

A deep and strong relationship

By **ALDERMAN DAVID WOOTTON**

LORD MAYOR OF THE CITY OF LONDON



DAVID WOOTTON is the 684th Lord Mayor of London. A graduate of Jesus College, Cambridge, he began his career with the law firm Allen & Overy specialising in corporate transactions and best-practice compliance. With a strong interest in the governance of the City of London he was elected to the Common Council in 2002 and in 2005 was elected an Alderman, becoming Sheriff of the City of London in 2009. He is serving as Lord Mayor for 2011/2012.

Indonesia is a hugely important partner for the UK. The relationship between our two countries has developed over many years and has grown into the strong bilateral partnership that we enjoy today. I look forward to welcoming the President of Indonesia, Susilo Bambang Yudhoyono to the UK and to a State Banquet at Guildhall in the City of London. I am confident that we will find many areas for future co-operation between our two nations.

The relationship between Indonesia and the UK continues to deepen and strengthen – in 2011 the UK exported £630 million of goods to Indonesia and imported £1.3 billion of goods from Indonesia, a marked increase from 2010. Earlier this year the Indonesian President and UK Prime Minister David Cameron announced a joint statement to re-launch the UK-Indonesia Partnership Forum and Prime Minister Cameron pledged to double current trade levels by 2015. This is an ambitious target and in order to achieve it, the partnership between our two countries must be nurtured, and most importantly seeds must be planted for growth in the future.

The Indonesian economy has been transformed in recent decades and is well on the way to becoming global player in financial and economic markets. It has demonstrated great resilience and high levels of

growth during the current period of global uncertainty and with the world's fourth largest population and an abundance of commodities, many international investors are seeing Indonesia as a key international investment destination. Indonesia is now firmly positioned as one of the most democratic and stable markets in Asia, so unsurprisingly more and more UK businesses of all sectors and sizes have started to explore opportunities there.

As one of the world's most culturally diverse countries, Indonesia has much in common with the City of London, where we are home to over 300 foreign banks are located and pride ourselves on our rich diversity of languages and cultures. The City of London has long recognised the critical importance of Indonesia to the UK economy and the huge potential for business opportunities which exist between our two countries. It is no coincidence that UK firms are well represented in Indonesia with the UK being the sixth largest investor in Indonesia – both of our countries have worked hard to make it so. In particular UK financial services companies have brought new products and skills to Indonesia and provide valuable services for Indonesian consumers and companies.

But there is scope to deepen this beneficial commercial engagement. There are many

Construction of concrete parts on a new flyover bridge in downtown Jakarta, 2012.



opportunities for UK-based firms in Indonesia to work with the large and young population and to benefit from Indonesia's economic growth, natural resources and strategically important location between the major economies of India and China.

There are three areas in particular where the City of London can work more closely with Indonesia to our mutual benefit – working towards a low-carbon economy, developing financial services and infrastructure investment.

First, the development of a low-carbon economy: In April 2011, the UK's Department for International Development (DFID) and the Government of Indonesia agreed to focus all future UK aid for Indonesia on issues related to climate change and the UK has agreed to support Indonesia in meeting its national objectives and targets on carbon emission reductions, to support the shift to sustainable, low-carbon, climate resilient economy. Tackling climate change is one of the biggest challenges the world is facing. Issues such as rising sea levels, drought and managing greenhouse gas emissions have all forced themselves to the top of government agendas. Finding solutions has become a matter of necessity as people and communities suffer the consequences of our planet heating up.

Ultimately I believe it is too big a challenge for governments to face alone. Like other global economies, Indonesia's path to future growth and prosperity and a low carbon economy will require the active involvement of business and financial institutions. It is clear to me that it is only by harnessing private sector capital and unleashing the power of the markets to boost investment in green technology and pollution-reducing projects that the challenges of climate change will be met successfully. The City of London is keen to work closely in partnership with Indonesia in this area by using our expertise as a centre for carbon financing: London is a global hub for finance and capital raising, and international investors are ready and waiting to use their funds to help build Indonesia into a global low-carbon economy.

Secondly, developing financial services: Indonesia is one of the key markets outside the Middle East that offers real potential for UK companies in Islamic Financial Services/Sharia banking. Another area of opportunity for UK companies is the provision of software, technology and associated training to help local banks deliver high quality services. There are a number of financial services institutions already operating in Indonesia including: Standard Chartered Bank, HSBC and Prudential but there is room for more. Indonesia's rapidly growing middle class would all benefit from access to high quality financial services to enable them to access capital and finance their aspirations.

Finally, infrastructure financing: as the economy and population of Indonesia grows, the demands and pressures on its infrastructure are increasing. It is well documented that regeneration and reconstruction can transform communities and cities, particularly in very deprived areas, and that building up a nation's infrastructure is a powerful engine of economic growth and social change.

Over the next five years Indonesia plans to construct around 20,000km of roads and large scale power generation projects and develop its port infrastructure, oil refineries and other major projects. The US\$160 billion infrastructure development programme will be funded by a mixture of public and private capital and the Government are seeking to utilise public private partnerships to deliver a number of these projects. Again, this is an area where the City of London can bring its expertise and capital to enable Indonesia to realise its aims.

Governments alone cannot pay for these vast projects. They must find innovative ways to attract capital for infrastructure developments by entering into partnerships with providers of capital and construction companies and demonstrate a commitment to attracting businesses. The UK financial sector has deep pools of capital available for such projects and long experience of using public private partnerships to build and also maintain and run infrastructure and services.

I am confident that our relationship will grow over the next few decades bringing mutual prosperity to our nations. But it will not happen without effort on both our sides and I that hope during the President's visit we can work together towards cementing our partnership further.

The Indonesian economy has been transformed in recent decades

The Guildhall in the City of London, location for the state banquet in honour of the Indonesian President

