

BRITISH BROADCASTING CORPORATION

RADIO 4

TRANSCRIPT OF "FILE ON 4"- 'UK INVESTMENT'

CURRENT AFFAIRS GROUP

TRANSMISSION: Tuesday 11th July 2006 2000 - 2040

REPEAT: Sunday 16th July 2006 1700 - 1740

REPORTER: Fran Abrams

PRODUCER: Rob Cave

EDITOR: David Ross

PROGRAMME NUMBER: 06VQ3617LHO

THE ATTACHED TRANSCRIPT WAS TYPED FROM A RECORDING AND NOT COPIED FROM AN ORIGINAL SCRIPT. BECAUSE OF THE RISK OF MISHEARING AND THE DIFFICULTY IN SOME CASES OF IDENTIFYING INDIVIDUAL SPEAKERS, THE BBC CANNOT VOUCH FOR ITS COMPLETE ACCURACY.

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EXTRACT FROM SPEECH

BROWN: Under our monetary and fiscal regime, we will maintain low inflation, low public debt and a long term commitment to strong fiscal discipline. It's upon that foundation of stability that I believe Britain can become the location of choice and the place to do business.

ABRAMS: The Chancellor, Gordon Brown, is leading the drive to bring foreign companies to the UK.

BROWN: All strengths that we wish to develop as we become the preferred marketplace not just for European companies, but also for going Indian, Chinese and other countries' companies and the multinational headquarters of choice.
[applause]

ABRAMS: Last week the government announced more overseas companies than ever were choosing to move to Britain. And next week its trade and investment branch will host a major launch, setting out how it intends to attract even

ABRAMS cont: more of them. The rewards for choosing to come here include grants, tax breaks and even honours. But File on 4's seen government research which reveals what's good for foreign business isn't always good for UK PLC.

COOK: They came demanding everything, getting almost everything, and then departing and leaving four-fifths of very little.

SIGNATURE TUNE

ACTUALITY AT DOCKS

ABRAMS: This is Tilbury Docks on the river Thames. UK ports like this one are thriving, and 95% of our freight enters the country in this way. Chris Jones works here as a shipping inspector for the International Transport Workers' Federation.

JONES: When did you get in? This morning?

MAN: About this night, I think it was 1 o'clock.

JONES: And you sail when?

MAN: 1600.

JONES: Oh right.

MAN: 1800.

JONES: 1800. So where's home? Helsinki?

ABRAMS: Chris Jones doesn't see many British ships coming in here these days. Between 1975 and 2000, the number flying the UK flag slumped from more than 1,600 to just 250.

JONES: Well this vessel is formerly Irish owned, but looking at its registry now, it's been sold on and it's registered in Nassau in the Bahamas.

ABRAMS: What would you be looking for if you went onto a ship like this?

JONES: Welfare conditions of the crew, non payment of wages, overtime not being paid correctly, substandard food, accommodation.

ABRAMS: The decline of the British fleet was apparent to everyone – not least the Deputy Prime Minister, John Prescott. He witnessed it over many years, first as a merchant seaman, then as a trade unionist and politician. When Labour came to power, Brian Orrell, general secretary of the seafarers' union Numast, hoped there'd be changes.

ORRELL: We'd had over twenty years of decimation of our industry, a complete hands-off approach. The fleet had reduced down considerably, the number of cadets being trained for the future were minimal and a lot of flagging out to other registries was taking place in order to be able to reduce the employment conditions of those seafarers that were on the ships. So when the government came in in 1997, its first task was to establish a shipping taskforce with the maritime unions and the ship owners, with the guidance of the Deputy Prime Minister, who was responsible in those days for the shipping policy, and we developed a shipping policy. And I have to say that was a tonic to all of us in the industry at the time, and when we secured the tonnage tax regime as well, we felt that that was a jewel in the crown.

ABRAMS: The Tonnage Tax is the centrepiece of the government's shipping policy. Its aim is to encourage foreign companies to invest in Britain. Instead of paying corporation tax on their profits, they can pay a flat rate fee on their tonnage – a move that saves them significant amounts of money and costs the Inland Revenue £40 million a year. It was meant to create jobs for British seafarers and particularly for trainees. But the numbers are now declining, according to Brian Orrell.

ORRELL: We've attracted in so many ships into the tonnage tax but there's been no attempt to try and crew those ships with UK seafarers. And therefore we have operators under the UK using the UK as a flag of convenience operation. We have multi national crews on board the ships, none of whom are UK seafarers, officers or ratings. We argue that the social conditions on board UK ships should be of an acceptable minimum standard and we have a system where you can have Filipinos on UK flagships, even operating on the UK coast, not having the minimum wage applied to them. They're on board for twelve months at a time, they don't have any employment protection.

ABRAMS: The tonnage tax has brought new business to Britain – there were more than 800 ships under the scheme at the last count. But just a third of the seafarers on them are British – and the proportion is dropping fast. The man responsible for implementing the tonnage tax was Maurice Storey, who at the time was chief executive of the government's Maritime and Coastguard Agency. He's now president of the UK Chamber of Shipping, the industry's trade body. He defends the record of the tax.

STOREY: There's not ONE single cadet that has been trained under the new tonnage tax system has not had an opportunity to have a job in the industry.

ABRAMS: Under the tonnage tax only about a third of the people on the ships are actually British seafarers at all. And, of course, there are still people sailing in British ships in British waters who aren't even entitled to the minimum wage.

STOREY: You would not necessarily pay a Filipino seafarer on a British ship which comes in UK waters minimum wage. We're also in an international competing market and you've got to look at what the market is doing. Foreign ships coming into the UK are not forced to pay the UK minimum wage to their nationality of people on board, and neither is the UK government able to make them do so.

ABRAMS: If that Filipino was working on a building site in London, he would be entitled to the minimum wage. If he's working on a ship in the Irish Sea he could be getting £1.50 an hour.

STOREY: Well, I would not say that he's getting £1.50 an hour, but if he's working on a building site in London, he's living somewhere in London and having to pay accommodation.

ABRAMS: But surely it can't be right when the British seafarers on that ship will be getting far better wages than he will?

STOREY: He's getting a rate of pay that is correct for his country of domicile.

ABRAMS: Mr Storey's main job at the Maritime and Coastguard Agency was to make the tonnage tax work by persuading foreign firms to sign up. And in 2003 he pulled off a coup – he persuaded a major Taiwanese shipping company, the Evergreen Group, to set up a UK subsidiary called Hatsu Marine. He even went to Taiwan to negotiate the deal with Evergreen's owner, Yung-Fa Chang, and he later received a CBE for services to shipping and British economic interests. Mr Storey says the new tax was key to the deal.

STOREY: Well Evergreen itself was already in the UK anyway as Evergreen UK, and they traded into the UK with their own particular ships. Obviously with the tonnage tax there was an attraction and the UK formed tonnage tax to create inward investment for foreign companies into the UK to revitalise British shipping. And of course the terms were attractive and so Evergreen decided, because they were already in the UK, they would have a subsidiary in the UK, and that was how Hatsu Marine was set up.

ABRAMS: So the tonnage tax was a major factor in that decision?

STOREY: The tonnage tax and the relationship between the regulatory authority in the UK were both major issues that made the UK a more sensible climate to do shipping in.

ABRAMS: Mr Storey retired from the civil service three years ago. Then he became chairman of Hatsu Marine, the new company he'd helped to bring here. And he's been seconded from there to the Chamber of Shipping – a role in which he can again influence the fortunes of the tonnage tax. Ministers are currently reviewing the tax – and the unions are demanding it should be linked to jobs for British seafarers. A major element of Mr Storey's current role is to persuade the government not to put these burdens on the ship owners.

Would Hatsu disappear if the tonnage tax regime disappeared?

STOREY: Well, as far as I'm concerned, that would be up to Dr Chang, because of course he's the owner and the decision-maker in this area. But he's shown he's been very committed to the UK, he's made it quite clear that he's committed to the UK, and I think he would think very carefully before he moved out of the UK. But obviously, if you're an international business competing internationally, you've got to be competitive.

ABRAMS: I think he has said, hasn't he, that he's in the UK for as long as the regulatory regime is friendly?

STOREY: I think he said quite openly, yes, as long as the UK supports the industry, as most other companies have said, yes, the company will support the regime. And at the end of the day people in business today, any business, are in a commercial business and they've got to be competitive if they're trading internationally.

ABRAMS: So the UK government shouldn't be too wide eyed about foreign companies that have to take very hard-nosed decisions?

STOREY: Well, that is correct. Of course, obviously if that climate was not right to do business, I'm sure they will go elsewhere.

ACTUALITY IN LONDON

ABRAMS: I'm standing outside an anonymous-looking office building near London's Victoria station. This is Kingsgate House. It's the headquarters of UK Trade and Investment, the arm of government which works to attract foreign business as well as supporting British firms abroad. It has a total budget of around £250 million a year – and its Chief Executive, Andrew Cahn, is sure it's doing a good job.

CAHN: At the moment Britain leads the world for foreign direct investment, and we should be proud about that fact, because it contributes to jobs in this country, it contributes to competitiveness in this country, it contributes to prosperity in this country. And if you look at it the other way round, if we don't attract inward investment we will slowly decline as a nation and decline as a competitive force in the world.

ABRAMS: If we're going to offer tax breaks for inward investment such as tonnage tax in the shipping case, shouldn't we be getting something in return?

CAHN: I believe we do get a return from inward investment. What we get is new knowledge, new ways of working, new approaches to doing work, and it's all to do with British companies learning from the foreign company.

ABRAMS: But in the case of shipping, we've offered tax breaks worth £40 million a year to foreign shipping firms to come into this country, and yet the number of UK sailors on UK ships continues to drop. Surely there's a strong argument there that that's not the best way of creating British jobs?

CAHN: Shipping is part of transport infrastructure, it's essential to us that we have adequate maritime infrastructure. My belief is that the British shipping industry is a valuable part of our economy.

ABRAMS: But such is the emphasis these days on inward investment that some British companies are beginning to feel let down.

NEGAL: It was a real crying shame that it went the way it did. Really sad. And I certainly do not believe that it was an understanding of international steel matters that caused the government to support Mittal in Romania.

ABRAMS: This former steel producer says he got very little tangible support from the government when he needed help abroad. And yet the Prime Minister was prepared to write a personal letter for Lakshmi Mittal, a London-based Indian steel magnate and major Labour Party donor, to back his purchase of a foreign plant. When Mittal Steel moved its offices here, it qualified for support as a British company – and that proved very useful for Mr Mittal, who seems to have been taken to heart by the UK government. But his links with a US lobby group called Stand up for Steel seem to raise questions about his loyalties, according to Mark Reutter, author of a history of the US steel industry.

REUTTER: Stand up for Steel is a lobbying group that was set up in the 1990s in the US by the major traditional steel companies and the United Steelworkers of America, the union at the American plants. It was credited with successfully lobbying George Bush to impose tariffs on steel imports, including those from England. And it recently has been active again in lobbying against imports into the US. Mittal Steel has now taken the lead as the most active steel company in this essentially protectionist lobbying movement.

ABRAMS: What did they get for their money?

REUTTER: Stand up for Steel is right along this line. It wants to impose tariffs and quotas on such things as pipe from China in order to keep the market tight and the prices high, so that Mittal's products from his Mittal USA steel plants continue to have a dominant share of that market.

ABRAMS: Mittal Steel also supports the European steel manufacturers' lobby, Eurofer, often pitted against Stand up for Steel over issues such as tariffs and dumping. But there are British businessmen who have felt the effects of his lobbying in America. A few years ago Keith Negal took over a defunct steel company in Milford Haven, in Wales. Before long he had a thriving small business with more than twenty staff, making and selling steel bar for the US market.

NEGAL: Within six months we were up and running at a good rate, we had customers who were keen to take our product. Our whole philosophy was to say that the Atlantic didn't exist, so we sold in dollars, we manned our telephones US times, everything we did was to appear to our distributors in the States as though we were a US company supplying them.

ABRAMS: But then the business hit problems. Lawyers for the American Steel companies, backed by Stand up for Steel, were pressing their government to penalise overseas firms for what they saw as unreasonably low prices, or dumping. Mr Negal didn't expect it to affect him – until he received some shocking news.

NEGAL: In January we were told that we would be hit with a punitive level of duty which was 125%. We had a container of steel that went into Montreal, I believe, worth \$60,000, and we were hit with \$75,000 duty on it, there and then. I had about a million dollars' worth of steel on the high seas. It simply destroyed the value of that steel so we had to turn all the steel round and shove it back to Antwerp while we decided what to do.

ABRAMS: And what did you do?

NEGAL: We had no choice but to close the business down. So by the, I suppose something like the 20th of March, we had made everyone redundant and closed the business. If you run a small company with only twenty people, you know everybody and there were some really good chaps there and there was a level of commitment you don't see in bigger companies.

ABRAMS: So Stand up for Steel, the American steel organisation backed by the UK-based Lakshmi Mittal, had successfully lobbied for antidumping duties against UK companies. That policy destroyed Keith Negal's business. Later the UK steel industry lodged a case on Mr Negal's behalf with the World Trade organisation. A few months ago it ruled the US action was unlawful, but the decision came far too late.

NEGAL: The WTO took action, but it takes ages, you know. If you're a small company with a million dollars' worth of steel on the high seas, your problem is immediate. Those people were made redundant within weeks, the WTO action took years. It took years.

ABRAMS: And Lakshmi Mittal was lobbying or his companies were funding the lobby on behalf of the American steel industry?

NEGAL: The fact that he has a company in the States that argues in favour of protectionism, and a company in Europe that argues against it is probably the only way he can reconcile having such a large organisation. I think that it's difficult to have what I would call a consistent global policy.

ABRAMS: So why do you think then that the British government gives him so much support?

NEGAL: I don't believe the British government has any real understanding of what's going on in the Mittal empire, and had no understanding when it supported him on things like the Romanian purchase.

ABRAMS: Why do you think they do it? Why do you think he gets so much support?

NEGAL: I have absolutely no idea.

ABRAMS: Did you have diplomatic support from the UK government?

NEGAL: Not in any tangible way.

ABRAMS: But despite strong assertions by Downing Street at the time of the Romanian row that Mittal Steel was a British company – and similar assurances to us by UK Trade and Investment – the company told us it did not see itself that way.

READER IN STUDIO: Mittal Steel does not claim to be a British company and has never sought support from Britain or the British government. We are a global company with operations in sixteen countries across four continents. Quite simply, Mittal Steel does not have a business relationship with Britain or the British government as, other than having a corporate office in London and a small wire manufacturing business in Kent, we have no business operations here.

ABRAMS: The people who make judgements about which businesses qualify for backing in their dealings with foreign governments are the commercial attaches in British embassies all over the world. They're overseen by Andrew Cahn, chief executive of UK Trade and Investment. How does a businessman get the Prime Minister to write him a letter to help him buy a foreign plant?

CAHN: The British government is always willing to help British companies in their export efforts, in inward investment efforts. British ambassadors overseas, whose time is part of my organisation - UK Trade and Investments Activities - are always there to help British businesses when they're trying to make acquisitions overseas, gain contracts overseas, and the bigger the piece of business the more likely it is that a minister is prepared to also lend their weight. But we try and do this without fear or favour, helping British business and through them the British economy and British jobs.

ABRAMS: But if it's without fear or favour, why is it that Lakshmi Mittal can have such an advantage when a small steel company in Wales, that's struggling to survive in the face of an American anti-dumping action, can't?

CAHN: That's not for me, that's not my subject matter.

ABRAMS: Well, I mean it is, in terms of the staff who make those decisions are under your control, aren't they?

CAHN: My staff will be looking after the interests of all British companies and seeking always to help them gain contracts overseas and deal with overseas problems. That's what we do. We help individual British companies with problems overseas, sort those problems by going in to the officials or the ministers or the media overseas and pushing the British case.

ABRAMS: But you say that the bigger the operation, the greater the help. How does buying a plant in Romania save or create more jobs in Britain than saving 24 jobs in Wales?

CAHN: I didn't say that, I said that if you want ministerial intervention, clearly ministers are busy people, they can't spend 24 hours a day doing this sort of thing, so the bigger the issue the more likely it is that it's a sensible use of ministerial time to make an intervention. But British ambassadors are always there, commercial counsellors overseas are always there to help British companies deal with exactly these sort of obstacles.

ABRAMS: But Mr Negal isn't alone in wondering whether the British government could have done more to help his business. Two years ago, Gordon Brown announced he was cutting back this type of support in order to concentrate on attracting investments from overseas companies. Graham Hand, Chief Executive of the British Consultants and Construction Bureau and our former ambassador to Bosnia and Algeria, says the Chancellor got it wrong.

HAND: Well, in the 2004 spending round, UK Trade and Investment funding was cut by £20 million and the decision was taken that UK Trade and Investment should focus on inward investment, so the result of that was quite a significant loss of jobs, both in London at Kingsgate House and also - and more seriously - in posts abroad, and so 54 diplomatic posts were left without any commercial representation whatsoever, which I think is a bad thing, because you know, even if you had one single local employee of quality, that person can do a great deal for British business. Very bad for the interests of British business.

ABRAMS: What has that actually meant in reality on the ground for British companies who are going to their embassies looking for support?

HAND: Well it means they can get a cup of tea and a biscuit from the ambassador and no doubt a good talk about the economy and the politics of the country, but what they can't get is a list of likely agents, a list of lawyers they can trust, some information about the local chambers of commerce, whether they're any good or not, that sort of thing. My view is that at that spending round, the balance between trade promotional work and inward investment work was skewed too much in favour of inward investment work. Now I don't say that this is not important work, but there seemed to be a feeling in the Treasury that because you can measure the importance of inward investment in monetary terms, that therefore this is all that mattered, because it is extremely difficult and getting more difficult as time goes by to actually measure in any accurate way what the benefit is of the export of services to other countries.

ABRAMS: But Andrew Cahn, head of UK Trade and Investment, insists the government has got it right. He's due to make a major announcement next week, on his organisation's strategy for the next five years. But he says this particular policy won't change.

CAHN: Both trade promotion and inward investment are extremely important. We have, I think, a good balance at the moment, it's about a 70/30 split and I think that's about the right balance and I imagine that it will continue at that level.

ABRAMS: So you don't believe, as I think certainly Graham Hand would, that you've been directing too many of our resources to attracting foreign investment and too few at supporting British companies abroad?

CAHN: I don't believe that's true. Foreign direct investment adds to the prosperity of your own country, it adds to the competitiveness, it adds to the productivity. I just don't accept the argument that inward investment is less important than export promotion, both are important and I think the present split we have of effort is probably right.

ABRAMS: But there have been official attempts recently to measure whether it's better to spend money on trade promotion or on helping foreign companies to invest in Britain. Just after it decided to double the proportion of UKTI funding spent on inward investment, the government actually commissioned a major study into whether its policy was backed up by evidence. Academics from the Reading Business School were appointed to examine the facts. And we understand their findings caused something of a row. They haven't been widely circulated, but we've seen them. And they state quite clearly that the government has got it wrong.

READER IN STUDIO: The UK government may have been subsidising activities that principally benefit overseas countries, whilst withdrawing subsidies from activities which in fact generate considerable benefit for the UK. In addition, there has been too much emphasis on the location of production activities, and too little emphasis on who owns these activities – and in particular, whether UK production plants are owned by foreign or domestic firms.

ABRAMS: The researchers pointed out profits made by British companies in the UK went into the UK economy – while profits made by foreign firms in the UK went abroad. A steering committee of senior officials from the Treasury, DTI and Foreign Office, has broadly accepted their findings – and despite Andrew Cahn's apparent defiance it seems plans to give even more support to inward investment will be scrapped. That doesn't change the government's basic line – that foreign firms are good for Britain and bring in large numbers of jobs. But there's plenty of evidence it doesn't always work out that way.

ACTUALITY WITH PAUL LONG

LONG: This is the servicing section. We do services for probably seven different manufacturers ...

ABRAMS: Paul Long's the operations director of Amkotron UK, which employs 24 people mending pc monitors. The firm's doing well and has service contracts with a number of major companies. But Mr Long used to work on this site, near Billingham in County Durham, for a much bigger operation.

LONG: You can still see the lighting is arranged in the shape of the lines, and it's proven very useful to us as well ...

ABRAMS: This plant was built by Samsung, the Korean electronics giant. It came here in the mid-1990s, when the last government began its first push for inward investment. The firm had big plans.

LONG: There was an awful lot of money being pumped into the business as it was, and an awful lot of good feeling about the place generally. It seemed as though it was going to be a long term thing and everybody was very bullish about it, I think. The PC monitor factory itself was probably the most productive in Europe, in the world.

ABRAMS: Samsung had promised up to three thousand jobs, to the delight of both of the government of the day and the regional development agency, One North East. They contributed more than £10 million in grants, plus as much again for infrastructure work and a training centre. Tony Blair, whose constituency is nearby, visited more than once. But the number of jobs barely rose above half that promised, and by the time Samsung announced in 2004 that it was pulling out, there were just 425 people on the site.

LONG: The lead-up to the actual closure was probably the worst time, because everybody knew then that it was going to close and there was a lot of apathy and bad feeling about, because it was just a case of winding down the clock really. It was a bit of a relief in the end in April when it did finally close.

ABRAMS: What do you think was the reason that Samsung decided in the end to close the plant?

LONG: I'd have to say money, really. At the end of the day they could produce the same product in Eastern Europe considerably cheaper than we could produce it here. And eventually it was only going to be a matter of time before they opted down that route and went to save money and reduce costs.

ABRAMS: The firm told us it didn't wish to comment, but it referred us to an old statement which blamed high labour costs and falling prices for the closure. It said it was moving its production to the Far East as well as to Slovakia, which was due to enter the EU just three weeks later. But the local MP, Frank Cook, says he never really felt the company was committed to his constituency.

COOK: In retrospect, it seems clear to me now that they never had any intention at all of coming in and putting roots into the area. They were not prepared really to enter into free discussions about settling themselves as a corporation into an English community.

ABRAMS: Are there lessons about the commitment of foreign companies to this country from this case, do you think?

COOK: Yes, I think there are, and you don't have to move further than Billingham in order to see the lessons to be learned. We could learn from Samsung, in that they came demanding everything, getting almost everything and then departing and leaving four-fifths of very little.

ABRAMS: The firm received more than £6,000 in grant for each job it created - well above the government's recommended limit. After the plant closed, the government asked for a quarter of its money back because the firm hadn't met its pledges on jobs. The whole site's now been sold to a local developer. But Alan Clark, the Chief Executive of the regional development agency, One North East, says he still feels the area got a good deal.

CLARK: In the North East during that time lots of the indigenous business base was declining, levels of unemployment were very high, international inward investment was one of the few options available at that time, and many companies from areas like Japan and America moved into the North East and created tens and tens and thousands of jobs for many years. Many of those companies are still here. So to have jobs for ten years was a vital contribution to the regional economy.

ABRAMS: But surely it can't be said to be a good use of public money when a quarter of it's had to be clawed back?

CLARK: Well I look at the three-quarters that wasn't clawed back because they succeeded. There are a lot of indigenous companies and small and medium sized companies who will set out a plan and not fully achieve that, but I would say that three-quarters of achievement of a very bold plan is better than having no Samsung in the region at all. So I think we have to look at the positive side of this, while always retaining a balance between international inward investment and indigenous local business growth.

ABRAMS: One North East still believes inward investment's good for the region. But recently published research from Newcastle University's business school suggests regional development agencies need to be much more discerning about which projects they support. Dr Jonathan Jones looked at all the inward investments into the area over a thirteen year period, and he found some disturbing trends.

JONES: We investigated foreign direct investment between 1985 and 1998. In terms of the job claims of targets, the larger firms were more prone to over-exaggeration. A plant that promised 250 jobs, on average it was found they only delivered 150, so a plant which promised over a thousand jobs generally only implemented half the amount which they promised they would actually implement.

ABRAMS: Which kind of firms did you find the most likely to stay once they'd actually arrived?

JONES: The larger plants would survive slightly shorter durations than the smaller plants. After ten years 75% were still surviving, but after fifteen years this had dropped to 25%. So there's a very large cut-off point where a large amount of firms do exit the actual country.

ABRAMS: Andrew Cahn, the chief executive of UK Trade and Investment, says he doesn't accept the findings. He says his organisation's own research has shown a far rosier picture.

CAHN: Of course there are sometimes examples where a particular company comes, finds that it wasn't a good investment or their circumstances change and they pull out, but really not very many of them. And our experience is that most inward investors stay and grow.

ABRAMS: We've seen academic research which showed that actually the majority didn't stay for the long term.

CAHN: Our research shows different conclusions. Our research is that government money invested in inward investors gives a good return, a very good return to the taxpayer. It's a good return, both in the sense of the economic vitality and the jobs created by those investors while they're here and because they are often a permanent feature of the landscape.

ABRAMS: So are you saying that Newcastle University's research wasn't correct?

CAHN: Well, I haven't seen that research, but I am very sceptical about it.

ABRAMS: But regional grants are still being given to just those sorts of projects, aren't they? I mean in the last month we've had two hundred jobs at a call centre in Scotland backed by regional selective assistance, £8 million regional selective assistance for 250 jobs in Wales, just the same sorts of projects that Samsung was promising a decade ago.

CAHN: Well, I don't think call centres are just exactly the same sort of project as Samsung. But you have got one example of an inward investment project which didn't work out. Sure, of course there's some which don't work out. The vast majority do work out.

ABRAMS: There's a lot more though, aren't there?

CAHN: Well, you can't expect 100% success rate, nobody gets 100% success rate.

ABRAMS: But the rewards for firms who choose to invest in Britain don't only consist of grants, tax-breaks and high-level support. In the past few weeks it's emerged that a number of foreign business figures have been honoured by the government for their contributions to the British economy. Among them was a senior figure in Samsung's Korean research and development division, Dr Kwan Rim. The local MP, Frank Cook, was taken aback when we told him about it. Were you aware that two months after the closure of the plant, a senior figure in Samsung actually got a CBE from the government?

COOK: Bugger me.

ABRAMS: What would be your reaction to the fact that somebody connected with Samsung was given an honour just after the plant closed?

COOK: My reaction would be one of amazement, and if I were asked to comment on it, I'd have to pose the question what on earth for? What contribution did they make? Unless, of course, I mean, maybe he has come up with some discovery which is going to save mankind, but it had nothing to do with Billingham, and nothing to do with all the help he was given by a Teesside community, which opened its arms and embraced them with great vigour and great warmth and were very badly repaid.

ABRAMS: The government has never before published the full lists of the honours it gives to people who aren't British citizens. They only emerged in response to a series of Parliamentary questions from Norman Baker, the Liberal Democrat MP for Lewes. They revealed the CBEs given to Dr Kwan Rim of Samsung and to Dr Yung-fa Chang of the Evergreen shipping group. Mr Baker says they reveal a great deal about the government's attitude to business – and to the UK.

BAKER: I think what these lists show is substantial numbers of individuals from abroad being honoured, far more than had been imagined or understood previously in this country. We're seeing individuals who are successful in business, ones who have a passing interest in this country, ones who don't really have the same commitment to social justice as the government says it does, ones who are out and out capitalists, ones who take advantage of the British system as it's set up.

ABRAMS: Are we honouring people who are going to act in the British interest then?

BAKER: I think this list shows the British government is behaving in a very sad way. We've clearly got low self esteem. Honours are being given out to business people in the vain hope that this will somehow tie them in to the country and somehow lead to inward investment, and really whatever policies they want to pursue we seem to be happy to acknowledge and support.

ABRAMS: Andrew Cahn, chief executive of UK Trade and Investment, denies honours are ever given as inducements to firms to come to the UK. In a couple of the cases we've looked at, people associated with inward investing companies have been given honours. Is that a useful way, do you think, of attracting inward investment?

CAHN: The honours system and the work that we do at UK Trade and Investment are wholly and entirely separate.

ABRAMS: You don't have any input into that?

CAHN: Government departments make recommendations for honours and one of the many criteria that are taken into account, of course, is the contribution to the British economy.

ABRAMS: And so would you recommend a foreign businessman for an honour if you thought that he was about to make a big investment or had just done so?

CAHN: I absolutely would not make any link between those two things. I think it's much more likely that somebody would be recommended for an honour long after they've made their contribution in recognition of the work they've done for the British economy and for British society.

ABRAMS: We spoke to an MP who argued very strongly that the granting of an honour to somebody connected with Samsung after the firm pulled out of the North East was really insensitive and not an appropriate use.

CAHN: I know nothing about that particular case.

ABRAMS: Honours or no honours, a growing band of people, including the government's own policy advisors, are beginning to point out foreign business isn't always best for Britain. But so far it's not clear to what extent the government is listening. That's why so many people will be watching next week's policy announcement with interest.

SIGNATURE TUNE