

Aspects, Models and Measures for Assessing the Competitiveness of International Financial Services in a Particular Location

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Summary

There are several countries and cities of appreciable size, Switzerland and Hong Kong among them, for whom supplying international financial services (IFS) is one of their most important, and often subsidized businesses. Fragmentation trade in services and a stronger focus on clients rather than proprietary products are causing the industry to restructure internally and by location. This paper outlines the economic forces at work and the analytical methods that may be applied to examine the economic drivers of these processes as ever more countries and cities vie to attract IFS providers and their clients.

The revolution in information and communications technology has made those IFS that can be commoditized footloose in search of cost efficiency. High value-added services, however, will continue to be introduced and co-ordinated in a few major IFS centers that have invested in, or capitalized on, regional or global advantages.

This paper outlines what is required to attract the high-value lines of the international financial services business to a particular location and what are the economic benefits and fiscal costs of promoting these lines. Keeping them in place requires macroeconomic stability and maintaining an internationally competitive level of technical and allocative efficiency of operations with the cost-saving infrastructure and local amenities provided. Such infrastructure for the high-end IFS business includes, not only functional assets such as secure communications, automated trading platforms, and international accessibility, but also features of the macroeconomic system, industry institutions, and regulatory oversight that favor IFS and innovation. While financial institutions use the liquidity and low transactions costs afforded in financial markets, they face the challenge of putting together tailor-made high-value added services for clients.