

A tale of two Cities

By **ALDERMAN IAN LUDER**

LORD MAYOR OF THE CITY OF LONDON



IAN LUDER graduated in economics from University College London and began his career as an articled clerk and senior tax manager with accountancy firm Arthur Andersen. He is a Fellow of the Chartered Institute of Taxation (of which he was president from 1994-95) and of the Institute of Chartered Accountants in England & Wales. Prior to his investiture as Lord Mayor, Alderman Luder was an independent member of the Audit Committee of the Royal Borough of Kensington and Chelsea and a member of the Strategic Management Board of the Royal Institution of Chartered Surveyors.

Sir Christopher Wren's recently restored Monument in the City of London commemorating the Great Fire of 1666

As Lord Mayor of the City of London, I support and promote all UK-based financial and professional services, what we call the City brand, and I am delighted to welcome President Felipe Calderón of Mexico to London.

This has been a very challenging year for financial services globally.

However, earlier this month, two reports were published showing that the City remains at the top of the list of the world's international financial centres. The first report, independent research commissioned by the City of London, GFCI 5 (Global Financial centres Index 5) found that overall London has lost ground but no more so than anyone else and has retained its position at the top of the table with New York just behind in second place. The second, by Foreign Direct Investment magazine, found that London retained its pre-eminence as a global financial centre; Hong Kong was second and Shanghai third, with New York in fourth place. In fact, while some banks have been badly affected, most of the City is still working hard, in foreign exchange, futures and traditional derivatives, insurance, accountancy, carbon emissions trading, legal services, the capital markets and maritime services.

In addition, corporate bond issuance amongst well rated companies has been at record levels for the first

two months of this year – and it is likely that issuance in the first quarter will beat the whole of 2008. Within the last month three rights issues in the distressed property sector have been launched and fully underwritten to the tune of £2.16 billion (bn) pounds. HSBC, Europe's biggest bank, is seeking to raise £12.5bn from shareholders through a rights issue in the UK.

So I believe that London and the UK's business and financial offer to partners from around the world – and particularly to Mexico, remains strong.

London and Mexico have a long standing diplomatic and trading relationship dating back 200 years. One of the first major London based traders to get involved in Mexico was Nathan Mayer Rothschild in the early 19th century, whose company sold mercury – essential to the refining of gold and silver – to the growing mining community in Mexico. Later Rothschild diversified with an ironworks, a copper mine, and imported English goods for use on Mexico's developing railroads. That particular relationship – Mexico and Rothschild – has proved fruitful right up to the present day. And Rothschild is just one of many British companies working in Mexico, including AstraZeneca, British American Tobacco, BP, Cadbury Schweppes, Diageo, GlaxoSmithKline, HSBC, Invensys, Johnson Matthey, Shell, Tate & Lyle, GKN and Unilever. The largest British investment to date is HSBC's US\$2



Photograph courtesy of the Corporation of London

London and Mexico City have a long standing diplomatic and trading relationship dating back 200 years

bn acquisition of Mexico's fifth largest bank, Grupo Financiero Bital, in 2002. And right now, British advisers are helping to advance Mexico's ambitious PPP programme.

It is a two-way traffic. Several Mexican companies have invested in the UK, including the world's third largest cement producer, CEMEX, which bought RMC in 2004 to use as a base to expand in Europe. At US\$5.8 bn, this is the largest single Mexican investment in any foreign country. Mexican companies have also raised capital in London – take Fresnillo, the world's largest silver mine, which is located in Mexico. In March, Fresnillo PLC re-entered the FTSE 100, having first listed shares on the LSE in early 2008.

Today, our bilateral trade in goods is worth over £1,500 million (mn) (UKTI, 2008) and nearly £700mn in services (UKTI 2007) and have been increasing for the past five years. The UK is the ninth largest investor in Mexico, and Mexico is one of the UK's top two trading nations in Latin America.

We in the City see Mexico as a land of opportunity. Mexico is the world's 13th largest economy and a high growth market. Like the rest of the world, Mexico is being affected by the global financial crisis; analysts predict a decline in business with the US, and a decline in remittances. But prudent financial planning – for example Mexico hedged oil prices for 2009 at US\$ 70 – and a sound banking system should provide good prospects from 2010.

Analysts tell us that long-term, economic power is shifting from the old world to the BRIC nations. When the world economy starts to grow again, Mexico, as a major commodity producer with sound fundamentals, must surely flourish.

I believe that Mexico, like its South and Central

American neighbours, should consider taking this global crisis as a chance to diversify trade relationships. Central American countries have long been closely linked to North American economies, and today Mexico sends some 80 per cent of its exports to the US. Now perhaps it is time for Mexico to expand relationships with other trading blocs, especially Europe, and make more use of its free trade agreements – in particular the EU-Mexico free trade agreement which has been in place since 2000.

If Mexico wants to expand into the EU – the world's largest market, which accounts for 31 per cent of global GDP (above the US, with only 26 per cent) and has a population of 490 million people, we in the City believe Mexico should come to London. We believe that London is the business-friendly gateway to the European Union, and London is the European leader in financial and professional services, by some way. We have unparalleled expertise in carbon emissions trading, financing alternative energy and new infrastructure through PPP, we are experts in insurance and asset management, our English common law has become the commercial law of choice in many countries across the world. In a global downturn, we are a long standing and a trusted partner.

The last Lord Mayor of London to visit Mexico did so in September 2007, and found many opportunities for British businesses there. The next Mayoral visit to Mexico will not be long away. Far-sighted businesses, especially financial industry businesses, can see that Mexico has a lot to offer.

In the City, we hope that this State Visit will strengthen the friendship between the UK and Mexico – and open up even more practical ways in which we can work together. **F**



Photograph courtesy of ProMéxico

Mexico City's El Ángel de la Independencia, built to commemorate the centenary of Mexico's War of Independence in 1910