



Foreign takeovers

An embarrassment of riches

Why foreign investment into Britain remains so strong

BRITAIN is not exactly bending over backwards to attract foreign investors. The country is marching towards a hard Brexit, which involves quitting the European Union's single market and customs union. Theresa May's Conservative Party has promised to take a tougher line on foreign money, which it links to "aggressive asset-stripping [and] tax avoidance". Jeremy Corbyn, Labour's far-left leader, wants to nationalise the utilities and railways, many of whose owners live abroad.

Yet foreigners have been splurging. Foreign investment in British firms hit an all-time high in 2016. Statistics from Dealogic, a data firm, suggest that so far in 2018 a tenth of announced global mergers and acquisitions have involved a British firm as a target, the highest share since 2008. Klépierre, a French property company, is after Hammerson, a British one, which until recently was listed on the FTSE 100. Comcast and 21st Century Fox, two American media firms, are battling over Sky, whose headquarters are in Britain. Despite the unwelcoming rhetoric, under Mrs May foreign investors have bought British firms at a faster rate than under any other recent prime minister (see chart).

Foreigners have long liked putting money into Britain. For decades the country has had a largely free market in corporate control. Good universities and the English language are other draws. Over the years Britain has attracted more inward investment than most other European countries.

For sure, Brexit has damaged Britain's reputation among foreign investors. A re-

cent survey from PwC, a consultancy, finds that 14% have reduced or paused investment in Britain in the past 18 months. Yet Brexit cuts both ways. The PwC report finds that 7% of foreigners have increased investment. Firms with supply chains across the single market may be consolidating some activities in Britain ahead of Brexit. Meanwhile, a weak pound, caused by traders selling British assets, has made takeover targets cheaper.

But Britain has more to offer than a bargain. Chandru Iyer works for Kingston Smith, an accountancy and business-advisory firm which has helped Indian companies set up shop in Britain since the 1980s. Among other things, they like Britain's low rate of corporation tax, which will fall to 17% by 2020. The "patent box", a scheme by which companies can pay 10% corporation tax on profits earned from patented inventions, is also attractive.

What does all this say about the government's promise to crack down on foreign investors? Mrs May is aiming her rhetoric at the many Britons who hold takeovers, especially foreign ones, in low regard. Many shudder at the story of Kraft, an American food giant, which swallowed Cadbury, a beloved chocolatier, in 2010, then reneged on a pledge not to close a factory. The *Daily Mail* has campaigned to "save" GKN, a venerable British engineering company, from Melrose, an investment firm (which, as it happens, is also British).

In places the government is taking a tougher line. It has won assurances from Melrose that GKN will not be Krafted—in the short term, at least. It will soon have the power to scrutinise deals involving small companies, not just big ones. Firms are also getting extra time to respond to a potential takeover bid before an offer is made.

If these policies sound modest, they are meant to be. Mrs May recognises the benefits that foreign takeovers can bring. New owners often introduce better management and technology, both useful when productivity growth is so weak. With Brexit looming, tough policies to block international capital would be reckless. Foreigners will fancy Britain for a while yet. ■

Citizens of nowhere

Britain, average quarterly value of foreign acquisitions of domestic firms, 2017 prices, £bn



Sources: ONS; The Economist

Criminal justice

Easter eggsits

Two legal chiefs quit. One should cause more concern than the other

EASTER is a time for new beginnings. As with Christianity and the countryside, so it was this year with the justice system. Before the weekend, Nick Hardwick, head of the parole board in England and Wales, resigned following criticism of the board's handling of a high-profile case. On Easter Monday Alison Saunders, boss of the Crown Prosecution Service, said she would leave when her tenure expires later this year. The tabloids led a hallelujah chorus; resurrection seems unlikely.

Ms Saunders has taken flak for bumbles over evidence-disclosure and for charging paedophiles and dodgy journalists who turned out to be neither. Yet she claims the government did not try to dissuade her from applying for a second term.

Mr Hardwick's exit is the more significant. He was in effect sacked by David Gauke, the justice secretary, on March 27th. The next day, the High Court published the conclusions of a judicial review into the parole board's decision to release John Worboys, a taxi driver who was jailed in 2009 for sexually assaulting 12 women. He is thought to have attacked about 90 more. The judges criticised the board for not asking enough questions about Mr Worboys's offences, both alleged and proven. Mr Hardwick claims Mr Gauke told him the ruling made his position "untenable". He duly resigned.

Some worry that this compromises the board's independence. They argue that Mr Hardwick is a sacrificial lamb, since the justice minister was represented at the board's original hearing and it was his department's job to include all relevant evidence in the dossier submitted to the board. "The parole board is effectively being punished for taking a decision that is politically inconvenient," says Peter Dawson of the Prison Reform Trust, a charity. He would like the board, which is supervised by the Ministry of Justice, to become a tribunal, answerable only to judges.

Others are concerned about a review into the board that the government launched in January, following complaints about the release of Mr Worboys. The case was unusual because of the large discrepancy between the number of allegations and convictions, and because the parole board is generally "very risk-averse", says Don Grubin, a forensic psychiatrist who often gives evidence at its hearings: "The Worboys case is the exception." Less than 1% of prisoners whom the board releases ►►