



Competing in the Global Economy - Debate 1:

This House believes that the advantages of foreign ownership of the UK corporate sector outweigh the disadvantages.

The question of who owns UK business and industry is an important one and deserves greater attention in UK economic and political circles, say senior engineers. The Royal Academy of Engineering held the first in a new series of debates on Competing in the Global Economy and tackled the subject of foreign ownership of the UK corporate sector.

In some sectors, including water and power utilities, the automotive industry and national newspapers, well over 50% of UK-based companies and corporations are controlled by foreign-owned groups. The motion for debate asked whether the advantages of foreign ownership of the UK corporate sector outweighed the disadvantages.

Speaking for the motion, Professor Colin Mayer of the Saïd Business School at Oxford University said that foreign ownership conferred benefits in terms of investment, management practice, finance and corporate governance. "Foreign ownership allows us to import the management that we ourselves don't possess," he said.

Foreign owners brought new and more stable forms of corporate governance into the UK, he said, and opened up new capital flows and financing options. "Foreign ownership has been the saviour of the UK corporate sector, not the cause of its demise," he said.

Opposing the motion, Sir Alan Rudge, chairman of the ERA Foundation, said that he did not disagree that many examples of foreign acquisition had been beneficial to individual UK firms. But, he added, "there are more substantial issues at stake". He posed the question of whether it was in the national interest that entire sectors and industries with critical functions, such as the utilities, should come under foreign ownership.

He said: "This is not about being protectionist. The UK is alone in that it provides no constraints on its asset sales. We ought to ask at what level foreign ownership becomes a serious issue." Economic power and political influence were increasingly in overseas hands, and though UK groups acquired overseas assets, these tended to be much smaller in scale and in non-strategic sectors.

The debate, attended by around 100 senior engineers and business people, produced a wide measure of agreement that root causes of the foreign takeover of UK assets included short-termist investment policies. Despite the maturity of the UK financial sector, some areas such as venture capital remained under-developed, and the UK's record on how to grow companies was not good. Several speakers felt that advantages of foreign ownership at the "micro" level of individual companies had not been balanced by a "macro" view of national interest that might be derived from a consistent government industrial policy.

The motion was defeated, with a small majority against.

The debate is the first in a series on issues in UK competitiveness convened by the Royal Academy of Engineering. The second will cover the size of the UK manufacturing sector and will be held on 18 November; the third will investigate attitudes towards innovation in the UK and will be held on 20 January 2011.

For further information on the debates or to register to participate, contact Mr Cuong Dang, International Officer, at international@raeng.org.uk or 020 7766 0649.