

The role of FDI from a Local Perspective: the Cases of the West Midlands and Shizuoka-Aichi

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This paper examines the role played by multinational corporations in the present industrial transformation of the automotive ‘clusters’ of the Japanese Shizuoka and Aichi and British West Midlands. As the traditional heartland of the automotive industry in their respective country, these regions are strongly influenced by large multinational corporations (MNCs). In the context of further European, Asian and global economic integration, the vehicle assemblers and tier-one component suppliers have increasingly developed internationally integrated strategies for their operations.

Drawing on recent debates on the regional ‘hollowing out’ and industrial restructuring in both Japan and the UK, the paper compares the position, transformation and prospects of these regions. While Shizuoka and Aichi have preserved favourable economic trends, the West Midlands has experienced significant industrial restructuring exacerbated by the recent closure of MG Rover’s Longbridge plant in Birmingham.

We argue that the impact of MNCs depends on the interactions between the integrated strategies of these multinationals and the regions’ comparative advantage and relative competitive position in the industry. The future prosperity of these regions depends on how MNCs perceive the location-bound advantages that they offer.

As part of an ongoing research, we use a case study approach to identify those regional characteristics that can bring increased value added and innovation. These are crucial for the design of appropriate policy responses to assure long term sustainable regional development. Regional planning policies for the fostering of innovation and growth are often too generally ‘cluster’ or ‘high-tech’ focused, while a regional and industry-specific approach may be more appropriate, particularly when considering the development and regeneration of mature industrial regions.