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Indian investment in London jumps

Foreign direct investment in London has jumped to £52bn from £38bn two years ago, with India now the second biggest source, a survey has said.

India accounted for 16% of all new foreign investment into the capital between 2003 and 2007, according to direct investment agency, Think London.



London has "great appeal" to foreign investors, the agency says

The US remained top, with 31% of new overseas investment in the capital.

But the agency warned that London must do more to promote itself in the face of emerging economies such as China.

Flow of FDI into London by country

London also needs to retain a competitive regulatory environment for business, the agency said, noting that the US has suffered recently from the introduction of tough financial reporting regulations.

The jump in investment from India put it ahead of France in third place. China jumped to fourth and Japan came fifth, highlighting the rapid growth of Asian-owned companies in the city in recent years.

'Strong brand'

Foreign-owned firms created nearly half of London's economic growth between 1998 and 2004, according to the report.

Workers at other foreign-owned companies were more than twice as productive as employees of other companies, it said.

The quality of infrastructure, availability of skills and strength of the business environment were given as reasons why foreign companies were choosing to invest in London.

"London today has a strong brand with great appeal to foreign investors," Think London said.

Remaining competitive

But it warned against complacency, noting that "if it is to remain competitive, London must evolve".

"Like any global brand, London needs to evaluate constantly what its FDI customers want, to differentiate itself from its competitors and to ensure that its product remains attractive."



The report warned London must not become complacent

The importance of remaining competitive in terms of taxation and regulation, was emphasised.

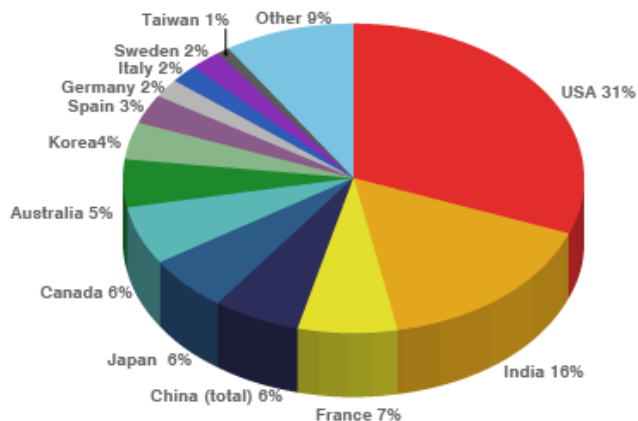
"You need only look at the United States to see how vulnerable FDI can be to changes in regulation," said Professor John Quelch of Harvard Business School.

"The New York stock exchanges, which have always attracted significant sums of FDI, have found that over-zealous regulation... has deterred foreign listings."

Businesses in the US have been critical of the Sarbanes-Oxley Act brought in after the collapse of Enron and other scandals. Companies have argued that the rules the Act brought in are too burdensome, making it harder for the US to compete internationally

London is set to overtake Paris and Chicago as the fourth largest economy among world cities by 2020, according to a recent report by PricewaterhouseCoopers.

**THE CURRENT FLOW OF FDI IN LONDON BY COUNTRY OF ORIGIN,
2003 TO 2007**



SOURCE: London Focus