



By Jo Valentine

As we approach the emergency budget, there is no doubt about the biggest challenge facing the Prime Minister and his team: managing the deficit while not undermining growth. But they will need to tread carefully if they are to stabilise worried markets without damaging London and the UK's competitiveness. What London and the UK needs more than ever is certainty and a clear signal as to how the deficit will be tackled. The new Cabinet needs to rebuild confidence, showing that they have both the political and practical mechanisms to take money out of the system and start making cuts to public spending – focussing on real efficiencies rather than just tax rises.

Government needs to work with business, rebuilding the relationship that deteriorated so much during the recession. The private sector has valuable experience in making spending cuts and efficiencies: the new Government should draw on that. But while it is vital for politicians to commit to a credible plan, the UK also needs to grow itself out of recession. We can't reduce the country's debt without allowing the most productive bits of the UK to thrive – and London should be in the vanguard.

London can be the UK's trump card in the global market, but we must treasure and build on its strengths. London's competitive advantages go beyond our language and our time zone. They are built on decades of stable, internationally attractive regulatory and tax regimes; on a willingness to welcome new talent; and on the agglomeration of capital and expertise. We remain one of only a small number of truly cosmopolitan cities in the world – people enjoy living and working here. London is still, on the whole, business friendly, even if perceptions have suffered recently. It also has a powerful political advocate in the form of Mayor Boris Johnson. With a political ally in No 10, Boris must now, more than ever, speak out for London and make his voice heard on issues from tax policy to tourism, banking regulation to the need for continued investment in transport.

International businesses have a choice about where to be. The risk to London is not of a mass exodus: rather it is that measures being put in place will deter talented people from coming here in the first place; that businesses will think twice about assembling specialist teams in London when they could just as easily locate them in Frankfurt, Chicago or Shanghai. The critical status that London has as a world city could be gradually eroded, to the detriment of the economy as a whole and the Exchequer in particular. To help grow the UK out of recession, international business and high-value talent needs to feel welcome. A tightening of immigration policy along with ill-judged and unforeseen tax rises could damage actual and perceived competitiveness.

Unlike some parts of the Eurozone, Britain is not yet in crisis. However, if the Government is a potential tipping point for any would-be investor. Added to this is the drift of business to the Far East: London needs to be the place where deals between Brazilian and Chinese companies are done, where ambitious Indian families seek university educations for their brightest sons and daughters. If the economy is put at the centre of government decision-making, business can look forward with confidence. London can still compete, even as we construct our route out of the credit crisis. For the sake of the whole of the UK, the Government must ensure that London emerges from the current murky territory, strong and equipped for growth.

Baroness Valentine is Chief Executive of London First

For further details please contact eapter@londonfirst.co.uk