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The Motives of Inbound Foreign Direct Investors in the UK Creative Industries

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1. Introduction

Understanding the motives that drive foreign direct investment should be a priority for both local and national policy makers, because the way in which foreign investors engage with the domestic ecosystem of businesses and other stakeholders differ depending on the reason behind their investment, and consequently the likely benefits derived from FDI can change for the host country (Driffield et al., 2013).

The location determinants of foreign direct investment have been extensively investigated from both a theoretical viewpoint (see Wagner (2019) and Beugelsdijk (2022) for an overall review) and an empirical perspective (see Blonigen (2005) and Assunção et al. (2011) for a summary of the literature), leading to the identification of a range of motives underpinning the location decisions of foreign investors. Initially, these motives covered the traditional economic factors of access to markets (Jones et al., 2020) and resources, where the latter include natural resources (Asiedu, 2006) as well as human resources (Estrin et al., 2009) that capture skilled (Becker et al., 2020) and unskilled (Rasciute and Downward, 2017) labour. The motives have however also been further extended to cover the importance of both agglomeration economies (Jones, 2017) and the role of institutions (Bailey, 2018) reflecting the growing importance of these factors in the more general firm location literature (Arauzo-Carod et al., 2010). This highlights a complex process underlying the location of FDI and suggests that, to understand these motives, a context-specific approach is required (Li et al., 2018). In the case of the UK, although the location determinants of FDI have been analysed over a number of decades, covering both the manufacturing and services sectors (Hill and Munday, 1992; Driffield, 2002; Dimitropoulou et al., 2013; Jones and Wren, 2016), there is limited emphasis on the more nuanced aspects of FDI at a finer sectoral disaggregation.

The aim of this study is to examine the motives of FDI location in the UK creative industries, which is a sector of growing importance to the UK economy (Burger, et al., 2021) and that has experienced a notable increase in inward investment over the past decade (Jones and Fazio, 2022). The paper draws upon data from the Orbis Crossborder Investment database that records information on FDI projects for a range of project characteristics, but crucially also captures the underlying motives behind the location decision of the investment. In doing so the paper offers a unique investigation into the motives of the foreign investors and in particular how these vary according to their project characteristics as well as how they impact on their location decisions.

The paper finds that there is a varied set of motives impacting on FDI in the creative industries, which ranges from market-seeking FDI – and the importance of not just market access but also the subsequent potential of the UK market in the creative industries – to the positive role of institutional factors and agglomerative forces. The role of institutional and agglomeration

determinants also covers a range of factors relating to the overall business environment, government support, technology/innovation, the presence of universities/researchers and the infrastructure of regions. Further, as these motives vary across locations, it suggests a nuanced approach for policy in attracting FDI into the creative industries.

The next section provides an overview of the theoretical and empirical literature relating to the motives of FDI location. Section 3 then discusses the nature of FDI in the creative industries in the UK, specifically in relation to the motives of the foreign investors and how these motives vary across their project characteristics. Section 4 then provides an analysis of how the motives impact on the regional location decisions of the foreign investors before conclusions are provided in the final section.

2. Location Determinants of FDI: A Brief Overview of the Literature

The theoretical literature on the location determinants of foreign direct investment can be summarised by Dunning's eclectic paradigm (Dunning, 1981; 1988) that highlights a range of host country-specific factors important for FDI location. These factors have subsequently been categorised into different types of FDI encompassing the market-seeking, resource-seeking, efficiency-seeking and strategic asset-seeking motives of foreign investors (Dunning and Lundan, 2008). Market-seeking FDI incorporates access to both the size and growth of host country markets (Franco, 2013), although may also be used as a platform for exports into third-country markets that are in close proximity (Tintelnot, 2017). Resource-seeking can capture access to natural resources, often the primary location factor for FDI into countries that have abundant natural resources (Campos and Kinoshita, 2003), but also access to either low-cost unskilled labour (Beugelsdijk, et al., 2008) or more skilled resources capturing high-quality labour (Webster, 2013), managerial/organisational skills (Iammarino and McCann, 2013) and creative skills (Bayliss, 2007).

Efficiency-seeking FDI relates to investments by foreign investors that have already located, i.e. re-investments, with the aim to promote the efficiency of their international operations (Rugman and Verbeke, 2009) through for example a rationalisation of the structure of the multinational firm (Defever, 2006) or specialisation and consolidation of activities (Cui et al., 2014). This may arise through co-location of different functions in a firm's existing production facility or the expansion of existing operations (Jones et al., 2020). Efficiency-seeking and resource-seeking may however be difficult to disentangle given the emphasis on seeking out differences in costs for efficiency-seeking FDI (Franco, et al., 2010). Finally, strategic asset-seeking concerns the acquisition of assets of host country firms and so is less about exploiting firm's specific advantages and instead is related to seeking and augmenting ownership advantages such as technology (Driffield et al., 2009) that may be relatively weak within the firm (Rui and Yip, 2008; Ramasamy et al., 2012) and that arises mainly through mergers and acquisitions (Liang et al., 2021).

The above motives for FDI may however also be dependent on the institutional framework of a host country so that more recent iterations of the eclectic-paradigm have been extended to incorporate institutional theory (Dunning, 2000). Institutions form the basis of the rules of the economy in which multinational firms and all organisations operate and are therefore seen as central to the attractiveness of a given location (Mudambi and Navarra, 2002). These incorporate both the formal laws and regulations of the economy, such as the political and economic structures of policy-making, judicial systems and the underlying structure of the market, but also the more informal and less tangible normative customs and cultures of the country (North, 1990). Both types of institutions may be of importance for the operation of foreign investors,

with formal institutions reflecting the underlying risk of location (Busse and Hefeker, 2007) and informal institutions helping to legitimise the FDI process (Kang and Jiang, 2012). These various institutional determinants of FDI location are however broad in scope (Lucke and Eichler, 2016), but with formal institutional factors such as political stability, rule of law, democratic institutions, corruption, and tax rates being the focus of the majority of empirical studies that capture the main political, regulatory and financial aspects of institutions (Holmes et al., 2011). However, for the creative industries, Comunian (2011) highlights the specific importance of informal relationships, whilst for the media and computer games sectors in Ireland the role of these informal factors were also found to be important location determinants of FDI (Murphy et al., 2015).

Finally, the impact of agglomeration economies on the location of inward investors has been a growing aspect of the theoretical and empirical FDI literature and highlighted in later iterations of the eclectic paradigm (Dunning, 1995; Braunerhjelm and Svensson, 1998). Agglomeration economies relate to the external economies of scale that arise from the agglomeration, or clustering, of economic activity (Rosenthal and Strange, 2004) with the implication that the location becomes attractive to inward investment (Jones, 2017). These economies are often labelled as either localisation or urbanisation economies, where the former refer to agglomeration economies generated by the specialisation of economic activity and the latter by the diversity of activity (Henderson, 1997). The agglomeration economies therefore vary by their industrial scope, but in addition may also be limited by their spatial scope (Puga, 2010). The spatial constraint of the agglomeration economies can also lead to these economies arising at the level of the firm through horizontal or vertical integration (Parr, 2002) so that they lead to co-location of activities across the different production processes and functions of a firm (Smith and Florida, 1994; Defever, 2006).

In the creative industries, the role of labour markets, suppliers and knowledge spillovers have been highlighted as important sources for agglomeration economies (Scott, 1997), both within and across industries (Lorenzen and Frederiksen, 2008; Lazzeretti et al., 2012) and leading to the agglomeration of creative activities (Florida, 2002; Cruz and Teixeira, 2015). Agglomerations, or clusters, can also form around universities, which can provide both the technology and pool of workers required to attract industry as well as help facilitate greater knowledge spillovers (Gong and Hassink, 2017; van't Hoff and Wall, 2020). In general, the highly tacit and context-specific knowledge base of the creative industries can lead to a relatively high intensity of agglomeration (Coll-Martinez et al., 2019), although, as knowledge spillovers can decay rapidly over geographic distance, it can lead to a spatially constrained scope for agglomerations or clusters in these industries (Maddah et al., 2021). Therefore, the importance of communication and its facilitation by digital and transportation infrastructure are also seen as important for

enabling agglomeration economies (Tao et al., 2019).[1] However, despite the increasing number of studies examining agglomerations in the creative industries, see Gutierrez-Posada et al. (2022) for an overview, there is a dearth of analysis relating to FDI and in particular the location of this FDI.[2]

The broad location patterns of FDI in the UK creative industries are described by Jones and Fazio (2022). It highlights that FDI is concentrated in a small number of industrial sub-sectors, notably those in 'IT, Software and Computer Services', and to a lesser extent also concentrated by U.S and European investment. A spatial concentration of inward FDI is found in London and the South East, although when accounting for the underlying size of the region a relatively more nuanced picture emerges with a broader set of regions attracting FDI in different sub-sectors beyond the size of their creative economy.[3] Finally, whilst FDI in the creative industries is more likely to involve mergers and acquisitions, there has also been notable recent growth in both new and re-investment FDI projects, where the latter has implications for the subsequent embeddedness of FDI (Mariotti et al., 2022). Overall, it raises policy implications regarding FDI attraction and suggests that an analysis of the underlying motives of these investments is required to further understand the determinants of FDI location.

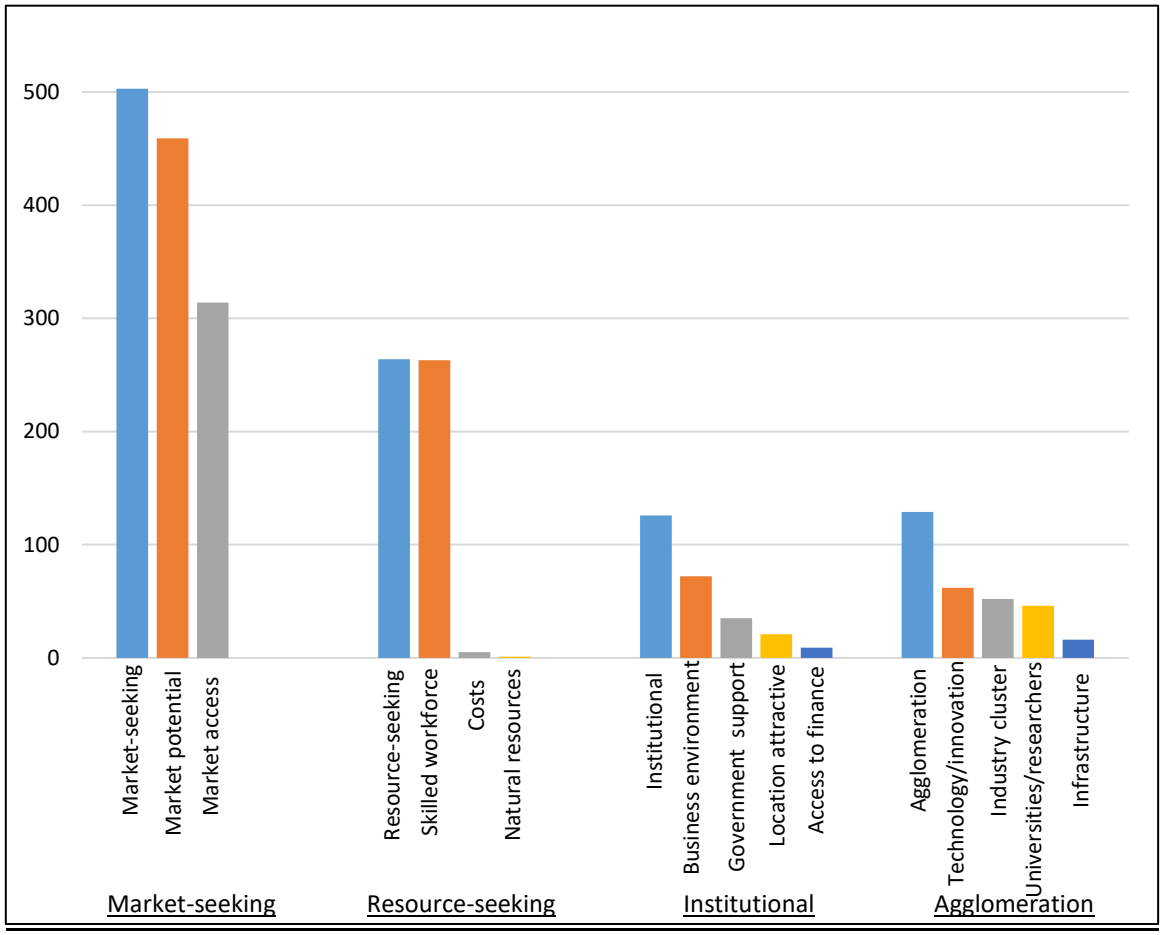
3. UK FDI in the Creative Industries

To examine the motives of FDI in the creative industries the Bureau van Dijk Orbis Crossborder Investment Database is utilised, which tracks and records information on daily cross-border investment (https://www.bvdinfo.com).[4] Information on the collection and coverage of the data is provided in Jones and Fazio (2022), highlighting details on a range of project characteristics that capture the industrial activity of the investment, the source country of the investor's parent company, the UK location of the foreign investment and the announcement date of the investment project. Crucially, for the purpose of this analysis, the database provides information on the underlying motives of the foreign direct investment for new, expansion and co-location projects. The new projects refer to the creation of new operations, whilst the expansions and co-locations are referred to as re-investments in that these occur subsequent

[1] The role of transport costs in the agglomeration of economic activity are also highlighted by the New Economic Geography models of firm location (Krugman, 1998).
[2] For example, Tao et al. (2019) examine the role of FDI in generating agglomeration economies but in relation to the impact on productivity, while Ko and Mok (2014) examine FDI and agglomeration in relation to spatial concentration in the Chinese creative industries.
[3] For example, the sub-sectors of 'Film, TV, Video, Radio and Photography' locating in Wales, 'Architecture' in Scotland and 'Publishing' in the South West.
[4] Cheung et al. (2021) have previously utilised Orbis data for examining bi-lateral FDI flows and global shocks, whereas Driffield et al. (2022a) used Orbis data to explore the aggregate changes in inward FDI in the UK, and in Driffield et al. (2022b) Orbis was used to show the regional variations in inward FDI.

to an existing investment at the location. Expansions are distinguished from co-location projects in that the former relate to an expansion of operations in the same business function by the foreign investor while co-locations relate to a re-investment in a different business function.[5]

Figure 1: Projects by FDI Motive



Note: Number of projects that state each motive as a reason for investing. Projects may state multiple motives. For each of the four categories the left histogram (light blue) represents the total number of projects in that category.

[5] The data also provides details on deals that covers mergers, acquisitions and joint ventures, but for these deals they do not give information on the underlying motive of the investment. Information on the number of jobs created and capital expenditure is also provided for both projects and deals, although these are not known in the majority of cases so that the values are based on modelled estimates (76% of project jobs and 94% of capital expenditure are modelled estimates).

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In total, for the period 2013 – 2021, the data captures details on 568 FDI projects in the creative industries for which information on the project motive is recorded by Orbis.[6] The project motives are given in Figure 1, where the motives are also grouped into four broader categories to reflect the main motives of FDI identified in the previous section: market-seeking, resource-seeking, institutional factors and agglomeration economies. Efficiency-seeking FDI relates to re-investment projects so can only be identified by the re-investment projects and is investigated below, while strategic-asset seeking FDI relates to FDI acquisitions but that are not captured by the data. Figure 1 shows that within these 4 broader groupings there are 13 investment motives and that overall it is market-seeking FDI that is the most frequently stated motive for investment with 503 of the 568 projects listing a market-seeking motive.[7] Breaking down the broad grouping of market-seeking FDI further it can be seen that this encompasses motives for market potential (459 projects) and market access (314 projects), which highlights the importance of multiple types of market-seeking FDI for a large number of projects. This also demonstrates that projects can state multiple motives for a single investment so that a combination of motives can apply for a given FDI location decision.[8] For example, 270 projects include both types of market-seeking motive, of which 171 of these projects also state other FDI motives across the motive groupings.

Resource-seeking FDI is listed by just under half of the investors (264 projects), but this is concentrated almost solely in the category relating to a skilled workforce and highlights the importance of high-skilled labour to foreign investors in the creative industries. The role of institutional and agglomeration motives is less frequently stated by the investors, with fewer than a quarter of projects in each of these categories (126 projects with an institutional motive; 129 projects with an agglomeration motive), but with a range of motives within each of these categories, which of note are the importance of the business environment, availability of government support, the role of

[6] In total there are 921 FDI projects in the creative industries over the period, excluding the deals, so that the project motives are known for 62 per cent of projects. The general coverage of the data however correlates well with the general patterns of FDI for all projects as analysed by Jones and Fazio (2022) with for example 67 per cent of projects being new projects (the remainder are expansions) and 60 per cent of projects locating in London. The attractive power of London for FDI is however more pronounced for projects in creative industries compared to the total FDI projects, as DTI (2021) reports that London is the largest destination for FDI in the UK, accounting for 35% of all FDI projects in 2018-19.

[7] The Orbis data provides 18 categories for the motives but given the small number of responses in some categories the following are merged: ICT infrastructure, transport infrastructure and real estate are merged into a single 'infrastructure' category; language availability is merged into 'business environment'; taxation is merged into 'access to finance'; supply chain is merged into the 'industry cluster' category.

[8] 155 projects state a single motive only so that 413 projects have multiple motives for FDI location: 189 projects with 2 motives, 127 with 3 motives, 54 with 4 motives, 35 with 5 motives, 7 with 6 motives and 1 project with 8 motives.

technology/innovation, locating in an industry cluster and the presence of universities or researchers being the main factors identified by the investors.

Table 1: Motives for FDI by Project Type

Motives	All	New	Re-investments	
			Expansions	Co-locations
Market-seeking:				
Market potential	459 (81%)	309 (80%)	95 (85%)	55 (77%)
Market access	314 (55%)	203 (53%)	60 (54%)	51 (72%)
Resource-seeking:				
Skilled workforce	263 (46%)	170 (44%)	65 (58%)	28 (39%)
Costs	5 (1%)	4 (1%)	1 (1%)	0 (0%)
Natural resources	1 (0.2%)	0 (0%)	1 (1%)	0 (0%)
Institutional:				
Business environment	72 (13%)	51 (13%)	14 (13%)	7 (10%)
Government support	35 (6%)	21 (5%)	9 (8%)	5 (7%)
Location attractive	21 (4%)	14 (4%)	3 (3%)	4 (6%)
Access to finance	9 (2%)	6 (2%)	3 (3%)	0 (0%)
Agglomeration:				
Technology and innovation	62 (11%)	35 (9%)	11 (10%)	16 (23%)
Industry cluster	52 (9%)	36 (9%)	10 (9%)	6 (8%)
Universities/researchers	46 (8%)	26 (7%)	14 (13%)	6 (8%)
Infrastructure	16 (3%)	13 (4%)	2 (2%)	1 (1%)
Number of Projects	568	385	112	71

Note: Number and percentage of projects that state each motive as a reason for investing by project type. Projects may state multiple motives.

As a way of examining the motives for efficiency-seeking FDI, Table 1 distinguishes between new and re-investment projects, where the latter are split by expansion and co-location projects. The majority of the projects relate to new projects (68% of all projects) and follow the general pattern of all projects. For the re-investment projects, Table 1 shows the importance of

market potential for expansion projects, possibly reflecting the emphasis on economies of scale for efficiency-seeking FDI, while for co-location projects it is the ease of access to markets suggesting that the decision to diversify depends upon market access for these products. The availability of skilled resources is of importance for expansion projects, reflecting the possible overlap of efficiency and resource seeking motives, while for co-location projects there is a notable emphasis on access to technology and innovation suggesting a role for technological spillovers across the different production processes and functions of the firm.

Information on the industrial activity of the FDI projects is shown in Table 2, which aggregates projects into Creative Industry Groups in accordance with the definition by the UK Department for Digital, Culture, Media and Sport (DCMS, 2021).[9]

Overall, the dominance of market-seeking motives arises across the industry groups, although 'Publishing' has a notable emphasis on the availability of a skilled workforce and the 'Film, TV, Video, Radio and Photography' sector has motives in each of the Institutional categories. Table 2 also highlights the overwhelming concentrated nature of FDI in the 'IT, Software and Computer Services' group and as such the industry reflects the general patterns identified in Table 1, but with additional emphasis on the role for the institutional environment and agglomeration economies with nearly all projects that state these motives arising in the IT sector.

Table 3 breaks down the IT sector further and highlights 'Computer Programming Activities' as the industry where institutional and agglomeration factors are the important motives, where for the latter it is access to technology/innovation, universities/researchers and industry clusters that are identified. It also emphasises the importance of locating near skilled workers compared to the other IT industries and overall highlights the importance of the knowledge-based aspect of the industry.

(See next pages for tables 2 and 3)

[9] The Orbis data provide information at the NACE four-digit level so that it allows identification of the Creative Industry Groups, where NACE (Nomenclature statistique des activités économiques dans la Communauté européenne) is the classification of economic activities in the European Union (version NACE Rev. 2) that is compatible at the four-digit level with the UK Standard Industrial Classification (SIC) 2007 of economic activities from which the DCMS definition of the creative industries is derived. The Creative Industry Groupings consist of 'Advertising and Marketing', 'Architecture', 'Film, TV, Video, Radio and Photography', 'IT, Software and Computer Services', 'Music, Performing and Visual Arts' and 'Publishing' as given in Table 2 in addition to 'Crafts', 'Design: Product, Graphic and Fashion Design' and 'Museums, Galleries and Libraries' that are grouped in the 'Other' category in Table 2 due to small numbers of projects.

Table 2: Motives for FDI by Creative Industries Group

Motives	IT, Software and Computer Services	Advertising and Marketing	Film, TV, Video, Radio and Photography	Publishing	Architecture	Music, Performing and Visual Arts	Other
Market-seeking:							
Market potential	383 (81%)	28 (93%)	22 (69%)	17 (77%)	7 (100%)	1 (50%)	1 (33%)
Market access	275 (58%)	15 (50%)	11 (34%)	9 (41%)	3 (43%)	0 (0%)	1 (33%)
Resource-seeking:							
Skilled workforce	216 (46%)	14 (47%)	15 (47%)	14 (64%)	1 (14%)	1 (50%)	2 (67%)
Costs	4 (1%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Natural resources	1 (0.2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Institutional:							
Business environment	68 (14%)	0 (0%)	3 (9%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)

Government support	32 (7%)	0 (0%)	3 (9%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Location attractive	16 (3%)	0 (0%)	2 (6%)	2 (9%)	0 (0%)	0 (0%)	1 (33%)
Access to finance	8 (2%)	0 (0%)	1 (3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Agglomeration							
Technology and innovation	61 (13%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)
Industry cluster	46 (10%)	2 (7%)	2 (6%)	0 (0%)	1 (14%)	0 (0%)	1 (33%)
Universities/researchers	45 (10%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)
Infrastructure	15 (3%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)
Number of Projects	472	30	32	22	7	2	3

Note: Number and percentage of projects that state each motive as a reason for investing by industry. Projects may state multiple motives.

Table 3: Motives for FDI by IT, Software and Computer Services

Motives	IT, Software and Computer Services	Computer Programming Activities	Other Software Publishing	Computer Consultancy Activities
Market-seeking:				
Market potential	383 (81%)	209 (80%)	159 (82%)	13 (76%)
Market access	275 (58%)	159 (61%)	106 (55%)	9 (53%)
Resource-seeking:				
Skilled workforce	216 (46%)	143 (55%)	67 (35%)	6 (35%)
Costs	4 (1%)	3 (1%)	1 (1%)	0 (0%)
Natural resources	1 (0.2%)	0 (0%)	1 (0.5%)	0 (0%)
Institutional:				
Business environment	68 (14%)	48 (18%)	15 (8%)	5 (29%)
Government support	32 (7%)	26 (10%)	6 (3%)	0 (0%)
Location attractive	16 (3%)	10 (4%)	3 (2%)	3 (18%)
Access to finance	8 (2%)	3 (1%)	5 (3%)	0 (0%)
Agglomeration:				
Technology and innovation	61 (13%)	46 (18%)	13 (7%)	1 (6%)
Industry cluster	46 (10%)	34 (13%)	10 (5%)	2 (12%)

Universities/researchers	45 (10%)	42 (16%)	2 (1%)	1 (6%)
Infrastructure	15 (3%)	10 (4%)	3 (2%)	2 (12%)
Number of Projects	472	260	195	17

Note: Number and percentage of projects that state each motive as a reason for investing by industry. Projects may state multiple motives.

The location aspect of the FDI projects in Tables 4 is given in terms of the global origin of the foreign investors and highlights the concentration of North American investment, in particular from the U.S., which reflects the overall pattern of motives in Table 1. Investment from individual European countries is smaller, although in total they account for 30% of projects. The main three European investors are given in Table 4 with market-seeking FDI of highest importance, notably FDI from Ireland in terms of market potential and from Germany for both types of market motives. Market seeking is also of notable importance for the majority of FDI from the Far East, South Asia and the Rest of the World, with 90% of investors from India, Israel and Australia stating the importance of market potential. However, in the case of China, market-seeking is relatively less important and agglomeration economies of relatively greater importance, in particular the role of technology and innovation in the host market. Overall, this set of countries also places less emphasis on resource seeking of skilled labour in comparison to North American and European countries.

(See next page for Table 4)

Table 4: Motives for FDI by Origin of Investment

Motives	North America		Europe				Far East and South Asia		Rest of the World	
	U.S.	Canada	Germany	France	Ireland	Other	India	China	Israel	Australia
Market-seeking:										
Market potential	210 (80%)	17 (71%)	22 (73%)	19 (83%)	19 (90%)	78 (84%)	20 (91%)	9 (60%)	14 (93%)	10 (91%)
Market access	146 (55%)	18 (75%)	21 (70%)	13 (56%)	11 (52%)	46 (49%)	10 (45%)	4 (27%)	10 (67%)	6 (55%)
Resource-seeking:										
Skilled workforce	136 (52%)	13 (54%)	14 (47%)	13 (56%)	11 (52%)	46 (49%)	7 (32%)	1 (7%)	6 (40%)	1 (9%)
Costs	4 (2%)	0 (0%)	0 (0%)	0 (0%)	1 (5%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)

Natural resources	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (1%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Institutional:										
Business environment	35 (13%)	3 (13%)	5 (17%)	4 (17%)	2 (10%)	8 (9%)	6 (27%)	0 (0%)	1 (7%)	0 (0%)
Government support	23 (9%)	1 (4%)	0 (0%)	0 (0%)	2 (10%)	4 (4%)	2 (9%)	3 (20%)	0 (0%)	0 (0%)
Location attractive	9 (3%)	4 (17%)	3 (10%)	1 (4%)	0 (0%)	0 (0%)	0 (0%)	2 (13%)	1 (7%)	1 (9%)
Access to finance	2 (1%)	0 (0%)	1 (3%)	0 (0%)	1 (5%)	2 (2%)	0 (0%)	0 (0%)	0 (0%)	1 (9%)
Agglomeration:										
Technology and innovation	28 (11%)	4 (17%)	3 (10%)	0 (0%)	1 (5%)	8 (9%)	4 (18%)	6 (40%)	1 (7%)	0 (0%)
Industry cluster	16 (6%)	4 (17%)	7 (23%)	2 (9%)	2 (10%)	10 (11%)	3 (14%)	2 (13%)	0 (0%)	0 (0%)
Universities/researchers	24 (9%)	0 (0%)	3 (10%)	2 (9%)	1 (5%)	4 (4%)	2 (9%)	2 (13%)	1 (7%)	0 (0%)

Infrastructure	5 (2%)	1 (4%)	2 (7%)	1 (4%)	1 (5%)	4 (4%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Number of Projects	264	24	30	23	21	93	22	15	15	11

Note: Number and percentage of projects that state each motive as a reason for investing by origin of investment. Projects may state multiple motives. Origin of investment is known for 557 of the 568 projects for which an FDI motive is associated with a project.

Table 5 examines the project motives by regional UK location, where a concentrated spatial pattern of FDI emerges in the London region.[10] However, notwithstanding this concentration, the motives for FDI vary across the UK regions demonstrating the importance of different location factors by region. Market motives are the strongest in the majority of regions, as to be expected in the core markets of London and the South East, due to their population density, but also in the South West and West Midlands where both market motives are important for these regions. The market motives are however notably less important for the East, East Midlands and to some extent Yorkshire and Humber. Market access is also of relatively less concern for the peripheral regions of Scotland, Wales and Northern Ireland compared to the other regions. Further, for these peripheral regions, along with the northern English regions of the North West and the North East, there is a relatively high ranking of the agglomeration economies motives for location in terms of technology and clusters, while in the case of Scotland and Northern Ireland it is the role of universities/researchers. In addition, for Wales and Northern Ireland the institutional environment is also an important location factor, while Northern Ireland and Scotland have a relatively high focus on the role of a skilled workforce that reinforces the presence of universities and researchers. Overall, the pattern of FDI in terms of the motives and characteristics of this investment highlights a number of interesting features and the role of these motives in determining the location of FDI are examined further below in a multivariate setting of a multinomial logit regression analysis.

See next page for Table 5

[10] UK location is recorded at both the NUTS 1 regional level (the nine Government Office Regions in England together with Scotland, Wales and Northern Ireland) and the urban level of the city/town that corresponds to the UK postal town as required for all UK postal addresses.

Table 5: Motives for FDI by UK Region

	London	South East	East	South West	West Midlands	East Midlands	Yorkshire and Humber	North West	North East	Scotland	Wales	Northern Ireland
Market-seeking:												
Market potential	269 (82%)	26 (79%)	10 (56%)	15 (88%)	15 (83%)	3 (50%)	9 (69%)	21 (84%)	6 (100%)	23 (79%)	8 (100%)	42 (78%)
Market access	188 (57%)	20 (61%)	5 (28%)	12 (71%)	13 (72%)	2 (33%)	6 (46%)	16 (64%)	5 (83%)	13 (45%)	3 (38%)	23 (43%)
Resource-seeking:												
Skilled workforce	131 (40%)	14 (42%)	6 (33%)	8 (47%)	3 (17%)	6 (100%)	7 (54%)	15 (60%)	4 (67%)	18 (62%)	2 (25%)	48 (89%)
Costs	0 (0%)	0 (0%)	0 (0%)	1 (6%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)	3 (6%)
Natural resources	1 (0.3%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)
Institutional:												
Business environment	36 (11%)	3 (9%)	1 (6%)	1 (6%)	4 (22%)	0 (0%)	1 (7%)	5 (20%)	1 (17%)	6 (21%)	5 (63%)	7 (13%)

Government support	2 (1%)	0 (0%)	3 (17%)	1 (6%)	0 (0%)	0 (0%)	2 (15%)	3 (12%)	1 (17%)	2 (7%)	3 (38%)	18 (33%)
Location attractive	7 (2%)	0 (0%)	2 (11%)	0 (0%)	1 (6%)	0 (0%)	1 (7%)	4 (16%)	0 (0%)	3 (10%)	0 (0%)	2 (4%)
Access to finance	6 (2%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	0 (0%)	1 (3%)	0 (0%)	1 (2%)
Agglomeration:												
Technology and innovation	15 (6%)	5 (15%)	5 (28%)	0 (0%)	2 (11%)	2 (33%)	2 (15%)	8 (32%)	2 (33%)	8 (28%)	2 (25%)	10 (19%)
Industry cluster	22 (7%)	2 (6%)	2 (11%)	0 (0%)	0 (0%)	0 (0%)	2 (15%)	4 (16%)	2 (33%)	8 (28%)	2 (25%)	8 (15%)
Universities/researchers	4 (1%)	2 (6%)	3 (17%)	2 (12%)	1 (6%)	1 (17%)	1 (7%)	3 (12%)	1 (17%)	10 (34%)	0 (0%)	17 (31%)
Infrastructure	6 (2%)	2 (6%)	1 (6%)	0 (0%)	1 (6%)	0 (0%)	1 (7%)	2 (8%)	1 (17%)	0 (0%)	0 (0%)	2 (4%)
Number of Projects	328	33	18	17	18	6	13	25	6	29	8	54

Note: Number and percentage of projects that state each motive as a reason for investing by NUTS 1 region. Projects may state multiple motives. NUTS 1 location is known for 555 of the 568 projects for which an FDI motive is associated with a project.

4. FDI Location and Project Motives

To examine how the location of FDI varies according to the motives of the foreign investors a multinomial logit model is utilised, which takes into account the unordered nature of location choice as well as allowing for the other project characteristics of the investments (Chidlow et al., 2009; Dimitropoulou et al., 2013).[11] The use of the multinomial model to estimate location choice is derived from a random utility framework (McFadden, 1974) that links the characteristics of a profit maximising firm to the probability that the firm chooses a particular location (Arauzo-Carod et al., 2010). More formally, the probability that firm i will choose region j from a set of alternative regions (1, 2, …, J) is related to the expected profits in region j being greater than in region k, for all k ≠ j (Alguacil et al., 2023).

Firm profits are given by $\pi ij = aj + \beta j Xi + \varepsilon ij$, where, aj are location-specific constant terms, Xi are a set of firm (or project) characteristics, βj is a vector of coefficients for each of the firm (or project) characteristics for region j and εijt is the unobserved random component.[12]

Given certain assumptions about the error term and setting the coefficient for the baseline region (i.e. region J) equal to zero then the probability that firm i will locate in region j is given by:

$$P_{ij} = \frac{e^{\alpha_j + \beta_j X_i}}{1 + \sum_{k=1}^{J-1} e^{\alpha_k + \beta_k X_i}} \qquad \text{(Equation 1a)}$$

and for region J as (Greene et al., 2022):[13]

$$P_{iJ} = \frac{1}{1 + \sum_{k=1}^{J-1} e^{\alpha_k + \beta_k X_i}} \qquad \text{(Equation 1b)}$$

Further, the log of the ratio of probabilities of locating in region j relative to the baseline region J, i.e. log (Pij/PiJ), is given by aj + βjXi so that the exponential of the βj coefficients provide the relative risk ratios for a unit change in the project characteristics of locating in region j compared to the baseline region.

The variables for the project characteristics Xi in Equations 1a and 1b relate to the characteristics discussed in Tables 1 to 5 and capture the various motives for the investment as well as the project type, origin of the investor and creative industry grouping. For the motives these are indicator variables taking the value of 1 if the project states the motive as

[11] In addition to the multinomial logit model being used to capture the characteristics of inward investors on FDI location choice it has also been used to determine the entry strategies of investors (Wei et al., 2005) and the decision to undertake FDI compared to other internationalisation strategies (Louri et al., 2000).

[12] Firm profits may also be determined by the attributes of the regions in which case the modelling framework becomes the conditional logit (see Arauzo-Carod et al. (2010) for a distinction between the models and a review of the location literature using such models).

[13] The random components of the error term are independently and identically distributed with a Type I Extreme Value distribution. Further, as only (J-1) probabilities are required to determine the J probabilities then one alternative is chosen as the base case where aJ = 0 and βJ = 0 (Greene et al., 2022).

a reason for the investment, where projects can state multiple motives for a given investment.[14] The variables capturing the other characteristics of the investment are also indicator variables and are in relation to their baseline categories, which are new projects for project type, North America for origin of the investment and investments that are not in the 'IT, Software & Computer Services' for creative industry grouping.[15] A correlation matrix of the variables is provided in Appendix Table 1.

The results of the multinomial logit estimation are given in Table 6 and present the coefficients for the project characteristics by UK region outside of the baseline region of London, which as identified above is the region where the majority of FDI is concentrated. Interpretation of the coefficients therefore reflects the difference between a given region and London, where focus is on the significant coefficients indicating a significant difference from London. The main features of the non-motive project characteristics highlight the probability of locating in the South-East, West Midlands and Northern Ireland increasing for co-location projects, while expansion projects are significant only in Wales. Firms in the 'IT, Software & Computer Services' creative industry grouping are more likely to locate in Northern Ireland and the West Midlands, while FDI from both Europe and the Far East & South Asia is more likely in the North West suggesting the region has more diversity in the origin of its investment. FDI from the Far East & South Asia is also relatively more likely to locate in Wales, but less likely in the West Midlands, while investment from the Rest of the World is significantly less likely to be found outside of London across most of the regions.

See next page for Table 6

[14] For resource seeking FDI the natural resources and costs motives are aggregated into a single category due to small numbers of projects in these categories.

[15] Further disaggregation of categories is not possible due to the number of zero observations in these categories.

Table 6: Multinomial Logit Results

	South East	East	South West	West Midlands	East Midlands	Yorkshire and Humber	North West	North East	Scotland	Wales	Northern Ireland
Market-seeking:											
Market potential	-0.092	-0.994*	0.475	0.047	0.816	-0.458	0.698	16.355***	0.336	18.660***	0.781
Market access	-0.293	-1.232*	0.214	0.038	-17.501***	-0.504	-0.102	0.981	-0.958*	-1.181	-1.462***
Resource-seeking:											
Skilled workforce	0.087	-0.715	0.062	-1.359*	0.381	0.440	0.807	0.670	0.766	-2.383	1.841***
Natural resources/costs	-17.345***	-15.900***	4.393**	-17.403***	-17.411***	-17.248***	-17.254***	-17.639***	3.059**	-16.231***	4.657***
Institutional:											
Business environment	-0.642	-17.900***	-0.940	0.592	-15.777***	-0.710	0.370	0.441	0.300	6.867***	-0.457
Government support	-17.991***	3.387**	3.174**	-16.671***	-16.289***	3.238**	2.920***	1.095	2.500**	7.425***	4.497***
Location attractive	-17.832***	1.799	-16.241***	0.373	-15.265***	1.866	2.993***	-16.396***	2.498**	-15.161***	1.935**
Access to finance	-16.699***	-16.250***	-17.496***	-17.040***	-15.700***	-17.377***	-16.813***	-16.500***	1.815	-10.057***	1.976*
Agglomeration:											
Technology and innovation	1.063*	1.698**	-16.465***	0.713	-15.303***	0.542	1.881***	2.162***	1.009	6.186**	0.121
Industry cluster	-0.814	-1.234	-16.494***	-17.353***	-15.544***	-0.023	-0.279	0.828	0.895	-0.085	0.036

Universities/ researchers	1.021	2.848***	2.729***	1.911	4.696**	1.126	1.534*	1.643*	3.261***	-18.087***	3.374***
Infrastructure	2.013***	-0.264	-16.579***	0.776	-15.933***	0.954	0.102	2.620**	-19.166***	-12.479***	-1.358
Project type:											
Expansion	0.542	-0.355	-1.793	0.179	-0.508	-0.103	0.504	0.897	0.381	3.308**	0.064
Co-location	1.529***	1.162	0.970	1.447**	-15.617***	0.896	0.400	-15.498***	0.221	-17.461***	1.252**
Origin:											
Europe	-0.833	-0.129	0.159	0.069	1.190	0.158	1.646***	1.948*	0.700	1.623	-0.961*
Far East & South Asia	-1.411	-0.024	0.951	-17.074***	1.300	1.151	1.823**	1.736	-0.187	6.412***	-1.530
Rest of the World	-0.192	-16.989***	-16.943***	-17.235***	-15.916***	-16.807***	0.640	-16.239***	0.306	-12.557***	-16.613***
Industry:											
IT, Software & Computer Services	1.961*	0.058	0.996	16.738***	-0.019	0.109	0.090	-0.601	0.753	-7.457***	17.860***
Constant	-4.113***	-2.365*	-7.582***	-19.447***	-4.609	-5.602***	-5.905***	-23.621***	-4.935***	-18.346***	-23.948***
No. of observations	545										
χ^2	498.68***										
Log-likelihood	-598.723										

Note: Multinomial logit regression results with robust standard errors for FDI location choice across 12 UK NUTS 1 regions. Coefficients give the log relative risk ratios for a given region relative to the baseline region of London. *** = 1%, ** = 5% and * = 10% significance levels.

Examining the motives variables, then in the case of the market-seeking variables a significantly lower role for market access is found for the East, East Midlands, Scotland and Northern Ireland, where for the East this is also the case for the role of market potential.[16] In the case of resource seeking FDI the very limited (often zero) number of projects in the costs and natural resources category leads to all regions having significant coefficients relative to the London region. More notable is the role of the skilled workforce in Northern Ireland, which is the only region to have a positive and significant coefficient for this FDI motive.

Northern Ireland also has positive and significant coefficients for the institutional motives and in particular in the category of government support. The North West, Scotland and Wales also have more than one institutional factor as a significant FDI motive, albeit with differences between the nature of the motives with Wales the only region to highlight the role of the general business environment. In general, a number of regions note the importance of government support indicating the relatively minor role this has in London, while the opposite scenario is the case for access to finance and the limited role this has outside of London. Overall, institutional factors have a relatively negative effect on the location of FDI for the South West, East Midlands and West Midlands.

Looking at the agglomeration motives, a number of these are seen as significant in the peripheral regions of the North West (technology and universities) and the North East (technology, universities and infrastructure), but also in the neighbouring regions to London of the South East (technology and infrastructure) and the East (technology and universities). There are however a number of regions where a significant and negative coefficient is found for a number of agglomeration motives, these being the South West and the East Midlands, although these regions have a positive and significant effect for the presence of universities. Indeed, seven regions have a positive and significant coefficient for universities/researchers as a location motive indicating the role provided by universities and their associated labour is an important determinant of FDI location relative to the London region and that, overall, a mixed and nuanced set of factors impact on FDI location in the creative industries.

[16] Both the North East and Wales have strongly significant coefficients for the market potential motive with 100% of projects in these regions listing the motive as a location factor.

Table 7: Marginal Effects

	London	South East	East	South West	West Midlands	East Midlands	Yorkshire and Humber	North West	North East	Scotland	Wales	Northern Ireland
Market seeking:												
Market potential	-0.213***	-0.016	-0.041**	0.001	-0.004	0.004	-0.025	-0.012	0.156**	-0.010	0.136***	0.024
Market access	0.157***	-0.001	-0.017	0.020	0.009	-0.117**	-0.001	0.013	0.013	-0.016	-0.007	-0.052**
Resource seeking:												
Skilled workforce	-0.047	-0.001	-0.027*	-0.004	-0.044**	0.001	0.005	0.025	0.004	0.015	-0.019	0.092***
Natural resources/costs	1.716***	-0.766***	-0.326***	0.208***	-0.406***	-0.102**	-0.309***	-0.552***	-0.134**	0.260***	-0.094***	0.503***
Institutional:												
Business environment	0.297***	0.003	-0.465***	-0.008	0.041**	-0.100**	0.012	0.050**	0.007	0.050**	0.059***	0.054

Government support	0.594***	-0.903***	0.110***	0.111***	-0.443***	-0.113**	0.079***	0.125***	0.008	0.092***	0.050***	0.289***
Location attractive	0.898***	-0.901***	0.889***	-0.428***	0.089	-0.099*	0.076	0.180***	-0.156**	0.139***	-0.108***	0.223***
Access to finance	2.099***	-0.688***	-0.311***	-0.394***	-0.367***	-0.082*	-0.289***	-0.507***	-0.117**	0.252***	-0.040***	0.443***
Agglomeration:												
Technology and innovation	0.153	0.070**	0.053***	-0.464***	0.033*	-0.102**	0.018	0.075***	0.020*	0.049*	0.049**	0.047
Industry cluster	0.692***	0.049	0.005	-0.432***	-0.480***	-0.098**	0.030	0.031	0.016	0.081***	0.006	0.100**
Universities/researchers	-0.290***	0.011	0.052**	0.055**	0.035	0.026	0.007	0.031	0.010	0.086***	-0.141***	0.118***
Infrastructure	0.702***	0.168***	0.062**	-0.431***	0.057	-0.95*	0.064**	0.100***	0.044**	-0.717***	-0.83***	0.129

Note: Marginal effects for multinomial logit regression results with robust standard errors in Table 6. *** = 1%, ** = 5% and * = 10% significance levels.

A drawback of focusing on the coefficients in Table 6 is that they can only be interpreted relative to the baseline region, i.e. London, so that a positive coefficient does not necessarily relate to an increase in the overall probability of locating in a region. Alternatively, the marginal effects of the explanatory variables on the probability of locating in each region can be calculated, which gives information on the change in these location probabilities from a change in a given project characteristic (Wulff, 2015). Table 7 presents the marginal effects for all regions, i.e. including London, and overall shows a similar pattern to the coefficients presented in Table 6. However, a more pronounced picture is uncovered in the institutional and agglomeration categories with a further eleven positive and significant variables in these motive groupings. This reinforces the importance of both institutional (business environment; access to finance) and agglomeration (technology; industry clusters) factors in Scotland, but also the role of the business environment in the West Midlands and the North West, the general location attractiveness in the East, technology in the West Midlands, infrastructure in the East and Yorkshire & Humber and industry clusters in Northern Ireland.

Focusing on the London region there are a range of location motives that have a positive and significant impact on the probability of locating in the region, although of note are the role of the institutional and agglomeration motives. In particular, each of the institutional variables increases the probability of locating in the region, infrastructure and industry clusters are significant agglomeration factors, while access to universities/researchers decreases the probability of locating in the region. Market-seeking FDI also increases the probability of locating in London, as would be expected for the largest region in the UK, although this relates to market access rather than market potential. Indeed, investors who seek market potential in the region have a decreased probability of locating in London holding constant the other project characteristics related to the investment.

5. Conclusions

The creative industries are of growing importance to the UK economy and attract significant levels of foreign direct investment, but despite this there is close to an absence of analysis into the nature of this investment. This paper attempts to help fill this void by exploring the motives of FDI in the UK creative industries and gain an understanding of the key factors underpinning the location decisions of these investors. It draws upon a vast theoretical and empirical literature on the location determinants of FDI and utilises data from the Orbis Crossborder Investment database that records information on both the project characteristics and the motives behind the location decisions of foreign investors. In doing so it adds to the overall literature on the location of FDI by providing a unique investigation into FDI location that captures the motives for investment as stated by the foreign investors. For policy makers to be able to leverage the desired benefits for the UK, it is important to develop an understanding of the FDI motives prior to the investment, so that the desired outcome, whether it be agglomeration, technology transfer, increased competition, or employment creation, can be achieved accordingly.

The paper finds that market-seeking FDI is the most frequently identified reason for FDI location, which is primarily related to the potential of the market but also by market access motives. This suggests that, not only is the UK market for creative industries attractive to foreign investors, but that the long-term attributes of the market are also seen as beneficial indicating the longer-term prospects for FDI in the UK. A skilled workforce is also found to be a prominent location motive, which relates to previous theoretical and empirical findings on the role of a skilled labour force in creating agglomerations of creative activities. The literature also emphasises the role of universities, technology and overall knowledge spillovers in creating agglomeration economies within the creative industries and the role of these motives is also highlighted for the attraction of FDI in these industries. In addition, a range of institutional factors complete the varied set of motives for FDI location in the creative industries.

How the motives for investment vary by the characteristics of the projects are also analysed, which in the first instance allows for an examination of efficiency-seeking FDI by focusing on the re-investment projects of foreign investors. The main features of the efficiency-seeking motives relate to the role of market potential for expansion projects that implies the importance of economies of scale, while for co-location projects it is market access that is emphasised to allow the benefits to be captured from the diversification of products. Co-location projects also emphasise the importance of technology and innovation suggesting the potential importance of spillovers that may arise within the firm but across the products and the different functions of the foreign investor.

The distinction between the different motives can also be examined in relation to the industry of the foreign investors. In this case, although market and skilled-labour motives dominate across the industries, there is also particular emphasis on the role

of market potential for the 'Advertising & Marketing' industry and a skilled workforce for 'Publishing'. Institutional and agglomeration motives feature highly in the 'IT, Software and Computer Services' industries, most notably within the 'Computer Programming Activities' sub-grouping. The role of institutional factors are also notable within the 'Film, TV, Video, Radio and Photography' industry so that again a variety of motives are apparent in attracting FDI across the creative industries. A further feature of the foreign investors is related to their origin, with skilled labour of notable importance to those investors from North America and Europe. Market-seeking factors are however relatively more emphasised by investors outside of these regions, notably investors originating from India, Israel and Australia. Of interest is that China has relatively less emphasis on market-seeking factors compared to these countries and instead highlights in particular the role of technology and innovation. Overall, in relation to the characteristics of the projects, a mixed picture emerges with different motives of importance depending on the specific nature of the project highlighting the importance of firm-based characteristics when investigating the nature of FDI.

The regional location of FDI in the creative industries also exhibits variation in terms of the underlying investment motives. The core region of London, which is the destination of the majority of foreign investment in the creative industries, highlights the motive of market access, perhaps not unsurprisingly given that it is the largest market in the UK. The role for market potential is however highlighted in the more peripheral regions of the North East and Wales, which given the overall high ranking of this motive across foreign investors indicates the long-term potential of the regions in attracting FDI. Indeed, the peripheral regions of the North, Scotland, Wales and Northern Ireland all feature highly in terms of the institutional and agglomeration motives having a positive and significant impact on the probability of locating in the regions. These include motives relating to the general business environment, government support, access to finance, technology and innovation, infrastructure and the presence of universities and researchers in the region.

The importance of institutional and agglomeration motives are however not restricted to these regions, with London having positive impacts in terms of location choice from all aspects of the institutional motives as well as the agglomerative factors of industry clusters and infrastructure. The neighbouring regions to London of the South East and the East are also positively affected by agglomeration motives suggesting the role of possible spillover effects across these regions, although conversely the role of institutional factors have a broadly negative impact on location in the South East so that agglomeration economies dominate. This may reflect the large number of investments in the 'IT' sector in London and the South East and the spatial nature of agglomerative forces arising from, for example, knowledge spillovers.

Overall, across the regions, there is a strong effect arising from the institutional and agglomeration motives on location choice in comparison and relative to the traditional economic factors of market-seeking and labour-seeking FDI. There is also variation within these broader categories of institutional and agglomeration

factors that cover the general business environment and government support in the former to the role of technology/innovation, universities/researchers and infrastructure in the latter and thereby suggesting a role for a diversified set of policies in attracting FDI in the creative industries. Indeed, the variation in the range of motives for FDI in the creative industries is also highlighted by the majority of projects stating more than a single motive for FDI location, again emphasising the diversity of factors that are attractive to foreign investors rather than a specific feature of the UK economy.

From a policy making perspective three considerations emerge. One is highlighted by the importance for creative FDI played by the skilled workforce, technology, and access to universities and researchers, which seem pervasive throughout the UK locations of FDI. As noted by Driffield (2013), when a host country has high performing sectors with high levels of productivity growth, innovation and export performance, it attracts inward investment with a similar profile. This accentuates the importance of the host-country sector performance, which becomes crucial in attracting the "right sort" of FDI. Adequate funding to universities is therefore paramount to sustain the role of education in creating and maintaining a highly skilled workforce and produce world-class research, whose benefits extend to research networks across industry and other stakeholders. This is especially important in light of a shift in responsibility for upskilling workers in the sector from the industry to universities that has emerged in recent years, and the role that higher education providers play in boosting their local creative clusters (Lyons and Davies, 2022). Also, as discussed by Haddoud et al. (2023), recent changes to the UK migration system since the Brexit vote, i.e., a point-based system, a revised minimum salary threshold, the cost of visa applications, additional administrative burden and complexity and reduced worker mobility have increased the difficulty of recruiting EU creative workers and freelancers, and caused a skills drain in favour of EU countries like France and Germany (Abraha, 2020), in a national context already seeing growing creative and digital skills shortage (Carey et al., 2019) and exacerbated by Covid-19. This worrying skills trend will need a careful assessment in the future as more evidence emerges. The development of creative skills at all levels of education is of central importance to the future of the creative sector and this should be prioritised through the creation and expansion of the talent pipeline needed in the future. Hence a review of data on skills gaps, a discussion around the future for qualifications, the blend of digital and creative skills, apprenticeships and career pathways, and how to boost diversity are all necessary steps to nurture and improve the creative talent pipeline.

Secondly, for the UK to remain a competitive location for cutting edge research, it is important for the government to support research & development and promote high-tech industries, for example through R&D tax credits, which in recent years have been increased creating an attractive policy environment for FDI.[17] On the

[17] The Research and Development Expenditure Credit or RDEC was 11% of the qualifying R&D expenditure up to 31 December 2017, then it was increased to 12% from 1 January 2018 to 31 March 2020 and it is 13% from 1 April 2020. Announced reforms taking place from 1 April 2023 will see an increase in RDEC to 20%, although there will be a reduction of R&D tax credits for SMEs.

other hand, this favourable environment has recently suffered from policy changes due to Brexit. For example, the lack of an agreement on the association of the UK to the EU's €95bn Horizon Europe grant programme means that the businesses and universities research funding landscape is uncertain, and this can lead to a brain drain where researchers and entrepreneurs move to EU to tap into such funding. Although the alternative British research plan Pioneer was recently devised (DIST, 2023), it is still a second-best option to Horizon Europe, which is the preferred option by the UK Government if the association will be "on fair and appropriate terms".[18]

The third consideration in terms of policy making becomes evident when considering the heterogenous motives that make UK regions attractive for inward FDI in the creative industries. Institutional and agglomeration factors, as highlighted above, bear on the decision to locate to each region in different measure, and, although London is the biggest attractor of creative foreign investment, outside of the capital different creative industries prefer to locate to different regions. This mix reflects local factors like industry mix, local knowledge and skills, that are best leveraged by using devolved policies implemented by devolved local authorities, with the central government orchestrating the regulatory environment to achieve a strategic and coherent national industrial policy within the levelling-up agenda.

Finally, while this work covers the period 2013-2021, the analysis is static in nature, and does not investigate the change over time of inward FDI motives in the creative industries, mostly due to the limited number of observations for creative projects. However, since it has been revealed that the dominant FDI motive is the market-seeking one, it would be interesting to examine in future research whether the departure of the UK from the EU would affect the importance of this motive, as global investors have often chosen the UK not just because of its regulatory and institutional environment, but also because of its market access to the EU (Kneller and Pisu, 2004). In general, as highlighted by Driffield et al. (2022a) it is important to determine whether the patterns of FDI motives will change over time, as different motives entail changes in the way foreign investors transfer knowledge to the local economy and engage with the ecosystem of local businesses, hence the benefits that they can bring to the UK economy can change in nature and value.

[18] See https://www.gov.uk/government/news/uk-publishes-prospectus-for-opportunities-beyond-horizon-europe announcing the Pioneer programme on 6th April 2023.

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Appendix Table 1: Correlation Matrix

	Market potential	Market access	Skilled workforce	Natural resources/costs	Business environment	Government support	Location attractive	Access to finance	Technology/innovation	Industry cluster	Universities/researchers	Infrastructure
Market potential	-											
Market access	0.146	-										
Skilled workforce	-0.103	-0.045	-									
Natural resources/costs	0.050	-0.011	0.077	-								
Business environment	0.038	0.045	-0.004	0.116	-							
Government support	-0.061	-0.020	0.173	-0.027	-0.010	-						

Location attractive	-0.047	0.026	-0.070	-0.020	0.094	-0.050	-					
Access to finance	-0.046	0.029	-0.090	-0.013	-0.006	-0.033	-0.025	-				
Technology / innovation	-0.073	0.065	0.128	0.019	0.087	0.192	0.021	-0.044	-			
Industry cluster	-0.062	-0.034	0.097	-0.033	0.099	0.173	0.067	-0.040	0.241	-		
Universities/ researchers	-0.068	-0.032	0.190	-0.031	0.023	0.192	0.010	-0.038	0.227	0.219	-	
Infrastructure	-0.052	0.003	-0.009	-0.018	0.031	0.089	0.136	-0.022	0.009	0.094	0.184	-

Note: Correlation matrix of variables in Table 6.