



LONDON CHAMBER OF COMMERCE & INDUSTRY SUBMISSION TO THE GLA REVIEW OF LONDON'S INTERNATIONAL OFFICES

June 2008

The London Chamber of Commerce & Industry (LCCI) has been asked to contribute to the GLA's review of London's international offices.

The LCCI is the capital's largest business membership organisation, comprising some 3,000 members which together employ over 500,000 people and range in size from multi-national companies such as BT and Thames Water to sole traders.

Without exception, our policies are always informed by the experiences of our member companies. It is only by putting London's businesses first that the capital can maintain its outstanding record for creating well-paid jobs, leading the world in service provision and being Europe's favourite location for foreign direct investment.

From its earliest days the LCCI has been closely involved with international trade and assisting members with day-to-day trading issues. International trade activities continue to play a key role today, in particular the services provided by the LCCI's World Trade, Enterprise Europe Network and Export Documents teams.

London and the global economy

One in four Londoners were born overseas and the capital's population speaks more than 300 languages. This is reflected in both the demographics and the success of the London economy. Asian owned businesses, for example, account for 14 per cent of the total and employing around 300,000 people with an estimated annual turnover £60 billion in 2003/04.¹ In fact, a quarter of all London firms are foreign owned. The city is home to more American banks than New York and more Japanese banks than Tokyo.² The London Stock Exchange is the most international of all world exchanges, with 470 companies from 60 countries trading.³

The future economic success of London also hinges on its ability to access new and emerging markets and thrive in an increasingly global business environment. China and India currently account for nearly 40 per cent of the world's population and contribute roughly 20 per cent of global GDP. China is already the third largest exporter in the world, behind the US and Germany, according to HM Treasury estimates.

India is expected to increase its volume of services exports by over 160 per cent by 2015. Currently the UK financial services sector enjoys a positive balance of trade with both India and China, worth £15.6 billion in 2003.⁴

As the world economy begins to take the threat of climate change more seriously, new markets in green technology and carbon trading will also present significant opportunities for London's financial services sector. Recent research has calculated that emissions trading could become the world's largest commodity market and that the Square Mile is well placed to be a centre for the green economy. The most actively traded emissions exchange, ECX, is already located and cleared in London, dealing in more than twice the volume of its nearest competitor.⁵

The GLA review of London's international offices

The GLA currently maintains a presence in Brussels, Mumbai, Delhi, Beijing and Shanghai, at a total cost of about £1 million a year. An additional office, in Caracas, is already scheduled for closure – a move the LCCI does not oppose.

In contributing to the review of international offices, we have been asked to address the following six questions.

- 1. Do London's emerging market offices provide good value for money? What examples would you give of the value they add?**
- 2. Are there ways in which the cost-effectiveness of the offices could be enhanced?**
- 3. Are there functions that are not currently undertaken by these offices but should be?**
- 4. Are there other locations where London should consider opening an office?**
- 5. What would be the impacts of closing London's emerging markets offices?**
- 6. Would your organisation consider the case for contributing funding to London's overseas offices (or consolidating your own representation if appropriate)?**

1. Do London's emerging market offices provide good value for money? What examples would you give of the value they add?

London firms clearly believe that London's international offices are important and offer good value for money. When surveyed by the LCCI, in conjunction with pollsters ComRes, two-thirds (67 per cent) of companies said that they supported the GLA's policy of operating offices in India and China.

As Peter Bishop, LCCI deputy chief executive and director of international trade, stated when these findings were published in April: "These figures demonstrate that London firms are convinced of the value of operating these overseas offices...The economic benefits of operating these offices in Shanghai and Mumbai far outweigh the costs. We will not grow the London economy by resting on our laurels or staying at home. If we aren't out there promoting London, someone else will be promoting Paris, Frankfurt or Moscow instead."⁶

The LCCI believes that strong business relations with the emerging economies of India and China are vital for the capital's economic growth, creating jobs and attracting investment and tourism.

As a practical example of the value they add, LCCI chief executive Colin Stanbridge went to India as part of the previous Mayor's visit in 2007. (Although part of the Mayor's delegation, all travel and accommodation costs were borne by the LCCI and not the Mayor's Office). Upon his return, he co-authored the following letter to the *Evening Standard* with London Business Board chairman Ian Barlow:

Dear Sir,

As part of the business delegation accompanying the Mayor on his visit to India we were disappointed, on our return, to learn of the criticism of the trip from some quarters. We witnessed at first hand that the visit was a great success and we have no doubt that over time it will result in new jobs for Londoners and significant increased investment in the London economy from Indian companies.

To maintain our position as a leading world city, it is vital that we attract increased overseas investment and tourism.

Last year, India was the second largest investor in London and Indian tourists outnumbered those from Japan.

We will not achieve our goals by resting on our laurels and staying at home.

While we were in India, there were a number of high-led delegations from other countries and cities all with the same ambitions.

Thanks to the tireless activity of the Mayor, our delegation grabbed most, if not all, of the headlines and more importantly the time and attention of leading business people and politicians.

As business representatives, we have never flinched from criticising Ken Livingstone when we thought he deserved it. However we also feel that he deserves praise when he promotes London and London business as successfully as he did in India."

2. Are there ways in which the cost-effectiveness of the offices could be enhanced?

The GLA may wish to develop closer links with other organisations working to promote London overseas, such as the City of London and Think London. For example, Think London, which is already partially funded by the London Development Agency (LDA), operates offices in New York, San Francisco, Mumbai and Beijing but focuses exclusively on attracting foreign direct investment. As well as

'selling London' as a place to invest, greater efforts could be made via these offices on trade promotion and helping London firms access foreign and emerging markets.

London companies also strongly believe that the LDA should play a bigger role in promoting the capital and London firms internationally. According to research by the LCCI, almost three quarters (72 per cent) of London businesses rated promoting London internationally as a destination for tourism and investment as 'essential' or 'very important' as a role for a reformed LDA. Only 4 per cent of companies said this role was 'not very important'.

Business leaders also felt that the LDA should help London companies access emerging markets. Some 87 per cent of directors rated this responsibility as either 'essential', 'very important', or 'important'. Only 13 per cent rated this as 'not very important' or 'not at all important'.

However, if the LDA were to be involved in promoting London overseas, its method and activities will require careful consideration. Nearly a quarter of companies rated the LDA's performance to date at promoting London internationally as either 'poor' or 'very poor'. A further 31 per cent of company directors described the LDA's performance in this area as merely 'adequate'.⁷

3. Are there functions that are not currently undertaken by these offices but should be?

The LCCI believes that the international offices could deliver more for London firms, acting as 'business embassies' for the capital and developing a greater role in trade promotion. The offices could also do more to engage with business groups, including the LCCI and identify opportunities for partnership and collaboration.

While the LCCI has not worked with the GLA's office in Brussels, we believe that there is a role for the GLA to maintain a presence in the home of European Union. Such an office should be monitoring EU legislation and directives, especially with regard to the regulation of financial services, employment law or corporate governance, and lobbying to defend the City of London's competitive position, which it could through close working relations with UKREP.

4. Are there other locations where London should consider opening an office?

The GLA might like to consider opening an office in Mexico to promote trade and investment between London and Latin America. Mexico, itself, is of course, often referred to as 'next in line' after the BRIC countries (Brazil, Russia, India and China) but, equally important, it is a genuine gateway to Brazil, Argentina and other growing South American economies. The LCCI led a very successful trade mission to Mexico earlier this year and is keen that London firms seize the opportunities presented by the country's location and NAFTA membership.

However, decisions on where to locate additional offices in future should be based on detailed economic research and consultation with London firms.

5. What would be the impacts of closing London's emerging markets offices?

Closing London's offices in the emerging markets of China and India would send a number of negative messages about London and, more specifically, the city's government. It would signal to potential foreign investors that London was now less interested in doing business. It would signal to London firms, especially exporters, that the GLA is not interested in helping them access new customers, suppliers or markets in two of the fastest growing economies. And, to our international competitors, it would signal a lack of confidence and ambition in the capital's competitiveness and could be seen as London's retreat from its position as the pre-eminent world city.

It is also worth noting that not all of London's trade and FDI rivals are foreign. Scottish Development International, the overseas arm of Scottish Enterprises, maintains five offices in the USA, three in China

and individual offices in India, Japan, Korea, Singapore, Taiwan, Australia, Germany, Paris, Moscow, and Canada

As a report by the City of London into the potential benefits of trade with India and China concluded: “The 1.5 million or so people of South Asian extraction in the UK are not an automatic source of linkage into Indian and Chinese markets for the UK in terms of financial services, and the UK companies are not currently making their competitive case effectively in these markets. Continued failure to exploit such links may result in a considerable number of lost opportunities, particularly if other competitor nations, such as the US, are more proactive.”⁸

6. Would your organisation consider the case for contributing funding to London’s overseas offices (or consolidating your own representation if appropriate)?

The London Chamber of Commerce and Industry is a not-for-profit business membership organisation and it would be inappropriate for us to use members’ subscriptions to subsidise the operations of the GLA.

We already support London businesses with our own international trade promotion programme and we are always willing to engage with partners and to share best practice.

Conclusion

Closing the offices in India and China as part of a cost-cutting exercise would be short-sighted and send entirely the wrong signals to potential investors and importers in two of London’s most important potential markets. The GLA may save £1 million, but it is London firms that may ultimately end up paying a much higher price. If the Mayor is not out there promoting London, someone else will be promoting New York, Paris, or Sydney instead.

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Endnotes

¹ GLA Economics, *The Contribution of Asian-owned Businesses to London's Economy*, June 2005.

² Think London, 'Business Facts', and City of London Police, www.cityoflondon.police.uk

³ Think London, 'London: Financial Capital of the World', September 2007

⁴ City of London/SAMI Consulting/Oxford Analytica, 'Scenarios for India & China 2015: Implications for the City of London', October 2006

⁵ City of London/Consilience Energy Advisory Group Ltd, *Emissions Trading and the City of London*, September 2006

⁶ London Chamber of Commerce & Industry, 'London Business backs GLA's Foreign Offices in India and China', Press Release, 18 April 2008

⁷ London Chamber of Commerce & Industry, *Reforming the LDA – a Business Perspective*, June 2008

⁸ City of London/SAMI Consulting/Oxford Analytica, *Scenarios for India & China 2015: Implications for the City of London*, October 2006