
Economic Perspective

DID SCOTLAND LOSE WHEN NISSAN WENT TO ENGLAND?

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The recent decision by the Japanese company Nissan to open a car plant at Washington, near Sunderland airport, was welcomed by local lobbies and the media as a major boost for industry and employment. South Wales and Humberside, the other regions vying to attract this seemingly glittering industrial prize, were very disappointed. Although Scotland was not in contention for the project, rumours circulated in 1981 that Nissan had been approached about locating its proposed British operation at the vacant Linwood site.

Before deciding whether Scotland has missed a bounty of industrial growth, there are several searching questions to be answered. Our research on Linwood alerted us to the necessity of examining the long-term impact of prestige projects on existing industrial sectors and structures.* After outlining the Nissan deal, we discuss some of its possible effects.

The Nissan Project

Nissan's decision to establish a manufacturing base in Britain is no sudden whim. The project's origins can be traced back as far as February 1980 when the government held secret talks with senior Nissan executives. After a thorough feasibility study the company concluded that investment was a worthwhile proposition.

However negotiations were interrupted by dissension within the Nissan camp. Ichiro Shioji, the Nissan trade union leader, objected to the size of the project and the lack of managerial consultation with the union. Similarly, Nissan chairman

Katsuji Kawamata was very sceptical about investing £300 million in Britain to build 200,000 cars per year with a workforce of 4,500. Nissan president Takachi Ishihara eventually won approval for the project when he agreed to scale down the investment.

On 1 February 1984 Nissan announced that its British investment was to lie in two stages. The first £50 million input was detailed for building a new factory, where from 1986 500 workers would assemble 24,000 cars per year from kits imported from Japan. Nissan also agreed to take a decision in 1987 about whether to go ahead with a further £300 million investment to construct a fully-fledged manufacturing plant making, by 1991, 100,000 cars per year with a workforce of 3,500.

The government's deal with Nissan includes regional grants up to a maximum of 22% of the cost of building, plant and machinery. This amounts to £11 million for stage one of the project, plus another £100 million if the manufacturing plant is established. How far this public expenditure outlay will "introduce a major, efficient, new domestic customer for the UK components sector", as Industry Secretary Norman Tebbit boldly asserts, is discussed below.

Components

In our Linwood research we found that few linkages were forged between the car plant and local engineering firms. Rootes' concern for Scottish industry, so prominent during negotiations for state assistance, turned out to be little more than a public relations exercise. As a result, Linwood failed to become the nucleus of a new light engineering network.

Likewise there is great uncertainty about Nissan's intended components purchasing policy. The company has agreed to include 60% local content (rising to 80% in stage two of the project) in its cars assembled in Britain. However some motor correspondents have distinguished **local content** from **local parts**. Local content is a more flexible category which can include expenditure on such items as advertising, packaging, sales and power. Nissan may use this loophole to bend rules about buying parts made in Britain or other EEC countries.

Furthermore, as components manufactured in the Far East are often 40% to 50% cheaper than in Europe, it is unrealistic to assume that Nissan will not cash in on this cost advantage. If it does, precious few orders will be placed with British workshops, except as token gestures to appease the government. This action may induce British-based car firms to follow suit endangering what is left of the already struggling components industry in the West Midlands.

Impact on the British Car Industry

The government believes that the British car industry will benefit from the influx of a Japanese company. Increased competition, plus Japanese production methods and labour relations will, it is argued, make domestic car producers more efficient in the long run. But will the Nissan venture destroy more jobs than it creates?

Trade unionists like Ken Gill of TASS and industrialists like Bernard Hanon, president of Renault, see this as a distinct possibility. As yet, Nissan's plans do not appear to threaten British jobs because of the modest production target of the initial "screwdriver plant". Moreover, Nissan have agreed to include this figure in the quota total which limits Japanese new car registrations to under 11% of British sales.

Nonetheless, as the *Guardian* (26/10/83) points out: "If the cars are a British product, they will compete in the British market as British-made cars, which means

fewer BL cars, fewer Fords, or Vauxhalls, or Talbots will be sold". Now, whilst the American-owned multinationalists Ford and Vauxhall have the resources to cope with this competition, BL and Talbot are more vulnerable. For example, Nissan would seriously rival many of BL's models which supply company fleets. Not forgetting the January 1984 Parisian demonstrations by French Talbot workers against 2,000 planned redundancies, a successful Nissan operation might interfere with investment by Peugeot Talbot in its British operation.

In March this year Peugeot announced a £20 million investment for Ryton, Coventry, to re-equip the plant for production of a new light-medium saloon. The future of the 6,000 Ryton jobs illustrates the problems involved with surrendering control of industrial development to foreign agencies outside democratic control. Similarly the government's unreserved support for the Nissan scheme increases the proportion of branch plants within the British car industry, and so reduces its ability to make effective planning interventions.

Nissan's Objectives

Amid all the publicity surrounding the new plant in the North East, little has been said about Nissan's policy objectives. Nissan is a multinational company whose expansionism goes back to the 1960's when it opened a manufacturing plant in Mexico. Now it owns some 30 plants in 23 countries. This prompts the question of how far Nissan view the British investment as essential.

President Ishihara is convinced that penetration of the European market is the best way to replace Toyota as Japan's premier car producer. A pre-requisite for this policy is the establishment of a manufacturing base within an EEC member state to circumvent EEC protectionist limitations on Japanese exports.

It must be stressed that relatively strong industrial nations like France and Germany are hostile to Nissan's expansionist plans. In contrast, Nissan has formed tie-ups with weaker economies like

Britain, Italy where it has a \$16.5 million investment in Alfa Romeo to build 60,000 Cherries per year in Naples, and Spain where it own 55% of Motor Iberica. These countries are willing to make enormous concessions to accommodate incoming multi-national firms. Consequently companies are able to dictate their own terms. As the *Economist* (4-10 February 1984) points out, the phasing of the Nissan investment is "a clever way to test the water without catching cold." If Nissan meets snags in the industrial relations arena, in Britain's components industry or in the British car market, the company can withdraw without losing a vast outlay. The *Economists's* statement that, "if Nissan stays, the British Government has agreed (because it had to) not to hold Nissan too strictly to its local-content target", is a further reminder of Nissan's power to set the limits of this project.

Conclusion

It is not sour grapes to question the validity of the Nissan investment as Scotland was never in the running to secure the project. Nor is it unduly pessimistic to have reservations about the true potential of the venture. On Clyde-side the painful experience of Linwood has highlighted the gap between planning expectations and outcome.

Nissan's British car plant gives cause for concern on two accounts. There is a strong possibility that it will disrupt the indigenous components industry by importing parts from the Far East. It is highly likely that this example would be followed by other car producers resulting in severe job losses in the domestic engineering sector. Secondly, Nissan will intensify supply problems in the British car market where already there are too many cars chasing too few buyers. This state-sponsored competition will probably lead to job losses for which the Nissan project cannot compensate.

Finally, the government should heed the lessons of Linwood, where the great potential for stimulating regional growth was undermined by a failure to form linkages between incoming multi-national capital and indigenous manufacturers. This proved how dangerous it is to leave the shaping of new industrial structures entirely to migrant firms. Unless the Nissan investment is carefully controlled, it might well become another British industrial incubus.

* See Bookshelf