Multinationals in London

1. Multinationals dominate the London economy. From Harrow to Hayes, and from Dagenham to Silvertown, whole communities have grown round this or that multinational plant, just as medieval towns grew round the court of a king. There are networks of suppliers, housing estates built in the lea of the factories, and a growing reservoir of specific skills. When the plants close down, these areas face economic collapse. This has been the experience of site after site in London over the last 20 years. The AEI closure in Woolwich in 1965 was one of the earliest, causing 5,000 redundancies, and a wave of secondary effects. In Canning Town between 1966 and 1972 the job cuts and closures of 6 multinationals - Tate and Lyle, Unilever, Harland and Wolfe, Turners, Witty and Vesty, - led to a loss of nearly 12,000 jobs, almost a quarter of Canning Towns total jobs. The pattern continued throughout the 1970's. Between 1973 and 1978 the number of manufacturing plants with more than 500 workers fell from by 273 to 221. Between 1978 and 1982 there was a further fall of 75 two thirds as a result of shrinkage, and a third because of closure. In October 1982, London - which had been at the heart of the new manufacturing boom between 1930 and 1960 - had only 75 plants with more than 500 workers left. All save three were owned by multinationals. The future of London's industry rests with these firms.

2. A list of London's top 50 industrial multinationals is shown in Table 1. We estimate that thest firms directly account for nearly a fifth of manufacturing employment in London. Their direct employment amounts to 125,000 people. This is a significant yet modest figure compared to London's overall employment of 3.6 million. Yet the figure understates their importance. For they control the industrial heights of the economy.

3. In the 1930's, London avoided the depths of the great depression for three reasons: cars, food and electricity. The motor industry was centred on Fords at Dagenham. In 1929 Edsel Ford bent a silver spade digging the first turf. The first cars came off the line in 1931. By 1939, more than 12,000 people were working at Dagenham. In addition to the assembly line, Ford build a foundry for engine production, coke ovens and a blast furnace. The estate had its own railway, dock, and power station. Around this development, and Ford's commercial plant at Langley, and the Vauxhall plant at Luton, grew a network of component suppliers. Some of them were also multinationals, or by the 1960's and 1970's, were to become so. Two US companies, Briggs Motor Bodies and the Kelsey Hayes Wheel company, were early entrants to the area, and were taken over by Ford in the mid 1950's. Chloride supply batteries from a major plant in Dagenham, and Berger (part of the German multinational Hoechst) supplies paint. Lucas provides many components, from fuel injection equipment to electrical parts. Glacier Metals at Alperton, GKN, Trico and Phillips electricals are other major London firms to supply Fords, together with innumerable smaller suppliers in the chain. The key point is that the motor industry was one of the three epicentres of London's long industrial boom: if Dagenham were to close a whole dense network of London suppliers would be likely to go with it. Some like Firestone have already gone. Glacier Metals is under threat. The proposed closure of the Ford foundry (with the loss of 2,000 jobs) is estimated to threaten a further 4,000 jobs (and more than a dozen major suppliers) in London. It is in this sense that we can say that Ford dominate a major section of London's economy to an extent well beyond that indicated by the company's employment figures alone.

4. A similar network of interdependence is evident in the food industry. Primary processing close to the docks in East London (sugar, oil, flour and chocolate) encouraged the growth of biscuit making, ice cream and confectionary. This is the customary description of London's industrial geography. But there is another reading - one more recognisable to those who work in the industry.

For sugar read Tate and Lyle, for oil Unilever, for flour, the big three who control 83% of the UK market, RHM, ABF and Dalgety Spillers. Chocolate has now largely disappeared, confectionary is declining (Callard and Bowser, Trebor, Barretts and Clarnico) and Walls (Unilever again) has announced the closure of its Acton ice cream plant, leaving Lyons at Greenford as the only remaining significant producer. London biscuit production is dominated by the two giants, Nabisco and United Biscuits (who between them have two thirds of the UK biscuit market, and nearly three quarters of the market for snacks), and London's bread by the two bread giants, Rank Hovis, McDougal and Associated British Foods (who provide 60% of bread in Britain), and 63% in London). Quaker Oats at Southall, Nestle's at Hayes and in their Cross and Blackwell plant in Newham, Heinz at Park Royal, Walls Meat at Southall, these also have a dominance in their respective fields, and each of them has announced or is expected to announce the run down and closure of their plants.

5. The third core of London industry was electrical goods, in part for the vehicle and capital goods industries, but above all - in the London area - for the consumer boom that followed the re-organisation of London's electricity grid after 1926: Hoovers, Osram lights (GEC), Belling cookers and heaters in Enfield, and the great centre of the radio, record, and later television industry in Hayes, what became Thorn-EMI. STC (ITT), MO Vlaves (GEC), Mullards (Phillips), and Plesseys, were other major plants of London's electrical industry.

6. What is more important, these were the firms who were to dominate the next leading edge of London's economy from the 1960's onwards, electronics and the clutural industries. Information and communication have taken over from the car, white goods, and the tin can as the main movers in the economy. If roads and electricity were the key infrastructures of the earlier age, it is now telecommunications and the airport. The new electronic equipment is provided by these same firms who started their lives with electricity. Much of their production has been switched away from London. What has been left are the cultural industries which have grown to provide the 'software' for the mass production that follows: records, television, newspapers and publishing, films. London employs 50,000 alone in the audio visual industries, and is the centre for publishing and newspaper production in Britain. All these sectors follow the pattern of being dominated by a small number of multinationals, with many smaller, often tiny, firms working among, within and for these giant structures. 5 multinationals effectively control 95% of the record industry. 3 companies control 75% of the daily press. The top 11 firms control 62% of the total book market, and the top 9 firms 95% of the total paperback market. Many of these firms are cultural conglomerates spreading across the sectors of London: Thorn EMI not only produces the hardware, but one in five of all records produced throughout the world. It has a large stake in Thames TV, in all phases of the film industry and in independent local radio. Rank and Phillips, Pearson Longman, and the Murdoch empire are other London examples.

7. Much of the new information and communications industry is classed as services: accountancy (dominated by the top 8 multinational firms), management consultancy (with a similar top 8), advertising (where 45% of total billings are handled by the top 20 agencies, centred in London, with 7 out of the top 10 US based) data banks (such as those controlled by Reuters and the Financial Times - owned by Pearson Longman). Even computor software production, which has many smaller firms, is still primarily carried out within the major companies, as is research and development. The financial sector which employs 40,000 in London is dominated by the 5 major UK banks, 38 large insurance companies (whose international business has been growing), and 14 pension funds (still largely national in orientation). Foreign banks and security houses (394 of them in London in 1983) employ 39,000 people.

8. The point is this. The key decisions affecting London's private economy - with nearly 2½ million workers - are taken by a small number of very large, mainly multinational firms. Though the census of employment recorded that there were some 172,000 establishments in London in 1978, the tide of the economy turns on the decisions of no more than 100 of them. In manufacturing the top 50 account for a quarter of employment. In distribution, the top 20 firms account for a fifth of all sales. In finance the top 5 banks account for over 50% of employment. London's economy is built round certain key sectors, - vehicles, food, electrical goods, and now information and communication - and it is these which are dominated by the major multinationals. The small firms either serve these multinationals directly or work in sectors that service the local market but are not themselves the main engines of growth - retailing, construction, business printing, and the whole patchwork of city business services.

9. Any strategy towards the London economy has to address the leading sectors, and this means those sectors which are dominated by multinationals. In manufacturing, the most important is Ford. If Ford runs down its Dagenham complex, not only would 20,000 jobs in Ford disappear, but we estimate as many as 40,000 in London suppliers, and a further 40,000 as the result of the cut in income on local service industries. 100,000 jobs: this is the measure of Ford's power over London.

Multinationals and the Market

10. There is a tendency to be frozen by the size of these firms. Ford employs 445,000 world wide (Dagenham is a little over 3% of the total), ITT 411,000, Unilever 320,000, with operations in over 75 countries. These are centrally planned economic despotisms. Their head offices (and many of the British multinationals have their headquarters in London) are control centres akin to those of the armed forces, with the most modern communications equipment, and an authoritarian power barely legitimised by seventeenth century notions of private property. De Beers, part of Oppenheimer's Anglo-Americam empire, has an international security system run from the City, charged with maintaining its network of agents and its extraordinary monopoly of the world diamond market. Shell, whose head office is barely 200 yards from where we now sit, was since 1946 freed form any restrictions of UK exchange controls by an agreement with the Treasury to keep its liquid assets in London. It is the innumerable examples such as these that have led some to see them as the new totalitarian powers of the world economy.

11. Certainly any economic strategy for London(or indeed for this country) must start from this stark, central fact of the power of multinationals which is being exercised in the offices within two square miles of us, even as we speak. But the multinationals, and their extensive court of ideological and political followers, argue that if they are despots, then they are benevolent ones, and that their despotism is daily subject to the democratic disipline of the market. The consumer is sovereign and not the firm. Free markets and competition from equally strong rivals guarantee that the apparently despotic giants will work for popular democratic ends.

12. Let us say immediately that many multinationals - though they will strive for and often collude towards monopoly - are sooner or later subject to competition. Kodak fears Fuji and the erosion of its market share. Xerox looks at Kodak. All are subject to the slide rules of the stock market, and relative profitability. But to say this is to pose the problem rather than to solve it. For it is the workings of the market itself, through the competition of private firms, which is dragging London to its knees. This is

so for three reasons:-

(i) we are now in the trough of a world economic recession brought about as the result of the free play of the private market economy. The decline in the rate of profit, the resulting fall off in investment, the mushrooming of business and personal credit as firms try and maintain their sales by mortgaging future demand - all these have not resulted from monopoly, or trade union bargaining, or oil cartels. They have arisen from the increase of competition, following trade liberalisation in the late 1950's and have affected all Western countries, whatever the strength of their trade union movement, well before the rising price of oil.

(ii) the market has historically been quite unable to provide jobs for all who want them - even in an upturn. In the post war period, the new frontier for international capital was the third world. Plastics, motor vehicles and tractors did to third world small scale production, what the power looms of the 1830's did to the handloom weavers in England. The profits from the new technology were not all re-invested locally, but brought back to the advanced countries to fund new investment and sustain what appeared on the surface to be a nationally achieved full employment. Even in 1981 British firms were still repatriating £1.1 billion from the third world after tax and depreciation. Now that electronics is destroying many jobs in advanced countries, even an upturn is unlikely to provide full employment.

(iii) multinationals - in deciding where they will invest - take no account of the social costs of re-location which do not appear in their balance sheets. Greenfields sites have to be serviced, and the new roads, houses, and utilities are paid for mainly from the public purse. Meanwhile, abandoned city sites still have to maintain their services. Workers without jobs cannot move their homes with the same ease and lack of feeling as the companies. The celebrated Barlow Report of 1940 which analysed the problems of the depressed areas wrote the following about the trend of industry away from the established industrial areas:

> The movement has proceeded with little or no regard to the fact that it necessarily involves heavy expenditure by the community for the provision of such necessary facilities as new roads, housing accommodation, water supply, sewers, gas and electric mains, schools, churches, increased transport, and all the multifarious services required to meet the growing needs of industry itself and of the rapidly growing population. This expenditure, moreover, has to be undertaken at a time when facilities of a similar character are already available in the older industrial areas, and where they must be maintained in spite of the fact that much of the labour in the new areas is drawn from the older ones, whose authorities, because of the loss of working population, become progressively less able to support the services for their remaining population." (p.95)

London, with the loss of three quarters of a million manufacturing jobs and more than a million people in 25 years, has suffered like most other major Westerm cities - from just such an ill-regulated drift that has been brought about because of the workings of the market.

13. So it is not enough to trust to the market, as enforced by the multinationals, and to limit policy to smoothing the path to London's door. Advertising campaigns, cheap loans and premises, special access to housing for workers - none of these more than scratch the surface of the problem as far as London is concerned. The long run down of industrial employment by the multinationals, and the siting of what new investment there is elsewhere, has been a response to the dicates of the balance sheet, and no amount of persuasion, or rate cuts (which merely boost property prices), or cheap finance can alter that.

14. What has happened in the past is for trade unions and the state (both local and national) to use their various powers to regulate the workings of the market. Trade unions have bargained nationally over new investment. Central government has used is fiscal, monetary and foreign trade powers to try and counter market induced economic crisis, to make industry that abandons an industrial area pay the costs of dereliction (in mining in particular) and finance new services from tax. In particular national governments have attempted to regulate the outflow of capital from Britain, through exchange controls and other forms of national economic protection.

15. The growth of multinational corporations has undermined these traditional forms of public control. They have thrown into question all the major national economic policy instruments. This is the measure and definition of their power: that they can override public and trade union attempts to regulate the irrationality, and brutality of the market. The have caused a profound structural shift in the locus of economic power, from which London is at this very moment suffering. What is required is a complete change in the orientation and instruments of national and local economic policy if the effects of the multinationals and the market are to be curbed.

Multinationals and the new inter-state competition

16. Substantial evidence now exists on the ability of multinationals to get round traditional forms of state regulation. Take trade first. 82% of British exports in 1981 were made by multinationals. The 72 largest firms accounted for 50% of all exports. 30% of all exports were 'intra-firm', being directed to part of the same firm overseas. This growth of planned, multinational trade has two consequences. First, a growing portion of it reflects the development of an international division of labour within the firm. Kodak for example produces Kodachrome paper for Europe in Harrow, but imports X ray film and Ektacokour paper from Kodak Pathe in France for British distribution. The same is true for a growing number of firms, particularly American ones: IBM, ITT, General Motors, Ford. An adjustment of the exchange rate cannot bring about an immediate change in these circumstances. Kodak Harrow will still export to Kodak on the continent, whatever the exchange rate - that is as long as Harrow remains the main source. Rather the effects of a change will be seen in the long term when new investment comes to be made, or plants shut down. As Bob Lutz of Ford put it, "Bridgend went from being a very good decision at three marks to the pound, to being a disastrous decision at 4.25 marks to the pound, and back to being a good decision as 3.5 marks to the pound." The same would apply to Dagenham. Exchange rate changes therefore lose their sharpness as an instrument for immediate response before other countries react.

17. Second, the prices on these intra firm trade flows are set by the firm. It is extremely difficult for customs and tax officials to challenge them. What is the true price of a Ford Escort door? With specialist, branded products the firm sets its own price, and the UK has only two tiny groups of officials

(both less than 30) to assess transfer pricing in the whole of British trade. Take Kodak again.

Research in the prices charged on trade with the Paris subsidiary found that Paris was paying twice the price for the same import from Kodak Rochester as was Kodak Harrow. The aim was to maintain a lower declared profit in France where there tight exchange controls, and a militant workforce resisting the closure of the Vincennes plant. Ford have admitted similar practises with respect to their British operations, in this case declaring their Eruopean in Britain because of Britain's favourable tax structure. The best documented cases of transfer pricing in manufacturing are in the drug industry (Roche's librium and valium is the most notable), chemicals, electronics, rubber tyres, metallurgical products, and synthetic textiles (by the Japanese firm Toray who have recently invested in London), though because of Britain's minimal policing, all the examples save drugs are from other countries. There is also evidence of transfer pricing in both insurance and banking. The latter was exposed by an employee of Citibank (who employ 1,800 people in their London office) and confirmed by an accountancy firm called in to conduct an independent enquiry. In the words of a survey of the case, "these sources show that Citibank, in shifting its foreign exchange positions around its global network, also adjusted the exchange rates at which the transactions took place with others of its branches. The result was to make it seem as if the European branches of Citibank had taken losses on the transactions, thus lowering the level of income which was taxable in those jurisdictions, while the profit appeared to arise in its Bahamas branch."

18. In the case of Citibank it was possible to shift substantial profits even <u>within</u> the quoted margins between the high and low of the exchange rates. Another channell is fees and royalty payments. In 1981 multinationals transferred £362 million from the UK to parents and affiliates overseas, and received £260 million from affiliates. If we add this to the £12 billion of intrafirm exports, and an estimated £10 billion of intrafirm imports, quite apart from the short term money flows and insurance premia, we can see the scope for transfer pricing, both to avoid exchange controls if there are any, and to shift profits to where it is most advantageous to declare them from a tax point of view. Adding the intra firm flows of investment and profit repatriation across the exchanges, which in 1981 amounted to £9.3 billion, we find that nearly £32 billion of the currency that moved across the exchanges consisted of intra firm payments within multinationals. The room for destablising the foreign exchange market through holding back or advancing these payments is clearly massive, as is the capacity to avoid any adverse impact of monetary policy.

19, These powers possessed by multinationals have been registered for more than a decade in this country, though succeeding governments have done almost nothing to restructure policy accordingly (or the statistics on which such a policy would depend). If anything the opposite has happened, namely a dismantling of controls and an active engagement in what has become a quite new form of inter-state competition. Instead of competing through the exchange of goods and services on the market, countries are competing for new multi-national investment, and the declaration of profit (two quite distinct things) through a mixture of incentives and concessions. What has happened since the mid 1960's is for the net tax rate on international companies to be bid down (net tax being defined at tax minus grants and concessions). When price competition takes place between firms, the floor to competition is the costs of production. Any firm consistently pricing below costs of production would go out of business. In the new multinational political economy of nation states, the floor is represented by the expenditure obligations of the lowest spending state, which can be very low indeed.

20. The extreme case is the tax haven - most of them are small, with tiny state budgets, who are quite content with stamp duties and the smallest cut of declared profits. The United States have imposed restrictions on US firms profiting by tax havens, which has limited but not eliminated their use. But similar results can be achieved in other countries, not least in Britain which one tax adviser recently described as the best tax haven in the world. This is because the incentives now offered by Britain, capital and depreciation allowances in particular, allow major firms to commonly escape tax on their profits. In 1982 for example, of 17 leading industrial companies who between them declared profits of £9.8 billion, only three paid any tax at all, totalling £416 million, of 4% of the global amount. Since 1965 the government has granted more reliefs than it has taken in corporation tax. This tax, which in the late 1960's was bringing in 9% of total tax revenue, is this year due to bring in only 3%. As the Economist put it recently, the way that Britain taxes companies "may have suited a world of Victorian manufacturing. It makes no sense for today's conglomerates and multinationals." When on top of this, the Government provide grants to attract multinationals - Nissan are to receive a reported £35 million - and infrastructure to service their investment, it will be clear that a company's net tax payment may be negative, as has happened in Ireland. Certainly the overall effect is either to shift the tax burden on to national companies and labour, or to force a compensating cut in state spending, or both.

21. Nor is it only net tax payments which are at issue, Multinationals take into account the extent of restrictions, the level of exchange rates, and so on. The point is most acute in the financial sector, where London established itself from the late 1950's as a centre for Euro-banking because of its lack of restrictions. As the Banker put it last Autumn, "The internationalisation of key financial markets ... is a major constraint on the Bank of England role in supervising the regulation of the London stock exchange. If restrictions are too tight, large sections of the market will simply disappear elsewhere - something that has already happended to the business in South African gold shares." The lifting of exchange controls in 1979 reflected the force of the new multinational competition.

22. Thus it is not just that multinationals have the power to avoid state controls. Their mobility of investment and of profit declarations has forced states to dismantle the controls. Britain has been in the forefront of this movement. It has meant that British accounts have often benefitted from transfer pricing rather than losing by it. Such benefits have by and large not fed through to the Exchequor. Furthermore as more and more countries have been forced into competition, so the grants have increased, and restrictions have further been lowered. In Ireland where such a policy has been followed for 25 years, the resulting absense of any controllable, taxable industrial base has now plunged that country into a sustained and explosive economic crisis. Similar forces are now at work here. Proposed abolition of the GLC and the Metropolitan Counties on the grounds that it would save £300 million, appears puny - even were it true - beside the loss of corporation tax which if it contributed in the same proportion as it did in 1969, would yield a further £8 billion of tax revenues this year.

Multinationals and Employment

23.The erosion of effective economic policy and the run down of controls has meant that multinationals have cut their London operations, and shifted investment either to the shire counties or abroad. Table 1 shows that over a six year period employment in London's top manufacturing multinationals has fallen by a third. Appendix 1 presents the main redundancies that took place. The job losses have been at the heart of London's manufacturing decline. Hoovers, Firestone, Lesneys, AEI, STC Cables, Handley Page, National Cash Registers, Thrupp and Maberley. These are now all names of the past.

24. Some of these factories have been closed so that production could be moved to areas of weaker labour. Staffa Engineering in Leyton for example was taken over in 1979 by the US firm, Brown and Sharp, celebrated in the US for its anti-union line. The company had been profitable, and undertaken a £1.5 million investment programme in 1977-8. Within two years of the takeover, Brown and Sharp announced that the Leyton plant would be closed and production moved to another of their factories in Plymouth. The organisation of the move was put in the hands of a US consultancy company, Hay Communication Ltd., who specialise in 'breaking unions by relocation'. The timing of the announcement was meticulously planned over several months, though the final communique said that decisions had been taken only the previous week. Attempts by the workforce and this council to get Brown and Sharp to reverse this decision were blocked. Hay Communications were in charge of all external public relations management, and the compnay refused even to speak to the GLC.

25. Another example with which the GLC was involved was the closure of the Lee Cooper Jeans factory in Havering. Again the company refused to reconsider their decision, shifting production to a new Cornish plant on the grounds of cheaper, more plentiful labour. This was part of a European policy of sourcing from areas of weak labour: Amiens, Tunisia, and even Poland where the company opened a factory on contract. Walls Meat factory in Willesden was closed primarily it is reported because of the strength of organisation of its labour force. A recent GLC sponsored study of 47 firms which had relocated out of London between 1976 and 1980 found that 13 of them were attracted away from London by more "appropriate labour behaviour, attitudes and responsiveness."

26. Other firms have cited the need for new premises as a major reason for leaving London. At this moment, Lucas CAV and GEC have plans for building new factories in Buckinghamshire, which will almost certainly lead to the closure of existing plants in London. The Department of Industry has recently reported that many branch plants of foreign companies have switched production from London to the rest of the South-East. When Universal Toys took over Lesneys of Hackney, they closed the Hackney plant, shifted part of the production to Romford, and part back to their home country, Hong Kong. STC Cables was moved to Southampton, in the mid 1960's. Callard and Bowser have gone to South Wales. And so the pattern continues. Plants are moved like pieces on a chessboard, regardless of the social costs at either end.

27. The most sustained shift, however, has been abroad. In Table 2 we show the trends in employment in London, the UK and abroad, of a sample of London's major multinationals.

Table 2

	1978			1982		
	London	UK	Abroad	London	UK	Abroad
GEC		85%	15%		76%	24%
Lucas		81%	19%		73%	27%
Delta Group		80%	20%		71%	29%

Source: Company Reports.

In company after company, the tendency has been for new investment to take place abroad. Take Lucas as an example. In the late 1960's overseas employment still only accounted for 12% of the group total. It is now 27%, as the result of a series of takeovers in Europe, South America and the USA.

All its major capital investments have been concentrated overseas, leaving its operations in Britain, in the words of the Investors Chronicle "more or less on a care and maintainence basis". Starved of new investment, it is not surprising that many London factories seem fit only for the bulldozer.

Ford

28. Ford is London's largest multinational. It is the third largest manufacturing company in the world. It exemplifies the trend towards the Europeanisation of the London economy, and the dependence of London jobs on decisions made in the US, on the basis of criteria which ignore the social costs of those decisions on the communities about them.

29. Until the early 1960's Ford wasoriented to the British market. At Dagenham Ford employed 32,000 people producing 620,000 cars a year. In 1961 Ford US bought control of Ford UK and increased its direct control. Ford Europe was established in 1967, with its head offices in Brentwood. The European plants now began to be planned together, each making parts for the others final assembly operations. Its fourteen major plants now resemble a single European factory, directly co-ordinated with a dense network of parts and finished vehicles travelling between them. Dagenham supplies Eruopean plants with Escort engines and other components. They are put in containers and shipped through Harwich on a twice daily ferry to Zeebrugge, then by rail to plants in Belguim (Genk) Germany and Spain (Valencia). Transmissions made in Bordeaux are moved to Dagenham and Spain by road. From Saarlouis in West Germany drop body containers go by road and then rail from Metz to Valencia. On the return journey Fiesta engines and body panels fill the containers. At any one time Ford estimates that it has more than 1,500 containers, rail waggons and drop bodies in services in Europe, and that there are more than 12,000 tonnes of components in transit between plants. These long supply lines are estimated to be able to hold anything from nine days to three weeks supplies of key components, and give Ford a flexibility against strikes and stoppages. The diagram below shows how a Fiesta assembled in Dagenham depends on these supply lines for its parts.

30. The key to Dagenham had always been that it made many of its own components as well as assembling the final car. Over the past few years there has been a continued run down of the plant. The blast furnace and the coke ovens have been closed. Electricity is no longer generated at the Power House. Dagenham knock down export operations have been run down, and the dock is in the process of being sold off. The announcement that the foundry will close is a further step in this trend, with foundry work moving to sub-contractors in Cologne. The engine plant now looks as though it will certainly lose the new OHC petrol engine to Cologne, leaving it confined to commercial engine production. The associated plant at Woolwich making engine components has thus not surprisingly been made the next on the list for closures - the announcement was made in late February, to take effect by the end of April. The Dagenham built Sierra has not done well, and this has thrown a question mark over the estate's body and assembly operations. The press shop has already been reduced. The group tooling operation in the body plant is threatened, as is the linked Croydon plant which produces components such as window winders. There is a clear, sustained downward trend, which threatens to leave Dagenham solely as an assembly operation with related marginal activities.

31. Ford's management argue that they have invested £400 million in Dagenham over the past 5 years. But more than half of this was in high precision diesel engine capacity which is not fully used. What is more significant the areas in which Ford have failed to invest. The foundry for example has had virtually no investment in it for the last ten years. Although new types of casting are

now being developed - particularly aluminium and plastic - there have been clear indications that these will not be produced at Dagenham. So what has happened is the familiar pattern of a run down of plant, which is then found to be less efficient in comparison with more modern plant elsewhere. These relative inefficiences are then used as a justification for closure. They are in no way justifications. What they are is evidence of the failure of the company to maintain its plants (in spite of substantial depreciation provisions in the British accounts).

32. What has happened is that Dagenham is assessed against other sites in Europe as the most profitable place for new investment. In these calculations, however, factors are included (and some excluded) which result in socially un-justifiable decisions. First, Ford has played off government against government in order to maximise its grants and minimise its tax. In 1978, Ford let it be known that it was to build a major new factory to make the engines for its new world car (what became of the Escort). Against fierce competition from Ireland, Austria, and France, the plant was secured for Bridgend. The terms of deal were such that almost the entire £180 million investment was covered by subsidies and government grants. The plant was supposed to provide 2,500 jobs. In fact it provided only 1,900, and in the meantime Dagenham's engine plant was run down. On balance the UK suffered a net job loss.

33. Secondly, Ford has consistently shifted away from strong union areas. There is a clear pattern. Dagenham was a new estate. The plant was un-unionised until the mid 1950's. But so severe are the conditions on the line in Ford, so brutal the drive for productivity above all consideration for the lives of those who work there, that the workforce at Dagenham have defended themselves in innumerable ways, partly through the union, partly by direct action on the shop floor. Much the same has happened in almost every major car plant in the world, in Brazil as in Britain, in Detroit as in Turin. Fordism - the revolutionary method for controlling labour and increasing productivity devised by Henry Ford, and called after him, is working with an equal intensity in Dagenham today. Fordism has always tended to create its own opposition. With the advent of international production, Ford can now sidestep this opposition by moving to 'greenfield labour' overseas - to Valencia, Saarlouis, or the northern part of Mexico, - yet still be able to serve the British market. Just as Ford has played off country against country, so it plays off workforce against workforce. Dagenham workers are told that productivity is higher in Cologne. Cologne workers are told that profits are higher in Britain. We have even heard from a Brazilian Ford worker that he and his colleagues are told that their productivity and the product quality is lower than in Europe. These comparisons are used as threats. Ford's power to shift lines of promotion and to invest where it likes is used as a discipline on labour as much as on nation states.

34. In neither case can Ford's action be justified economically or socially. It treats its traditional workforce and the community as a whole, as a mining company might treat a seam to be worked on and then abandoned. Mining companies are now required to make good the areas they have damaged. There is no such compunction yet on manufacturing companies like Ford.

35. The scale of the damage resulting from the foundry closure has been calculated in a study commissioned for the Council in January. The 2,000 jobs to go in the foundry would lead to a knock on effect of a further 4,000. If we calculate the loss to the Exchequor of no longer receiving these workers' national insurance contributions, (£9.2 million in the first year) of their tax payments (£8.4 million p.a.), and the further cost of paying unemployment benefit supplementary benefit and housing benefit (£6.4 million) the total cost to the Exchequor is £24 million in one year. In addition there is the cost of lost output, and the human cost to the unemployed themselves and their families.

36. Indeed the gross disdain shown by Fords for the effects of their decisions on the lives of those who have worked for them is nothing short of scandalous. So is their deliberate leaching of the Exchequor. In Table 3 we present the balance sheet of Fords receipts from and contributions to the public funds over the last 10 years, set against the profits they have made. The results are astonishing. They show that Ford has paid on average 1% tax on total profits declared. Part of the reason is that successive governments have granted such generous concessions to multinational companies that they have realised their profits here. But the folly of this policy can be seen in the fact that on average investment in Britain is falling. Ford may declare its profit in the UK, but little of it finds its way back into production and employment.

37. Worse, if we look at the Balance of Payments account of Ford in Britain, we can see that Ford has actually been funding US operations out of UK profits. The intra-company loans from Ford UK to the US parent are down on the books at £961 million in 1982. But Ford have refused to disclose if any interest has been paid on it, and it appears rather as a transfer to bail out Ford US squeezed as they were in the American market. Furthermore, we can see how exports have fallen (the Far East market once served from Dagenham is now being met from Japan as the result of Ford's tie up with Toyo Kogo (Mazda) and imports risen. Nearly half of Ford's 30% share of the British market is now imported, that is to say 15% of the UK car market compared to the total of Japanese imports amounting to 11%.

38. The position is clearly insupportable from any point of view. For fifteen years Ford has operated as a US controlled European factory. It is now talking of moving to a global strategy (hence the exports from Brazil to Northern Europe, and the new £500 million world factory in Mexico). The degree to which it could play off governments, local councils, and groups of workers against each other, would be even further increased. It is time that all of them acted to restore control over what is one of the major productive institutions of our economy.

Controlling Ford

39. The present Government - in the face fo the multinational evacuation from the British economy - has actually speeded the exodus. The removal of exchange controls was a first step. The driving up of the value of the pound was a second. There were massive outflows of capital. Overseas investment nearly doubled between 1979 and 1981, from £2.8 billion to £5.1 billion, while inward investment was halved from (£1.8 billion in 1979 to £0.9 billion in 1981). When the Inland Revenue proposed to tighten up on tax haven legislation in 1982, a strong multinational lobby forced its withdrawal warning that the proposed legislation would "pose a grave threat to capital investment in Britain and could undermine the competitive position of the City of London". BP's tax advisor Alan Willingale estimated the move would have cost multinationals £1 billion in contributions to the British public purse.

40. Worse still, the Government has made it more difficult for workers to resist the wave of multinational closures. In the 1982 Employment Act, Clause 15 outlaws all disputes relating to matters outside Britain. The Government, supported by the CBI, are vigorously opposing the EEC Commission's Vredeling directive - even in a watered down version - which seeks to ensure that work-forces have full access to information in multinational companies. It requires regular, detailed annual information about the whole group's direction, and finances, and more detailed information if a company is considering closures or transfers of production. The CBI in a recent vigorous objection said that the directive would allow employees to bypass local management and go straight

to the parent company. Yet if the parent company or European Board is the decision making body - as is the case in most multinationals - then it is with them that workforces need to treat. The CBI says the directive would delay decision since it requires 30 days notice to be given of 'serious decisions'. The experience of Staffa engineering shows how necessary early warning is - and how managements may even hire consultants to prevent it. Information about multinational plans is, in short, a minimum condition for greater control. It is an outrage that the government is setting out to sabotage even this modest proposal to make multinationals more accountable to the people who work for them.

41. Organised labour remains, nevertheless, as the group who have the potential power to resist the multinationals. In a few isolated cases - such as the joint strike by Italian, French and British workers against Michelin in 1973 - this power has been realised. Ford stewards and their unions in Europe have developed regular contacts and meetings. The unions in ITT have done likewise. But the difficulties of such an organic growth - particularly if it is to become permanent - must be similar to those faced by the first organisers of national unions in Britain in the 1820's and 1830's. The difficulties and expense of travel: the problems of communication and language (though for a Londoner to have understood a geordie dialect was probably easier than for a Dagenham worker to understand his or her Valencian counterpart). There is the further difficulty, too, of piecing together an understanding of the multinational in question, when time is short and information scarce.

42. In these circumstances, the first task of any national or local authority is to make these international links easier. A local council cannot make the links, but it can facilitate them, just as Gladstone unwittingly helped the growth of national trade unionism by insisting on the cheap workers fare on the trains. What a help it would be for example, for planes to have to provide some cheap seats for trade unionists going about their international business, and cheap translating facilities for them to make use of at the other end. Similarly, where a union cannot itself finance the necessary research work, should not it be required of a public authority that it make resources available for trade unionists to find out the information about their company which the company is refusing to disclose? In short, if the Government insists on vetoing the Vredeling directive, should not local authorities provide resources to help workforces achieve a similar end?

43. This is the policy that the Council has been pursuing in its attempt to stem the closures and redundancies from multinational branch plants in London. We have set up an Early Warning Unit which, working with the trade unions and other parts of the Economic Policy Group, have been able to identify plants under threat - on occasions a number of years hence. The Economic Policy Group and the local Trade Union Resource Centres funded under the employment programme, have then been able to provide research time for trade unionists seeking to resist the closures, and to argue their case nationally and internationally. Finally, we have been able to provide funds and facilities for international meetings (though not as yet cheap air fares).

44. The development of the Standing Conference of Kodak European Unions has shown all the difficulties that there are to overcome, and the value of overcoming them. The trade unions from Kodak Pathe first contacted the Harrow plant through their local council in Paris, and from there to the GLC and Harrow. Their plant was being run down, as part of Kodak's European rationalisation, and demultinationalisation, as Eastman Kodak draws all new products and mainstream research back to the US. Since June 1983 the two workforces have met five times, and have now been joined by delegates from Ireland and Italy, and more than 20 of Kodak's factories in the four countries.

The GLC and Val de Marne councils have provided a place to meet, translators, researchers, and support. But the dynamic has come entirely from the trade unions. Their case is to demand of Kodak that they give Europe, and the existing plants, a share of its new products. It has now gained the support of European Parliamentarians, and the Commission. The company has steadfastly refused to meet them at the European level (where decisions are taken), and instead tried to fragment them, and negotiate with them country by country. But even this has failed as national managements claim that the wider strategic issues are not within their competence. There has been no clearer argument for the Vredeling directive than Kodak's outrageous refusal to talk to the people who work for them about the future of the company.

45. Similar initiatives are continuing with Ford unions. The closure of the foundry has increased the urgency of join action, and the GLC with the unions has arranged for Public Hearings on the closure in order to open to public discussion the issues and information which the company has kept closed.

46. The first task of local authorities must then be a supportive one, providing information and resources to those who above all have the power to control these firms. Having said that, local authorities should also co-operate, since they have some powers which, when added together, could also contribute to the campaign for control. One power is purchasing. The joint local authority spending on a firm like Ford in substantial, even more so were it to be united with other public bodies. Table 5 gives a list of the main purchases made by the GLC from multinationals in London.

47. Secondly, there is the power over pension funds. Table 6 lists the main investments in multinationals made by the GLC, and other major local authority pensions funds. Together they have a significant power in a number of cases to exercise their shareholder rights, and to this end a scheme of local authority co-operation is underway (similar to one developed in the United States among the Trade Unions).

48. Thirdly, there are planning powers. The Council has tried to use its powers as a planning authority to prevent multinationals leaving London and converting their old factories to offices. Unfortunately, our case has been lost on appeal. On the other hand, there is a positive role which the Council can play in facilitating redevelopment in London, through planning, and investment in premises (via GLEB).

49. In the nineteenth century workforces achieved better conditions either through legislation or collective bargaining. In the case of multinationals both are needed. Collective bargaining is currently the most important. But undoubtedly a quite new wave of legislation is required, co-ordinated on a European level. It should go well beyond Vredeling, cutting down on tax havens, requiring firms to pay large compensation to communities they abandon, extending the tax and customs controls and the policing service necessary to enforce them (on the lines of the US Internal Revenue Service). Above all, there needs to be European wide agreement to stop the incentive competition which has so benefitted multinationals and impoverished exchequers.

50. Such action would mark a major step forward. But as long as multinationals control economic power, they will always be a political force working against successful measures of control. As one Chilean economist put it, it is the political power of multinationals which is more important that anything else.

If we are to gain control of our economies, and stem the crisis of jobs in London, we have to take our own initiatives, publicly controlled, and accountable to their workers and the communities about them. This is the path being followed by the Greater London Enterprise Board. At first its interventions are necessarily confined to single plants and sectors dominated by medium sized rather than multinational firms. But it too, like the workers in multinational branch plants, needs to co-operate with other public boards, both in Britain and abroad. It needs support from a Government with more resources for intervention than any Council can by itself possess. It is often said that multinationals are larger than many nation states. But it is also true that the public sector in this country and in London can match in finance and in skills and knowledge, even the largest multinational. At the moment this economy is fragmented. Our task should be to unify it, and, together with other sympathetic European states, and trade unions across frontiers, roll back the power of multinationals while there is still time.

MULTINATIONALS IN LONDON

1 In 1973 Eastman Kodak's plant in Harrow employed 8.000 people. Today the numbers have fallen to 4,000. In the past six months, Kodak have announced the closure of Harrow's sister plant near Paris, Kodak Pathé in Val de Marne. The processing plant in Hemel Hemstead is to be run down, and the computer centre at Ruislip is also to close. As Kodak concentrate their $800 million of new research and development in the USA, along with the new product lines, it is becoming clear that Europe is to be left with the declining production of old products, and the packaging and warehousing of the new. Harrow - starved of major productive investment for over ten years - stands to be phased out of Kodak's European plans like Kodak Pathé in Val de Marne.

2 Kodak illustrates the problems posed by multinationals to the London economy. Its investment decisions take no account of the contributions made by Kodak's Harrow workers over fifty years, their dependence on Kodak for jobs, the investment made by public authorities in support of Kodak, and the costs to public funds when Kodak switches to new greenfield sites. The decisions are made by Kodak's European Board, integrated with and accountably solely to the American management, refusing even to meet with an official trade union delegation from more than twenty of Kodak's European plants. The absense of any democratic control for Londoners in the economic field makes even more serious the Government's threat to reduce their local democratic rights in the political field.

3 Nor does the market safeguard the interests of the London economy. Kodak is choosing to concentrate its new research and production in the United States, not because British technologists are less able or efficient, but because the USA is the strategic centre of operations as far as an American multinational is concerned. In an increasing number of industries, British subsidiaries of multinationals are becoming 'screwdriver' plants, touching up and finishing what has been manufactured in European or world factories elsewhere. This is the danger with Kodak as its British operations have first been rationalised within the European Product Interchange Plan (from 1976) and are now being re-planned in a world context. While Mrs Thatcher and her economic advisers are watching the dials on the bridge, Britain's industrial engine room is being dismantled.

4 The government frames its economic policy as if it were operating in the time of Sir Robert Peel, with a host of small, local firms swimming in a sea of market competition. But economic life for the major producers is no longer like that. Markets are managed, and many former market transactions now take place as transfers within giant multinational corporations. We know for example that in 1982 77% of Kodak Pathé's production materials came from other parts of Kodak abroad. Kodak's imports and exports are predominantly 'intra-firm', as are their international movements of capital. For many years Kodak has funded its investments out of its own funds, and is therefore insulated from interest rate movements. As a multinational company it can organise its international accounts and transfer prices to minimise taxation.

5 Cases such as Kodak can no longer be considered exceptions to a general market rule. Multinationals have come to dominate the national and international economies. A recent study estimates that the top 100 multinationals now account for more than a quarter of all output in the EEC.

6 The multinationalisation of the British economy over the last twenty five years has thrown into question the effectiveness of the major national economic policy instruments. The managing of the economy, and in particular the control needed to ensure that new investment decisions conform to broader social needs, demand a change in approach to economic policy. Instead of relying on adjustments in interest rates, levels of taxation and the value of the pound, national governments need to switch to individual firm by firm controls according to enterprise plans. They have powers - over public purchasing, over public sector pension funds, over particular tariffs and rates of VAT. They have powers over industry funds and laws of competition. These powers can and should be used, in conjunction with he industrial power of the trade union movement, to re-assert control over these great concentrations of economic power which have become increasingly accountable to no one but themselves.

7 The present government - so far from controlling the multinationals - has served only to strengthen them and free them from democratic accountability. For London's industry the results have been seriously damaging. By itself the GLC is limited in repairing that damage. But it has some powers, as a purchaser, as an investor of pensions, and a source of research and information. It also has the capacity to support the workers in these industries to develop the alternative enterprise plans which are a necessary focus for public policy and collective bargaining. An effective use of these powers - however modest - would we hope lay the foundations for a change in national economic policy in the era of multinationals. Of one thing we are certain, any economic strategy for London which does not recognise the need to control multinationals is bound in the end to be controlled by them.

Multinationals in the London economy

8 For the last fifty years London's industrial history has been centred on multinationals. In the 1930's London avoided the great depression for three reasons: cars, food and electricity. In each multinationals have been central. The motor industry was centered on Fords at Dagenham. In 1929 Edsel Ford bent a silver spade digging the first turf. The first cars came off the line in 1931. By 1939, more than 12,000 people were working at Dagenham. In addition to the assembly line, Ford built a foundry for engine production, coke ovens and a blast furnace. The estate had its own railway, dock, and power station. Around this development, Ford's commercial plant at Langley, and the Vauxhall plant at Luton, grew a network of component suppliers. Some of them were also multinationals, or by the 1960's and 1970's, were to become so. Two US companies, Briggs Motor Bodies and the Kelsey Hayes Wheel Company, were early entrants to the area, and were taken over by Ford in the mid 1950's. Chloride supply batteries from a major plant in Dagenham, and Berger (part of the German multinational Hoechst) supplies paint. Lucas provides many components, from fuel injection equipment to electrical parts. Glacier Metals at Alperton, GKN, Trico and Phillips electricals are other major London firms to supply Fords, together with innumerable smaller suppliers in the chain. The key point is that the motor industry was one of the epicentres of London's long industrial boom. If Dagenham were to close a whole dense network of London suppliers would be likely to go with it. Some like Firestone have already gone. Glacier Metals is under threat. The proposed closure of the Ford foundry (with the loss of 2,000 jobs) is estimated to threaten a further 4,000 (and more than a dozen major suppliers) in London. It is in this sense that we can say that Ford dominate a major section of London's economy to an extent well beyond that indicated by the company's employment figures alone.

9 A similar network of interdependence is evident in the food industry. Primary processing close to the docks in East London (sugar, oil, flour and chocolate) encouraged the growth of biscuit making, ice cream and confectionary. This is the customary description of London's industrial geography. But there is another reading - one more recognisable to those who work in the industry. For sugar read Tate and Lyle, for oil Unilever, for flour, the big three who control 83% of the UK market, RHM, ABF and Dalgety Spillers. Chocolate has now largely disappeared, confectionary is declining (Callard and Bowser, Trebor, Barretts and Clarnico) and Walls (Unilever again) has announced the closure of its Acton ice cream plant, leaving Lyons at Greenford as the only remaining significant producer. London biscuit production is dominated by the two giants, Nabisco and United Biscuits (who between them have two thirds of the UK biscuit market, and nearly three quarters of the market for snacks), and London's bread by the two bread giants, Rank, Hovis, McDougal and Associated British Foods (who provide 60% of bread in Britain, and 63% in London). Quaker Oats at Southall, Nestlé's at Hayes and at their Cross and Blackwell plant in Newham, Heinz at Park Royal, Walls Meat at Southall, these also have a dominance in their respective fields, and each of them has announced or is expected to announce the run down and closure of their plants.

10 The third core of London industry was electrical goods, in part for the vehicle and capital goods industries, but above all - in the London area - for the consumer boom that followed the re-organisation of London's electricity grid after 1926: Hoovers, Osram lights (GEC), Belling cookers and heaters in Enfield, and the great centre of the radio, record, and later television industry in Hayes, what became Thorn-EMI. STC (ITT), MO Valves (GEC), Mullards (Phillips), and Plesseys, were other major plants of London's electrical industry.

11 What is more important, these were the firms who were to dominate the next leading edge of London's economy from the 1960's onwards, electronics and the cultural industries. Information and communication have taken over from the car, white goods, and processed food as the main movers in the economy. If roads and electricity were the key infrastructures of the earlier age, it is now telecommunications and the airport. The new electronic equipment is provided by these same firms who started their lives with electricity. Much of their production has been switched away from London. What has been left are the cultural industries which have grown to provide the 'software' for the mass production that follows: records, television, films, newspapers and publishing. London employs 50,000 alone in the audio visual industries, and is the centre for publishing and newspaper production in Britain. All these sectors follow the pattern of being dominated by a small number of multinationals, with many smaller, often tiny, firms working among, within and for these giant structures. 5 multinationals effectively control 95% of the UK record industry. 3 companies control 75% of the daily press. The top 11 firms control 62% of the total book market, and the top 9 firms 95% of the total paperback market. Many of these firms are cultural conglomerates spreading across the sectors of London: Thorn EMI not only produces the hardware, but one in five of all records produced throughout the world. It has a large stake in Thames TV, in all phases of the film industry and in independent local radio. Rank and Phillips, Pearson and the Murdoch empire are other London examples.

12 Much of the new information and communications industry is classed as services: accountancy (dominated by 8 multinational firms), management consultancy (with a similar top 8), advertising (where 45% of total billings are handled by the top 20 agencies, centred in London, with 7 out of the top 10 US based) data banks (such as those controlled by Reuters and the Financial Times - owned by Pearson). Even computer software production, which has many smaller firms, is still primarily carried out within the major companies, as is research and development. The banking sector which employees 133,000 people in London is dominated by the 4 major UK banks.

13 The key decisions affecting London's private economy - with nearly 2½ million workers - are taken then by a small number of very large mainly multinational firms. Though the Census of Employment recorded that there were some 172,000 establishments in London in 1978, the tide of the economy turns on the decisions of no more than 100 of them. In manufacturing the top 75 account for a quarter of employment. In distribution, the top 20 firms account for a fifth of all sales. In finance the top 4 banks account for 59% of employment. London's economy is built round certain key sectors - vehicles, food, electrical goods, and now information and communication and it is these which are dominated by the major multinationals. The small firms either serve these multinationals directly or work in sectors that service the local market but are not themselves the main engines of growth - retailing, construction, business printing, and the whole patchwork of city business services.

Multinationals and Employment

14 Over the last twenty years some of the main decisions taken by the manufacturing multinationals have been to run down and close their London plants. The AEI closure in Woolwich in 1965 was one of the earliest, causing 5,000 redundancies, and a wave of secondary effects. In Canning Town between 1966 and 1972 the job cuts and closures of 6 multinationals - Tate and Lyle, Unilever, Harland and Wolfe, Turners, Witty and Vesty - led to a loss of nearly 12,000 jobs, almost a quarter of Canning Town's total jobs. The pattern continued throughout the 1970's. Between 1973 and 1978 the number of manufacturing plants with more than 500 workers fell from by 273 to 221. By October 1982 a GLC survey found only 75 manufacturing plants left of this size in London.

15 Some of these closures were family firms. In the furniture industry for example, there were eight family firms with plants of more than 500 workers. All save one are now out of business. But many of the closures were branch plants of multinationals. In some cases the cause of the closure has been a concern to move production to areas of weaker labour. Staffa Engineering in Leyton for example was taken over in 1979 by the US firm, Brown and Sharp, celebrated in the US for its anti-union line. The company had been profitable, and undertaken a £1.5 million investment programme in 1977-8. Within two years of the takeover, Brown and Sharp announced that the Leyton plant would be closed and production moved to another of their factories in Plymouth. The organisation of the move was put in the hands of a US consultancy company, Hay Communication Ltd., who specialise in 'breaking unions by relocation'. The timing of the announcement was meticulously planned over several months, though the final communiqué said that decisions had been taken only the previous week. Attempts by the workforce and this council to get Brown and Sharp to reverse this decision were blocked. Hay Communications were in charge of all external public relations management, and the company refused even to speak to the GLC.

16 Another example with which the GLC was involved was the closure of the Lee Cooper Jeans factory in Havering. Again the company refused to reconsider their decision, shifting production to a new Cornish plant on the grounds of cheaper, more plentiful labour. This was part of a European policy of sourcing from areas of weak labour: Tunisia, and even Poland where the company opened a factory on contract. Walls Meat factory in Willesden was closed primarily it is reported because of the strength of organisation of its labour force. A recent GLC sponsored study of 47 firms which had relocated out of London between 1976 and 1980 found that 13 of them were attracted away from London by more 'appropriate labour behaviour, attitudes and responsiveness'.

17 Other firms have cited the need for new premises as a major reason for leaving London. At this moment, Lucas CAV and GEC have plans for building new factories in Buckinghamshire, which will almost certainly lead to the closure of existing plans in London. The Department of Industry has recently reported that many branch plants of foreign companies have switched production from London to the rest of the South-East. When Universal Toys took over Lesneys of Hackney, they closed the Hackney plant, shifted part of the production to Romford, and part back to their home country, Hong Kong. Callard and Bowser have gone to South Wales. And so the pattern continues. Plants are moved like pieces on a chessboard, regardless of the social costs at either end.

18 The most sustained shift, however, has been abroad. Table 1 shows the trends towards internationalisation of production of a sample of major British multinationals, with significant employment in London.

Table 1. The Internationalisation of British Multinationals

Company	Proportion of Employment Abroad, 1973 and 1982 percentages 1973	1982	Estimated Employment in London 1983
Allied Lyons	7	16	2,600
BICC	35	45	570
GEC	15	23	5,250
Grand Met	9**	23	
ICI	34	46	
Imperial Group	7	27	
Lucas	13	26	3,800
Plessey	12*	23	3,900
RHM	7	11	2,500
Thorn EMI	8	20	8,500

* 1975 figures
** 1979 figures

In company after company, the tendency has been for new investment to take place abroad. Take Lucas as an example. In 1973 overseas employment still only accounted for 13% of the group total. It is now 27%, as the result of a series of takeovers in Europe, South America and the USA. All its major capital investments have been concentrated overseas, leaving its operations in Britain, in the words of the Investors Chronicle "more or less on a care and maintainence basis". Starved of new investment, it is not surprising that many London factories seem fit only for the bulldozer.

19 Ford

Of the 75 major factories remaining in October 1982, all but three were owned by multinationals. First and foremost of them all is Ford. Ford is not only London's largest multinational it is the third largest multinational in the world. Until the early 1960's Ford was oriented to the British market. In 1961 Ford US bought control of Ford UK and increased its direct control. Ford Europe was established in 1967, with its head offices in Brentwood.

20 The European plants now began to be planned together, each making parts for the others final assembly operations. Its fourteen major plants now resemble a single European factory, directly co-ordinated with a dense network of parts and finished vehicles travelling between them. Bridgend, for example supplies European plants with Escort engines. They are put in containers and shipped through Dover and Poole, and then on by road to plants in Germany (Saarlouis and Spain (Valencia). Transmissions made in Bordeaux are moved to Dagenham and Spain by road.

100 I.S.O. containers leave Dagenham each day, mainly carrying engines to Saarlouis, Cologne and Valencia. To Germany they travel by train to Harwich. From there they are shipped to Zeebrugge and then on by rail to Saarlouis and Cologne. The containers for Valencia go by ship directly from Dagenham Dock to Bilbao - and then on by rail to the plant in Southern Spain. On the return journey the containers from Spain are loaded with Fiesta engines and body panels. From Germany, the containers return filled with parts for the Sierra.

At any one time Ford estimates that it has more than 1,000 rail containers in service in Europe, and on top of this are drop body trailers and some rail wagons. It is estimated that there are more than 12,000 tonnes of components in transit between plants, and the trade unions estimate that these long supply lines can hold anything from nine days to three weeks supplies of key components, and give Ford a flexibility against strikes and stoppages. The diagram shows how a Fiesta assembled in Dagenham depends on these supply lines for its parts.

21 The key to Dagenham has always been that it made many of its own components as well as assembling the final car. But over the past few years there has been a continued run down of the plant. The blast furnace and the coke ovens have been closed. Electricity is no longer generated at the Power House. 2,400 jobs were cut in the foundry between 1979 and 1983. By 1984 hourly paid employment at Dagenham was down to 15,897, a loss of more than a third since 1979. As Table 2 shows, overall Ford employment in London has fallen by the same amount in this period, a total loss of more than 10,000 jobs.

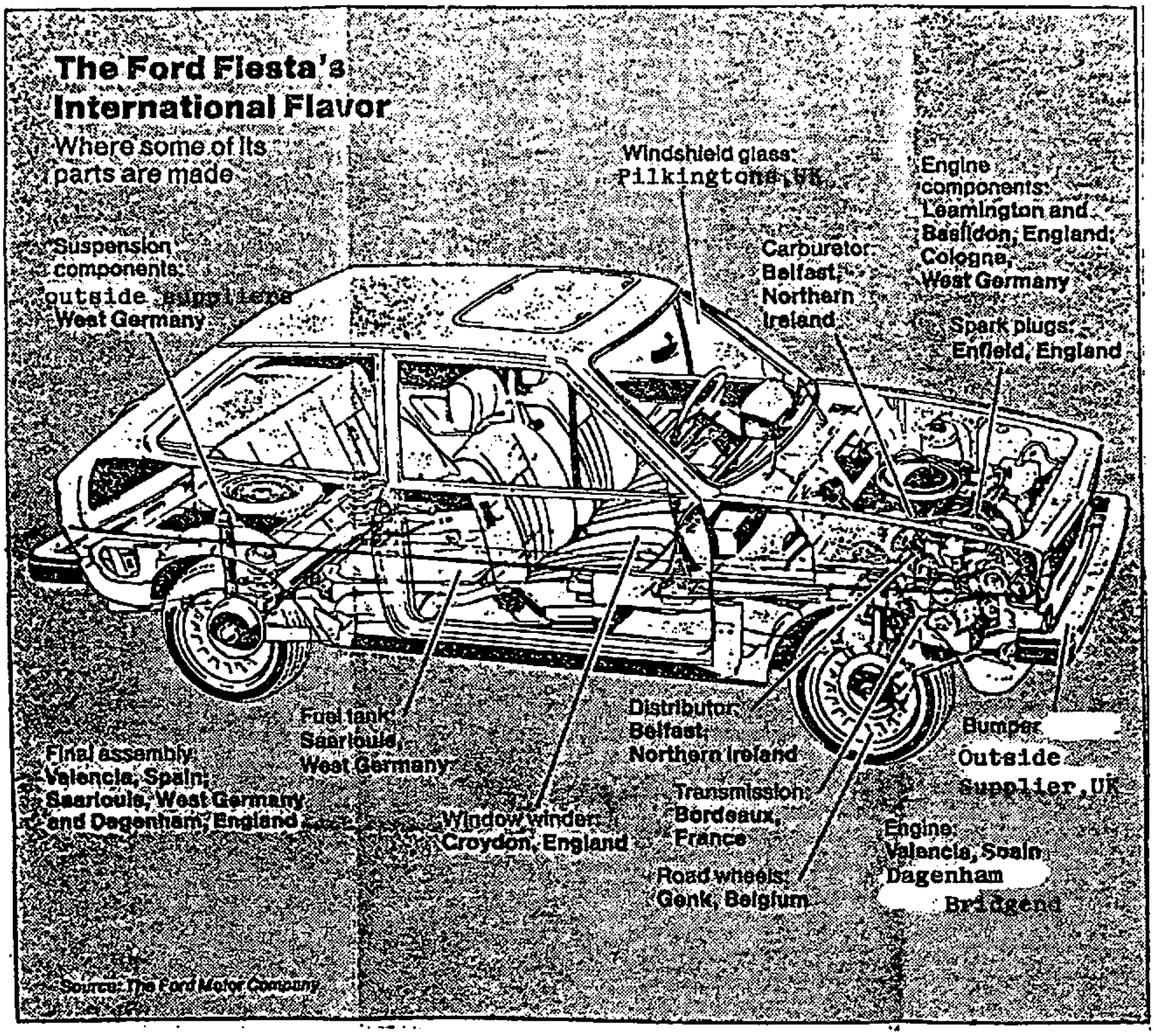
The Ford Fiesta's International Flavor
Where some of its parts are made
Suspension components: outside suppliers West Germany
Windshield glass: Pilkingtons UK
Carburetor: Belfast, Northern Ireland
Engine components: Leamington and Basildon, England; Cologne, West Germany
Spark plugs: Enfield, England
Fuel tank: Saarlouis, West Germany
Final assembly: Valencia, Spain; Saarlouis, West Germany and Dagenham, England
Window winder: Croydon, England
Distributor: Belfast, Northern Ireland
Transmission: Bordeaux, France
Road wheels: Genk, Belgium
Bumper: Outside Supplier, UK
Engine: Valencia, Spain Dagenham Bridgend
Source: The Ford Motor Company

Table 2

Ford's Decline in London, 1979-1984

Total Employment (hourly paid and staff)

	1979	1984	Jobs Lost
Dagenham	28,282	18,957	9,325
Woolwich	632	356	276
Enfield	1,617	1,089	528
Total	30,531	20,402	10,129

Then in January 1984 it was announced that the foundry would close completely with the loss of 2,000 jobs. The forge is threatened (an announcement is expected shortly about the 200 jobs there). Ford have recently announced that the engine plant will lose the new OHC petrol engine to Cologne and the USA, leaving it confined to the uncertain diesel engine production and a forecasted loss of between 400-1000 jobs by 1988. Employment in the knock down plant has been falling following Ford's decision to source the Far East market from its associate Mazda in Japan. The company has threatened the wheel plant, and there is increased pressure on jobs in the press shop and in the estate's assembly and body operations. With the long-term future of the neighbouring Woolwich and the Croydon component factories still uncertain, there are signs that the management is contemplating the break up of Ford's integrated London operations, which could leave Dagenham solely as an assembly operation with related marginal activities.

22 Dagenham has been losing out within the process of Ford's rationalisation of first its European and now its global operations. The foundry work for example is to be shifted to sub-contractors in Germany to serve the Cologne engine plant. The Dagenham foundry, said Ford, was no longer economic. What they did not say was that the foundry had virtually no investment made in it for the last ten years, and as a result would not be expected to match more modern plant elsewhere. At the foundry as in other parts of the Dagenham complex, Ford have used lower productivity figures as a justification for cutting employment, when in fact they are primarily a reflection of Ford's failure to maintain its plant (in spite of substantial depreciation provisions in the British accounts), and their deliberate decision not to maintain capacity production there.

23 Instead Ford has been making its investment decisions on what it calls hard market criteria. The market is somehow presented as legitimating these

decisions. If a plant like Dagenham suffers then it is the workforce (or the British pound) that is to blame. Ford is merely responding to market signals - necessarily so in the teeth of fierce competition - which are ultimately the signposts to the public good. No such conclusions can be drawn from Ford's activities in recent years.

24 First, Ford remains an American company. 46% of its investment and 47% of its employment is in the US, and a further 20% of investment is in the rest of the American continent. Its prime commitment is to the US. When it misjudged the US market and failed to develop early enough a fuel efficient smaller car, the losses it incurred in 1979 and 1980 were largely funded from Ford UK's profits. In 1979 Ford UK declared profits of £386 million comprising 70% of Ford's global profits. £135 million of this was repatriated to the US as dividends, and £229 million was loaned to the US parent, though Ford have consistently refused to disclose how much (if any) interest has been paid on it. In 1980 again, Britain was again almost the only part of Ford's world operations to make a profit (£226 million) and again cash flowed back across the Atlantic.

25 For British and European Ford this loss of funds had serious consequences. This was the period when the Sierra was being developed to replace the Cortina as a mass produced BMW-Mercedes type car for the European market. Because of the loss of European funds to the US, the Sierra appeared with an innovative body but with much of the conventional mechanics of the old Cortina inside. The Sierra remained rear wheel drive in spite of the strong trend towards front wheel drive because Ford could not cope with the wholesale re-engineering of engines and transmissions that GM's world car had involved. The Sierra's new engine will not be introduced until 1985. Technically a half way house, and consciously planned for the European and not the US market, the Sierra sales have been disappointing, with low exports, and European sales only maintained through heavy discounting. Dagenham has suffered from this series of managerial mistakes, which led to a cut in Europe's own development funds to finance US losses. It was not the market but the internal strategy of a US based multinational which dictated this.

26 Similar considerations apply as Ford moves towards a global strategy. Ford have just re-organised its corporate management structure in the USA. One feature of the reorganisation has been the strategic position given to its Diversified Product Operations division, which includes the production of auto components worldwide, and its military and aerospace production in the USA. In the words of Bob Lutz, executive Vice President Ford International Automotive Operations, "There has to be a global strategy because it is getting so incredibly expensive to create new car model lines. During the next eight to ten years we will try to get as many mechanical components as possible to be interchangeable between cars we make around the world." The signs are that this will lead to a shift towards both Japan, where Ford own a quarter of Toyo Kogyo (Mazda), and a further shift in balance towards the American continent at Europe's expense. Ford's Brazilian Escort factory is already exporting to Northern Europe, and the company have just invested in a new £500 million world factory in Northern Mexico. The new petrol engine for the European Market is to be 40% sourced from the USA. Perhaps even more significant for the long term, Ford has opened a new research and development centre in the US, which has raised fears that Ford Europe will lose the capacity to design and build a European car. As with Kodak, the move to even larger and more global operations has led to a strategic concentration of research and production in the US, a form of demultinationalisation. While

multinational firms span the world, they still rely critically on their home governments for protection and support in the arena of world competition. In this sense it is as much industrial politics as market economics which determines Ford's international strategy.

27 Within Europe itself, the key factors influencing location have also had little to do with market economics. Because capital costs, particularly design engineering and tooling, are so large, tax advantages, government subsidies, and import quotas have come to be of central importance. With the development of integrated international production, Ford has played off government against government in order to maximise its grants and minimise its tax. In 1978 Ford let it be known that it was to build a major new factory to make the engines for its new world car (what became the Escort). Against fierce competition from Ireland, Austria, and France, the plant was secured for Bridgend. The terms of the deal were such that an estimated £111 million of £180 million investment was covered by subsidies and government grants. The plant was supposed to provide 2,500 jobs. In fact it provided only 1,850, and in the meantime Dagenham's engine plant was run down.

28 Ford has similarly played off one workforce against another. Dagenham are told that productivity is higher in Cologne. Cologne workers are told that profits are higher in Britain. We have even heard from a Brazilian Ford worker that he and his colleagues are told that their productivity and the product quality is lower than in Europe. These comparisons are used as threats. In February this year union leaders at Dagenham were told that they would lose a proposed automated rim line investment unless they came into line with a number of management proposals on labour organisation and performance. Ford was able to impose these conditions because of its flexibility in international investment. No account was taken of minimum conditions of work and pay which would allow workers on those lines to live and work in tolerable conditions rather than being even more subject to the robotic tyranny of the line. There was no sense in which capital should work for labour rather than the other way round. Rather Ford's power to shift lines of production and invest where it likes enables it to use the point of weakest and cheapest labour as a discipline on the rest. Like Gresham's law that bad money drives out the good, so today bad working conditions drive out the rest. This is what the market means in the new multinational economy.

29 For all these reasons Ford's investment strategies cannot be justified economically or socially. It treats its traditional workforce and the community as a whole as a mining company might treat a seam to be worked on and then abandoned. Mining companies are now required to make good the areas they have damaged. There is no such compunction yet on manufacturing companies like Ford.

30 The scale of the damage resulting from the foundry closure has been calculated in a study commissioned for the Council in January. The 2,000 jobs to go in the foundry would lead to a knock on effect of a further 4,000. If we calculate the loss to the Exchequor of no longer receiving these workers' national insurance contributions (£9.2 million in the first year) of their tax payments (£8.4 million pa), and the further cost of paying unemployment benefit, supplementary benefit and housing benefit (£6.4 million) the total cost to the Exchequor is £24 million in one year. In addition there is the cost of lost output, and the human cost to the unemployed themselves and their families.

31 The gross disdain shown by Fords for the effect of their decisions on the lives of those who have worked for them is nothing short of scandalous. So is their deliberate leaching of the exchequor. Not only have they received a succession of substantial grants (£143 million between 1979 and 1982), they have also organised their accounts in such a way as to pay little if any tax. Kay and King's study of UK corporation tax avoidance by multinationals for two sample years of 1976 and 1981, showed that Ford declared profits of £122 million and £220 million in those two years, but paid no corporation tax in either case. Part of the reason is that successive governments have granted such generous concessions to multinational companies that they have realised their profits here. But the folly of this policy can be seen by the fact that British profits have on balance been funding expansion abroad. Thus from Table 3 we can see that of Ford UK 's total investment of £985 million for the four years 1979-82, the majority was financed out of depreciation and government grants, and more than £½ billion was available to fund Ford's US dividends and world wide investment.

Table 3

Ford Motor Company: investments, profits and governments grants 1979-82

£ million

	Profit and interest	Depreciation	Government Grants and interest relief	Investment
1979-82	1,009	374	143	985

Source: Company accounts
Company information

32 There is a similarly negative picture from the point of view of the balance of payments. Not only have there been substantial outflows of dividends and interest payments to the US (the intra company loans from Ford UK to the US were down in the books at £961 million in 1982) but by 1981 Ford imports were exceeding their exports. Nearly half of Ford's 30% of the UK market is now imported, that is to say 15% of the British car market compared to the total of Japanese imports amounting to 11%. At the same time Sierra exports were weak, while exports to the Far East fell as a result of Ford tie up with Mazda in Japan.

33 Without a radical change in public policy the outlook for Dagenham and the UK remains unsatisfactory. Ford internal documents published in February in the Engineer show that expansion in Europe over the next five years will take place on the continent and not in Britain. To balance the run down of Dagenham, Ford Europe has assigned European diesel engine production to Dagenham, and invested £100 million in new plant for this purpose. But the forecasts of diesel demand are highly uncertain, and as a result so is the future of Dagenham's jobs. Ford themselves say they expect employment to be down to 13,000 by 1988. With a loss of two indirect jobs to every direct one lost, this means a fall in employment in London of 13,500 as the result of Ford's investment policies. These figures, which take no account of possible closures at Woolwich and Croydon, are optimistic.

34 The trends therefore are clear. Ford protests that Dagenham's problems are exchange rates and labour. Neither holds water. Britain has had a steady downward drift in the value of the pound which is expected to continue, lowering real production costs. As far as labour is concerned, Ford recently sent three senior engineers to Japan to discover why it costs nearly £1,000 more to build an Escort in Europe than to build an almost identical Mazda 323 in Toyo Kogyo's factory in Japan. Their conclusions were striking: 'more than two thirds of the excess costs compared to TK are the product (not the sum) of design, build complexity, schedule instability, and the consequential low level of mechanisation and automation'. Differences in work intensity accounted for only one tenth of the difference in manufacturing costs. Ford has been under pressure from the Japanese not because of labour or exchange rates, but because its management has been less efficient in production engineering and less responsive to market variations.

35 To offset these disadvantages Ford has played off governments, local councils and groups of workers against each other. It is time all of them acted to restore control over what is still an important part of the London and British economies.

Multinationals and the Crisis of Policy

36 Multinationals have led to a major crisis in economic policy. Keynesian policy was based on a national economy, relatively self-sufficient, whose internal workings could be regulated by government adjustments of interest rates, tax rates, and public spending, and whose arms length international relations could be regulated by changes in tariffs and the value of the pound. In the twenty years after 1931 there was a real basis for these policies. The share of imports in the UK market for manufactures fell from 24% in 1931 to 5% in 1950. But from the 1950's the British economy was once more re-opened. By 1977 imports were up to their 1931 level (24%), and by 1983 had risen to 30%. During the period of the post war boom Keynesian policy was only required to smooth out modest cycles. From 1973, however, with the international collapse of investment, of profit rates, and the onset of a prolonged depression, Keynesian policy found itself faced with the barriers of an internationalised British economy. As soon as deficit financing was seriously tried in 1975/6 it was blocked by the financial institutions in the money markets, and Callaghan was constrained to say in 1976 'you cannot spend your way out of a recession'.

37 It was not just that Britain was now a more open economy. It was that Britain's international flows of goods, services and money were part of a new international division of labour increasingly controlled by multinationals. Kodak for example exports Kodachrome paper from Harrow to its subsidisiaries throughout Europe, but imports X ray film and Ekatcolour paper from Kodak Pathé in France. With Ford the network of international trade within Ford Europe is even more dense. For Britain as a whole in 1981 82% of British exports were made by multinationals, and 30% of all exports were intra firm. The equivalent figure for intra firm imports is 25%.

38 Exchange rate policy comes to have a quite different significance in these circumstances. Traditionally it has been thought that devaluation would give Britain a short term advantage on international markets, which would be gradually eroded as other countries responded. But with integrated multinationals the situation is altered. Kodak Harrow, will in the short run continue to export to its affiliates on the continent whatever the exchange rate, since Harrow is the sole source of Kodachrome paper in Europe. Rather it is in the longer term that exchange rate changes could be expected to have an effect, when new investment is to be made or plants shut down. As Bob Lutz of Ford put it Bridgend went from being a very good decision at 3 marks to the pound, to being a disastrous decision at 4.25 marks to the pound, and back to being a good decision at 3.5 marks to the pound.' But if the effects of a devaluation are expected to work in the longer term, then other competitor countries will have time to devalue and erode the UK's original advantage.

39 There is a similar erosion of the effects of exchange controls. The prices set on the intra firm trade flows are set by the firms. It is extremely difficult for customs and tax officials to challenge them. What is the true price of a Ford Escort door? With specialist, branded products the firm sets its own price, and the UK has only two tiny groups of officials (both less than 30 strong) to assess transfer pricing in the whole of British trade. The best documented cases of transfer pricing in manufacturing are in the drug industry (Roche's librium and valium is the most notable), chemicals, electronics, rubber tyres, metallurgical products, and synthetic textiles (by the Japanese firm Toray who have recently invested in London), though because of Britain's minimal policing, all the examples save drugs are from other countries. There is also evidence of transfer pricing in both insurance and banking. The latter was exposed by an employee of Citibank (who employ 1,800 people in their London office) and confirmed by an accountancy firm called in to conduct an independent enquiry. In the words of a survey of the case, "these sources show that Citibank, in shifting its foreign exchange positions around its global network, also adjusted the exchange rates at which the transactions took place with others of its branches. The result was to make it seem as if the European branches of Citibank had taken losses on the transactions, thus lowering the level of income which was taxable in those jurisdictions, while the profit appeared to arise in its Bahamas branch'.

40 In the case of Citibank it was possible to shift substantial profits even within the quoted margins between the high and low of the exchange rates. Another channel is fees and royalty payments. In 1981 multinationals transferred £362 million from the UK to parents and affiliates overseas, and received £260 million from affiliates. If we add this to the £12 billion of intrafirm exports, and an estimated £10 billion of intrafirm imports, quite apart from the short term money flows and insurance premia, we can see the scope for transfer pricing, both to avoid exchange controls if there are any, and to shift profits to where it is most advantageous to declare them from a tax point of view. Adding the intra firm flows of investment and profit repatriation across the exchanges, which in 1981 amounted to £9.3 billion, we find that nearly £32 billion of the currency that moved across the exchanges consisted of intra firm payments within multinationals. The room for destabilising the foreign exchange market through holding back or advancing these payments is clearly massive.

41 Transfer pricing not only blunts exchange control policy, it raises new problems for domestic monetary and fiscal policy as well. Many of the major

multinationals fund their new investment internally, and are therefore quite insulated from changes in domestic interest rates. Those that do borrow on British markets, if faced by rising interest rates, can through transfer pricing and other internal international transfers, avoid any intended tightening of the domestic money markets.

42 It is in the area of taxation, however, where the most serious impact of the multinationals is being felt. Over the last twenty years a new form of inter state competition has developed. Instead of competing through the exchange of products on the market, countries are competing both for new multinational investment, and the declaration of profit (two quite distinct things) through a mixture of incentives and concessions. What has happened since the mid 1960's is for the net tax rate on international companies to be bid down (net tax being defined at tax minus grants and concessions). When price competition takes place between firms, the floor to competition is the costs of production. Any firm consistently pricing below costs of production would go out of businness. In the new multinational political economy of nation states, the floor is represented by the expenditure obligations of the lowest spending state, which can be very low indeed.

43 The extreme case is the tax haven - most of them are small, with tiny state budgets, who are quite content with stamp duties and the smallest cut of declared profits. The United States have imposed restrictions on US firms profiting by tax havens, which has limited but not eliminated their use. But similar results can be achieved in other countries, not least in Britain which one tax adviser recently described as the best tax haven in the world. This is because the incentives now offered by Britain, capital and depreciation allowances in particular, commonly allow major firms to escape tax on their profits. In 1981 for example, of 17 leading industrial companies who between them declared profits of £9.8 billion, only three paid any tax at all, totalling £416 million, or 4% of the global amount. Since 1965 the government has granted more reliefs than it has taken in corporation tax. This tax, which in the late 1960's was bringing in 9% of total tax revenue, is this year due to bring in only 3%. As the Economist put it recently, the way that Britain taxes companies 'may have suited a world of Victorian manufacturing. It makes no sense for today's conglomerates and multinationals'. When on top of this, the Government provide grants to attract multinationals - Nissan are to receive a reported £100 million - and infrastructure to service their investment, it will be clear that a company's net tax payment may be negative, as has happened in Ireland. Certainly the overall effect is either to shift the tax burden on to national companies and labour, or to force a compensating cut in state spending, or both.

44 The crisis of policy is therefore twofold. On the one hand, multinationals have increasingly blunted the effectiveness of the traditional instruments of national economic policy. On the other the mobility of multinational invetment and profit declaration has put a strong pressure on states to dismantle their controls, and engage in a new form of inter-state competition.

Alternatives

45 The powers possessed by multinationals have been registered for more than a decade in this country, though succeeding governments had until 1979 done almost nothing to restructure policy accordingly (or the statistics on which such a policy would depend). There are two clear alternatives. The first

is to dismantle controls and actively engage in the new form of inter-state competition. The second is to develop new types of control.

46 The present government has followed the first of these alternatives. Faced with the multinational evacuation of the British economy, it did not impose more stringent requirements to encourage investment in the UK. Instead it removed exchange controls, raised the value of the pound, and finished by speeding up the exodus. There were massive outflows of capital. Overseas investment nearly doubled between 1979 and 1981, from £2.8 billion to £5.1 billion, while inward investment was halved (from £1.8 billion in 1979 to £0.9 billion in 1981).

47 Worse still, the Government has made it more difficult for workers to resist the wave of multinational closures. In the 1982 Employment Act, Clause 15 outlaws all disputes relating to matters outside Britain. The Government, supported by the CBI, are vigorously opposing the EEC Commission's Vredeling directive - even in a watered down version - which seeks to ensure that workforces have full access to information in multinational companies. it requires regular, detailed annual information about the whole group's direction, and finances, and more detailed information if a company is considering closures or transfers of production. The CBI in a recent vigorous objection said that the directive would allow employees to bypass local management and go straight to the parent company. Yet if the parent company or European Board is the decision making body - as is the case in most multinationals - then it is with them that workforces need to treat. The CBI says the directive would delay decision since it requires 30 days notice to be given of 'serious decisions' The experience of Staffa engineering shows how necessary early warning is - and how managements may even hire consulants to prevent it. Information about multinational plan is, in short, a minimum condition for greater control. It is an outrage that the government is setting out to sabotage even this modest proposal to make multinationals more accountable to the people who work for them.

48 The general direction of Government policy threatens an 'Irelandisation' of the British economy. Ireland has followed an open door policy for 25 years, increasing grants and lowering restrictions as more and more countries have come to compete for international investment. It has reducd the mechanisms for accountability (for example Ireland's grossly inadequate statistical monitoring of the multinationals financial flows is a matter of conscious policy). Through the removal of protection and controls it has also effectively destroyed domestic industry. As a result Ireland now finds itself without a controllable, taxable industrial base, and has been plunged into a sustained and explosive economic crisis. Similar forces are now at work here.

49 In putting into practise an alternative policy of control, part would depend on new legislation, co-ordinated at a European level. It should go well beyond Vredeling, cutting down on tax havens, requiring firms to pay compensation to communities they abandon, extending the tax and customs controls and the policing service necessary to enforce them (on the lines of the US Internal Revenue Services). Above all there needs to be a European wide agreement to stop the incentive competition which has so benefitted multinationals and impoverished exchequors.

50 But there is much that trade unions and local Labour councils in support of them - can do without legislation to impose some sort of accountability on

the multinationals. Indeed organised labour has in many ways the greatest potential power to resist their private logic. In a few isolated cases - such as the joint strike by Italian, French and British workers against Dunlop/Pirelli in 1973 - this power has been realised. Ford stewards and their unions in Europe have developed regular contacts and meetings. The unions in ITT have done likewise. But the difficulties of such an organic growth - particularly if it is to become permanent - must be similar to those faced by the first organisers of national unions in Britain in the early 1830's: the difficulties and expenses of travel; the problems of communication and language (though for a Londoner to have understood a geordie dialect was probably easier than for a Dagenham worker to understand his or her Valencian counterpart). There is the further difficulty, too, of piecing together an understanding of the multinational in question, when time is short and information scarce.

51 In these circumstances, the first task of any national or local authority is to make these international links easier. A local council cannot make the links, but it can facilitate them, by making resources available for trade unionists to find out the information about their company which the company is refusing to disclose. If the Government insists on vetoing the Vredeling directive, should not local authorities provide resources to help workforces achieve a similar end?

52 This is the policy that the Council has been pursuing in its attempt to stem the closures and redundancies from multinational branch plants in London. We have set up an Early Warning Unit which, working with the trade unions and other parts of the Economic Policy Group, have been able to identify plants under threat - on occasions a number of years hence. The Economic Policy Group and the local Trade Union Resource Centres funded under the employment programme, have then been able to provide research time for trade unionists seeking to resist the closures, and to argue their case nationally and internationally. Finally, we have been able to provide funds and facilities for international meetings (though not as yet cheap air fares).

53 The development of the Standing Conference of Kodak European Workershas shown all the difficulties that there are to overcome, and the value of overcoming them. The trade unions from Kodak Pathé first contacted the Harrow plant through their local council in Val de Marne, and from there to the GLC and Harrow. Since June 1983 the two workforces have met five times, and have now been joined by delegates from Ireland and Italy, and more than 20 of Kodak's factories in the four countries. The GLC and Val de Marne councils have provided a place to meet, translators, researchers, and support. But the dynamic has come entirely from the trade unions. Their case is to demand of Kodak that it gives Europe, and the existing plants, a share of its new products. The trade unions have now gained the support of European Parliamentarians, and the Commission. The company has steadfastly refused to meet them at the European level (where decisions are taken), and instead tried to fragment them, and negotiate with them country by country. But even this has failed as national managements claim that the wider strategic issues are not within their competence. There has been no clearer argument for the Vredeling directive than Kodak's refusal to talk to the people who work for them about the future of the company.

54 Similar initiatives have been taken by the unions at Fords, at Phillips, and in Unilever. In the case of Fords, the unions and the GLC are jointly preparing for a public hearing into the strategy and practices of Ford Europe,

and their implications for the workforce, the local community and the wider London economy.
55 For local authorities the first task is then a supportive one, providing information and resources to those who have the power to resist these firms. Having said that local authorities also have some powers which can also contribute to the campaign for control. One power is purchasing. *Table 4* gives a list of the principal suppliers of goods to the GLC in 1983:

Table 4

Main purchases by the Supplies Department from Multinationals operating in London, 1983

Company	£ million
Shell	28.0
BP	23.5
IBM	6.7
Conoco	4.5
Esso	4.3
Unilever	2.0
J. H. Sankey	1.4
Dalgety Spillers	1.3
Radio Rentals (Thorn EMI)	1.1

note: IBM's purchases were made directly through CCS.

By themselves these figures are modest. Out of the total Council and ILEA spending of £700 million in 1983, only £186 million passed through the Supplies Department, so the overall figures for purchases from these and other multinationals are probably higher. Certainly when taken jointly with other local authorities and public bodies, public spending could be used as a significant lever on multi-nationals.

56 Secondly there is the power over pension funds. Table 5 lists the main investments in multinationals made by the GLC, other progressive councils in England, Scotland and Wales, and by public corporations. These funds owned between 4% and 11% of the shares of major multinationals, blocks which taken together in most cases are larger than any other single institutional shareholder in these companies. In these companies local authorities and public corporations have a significant power to exercise shareholder rights, and to this end a scheme of local authority co-operation is under way (similar

to one developed in the United States among Trade Unions).

Table 5

Shareholdings owned by Labour Councils and Public Pensions Funds in Major Multinationals, 1983

Company	%holding
Grandmet	10.5
Plessey	8.2
GEC	7.7
Tate and Lyle	7.7
Rank Hovis McDougall	5.4
Unilever	5.3
STC	5.3
Allied Lyons	4.8
Dalgety	4.0

Note: *indicates figures for November 1982

The figures are for pension fund holdings holdings by Labour local authorities in England, Wales and Scotland, and by the National Coal Board, British Rail, British Steel and the Post Office.

57 Thirdly, there are planning powers. The Council has tried to use its powers as a planning authority to prevent multinationals leaving London and converting their old factories to offices. Unfortunately, these cases are often lost on appeal. On the other hand, there is a positive role which the Council can play in facilitating redevelopment in London, through planning, and investment in premises (via GLEB).

58 In the nineteenth century workforces achieved better conditions either through legislation or through collective bargaining. In the case of multinationals both are needed, with collective bargaining being currently the most important. The collective bargaining needs to be conducted both by workforces, and by councils and other public bodies using their powers of purchasing, pensions, and publicity around a commonly agreed alternative plan. Such action would mark a major step forward. But as long as multinationals control economic power, they will always be a political force working against successful measures of control. As one Chilean economist put it, it is the political power of multinationals which is more important than anything else.

59 If we are to gain control of our economies, and stem the crisis of jobs in London, we have to take our own initiatives, and invest in firms which are accountable to their workers and the communities about them. This is the path being followed by the Greater London Enterprise Board. At first its interventions are necessarily confined to single plants and sectors dominated by medium sized rather than multinational firms. But it too, like the workers in multinational branch plants, needs to co-operate with other public boards, both in Britain and abroad. It needs support from a Government with more resources for intervention than any Council can by itself possess. It is often said that multinationals are larger than many nation states. But it is also true that the public sector in this country and in London can match in finance and in skills and knowledge, even the largest multinational. At the

moment this economy is fragmented. Our task should be to unify it, and, together with other sympathetic European states, and trade unions across frontiers, roll back the power of multinationals while there is still time.

Appendix 1

London's Top 25 Manufacturing Multinational

		Estimated employment
* 1	Ford	20,000
* 2	News International	9,500
3	Thorn EMI	8,500
4	Reed International	8,500
5	Unilever	6,000
6	GEC	5,250
* 7	Kodak	4,500
8	STC	4,300
9	Lucas	3,800
10	Hawker Siddley	3,250
11	Plessey	3,250
12	Associated British Foods	3,000
13	Grand Metropolitan	3,000
*14	May and Baker	3,000
15	Philips	2,750
16	Allied Lyons	2,600
17	Rank Hovis McDougall	2,500
18	Tate and Lyle	2,300
*19	Nabisco	2,000
20	Gestetner	1,800
21	Wellcome Foundation	1,700
*22	Nestle	1,600
*23	Heinz	1,600
*24	Bradbury Wilkinson	1,500
*25	Gillette	1,400

* indicates foreign owned

STC is formally British owned, but is still effectively part of ITT who have the major minority stake.

Multinationals in London

1. Multinationals dominate the London economy. From Harrow to Hayes, and from Dagenham to Silvertown, whole communities have grown round this or that multinational plant, just as medieval towns grew round the court of a king. There are networks of suppliers, housing estates built in the lea of the factories, and a growing reservoir of specific skills. When the plants close down, these areas face economic collapse. This has been the experience of site after site in London over the last 20 years. The AEI closure in Woolwich in 1965 was one of the earliest, causing 5,000 redundancies, and a wave of secondary effects. In Canning Town between 1966 and 1972 the job cuts and closures of 6 multinationals - Tate and Lyle, Unilever, Harland and Wolfe, Turners, Witty and Vesty, - led to a loss of nearly 12,000 jobs, almost a quarter of Canning Towns total jobs. The pattern continued throughout the 1970's. Between 1973 and 1978 the number of manufacturing plants with more than 500 workers fell from by 273 to 221. Between 1978 and 1982 there was a further fall of 75 two thirds as a result of shrinkage, and a third because of closure. In October 1982, London - which had been at the heart of the new manufacturing boom between 1930 and 1960 - had only 75 plants with more than 500 workers left. All save three were owned by multinationals. The future of London's industry rests with these firms.

2. A list of London's top 50 industrial multinationals is shown in Table 1. We estimate that thest firms directly account for nearly a fifth of manufacturing employment in London. Their direct employment amounts to 125,000 people. This is a significant yet modest figure compared to London's overall employment of 3.6 million. Yet the figure understates their importance. For they control the industrial heights of the economy.

3. In the 1930's, London avoided the depths of the great depression for three reasons: cars, food and electricity. The motor industry was centred on Fords at Dagenham. In 1929 Edsel Ford bent a silver spade digging the first turf. The first cars came off the line in 1931. By 1939, more than 12,000 people were working at Dagenham. In addition to the assembly line, Ford build a foundry for engine production, coke ovens and a blast furnace. The estate had its own railway, dock, and power station. Around this development, and Ford's commercial plant at Langley, and the Vauxhall plant at Luton, grew a network of component suppliers. Some of them were also multinationals, or by the 1960's and 1970's, were to become so. Two US companies, Briggs Motor Bodies and the Kelsey Hayes Wheel company, were early entrants to the area, and were taken over by Ford in the mid 1950's. Chloride supply batteries from a major plant in Dagenham, and Berger (part of the German multinational Hoechst) supplies paint. Lucas provides many components, from fuel injection equipment to electrical parts. Glacier Metals at Alperton, GKN, Trico and Phillips electricals are other major London firms to supply Fords, together with innumerable smaller suppliers in the chain. The key point is that the motor industry was one of the three epicentres of London's long industrial boom: if Dagenham were to close a whole dense network of London suppliers would be likely to go with it. Some like Firestone have already gone. Glacier Metals is under threat. The proposed closure of the Ford foundry (with the loss of 2,000 jobs) is estimated to threaten a further 4,000 jobs (and more than a dozen major suppliers) in London. It is in this sense that we can say that Ford dominate a major section of London's economy to an extent well beyond that indicated by the company's employment figures alone.

4. A similar network of interdependence is evident in the food industry. Primary processing close to the docks in East London (sugar, oil, flour and chocolate) encouraged the growth of biscuit making, ice cream and confectionary. This is the customary description of London's industrial geography. But there is another reading - one more recognisable to those who work in the industry.

For sugar read Tate and Lyle, for oil Unilever, for flour, the big three who control 83% of the UK market, RHM, ABF and Dalgety Spillers. Chocolate has now largely disappeared, confectionary is declining (Callard and Bowser, Trebor, Barretts and Clarnico) and Walls (Unilever again) has announced the closure of its Acton ice cream plant, leaving Lyons at Greenford as the only remaining significant producer. London biscuit production is dominated by the two giants, Nabisco and United Biscuits (who between them have two thirds of the UK biscuit market, and nearly three quarters of the market for snacks), and London's bread by the two bread giants, Rank Hovis, McDougal and Associated British Foods (who provide 60% of bread in Britain), and 63% in London). Quaker Oats at Southall, Nestle's at Hayes and in their Cross and Blackwell plant in Newham, Heinz at Park Royal, Walls Meat at Southall, these also have a dominance in their respective fields, and each of them has announced or is expected to announce the run down and closure of their plants.

5. The third core of London industry was electrical goods, in part for the vehicle and capital goods industries, but above all - in the London area - for the consumer boom that followed the re-organisation of London's electricity grid after 1926: Hoovers, Osram lights (GEC), Belling cookers and heaters in Enfield, and the great centre of the radio, record, and later television industry in Hayes, what became Thorn-EMI. STC (ITT), MO Vlaves (GEC), Mullards (Phillips), and Plesseys, were other major plants of London's electrical industry.

6. What is more important, these were the firms who were to dominate the next leading edge of London's economy from the 1960's onwards, electronics and the clutural industries. Information and communication have taken over from the car, white goods, and the tin can as the main movers in the economy. If roads and electricity were the key infrastructures of the earlier age, it is now telecommunications and the airport. The new electronic equipment is provided by these same firms who started their lives with electricity. Much of their production has been switched away from London. What has been left are the cultural industries which have grown to provide the 'software' for the mass production that follows: records, television, newspapers and publishing, films. London employs 50,000 alone in the audio visual industries, and is the centre for publishing and newspaper production in Britain. All these sectors follow the pattern of being dominated by a small number of multinationals, with many smaller, often tiny, firms working among, within and for these giant structures. 5 multinationals effectively control 95% of the record industry. 3 companies control 75% of the daily press. The top 11 firms control 62% of the total book market, and the top 9 firms 95% of the total paperback market. Many of these firms are cultural conglomerates spreading across the sectors of London: Thorn EMI not only produces the hardware, but one in five of all records produced throughout the world. It has a large stake in Thames TV, in all phases of the film industry and in independent local radio. Rank and Phillips, Pearson Longman, and the Murdoch empire are other London examples.

7. Much of the new information and communications industry is classed as services: accountancy (dominated by the top 8 multinational firms), management consultancy (with a similar top 8), advertising (where 45% of total billings are handled by the top 20 agencies, centred in London, with 7 out of the top 10 US based) data banks (such as those controlled by Reuters and the Financial Times - owned by Pearson Longman). Even computor software production, which has many smaller firms, is still primarily carried out within the major companies, as is research and development. The financial sector which employs 40,000 in London is dominated by the 5 major UK banks, 38 large insurance companies (whose international business has been growing), and 14 pension funds (still largely national in orientation). Foreign banks and security houses (394 of them in London in 1983) employ 39,000 people.

8. The point is this. The key decisions affecting London's private economy - with nearly 2½ million workers - are taken by a small number of very large, mainly multinational firms. Though the census of employment recorded that there were some 172,000 establishments in London in 1978, the tide of the economy turns on the decisions of no more than 100 of them. In manufacturing the top 50 account for a quarter of employment. In distribution, the top 20 firms account for a fifth of all sales. In finance the top 5 banks account for over 50% of employment. London's economy is built round certain key sectors, - vehicles, food, electrical goods, and now information and communication - and it is these which are dominated by the major multinationals. The small firms either serve these multinationals directly or work in sectors that service the local market but are not themselves the main engines of growth - retailing, construction, business printing, and the whole patchwork of city business services.

9. Any strategy towards the London economy has to address the leading sectors, and this means those sectors which are dominated by multinationals. In manufacturing, the most important is Ford. If Ford runs down its Dagenham complex, not only would 20,000 jobs in Ford disappear, but we estimate as many as 40,000 in London suppliers, and a further 40,000 as the result of the cut in income on local service industries. 100,000 jobs: this is the measure of Ford's power over London.

Multinationals and the Market

10. There is a tendency to be frozen by the size of these firms. Ford employs 445,000 world wide (Dagenham is a little over 3% of the total), ITT 411,000, Unilever 320,000, with operations in over 75 countries. These are centrally planned economic despotisms. Their head offices (and many of the British multinationals have their headquarters in London) are control centres akin to those of the armed forces, with the most modern communications equipment, and an authoritarian power barely legitimised by seventeenth century notions of private property. De Beers, part of Oppenheimer's Anglo-Americam empire, has an international security system run from the City, charged with maintaining its network of agents and its extraordinary monopoly of the world diamond market. Shell, whose head office is barely 200 yards from where we now sit, was since 1946 freed form any restrictions of UK exchange controls by an agreement with the Treasury to keep its liquid assets in London. It is the innumerable examples such as these that have led some to see them as the new totalitarian powers of the world economy.

11. Certainly any economic strategy for London(or indeed for this country) must start from this stark, central fact of the power of multinationals which is being exercised in the offices within two square miles of us, even as we speak. But the multinationals, and their extensive court of ideological and political followers, argue that if they are despots, then they are benevolent ones, and that their despotism is daily subject to the democratic disipline of the market. The consumer is sovereign and not the firm. Free markets and competition from equally strong rivals guarantee that the apparently despotic giants will work for popular democratic ends.

12. Let us say immediately that many multinationals - though they will strive for and often collude towards monopoly - are sooner or later subject to competition. Kodak fears Fuji and the erosion of its market share. Xerox looks at Kodak. All are subject to the slide rules of the stock market, and relative profitability. But to say this is to pose the problem rather than to solve it. For it is the workings of the market itself, through the competition of private firms, which is dragging London to its knees. This is

so for three reasons:-

(i) we are now in the trough of a world economic recession brought about as the result of the free play of the private market economy. The decline in the rate of profit, the resulting fall off in investment, the mushrooming of business and personal credit as firms try and maintain their sales by mortgaging future demand - all these have not resulted from monopoly, or trade union bargaining, or oil cartels. They have arisen from the increase of competition, following trade liberalisation in the late 1950's and have affected all Western countries, whatever the strength of their trade union movement, well before the rising price of oil.

(ii) the market has historically been quite unable to provide jobs for all who want them - even in an upturn. In the post war period, the new frontier for international capital was the third world. Plastics, motor vehicles and tractors did to third world small scale production, what the power looms of the 1830's did to the handloom weavers in England. The profits from the new technology were not all re-invested locally, but brought back to the advanced countries to fund new investment and sustain what appeared on the surface to be a nationally achieved full employment. Even in 1981 British firms were still repatriating £1.1 billion from the third world after tax and depreciation. Now that electronics is destroying many jobs in advanced countries, even an upturn is unlikely to provide full employment.

(iii) multinationals - in deciding where they will invest - take no account of the social costs of re-location which do not appear in their balance sheets. Greenfields sites have to be serviced, and the new roads, houses, and utilities are paid for mainly from the public purse. Meanwhile, abandoned city sites still have to maintain their services. Workers without jobs cannot move their homes with the same ease and lack of feeling as the companies. The celebrated Barlow Report of 1940 which analysed the problems of the depressed areas wrote the following about the trend of industry away from the established industrial areas:

> The movement has proceeded with little or no regard to the fact that it necessarily involves heavy expenditure by the community for the provision of such necessary facilities as new roads, housing accommodation, water supply, sewers, gas and electric mains, schools, churches, increased transport, and all the multifarious services required to meet the growing needs of industry itself and of the rapidly growing population. This expenditure, moreover, has to be undertaken at a time when facilities of a similar character are already available in the older industrial areas, and where they must be maintained in spite of the fact that much of the labour in the new areas is drawn from the older ones, whose authorities, because of the loss of working population, become progressively less able to support the services for their remaining population." (p.95)

London, with the loss of three quarters of a million manufacturing jobs and more than a million people in 25 years, has suffered like most other major Westerm cities - from just such an ill-regulated drift that has been brought about because of the workings of the market.

13. So it is not enough to trust to the market, as enforced by the multinationals, and to limit policy to smoothing the path to London's door. Advertising campaigns, cheap loans and premises, special access to housing for workers - none of these more than scratch the surface of the problem as far as London is concerned. The long run down of industrial employment by the multinationals, and the siting of what new investment there is elsewhere, has been a response to the dicates of the balance sheet, and no amount of persuasion, or rate cuts (which merely boost property prices), or cheap finance can alter that.

14. What has happened in the past is for trade unions and the state (both local and national) to use their various powers to regulate the workings of the market. Trade unions have bargained nationally over new investment. Central government has used is fiscal, monetary and foreign trade powers to try and counter market induced economic crisis, to make industry that abandons an industrial area pay the costs of dereliction (in mining in particular) and finance new services from tax. In particular national governments have attempted to regulate the outflow of capital from Britain, through exchange controls and other forms of national economic protection.

15. The growth of multinational corporations has undermined these traditional forms of public control. They have thrown into question all the major national economic policy instruments. This is the measure and definition of their power: that they can override public and trade union attempts to regulate the irrationality, and brutality of the market. The have caused a profound structural shift in the locus of economic power, from which London is at this very moment suffering. What is required is a complete change in the orientation and instruments of national and local economic policy if the effects of the multinationals and the market are to be curbed.

Multinationals and the new inter-state competition

16. Substantial evidence now exists on the ability of multinationals to get round traditional forms of state regulation. Take trade first. 82% of British exports in 1981 were made by multinationals. The 72 largest firms accounted for 50% of all exports. 30% of all exports were 'intra-firm', being directed to part of the same firm overseas. This growth of planned, multinational trade has two consequences. First, a growing portion of it reflects the development of an international division of labour within the firm. Kodak for example produces Kodachrome paper for Europe in Harrow, but imports X ray film and Ektacokour paper from Kodak Pathe in France for British distribution. The same is true for a growing number of firms, particularly American ones: IBM, ITT, General Motors, Ford. An adjustment of the exchange rate cannot bring about an immediate change in these circumstances. Kodak Harrow will still export to Kodak on the continent, whatever the exchange rate - that is as long as Harrow remains the main source. Rather the effects of a change will be seen in the long term when new investment comes to be made, or plants shut down. As Bob Lutz of Ford put it, "Bridgend went from being a very good decision at three marks to the pound, to being a disastrous decision at 4.25 marks to the pound, and back to being a good decision as 3.5 marks to the pound." The same would apply to Dagenham. Exchange rate changes therefore lose their sharpness as an instrument for immediate response before other countries react.

17. Second, the prices on these intra firm trade flows are set by the firm. It is extremely difficult for customs and tax officials to challenge them. What is the true price of a Ford Escort door? With specialist, branded products the firm sets its own price, and the UK has only two tiny groups of officials

(both less than 30) to assess transfer pricing in the whole of British trade. Take Kodak again.

Research in the prices charged on trade with the Paris subsidiary found that Paris was paying twice the price for the same import from Kodak Rochester as was Kodak Harrow. The aim was to maintain a lower declared profit in France where there tight exchange controls, and a militant workforce resisting the closure of the Vincennes plant. Ford have admitted similar practises with respect to their British operations, in this case declaring their Eruopean in Britain because of Britain's favourable tax structure. The best documented cases of transfer pricing in manufacturing are in the drug industry (Roche's librium and valium is the most notable), chemicals, electronics, rubber tyres, metallurgical products, and synthetic textiles (by the Japanese firm Toray who have recently invested in London), though because of Britain's minimal policing, all the examples save drugs are from other countries. There is also evidence of transfer pricing in both insurance and banking. The latter was exposed by an employee of Citibank (who employ 1,800 people in their London office) and confirmed by an accountancy firm called in to conduct an independent enquiry. In the words of a survey of the case, "these sources show that Citibank, in shifting its foreign exchange positions around its global network, also adjusted the exchange rates at which the transactions took place with others of its branches. The result was to make it seem as if the European branches of Citibank had taken losses on the transactions, thus lowering the level of income which was taxable in those jurisdictions, while the profit appeared to arise in its Bahamas branch."

18. In the case of Citibank it was possible to shift substantial profits even <u>within</u> the quoted margins between the high and low of the exchange rates. Another channell is fees and royalty payments. In 1981 multinationals transferred £362 million from the UK to parents and affiliates overseas, and received £260 million from affiliates. If we add this to the £12 billion of intrafirm exports, and an estimated £10 billion of intrafirm imports, quite apart from the short term money flows and insurance premia, we can see the scope for transfer pricing, both to avoid exchange controls if there are any, and to shift profits to where it is most advantageous to declare them from a tax point of view. Adding the intra firm flows of investment and profit repatriation across the exchanges, which in 1981 amounted to £9.3 billion, we find that nearly £32 billion of the currency that moved across the exchanges consisted of intra firm payments within multinationals. The room for destablising the foreign exchange market through holding back or advancing these payments is clearly massive, as is the capacity to avoid any adverse impact of monetary policy.

19, These powers possessed by multinationals have been registered for more than a decade in this country, though succeeding governments have done almost nothing to restructure policy accordingly (or the statistics on which such a policy would depend). If anything the opposite has happened, namely a dismantling of controls and an active engagement in what has become a quite new form of inter-state competition. Instead of competing through the exchange of goods and services on the market, countries are competing for new multi-national investment, and the declaration of profit (two quite distinct things) through a mixture of incentives and concessions. What has happened since the mid 1960's is for the net tax rate on international companies to be bid down (net tax being defined at tax minus grants and concessions). When price competition takes place between firms, the floor to competition is the costs of production. Any firm consistently pricing below costs of production would go out of business. In the new multinational political economy of nation states, the floor is represented by the expenditure obligations of the lowest spending state, which can be very low indeed.

20. The extreme case is the tax haven - most of them are small, with tiny state budgets, who are quite content with stamp duties and the smallest cut of declared profits. The United States have imposed restrictions on US firms profiting by tax havens, which has limited but not eliminated their use. But similar results can be achieved in other countries, not least in Britain which one tax adviser recently described as the best tax haven in the world. This is because the incentives now offered by Britain, capital and depreciation allowances in particular, allow major firms to commonly escape tax on their profits. In 1982 for example, of 17 leading industrial companies who between them declared profits of £9.8 billion, only three paid any tax at all, totalling £416 million, of 4% of the global amount. Since 1965 the government has granted more reliefs than it has taken in corporation tax. This tax, which in the late 1960's was bringing in 9% of total tax revenue, is this year due to bring in only 3%. As the Economist put it recently, the way that Britain taxes companies "may have suited a world of Victorian manufacturing. It makes no sense for today's conglomerates and multinationals." When on top of this, the Government provide grants to attract multinationals - Nissan are to receive a reported £35 million - and infrastructure to service their investment, it will be clear that a company's net tax payment may be negative, as has happened in Ireland. Certainly the overall effect is either to shift the tax burden on to national companies and labour, or to force a compensating cut in state spending, or both.

21. Nor is it only net tax payments which are at issue, Multinationals take into account the extent of restrictions, the level of exchange rates, and so on. The point is most acute in the financial sector, where London established itself from the late 1950's as a centre for Euro-banking because of its lack of restrictions. As the Banker put it last Autumn, "The internationalisation of key financial markets ... is a major constraint on the Bank of England role in supervising the regulation of the London stock exchange. If restrictions are too tight, large sections of the market will simply disappear elsewhere - something that has already happended to the business in South African gold shares." The lifting of exchange controls in 1979 reflected the force of the new multinational competition.

22. Thus it is not just that multinationals have the power to avoid state controls. Their mobility of investment and of profit declarations has forced states to dismantle the controls. Britain has been in the forefront of this movement. It has meant that British accounts have often benefitted from transfer pricing rather than losing by it. Such benefits have by and large not fed through to the Exchequor. Furthermore as more and more countries have been forced into competition, so the grants have increased, and restrictions have further been lowered. In Ireland where such a policy has been followed for 25 years, the resulting absense of any controllable, taxable industrial base has now plunged that country into a sustained and explosive economic crisis. Similar forces are now at work here. Proposed abolition of the GLC and the Metropolitan Counties on the grounds that it would save £300 million, appears puny - even were it true - beside the loss of corporation tax which if it contributed in the same proportion as it did in 1969, would yield a further £8 billion of tax revenues this year.

Multinationals and Employment

23. The erosion of effective economic policy and the run down of controls has meant that multinationals have cut their London operations, and shifted investment either to the shire counties or abroad. Table 1 shows that over a six year period employment in London's top manufacturing multinationals has fallen by a third. Appendix 1 presents the main redundancies that took place. The job losses have been at the heart of London's manufacturing decline. Hoovers, Firestone, Lesneys, AEI, STC Cables, Handley Page, National Cash Registers, Thrupp and Maberley. These are now all names of the past.

24. Some of these factories have been closed so that production could be moved to areas of weaker labour. Staffa Engineering in Leyton for example was taken over in 1979 by the US firm, Brown and Sharp, celebrated in the US for its anti-union line. The company had been profitable, and undertaken a £1.5 million investment programme in 1977-8. Within two years of the takeover, Brown and Sharp announced that the Leyton plant would be closed and production moved to another of their factories in Plymouth. The organisation of the move was put in the hands of a US consultancy company, Hay Communication Ltd., who specialise in 'breaking unions by relocation'. The timing of the announcement was meticulously planned over several months, though the final communique said that decisions had been taken only the previous week. Attempts by the workforce and this council to get Brown and Sharp to reverse this decision were blocked. Hay Communications were in charge of all external public relations management, and the compnay refused even to speak to the GLC.

25. Another example with which the GLC was involved was the closure of the Lee Cooper Jeans factory in Havering. Again the company refused to reconsider their decision, shifting production to a new Cornish plant on the grounds of cheaper, more plentiful labour. This was part of a European policy of sourcing from areas of weak labour: Amiens, Tunisia, and even Poland where the company opened a factory on contract. Walls Meat factory in Willesden was closed primarily it is reported because of the strength of organisation of its labour force. A recent GLC sponsored study of 47 firms which had relocated out of London between 1976 and 1980 found that 13 of them were attracted away from London by more "appropriate labour behaviour, attitudes and responsiveness."

26. Other firms have cited the need for new premises as a major reason for leaving London. At this moment, Lucas CAV and GEC have plans for building new factories in Buckinghamshire, which will almost certainly lead to the closure of existing plants in London. The Department of Industry has recently reported that many branch plants of foreign companies have switched production from London to the rest of the South-East. When Universal Toys took over Lesneys of Hackney, they closed the Hackney plant, shifted part of the production to Romford, and part back to their home country, Hong Kong. STC Cables was moved to Southampton, in the mid 1960's. Callard and Bowser have gone to South Wales. And so the pattern continues. Plants are moved like pieces on a chessboard, regardless of the social costs at either end.

27. The most sustained shift, however, has been abroad. In Table 2 we show the trends in employment in London, the UK and abroad, of a sample of London's major multinationals.

Table 2

	1978			1982		
	London	UK	Abroad	London	UK	Abroad
GEC		85%	15%		76%	24%
Lucas		81%	19%		73%	27%
Delta Group		80%	20%		71%	29%

Source: Company Reports.

In company after company, the tendency has been for new investment to take place abroad. Take Lucas as an example. In the late 1960's overseas employment still only accounted for 12% of the group total. It is now 27%, as the result of a series of takeovers in Europe, South America and the USA.

All its major capital investments have been concentrated overseas, leaving its operations in Britain, in the words of the Investors Chronicle "more or less on a care and maintainence basis". Starved of new investment, it is not surprising that many London factories seem fit only for the bulldozer.

Ford

28. Ford is London's largest multinational. It is the third largest manufacturing company in the world. It exemplifies the trend towards the Europeanisation of the London economy, and the dependence of London jobs on decisions made in the US, on the basis of criteria which ignore the social costs of those decisions on the communities about them.

29. Until the early 1960's Ford wasoriented to the British market. At Dagenham Ford employed 32,000 people producing 620,000 cars a year. In 1961 Ford US bought control of Ford UK and increased its direct control. Ford Europe was established in 1967, with its head offices in Brentwood. The European plants now began to be planned together, each making parts for the others final assembly operations. Its fourteen major plants now resemble a single European factory, directly co-ordinated with a dense network of parts and finished vehicles travelling between them. Dagenham supplies Eruopean plants with Escort engines and other components. They are put in containers and shipped through Harwich on a twice daily ferry to Zeebrugge, then by rail to plants in Belguim (Genk) Germany and Spain (Valencia). Transmissions made in Bordeaux are moved to Dagenham and Spain by road. From Saarlouis in West Germany drop body containers go by road and then rail from Metz to Valencia. On the return journey Fiesta engines and body panels fill the containers. At any one time Ford estimates that it has more than 1,500 containers, rail waggons and drop bodies in services in Europe, and that there are more than 12,000 tonnes of components in transit between plants. These long supply lines are estimated to be able to hold anything from nine days to three weeks supplies of key components, and give Ford a flexibility against strikes and stoppages. The diagram below shows how a Fiesta assembled in Dagenham depends on these supply lines for its parts.

30. The key to Dagenham had always been that it made many of its own components as well as assembling the final car. Over the past few years there has been a continued run down of the plant. The blast furnace and the coke ovens have been closed. Electricity is no longer generated at the Power House. Dagenham knock down export operations have been run down, and the dock is in the process of being sold off. The announcement that the foundry will close is a further step in this trend, with foundry work moving to sub-contractors in Cologne. The engine plant now looks as though it will certainly lose the new OHC petrol engine to Cologne, leaving it confined to commercial engine production. The associated plant at Woolwich making engine components has thus not surprisingly been made the next on the list for closures - the announcement was made in late February, to take effect by the end of April. The Dagenham built Sierra has not done well, and this has thrown a question mark over the estate's body and assembly operations. The press shop has already been reduced. The group tooling operation in the body plant is threatened, as is the linked Croydon plant which produces components such as window winders. There is a clear, sustained downward trend, which threatens to leave Dagenham solely as an assembly operation with related marginal activities.

31. Ford's management argue that they have invested £400 million in Dagenham over the past 5 years. But more than half of this was in high precision diesel engine capacity which is not fully used. What is more significant the areas in which Ford have failed to invest. The foundry for example has had virtually no investment in it for the last ten years. Although new types of casting are

now being developed - particularly aluminium and plastic - there have been clear indications that these will not be produced at Dagenham. So what has happened is the familiar pattern of a run down of plant, which is then found to be less efficient in comparison with more modern plant elsewhere. These relative inefficiences are then used as a justification for closure. They are in no way justifications. What they are is evidence of the failure of the company to maintain its plants (in spite of substantial depreciation provisions in the British accounts).

32. What has happened is that Dagenham is assessed against other sites in Europe as the most profitable place for new investment. In these calculations, however, factors are included (and some excluded) which result in socially un-justifiable decisions. First, Ford has played off government against government in order to maximise its grants and minimise its tax. In 1978, Ford let it be known that it was to build a major new factory to make the engines for its new world car (what became of the Escort). Against fierce competition from Ireland, Austria, and France, the plant was secured for Bridgend. The terms of deal were such that almost the entire £180 million investment was covered by subsidies and government grants. The plant was supposed to provide 2,500 jobs. In fact it provided only 1,900, and in the meantime Dagenham's engine plant was run down. On balance the UK suffered a net job loss.

33. Secondly, Ford has consistently shifted away from strong union areas. There is a clear pattern. Dagenham was a new estate. The plant was un-unionised until the mid 1950's. But so severe are the conditions on the line in Ford, so brutal the drive for productivity above all consideration for the lives of those who work there, that the workforce at Dagenham have defended themselves in innumerable ways, partly through the union, partly by direct action on the shop floor. Much the same has happened in almost every major car plant in the world, in Brazil as in Britain, in Detroit as in Turin. Fordism - the revolutionary method for controlling labour and increasing productivity devised by Henry Ford, and called after him, is working with an equal intensity in Dagenham today. Fordism has always tended to create its own opposition. With the advent of international production, Ford can now sidestep this opposition by moving to 'greenfield labour' overseas - to Valencia, Saarlouis, or the northern part of Mexico, - yet still be able to serve the British market. Just as Ford has played off country against country, so it plays off workforce against workforce. Dagenham workers are told that productivity is higher in Cologne. Cologne workers are told that profits are higher in Britain. We have even heard from a Brazilian Ford worker that he and his colleagues are told that their productivity and the product quality is lower than in Europe. These comparisons are used as threats. Ford's power to shift lines of promotion and to invest where it likes is used as a discipline on labour as much as on nation states.

34. In neither case can Ford's action be justified economically or socially. It treats its traditional workforce and the community as a whole, as a mining company might treat a seam to be worked on and then abandoned. Mining companies are now required to make good the areas they have damaged. There is no such compunction yet on manufacturing companies like Ford.

35. The scale of the damage resulting from the foundry closure has been calculated in a study commissioned for the Council in January. The 2,000 jobs to go in the foundry would lead to a knock on effect of a further 4,000. If we calculate the loss to the Exchequor of no longer receiving these workers' national insurance contributions, (£9.2 million in the first year) of their tax payments (£8.4 million p.a.), and the further cost of paying unemployment benefit supplementary benefit and housing benefit (£6.4 million) the total cost to the Exchequor is £24 million in one year. In addition there is the cost of lost output, and the human cost to the unemployed themselves and their families.

36. Indeed the gross disdain shown by Fords for the effects of their decisions on the lives of those who have worked for them is nothing short of scandalous. So is their deliberate leaching of the Exchequor. In Table 3 we present the balance sheet of Fords receipts from and contributions to the public funds over the last 10 years, set against the pröfits they have made. The results are astonishing. They show that Ford has paid on average 1% tax on total profits declared. Part of the reason is that successive governments have granted such generous concessions to multinational companies that they have realised their profits here. But the folly of this policy can be seen in the fact that on average investment in Britain is falling. Ford may declare its profit in the UK, but little of it finds its way back into production and employment.

37. Worse, if we look at the Balance of Payments account of Ford in Britain, we can see that Ford has actually been funding US operations out of UK profits. The intra-company loans from Ford UK to the US parent are down on the books at £961 million in 1982. But Ford have refused to disclose if any interest has been paid on it, and it appears rather as a transfer to bail out Ford US squeezed as they were in the American market. Furthermore, we can see how exports have fallen (the Far East market once served from Dagenham is now being met from Japan as the result of Ford's tie up with Toyo Kogo (Mazda) and imports risen. Nearly half of Ford's 30% share of the British market is now imported, that is to say 15% of the UK car market compared to the total of Japanese imports amounting to 11%.

38. The position is clearly insupportable from any point of view. For fifteen years Ford has operated as a US controlled European factory. It is now talking of moving to a global strategy (hence the exports from Brazil to Northern Europe, and the new £500 million world factory in Mexico). The degree to which it could play off governments, local councils, and groups of workers against each other, would be even further increased. It is time that all of them acted to restore control over what is one of the major productive institutions of our economy.

Controlling Ford

39. The present Government - in the face fo the multinational evacuation from the British economy - has actually speeded the exodus. The removal of exchange controls was a first step. The driving up of the value of the pound was a second. There were massive outflows of capital. Overseas investment nearly doubled between 1979 and 1981, from £2.8 billion to £5.1 billion, while inward investment was halved from (£1.8 billion in 1979 to £0.9 billion in 1981). When the Inland Revenue proposed to tighten up on tax haven legislation in 1982, a strong multinational lobby forced its withdrawal warning that the proposed legislation would "pose a grave threat to capital investment in Britain and could undermine the competitive position of the City of London". BP's tax advisor Alan Willingale estimated the move would have cost multinationals £1 billion in contributions to the British public purse.

40. Worse still, the Government has made it more difficult for workers to resist the wave of multinational closures. In the 1982 Employment Act, Clause 15 outlaws all disputes relating to matters outside Britain. The Government, supported by the CBI, are vigorously opposing the EEC Commission's Vredeling directive - even in a watered down version - which seeks to ensure that work-forces have full access to information in multinational companies. It requires regular, detailed annual information about the whole group's direction, and finances, and more detailed information if a company is considering closures or transfers of production. The CBI in a recent vigorous objection said that the directive would allow employees to bypass local management and go straight

to the parent company. Yet if the parent company or European Board is the decision making body - as is the case in most multinationals - then it is with them that workforces need to treat. The CBI says the directive would delay decision since it requires 30 days notice to be given of 'serious decisions'. The experience of Staffa engineering shows how necessary early warning is - and how managements may even hire consultants to prevent it. Information about multinational plans is, in short, a minimum condition for greater control. It is an outrage that the government is setting out to sabotage even this modest proposal to make multinationals more accountable to the people who work for them.

41. Organised labour remains, nevertheless, as the group who have the potential power to resist the multinationals. In a few isolated cases - such as the joint strike by Italian, French and British workers against Michelin in 1973 - this power has been realised. Ford stewards and their unions in Europe have developed regular contacts and meetings. The unions in ITT have done likewise. But the difficulties of such an organic growth - particularly if it is to become permanent - must be similar to those faced by the first organisers of national unions in Britain in the 1820's and 1830's. The difficulties and expense of travel: the problems of communication and language (though for a Londoner to have understood a geordie dialect was probably easier than for a Dagenham worker to understand his or her Valencian counterpart). There is the further difficulty, too, of piecing together an understanding of the multinational in question, when time is short and information scarce.

42. In these circumstances, the first task of any national or local authority is to make these international links easier. A local council cannot make the links, but it can facilitate them, just as Gladstone unwittingly helped the growth of national trade unionism by insisting on the cheap workers fare on the trains. What a help it would be for example, for planes to have to provide some cheap seats for trade unionists going about their international business, and cheap translating facilities for them to make use of at the other end. Similarly, where a union cannot itself finance the necessary research work, should not it be required of a public authority that it make resources available for trade unionists to find out the information about their company which the company is refusing to disclose? In short, if the Government insists on vetoing the Vredeling directive, should not local authorities provide resources to help workforces achieve a similar end?

43. This is the policy that the Council has been pursuing in its attempt to stem the closures and redundancies from multinational branch plants in London. We have set up an Early Warning Unit which, working with the trade unions and other parts of the Economic Policy Group, have been able to identify plants under threat - on occasions a number of years hence. The Economic Policy Group and the local Trade Union Resource Centres funded under the employment programme, have then been able to provide research time for trade unionists seeking to resist the closures, and to argue their case nationally and internationally. Finally, we have been able to provide funds and facilities for international meetings (though not as yet cheap air fares).

44. The development of the Standing Conference of Kodak European Unions has shown all the difficulties that there are to overcome, and the value of overcoming them. The trade unions from Kodak Pathe first contacted the Harrow plant through their local council in Paris, and from there to the GLC and Harrow. Their plant was being run down, as part of Kodak's European rationalisation, and demultinationalisation, as Eastman Kodak draws all new products and mainstream research back to the US. Since June 1983 the two workforces have met five times, and have now been joined by delegates from Ireland and Italy, and more than 20 of Kodak's factories in the four countries.

The GLC and Val de Marne councils have provided a place to meet, translators, researchers, and support. But the dynamic has come entirely from the trade unions. Their case is to demand of Kodak that they give Europe, and the existing plants, a share of its new products. It has now gained the support of European Parliamentarians, and the Commission. The company has steadfastly refused to meet them at the European level (where decisions are taken), and instead tried to fragment them, and negotiate with them country by country. But even this has failed as national managements claim that the wider strategic issues are not within their competence. There has been no clearer argument for the Vredeling directive than Kodak's outrageous refusal to talk to the people who work for them about the future of the company.

45. Similar initiatives are continuing with Ford unions. The closure of the foundry has increased the urgency of join action, and the GLC with the unions has arranged for Public Hearings on the closure in order to open to public discussion the issues and information which the company has kept closed.

46. The first task of local authorities must then be a supportive one, providing information and resources to those who above all have the power to control these firms. Having said that, local authorities should also co-operate, since they have some powers which, when added together, could also contribute to the campaign for control. One power is purchasing. The joint local authority spending on a firm like Ford in substantial, even more so were it to be united with other public bodies. Table 5 gives a list of the main purchases made by the GLC from multinationals in London.

47. Secondly, there is the power over pension funds. Table 6 lists the main investments in multinationals made by the GLC, and other major local authority pensions funds. Together they have a significant power in a number of cases to exercise their shareholder rights, and to this end a scheme of local authority co-operation is underway (similar to one developed in the United States among the Trade Unions).

48. Thirdly, there are planning powers. The Council has tried to use its powers as a planning authority to prevent multinationals leaving London and converting their old factories to offices. Unfortunately, our case has been lost on appeal. On the other hand, there is a positive role which the Council can play in facilitating redevelopment in London, through planning, and investment in premises (via GLEB).

49. In the nineteenth century workforces achieved better conditions either through legislation or collective bargaining. In the case of multinationals both are needed. Collective bargaining is currently the most important. But undoubtedly a quite new wave of legislation is required, co-ordinated on a European level. It should go well beyond Vredeling, cutting down on tax havens, requiring firms to pay large compensation to communities they abandon, extending the tax and customs controls and the policing service necessary to enforce them (on the lines of the US Internal Revenue Service). Above all, there needs to be European wide agreement to stop the incentive competition which has so benefitted multinationals and impoverished exchequers.

50. Such action would mark a major step forward. But as long as multinationals control economic power, they will always be a political force working against successful measures of control. As one Chilean economist put it, it is the political power of multinationals which is more important that anything else.

If we are to gain control of our economies, and stem the crisis of jobs in London, we have to take our own initiatives, publicly controlled, and accountable to their workers and the communities about them. This is the path being followed by the Greater London Enterprise Board. At first its interventions are necessarily confined to single plants and sectors dominated by medium sized rather than multinational firms. But it too, like the workers in multinational branch plants, needs to co-operate with other public boards, both in Britain and abroad. It needs support from a Government with more resources for intervention than any Council can by itself possess. It is often said that multinationals are larger than many nation states. But it is also true that the public sector in this country and in London can match in finance and in skills and knowledge, even the largest multinational. At the moment this economy is fragmented. Our task should be to unify it, and, together with other sympathetic European states, and trade unions across frontiers, roll back the power of multinationals while there is still time.