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Prime Minister

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INWARD INVESTMENT MISSIONS

Your Private Secretary's letter of 26 January, conveying your agreement to my undertaking an inward investment mission to Japan, also contained a request for an evaluation of the mission. This is it. I have, however, taken the opportunity to look back at my visit to the USA last year and the following report, therefore, covers both missions.

GENERAL

I will preface my remarks by stating the obvious. Leading an inward investment mission gives me a snapshot at a particular moment; but it is a part of a continuous on-going effort by the posts overseas, the UK promotional bodies (in the case of Wales, the Development Corporation for Wales) and Government departments such as my own. Decisions by companies about investment are of course the outcome of months or years of investigation and consideration and it will very seldom be the case that it is possible to point to a single meeting or visit as the decisive event. When an investment decision is announced during a Ministerial visit it is virtually always the case that the negotiations have coincidentally reached the right stage at the right moment. I have not sought to stage manage in this way. However, while I was visiting Yuasa Batteries in Tokyo, the company announced their intention, subject to the satisfactory conclusion of financial negotiations, to establish a plant at Rassau near Ebbw Vale employing up to 270, and thus become the eighth Japanese company to establish in Wales. This announcement was not only good news, but gained a great deal of excellent publicity and politically, was extremely useful. But by the very nature of things, such cases are the exception rather than the rule. What I would say, however, is that I do believe both missions to have been of immense importance. Indeed, in any assessment that I might make of my own personal contribution to the welfare of Wales during my period in office as Secretary of State, I would put my leadership of these two missions very high on the list of worthwhile achievements; not least because they have shown the people of Wales that I am prepared to do my utmost to encourage the new investment that is needed so much.

Incidentally I have also formed some strong views about the way in which our overseas promotional work is organised; but I will be taking this up with Sir Keith Joseph and Peter Carrington.

INWARD INVESTMENT MISSION TO THE USA

Between 23 September and 11 October last year I led a Development Corporation for Wales inward investment mission to the USA. In accordance with the usual practice, I undertook the mission as a UK Minister, making it clear that while I had a special responsibility for Wales I was at all times seeking to promote new US investment into the

/UK generally.



UK generally. I gave a number of TV/radio interviews at which I described what Wales and Britain as a whole have to offer for US investment and explained the Government's policies in a variety of fields but with the emphasis very much on economic matters.

I visited 19 companies during the tour, which took me from Washington to Colorado Springs via New York, Pittsburgh, Chicago, San Francisco and Los Angeles. Many of these companies already have plants in Wales and the meetings allowed an opportunity to discuss the present performance and the problems of these firms as well as their plans for the future.

I was able to visit the US headquarters of Inmos and establish an excellent working relationship with the senior personnel of that company whose success is so vital for the future of South East Wales and so important to the image that we are trying to create for that area.

The tour included a number of receptions; and seminars and discussions were held. Some 51 companies expressed an interest in undertaking a development in Wales now or at some time in the future. Six of these companies have since visited the Principality and one (Tone Commander) has decided in principle to proceed with a project in North Wales, promising about 50 jobs. Discussions are continuing with many of the others and follow up visits to the United States have been made by the Industrial Director of my Industry Department and by the Development Corporation for Wales. The majority of the 51 companies concerned are continuing to show an interest in overseas investment.

Of necessity the results of this mission, in terms of new investment projects, will only emerge over a period of time. However, in assessing the value of the mission account also needs to be taken of the outcome of very frank talks which I had with the American management of two companies, Alcoa and Borg Warner, whose Welsh units were at the time of the visit incurring heavy losses. There is no doubt that my visit materially influenced Alcoa in their decision to go for a slim-down operation rather than a complete closure of their Swansea plant and thus safeguard over 700 jobs. Borg Warner too were contemplating closure of their Kenfig unit with the loss of over 1,000 jobs at the time of my visit. My discussions with them again helped very significantly to underpin their commitment to the Welsh unit with the result that Borg Warner are now very seriously examining the possibility of undertaking production of a new automatic transmission unit at Kenfig.

The presence of the Welsh Office Industrial Director, with his previous experience of running the Anglesey Aluminium Company in North Wales made it possible to talk authoritatively to industrialists about the level of grants and assistance that might be available. And the positive contribution by the Chairman of the Wales TUC helped to dispel many of the fears about industrial relations problems in the UK.

/In summary



The nature of discussions with the various company representatives was very different from the American experience. Discussions were invariably through interpreters, which inevitably slowed down the discussion process, and the natural tendency of the Japanese to assume a formal stance further retarded the discussion pace. Once the formalities had been completed however the discussions proved to be meaningful, to the point and honest. The following points emerged from the discussions:-

- (a) There is general goodwill from Japan towards the UK.
- (b) Japanese industrialists are much concerned that protectionist barriers may escalate in Europe.
- (c) Japanese industrialists believe that good industrial relations are difficult to establish in the UK. They are concerned that even if they were to establish good industrial relations within their own plants, external disputes could wreck their operations.
- (d) Although the Japanese industrialist claims that he would wish to source as much as possible of the components locally, the generally held belief is that UK products - particularly in the electronics industry - are unreliable and of inadequate quality.
- (e) The Japanese are naturally courteous and anxious not to offend. A demonstrable welcome is more important than the precise level of Selective Financial Assistance that might be offered. No Selective Financial Assistance however creates the impression that the British Government does not welcome the proposed investment.

CONCLUSION

On both occasions I have been able as a UK Minister to speak of Government policy on trade and industry matters to people in the front rank of business. I have been able to cement relationships with those already operating companies in Britain and to discuss with their top management some of the problems that they face. I have in two or three key cases probably decisively influenced attitudes when the very existence of their UK operations were seriously called in question ie in the case of Alcoa and Borg Warner. I have been able with the help of my Industry Director and the Chairman of the Wales TUC to dispel many misconceptions about industrial relations in Britain. Undoubtedly what John Griffiths had to say made a deep impression in the USA, and particularly in Japan. I have been able to obtain a prolonged hearing from a number of potential investors who have by the thoroughness of their cross-examination revealed their interest. I have been able to establish a number of personal contacts and relationships which could be of value in the future.

/These missions



These missions have given a fresh impetus to long term development work, have created a wide range of contacts and have stimulated considerable interest among potential investors and others. They form part of a continuing process, they are being followed up by the DCW and by my own Department. They need to be repeated at regular intervals over a period of years by whoever is Secretary of State.

/ I am sending copies of this to Peter Carrington, Keith Joseph, George Younger and Norman Tebbit.

RNE

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May 1981

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BY BAG

FROM TOKYO

TELNO 4 SAVING

DATED 9 MARCH 1981

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Addressed to FCO Telegram No 4 Saving of 9 March 1981

Repeated for information Saving to Osaka, Welsh Office, IBB,
Department of Industry

VISIT BY THE SECRETARY OF STATE FOR WALES TO JAPAN

1. The Right Hon Nicholas Edwards MP, Secretary of State for Wales, visited Japan from 21 February until 3 March. His main purpose was to encourage Japanese investment in the UK, in particular in Wales. He also took every suitable opportunity to emphasise the British Government's full support for the EC Council of Ministers' statement of 17 February on EC/Japan trade relations and urged Japanese Government and business leaders to take action to respond to the Community's concerns.
2. The Secretary of State's programme which covered both the Tokyo and Osaka metropolitan areas included meetings with seven companies already established in Wales (Sony, Matsushita, Hitachi, Hoya, Aiwa, Takiron and Sekisui). He also called on firms which are potential investors in Britain: Yuasa, Showa Denko, Munekata, Nittan, Toshiba, TDK Electronics, Hitachi Maxell, Akai Denki and Sanyo. He did not call on the Nissan Motor Company although he publicly emphasised the welcome given by the British Government to Nissan's decision, subject to a feasibility study, to establish a substantial car manufacturing facility in Britain. He did, however, meet Mr Okuma, the Executive Vice President of Nissan, at dinner at my house and at a meeting with the Keidanren, the Japanese equivalent of the Confederation of British Industry. He also had a meeting with the Electronics Industries Association of Japan and spoke at luncheons/receptions hosted by the British Chamber of Commerce, the Chartered Bank, Barclays Bank and the Touche Rosse company in Tokyo and by the Kankeiren in association with other Kansai organisations and the British Chamber of Commerce in Osaka. When in Tokyo he called on Mr Tanaka, the Minister for International Trade and Industry, to whom he explained HMG's economic policies. In Osaka he called upon the Governor of Osaka Prefecture.
3. The visit coincided with a decision by the Yuasa Battery company, subject to the satisfactory conclusion of detailed negotiations, to establish a factory at the Rassau industrial estate near Ebbw Vale which will eventually employ 270 workers. No decision was forthcoming during the visit from Munekata/Showa Denko about their projected joint venture to manufacture plastic containers for TV sets in South Wales.

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But the Secretary of State was able to allay anxieties, felt particularly by Munekata which has no previous experience of operating abroad, about establishing a factory in Britain. Following the visit the President of Munekata wrote to the Secretary of State seeking reassurance on some points which continued to bother him. It seems likely that a decision on whether to set up in South Wales will be taken shortly.

4. Most of the companies operating in Wales spoke warmly about their UK operations, but the Presidents of Hitachi and Matsushita spoke frankly about their concerns respectively about UK labour relations and quality of locally supplied components. These concerns were shared by almost all the companies the Secretary of State visited. Labour relations in particular was the theme of an extensive discussion at the Keidanren. Mr Griffiths, Chairman of the Welsh TUC, took a prominent part in this and his quotation from a contract between management and labour in connection with the establishment of a Japanese enterprise in Wales where it was stated that neither management nor unions "will be a party to any external disputes" was effective. Mr Griffiths proved himself a valuable last minute addition to the Secretary of State's party. I hope that other UK Ministers who may visit Japan for inward investment purposes will be accompanied by similarly articulate exponents of moderate British trade unionism.

5. One of the points made by the Governor of Osaka during the Secretary of State's call on him was that Japanese companies would prefer detailed information on exactly where their industrial activity could fit into the UK scene rather than receiving general exhortations to invest in Britain. This point was not made elsewhere during the visit, but there are increasing signs here that our approach to inward investment from Japan needs to be differentiated and sophisticated.

6. Three members of the Development Corporation for Wales led by their Chairman, Sir Idwal Pugh, were in Japan during the visit and participated in some items of the programme.

7. The Secretary of State made a number of effective short presentations and speeches. He took every opportunity to hammer home the welcoming environment in Britain for Japanese investment. I trust he found the visit both useful and informative.

CORTAZZI



INDUSTRIAL INVESTMENT MISSION TO JAPAN

COMPANIES & ORGANISATIONS VISITED

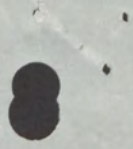
COMPANY/ORGANISATION	COMMENTS
1. Minister of International Trade and Industry at Miti	Discussion on trading policies.
2. Nittan Company Limited	Existing company at Woking. No immediate plans for expansion.
3. Hitachi	Joint venture with GEC at Hirwaun, South Wales. Possible new video project being evaluated.
4. TDK Electronics	Distribution company already in UK.
5. Toshiba	Possible investment in Scotland.
6. Showa Denko	Possible joint venture with Muneketa in Wales (now deferred).
7. Hitachi Maxell	No plans at present, but are considering future investment plans.
8. Yuasa	Company announced decision to establish plant in Wales subject to final detailed negotiations.
9. Akai	Company has a London based subsidiary. No firm plans at present to establish manufacturing plant, but future plans could include UK as a production base.
10. Aiwa	Existing company in Penyfan, Wales. Company intend extending factory in time.
11. Takiron	Existing company in Bedwas, South Wales. No plans for expansion at this time.
12. Sekisui	Existing plant in Merthyr, South Wales. Consideration being given to expand the Merthyr operation.
13. Sanyo	Consideration being given to establishing a production plant within EEC. No firm location preference at this time.



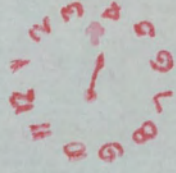
COMPANY/ORGANISATION

COMMENTS

14. Matsushita	Existing plant in Cardiff, South Wales.
15. Sony	Existing production facilities in Bridgend, South Wales.
16. Hoya	Existing operation in Wrexham, North Wales.
17. Muneketa	Proposed joint venture with Showa Denko (now deferred).
18. Daihatsu	No firm plans to invest in Europe at this time. Consideration being given to machine tool joint venture.
19. KEIDANREN	Wide-ranging discussions on issues covering industrial relations, component supply and quality and financial assistance.
20. Electrical Industries Association of Japan.	Wide-ranging discussions with particular emphasis on component supply and quality.



5-6 MAY 1981



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SAVING TELEGRAM

Japan

BY BAG

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DATED 9 MARCH 1981

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FCO/WHITEHALL
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ADVANCED**