jennings,
Welsh Office.

cc RG
PRESS

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

File

Roderic Lyne Esq
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

4 October 1993

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

Dear Roderic,

BUSINESS WON THROUGH MINISTERIAL VISITS ABROAD 1992-93

In response to your request on Friday for the total value of contracts won for British business through Ministerial visits abroad over the last year, we believe that a figure of £7.6bn would be justified. You may wish to consider rounding this to £8bn.

The £7.6bn figure is broken down as follows:

Ministry of Defence	-	£5 billion;
DTI	-	£2.5 billion;
Department for Education	-	£50 million;
Welsh Office	-	£23.2 million;
Northern Ireland Office	-	£23.6 million;
Department for Health	-	£10 million;
Ministry of Agriculture	-	£4 million.

The following Government departments that we considered essential to include in this exercise provided nil returns: Transport, Environment, Treasury, Employment and the Scottish Office. The general line that these departments gave was that figures were difficult to produce either because some contracts hadn't been settled yet or because it was impossible to decide whether they could be put down solely to Ministerial visits or not.

888-888

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the department for Enterprise

Recycled Paper

For the DTI figure there are a couple of notes of caution. The figure of £2.5 billion is composed of a mix of direct sales and returns on outward investment spread over a period of several years. Also it would not be correct to say that this figure would not have been won without Ministerial involvement although that would be true for some of the contracts involved. It is our opinion that similar cautions would apply to the figures from other Government departments.

I am copying this letter to Jeremy Heywood (HMT), Jill Wordley (MAFF), John Pitt-Brooke (MOD), Christina Bienkowska (DE), David Russell (DEmp), Alan Riddell (DoE), Robert Creighton (DoH), Jonathan Stephens (NI), Alan Fraser (SO), Kate Jennings (WO) and Paul Coby (DTp).

GERARD HAZELWOOD
Assistant Private Secretary

888-889

PE10021

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the department for Enterprise

CCRS

Prime Minister ④

Not unlike your own experiences on tour.

Regds. 25/IV

Well done Stanley!

POLICY IN CONFIDENCE

PRIME MINISTER

INWARD INVESTMENT MISSION

I visited Hong Kong, Japan and the United States with the Chairman of the Welsh Development Agency from 13-23 September.

The aims of my mission were to stress the advantages of the United Kingdom, and Wales in particular, to companies contemplating investment in Europe; to meet existing investors in Wales to ensure that they give priority to the UK in their future investment strategies; and especially in the latter context to urge Japanese assemblers to source more componentry in the UK. On all counts the mission was encouraging and I look forward to announcements over the coming months as the details of a number of the projects we explored are finalised.

In the course of a 24 hour visit to Hong Kong, I met a broad cross section of the business community, including QPL, an existing major investor in Wales, as well as others who, as a result of my visit, propose to come to the United Kingdom shortly to explore investment opportunities. The dynamism of Hong Kong business in responding to opportunities in South China was impressive. The business risks associated with putting too many eggs in the South China basket were well appreciated, and increasingly Hong Kong companies are developing global investment strategies, including developing their European markets. We have adopted a low key and cautious approach to this in the past, for reasons I appreciate. We now need to treat the Hong Kong market more seriously to ensure that the UK does not miss out on the investment flows which will come to Europe. The Welsh Development Agency will be giving more attention to Hong Kong in the future.

My 4 day visit to Japan included engagements in Tokyo, Osaka and Nagoya, covering both existing and prospective investors. Japanese manufacturing industry is worried about the effect of the strengthening Yen on Japanese competitiveness as well as concern that the economic measures so far taken will be insufficient to stimulate a resumption of growth. I heard much about what they call the "hollowing" of industry as companies are looking to move more production overseas - Honda announced recently that their plants in the US will now supply the whole of that market requirement for Accord and Civic models. The positive side to this for us is the impetus it gives to Japanese manufacturers to increase their sourcing in Europe. I was able to stress the productivity gains in UK manufacturing, which combined with the sharp change over the last year in the Sterling/Yen exchange rate now gives us an extremely competitive cost structure. We must seize the opportunities that this favourable conjunction of economic factors provides to bring home the advantages of investment in the UK.

The discussions I had with individual companies were encouraging. One company new to Wales, Musashi Seimitsu, is planning to establish a factory to supply automotive components to UK based assemblers; two other existing investors, Aiwa and Brother Industries with the help of the Welsh Development Agency, are actively seeking sources of supply of components which are currently imported from Japan; another, the Sharp Corporation, plans to increase output from its factory in Wales by 25% in each of the next two years adding 200 new jobs; and I confidently expect agreement shortly between a Japanese company, Sega, and a British company to assemble electronics products in Wales using local components.

We need to pursue opportunities such as these vigorously. Notwithstanding our favourable economic factors, the competition is fierce and aggressive, both on the continent and, notably from the Irish Republic where the very favourable tax regime is a strong card which we cannot match. I am planning meetings and a seminar to develop the theme of component opportunities for suppliers to sell to Japanese assemblers in Wales.

The Irish tax regime was a familiar topic during my three day visit to the United States where I undertook engagements in San Francisco, the Los Angeles area and New York. Economic recovery has been patchy but my discussions both on the West Coast and in New York, with industrialists and the financial community, were characterised by a much more positive mood than media reports suggest. The considerable underlying strength and diversity of the US provides us with many inward investment opportunities, aided by the favourable Sterling/Dollar exchange rate.

Several of the companies I met in sectors as diverse as chemicals, metal treatment, packaging, cosmetics and wind power generation, are looking to increase their levels of activity in Wales or undertake new investments. They are impressed by the flexibility and productivity of their workplaces, our competitive cost structure and by our open and liberal regime which treats overseas owned and indigenous companies alike, both domestically and in the EC context. This attitude makes a powerful impression both on US and Far East companies which we need to exploit in our promotional activity. It struck a chord with pharmaceutical companies against the background of the healthcare reforms being considered by the Clinton Administration. There is much concern about the damaging effects on profitability of the proposals now under discussion which is leading to renewed interest in developing their European markets. The time is therefore ripe to make a concerted effort to target the U.S. pharmaceutical sector, to ensure that we do not lose out to competition from our European neighbours.

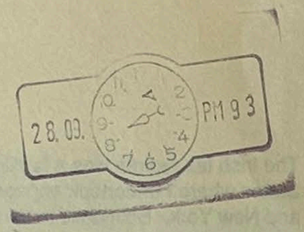
I was most grateful to the Governor in Hong Kong, HM Ambassador in Tokyo and the Consuls General in Osaka, San Francisco, Los Angeles and New York for their considerable assistance and hospitality. Their efforts and those of their staff contributed enormously to the success of the mission.

I am sending copies of this minute to the Foreign Secretary, the Chancellor of the Exchequer and the President of the Board of Trade.

JR

September 1993

JR



SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade and Industry
Ashdown House
123 Victoria Street
LONDON
SW1E 6RB

27 July 1993

Dear Michael,

INWARD INVESTMENT: STRENGTHENING THE EFFORT

Thank you for your letter of 18 June, proposing a new senior board for the Invest in Britain Bureau (IBB). I have also seen John Redwood's reply of 21 July, and I very much agree with what he says.

I would certainly endorse your comments as to the potential offered by inward investment, to strengthen and broaden our industrial base. There is indeed, as you say, strong competition from elsewhere in Europe and it is important that we maintain our effectiveness in this context. Indeed, I would suggest that, not least on the basis of Britain's success over the years, the present arrangements for and role of IBB have enabled Britain to be particularly successful in the fight to secure such investment. I would be concerned, therefore, about any proposal to substantially alter this; in particular, I agree with John that IBB should remain within DTI because of its GB responsibilities.

Within the context of that structure, I welcome your proposal to establish a new Board, to set strategy priorities and objectives for IBB, reporting to the relevant Secretaries of State, who would be consulted on membership. It would be important that candidates for these posts were seen and clearly understood to be representing the interests of the UK as a whole.

So far as the Chairman is concerned, I agree that Peter Walker has the necessary qualifications but I wonder if his position as Chairman Designate of the Urban Regeneration Agency with its exclusively English responsibilities might, however unfairly, be seen to clash with the British-wide remit of IBB. Perhaps it might be better if we looked at some other candidates in addition to Peter.

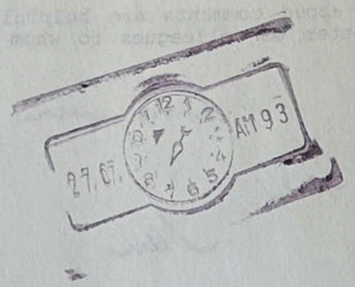
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I trust that the above comments are helpful. I am sending copies of this letter to colleagues to whom you have copied yours.

Yours ever,

Ian

IAN LANG



SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
071-276 3000

My ref:

POLICY AND MANAGEMENT IN CONFIDENCE Your ref:

The Rt Hon Michael Heseltine MP
President of the Board of Trade
Department of Trade & Industry
123 Victoria Street
London SW1

5 July 1993

Dear President,

INWARD INVESTMENT: STRENGTHENING THE EFFORT

I strongly support the proposal for an Invest in Britain Board made in your letter of 18 June to Ian Lang. We have a rich supply of private sector expertise in inward investment and it makes sense to mobilise it to ensure we do not fall behind in the increasingly intense competition for international investment.

I think it is important that the London Forum should be represented on the Board and should be able to make a direct input to the Invest in Britain Bureau.

Lord Walker would make an excellent Chairman of the new body and I would be happy for him to be appointed. I am sure he would understand the need to ensure that the work of the Urban Regeneration Agency complements that of the Invest in Britain Board, while at the same time ensuring that the URA does not stray beyond its remit.

I am copying this letter to the recipients of yours.

Yours sincerely

JOHN GUMMER

recycled paper

THE BRITISH OLYMPIC BID 2000 MANCHESTER

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
London SW1E 6RB

Direct line
071-215 4440

DTI Enquiries
071-215 5000

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Whitehall
LONDON
SW1A 1AU

18 June 1993

INWARD INVESTMENT: STRENGTHENING THE EFFORT

The promotion of inward investment into the United Kingdom has been one of our success stories. But we need to do even better. Inward investment offers one of the most promising means of strengthening and broadening our industrial base. Other countries in Europe increasingly recognise this too and there will be keen competition both to secure new investment and to encourage expansion of existing foreign plants at a time when many multi-national companies are rationalising their facilities.

As you know the Invest in Britain Bureau which co-ordinates and supports the total UK inward investment effort is located within the DTI. I believe that it has done a good job with the resources available. I have however concluded that it needs to be reinforced as quickly as possible with some high-level input from the private sector, both part-time and full-time.

I therefore have it in mind to set up a new Invest in Britain Board of very senior businessmen to set the strategy, priorities and objectives for the Invest in Britain Bureau and our overall inward investment effort. This would be similar in many respects to the role of the British Overseas Trade Board in relation to export promotion. In addition to their strategic role the Chairman and members would from time to time help Ministers in promotional activities and in acting as hosts for business leaders from abroad.

888-888

dti
the department for Enterprise

Recycled Paper

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

A strong candidate for Chairman of the new Board would be Peter Walker, if he could spare the time - say a day a month. As members I would want leading businessmen with substantial operations here but preferably from companies with an international range of activities who understand the factors affecting industrial location worldwide. I would hope that there would be members who had links with Scotland, Wales and Northern Ireland and you, John Redwood and Patrick Mayhew would no doubt want to suggest likely candidates.

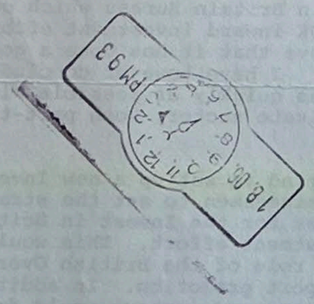
I also propose to appoint a new full-time Chief Executive of the Invest in Britain Bureau from the private sector, at a level higher than that of the present Grade 5 Director. This person would need to be a credible business figure with drive and relevant experience who, like the part-time Board members, would understand the factors affecting industrial location. I have not ruled out secondment but I may have to go for recruitment through headhunters.

I am sure that these proposals will significantly enhance the total UK effort to promote inward investment at a critical time. If you have any comments I should be grateful to have them as quickly as possible.

I am sending copies of this letter to the Prime Minister, Douglas Hurd, John Gummer, Patrick Mayhew, Michael Portillo and John Redwood.

Yours ever

Michael



PE6172

POLICY IN CONFIDENCE
MANAGEMENT IN CONFIDENCE

dti
the department for Enterprise

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 April 1993

Dear Peter,

JAPANESE INWARD INVESTMENT

The Prime Minister was grateful for the President's minute of 16 April and the minute from Sir John Whitehead which he enclosed.

The Prime Minister noted the points made on Japanese concerns about Britain's role in Europe. He welcomes the enhanced promotional programme the President is planning and would be grateful to be kept in touch with these plans as they unfold.

Yours, Mary.

MRS. MARY FRANCIS

Peter Smith, Esq.,
Department of Trade and Industry.

Prime Minister,
This underlines Japanese concerns about Britain's commitment to the EC.
Content for me to minute, asking to be kept in touch with JTI promotions in Japan?
MF 19/4

PRIME MINISTER

APRIL 19TH, 1993

JAPANESE INWARD INVESTMENT

Yes

Michael Heseltine has minuted you on this subject, copying you in on a memorandum sent to him by Sir John Whitehead in which he reports on a meeting he chaired at the CBI attended by high powered Japanese industrialists. Both papers are attached.

No need for any particular action on your part, though you may wish Mary to minute the President's Office asking that we be kept in touch with his promotional plans as they unfold.

Yes

Whitehead reports:

1. Japanese corporate investment in Europe as a whole has sharply reduced recently and will not materially increase for the next two or three years, because:
   - their poor economic performance has resulted in investment cutbacks across the board,
   - they have a feeling that they have sufficient investment exposure in Europe,
   - they want to wait until 'turbulence' in the EC has settled down,
   - they are not interested in investing significantly in Eastern Europe.

2. There is particular concern regarding the UK because:
   - they are nervous about our true feelings towards the EC and our real intentions with regard to greater cohesion.
   - they are nervous that our ERM withdrawal may presage ~~departure from the EC~~. (You will remember that the Chairman of the Stock Exchange alerted us to this last November).
   - They are concerned about our economic policy, which

an inner core of countries in ERM, with the UK outside.

they do not understand and which they consider to be too apart from that of Germany and France in particular and the rest of the EC in general.

3. They poured water on our hopes of attracting Japanese R & D to the UK.

Whitehead recommends:

1. Continuing to repeat the arguments for inward investment into the UK and the success of those already here, using Ministers wherever possible to do so.
2. Putting this over in Japan as well as to visitors to the UK.
3. Targeting key senior Japanese Ministers.
4. Seeking every opportunity to demonstrate to the Japanese that we are willingly working with our European partners and not just being pushed along reluctantly.

Heseltine adds:

- That he is planning an enhanced promotional programme building on your visit planned for September.
- That he will continue to push for R & D.
- That two inward missions will visit the UK in May and October.

DAVID POOLE

62/ 16

CC RL
RB

PRIME MINISTER

JAPANESE INWARD INVESTMENT

Sir John Whitehead, Ambassador to Japan until mid-1992 and now my adviser on Japanese affairs, has produced the attached note about the possible future trend of Japanese investment in the United Kingdom.

2 The messages conveyed to Sir John reinforce our own impressions. Japanese investment in Europe is indeed slowing down, but it was perhaps unrealistic to expect it to continue at its previous pace. We must nevertheless compete hard for our share of the smaller volume. So far we are maintaining, and over the short term even increasing, our share.

3 Japanese concerns about our future in Europe reflect their need for constant reassurance about our commitment to the EC and all that that entails. Political and economic stability have been major factors in our success in attracting Japanese investment. We must all remain alive to the need to emphasise these points at every opportunity.

4 In recognition of this we are planning an enhanced promotional programme for 1993/94 headed, of course, by the visit which you have planned for September. Tim Sainsbury will address our annual inward investment seminar, this year in Osaka in June. In addition our first-ever R&D seminar in Japan will take place in Tokyo in September, when William Waldegrave will be the government speaker. Although we acknowledge the difficulties of attracting R&D investment, we must not be discouraged from making every effort to secure it.

dti
the department for Enterprise

Two inward missions are also planned, in May and October. The Japanese response to all these events remains encouragingly high, indicating their continued interest in the UK in the medium to long term.

5 I am copying this minute to Douglas Hurd and Norman Lamont. I am also sending a copy of Sir John's report to Peter Walker, who will no doubt take it into account in the advice he will be giving me on the future direction and enhancement of our inward investment activities.

M H
16 April 1993

DEPARTMENT OF TRADE AND INDUSTRY

PE4128

dti
the department for Enterprise

To:

PRESIDENT

From:

SIR JOHN WHITEHEAD

29 March 1993

JAPANESE INWARD INVESTMENT

I chaired a meeting between the CBI and the Japanese Keidanren on Monday 22 March. The Japanese team, led by Mr Haruna, Chairman of Marubeni, and consisting of fairly high powered representatives from Sony, Toyota, Hitachi and the Bank of Tokyo amongst others, was the same as that which was received at the DTI by Mr Needham and Mr Sainsbury on the same day and which went on from the CBI to see Mr Hurd.

2. The Japanese asked a number of pertinent questions about British attitudes towards the future deepening and enlarging of the Community, about GATT, and they also had some trenchant points to make about Eastern Europe as well as leaving us with some not very comfortable messages about likely future Japanese investment in the UK and in the rest of Europe. The purpose of this minute is to pass on these latter messages and to prompt some thoughts about what our action should be. In my view the messages should be taken seriously since, while only a contribution, they are nevertheless very much of a piece with messages which I have heard from Japanese businessmen and others both here and in Japan in recent months. They seem to me to be indicative of an increasing "orientation consensus" on the part of the Japanese; they are by no means immutable but they show signs of firming up as a policy consensus for the future which would become much more difficult in a while to eradicate or modify significantly.

3. The messages are as follows:

a. for the time being there will be little investment by Japanese companies in Europe (figures published in the Nihon Keizai newspaper on 25 March show that 1992 was the worst year for a long time for Japanese investment in Europe - only 27 investments in eighteen (sic) countries in Europe). That should be compared with an average increase for the UK alone of 25 a year for the five years between 1987 and 1991. The main reason for this is the poor business performance of Japanese corporates, a performance which is unlikely to improve until towards the end of 1994 sufficiently to lead companies to consider a resumption of investment overseas (other than possibly in China and South East Asia). But a subsidiary reason is the Japanese feeling that

they have for the time being a sufficient position in the Single European Market and are not interested in substantial investment in Eastern Europe at this time, plus a view that it would be prudent to wait for the turbulence inside the EC to subside before taking any steps further to involve themselves in Europe. They expect turbulence to continue for at least another year or two during which time "Europe will be principally preoccupied with its own affairs".

b. This "arms length" posture on the part of Japanese industry and business seems to apply particularly to the United Kingdom. This is due in part to our past successes in attracting such a high proportion of Japanese investment in Europe to the United Kingdom, but partly also to our present problems, as well as to the steady and insidious messages from other member states of the EC that the United Kingdom has been unduly favoured. The "problems" as the Japanese see them are:

i. the extent to which there may be in the United Kingdom a groundswell of scepticism about closer EC cohesion in the future (leaving aside present arguments over Maastricht ratification which are being well publicised in the Japanese press and on satellite television there, with undue prominence given to the viewpoints and tactical victories of the Eurosceptics). This was strongly rebutted by the CBI team, but it will take positive UK actions as well as innumerable rebuttals in the next year or two to eradicate this Japanese view, which again is fuelled for their own purposes by other EC member countries. It will not be sufficient to refer, as we have done frequently in the past, to the positive role which the United Kingdom has played in the creation of the Single European Market.

ii. Withdrawal, albeit temporary, from the ERM. The reasons for this withdrawal need to be repeated carefully and consistently as do the present difficulties of rejoining at this stage. The "faultlines in the ERM" argument may be understood by the Japanese Ministry of Finance and the Bank of Japan, but they are not in my view understood by the vast majority of Japanese businessmen, politicians or journalists. The jump is all too quickly made by them from UK withdrawal and subsequent doubts about the functioning of the ERM to the suggestion that an inner circle of Germany, France and the Benelux might move forward on their own to faster progress on EMU, leaving the UK in the slower group.

iii. Concern about economic policy generally and the position of Sterling. At a meeting with senior Japanese representatives of major Japanese companies in the United Kingdom, the point was made forcibly by Mr Kaku of Mitsubishi and echoed by the Commercial Minister at the Japanese Embassy, as well as the Head of Mitsui and others, that the Japanese were baffled by statements about our economic policy and actual economic measures taken by HMG. There are specific answers which were given to the

Japanese, but I sensed that real Japanese concern centred on an impression that the economy is in part drifting and in part proving to be generally unresponsive to the government's economic measures. I do not expect that the Japanese view of many other European economies is very flattering (nor of their own economy or of Japanese political leadership for that matter), but there is a feeling that while the French and particularly the Germans have short and possibly medium term economic problems, somehow they will stand together and pull through. The Japanese see us in this respect as much more an economy apart. If we are to cut more ice with them economically, it will be important to try to establish (re-establish?) an economic triumvirate for Europe (the UK, Germany and France).

c. Quite a lot of cold water was also poured by the Japanese on our hopes to attract Japanese R&D investment to the UK. It was summed up most succinctly by Mr Aiko, Senior Managing Director (i.e. number 3 or 4) in Sony: "investment in R&D may sound nice, but in the high technology area it is not easy to see how our R&D abroad can be geared to the marketing of products". This suggests that we may see some more Development carried out in the UK in association with investment in manufacturing capacity but we are unlikely to see much mainline Research. This, coupled with other Japanese statements in recent months, particularly from those resident in Germany, that we should not necessarily expect R&D to be sited alongside manufacturing capacity and views that the centre of gravity in Europe "in the longer term" will move Eastward all give us fair warning that there may be little more R&D investment in the UK - and rather more in Germany.

4. What should we try to do about this? Essentially I think that the recipe consists of three familiar ingredients: the constant repetition, particularly by Ministers to Japanese visiting the United Kingdom, about the advantages of investing here and the success of those who have already done so; the repetition of that message, preferably by senior Ministers, in Japan since in that way we can more easily target those Japanese who are most influential; and measures to demonstrate our economic strengths and particularly any measures which we may be making or be about to make to improve our economic position (education, training, infrastructure projects etc). Finally it will, of course, help to clear away the Maastricht problem, but it would help more if we were to follow this with some indication that we were taking initiatives with other major European powers and not just simply moving reluctantly along the European path.

SIR JOHN WHITEHEAD

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Mrs Mary Francis
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

5 March 1993

Secretary of State
Department of Trade and Industry

Ashdown House
123 Victoria Street
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071-215 4440

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071-215 5000

Dear Mary

INWARD INVESTMENT FROM KOREA AND TAIWAN

Thank you for your letter of 23 February - under the heading DEREGULATION/EXPORTS - asking whether the DTI was promoting visits to Korea and Taiwan to urge the advantages of inward investment in Britain.

The President of the Board of Trade is currently reviewing the machinery designed to attract inward investment from across the world. As you will doubtless know he is being advised on this task by Lord Walker.

He has asked me to say that he will let you have an outline of his proposals shortly. They will certainly address the issues you raised as well as many others. I hope that you will understand why the President does not feel it would be useful for me to give you a fuller response at this stage.

Yours
Elizabeth

ELIZABETH JONES
Private Secretary

PE3033

The Rt. Hon. Michael Heseltine MP
President of the Board of Trade

Secretary of State
Department of Trade and Industry

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Stephen Gear Esq
Private Secretary to the
Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

19 February 1993

Dear Stephen

Thank you for your letter of 10 February advising of your Secretary of State's plans for overseas inward investment related visits this year. The President was grateful for this early warning and understands that your colleagues have already had informal discussions with a number of the Embassies and Consulates General concerned.

Subject to a possible problem of timing the President would be content for the visits to Milan and Brussels to go ahead. He is, however concerned that visits to France and Germany may not prove as productive as your Secretary of State would wish. The Invest in Britain Bureau (IBB) have concluded that while both we and Germany are feeling the effects of recession now would not be the time to take a Ministerial initiative on inward investment. German industry is responding to domestic problems by drawing in on itself. With redundancies and short time working becoming the order of the day a number of German firms have already cancelled or postponed investment projects. These companies and others have made abundantly clear that now is not the time to be considering investment in new manufacturing plant. These constraints may be less prevalent in Baden Wurttemberg, where already strong links with Wales may make firms in this area more receptive to the investment message. We therefore advise that you should consider focusing any visit in this area.

There is a risk that a visit to Paris at the time proposed would fuel the fires of Hoover further. The French are still smarting from the loss of the company to Cambuslang. The President would therefore wish to have some idea of the kind of programme it is envisaged your Secretary of State would follow and what it is you hope can be achieved before commenting further.

The proposed visits to the USA and Canada are welcome, although some finessing will be necessary if the Memorial Day on 31 May, together with the weekend, is not to reduce the visit's value too much.

The President similarly welcomes the proposed visit to Japan. But again there looks to be a significant problem with the timing. The Prime Minister is considering a visit over the days 20/21 September. Mr Waldegrave, Chancellor of the Duchy of Lancaster, is similarly planning a visit for the week of 27 September, at which he may be the keynote speaker at the IBB's R & D Seminar. A third (possible) visit in the month would not be an attractive proposition and would stretch both Japanese and Embassy resources. The associated visits to Malaysia and Singapore would, the President assumes, only go ahead in association with one to Japan. Both markets provide very limited inward investment prospects. Unless there are specific inward investment matters for your Secretary of State to pursue visits to either country, other than as part of the wider visit programme, are unlikely to prove of sufficient benefit to merit visits alone.

As a general point you will of course also wish to discuss with the Whip's office the risks of cancellation which pressures of Parliamentary business may give rise to.

I am copying this letter to William Chapman (No 10), Melanie Leech (Cabinet Office, Richard Gozney (FCO) and Greg Shepherd (Whips).

yours
Elizabeth

ELIZABETH JONES
Private Secretary

PE2163

dti
the department for Enterprise

FILE EAM

SUBJECT MASTER

Filed on: Trade Inward Investment Pt 2

10 DOWNING STREET

THE PRIME MINISTER

Personal Minute
No. M23/92

SECRETARY OF STATE FOR WALES

INWARD INVESTMENT MISSION TO USA, KOREA, JAPAN AND HONG KONG

Thank you for your minute of 9 October about your inward investment mission. This was clearly very worthwhile and succesful and I send my congratulations to you, your team and everyone else involved.

I think there will be a lot of interest in your visit and you might report on it in Cabinet this week.

I am sending a copy of this minute to Douglas Hurd, Norman Lamont and Michael Heseltine and to Sir Robin Butler.

John Major

13 October 1992

010

CLRB
PO

① Excellent. Well prepared 'copy-out' note from me.

Prime Minister ②

POLICY AND COMMERCIAL IN CONFIDENCE

② Did it report to Cabinet on these??

10/10

Fab highlights. Clearly a very worthwhile trip.

INWARD INVESTMENT MISSION TO USA, KOREA, JAPAN AND HONG KONG

This is to report on the main issues arising from my overseas inward investment mission. I visited the USA from 20-23 September, returning to the UK for the debates in Parliament on 24 and 25 September. I then rejoined my team, who had continued in my absence, in Korea from 28 to 30 September. We visited Japan until 5 October, with a final 24 hours in Hong Kong where I met Chris Patten, returning to the UK on 7 October. I was accompanied by the Chief Executive of the Welsh Development Agency in the USA and by the Chairman of the Agency in the Far East.

In summary, I believe that the visit was extremely useful. I am confident that a number of new investments into Wales will emanate from it over the coming months (paras 3-7 below). My invitation to Mr Morita of Sony, on behalf of Her Majesty the Queen, to accept an honorary KBE was accepted with much pleasure; the news made front page headlines at home and in Japan and will have done us much good (para 8 below). My discussions with companies, with Ministers, with banks and with the media in both the USA and in the Far East were dominated by questions about the UK's commitment to and standing in Europe. I was able to provide reassurance and from this point of view my visit could not have been better timed. But concern is rife and we need to consider very carefully how best to alleviate it before it seriously damages our prospects for attracting future investment on the scale that we have achieved so successfully in the past (paras 9-11 below).

The purpose of the mission was two-fold. One aim was to continue to stress the attractions of the United Kingdom in general and of Wales in particular to companies which are contemplating investment in Europe. The second aim was to build on the success we have achieved already by encouraging companies already based in Wales to consolidate and expand, and to use the experience of those companies, of which they are willing to speak warmly and positively, to persuade others to follow in their trail.

There is no doubt that the competition for inward investment is becoming ever tougher. In particular, for example, one now increasing hears France named as a country where investment is taking place or which is being considered. This is quite a change from a few years ago. The world recession also means that many companies are pausing before taking major overseas investment decisions. I was particularly anxious to talk to the headquarters of major companies in Wales, such as General Electric, Warner Lambert, Sony and Matsushita since, in the past, Wales has often suffered when rationalisations have taken place. For the most part the messages I received were reassuring although there are still battles to be won, particularly where rationalisation between plants located in Wales and elsewhere in Europe is being considered. In this respect the fact that I was able to emphasise that we had not signed up to the Social Chapter clearly made a significant impression.

I visited individual companies to discuss potential projects and prospects generally and I addressed wider audiences about the advantages which the UK and Wales have to offer. We do not yet have any Korean investment in Wales and my visit there was largely concentrated on encouraging companies to visit Wales to see what we have to offer. This tactic proved successful in the case of two major companies. I detected some disenchantment among Korean companies with existing investments in South East Asia and in one major case in West Germany, so it may be that there is considerable potential there for attracting new projects into the UK.

An important selling point which I was able to use to good effect is the joint Imperial College/Welsh Development Agency development which is taking place near Newport. Imperial Park is one of the most exciting developments in South Wales for years, and certainly one of the most important. Much interest was shown in it throughout my visit and again I am hopeful that we will soon begin to attract high quality projects with a significant Research and Development content. I also had very interesting discussions with MIT in Boston and over the coming months I will be pursuing these to see what lessons might usefully be adapted to our benefit.

I am confident that, despite the difficulties which many companies are facing at present, there will be several announcements of new investments in Wales over the coming months.

While in Tokyo I was able to invite Mr Morita of the Sony Corporation, on behalf of Her Majesty, to accept an honorary KBE. Mr Morita was delighted to accept. The news was very well received in Japan and was widely reported. It will have done us an immense amount of good.

The recent events in the currency markets and the UK's future in the European Community were raised regularly and persistently with me wherever I went. Although interest was widespread and the news was widely reported, much of the comment seemed to be based on a superficial understanding of what had happened. Nonetheless, when most overseas companies which have invested in or are considering investing the UK have done so or are doing so because it is a springboard into the European market, it is of much concern that, however misplaced, the view of the UK's commitment to Europe (and of other countries' commitment to the UK) should be in doubt; which it certainly is. From an inward investment perspective alone this is deeply worrying.

In this context my visit to the USA and the Far East could not have been more timely. At individual company level; at lunches, dinner, receptions, and the Welsh Development Agency's Electronics seminar which I launched in Tokyo; at press conferences and media interviews; and at meetings with the MITI Minister in Tokyo; the Governor of the Bank of Korea; the Foreign Ministry in Korea; the Vice Chairman of the Federation of Korean Industries, the Chairman of Hong Kong and Shangai Bank and others I was able to provide firm reassurances about the Government's commitment to Europe, indeed to our standing at the heart of Europe, and to the completion of the Single European Market which remains quite unaffected by recent events. I dismissed ideas of a two-speed Europe and I stressed our wish to see the Community enlarged and the importance of our role at present with the European Presidency.

I am very clear, however, that while misunderstandings and misconceptions abound, that in itself is sufficient to do serious damage to our prospects for attracting investment into the UK. We can be sure that our competitors will be taking every advantage of present circumstances. It is, I believe, very important that in the coming months Cabinet colleagues should take every opportunity they can to speak firmly and authoritatively to key decision makers in our main overseas markets.

Finally I would like to thank HM Ambassadors in Japan and in Korea, the Consulates General and all the officials we met in the USA, Korea, Japan and Hong Kong who could not have been more helpful. My wife and I and my colleagues in the team I led are extremely grateful; and return impressed as ever by their understanding of local and national circumstances and the relationships which they have developed.

I am sending a copy of this minute to Douglas Hurd, Norman Lamont and Michael Heseltine. I shall be reporting separately to Michael Howard about my meeting with the Korean delegate to the International Olympic Committee and my discussions with Matsushita about the Rainham Marshes project

October 1992

DH

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From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

CT/13017/92

28th January 1992

Dear Peter

You wrote to the Prime Minister on 9 January suggesting a reception for prominent inward investors and their suppliers.

This is an excellent idea. As you know obtaining further investment by companies already here and building up relationships with local suppliers are both priority activities in Wales and would be given a boost by a reception along the lines you suggest.

I do hope there can be good presence from companies in Wales and, if the reception does go ahead, I look forward to being consulted on Welsh representation.

I am copying this to the Prime Minister, to Peter Brooke and Ian Lang.

Yours ever

David

The Rt Hon Peter Lilley MP
Secretary of State for
Trade and Industry
Ashdown House
123 Victoria Street
LONDON

Trade 1.1. Pt 2

10 DOWNING STREET

GR Sec SG

I have spoken to DTI, and understand that Mr Lucas wrote to Sandra on 22 January. Can I assume that CF need no longer BF its papers, and that Sandra is taking this forward with ya?

Regds
5.2

CF

Arrangements for Inward Investors' Reception on 30 March are in hand
Sue 5/2

cl dias / reception

bcc SG

VNING STREET

DON SW1A 2AA

16 January 1992

seen the Secretary of State for Trade
anuary suggesting a reception at
ent inward investors and their
happy to host this. Finding a date

e a lunchtime reception on Monday,
aps you could let me have your
of that sort of timing. Otherwise I
, and there is already a reception

SANDRA PHILLIPS

Martin Stanley, Esq.,
Department of Trade and Industry

cl diary / reception

bc SG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

16 January 1992

The Prime Minister has seen the Secretary of State for Trade and Industry's minute of 9 January suggesting a reception at 10 Downing Street for prominent inward investors and their suppliers. He would be very happy to host this. Finding a date might be more difficult!

One possibility would be a lunchtime reception on Monday, 30 March at 1200-1330. Perhaps you could let me have your thoughts on the suitability of that sort of timing. Otherwise I fear we are looking at April, and there is already a reception for exporters on 14 April.

SANDRA PHILLIPS

Martin Stanley, Esq.,
Department of Trade and Industry

CCP/0

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

COMMERCIAL IN CONFIDENCE

14th January 1992

Dear William,

SAMSUNG

I rang you last night to pass on the two particular pieces of information you asked me for about the Welsh interest in the Samsung industrial project. You might find it helpful, for your records, to have this in writing and in rather more detail.

The site being considered is on the Penyfan Industrial Estate near Oakdale. The site is located within the Merthyr and Rhymney Travel to Work area and in the district covered by the Islwyn Borough Council. At November 1991, the unemployment rate in the TTWA was 14.4% compared to the Development Area average of 13.6% and the Stockton on Tees rate of 12%.

Under the arrangements which operate when a potential inward investor is considering sites in England and Wales the lead on an offer of RSA is with the DTI. Subject to the views of the Industrial Development Advisory Board which meets later this week, an RSA offer of £16m will be made to the Company. The DTI has already made it clear to the company that any RSA offer will be valid for any DA location in GB.

/There have.....

There have also been negotiations involving the Welsh Development Agency and the local authorities. The Agency has offered the site on either sale or lease (but strictly commercial ie market value) terms. The local authorities, ie Gwent County Council and Islwyn Borough Council, are in touch with the company about road access to the site and about administrative support for training needs.

Yours ever,

MISS J C SIMPSON
PS/Secretary of State

William Chapman Esq
10 Downing Street
LONDON SW1

Sandra,
Could a date be found?
If so, put into diary
meeting?
B.
9/1

PRIME MINISTER

As you are well aware, the UK has been exceptionally successful in recent years in attracting inward investment. As well as the jobs and capital inflow which are often cited, this has also brought benefits for both the local and national economy in a number of less obvious ways. Technology transfer is one area as is the spur of competition and the very positive effect on the "supply" industry resulting in a much greater emphasis on quality. These quality suppliers then become competitive globally. This is all good news and demonstrates the benefits of some key elements of my Department's promotional activities.

2 A reception hosted by you for prominent inward investors and their suppliers who have built up a bank of local suppliers would provide a splendid opportunity to promote the wider advantages of inward investment, particularly the partnerships it brings. Our post Maastricht "sub text" would be that we would not have been as successful as we have in Inward Investment without first creating the enterprise environment in which it can flourish and without our successful overseas promotional activity which has established the UK as the preferred location in Europe.

3 If you agree to this proposal and your diary permits I recommend holding an event for no more than 100 in March at No 10. To ensure a successful outcome an early decision would be helpful so that my officials can identify suitable guests and prepare press packs in good time.

4 I am copying this letter for information only to Peter Brooke, David Hunt and Ian Lang.

P B L
9 January 1992

DEPARTMENT OF TRADE AND INDUSTRY

dti
the department for Enterprise

Recycled Paper

AT/ Pl ask Hm Treat
to report this @ Cabinet
+ prepare 'well-done'
note. 1/

Prime Minister ©

8/7

CONFIDENTIAL

PRIME MINISTER

INWARD INVESTMENT MISSION TO THE USA AND CANADA

1. I am minuting to report on the outcome of my visit to the United States and to Canada from 20 June to 4 July. The purpose of the visit, on which I was accompanied in the first half by the Chairman of the Welsh Development Agency and in the second by his Chief Executive, was to encourage inward investment from North America into the United Kingdom in general and Wales in particular. I believe that it was a resounding success.

2. I visited San Jose, Los Angeles and San Diego in California; Toronto, Ottawa and Peterborough in Canada; Minneapolis and Saginaw; Buffalo, Connecticut, New Jersey and New York. I called on 20 companies and of course met representatives of many more at lunches, dinners and receptions which were arranged for me throughout the mission.

3. Immediately on my return I was able to announce four projects at a press conference:

- Northern Telecom. This company which I visited in Toronto, following earlier meetings which I have had with senior European management in London, announced the designation of their plant in Cwmcarn, Gwent as a centre of excellence accompanied by an investment of £28m which will safeguard 616 existing jobs and create 228 new jobs.

- Crabtree and Evelyn. This leading toiletries company, based in Connecticut, told me during my visit of their decision to establish their European manufacturing base at Llantrisant, Mid Glamorgan creating 55 new jobs.

- Convatec in New Jersey, manufacturers of plastic medical products, confirmed to me that they are pressing ahead with a sterile manufacturing facility at Shotton, Clwyd providing 90 new jobs.

- and the President of Revlon in New York told me that the plant at Maesteg, Mid Glamorgan, which was under threat would be safeguarded and secured with an £11m investment creating 170 new jobs.

4. Equally, or even more importantly, I am confident that a significant number of other projects will follow in the coming months. Some will be new projects by investors coming to Wales for the first time; others will be expansions by companies already located here. And some of the decisions will be of huge significance. Dow Corning, for example, are considering the location of a £165m investment with the choice resting between Barry in South Wales and Kentucky: if the decision goes in favour of the latter, the long term future of the Barry plant will be in jeopardy. So much is at stake and hard work remains to be done. I believe that the timing of my visits to meet the key United States and Canadian decision makers was opportune.

5. I was very encouraged throughout my visit by the level of interest in investment in the United Kingdom. In all my discussions and speeches I laid great emphasis on the new opportunities that are opening up with the development of the Single Market in Europe. At times there was some scepticism about whether the establishment of the Single Market would be achieved within the timescale that has been set, and I was able to emphasise our determination in this respect and our contribution towards it. The prospect of the opening of the Channel Tunnel is also a matter of great interest in North America and in practical and psychological terms will be a great boost to our efforts to encourage investment here.

6. I was also made very much aware of the increasing competition for investment, particularly from other European countries. There is no doubt that many have stepped up their promotional campaigns; and I heard of the attraction of alternative locations in France and Spain in particular on more occasions than was comfortable, also with hints of more generous levels of assistance being available.

7. I was struck by the extent of knowledge on European and UK matters in the United States business community. This is a dramatic change over recent years and presents us with a real opportunity to maximise our efforts and their investment. I found every bit as much knowledge and interest in Canada but in Ontario this was overshadowed by a preoccupation with the effects on business of the policies of the New Democratic Party. This is now extremely unpopular with signs already of companies actively considering moving out of the Province to locations elsewhere.

8. Looking forward, the Welsh Development Agency will be strengthening its representation and effort in the United States, working in a way which will continue to be complementary to that of the consulate posts. I was, incidentally, very impressed by the way in which the Regional Inward Investment Teams that I met in New York, Los Angeles and in the Mid West (from Chicago) have settled down. They seem to me to be working very effectively. I addressed a British Trade and Investment seminar in Minneapolis which was exceptionally well organised.

9. We will continue to emphasise the particular advantages that Wales has to offer. There is no doubt that the effort that we put into establishing the right infrastructure and to clearing away the legacy of dereliction has made a great impression. We need to continue with this: the Second Severn Crossing, for example, was raised with me by almost every company with an investment in, or considering an investment in South Wales. Our new structure for Training and Enterprise Councils - not peculiar to Wales - is a huge plus. The fact that they are private sector led is a strong point and I am glad to say that I heard very positive stories from all the companies which have been in contact with the Welsh TECs. And our ability through the Welsh Office and the West Development Agency to respond quickly to resolve problems and to put together a package of support is an extremely effective and potent selling point.

10. Finally, I would like to say how grateful I was for all the advice and assistance that I was given from the Consulate posts in North America. I very much appreciate it and I hope too that they found the visit a worthwhile one. My particular thanks are due to the High Commissioner in Ottawa who, despite having suffered an accident, hosted a lunch for me in his residence which gave me the opportunity to meet a cross section of Canadian business people.

/ I am sending copies of this minute to Douglas Hurd and Peter Lilley.

7th July 1991

DH

TRADG : Inward Investment.

MR POTTER

5 JULY 1991

INVESTMENT SERVICES DIRECTIVE

Mr Lilley's aim has been to get an ISD which:

(a) opens markets to UK firms using a single European passport; and

(b) allows the London market itself to go on operating in a competitive way, attracting cross-border business.

Both the "concentration" and "transparency" sections of the Directive pose problems for the second objective.

Concentration

Mr Lilley is right to say that the Stock Exchange could live with the revised proposals but it remains absolutely imperative that SEAQ International continues to be defined as a "regulated market". The Treasury is also right to say that we must insist that the safeguards built into the 1988 Directive on the Liberalisation of Capital Markets are reinstated in the text of the ISD.

Transparency

There will always be protectionist pressures from the European markets which have seen business emigrating to London. For example, in Article 16a (on the reporting of trades) it looks as though a French institution which did a trade in London might have to report it not only to the London Stock Exchange but also to the Paris Bourse. Since the reason for doing the business in London was to avoid the tax consequences of doing it in Paris, that would be quite a blow. All the market users need is information about what has happened in London. As Mr Lamont says, we cannot concede anything on this.

The concept that details of trades should be published in as short a time as possible also needs to be refined. In London, it might be argued that screen trading allows one to publish those details very quickly - but if you do that, you expose the position of the market-maker and that will do nothing for the liquidity of the market. That is of course particularly true for the smaller capitalisation companies- and it would be a real own goal if we created more problems in that area than a bear market creates of itself. There is very limited room for compromise in this area if London is to be a competitive and liquid market. <u>The Treasury is right to say that we must press for a text which allows London alternative methods of bargain publication</u>.

<u>Conclusion</u>

Major amendments are necessary. It would be a serious matter if the directive were to be imposed on us in its present form. A tactical alliance with Germany to permit further discussion, as suggested by the Treasury, must be our best line.

Howell Harris Hughes

<u>HOWELL HARRIS HUGHES</u>

34.HHH

CONFIDENTIAL

The Prime Minister

I thought you should know of an important Japanese inward investment that I will be announcing on 21 May. There have already been unconfirmed reports in the press.

Sony already have a large colour television manufacturing plant at Bridgend in South Wales employing over 2,000 people. The plant has won The Queen's Award for Exports on three occasions. They have now decided to develop a very large new project that will be known as the "Sony Technology Park". This will be located on a new 160 acre greenfield site near to their existing premises.

As a first phase, Sony will build a 500,000 sq ft factory to expand their TV production, creating some 1,400 new jobs. Subsequent phases are planned, to involve the production of new products in the electronics/telecommunications sector. A total of over 2,000 new jobs are in prospect.

With David Mellor's approval, I have been able to offer the company a Regional Selective Assistance grant of £10 million. Capital investment by Sony will be some £150 million.

This is a very exciting project. I was able to discuss it fully with Sony when I visited their headquarters in Japan last November. It was evident to me then that there was opposition within Sony to the project coming to Bridgend and I am very pleased that the arguments that I was able to deploy have played their part in our success in winning this project to establish what Sony themselves call their Flagship in Europe. It will be the largest single Japanese investment to have taken place in Wales, which already has one of the largest concentrations of Japanese companies in Europe. (In the final analysis, Bridgend was the chosen location over Barcelona.)

It is also significant, in my view, that the project has been secured against increasingly fierce competition from other countries in Europe and elsewhere, particularly given the signs we have seen of political pressure being put on Japanese industry to 'spread' their investments within Europe.

We still need to be alert to such influence but clearly in this case Sony have not been swayed by it and, with our active encouragement and support, have in the end chosen to build on their successful experience in Wales.

I am copying this minute to Peter Lilley.

20th May 1991

DH

cs/ ps/let/5dm20.12

UNCLASSIFIED

CC/C

N.J.P.M.
BHP
29/12

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

21 December 1990

Dear Ian.

RSA: TOSHIBA

Thank you for your letter of ~~18 December~~.

2. I am afraid that I remain unconvinced of the argument for a grant at £25,000 per job (ie £30 million if there are 1,200 jobs). The Government does not have a sectoral industrial policy favouring semi-conductor producers, nor is it clear that it is either necessary or desirable for the UK to offer very large RSA grants to compete with other Member States; the UK already attracts more Japanese inward investment than any other Member State, and of course Scotland has a very successful track record. Although you say that this case is not a matter of auction with other countries, you emphasised in earlier correspondence that Toshiba's case rested on the need for the UK to put together an attractive financial package vis-a-vis the Irish and Germans.

3. As I said previously, I appreciate the difficulties which North Lanarkshire faces, but you acknowledge that the SDA are examining options for the future of the steel industry and the LEC is drawing up a development plan for the area. Redundant steel workers have a relatively privileged position through the assistance which they receive from the Government's steel redundancy scheme, for which PES provision was increased in the Survey. Although you attach priority to this case, you do not say how you propose to finance a £30 million RSA grant.

4. However in view of the exceptional closure circumstances in North Lanarkshire and the new technology involved in this case, I am prepared to agree to terms similar to those offered to Fujitsu last year in broadly similar circumstances. That is to say, I am prepared to agree to a cost per job of £18,500 provided that you are able to demonstrate that you can afford this within your

existing industry PES provision. You will also need to make the necessary £1.8 million reduction in your non RSA cash limited provision in respect of the Oy Kaukas arrangements. As you say, any indicative offer would be without prejudice to our approval of the case appraisal paper in the normal way, and you will need to be careful to avoid any impression that this case creates any kind of precedent.

5. I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

DAVID MELLOR

TRADE: Lanark Investment

Pt2

n.b.P.M
tell after meeting.
BTP 19/12

cc PS

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

David Mellor Esq MP
Chief Secretary
Treasury Chambers
Parliament Street
London
SW1P 3AG

18 December 1990

Dear David,

RSA: TOSHIBA

Thank you for your letter of 5 December in response to Malcolm Rifkind's letter of 20 November to your predecessor.

I have to say I am extremely disappointed at the Treasury line which simply does not take account of the difficulties we face under the existing RSA guidelines in attracting projects from companies at the leading edge of microchip technology. It is not a matter of auctions with other countries: if we seriously want to attract this kind of inward investment we have to be prepared to operate the guidelines with some flexibility. It is not as if guideline breaches are unprecedented; it has always been accepted that there are occasions when it is appropriate that the cost per job limit should be exceeded. This is one of them.

You are of course quite right to say that the SDA are examining options for the future of the steel industry and that the LEC are drawing up plans for the North Lanarkshire area. These will be completed in due course, but clearly the early attraction of new industry into the area will be a very significant priority.

The prospect of attracting this project gives us an early opportunity to demonstrate that new employment can be generated, that the area is capable of being presented as a location for new technology companies, and that it is to the future that attention should be directed rather than to the past.

As Malcolm said in his letter, I met with Toshiba representatives in Japan last month. I am personally convinced that we need, and indeed ought, to set aside the guidelines on this occasion and indicate our willingness to offer grant to a level of £25,000 a job. It goes without saying that a final formal offer would depend on a satisfactory business case being made, in accordance with the normal practice.

I do believe very strongly that the opportunity to win this project should not be lost by over-rigid reference to the guidelines and would welcome

the opportunity to discuss with you the scope for reconsideration of your position.

I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours ever,

Ian

IAN LANG

TEADS: Coward Investment PTC

cst.ps/let/ldm4.12

CONFIDENTIAL

Prime Minister ②

To note. Best to wait for Mr Hang's response to see whether he presses us to ask for special RSA for Toshiba. No need for you to intervene at this stage I would think.

Content to await any further reply from Mr Hang?

Yes ✓

PHP

5/12

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Ian Lang MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

5 December 1990

RSA: TOSHIBA

I have seen Malcolm Rifkind's letter of 20 November to Norman Lamont.

2. I have reconsidered this case carefully in the light of the points which Malcolm made in his letter. I do of course appreciate the difficulties which the North Lanarkshire area faces. However there is a good deal of activity in this area already; I understand that the SDA are examining options for the future of the steel industry and the local enterprise company are drawing up their plans for the area under the auspices of Scottish Enterprise. Moreover public expenditure provision for the Government's steel employees readaptation scheme has been increased in the Survey. Although Malcolm emphasises the technology innovation aspect of this case, I believe that Fujitsu in the north east are also developing the production of 16 megabit DRAMS.

3. Toshiba do not seem to have produced any documentation to support their need for either a grant which they seek of £40 million or a £15 million grant which you propose for phase 1. It seems possible that the project would be profitable without grant. We should be very careful before being drawn into a grant auction with the Germans and Irish, which would not only be damaging in public expenditure terms but also to our strategy of supporting Sir Leon Brittan's policy of reducing state aids in the Community.

4. Nor did Malcolm offer to fund this project within the RSA PES provision which was agreed in October. As you will I am sure appreciate it would be very difficult for me to reopen that agreement.

CONFIDENTIAL

5. I am afraid that my view therefore remains that any indicative offer should be within the RSA guidelines and within your existing RSA PES provision.

6. I am copying this letter as before to the Prime Minister, Peter Lilley and David Hunt.

DAVID MELLOR

N. S. P.M
All next round of correspondence.
BHP 5/12

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1P 3AG

20 November 1990

Dear Norman.

TOSHIBA

In your letter of 24 September you held to your view that there was not a convincing case for a grant in excess of the RSA cost per job limit to secure for Scotland the semiconductor project which is being considered by the Toshiba Corporation, and about which I wrote to you on 3 and 15 September.

Ian Lang has just returned from a visit to Japan during which he had discussions and other contacts with a number of potential inward investors, including representatives of Toshiba. They made it clear to him that Scotland - as the sole UK location under consideration - was a very attractive proposition, but that the economics of the project were such that a substantially larger grant than that permissible under the guidelines would be necessary for a Scottish location to be chosen.

According to the company the project may be in one or two phases, but full implementation would involve investment of somewhere over £300 million and the creation of up to 1,200 jobs. Phase I alone would involve investment of £200 million and up to 600 jobs, and Toshiba have argued strongly that a grant of £40 million is required for that phase alone if Scotland is to be the location. Against figures of that kind I do not consider my proposal that we offer a grant equivalent to £25,000 a job at all unreasonable: indeed, since that would amount to no more than £15 million for the first phase it is a very modest step towards what the company has sought.

Both Ian and I are convinced that we should go further than the strict application the guidelines permit to secure this

project - not only for the potential jobs it will create, which are all the more important given the devastating news from British Steel about further Scottish closures - but also for the technology it will bring to the electronics industry in the UK. As I said in my letter of 3 September, an investment of this kind by Toshiba will be the first major step towards the production of 16 megabit DRAMS within Europe, and would secure for the UK a project with the technology to lead microchip manufacture in the 1990s.

We must not lightly contemplate the loss of the opportunity to acquire this technology. As they stand, the RSA guidelines make it extremely difficult for us to construct a sufficiently attractive financial package for capital intensive projects of the kind that this technology requires. The reporting telegram from the Embassy in Tokyo notes that the level of financial assistance is crucial in this case and that considerable efforts will be required to secure the project for the UK. These efforts must include a better financial incentive than current RSA guidelines allow.

I understand from Ian that a decision is likely to be taken towards the end of November, and I would very much like to go back to the company with an indicative offer of RSA before then at the level I have already proposed to you. I must therefore ask you again to reconsider your position and to grant my request that we make an indicative offer on the basis of £25,000 a job. The question of provision would of course require to be resolved if the company decided that an offer on that basis was sufficiently attractive, taking account of the PES settlement and the points made to you in my letter of 24 October.

I am copying this letter as before to the Prime Minister, Peter Lilley and David Hunt.

Yours ever,

MALCOLM RIFKIND

TRADE: Inward Investment Pt 2

cst.ps/let/5nl21.9

CONFIDENTIAL

n.b. P.M.
BHP
2/10

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

24 September 1990

Dear Malcolm

INWARD INVESTMENT TO NORTH LANARKSHIRE: TOSHIBA

Thank you for your letter of 19 September.

2. I appreciate that you will have found my response disappointing and I can understand your desire to secure this project for the North Lanarkshire area. But a strong regional case is a precondition for making any RSA offer, not a sufficient condition for breaching the cost per job limit. I am sure that, notwithstanding any less attractive features, this area has some attractions for inward investment, for example, in terms of its labour supply, otherwise Toshiba would not be considering the location at all.

3. I really do not see a convincing case for a grant of around £31 million which you envisage; and at a cost per job of £25,000 this would be a 50 per cent overshoot of the cost per job limit. Moreover you recognise that there is a Survey dimension here; we have agreed collectively that we must do all we can to find reductions rather than increases in discretionary spending, which of course includes industrial expenditure.

4. I am afraid therefore that my view remains that you should contain any indicative offer within existing PES provision and within the RSA criteria.

5. I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours ever

NORMAN LAMONT

TRADE: Inward Investment Pt2

B.F.
with Tr. reply.
BHP 20/9

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

19 September 1990

Dear Norman,

INWARD INVESTMENT TO NORTH LANARKSHIRE: SAMSUNG AND TOSHIBA

Thank you for your letter of 10 September in response to my request for approval to an indicative offer above the RSA cost per job limit for Toshiba.

You will understand that I find your response disappointing. I do not for a moment dispute the fact that large inward investments like Conner, Iteq and Motorola have been secured within the existing cost per job limit, but none of these projects has located in North Lanarkshire. Both Conner and Iteq have established in Irvine New Town, where the environment and workforce are suited to an investment of that kind, while Motorola have gone to an attractive site adjacent to Livingston New Town. It is not at all easy to win inward investment to areas where there is a history of industrial dereliction, which have an environment which is very different to that provided in the New Towns; and it was to address the particular problems of North Lanarkshire that I made my proposal.

I must emphasise that I am not seeking your approval to an offer over the limits to Toshiba simply to attract them to Scotland. What I am seeking to do is to secure the project for North Lanarkshire; Motherwell in particular is badly in need of both employment and of the technology which an investment of this kind will generate, especially in view of the likely closure of the Ravenscraig Hot Strip Mill. I need to have such flexibility at my disposal as will be necessary to achieve that.

Nor am I suggesting that we enter an auction with the Irish or the Germans. We are still able to win projects against competition from both those sources on the basis of the advantages we have in relation to workforce and, in the case of the Irish, infrastructure; but given that I am seeking investment for a particularly difficult area, these arguments are unlikely to be sufficient.

I appreciate that there is a Survey dimension to a proposal to go over guidelines at this particular stage, but I am extremely concerned that we do not miss what I believe to be a first class opportunity to inject new industry into the North Lanarkshire area. I hope therefore that in the circumstances you would be prepared to reconsider your position and let me have the flexibility I seek. Copies go as before to the Prime Minister, Peter Lilley and David Hunt.

Yours ever,

MALCOLM RIFKIND

TRADE: Inward Investment
PT2

cst.ps/let/11nl7.9

Prime Minister

(2)

CONFIDENTIAL

Mr Rifkind is pushing to make a high public subsidy offer to attract Toshiba to N. Lanarkshire, Mr. Fennerswig, Chief Secretary is opposed because
i) marginal subsidy is needed;
ii) public expenditure position.

Political attraction is obvious: but economics not encouraging. Toshiba plant will not, apart from its construction c a few manual jobs, offer extraordinary job opportunities for redundant steel workers.

BHP 10/9

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

25,000 pa
10 yrs
NPV

10 September 1990

Dear Malcolm

INWARD INVESTMENT TO NORTH LANARKSHIRE: SAMSUNG AND TOSHIBA

Thank you for your letter of 3 September, in which you seek my approval to make an indicative offer above the RSA cost per job limit to Toshiba.

2. I note that you do not wish to press your proposal for an offer above the cost per job limit for Samsung. My views on the Toshiba case are essentially similar to those on Samsung, which I set out in my letter of 26 July. While I can see the political attractions of securing this investment for north Lanarkshire I am afraid that I am not convinced of the case for making an indicative offer some 50 per cent above the normal limit. While you refer to three cases where the firms decided against locating in the UK, there are also several recent cases of large inward investments like Connor, Iteq and Motorola where firms located in Scotland within the existing cost per job limit. To make a large offer beyond the existing limit would run the risk of creating upward pressure in an auction with the Irish and German which we would wish to avoid. If, as you imply, Toshiba favour a link with Motorola, Scotland would be well placed in any event.

3. Moreover a very large offer would add to public expenditure pressure at a time when you are already bidding for substantial additions to your RSA baseline. As you are of course aware there is a pressing need to re-examine discretionary programmes and as you know from my Survey agenda letter of 26 July I wish to look very carefully with you at the scope for reduced requirements in RSA and the rest of your industry programme in the Survey.

4. I should be grateful, therefore, if you would ensure that any indicative offer is within the RSA limits and within existing provision.

5. I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours ever
NORMAN LAMONT

TRADE: Inward Investment

CSPD.

SECRETARY OF STATE FOR SCOTLAND

ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

B.F. with CST response.
BHP
3/9.

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AA

3rd September 1990

Dear Norman,

INWARD INVESTMENT TO NORTH LANARKSHIRE

I wrote to you on 17 July to seek your agremeent to an offer of Regional Selective Assistance (RSA) above the cost per job limit for a major semiconductor manufacturing project by the Korean company Samsung which I had hoped could be attracted to North Lanarkshire. It has subsequently emerged, contrary to what the company had led us to believe, that although it remains the case that the Irish Republic still appears to be in a particularly strong position to secure the investment, other UK locations have not been ruled out of consideration. Since other parts of the UK are formally still in the running I would not wish to press my proposal and shall not at this stage take our grant discussions any further forward with the company.

I nevertheless still consider it extremely important to secure new investment in Scotland which would be of benefit to the North Lanarkshire area and help offset the potentially very damaging impact of the Brtish Steel proposals for Ravenscraig. My officials have therefore been pursuing a number of potential inward investment projects involving Japanese and US companies whose European strategies are under active review.

One such company, the Japanese Toshiba Corporation, with whom we have had longstanding contacts, has now come forward with a very major project, also in the semiconductor sector, with the potential to create 1,250 new jobs over a 5 year period. This project, which is likely to involve capital expenditure of around £260 million, and investment in training which would take the total commitment to over £300 million, is

internationally mobile and could be located either in Scotland, West Germany (where Toshiba already have semiconductor assembly operations) or the Republic of Ireland.

The project could take the form of direct investment by Toshiba itself, or be in the context of a joint venture with a European partner. Toshiba has been negotiating both with Siemens and Motorola on joint venture terms. A link with Siemens would see the project locate in Germany, while a joint venture with Motorola would be likely to make Scotland and Ireland the two principal contenders. A link with Motorola would combine the technologies of two leading world players in the semiconductor industry, and would be the first major step to production of 16 megabit DRAMS within Europe. Irrespective of the North Lanarkshire dimension, securing a project at the frontier of the technology which will lead microchip manufacture in the 1990s would be a major success for the UK. The proposed investment in training will moreover give a major boost to our skills base and will I understand lead to company funded investment in specialist equipment in the University sector.

If we are to secure the project for the UK, our best prospect probably lies in a joint venture with Motorola, which already has a major semiconductor manufacturing operation in East Kilbride, but if we are to offset the threat from Siemens and the Irish Republic we shall require to put together an attractive financial package. Unfortunately we are not well placed to do so. The existing cost per job limit on RSA makes it particularly difficult for us to compete. Within the last year we have lost two significant projects in the semiconductor sector, primarily on grant, in spite of other attractions of the UK, and Scotland in particular. Mitsubishi sited its project in West Germany, and we understand that an attractive grant deal beyond that available in the UK helped to secure that investment. Likewise, the US corporation Intel, despite indications from the UK of scope for grant beyond the cost per job limit, sited its semiconductor investment in the Republic of Ireland. And previously Texas Instruments selected Italy, on the basis of grant support, as the location for its major European semiconductor investment.

I am very anxious that we should do our utmost to persuade Toshiba to locate in the North Lanarkshire area, with or without a joint venture with Motorola; but to do so I consider that we shall need to indicate grant availability at around the £25,000 a job level which I had in mind for Samsung. If we are successful, implementation of the project would coincide with, and go a long way to compensate for, British Steel's immediate plans for Ravenscraig. Apart from the 1,250 direct jobs to be created over the 5 year period of the project, and the very significant number of support jobs created indirectly in local supplier companies, construction of the plant is expected to create around 450 jobs. The

people required for construction work would be recruited at around the same time as the proposed closure by British Steel of the strip mill at Ravenscraig next year.

There is no other competing UK location for this project. The public concern about the economic future of North Lanarkshire, traditionally Scotland's industrial heartland, is acute, and there is a desperate need for new industry to locate there. Following the commitment by Motorola to its major telecommunications project in the East of Scotland, announced by the Prime Minister earlier this year, an investment of this kind could not come at a better time.

If the company's proposed timescale for being in production is to be met, a decision will be required in the next few weeks and I should be grateful to have an early response. Naturally, agreement by you at this stage, and any indicative financial offer by my officials, would be subject to our being satisfied in the light of business plan projects etc that the project meets fully all the normal RSA criteria. I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours ever,

MALCOLM RIFKIND

TRADE: Annual Contract

PL

03 JUL 90 12:51 7153 4190

cst ps/dr/17nl26.7

CONFIDENTIAL

CHIEF SECRETARY TO THE TREASURY

n.b. P.M at weekend BH 27/7

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

26 July 1990

Dear Secretary of State,

SAMSUNG ELECTRONICS: RSA

Thank you for your letter of 17 July, in which you sought my agreement to an indicative offer of £30 million to Samsung at a cost per job of £25,000.

2. I am grateful for the opportunity to comment at this preliminary stage, since even a qualified indicative offer can of course raise expectations. We do not yet have the sort of details on this company's application which would enable either you or me to form a firm view on the merits of the case for any RSA grant but there are some points which need to be emphasised on the basis of the limited information currently available.

3. I would be concerned if you felt that we had to make an exceptionally high offer simply to attract a semiconductor assembly operation, and I take it that your case rests mainly on the attraction of bringing up to 1200 jobs to the Ravenscraig area. While I can see that there may be presentational attractions in this, I do not think that this is a sufficient reason for breaching the maximum cost per job limit.

4. While you point to the loss of the Intel project to Ireland, you have in fact been able to announce a number of major inward investments to Scotland recently within the cost per job limit. And of course it is well recognised that because Eire and Northern Ireland are poorer than GB, they are entitled to offer comparatively higher subsidies to industry. As I have pointed out previously, it does not enhance the credibility of our stance of supporting Sir Leon Brittan's EC state aids policy to bid up industrial subsidies in this way.

cst/ps/dr/17nl26.7

CONFIDENTIAL

5. Moreover given our discussion on public expenditure at Cabinet and the pressing need to re-examine discretionary programmes, I could not agree to any offer which could not be accommodated within your RSA baseline provision. I am, of course, aware of your PES bids; however I do not frankly think that we can regard subsidies to multinational companies as a Government expenditure priority in our current very difficult public expenditure position. Indeed, I will wish to look very carefully at the scope for reduced requirements in RSA and the rest of your industry expenditure in the Survey.

6. I understand that the Company are in fact now looking at possible locations in England as well as Scotland, and so it would not be appropriate to make even an indicative offer to the Company until we have a better idea of their preferred location within the UK. If in the event the Company decide that Scotland is their first choice for a UK location, I should be grateful if you would ensure that any indicative offer is within existing RSA criteria, and of course within baseline RSA provision after allowing for your other expected commitments. And any indicative offer would of course be without prejudice to our approval of the case appraisal paper, in the normal way.

7. I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours sincerely,

Geoffrey

NORMAN LAMONT

[Approved by the Chief Secretary and signed in his absence]

CONFIDENTIAL

TRADE
Inward Investment
PT2

N.B.P.M
BHP
24/7
R18/7
cc

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1P 3AE

17 July 1990

Dear Norman,

SAMSUNG ELECTRONICS CO

For some months officials of my Department have been seeking to persuade the Samsung Electronics Company of Korea to locate a major semiconductor manufacturing operation in Scotland. The project concerned involves planned investment of some £200 million and the creation of up to 1200 jobs.

As matters stand it looks very likely that the project will locate in the Irish Republic as the Irish Government is offering the usual array of significant capital grants, corporation tax concessions, and training assistance. The Irish were successful in attracting the Intel company of California last year despite our willingness to make an offer of grant above cost per job limits, and they are well placed to secure this latest project.

I do not believe that we should seek to compete on financial grants with the Irish Republic, but with semiconductor projects our cost per job limit is a serious handicap to the UK's ability to win investment of this kind. In this case I would very much like to secure the project for Scotland, particularly as I believe that with an attractive grant there is a real opportunity to secure the project for the North Lanarkshire area not far from Ravenscraig. It would be an enormous boost for the area at this time to be able to announce a major electronics investment, and would help focus attention on the opportunities provided by new industries in Scotland.

From the discussions which my officials have had with Samsung it seems clear that we are unlikely to secure the project if we are bound by the current cost per job limit in the RSA guidelines, and I therefore seek your approval to an indicative offer of £30 million (£25,000 a job) to Samsung, linked to a requirement on the company to locate in the North

Lanarkshire area. The cost per job is the same as that which it was agreed could be offered to Mitsubishi Semiconductor for a similar project last summer, which unfortunately located in West Germany, and is less than we were prepared to offer Intel.

If an offer of £30 million is successful, I do not anticipate any substantial expenditure until the 1991-92 financial year, for which appropriate PES bids have been submitted.

I am copying this letter to the Prime Minister, Peter Lilley and David Hunt.

Yours ever,
Malcolm

MALCOLM RIFKIND

CC PO
PK

MAFF

Ministry of Agriculture, Fisheries and Food
Whitehall Place, London SW1A 2HH

From the Minister

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

CP
9/XII

December 1989

STATE SUBSIDIES IN THE EUROPEAN COMMUNITY

In your letter of 13 November you proposed that the UK should support the Commission more actively in its drive to reduce state subsidies, and suggested that agricultural subsidies would require special treatment.

There is no doubt that, despite the existence of the CAP, Member States continue to provide national support for agriculture on a very large scale. Detailed information is not easy to come by but the OECD, in its efforts in the current GATT round to establish global figures for expenditure on agriculture, have estimated that national expenditure in the Community of 10 in 1986 was approximately 10 billion ecus.

Moreover, this figure could actually increase. As the measures that have been adopted to control expenditure in the CAP take effect on the level of Community expenditure, the other Member States could be increasingly tempted to make up any losses to their farmers from national funds. The tendency is particularly clear in Germany. We certainly need to resist this development. It not only subverts the Community's efforts to control production, but also places our own farmers at a disadvantage.

I must, incidentally, take issue with the suggestion in Malcolm Caithness' letter of 30 November that our record on state aids for agriculture is poor compared with that of other Member States. I know that is the picture given in the EC White Paper but it is simply not credible. My officials took issue with the

/Commission over the...

Commission over the figures given in the White Paper and received no convincing explanation of them. John MacGregor wrote to Nigel Lawson on 26 July 1988 warning that we could not place any reliance on this part of the report. We strongly suspect these are not on the same basis for all Member States and represent a very incomplete catalogue in some cases. We are not able to collect sufficient information about what is done in other Member States to prove this point beyond doubt but there is very clear evidence that some countries have continued to introduce national aids over the period when we in the UK have been cutting back sharply. In addition, other Member States get advantage from the simple non-enforcement of EC Rules. This is tantamount to aid.

You refer in your letter to the current Uraguay Round. I believe that these negotiations present us with our best opportunity of controlling and, I trust, reducing total expenditure on agriculture in the Community including national aids. I believe, therefore, that our first priority must be to secure an outcome in GATT that delivers genuine reductions in the level of support for agriculture worldwide; to see that the rules are framed in a way that covers national measures; and then to ensure that such reductions are fully implemented in the Community.

I am copying this letter to the Prime Minister, to members of OD(E), to Geoffrey Howe, Peter Walker, Malcolm Rifkind, Peter Brooke, John Wakeham, Cecil Parkinson and to Sir Robin Butler.

JOHN GUMMER

08 12 PM 89

CCPU

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GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01 270 3000 (Switsfwrdd)
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Oddi wrth Ysgrifennydd Gwladol Cymru

WELSH OFFICE
GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switchboard)
01-270 (Direct Line)
0538
From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/7462/89

4 December 1989

attached

Thank you for copying to me your letter of 16 November to Malcolm Rifkind. I also saw a copy of your letter of 13 November to Douglas Hurd.

I do believe we must have as our priority between now and 1992 the attraction of inward investment into Britain. The United States, Japan, Korea and Scandinavia are all going to be involved in considerable outward investment into the European Community over this period, and we would fool ourselves if we considered that other European governments would not be providing very considerable inducements to obtain those investments.

I hope we will note Sir Leon Britain's recent assessment of the relative efforts made by various member states to attract mobile, and encourage indigenous, investments. In 1981 France, Germany and the United Kingdom were giving similar investment aids to industry. Italy was giving far more. In 1986, in real terms, the French gave £3.6 billion; the Germans £4.9 billion; Italy £16 billion; and the United Kingdom £1.9 billion.

As you know I have been very heavily involved in trying to get inward investment into Wales over this last 2½ years. We have had considerable success; and the public expenditure involved is more than justifiable not only in terms of the reductions in unemployment and social security payments but also in terms of the very dramatic benefits to our balance of payments.

The Rt Hon Nicholas Ridley MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1-19 Victoria Street
LONDON SW1H OET

/If you.....

of
kind,
to

JOHN GUMMER

If you take just five of the biggest inward investments that have taken place into Wales during the last 2½ years our balance of payments will improve as a result by around a billion pounds a year. I hasten to add that if those industries had been attracted to other parts of the European Community there would have been a very considerable deterioration in our balance of payments position.

There never has been any evidence that reductions by us in regional expenditure act as a lead throughout Europe. The United Kingdom has already moved a considerable way to reduce the scale of its direct assistance to industry. Indeed in 1981 it was £2.8 billion and by 1986 it had reduced to £1.9 billion. But you will see from the figures I have given above that rather than give an inducement to other countries to reduce their investments, other nations actually went in the opposite direction.

Nor do I have any confidence in the Commission being successful in enforcing such policies. There is no doubt at all that both Germany and France give enormous sums of aid concealed within the banking system. I fear that will continue no matter what the Commission do. In addition those of us that have dealt with Italy know the manner in which items are very carefully concealed when necessary and accounting practices considerably assist new investors.

Our own expenditure on regional aid will continue to fall as we have now eradicated the RDG scheme and I personally think it is very urgent to agree upon proposals to amend the RSA guidelines in a way which will give us far greater flexibility between now and 1992.

I believe it will be far better if we had as a clear objective that the UK will obtain a larger share of inward investment into Europe than is our share of the European economy as a whole, and that we set about detailed programmes and plans to achieve that objective.

... I am copying this letter to the Prime Minister, to Members of OD(E), to Geoffrey Howe, Douglas Hurd, Malcolm Rifkind, Peter Brooke, John Wakeham, Cecil Parkinson and to Sir Robin Butler.

05 12 89

dti
the department for Enterprise

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

KEN TIMMINS ID
MR FIELD A/O E.U.

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
SW1A 2AU

PS/Ministers
PS/Sir P Gregson
Miss Llewellyn-Smith
Mr Roberts
Mr Williams
Mr Cooke CU
Mr Corley IDA
Miss Neville-Rolfe IEP
Regional Directors
Dr Hicks IDA5
Mr King IEP2
Mr O'Shea FRM
Mr Priston IBB
Mr Robertson EcMS3
Mrs Taylor IDA1
Ms Seymour ICU
Mr Wells IDA2

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London SW1H 0ET
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8811074/5 DTHQ G
01-222 2629

Direct line 215 4441
Our ref NP1ADL
Your ref
Date 16 November 1989

Dear Malcolm

STATE SUBSIDIES IN THE EUROPEAN COMMUNITY: REGIONAL AID

You will see from my letter of 13 November to Douglas Hurd that I am proposing that HMG should be more active in pressing for a reduction in state aids in the Community. Regional aid is an important element here and I am writing to seek your views, and those of Peter Walker and Peter Brooke, on how we should approach this aspect.

The Commission controls various features of regional aid: the forms of assistance, their geographical coverage, and the ceilings up to which aid may be provided for individual projects. Some sectors of industry are also subject to additional controls which override the Commission's general approval for regional aid schemes, the most recent and striking example being the motor vehicle industry. In considering how best to press for tighter control of regional aids we need to consider these various aspects.

My provisional view is that our main priority should be to seek an all-round lowering of regional aid ceilings. The present ceilings are very high, ranging up to 100%. This causes considerable distortions in Community economies and enables multinational companies to extract very large subsidies from Member State authorities. I do not believe that subsidies at the levels currently allowed are necessary or desirable for effective regional policies. Of course there would still have to be different ceilings in different parts of the Community according to their economic circumstances, and the UK would have to accept some reduction in the ceilings applying here. But regional aid in this country is normally

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provided at levels well within the maxima allowed by the present rules, and a general reduction in aid ceilings would enable the UK's natural advantages for the attraction of inward investment to exert more influence.

There may also be other issues which we should discuss with the Commission, such as the need for greater transparency in regional aids and possibly the geographical coverage of regional assistance in some other Member States. In doing so we need to have regard to the Commission's current review of our own regional aids, although present indications are that they will not be looking for extensive changes in our present arrangements.

It would be helpful to have your reactions to these initial thoughts by early December.

I am sending copies of this letter to Peter Walker and Peter Brooke.

Yours ever

Douglas

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the department for Enterprise

PS/Ministers
PS/Sir Peter Gregson
Mr Roberts
Mr William
Miss Neville-Rolfe IEP
Mr Nieduszynski Air
Mr Stow IEP1
Dr Keddie IEP3
Mr Cooke CU
Mr Johnson EEP1
Mr Foster RTP4
Mr O'Shea FRM1
Ms Seymour ICU
Mrs Taylor IDA1
Dr Hicks IDA5
Mr Marsh Air 2
Miss Harding IMM3
Mr Robinson CMV2
Mr Bowen CMV5
Mr Rees UKREP
Mr Upson EISD
Mr Field IDA3
Mr Walker IEP2
Mr King IEP

The Rt. Hon. Nicholas Ridley MP
Secretary of State for Trade and Industry

The Rt Hon Douglas Hurd CBE MP
Secretary of State for
Foreign and Commonwealth
Affairs
Downing Street
London SW1

Direct line 01 215 5622
Our ref PB5ADV
Your ref
Date 13 November 1989

Dear Secretary of State

STATE SUBSIDIES IN THE EUROPEAN COMMUNITY

I have been giving some thought as to how we can best pursue the objective of reducing state subsidies in the Community which may operate to the disadvantage of our companies. I propose that the UK should support the European Commission more actively in its drive to reduce subsidies, setting some initial priorities for attention. My officials will be getting in touch with other departments to work up these and other ideas, and to consider proposals which the Commission itself is likely to put forward in the next few weeks.

For some years, the UK has supported the Commission in its efforts to enforce a more rigorous but nevertheless even-handed control over state aids offered throughout the Community. Subsidies frustrate free competition by mis-allocating resources and by being used as a form of protectionism. Our own position on subsidies has been open to challenge by the Commission - hitherto our support for their efforts has been somewhat passive and compliant. We are now making good progress in clearing the few remaining discrepancies in our record of notifying state aid, in consultation with the Commission, and we are virtually in a position to gear up our campaign.

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It is clear that, while we have been steadily reducing the level and forms of assistance which we provide to industry, some other Member States have not done the same and have either maintained or increased the level of subsidies. The Commission's own work shows this. For example, by 1986, Italy was providing almost nine times as much aid to industry as the UK, and it is clear that some Member States have more indirect ways than we would ever entertain of putting money into companies.

Leon Brittan is firmly behind the drive to cut subsidies radically. But he does need support to overcome resistance within the Commission as well as within other Member States. When I met him last Wednesday, he gave me some general ideas on how best we could deploy our support, and officials will be following these up with his Cabinet.

The Commission will be floating its own proposals for cutting state aid in preparation for a multilateral meeting of senior officials in December, but I believe we should be ready with ideas of our own. A particular priority must be the financial relationship between governments and nationalised industries, state holding companies or similar organisations close to the public sector. In France and Italy, for example, these probably are the recipients of covert subsidies. Certainly, mechanisms for providing finance to such companies tend to be opaque, and may give them unfair advantage in competing with private sector companies relying on commercial finance.

Regional policy is another area where a general tightening of control on state aids would be to the UK's advantage and I shall be consulting the territorial Departments about the approach to adopt in that area.

Finally, attention also needs to be given to subsidies in the energy field and in some areas of transport (though railways will probably remain a special case) where subsidies are large scale and endemic. Although both lie outside Leon Brittan's direct responsibility, such aids can significantly affect relative industrial costs, quite apart from deserving attention in their own right. I recognise that there may be a continuing need for subsidies with specific economic or social objectives, but I am sure that we can all agree that these be kept to the minimum. I am particularly concerned at the way in which less overt forms of subsidy distort industrial costs, often to a far greater degree than any direct payments of state aids. A first step towards dealing with this could be to establish greater transparency, especially in the separation of accounts of public bodies from government. My officials will therefore be

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the department for Enterprise

seeking to develop ideas for stiffening EC discipline in these fields in consultation with the UK departments concerned. Agricultural subsidies, while a major problem, appear to merit separate treatment. I am sure John Gummer will seek a complementary and supportive approach in this area.

On a wider international front, work on subsidies in the OECD and the Uruguay Round may help to firm up discipline within the Community. Such work is of course important in its own right but it should also help reduce the risk that greater transparency over subsidies in the EC would open us to attack by third countries who seek to use EC subsidy levels as a lever in trade policy negotiations. It would also help to meet the argument from other Member States for maintaining subsidies that nothing was being done to tackle subsidies given by third countries.

Finally, in terms of presentation, I propose to feature subsidies strongly in future public statements. The line will be support for the Commission rather than sniping directly at other Member States - the latter can only invite reprisals. I also propose to include this message in bilaterals with my counterparts in other Member States; I hope colleagues can do the same.

I am copying this letter to the Prime Minister, to members of OD(E), to Geoffrey Howe, Peter Walker, Malcolm Rifkind, Peter Brooke, John Wakeham, Cecil Parkinson and to Sir Robin Butler.

Yours sincerely

Ian Stoach.

(Approved by the Secretary of State and signed in his absence)

cst.ps/4nl29.8/drfts

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CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Peter Brooke MP
Secretary of State for Northern Ireland
Northern Ireland Office
Whitehall
London
SW1A 3AZ

30 August 1989

Dear Peter

REVIEW OF RSA GUIDELINES

Thank you for your letter of 17 August.

I should explain that the review of the RSA guidelines to which you refer is being chaired by the DTI rather than the Treasury. However for my part I would have no difficulty with your suggestion that you and your officials should be kept fully informed of progress and participate in collective Ministerial discussions as appropriate. I understand that an interim report is expected at the end of August.

As you say, the RSA arrangements only apply in Great Britain. However you express concern that if the RSA inward investment criteria were relaxed as Tony Newton proposed, then Northern Ireland might lose its competitive advantage. I am not convinced that it is necessary or desirable to relax the criteria in GB in this way, given the UK's success in attracting inward investment. In that case, Northern Ireland's current competitive position would not be eroded and your concerns would be allayed.

However I am concerned to improve value for money in the GB review of regional industrial assistance and you will also no doubt wish to examine any scope for tauter guidelines to improve value for money in Northern Ireland. Tom King has, of course, already announced the intention to repeal the Aircraft and Shipbuilding Industries Order with its wide-ranging powers, once Harland and Wolff and Shorts are privatised.

I am sending copies of this letter to the Prime Minister, Peter Walker, Malcolm Rifkind and Douglas Hogg.

Yours ever

NORMAN LAMONT

Northern Ireland Office
Stormont Castle
Belfast BT4 3ST

Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AQ

17 August 1989

Dear Norman,

Peter Walker and Malcolm Rifkind both copied to Tom King their letters to John Major of 11 and 18 July respectively which referred to earlier correspondence from Tony Newton about proposed changes to Regional Selective Assistance. I have also now seen the previous papers.

Although the inward investment incentive package in Northern Ireland is different from the RSA arrangements which apply in Great Britain, we share a common interest in securing new overseas investment for the UK as a whole but we do, of course, also find ourselves in competition with other UK regions. Nevertheless I was surprised, and concerned, that no NI input was sought for this paper and that there seems to have been no attempt to consider the effects of these proposals on Northern Ireland's inward investment efforts. This is especially important since the proposals would, if accepted, substantially erode the competitive advantage which NI has when it comes to the question of financial assistance.

I am very conscious of the need for the UK as a whole to remain competitive and I am aware that other countries competing for inward investment are offering high levels of assistance. I think it is vital therefore for the UK to be able to offer very competitive incentives when necessary. This applies even more strongly to Northern Ireland which has a more difficult job in attracting inward investment and which, in particular, is in direct competition with the Republic of Ireland for mobile inward investment. I would

therefore not want to see any changes made to RSA which would have the effect of reducing Northern Ireland's ability to compete for mobile inward investment projects.

If there is to be further consideration of these proposals I would like to be kept fully informed of developments and for my officials to receive copies of relevant working papers. I do not, for the present, propose that Northern Ireland should be represented in the official group but I would like to register my strong interest in this subject and reserve the right to direct participation in the future should that be necessary.

I am sending copies of this letter to the Prime Minister, Peter Walker, Malcolm Rifkind and Douglas Hogg.

Yours ever

Pam

PB

JB/SOFS/546

TRADE : Inward Investment PT 2

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the department for Enterprise

CC PO.

NBPM
RRC6
11/8

The Hon. Douglas Hogg MP
Minister for Industry and Enterprise

Department of
Trade and Industry

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Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Direct line 215 5147
Our ref
Your ref
Date 11 August 1989

Dear Norman

RSA AND INWARD INVESTMENT

I am writing to acknowledge John Major's letter of 17 July about the review of the RSA guidelines. I understand that officials are making good progress in getting to grips with the issues raised in the recent Ministerial correspondence. You will not be surprised to know that we have a slightly different perspective from that in John's letter! Having said that, I am sure we should leave further Ministerial exchanges until we have seen the interim report of the inter-Departmental group.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours

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DOUGLAS HOGG

Recycled Paper

TRADE : Lonrho Investments Plc

11.08. F139

Prime Minister

CCRS 7/8

CCRS

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon. Malcolm Rifkind, QC, MP
Secretary of State for Scotland
Scottish Office
New St Andrews House
Edinburgh

7 August 1989

Dear Secretary of State,

RSA - MITSUBISHI ELECTRIC

Thank you for your letter of ~~26~~ 8th July.

I have considered this case very carefully. I have to say that I am concerned that, coming so soon after the Intel case, we have another proposal for a major breach of the agreed cost per job limits, which compares unfavourably with your department's generally good record of keeping within the limits over the last few years. As the Intel case demonstrated, companies do not tend to make their location decisions primarily on the basis of Government subsidies, and we should avoid being drawn into a competitive bidding up of state aid in the Community.

In this instance the UK has clear advantages to the company in regard to lower operating costs and an established track record in Scotland. On the other hand, if the company places great weight on the attractions of Germany, such as the case for diversifying its European base, it is unlikely that your proposed increase in grant would be the determining factor. I therefore suggest that you should be prepared to increase your existing £7.5m indicative offer to no more than £8.5m (on the basis of 500 jobs being provided and a satisfactory case appraisal paper) but indicate to the company that you would be prepared to go a little further if extra R & D jobs were included (eg an extra 50 jobs might warrant a further £½m or so grant). Although (like your proposal) this would be well short of the grant which the Germans are said to be prepared to offer, you recognise that because of our other advantages we are not in a position of having to match the German offer. Any offer would, of course, need to be within your existing PES position.

TRADE: Onward Investment PT2

If, however, there is still a real risk of losing the project and there is a strong prospect of avoiding this by a small increase in the grant (which would seem unlikely), I should be prepared exceptionally for you to go higher as you suggest, on the normal condition that offsetting savings are made in this year's cash limited provision for any cost per job breach. But if you did so, I should very much hope that you would be able to avoid going beyond the £18,500 cost per job figure which underpinned the offer accepted by Fujitsu.

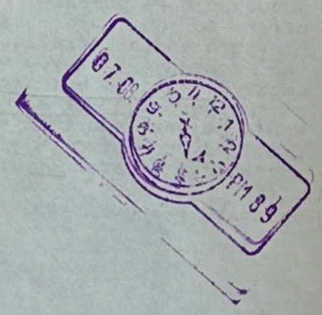
I am copying this letter to the Prime Minister, Peter Brooke, Peter Walker and Nicholas Ridley.

Yours sincerely,

P. Warlock

PP N LAMONT

[Approved by the Chief Secretary and signed in his absence.]



cst.ps/10nl26.7/lets

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CC PU

Noted at this stage.

RECD 28/7

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Malcolm Rifkind QC MP
Secretary of State for Scotland
Scottish Office
Dover House
Whitehall
London
SW1A 2AU

28th July 1989

Dear Malcolm

RSA: INTEL

You wrote to John Major on 18 July. I have also received Peter Walker's letter of 19 July.

On the review of the RSA guidelines you will have seen John Major's letter of 17 July to Tony Newton welcoming his agreement to his proposal of last December for a review to improve value for money. I hope that we can make quick progress on all the value for money aspects of the guidelines to inform our Survey discussions if possible.

You also refer to the continuing discussions on the Mitsubishi case, on which John corresponded with Ian Lang earlier in the year. As Mitsubishi expect to make a decision by the end of August, I should be grateful if my officials could be consulted on the case appraisal paper as soon as possible.

As regards Intel, I note that having pressed for an immediate decision on a firm RSA offer, the company has now deferred its decision on the Scottish project until November, and that the subsequent case appraisal paper tends to confirm our doubts about the case for assistance. For the future, I do appreciate the negotiating pressures but I very much hope that we can avoid making decisions on major RSA offers in this way, without full consideration of all the relevant information.

Finally, I note from Peter Walker's letter that the current Irish tax structure was said to be an important consideration for the systems project, although presumably the amount and timing of tax payments is more uncertain for the company than the regional

Trade - Inward Invest

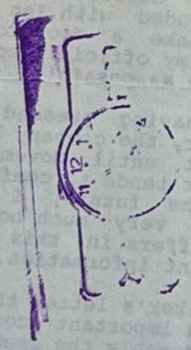
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assistance offer. By international standards, of course, we have a low rate tax regime; and as I have said previously it is important to encourage a competitive level playing field across the Community rather than to ratchet up state aids.

I am copying this letter to the Prime Minister and to Peter Walker.

NORMAN LAMONT



cc PC

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AQ

NBlair
Treasury copied.
Rec'd 26/7

26 July 1989

Dear Norman,

MITSUBISHI ELECTRIC - PROPOSED EUROPEAN SEMICONDUCTOR PROJECT

In my letter to John Major of 18 July I referred to discussions which were taking place between my officials and the Mitsubishi Electric Corporation over a proposed semiconductor wafer fabrication and test and assembly project which the company is considering locating in a development area in Scotland. No other UK location is on the short list, but there is strong competition from West Germany, which has made a very substantial offer of capital grant. Ian Lang also wrote to John about the project in April.

will request if reqd

As with all semiconductor fabrication projects, this is a highly capital intensive investment. The scale has been revised since Ian Lang's letter, and the company now envisages investment of about £200 million and the creation by 1994 of about 500 new jobs. My officials have been as cautious in their contacts with the company about grant offer as possible consistent with maintaining a credible negotiating position, but the point has been reached at which the company is aware that if RSA were to be made available it would be unlikely to exceed about £7.5 million. That is equivalent to £15,000 per job.

The company has made it clear that unless a much more substantial grant can be made available, it will locate its project in West Germany, where it has apparently been offered the equivalent of £30 million in grant aid. This is despite the operating cost advantages which the company admits would apply to a Scottish manufacturing activity. It takes the view that those advantages are not sufficient to bridge the grant gap, and regards our reluctance to make a formal indicative offer as evidence of a lack of interest in winning the investment.

My officials are now being pressed extremely hard to make such an offer. The company wishes to start construction of its facility in 1990 and says that it wishes to take a decision towards the end of August. Ian Lang was pressed for an answer as long ago as April, when he met the managing director, but we have managed to hold the line so far because of a shake up at a senior level in the Mitsubishi Electric Corporation which slowed down its preparations. The new top management, including

e Mitsubishi President, visited Scotland a short time ago, and is pursuing the project again with renewed vigour.

As you will know, officials were not able at their meeting on 24 July to agree on revisions to the RSA guidelines which I advocated in my letter of 18 July. I understand from the position your officials took at that meeting that it seems unlikely that we shall be in a position to reach agreement on what changes should be made for some time.

This is extremely damaging to the prospects for winning the Mitsubishi project for Scotland, and in the circumstances I must ask you to agree that my officials have negotiating freedom up to £25,000 per job at this stage. There is no doubt in my mind that we shall lose the project to West Germany if we have to stick to the existing cpj limits. Conversely there can be no guarantee that it will be won at the higher level, but it is vitally important that negotiators have adequate flexibility. It is also important that they go back to the company within the next week or two with a credible negotiating position, and since the advent of the holiday period will obviously make it more difficult for us to reach a consensus on the RSA guidelines, I hope you would agree that in the circumstances my request is a reasonable one.

I am copying this letter to the Prime Minister, Peter Brooke, Peter Walker and Nicholas Ridley.

Yours ever,

MALCOLM RIFKIND

cc/o.

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GWYDYR HOUSE
WHITEHALL LONDON SW1A 2ER
Tel. 01-270 3000 (Switsfwrdd)
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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

NBPM
PAUG
24/7

24 July 1989

Dear Neil

Plap

My Secretary of State was grateful for the agreement of your Secretary of State and other Ministerial Colleagues to the text of the Government Response to the Welsh Affairs Select Committee Report on Inward Investment. I am writing to let you know that the intention is for the command paper to be published on Thursday of this week. Confidential Final Revise versions of the Response will be given to the Committee Clerk tomorrow.

I am copying this letter to Paul Gray, David Crawley, Carys Evans, Steve Catling, Murdo MacLean and Trevor Woolley.

Yours sincerely
Keith

E K DAVIES

Neil Thornton Esq
Private Secretary to the
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONGON SW1H OET

TLADS: Inward Investment PIZ

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WHITEHALL LONDON SW1A 2ER
Tel 01-270 3000 (Switchboard)
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From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

19 July 1989

NBPM at his stage.

RACC
19/7

You will recall that following your exchange of correspondence with Malcolm Rifkind you agreed to certain levels of regional selective assistance being given in order to try and attract the Intel Corporation to locate in Scotland and in Wales.

The regional selective assistance of £9 million available in Wales following consideration at WIDAB would have created 600 jobs with an expenditure of £22.8 million on fixed assets had we obtained the investment.

I regret to say that in spite of this offer the company has decided to locate the systems manufacturing facility in the Republic of Ireland.

Ireland offered a similar grant to ourselves but of even greater significance, they also offered a guarantee of a 10% corporation tax for 10 years. The company calculate that this would provide them with an additional benefit of at least £15 million over 5 years rising to £40 million over 10 years and on these grounds they were strongly recommended by their accountants to accept the Irish offer.

We have also been informed by the company that they are still to consider the investment in Scotland but we understand that their board is divided as to whether to invest there: half thinking that marginally they should and the other half believing that the lack of profitability would make it more appropriate not to make an investment at present.

/I think our failure...

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

I think our failure to obtain the systems project is a clear indication of the very fierce opposition which we face in endeavouring to obtain inward investments into Europe. As you will know where there has been competition for investment projects Spain, Portugal, Italy and Ireland have all been offering more in grants and tax advantages and I am quite certain that now the French have decided to take a positive approach to inward investment we are likely to meet very considerable competition from that source.

I am copying this letter to the Prime Minister and Malcolm Rifkind.

Trade - Inward Investment Pt 2

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON

18 July 1989

Dear John,

As you may now know, despite the agreement which was reached about the RSA offer to be made to the Intel Corporation of California, the company decided to locate its 600 job systems project in the Irish Republic, and expects to take a final decision to move the 2000 job semiconductor project to the same location in November.

In the event the RSA offer which we made was vindicated. The company has stated that it was highly competitive with the Irish grant offer, but the availability of Corporation Tax concessions for the systems project swung the decision in Ireland's favour.

While I do not believe that we should seek to match grant offers from Ireland or other countries to potential inward investors, nor that the UK's incentives should be extended to include tax concessions, it is clear to me that the existing cost per job (cpj) limit is a major handicap to our ability to compete for capital intensive international projects. While Intel had unique attractions which in my view fully justified the offer which was made, it is not the only company with semiconductor wafer fabrication plans in Europe. As you know, my officials are in detailed discussion with the Mitsubishi Electric Corporation, which has plans for wafer fabrication investment of around £200 million and the creation of up to 500 jobs, and it is clear that the project will be lost to West Germany if the RSA offer is constrained by current cpj limits. Ian Lang wrote to you in April about this project.

I therefore fully support Peter Walker in the emphasis he puts in his letter of 11 July on reaching agreement on the introduction of changes to RSA guidelines without delay. I am sure that the time has come significantly to increase the cpj limit, and wish to propose that our officials meet to consider the paper Tony Newton sent you on 30 June

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with a view to making recommendations to us if at all possible before the Recess. Unless we move quickly opportunities will be lost. Mitsubishi wish to take a decision by the end of August.

I am copying this to the Prime Minister, Tom King, Peter Walker and Tony Newton.

MALCOLM RIFKIND

EML195L6

Reg Pd - Review Pt 8

cst.ps/9jm17.7/drfts

UNCLASSIFIED

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Tony Newton OBE MP
Chancellor of the Duchy of Lancaster
Department of Trade and Industry
1 - 19 Victoria Street
London
SW1H OET

17th July 1989

Dear Tony,

RSA AND INWARD INVESTMENT

Thank you for your letter of 30 June. I have also received Peter Walker's letter of 11 July.

I am pleased that you agree with my proposal to review the RSA guidelines with a view to improving value for money, and I look forward to seeing the interim and final reports. However I do find it difficult to accept that further increases in RSA are either necessary or - even if they were - that they should be a Government priority, particularly when there are so many other pressing public expenditure demands.

My officials will wish to put forward detailed proposals for updating and improving the guidelines. I would expect there to be considerable scope for adopting tighter criteria than at present on selective assistance, particularly in view of the large falls in unemployment in all the regions, which have been very marked in some areas. This would be wholly consistent with Government policy, which has created the conditions for the economic recovery of the regions through our supply side and enterprise policies.

I am, of course, content for our officials to consider the amendments to the guidelines which you propose. However on the face of it, it is difficult to see how they would enhance value for money: you refer to the guidelines as "shackles" and you propose the abolition (or substantial increase) of cost per job limits. Such an approach strikes oddly with our policy of seeking

Regional Pol - RSA Pol

UNCLASSIFIED

greater cost effectiveness in public spending and our policy on state aids in the EC generally. Very occasionally exceptional cases go beyond the agreed limits, as recently for Intel, but I note that the Prime Minister has made it clear that the level of assistance in the Intel case does not constitute a precedent for either future proposals or the RSA review. It would be very damaging to pitch the guideline limits for all RSA cases at a level which has been agreed only in very few exceptional cases.

Naturally there have been, and will continue to be, a small number of cases where inward investment projects do not meet the criteria and as a result the investment is not made in the UK. But we cannot seek investment regardless of cost to the taxpayer. In any event I see little evidence that the UK is losing its attractiveness to foreign investors. Indeed the reverse in the case. For example the UK has been very successful in attracting Japanese car makers in the last few months, and this picture is supported by the aggregate figures. The 1988 Report by the Committee on Overseas Promotion shows that the UK's share of total US direct investment in Europe is large and growing, rising to 39 per cent in 1988. That does not argue uncompetitiveness. Similarly our share of Japanese manufacturing investment in the EC was over 33 per cent last year, and the momentum is continuing in 1989. We should continue to promote the UK's many attractions, but this should not extend to increasing state intervention in industry.

I am copying this letter to the Prime Minister, Malcolm Rifkind and Peter Walker.

Yours Ever,
John

JOHN MAJOR

18 JUL 1989

cst.ps/9ce11.7/lets

CONFIDENTIAL

Treasury Chambers, Parliament Street, SW1P 3AG

NBPM
when Scottish Office
object.

David Crawley Esq
Private Secretary
to the Secretary of State for Scotland
Scottish Office
Dover House
London
SW1A 2AU

12 July 1989

RLCG
12/7

Dear David

RSA: INTEL

The Chief Secretary has seen Paul Gray's letter to you of 10 July.

He has asked me to confirm that, if Intel accept the £64.5 million RSA offer, he would expect the normal procedures to apply as established by the Prime Minister in the Oy Kaukas case referred to in the recent Ministerial correspondence. This would require the element of grant (£21.5 million) which exceeds the cost per job limit for the larger project to be offset by savings from existing Scottish Office non RSA cash limits. The Chief Secretary would be grateful if officials could agree the details.

I am copying this letter to Paul Gray, John Alty, Stephen Williams and Trevor Woolley.

Yours

Carys Evans

MISS C EVANS
Private Secretary

13 JUL 1989

dti
the department for Enterprise

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

Stephen Williams Esq
Private Secretary to the
Secretary of State for Wales
Gwydyr House
Whitehall
SW1A 2ER

Department of
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Telex 8811074/5 DTHQ G
Fax 01-222 2629

Direct line 215 5422
Our ref NP2AEF
Your ref
Date 12 July 1989

Dear Stephen,

Thank you for your letter of 28 June with which you enclosed your Department's draft response to the Welsh Affairs Committee Report on Inward Investment.

Ministers here are content with the draft response and agree that it should be published as a command paper as soon as possible. You will already be aware that we propose to announce the outcome of the IBB Review on 18 July subject to clearance by Ministers of the proposals in the letter of 30 June from the Chancellor of the Duchy to the Foreign Secretary. It does not appear likely that there will be any clash between the two announcements but the Information Divisions of our two Departments should keep in touch on timing to ensure that none occurs.

I am copying this letter to the recipients of yours.

Yours, Gareth

GARETH JONES
Private Secretary

the Enterprise initiative

TRADE: inward investment
pt2

12 JUL 1989

PA + 'X

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From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/7249/89

11 July 1989

MBM
at his okay.
RACO
12/7

will request if required

Dear Chief Secretary

Tony Newton sent you on 30 June a copy of the paper setting out the changes which we have agreed should be made in the operation of RSA. I am writing to emphasise the importance which I attach to the introduction of these changes, I hope, without delay.

There is no doubt at all that 1992 does give us a unique opportunity of attracting inward investment into Britain and particularly to the regions in which unemployment still prevails.

We have been very successful in Wales in obtaining inward investment and certainly I think any calculation would show that the amount spent in public expenditure is dwarfed by the amounts that have been saved in unemployment benefit and social security payments.

I do know however that we are now in fierce competition with other European countries. Spain and Portugal have, of course, always sought such investments but they have their disadvantages. The Irish, as has been shown by recent events of which you will know, are able to give very considerable inducements. Again I do not believe it is necessary to compete with them because we have other things to offer but certainly we have to have tolerably attractive offers.

The French are also extremely competitive in this respect and I know from my contacts in Baden-Wurttemberg of the pressure which the Germans are now putting on the United States to inwardly invest into the Federal Republic.

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

/If we succeed

If we succeed over these next few years in obtaining a large proportion of the inward investment into the European market, it will of course make a colossal contribution to our balance of payments. If we fail that will make a considerable contribution to our adverse balance of payments.

As you know, originally I was very much opposed to the abolition of RDG and only reluctantly accepted its ending very much on the basis that Regional Selective Assistance would be used in its place without diminishing the UK's attractiveness. We have now passed the phase where this automatic grant could influence investment to a phase where the only instrument we have available is the RSA. It is a vital period in which RSA must operate to maximum effectiveness. If we ensure that it does, it will be to the considerable benefit of strengthening the British economy.

I am copying this letter to the Prime Minister, Tom King, Malcolm Rifkind and Tony Newton.

Yours sincerely

Keith Davies

Approved by the Secretary of State
and signed in his absence

csc.ps/12ce11.7/lets

UNCLASSIFIED

Treasury Chambers, Parliament Street, SW1P 3AG

Stephen Williams Esq
Private Secretary
 to the Secretary of State for Wales
Welsh Office
Gwydyr House
Whitehall
London
SW1A 2ER

11 July 1989

Dear Stephen

WELSH AFFAIRS COMMITTEE REPORT ON INWARD INVESTMENT

Thank you for copying me your letter to Neil Thornton of 28 June.

The Chief Secretary is entirely content with your draft reply to the Welsh Affairs Committee Report on Inward Investment. He noted in particular your Secretary of State's endorsement of the Committee's recommendations for increasing the role of the private sector in factory building and site renewal and the need to avoid wasteful duplication of inward investment promotion activities.

I am copying this letter to Paul Gray, David Crawley, Neil Thornton and Trevor Woolley.

Yours

MISS C EVANS
Private Secretary

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

S R Williams Esq
Welsh Office
Gwydyr House
Whitehall
LONDON
SW1A 2ER

10 July 1989

Dear Stephen,

Thank you for copying to me your letter of 28 June about the Welsh Affairs Committee's Report on Inward Investment.

My Secretary of State is content with the draft reply circulated with your letter.

I am copying this to Neil Thornton, Paul Gray, Carys Evans and Trevor Woolley.

Yours sincerely,

DAVID CRAWLEY
Private Secretary

EML187L2

TRADE: Inward Investment
PT 2

CONFIDENTIAL

Note
Discussed in P.M. prior to my letter of 10/7.

PRIME MINISTER

INWARD INVESTMENT: INTEL CORPORATION

I was rung over the weekend by Malcolm Rifkind's office concerning the proposal set out in the attached minute from him.

Malcolm Rifkind and John Major have been discussing the proposal, but are unable to reach agreement. I suggested that Malcolm Rifkind should send in the attached minute, with the possibility that the issue could then be discussed either at or before tomorrow's 11 o'clock meeting of E(A). I also subsequently talked to John Major about it; he is very sympathetic to the politics of the case, but feels he cannot go any further than the £50m. RSA assistance he has offered. This itself is substantially above the normal RSA limits (which would imply £40m.); the Chancellor did not want to go above £40m.

The Arguments

The case for Malcolm Rifkind's proposed £64½m., as set out in his minute, is clearly a strong one. This is a major inward investment project by any standards, and it would be a big disappointment to lose it - particularly to lose it to Ireland so soon after the Wang episode. And Malcolm Rifkind is not asking for any more money; he says he can meet it within his existing budget, and I imagine the same goes for the small Welsh Office element of the total project.

But there are of course arguments against such a high level of assistance:

- the project is being pushed through by INTEL in indecent haste, and they do seem to be trying to hold us to ransom. John Major tells me that he has not yet seen a proper appraisal of the project.

CONFIDENTIAL

- it seems clear that INTEL would sooner come to the UK than to Ireland, and are prepared to forgo some part of the exceptionally high Irish package in order to do so. It must be a question of judgement whether they need to be offered as much as £64½m. rather than, say, John Major's proposal of £50m.

- DTI and the Welsh and Scottish Offices are currently proposing to the Treasury increases in the normal cost-per-job limits for RSA cases. That issue is due to be argued out in the Survey. But the present Scottish proposal for INTEL involves assistance above even these new proposed general levels. This case seems bound to prejudice the proposed Survey deliberations.

- while we obviously want to get the best inward investment projects, there must be a limit to how much we are prepared to pay for such jobs and, given the extent to which unemployment has come down over the last two years, our need to buy the jobs is less than it was.

You will obviously want to consider the balance of these arguments.

Handling

I think there are three main handling options:

i. Add this issue to tomorrow's E(A) agenda. As you will have seen from the meeting folder, we only have the one item at present for tomorrow's meeting - community care - that should not require the full hour in the diary.

ii. Have a short pre-meeting before E(A) with Malcolm Rifkind, John Major, Peter Walker and Tony Newton -

i.e. those most concerned.

iii. If you have a strong view, one way or the other, to tell Malcolm Rifkind and John Major overnight and try to settle things on the basis of your view without the need for a meeting.

Which option would you prefer?

It is important that we

Patricia A Parkin.
Duty Clerk.

Paul Gray

9 July 1989

CONFIDENTIAL

MJ/HAC

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

10 July 1989

INWARD INVESTMENT: INTEL CORPORATION

The Prime Minister has seen your Secretary of State's minute of 8 July, in which he proposed total Regional Selective Assistance of £64.5m. to INTEL, and also recorded the Chief Secretary's objections to that level of assistance.

The Prime Minister agrees with your Secretary of State that Regional Selective Assistance should be offered at the level he proposes. This should however be on the following conditions:

i. the cost should be absorbed by both the Scottish and Welsh Offices

ii. there could be no question of additions to the budgets arising from subsequent projects; if, as a result of the priority attached to the Intel case funds were no longer available for other projects, then so be it

iii. the level of assistance in this case did not constitute a precedent for future proposals or for the forthcoming general review of Regional Selective Assistance arrangements.

I am copying this letter to Stephen Williams (Welsh Office), John Alty (Chancellor of the Duchy of Lancaster's office), Carys Evans (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

Paul Gray

David Crawley, Esq.,
Scottish Office.

CONFIDENTIAL

COMMERCIAL - IN CONFIDENCE

R8/7

RM

Prime Minister

INWARD INVESTMENT: INTEL CORPORATION

I am minuting to seek urgent agreement to an offer of Regional Selective Assistance (RSA) to the Intel Corporation of California at a level which would give the United Kingdom a chance of securing a major inward investment. The potential prize is capital investment of some £270m and the creation of 2,600 jobs in Development Areas in Scotland and Wales.

The Intel Corporation is a significant force in the electronics industry worldwide. It manufactures among other things the unique microchip for IBM computers, and is highly rated by its customers, its competitors, and the Department of Trade and Industry. After years of hesitation it is now considering the establishment of manufacturing activities in Europe to fabricate, test and assemble semiconductors, and to produce central processing boards (systems) for computers. The countries under consideration were the UK, the Irish Republic, Spain and Portugal.

Following visits to the UK, Ireland and elsewhere, discussions with officials from the DTI, the Welsh Office and my Department, and meetings with Ian Lang, Peter Walker and me, the company has shortlisted Scotland, Wales and the Irish Republic for the two projects. Within the UK Scotland is in the lead for the semiconductor project, and Wales for systems. But there is stiff competition from the Irish. Details of the projects and the competition are in the attached letter to John Major, with whom I have discussed the RSA offer.

John has been sympathetic to my request that in order to make a credible offer to the company we shall need to exceed the RSA cost per job (cpj) limit of £17,000 to which we are normally constrained. He does not feel able however to go as far as I believe will be necessary. My proposal is

that, as a decision on location will be largely influenced by the assistance which will be available for the semiconductor project, we must offer for that project a sum equivalent to £27,750 per job to be competitive with - but still not to match - the Irish offer. That would equate to an offer of £55.5m, which together with the £9m available (within cpj limits) for the systems project, would provide a total grant of £64.5m. An offer of £55.5m gives a net grant equivalent figure for the semiconductor project of only 13.6%, which is well within the 30% limit we set in that regard. The Irish offer is £74m plus tax concessions, inflation proofing and other benefits.

This is an extremely important project. It is one of the biggest opportunities we have had in recent years to stimulate employment and economic activity, in accordance with our Regional Policy, in Development Areas. I believe it to be essential that we do not lose this crucial project by the rigid enforcement of an unrealistic cost per job limit. In recent years we have been prepared to be flexible where circumstances justify it, for example, in the case of Caledonian Paper where agreement was reached on the basis of a cpj of over £30,000, Digital Equipment Corporation where the figure was £30,000 and Texas Instruments where the agreed figure was £27,000. Given the scale of new jobs which the Intel project would bring to areas which continue to suffer high unemployment, I believe it is another case where such flexibility should be shown. The level of support I am proposing still falls far short of the Irish offer but given the other advantages which the UK possesses, I am advised that it will give us an excellent prospect of securing the project.

Moreover it would be very serious if this project were lost to Ireland, coming as it would on the heels of the decision by Wang to pull out of Scotland and to concentrate their operations in Ireland. There are reports that Wang were influenced by the financial inducements which Ireland had to offer. If we were now to lose this project on financial grounds, it would be extremely damaging.

In the circumstances, while I am grateful to John Major for offering to go to a total of £50m RSA for the two projects, I am afraid that this is well short of what will be necessary to win us this project. I must therefore press for agreement to the offer of £64.5m overall. I confirm that I can meet my share of the cost (£55.5m if the semiconductor project does locate in Scotland) within existing public expenditure plans.

It is essential that we reach agreement on this on Monday. The company wishes to proceed rapidly with the systems project and needs to form a view of the financial options for both, to come to a decision. Its Executive Committee meets in California on Monday to formulate its recommendation to the Board and my officials were being pressed by telephone on Friday evening to give a clear statement of the UK grant position. Unless we can respond in the course of Monday we face losing the project by default.

I hope that we can discuss this with interested colleagues immediately before E(A) on Monday. I am copying this minute to John Major, Tony Newton, Peter Walker, and Sir Robin Butler.

Dear Malcolm

MALCOLM RIFKIND

Seen & approved by the Secretary of State & signed in his absence.

Scottish Office
8 July 1989

COMMERCIAL - IN CONFIDENCE

R817

Prime Minister

INWARD INVESTMENT: INTEL CORPORATION

I am minuting to seek urgent agreement to an offer of Regional Selective Assistance (RSA) to the Intel Corporation of California at a level which would give the United Kingdom a chance of securing a major inward investment. The potential prize is capital investment of some £270m and the creation of 2,600 jobs in Development Areas in Scotland and Wales.

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COMMERCIAL - IN CONFIDENCE

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Yours ever,

MALCOLM RIFKIND

Seen & approved by the Secretary of State & signed in his absence.

Scottish Office
8 July 1989

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FROM THE PRIVATE SECRETARY
TO THE SECRETARY OF STATE
FOR WALES

28 June 1989

Dear Neil,

Earlier this year the Welsh Affairs Committee produced its Report on Inward Investment. I attach the draft of the reply my Secretary of State proposes to issue. Relevant sections of the draft have been discussed with your officials. My Secretary of State would be glad to know that Lord Young and Ministerial colleagues are now content following which he will arrange for the reply to be published as a command paper as soon as possible.

I am copying this to Paul Gray, David Crawley, Carys Evans and Trevor Woolley.

Yours ever,
Stephen Williams

S R WILLIAMS

Neil Thornton Esq
Private Secretary to the
Secretary of State for Trade & Industry
Department of Trade & Industry
1 Victoria Street
LONDON SW1H OET

THE GOVERNMENT'S RESPONSE TO THE WELSH AFFAIRS COMMITTEE REPORT ON INWARD INVESTMENT INTO WALES AND ITS INTERACTION WITH REGIONAL AND EEC POLICIES

INTRODUCTION

The Government welcomes the Report of the Welsh Affairs Committee into inward investment into Wales and its interaction with regional and EEC policies, and appreciates the careful consideration that has been given to the matters involved. It notes in particular the Committee's findings on Wales' successful record in securing inward investment.

EC, UK AND WELSH OFFICE POLICIES

Recommendation

We conclude that EC local content and anti-dumping duties have been beneficial to Europe but recommend that Ministers press the EC to ensure that they are applied flexibly giving time for firms to build up their local content and in a manner which does not distort competition in favour of less efficient EC producers.

The Government notes the Committee's view that anti-dumping duties have been beneficial to investment in Europe. The amendment introduced in 1987 to the anti-dumping Regulation does not, however, impose a local content requirement. What it does is to allow assembly operations to escape dumping duties, where the conditions for imposing them otherwise exist, if more than 40% of the parts come from sources other than the country of dumping. For practical reasons these may often be EC sources but this is not a legal requirement. The purpose of the provision on sourcing is to establish not the local content but how closely the assembled product can be related to the imported product which has already been found to be dumped.

It is important to ensure that each case where circumvention of duties is alleged should be looked at on its merits in accordance with the provisions of the Regulation. The Unfair Trade Unit of the Department of Trade and Industry offers advice to firms which are, or may be, affected. Anti-dumping action should always be properly justified and not seen as a device to shelter industry from competitive pressures. For the Community to delay action while sourcing of components was adjusted would allow circumvention of duties and by extension injury to Community industry to continue and would tend to negate the intentions of the amendment to the Regulation. The provisions affect assembly operations set up by or associated with foreign exporters who are already subject to dumping duties. Whatever the source of its components no company established in the Community can be affected if there is no history of dumping.

Recommendation

Two areas in Wales, Industrial South Wales (West Glamorgan, Mid Glamorgan, South Glamorgan and Gwent) and Clwyd, are making applications under the Integrated Operations Programme; we recommend that their endeavours should be strongly supported by the Government.

The Secretary of State for Wales has endorsed the Integrated Development Operations applications to the European Commission for Clwyd and Industrial South Wales. Both were prepared jointly by the Welsh Office and the various local authorities. The EC is currently considering both programmes.

Recommendation

We recommend that the Government makes rigorous efforts to ensure that substantial funds are made available for "Objective 5B".

It is not yet certain what percentage of the EC's Structural Funds will be available for areas for future funding under Objective 5B. The Government was instrumental in finally persuading the European Commission into allowing rural Wales to be an eligible area under this objective. Discussions are continuing between member states and the Commission about the level of funding and the areas to be included and Welsh Office officials are playing a full part in those discussions to ensure that the interests of Wales are taken into account.

Recommendation

We recommend that inward investment promotion should continue to be mainly undertaken at the regional level with the Invest in Britain Bureau having a co-ordinating role for the whole of the UK. It should concentrate on co-ordination and the promotion of the UK as a whole. It should promote UK national attractions. It should retain its role as a point of contact for investors coming through the FCO network and for those using government channels in coming into the UK and as an organisation responsible for seminars and promotions. Whilst inward investment attraction is best promoted by regional promotional agencies, unrestrained competition abroad must be avoided if the total UK promotional effort is not to suffer. We recommend that the Committee on Overseas Promotion should be strengthened and widened to include all attraction agencies in the UK.

Our view is that the unrestrained activities of these new towns and others does produce "free for all", giving rise to the problems of confusion we have alluded to already. We recommend that the Government requires such new towns to adhere to the IBB's Code of Practice.

We recommend that IBB undertake systematic research into the reasons for winning or losing inward investment projects to assist local authorities appraise their strengths and weaknesses.

The views of the Committee on the overall role of the Invest in Britain Bureau (IBB) are accepted. Through its co-ordinating role the IBB seeks to ensure that the efforts of the regional UK promotional bodies are complementary to the overall UK effort and avoid wasteful duplication.

It would not be practicable to include within the representation on the Committee on Overseas Promotion (COP) all the individual local authorities and other UK bodies with an interest in, and powers to promote, inward investment. The current representation includes the territorial agencies, such as Welsh Development International (formerly known as WINvest) and also the 5 English regional development organisations. These members are responsible for co-ordinating local authority and new town activity in their areas. The Commission for New Towns has recently also become a member of COP. In addition the DTI Regional Offices for the South East, East Midlands and the South West of England, being those parts of England which do not have a regional development organisation, are also represented. The Regional Offices maintain day-to-day contact with the local authorities, new towns and sub regional bodies where they exist, all of which appreciate that it is in their interests

to use this channel of communication. Equally the IBB through the DTI Regional Offices, territorial agencies and regional development organisations depends upon the goodwill and hard work of the local authorities and other bodies in handling specific enquiries from overseas.

To keep things in perspective it is worth noting that only a small minority of local authorities and others wish to promote themselves overseas. Generally speaking they work harmoniously with the IBB and regional organisations, for example by contributing to the advance calendar of events so avoiding duplication of effort and waste of public money.

It is often difficult to secure clear information from investors on the reasons for their choice of location. It can be helpful, however, to consider the lessons from some projects and IBB will continue to undertake studies of this kind and to communicate the results either through COP or direct to the local authorities concerned as appropriate.

Recommendation

We are pleased that increased resources are being made available within Wales for factory building and site renewal, but we recommend that new ways of involving the private sector in these activities are explored.

The buoyancy of the Welsh economy offers private developers an increasing range of profitable investment opportunities. The Welsh Development Agency and Mid Wales Development have a key role in stimulating this interest.

To improve the climate for private sector investment in the industrial and commercial property markets the Agencies intend to maintain further upward pressure on their factory rents to bring them closer to fully commercial levels. It is also intended to draw in the private sector by increasing the rate at which their portfolio of property is disposed of.

As well as enhancing the climate for private investment the WDA plans to trigger 144,000 square metres (1½ million square feet) of new industrial and commercial property by 1991-92 in partnership with private developers. To facilitate private development the Agency will continue to deploy a range of pump priming measures from the provision of land and infrastructure to the offer of its new Property Development Grant.

At present the provision of new factory buildings by Mid Wales Development for rental at market value rents will for some time remain the principle means of attracting new industry to Mid Wales and encouraging the expansion of existing firms. Each project draws in very substantial sums of private investment in plant, machinery and working capital, and many of the occupants subsequently expand their premises at their own cost. Some 40% of the floorspace acquired or built by MWD since inception has been sold to private sector occupants, well over 100,000 square metres in total. MWD itself plans to provide a further 45,000 square metres of factory space by 1991/2 which will itself trigger much further investment by the private sector.

The Government will continue to review the current range of measures for involving the private sector in factory building throughout Wales and will seek to introduce new ideas in response to market needs and conditions.

Recommendation

We recommend: that substantial and long term investment be made in the "human infrastructure" through improved education and training;

Improved school/industry liaison, with the objective of improving attitudes and understanding. Recent Government initiatives in this area are to be welcomed;

The establishment of a training centre and/or support for university/college departments to improve the supply and quality of engineers and technicians in consumer electronic industries.

The Government acknowledges the need to address skill shortages through improved education and training in response to changing labour market demands. Substantial resources are already devoted to this task, with the Training Agency alone having a provision of some £135 million in 1988/89 for Government funded adult training in Wales.

In December 1988 the Government published its White Paper "Employment for the 1990s" which recognises that people are the key resource for the economic prosperity of Britain in the coming decade. It sets out a major strategy for action the keystone to which is training in modern skills not just for the young or unemployed but throughout life.

Under the new framework the Government will continue to ensure that adequate training is provided for all groups but with individuals and employers accepting greater responsibility. Training will be nationally validated with recognised standards of competence agreed by industry led organisations, and both adults and young people will be given the opportunity to secure qualifications based on these standards. The National Council for Vocational Qualifications has been given the task of establishing a coherent national framework of vocational qualifications by 1991.

The delivery of training will be devolved to local level where employers, individuals and local communities can be involved in shaping provision to meet local needs. The Government proposes to bring together public and private investment in training by setting up Training and Enterprise Councils (TECs) to contract with Government to plan and deliver training and to promote and support the development of small businesses and self employment in the area. TECs will be employer led and will work closely with local education authorities and voluntary bodies and trade unions who support their aims. In Wales they will work closely with the WDA and Mid Wales Development.

The establishment of TECs in Wales will be assisted by the newly appointed Training Enterprise and Education Advisory Group (TAG). This Group will advise the Secretary of State for Wales on training and related education and enterprise matters and will help to ensure that an effective and integrated training system is established in Wales. It will be chaired by Sir Melvyn Rosser and its membership includes top people from private industry, health, education and local government.

Colleges of further education play a large part in meeting the needs of industry for skilled employees. One of the aims of the Education Reform Act of 1988 is to improve the efficiency and effectiveness of these colleges and their responsiveness to the requirements of industry. This will be achieved by

transferring the responsibility for managing the colleges from the local education authorities to the college governors and reforming the governing bodies to give a dominant voice to employer interests on bodies that are reduced to a size that will be capable of managing the colleges effectively.

Through the PICKUP programme (professional, industrial and commercial updating programme) launched in Wales in 1984 the Government supports and encourages the updating of skills in mid-career. The target is to extend PICKUP training to one in ten of the working population by 1992.

To make education at all levels more relevant to the needs of industry and commerce the Technical and Vocational Education Initiative (TVEI) is being expanded. In Wales 3 authorities (Clwyd, Gwynedd and Mid Glamorgan) have started their expansion programme and the others will shortly follow. TVEI is an important part of the overall strategy to raise standards in education and is consistent with the National Curriculum, a prime aim of which is to prepare pupils for adult life.

The links between schools and industry are being strengthened in other ways, as the Report acknowledges. A major programme is under way to develop a partnership approach between teachers and employers backed by the new Enterprise and Education Initiative Adviser network. To further improve school/industry links the role of school governing bodies has been strengthened to include representation from business interests.

In allocating resources for the recurrent expenditure of the local authority higher education institutions the Secretary of State for Wales gives priority to courses of electrical and electronic engineering and places are available for all qualified students who wish to study in this field in Wales. Opportunities will continue to be taken to encourage companies to sponsor students on courses at university colleges and other education institutions.

Recommendation

The sponsorship of a national award for employee contribution to quality; with Her Majesty's Approval it might be a "Queen's Award for Total Quality Control".

The Government agrees that an emphasis on quality is of prime importance but any changes to the Queens Awards Scheme to introduce a separate category of Award for Total Quality Control would need to be considered by a formally constituted Review Committee. Although no such review is currently planned The Queen's Award Office has been asked to take note of this proposal for submission to any future Review Committee along with the other recommendations it has received. In addition, the Welsh Office will consider, together with the Wales Quality Centre and other interested bodies, whether a separate award for Wales would be of value.

Recommendation

The selective nature of regional policy be used to attract design and development work and more autonomous management activity to Welsh factories.

The importance of attracting research and development, design and autonomous management activity to Wales is fully acknowledged and there has been considerable progress in achieving this over recent years particularly as firms moving to Wales become more established. The Regional Selective Assistance Scheme can be and is used to help secure such activities. Indeed one of the

advantages of a discretionary form of assistance is that better account can be taken of the quality of investment proposed and the regional and national benefits offered by individual projects.

The Committee has expressed some concern over future levels of regional financial assistance. This is misplaced as the 1989 Public Expenditure White Paper shows the level of expenditure on the industry programme in Wales being maintained at current levels over the next 3 years, with continuing higher provision for Regional Selective Assistance and growth in the net provision for the WDA.

THE STRUCTURE AND ORGANISATION OF INWARD INVESTMENT

PROMOTION IN WALES

Recommendation

The WINvest name to disappear in overseas promotions. The marketing of Wales to be undertaken under the banner of the Welsh Development Agency, with a view to reducing the number of organisations and images of "Wales Government".

A new International Division should be formed as a major part of the Welsh Development Agency with responsibilities for inward investment, exports and technology transfer into and out of Wales.

Negotiation of the level of regional aid paid to individual applicants should be undertaken by civil servants operating from WINvest's offices; the civil servants would remain of the Welsh Office but be located in WINvest's offices.

Consideration be given to increasing the number of offices overseas and strengthening overseas representation, but the offices should be international offices of the WDA responsible for export promotion and technology transfer as well as inward investment. Although the actual resources to be devoted to overseas offices and their location will emerge from planning and targeting, an office should be established in Hong Kong to cover South East Asia and the Japanese office should be expanded.

The change of name from WINvest to Welsh Development International has already been announced. The new name should be much more recognisable and should assist the marketing of Wales overseas. The name WINvest has also been discontinued in the context of UK-related marketing in favour of the well established corporate identity of the Welsh Development Agency.

The Government has carefully considered the Committee's recommendation on the functions of a new International Division of the Welsh Development Agency. It accepts that there is a degree of common interest between the promotion of inward investment, exports and technology transfer and will encourage joint approaches and strategies where there is a need for close interaction. Whilst it is considered that the objectives of the Exports Branch of the Welsh Office are best taken forward through the existing organisational framework opportunities for increased collaboration with the Welsh Development Agency will be taken. In this context the prospects are already being examined for a joint overseas product marketing campaign and further collaboration on issues related to the Single European Market.

The new Welsh Development International Board will strengthen the promotion of inward investment into Wales, by bringing top level private sector advice and experience to bear on the activities of Welsh Development International and will provide a valuable resource to deploy when individual cases are under negotiation.

The suggestion that the negotiation of Regional Selective Assistance for inward investment projects should be transferred from Welsh Office to Welsh Development International would be to revert to the position when WINvest was first established in 1983. Experience of this arrangement was that the separation of the responsibility for negotiating regional assistance from the responsibility for appraising applications against the RSA criteria was confusing rather than helpful to the potential inward investor. For that reason the system was changed to the present one where a special unit within the Welsh Office is dedicated to inward investment cases. Members of this unit are available for discussions and meetings with possible applicants whenever and wherever required, whether at the Welsh Office, WDA offices or elsewhere. Since these staff are members of the Welsh Office, which has financial responsibility for Regional Selective Assistance, they are in a position to discuss levels of grant authoritatively from an early stage and can continue to take cases through the appraisal process to fruition. This mode of operation requires and encourages close working relationships between the Welsh Office and Welsh Development International staff in cases where regional assistance is involved and the Government is satisfied that this arrangement is the most appropriate and effective in securing inward investment to Wales.

The number and strength of the overseas offices of Welsh Development International is under constant review. The Japanese office has recently been strengthened and an office has been established in Korea. Further changes will be made as and when required.

PROMOTIONAL STRATEGY AND APPROACH

Recommendation

Comprehensive sectoral initiatives to be undertaken by the WDA. Given its clustering in Wales consumer electronics is the obvious staring point for such an initiative.

We recommend that WINvest be responsible for preparing an annual inward investment Marketing Plan drawing as appropriate on inputs from other organisations, including the local authorities. Given the objectives established for inward investment the matching of opportunities with Wales' strengths and competitive advantages (taking cognizance of any offsetting threats and weaknesses) should lead to specific targeted programmes by sector, country and company. These programmes, moreover, should be concerned both with potential new investors and efforts to develop the Welsh economy. In-depth research on markets and companies will be an important element in the planning of such programmes. Although it is difficult to make specific suggestions for the initial establishment of targeted programmes until such research has been undertaken, nevertheless we note the opportunities in South East England and the potential for strengthening Wales' position in consumer electronics, where there is a recognised clustering. Targeted programmes should also be developed for areas of special need such as Mid-Wales.

WINvest's role within the new organisational set up should be strengthened. WINvest should become a marketing as well as a sales organisation, it should in effect be the Welsh inward investment agency, handling all activities which benefit from a centralised approach (planning and targeting, marketing outside the UK, negotiation of financial packages, links with universities and research institutions, developmental [after care] activity) and co-ordinating other activities where a localised approach may prove beneficial. Its annual financial budget should be increased accordingly.

We recommend that WINvest pay much more attention to its developmental role.

The Regional Liaison Officers of WINvest should become the project co-ordinators when investors are visiting sites in Wales. We advocate the establishment of a computerised site and property database controlled from WINvest headquarters in Cardiff to assist the Regional Liaison Officers; in due course this database should be extended to cover other matters of interest to inward investors such as labour availability.

A long term image-building campaign be undertaken. It should concentrate on the overall attractions of Wales at the first level and should be co-ordinated by the Welsh Tourist Board. Inward investment promotion by WINvest should use the same identifiable theme.

The Government agrees with the Committee that it is useful in promoting inward investment to Wales to focus on the particular strengths of Welsh industry and there have in the past been a number of sectoral initiatives. Exclusive reliance on sectoral targeting would run the risk however of limiting the total potential and the diversity of inward investment to which the Government attaches importance. Welsh Development International will therefore undertake targeted programmes when these would be beneficial, drawing on the strengths within Wales of particular sectors, including consumer electronics.

The Annual Business Plan prepared by WINvest has proved its value as a management tool and effort will continue to be put into its development to further enhance its value.

The Government agrees with the Committee that Welsh Development International has a marketing as well as a sales role in which the identification of key sectors, countries and companies is a vital component. This approach has contributed to the remarkable success of Wales in attracting inward investment in recent years and it will continue to be developed drawing as necessary on the specialised advice of other parts of the WDA, the Welsh Development International Board and the Welsh Office. Welsh Development International places considerable emphasis on the need to continue very close contact with companies once they have established in Wales, and Wales has benefited from a large number of expansion projects by these companies. This developmental, or after-care, role will continue to be given high priority and will be undertaken in conjunction with the parallel activities of the Welsh Office and WINtech.

Welsh Development International has already decided to enhance its top management by recruiting 2 Deputy Directors and will continue to develop its skills and expertise through programmes of training and the development of a stronger research capacity.

The availability of a wide range of up-to-date information is of critical importance in securing inward investment projects. Welsh Development International has an extensive database and proposals are in hand for the

computerisation of site and property information. This information will be available to the Regional Liaison Officers who will continue to act as project co-ordinators when individual projects are best handled in this way.

The promotion of Wales as a location for investment is, as the Committee recognises, most effectively undertaken by means of targeted approaches to individual companies and personal contact. Tourism promotion generally requires a different approach to a different audience and with often different images of Wales. Opportunities will however be taken to co-ordinate the promotional work of the Wales Tourist Board, the WDA and MWD where this would be beneficial, as for example is currently being done with the "Wales: Land of Quality" emblem and in the recently announced Swansea Bay Partnership.

THE INVOLVEMENT OF LOCAL AUTHORITIES AND OTHER BODIES

Recommendation

Local authority personnel should be regularly seconded to WINvest/WDA to further facilitate understanding and co-ordination and conversely WINvest/WDA personnel should be seconded to selected local authorities which have been successful in attracting inward investment. It is essential, of course, that personnel act genuinely independently of their authority during their secondment periods. Apart from bridge building, there would be the added benefit of increasing industrial development expertise at local authority level. Local authorities, both district and county, should consider establishing county development agencies. They would be financed by each of the participating authorities. They would give counties and districts an equal voice in strategy and such matters as the appointment of staff etc. They could play an important role both in improving co-ordination between districts and counties and in working with WINvest and its liaison officers to establish its marketing objectives and implement its marketing plan.

Local authorities should devote additional resources to industrial development matters since professionalism in dealing with inward investment cases is just as important for the local authorities as it is for WINvest.

Overseas visits by local authorities on inward investment business should be undertaken under the WINvest umbrella. WINvest should make use of local authority personnel inputs into seminars, company targeting exercises, exhibitions, etc, where possible; but in such cases the local authority executives must act on behalf of WINvest, not their own authorities. This scheme should be operated initially on a voluntary basis; if after 2 years, it is clear that local authorities are not prepared to work under the WINvest umbrella, then legislation should follow, requiring local authorities to seek the approval of the Secretary of State for Wales before undertaking overseas promotion visits.

Mid Wales Development should continue to have responsibility for the attraction of investment from the rest of the UK into Mid Wales, but its activities should be co-ordinated by WINvest within the framework of an overall inward investment marketing plan for Wales.

The Government acknowledges the valuable role which local authorities have in securing inward investment and the need for the closest possible co-operation between Welsh Development International and local authorities. Such co-operation will build on the successful collaborative initiatives that have

already been developed such as the South East Wales Financial Services Location and the Swansea Bay Partnership. The Regional Liaison Officers of Welsh Development International have an important role to play in fostering such positive relationships. Against this background the Government is confident that local authorities will appreciate the value of consulting Welsh Development International and taking its advice before undertaking overseas promotion visits.

One of the most important functions of local authorities in the context of inward investment is the identification of an adequate stock of suitable land for development, keeping this under constant review, and making Welsh Development International fully aware of the sites that are available or which could be made available. County and district councils need to work closely together in developing their land use strategies and in promoting their areas for economic development. Whether they would wish to form county development agencies as recommended by the Committee is a matter for the local authorities to consider.

Welsh Development International will carefully assess whether it would benefit from having an interchange of seconded staff with local authorities.

The Government welcomes the new working arrangements between Welsh Development International and Mid Wales Development concerning the notification of possible inward investment projects from overseas. It also notes Mid Wales Development's willingness to collaborate over marketing and promotion activities within the UK and Welsh Development International will seek to identify suitable opportunities.

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Oddi wrth Ysgrifennydd Gwladol Cymru

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01-270 (Direct Line)

From The Secretary of State for Wales

The Rt Hon Peter Walker MBE MP

CT/7219/89

26 May 1989

RSA AND INWARD INVESTMENT

I have seen a copy of Tony Newton's letter to you of 15 May. I fully support the proposals he has made in that letter.

As I have already made clear in my bidding letter, I attach particular importance to exploiting the investment opportunities that exist in the run-up to 1992. Against the background of the problems that continue to exist in the Welsh economy, I regard it as vital that our competitive position is not shackled by unduly harsh and outmoded internal constraints of the type that exist nowhere else in the Community. The importance of these proposals is not only for the Welsh and other regional economies, it applies equally to the UK as a whole in securing the massive balance of payments benefits that are a product of the type of project that we have the potential to attract, provided our assistance regime is not heavily outweighed by those of our competitors. I therefore welcome the proposals Tony has made for the changes in the operation of RSA, and I hope that when the details are put forward we can agree quickly to their implementation.

The Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON SW1

/Tony also referred

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Tony also referred to the Toyota case, following the comments made in your earlier letter. The Toyota case simply has no relevance to the general arguments about the scale of assistance needed to attract mobile inward investment. The existence of the EC state aids regime for the vehicles sector meant effectively that grant played no part either in the UK or, importantly, in any other of the Community countries and in the absence of grant the project was not secured in an Assisted Area. This is a measure of the crucial importance of regional assistance in attracting projects to the Assisted Areas and without which the investment is lost to other areas which do not come close to justifying Assisted Area status. This case therefore strengthens, rather than dilutes, the arguments for an effective grant regime if the normal range of mobile inward investment is to be secured for the areas of great need.

I am copying this letter to the Prime Minister, David Young, Tony Newton and Malcolm Rifkind.

TRADE : Inward Investment

CONFIDENTIAL

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AQ

23 May 1989

RSA AND INWARD INVESTMENT

I have seen a copy of Tony Newton's letter to you of 15 May.

Without repeating Tony's points, I have no doubt that a significant opportunity is indeed open to us in the next few years. Equally, I share his view that, in order to take full advantage of it, we will need to loosen some of the restraints on Regional Selective Assistance which, in Scotland as in England and Wales, have seriously affected our ability to attract inward investors. My officials will be working with Tony's on the detailed case for the changes we hope to see.

I have copied this letter to the Prime Minister, Peter Walker and Tony Newton.

MALCOLM RIFKIND

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TRADE
Inward Investment
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23 MAY 1989

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the department for Enterprise

CONFIDENTIAL

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon John Major MP
Chief Secretary
HM Treasury
Parliament Street
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Department of
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Fax 01-222 2629

Direct line 215 5147
Our ref
Your ref
Date 15 May 1989

Dear John.

RSA AND INWARD INVESTMENT

I have now had a further discussion with Malcolm Rifkind and Peter Walker about the proposal in your letter of 16 December for a review of the RSA guidelines. We focussed in particular on the question of attracting inward investment taking account of recent experience with the Bosch, Fujitsu and other cases.

Your recent letters on Bosch and Fujitsu question the necessity of offering inducements to attract inward investments to GB Assisted Areas. While I agree that the UK offers a number of advantages to potential inward investors, they are not sufficient on their own to ensure that the UK continues to secure internationally mobile projects. Toyota's decision was made in very special circumstances. We were able to exploit the new EC state aids regime for the vehicles sector which requires prior notification and clearance by the Commission of individual aid proposals. Given the widespread opposition in the Community to subsidies for Japanese vehicles producers any proposal to deploy RSA would have involved long and controversial Commission scrutiny. This prevented grants playing any part in the decision. While we very much welcomed Toyota's decision to invest in the UK, it did not contribute to our regional policy objectives because Derby is not an Assisted Area nor does it come close to qualifying for assisted status.

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Recycled Paper

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the department for Enterprise

For the longer term it would certainly be advantageous given the attractions of the UK to which you refer, if we could ensure a level playing field across the Community in all industrial sectors. We should therefore support Leon Brittan in what I understand to be his aim of bringing the over-generous regional aid schemes in other Member States more strictly under control. Meanwhile however we have to be ready to respond to the incentives available elsewhere by using RSA positively to attract inward investment. Indeed the point I have discussed with Malcolm Rifkind and Peter Walker, and which is illustrated by the recent cases, is that there exists a great opportunity in the run-up to 1992 for the UK to attract many substantial projects as companies, both European and other, position themselves for the single European market. However, it is clear that we will face a substantial challenge from other EC Member States, not only in terms of the assistance they are prepared to make available but also in the attempts we are beginning to see to put political pressure on the Japanese in particular to spread their investment about the Community.

We will need to fight our corner with all the weapons at our disposal. In part this is a question of showing up political pressure for the covert protectionism it really is and urging inward investors and their authorities not to give in to it. David Young is pursuing this with the European Commission and will be tackling the Japanese Government on it in his forthcoming visit. But we also need, if we are to take full advantage of the opportunity, to increase our flexibility in offering financial assistance and ensure that the RSA budget is adequately provided. Malcolm, Peter and I therefore consider that certain changes must be made in the operation of RSA - notably a marked increase in, if not indeed the abolition of, the cost per job limits; an increase in the net grant equivalent ceiling on assistance in Intermediate Areas; and greater flexibility in the economic efficiency test - in order to increase the scheme's effectiveness in securing internationally mobile projects in particular. I shall be writing to you again shortly making the detailed case for these and other necessary changes. The DTI PES bid which David Young is submitting to you this week seeks provision for the higher RSA expenditure which we forecast will be needed.

I am sending copies of this letter to the Prime Minister and to Malcolm Rifkind and Peter Walker. I am responding separately on the detailed points you raised in your letters on Bosch and Fujitsu.

Yours ever,
Tony

CH2ACN

TONY NEWTON

Recycled Paper

PRIME MINISTER

INWARD INVESTMENT PROJECTS

Peter Walker's office tell me that Bosch have today confirmed their plan to invest in South Wales. An announcement will be made on Monday.

As you know, this will be followed on Tuesday by Toyota's announcement of their investment in the East Midlands.

PAUL GRAY
14 April 1989

dti

the department for Enterprise

acPU

16pm

CONFIDENTIAL - COMMERCIAL IN CONFIDENCE

The Rt. Hon. Lord Young of Graffham
Secretary of State for Trade and Industry

The Rt Hon Peter Walker MBE MP
Secretary of State for Wales
Welsh Office
Gwydyr House
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Department of Trade and Industry

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Direct line 215 5422
Our ref PS1BYE
Your ref
Date 20 December 1988

Dear Secretary of State,

will request if required

Thank you for your letter to Tony Newton of 2 December about a potential major inward investment.

My officials are pursuing the project urgently with the company concerned. Assuming a decision in favour of the United Kingdom, it will clearly be for the company to decide for itself where precisely it would prefer to locate. My officials will certainly ensure that the attractions of Wales, as of other areas, are taken into account. They will be in touch as necessary with yours as the negotiations progress.

Meantime, I am sure that it is as much in our own interests as the company's to keep knowledge of what is in prospect as closely restricted as possible.

I am sending a copy of this letter to the Prime Minister.

Yours sincerely

Neil Thorne

(Approved by the Secretary of State
and signed in his absence)

the Enterprise Initiative

GA

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

23 December 1987

Thank you for your letter of 21 December asking the Prime Minister to sign a message of welcome for foreign investors to be used in conjunction with the Invest in Britain Bureau's Los Angeles seminar in late February.

I enclose a draft message which the Prime Minister has signed.

(Charles Powell)

Jeremy Godfrey, Esq.,
Department of Trade and Industry.

DRW

File

JA
CCDT

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

Britain has already achieved great success in attracting investment by overseas companies and I welcome the confidence this shows in the business climate that our policies have created and in the long term strength and stability of our economy. The Government is strongly committed to continue policies which will allow industry and enterprise to flourish.

International companies from all round the world invest in Britain for the advantages the location provides for their business. Advantages such as a large and sophisticated domestic market, as well as direct access to the world's largest trading area, the European Community. Britain also has a strong industrial infrastructure and a communications system geared for the modern trading world. If your business needs a truly first-rate international location, then Britain is the place for you.

Margaret Thatcher

February 1988

R22/12

DEPARTMENT OF TRADE AND INDUSTRY
1-19 VICTORIA STREET
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TELEPHONE DIRECT LINE 01-215 5422
SWITCHBOARD 01-215 7877

PS/ *Secretary of State for Trade and Industry*

21 December 1987

C D Powell Esq
Private Secretary to the Prime Minister
10 Downing Street
LONDON SW1A 2AA

Dear Charles

The Department of Trade and Industry's Invest in Britain Bureau (IBB) is the UK's main inward investment promotion body with a key responsibility to promote Britain overseas as the preferred location in Europe for internationally mobile direct investment. It is also the umbrella organisation for the overseas activities of the inward investment promotion agencies of Northern Ireland, Scotland, Wales and the English regions.

At the end of February the IBB is to hold a major seminar during one of the sea days of the Royal Yacht's visit to Los Angeles with TRH the Duke and Duchess of York. Among the invitees to the event will be the Chief Executive Officers' of a number of major US multinational companies, companies who have expansion plans, and those which the IBB believe to be cuurent investment prospects.

UK promotional material for this prestige event must be fully up-to-date and of an appropriate high quality. The IBB is therefore taking the opportunity to revise the main UK promotion document, 'Britain The Preferred Location' This document is used worldwide by inward investment staff working in British Embassies, High Commissions and Consulates General and all UK investment promotion agencies.

My Secretary of State considers that the impact of the promotional document would be enhanced if it were to include a message of welcome and support for foreign investors in the UK from the Prime Minister. My Secretary of State proposes to complement the Prime Minister's message of welcome with an introductory piece of his own. Draft texts of both messages are enclosed.

DW5CLA

The production schedule necessary to have the document ready for the Sea Day seminar is very tight and I would be grateful if you would seek the Prime Minister's agreement to provide the message of welcome by 4 January.

Yours

Jeremy Godfrey

JEREMY GODFREY
Private Secretary

DW5CLA

999.49

DRAFT MESSAGE FROM THE PRIME MINISTER FOR 'BRITAIN THE PREFERRED LOCATION'.

Please type in MT's signature on

International investment is of great benefit to the United Kingdom economy. Foreign-owned companies bring capital investment and jobs to the UK. They also bring new technologies, innovative management and the most advanced production techniques which contribute to our industrial base.

Britain has already achieved great success in attracting investment by overseas companies and I welcome the confidence this shows in the business climate that our policies have created and in the long term strength and stability of our economy. The government is commited to ~~the~~ continuation of a policy ~~in~~ which industry and enterprise ~~can~~ flourish.

International companies ~~have~~ invested ~~here~~ for the advantages the location provides for their business. Advantages such as a large and sophisticated ~~industrial and commercial~~ domestic market, as well as direct access to the world's largest trading area, the European Community. Britain also has ~~an established~~ an industrial infrastructure and a communications system geared for the modern trading world. If your business needs a truly international location, then Britain is the place for you.

February 1988

DGEnT.

INTRODUCTION FOR 'BRITAIN THE PREFERRED LOCATION'

THE THE RT HON THE LORD YOUNG OF GRAFFHAM, SECRETARY OF STATE FOR TRADE AND INDUSTRY.

International direct investment is now firmly acknowledged to be an important element in world trade. Like all trade it is two way. And its benefits are two way - to the investor and the country receiving the investment. Britain, as a traditional trading nation, was one of the first countries to recognise the advantages to be gained both from investing overseas and through welcoming foreign investment into the UK.

Successive British Governments have actively encouraged foreign direct investment for the benefits it brings to the UK economy. The creation of employment, balance of payments advantages, new technologies and products, improved production methods and innovative management techniques are just some of the factors which help to strengthen our economy and broaden our industrial base.

But overseas investment is about the advantage to the investor. And there are the many benefits a UK location offers the foreign company. Benefits which year after year have confirmed Britain's position as the preferred location in Europe for international direct investment.

We provide investing companies with both an important domestic market and access to a tariff-free 'home' market of the more than 350 million consumers of the European Community and Free Trade Area. A wealthy and sophisticated market representing the world's largest trading area.

We offer too a skilled and adaptable workforce as well as a positive and constructive industrial relations climate. Not only are our trade unions negotiating state-of-the-art agreements with many overseas investors, but the number of industrial disputes is now the lowest for nearly 50 years.

Britain's stable economic environment is also a major attraction. We are enjoying a sustained period of economic growth, at an average annual rate since 1980 greater than all the other major EC countries. And our corporate tax rate, at 35 per cent, is among the lowest in the industrialised world. On top of this, foreign and British-owned companies are treated equally, there is no discrimination in favour of indigenous companies.

I firmly believe that Britain has an environment which fosters enterprise activities and is therefore right for profitable and expanding business. I invite you to come and see for yourself why so many overseas companies from all parts of the world have decided that Britain is their preferred location.

February 1988

CC BC

NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

SECRETARY OF STATE
FOR
NORTHERN IRELAND

The Rt Hon Paul Channon MP
Secretary of State for Trade and Industry
1 Victoria Street
LONDON
SW1

12 January 1987

N BPM.

Dear Secretary of State,

COORDINATION OF INWARD INVESTMENT PROMOTION IN THE USA

attap

Thank you for sight of your note of ~~19~~ December to the Prime Minister.

Officials in the Northern Ireland Office and the Industrial Development Board for Northern Ireland had the opportunity to contribute to the memorandum when it was being drafted and I am content with its contents, I take the view that we should continue to monitor and where possible improve the operation of the present arrangements rather than attempt any fundamental restructuring of them.

I copying this to the Prime Minister, Members of the E(A) and to Sir Robert Armstrong.

Yours Sincerely
Neil Ward
(Private Secretary)
for TK
(Approved by the Secretary of State and signed in his absence in Northern Ireland)

GBC

TRADE · Inward Investment PT2



RESTRICTED

FILE
DSG

cc. HMT D/M
NIO MAFF
D/E C&T
SO D/T
WO DOE
LPSO CO
CSM PGO
LPO

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 January 1987

Dear Tim,

CO-ORDINATION OF INWARD INVESTMENT PROMOTION IN THE U.S.A.

The Prime Minister was grateful for your Secretary of State's minute of 19 December which reported the outcome of a review of the present arrangements for promoting U.K. inward investment in the U.S.A., and has noted the position.

I am copying this letter to the Private Secretaries to members of E(A).

Yours,

David.

David Norgrove

Tim Walker, Esq.,
Department of Trade and Industry.

RESTRICTED

10 DOWNING STREET

Prime Minister!

The conclusions of the review are set out on its first page.

Agree to John Wybrew's X but not Y? (The only result of Y would be to suggest wonders from spending more money and bleeding stumps from spending less.)

DRN

I see no need for comment. Now is not the time to spend more money on these efforts. Decisions of this kind will not be made until after an election not

PRIME MINISTER 7 January 1987

CO-ORDINATION OF INWARD INVESTMENT - PROMOTION IN THE USA

The bulk of investment in the UK by US businesses is made by those already established here. For them the dominant influence on future investment decisions is our business climate, the outlook for the British economy and, not least these days, the prospects of a Conservative victory at the next election.

The promotional effort reviewed by Paul Channon is aimed at attracting and facilitating first-time investment by US businesses. There are two questions:

1 Do the benefits justify the costs; should we be spending more, less or perhaps nothing?

2 Could we get better results from the money and effort expended?

The answer to the latter is clear; there is scope for further improvement. So well and good; Paul Channon should set targets for improvement and required progress to be reviewed against them.

Paul Channon claims that the promotional effort "has been very successful in the period under review". The implication is that we should certainly not be reducing the budget. It is easy to be slipshod in making judgements of this kind. It might be revealing to ask the DTI to assess quantitatively the effect of varying the budget up or down by say 20%.

JOHN WYBREW

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PRIME MINISTER

CO-ORDINATION OF INWARD INVESTMENT PROMOTION IN THE USA

Norman Tebbit wrote to you on 29 March 1985 about the outcome of the last two yearly review of inward investment. This looked at the possibility of developing an integrated UK promotional organisation. He concluded that the wide differences of opinion held by colleagues and their officials meant that it would be a waste of time to pursue this objective for the present. Instead he recommended that E(A) should review the operation of the present arrangements following an assessment of the Britain Means Business Campaign (then just being launched) and with the benefit of an assessment of the situation in the US, conducted by the Foreign and Commonwealth Office.

2 This has been done. The two assessments have been considered by the Departments more closely concerned (FCO, DTI, Treasury, Employment, Scottish and Welsh Offices and the Northern Ireland Office) and their summary view is set out in the attached memorandum.

3 The UK effort has been very successful in the period under review; co-operation between Departments has improved and is generally very good. We can, however, see a number of areas where performance could be improved further. We will need to be even more effective in future, as the size and

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effectiveness of the competition grows and while US industry goes through one of its less confident and less expansionist phases. I am proposing to ask my officials in the Invest in Britain Bureau to take the lead in the Committee on Overseas Promotion in the follow up to the review.

I am copying this letter and memorandum to members of E(A).

P. C.

PAUL CHANNON

19 December 1986

DEPARTMENT OF TRADE & INDUSTRY

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MEMORANDUM

ISSUE

1 The review of inward investment promotion this year has been about how the current arrangements work and whether they can be improved. The terms of reference which colleagues agreed in July this year were:

> "To review the operation of the current arrangements for the co-ordination of inward investment promotion and to recommend improvements within the existing organisational framework. This should be done with the benefit of an assessment of the "Britain Means Business" campaign by the Invest in Britain Bureau and of the activities of promotional bodies in the USA by the Foreign and Commonwealth Office"

2 Departments considered the Foreign and Commonwealth office report on inward investment activity in the USA over the last two years earlier this month, along with my Departments assessment of the results so far of the "Britain Means Business Campaign" Our conclusions follow.

Recommendations and Actions taken

i) Departments should continue to develop closer informal links between their respective bodies engaged in overseas promotion to supplement the work of the Committee on Overseas Promotion (COP)

ii) The guidelines will be reviewed by COP and reissued.

iii) Training of the FCO field force in the US will be carried out by outside consultants and the staff of the Territorial and Regional agencies invited to participate.

iv) Attachments, either long or short, should be investigated as a way of supplementing the present field effort or to provide much needed research back up.

v) There is a potential weakness in relying so heavily on seconded Northern Ireland staff for the inward investment

posts in the US consulates. Any proposed further reduction in their number of change in deployment should be examined by the concerned Departments. The scope for alternative staffing arrangements in the longer term should also be re-examined before the next review.

vii) Early indications are that special promotions like the "Britain means Business" campaign are useful once and for all devices for raising the general level of activity, but they are probably not cost effective as a continous programme.
There has been a steady progress over the period in securing and safeguarding US investment in the UK. The emphasis, therefore, should remain on the visiting programme by the Inward Investment Officers in the consulates. Other promotional techniques should continue to be used in support, with the benefit of the ongoing research into their effectiveness which has been put in hand.

Background and Findings

3 There has been a steady progress over the period in securing and safeguarding US investment in the UK. The FCO posts have played a major role with the great majority of projects leading to new investment in the review period being identified by posts and being the result of patient contact work over a long period.

4 Although the essence of the UK effort is the direct contact with potential investors this effort is supported with a range of promotional techniques including selective advertising, literature, direct mail, seminars and other events. In April 1985 a special one off campaign was launched of extra support promotion under the logo "Britain means Business". The campaign, for which a corporate communications consultancy was engaged as advisors, had a budget of £1m and was run in close co-operation with all the major public sector inward investment promotion bodies in the UK along with British private sector co-sponsors (e.g Banks, accountants, airlines), contributing in cash and kind. Trades Unions also participated in some events.

5 The promotional activities included a special advertising campaign in Japan, a new quarterly magazine distributed to potential investors, a programme of visits to the UK by leading US and Japanese financial and

industrial journalists, an inward mission of Japanese industrialists and series of seminars in the US and Japan presented by Government Ministers and by senior British, US and Japanese businessmen and a pilot press relations exercise with the US press based in London. Pre and post campaign market surveys were undertaken in the US. We have carefully monitored and assessed the results of the BMB campaign so far.

6 The objectives of BMB were mostly long term and it is difficult therefore to say yet with certainty whether the campaign is achieving them. In its short term effects BMB was a worthwhile exercise - the involvement of the private sector and the trades unions presenting with the public sector agencies, a united front overseas, was a thoroughly worthwhile development which we shall continue to build on. The opportunity to test various promotional techniques in the real world has taught us a lot about what is successful and what is not in our two most important markets of the US and Japan. We shall continue to monitor the outcome on an annual basis. A summary of the objectives and progress so far is at the Annex.

7 Whatever the effect of BMB it could not replace, nor was it intended that it should, the direct efforts of the DS posts. The role of the post is also crucial in the task of co-ordination with the Territorial Agencies and English Regional Development organisations. The continuing political pressure in the regions to secure investment and jobs and the fierce competition for projects continues. As Norman Tebbit minuted in April 1985, attempts to replace the separate efforts of these bodies with one integrated body is not a practical proposition at present. Since the last review the Invest in Britain Bureau in London and New York and the other agencies have instead worked hard at co-ordinating their individual efforts so as to avoid the duplication and waste which earlier reviews had commented upon.

8 The Foreign Office have reported a considerable improvement during the period under review in the consultation and co-operation between DS posts and the TA's and RDO's. Good results have been obtained and the practical effects of duplication are not so serious as one might expect. This results as much from the quality of the personal relations between the staff as from the guidelines for co-operation which are overseen by the Committee for Overseas Promotion.

9 The DTI Grant in Aid monitoring system is now enabling IBB to exercise greater control and influence over the activities of the RDO's. COP has a review of the workings of the guidelines in its current work programme and there has been a welcome increase in informal consultation and exchange of information on output measures.

10 Arrangements have been made to increase the professionalism of the US field force. Leading US consultants have been retained to run a training programme for the FCO staff, to which the Territorials and RDO's have also been invited. We are examining the prospects for building a pool of inward investment expertise in the Diplomatic Service, the DTI and other Government Departments concerned.

11 We shall also be looking at the prospects for attachments - either of the long variety currently in operation with the Northern Ireland Office or of the short training type exemplified by the DTI's programme for younger export promotion staff. There are resource difficulties but the principle is worth exploring.

12 Departments agree that the existing field force could be made more effective if more resources could be devoted to research and back up staff. At the moment the Department of Trade and Industry has been able to assist with some ad hoc assistance but, ideally, full time support posts are needed. The Foreign and Commonwealth office cannot make extra staff available without detriment to other essential activities. Their report also drew attention to the need for new arrangements to cover Houston and Atlanta consequent upon the withdrawal of the Industrial Development Board of Northern Ireland secondees who were covering these two posts. The Foreign Office has managed to make a post available to cover Houston whilst the oil related export business remains depressed. The post at Atlanta is still under consideration. The withdrawal of two IDBNI personnel brings the number of their attached staff down to 5. Originally IDBNI provided 9 - a figure agreed by Ministers in 1982. The field effort in the US is heavily reliant upon the seconded IDBNI staff. The arrangement is that Northern Ireland gets improved access to potential investors and is less exposed to politically motivated actions than if they maintained their own chain of offices. In return IDBNI staff undertake to represent all parts of the United Kingdom as fully accredited member of the staff of the UK posts.

13 By and large the bargain has worked well. Unfortunately, although a reasonable number of investors have been persuaded to include Northern Ireland in their short list and have made site visits, there have been no decisions to invest from the US for about two years. IDBNI have therefore felt it prudent to withdraw from what for them are the less promising posts. Whilst this reaction is understandable it has reduced total UK representation just at the time when other European countries are increasing theirs.

14 IDBNI staff have a difficult task. They must promote the UK but ensure that Northern Ireland is a potential contender for project. Our experience to date has been that IDBNI staff have managed this dual role well, but continuing lack of reward in the form of concrete results for Northern Ireland could obviously put the system under strain. There have been a few suggestions recently from those operating outside the FCO network that some IDBNI secondees are pushing the Northern Ireland option to the point where it prejudices other regions chances. IDBNI deny this and point out that if there has been a change it has been a return to a more balanced presentation giving Northern Ireland due weight as the area in greatest need of inward investment.

15 It is important that we recognise these tensions, which are bound to exist in the current arrangements. It is paramount that we ensure that the overall objective of inward investment for the UK does not suffer whether from real or imagined problems. For the system to work there has to be trust. IDBNI needs to feel confident that others recognise its claim to be first among equals in the promotion of the regions and the other regions need to be confident that their chances will not be spoilt by IDBNI pressing the case for Northern Ireland to the point where it becomes counter productive. I believe this is not yet a problem. In the period under review the system has worked as we intended and yielded record results. Britain has remained the preferred European Location for inward investment. But we need to continue to work hard at keeping it so.

16 For the future, the comparative weakness of the dollar, the likelihood of increasing uncertainty about investment in the UK in the run up to the next general election, and the sharper competition from and increased funding of the effort by other European countries at a time whenthere are very many fewer

large projects in the offing, point to a period of consolidation in UK inward investment activity in the USA. Departments propose to make every effort to continue to improve the effectiveness of our system and staff and of the co-ordinating machinery. We cannot expect another record year, but the lesssons learned from BMB and the higher profile it has given to our promotional activity, coupled with the genuine will to cooperate that has been evident in all parties engaged in the effort in the US, means that we are in good shape to take advantage of the opportunities. We are able to face the increased competition and reduced market prospects with reasonable confidence that Britain will remain the prefered location and even, if things go well, widen its lead over the competition in the period ahead.

Department of Trade and Industry

ANNEX

BRITAIN MEANS BUSINESS EVALUATION

SUMMARY OF ACHIEVEMENT OF OBJECTIVES

The BMB campaign was to promote Britain as the preferred European location for internationally mobile investment projects and to promote the Invest in Britain Bureau as the central co-ordinating body for those thinking of locating in Britain.

Specific objectives defined for the BMB campaign and their level of achievement are listed below:

OBJECTIVE	TERM	ACHIEVEMENT
1. To reach one third of the US decision makers not being reached and to raise the awareness of the IBB among 'multipliers'.	Short	In absence of meaningful estimate of total US market BMB can point to a significant penetration of US decision makers through the Briefing on Britain magazine, mailed direct to 17500 US businessmen and up to 2500 distributed through other methods, and participation of 959 companies in BMB events. Multipliers (banks, consultancy companies and press) attended each of the BMB seminars in US.
2. To increase UK share of US non-oil direct investment in the EC from 36-40%.	Long	Measurable as US Department of Commerce Statistics are published. At end of 1985 UK share had increased to 37%
3. To double the amount of Japanese investment over 5 years.	Long	UK government statistics published after 3 year delay. Hoewever IBB statistics record 20% increase during 1985 in number of investors, and Japanese Government statistics record 14% increase in value of investment in UK.
4. Improve project success rate by 10%.	Long	Measurable annually from post-BMB campaign Output Measures System returns. First assessment due Q1 1987.

OBJECTIVE	TERM	ACHIEVEMENT
5. Reduce the number of decision makers who currently regard the UK's industrial relations and taxation levels unfavourably.	Short	Pre and post-BMB research showed that this was an area in which BMB proved unsuccessful in achieving a significant improvement in opinions of the UK's industrial relations and taxation position. However among those who had seriously considered the UK as an investment location tax benefits and labour skills were listed in the latter research as important factors in considering Britain.
6. Reduce amount of inward investment officer time needed to persuade clients to invest.	Long	as 4 above. Increased competition and changed economic climate may make this difficult to achieve.
7. Reduce rate of government financial incentive expenditure per £ invested by making potential investors increasingly aware of many inherent advantages of the UK.	Long	Measurable from Industrial Development Act Annual Reports. Will be monitored annually on publication.

Long term objectives will be continue to be monitored on an annual basis.

TRADE: Inward Investment: Feb. 1981

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