

# We need the Japanese, if you please

## William Keegan In my view



**G**IVEN the importance British governments have attached to inward investment, you would think that New Labour, obsessed as it is by jobs and productivity, could have rustled up at least one Minister to address last week's conference on 'Japanese investment: here to stay?'.

The conference, organised by the Anglo-Japanese Economic Institute and County Durham Development Company at Auckland Castle, was not a million miles away from the constituencies of the Prime Minister and the Secretary for Trade and Industry, Stephen Byers.

The crisis in Kosovo means Tony Blair has other priorities. But this Government has enough Cabinet and

junior Ministers to fill a medium-size car park. Are they *serious* about attracting overseas investment and nurturing the regional development authorities they have just set up? The Japanese ambassador, for his part, saw fit to attend.

Even as the conference got under way, the topical news was the latest blow to jobs on Teesside, as well as the more publicised cutbacks on Clydeside, as a result of 'restructuring' by Kvaerner, the Norwegian engineering and construction company.

The press, normally accused of accentuating the negative in these matters, managed to put on a brave face, the Teesside *Evening Gazette* leading its front page with the headline 'Losers and

winners'. The problem was that the threat to jobs was immediate, whereas the new jobs to come from the expansion at Teesside airport were medium-term ones.

The Government has been desperate to hang on to BMW's inward investment in Birmingham, even going so far as to offer the kind of public subsidies one associates with the Old Labour days of Harold Wilson and James Callaghan.

But, with regard to Japanese investment, the ambassador was as reassuring as he could be in the circumstances — namely the Japanese recession and the fear that Japanese companies will draw in their horns.

Although the first Japanese investment in the North East was in the Seventies, the huge emphasis on attracting companies there only became a central — indeed *the* central — aspect of British industrial policy in the Eighties, when Margaret Thatcher felt that she could not sack leading 'wet' Peter Walker but exiled him to South Wales instead.

The British manufacturing base had been battered by a potentially lethal dose of monetarism and excessively

high exchange rates. Walker did his best to run a Keynesian fiefdom in Wales and embarked on a policy of attracting inward investment, which other regions followed.

John Harvey-Jones, chairman of ICI in the early Eighties, believed it was a mistake to rely too much on overseas investment because, when the chips were down, multinationals would always be inclined to cut back on those operations farthest from home.

There was also the danger that such operations would be mere assembly plants and the research and development would stay back home. But

and Munich.

The DKB International chief economist, Dr Gerard Lyons, pointed out at the conference that, although Japanese investment overseas was now well below its peak, it had grown so much during the Eighties that it was still at a high level.

But one Japanese speaker sent a shiver through the audience when he said that the household names among Japanese manufacturers were now so bowed down by excess capacity and debilitating debt that there was 'no hiding place' for threatened companies and even the precious

### The 'British' productivity miracle was manufactured in Tokyo and Munich

one thing almost everybody seems to be agreed on is that Japanese methods and labour practices contributed substantially to improvements in British manufacturing productivity, not only directly, but also by setting an example to other companies.

To the extent that there was a British productivity miracle, it was manufactured in Tokyo

alarm about Japan and praise for the US economy these days, how for much of the Eighties people were writing off the mighty US economy, even as it was building up to its finest hour. New students of economics should always beware of fashion and conventional wisdom.

They should also be wary of relying too much on the 'image' of an economy. The popular image of Durham down south is of an economy of ailing coalfields being rescued, up to a point, by Japanese investment, which is now itself threatened. The amazing fact is that there are actually no coal mines whatsoever operating in County Durham; and, for all the publicity it has received, Japanese investment in the North East is far outweighed by US investment.

There is much talk of larger and larger economic blocs. But for the people on the ground at regional level, the world economy consists of tiny areas all desperately trying to create jobs in one way or another. Why, even Japan, the most publicised overseas investor, has seen an increase in inward investment from overseas in recent years.