

**СВІТОВЕ ГОСПОДАРСТВО ТА ЕКОНОМІКА
ЗАРУБІЖНИХ КРАЇН**

УДК 336:339.9

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**REGIONAL FINANCIAL CENTERS AND THEIR ROLE IN THE GLOBAL
ECONOMY**

This article considers the scientific approaches to the interpretation of the regional financial centers essence and determination of the place they occupy in the system of financial centers of the world. Based on the comparison of existing approaches differences between regional and international financial centers are specified. Key characteristics of regional financial centers distinguishing them from other types of financial centers are grounded. Specific features of financial markets operating in regional centers are considered. Competitive positions of some regional centers in the ranking of financial centers of the world are assessed. Characteristics of regional financial center that are subject to further development and improvement in order to obtain the international status are defined.

Key words: *financial centers (global, international, regional), financial market, financial market infrastructure, international financial institutions.*

Great expansion of international finance that has been observed in recent decades is entailed by the emergence of a number of international financial centers all around the world. Nowadays these financial centers serve as the focus of international financial activities and banking in particular. They have created favorable conditions for business that attract a large number of financial institutions from other countries and regions, which provide financial services and carry out financial transactions all over the globe. As a result, these financial centers play a leading role in the international financial markets development.

Besides recognized global centers such as London and New York, financial centers that provide a redistribution of financial flows within a region have become increasingly important. These regional financial centers turn into important focus of financial institutions concentration, including subdivisions of transnational banks (TNB), providing cross-border capital flows within the region and acting as the conductors of financial services delivered by transnational financial institutions to local consumers.

By increasing the financial institutions concentration and establishing appropriate links with other financial markets and megacities, regional financial centers can extend the sphere of their influence, turning into international and even global financial centers. However, even staying in the status of regional financial center, megacity is an important part of the financial service of the effective functioning of the regional economy and the development of cross-regional economic relations. All items mentioned above determine the relevance of this research.

The issues of the international, including regional financial centers, their typology, their role in the global financial resources redistribution and competition among the leading financial centers are sufficiently investigated and presented in the scientific literature [1-9]. However, on the background of increasing interest to the scientific study of the regional financial centers phenomenon, various approaches to the interpretation of this concept appear, generating some ambiguity in the use of conceptual and categorical apparatus of financial centers research. As a result, the problem of the identification of the position occupied by regional centers in the world system of financial centers remains unresolved and basic features of regional financial centers are not clearly defined.

This paper is aimed at concretization of the regional financial centers essence, determination of the place they occupy in the system of international financial centers, and defining the key features distinguishing regional financial centers from other types of financial centers.

There have been various attempts to define regional financial centers since early 1970s as far as their role in international financial markets has risen remarkably. Along with the term “regional financial center” such concepts as international, world, global financial centers are often used.

Johnson H.G. considers regional financial centers as the leading centers which concentrate financial activities – banking, insurance and other (supporting) types of financial institutions – and cater clients in and outside the region [6,7].

According to Hew D., regional financial center is a central location where there is a high concentration of financial institutions and capital markets that allow financial transactions in the region to take place efficiently [5].

Kravets P. interprets regional financial center as the form a national financial market functioning as the element of global capital market [1].

Comparing and differentiating the world (global) and international financial centers Navoy A. practically equates the categories of “regional” and “international” centers, pointing out that the international financial centers are the regional infrastructure association for two or more countries [2].

Z/Yen Group (London) considers regional financial center as the center that conducts a large proportion of regional business within one country [8].

The ambiguity of interpretations of regional financial center concept entails the formation of controversial points of view to the determination of the place that regional financial centers occupy in the system of international financial centers of the world. Most frequently regional financial center is considered to be an intermediate stage of international financial center formation, which takes place between the establishment of local and global centers [3].

City of London specialists, specifying the phases of the financial center formation process, consider regional financial center establishment as the stage following the opening of a local center for foreign participants and preceding the transformation of the megacity to the international financial center [4].

According to the classification by G. Drift, the variety of international financial centers can be divided into three groups: global (London, New York, Tokyo), zonal (Singapore, Hong Kong, Paris, Los Angeles) and regional (Sydney, Chicago, San Francisco, Dallas, Miami, Honolulu) centers [9].

Z/Yen Group uses a more differentiated classification of financial centers, distinguishing global, international, niche (specialized), national and regional centers [8].

Thus, the analysis of existing approaches to the definition of regional financial centers nature and determination of their place in the world financial centers system allows to ascertain the lack of established generally recognized approach to the interpretation of this phenomenon. Scientists often do not distinguish between the concepts of regional and international financial centers, while in our point of view it is advisable to separate these types of financial centers.

International financial center, as opposed to regional one, can provide financial services for the economies of several regions as well as cater cross-regional economic cooperation. Other thing that successful financial center can perform the functions of several types of financial centers simultaneously. For instance, Chicago, which is a recognized international financial center, is also the regional financial center for the American Midwest. A similar dual role plays a financial center of Sydney. As a result of playing such dual role by some financial centers the bound between regional and international centers sometimes becomes rather nominal.

Regional financial centers can act as intermediaries for global financial centers, when the latter cater local consumers of financial services. Regional financial centers are characterized by

not only convenient geographical location but also by a large number of units (offices, branches, affiliates, etc.) of transnational banks and other international financial institutions. The high concentration of such international units in one area allows regional financial centers to serve as international financial services providers from international suppliers to local consumers.

As a rule regional financial center develops from a local center, whose financial markets are largely opened for foreign participants. While developing to the regional level the financial centers adapt their services, regulatory framework and infrastructure in order to facilitate foreign investors' access to national markets. This leads to an increase in the number of investors confident in their investments in the respective economies, stimulating deeper market liquidity. As a result, the financial center having the best experience, competence, connections and liquidity in the region becomes a natural provider of investments in other countries of the region. It also turns into attractive location for branches of major international financial institutions that seek to distribute their financial services to clients in the region.

Financial market participants operating in regional centers, develop regional and international experience in providing complex cross-border financial services. They also form networks that unite customers (consumers of financial products), financial services providers and supporting institutions. The development of these networks, availability of efficient infrastructure, a high concentration of specialized personnel and financial service providers in the financial center cause further agglomeration of financial and related services.

The development of the financial center is influenced by a number of factors that determine the profile of the financial center at every stage of its evolution and, in particular, identify the key characteristics of the megacity, which has the status of a regional financial center. These factors include:

- business environment (the ease and cost of doing business, political and economic policy and the quality of physical and technological infrastructure);
- financial market infrastructure (the extent and quality of the central infrastructure provided for undertaking financial market activity);
- regulation (the quality and extent of financial market regulation and its conformance to the best international practice);
- people (the availability of a qualified local labor force and the ease of relocating specialist expatriates into a center);
- connectivity (the factors that connect a financial center with the rest of the world);
- critical mass (the most important, but also most intangible factor, as the concentration of firms in a center attracts more firms in a self-sustaining process) [4].

In the process of obtaining the status of regional financial center and in the course of its functioning in this status the quality of the financial center basic characteristics is being improved. At this stage of the financial center evolution its key features as business environment, financial market infrastructure, regulation and people reach the required level of development and maturity that is reflected in Table 1. However, according to the criteria of connectivity and critical mass regional financial centers give in to global ones, since these characteristics need further improvement.

In addition to the key characteristics of the regional financial center, listed in Table 1, its financial markets have the following specific features:

- the volume of foreign exchange trading in regional currencies increases;
- besides domestic bonds, financial markets offer regional or international bonds, issued by large companies, local authorities, national governments and transnational corporations;
- the listings of domestic stock exchanges comprise shares of companies located in other countries;
- in cross-border transactions the share of derivative operations increases as far as companies and banks seek to hedge risks.

Key characteristics of regional financial centers

Factors	Key characteristics
<i>Developed enough</i>	
<i>Business environment</i>	An attractive business environment and encouraging conditions for existing firms and companies which consider the advisability of location in regional center.
<i>Financial market infrastructure</i>	Financial market infrastructure complies with international standards and has progress in establishing links with the infrastructures of other regional and international centers.
<i>Regulation</i>	Regulation supports the megacity status as a regional center and facilitates its development. Legal and regulatory base supports increasingly complex financial products and services. Memorandums of understanding are agreed with foreign regulators, allowing to exchange information between regulators and to provide investigation of international fraud, money laundering, market manipulation and other prohibited practices in international finance.
<i>People</i>	A high level of education combined with low immigration barriers, especially for qualified personnel provides a highly specialized local labor pool.
<i>Need further development</i>	
<i>Connectivity</i>	Investments are directed mostly in physical infrastructure to improve connectivity (communications, roads, mass transport, air transport, office systems, etc.).
<i>Critical mass</i>	The liquidity of financial markets is deepened due to the increasing number of investors and range of financial instruments available. Financial markets serve the region as a whole, with international firms using the regional center as a gateway to access regional markets.

Note. Compiled by the author on the basis of data [3-6]

If regional financial center plans not only to consolidate this status, but also considers the possibility of obtaining the status of international or global financial center, appropriate measures should be carried out mainly towards improving connectivity and increasing critical mass. In particular, the first task can be ensured by way of further development of links with international financial centers (for instance, through memorandums of understanding with overseas regulators and market infrastructures). Besides, the city should achieve a greater breadth of firms to increase critical mass by means of attracting asset managers, financial intermediaries and developing proper supporting services.

Among the major global financial centers the main competition takes place between London and New York, which have traditionally divided the first and second place in the financial centers rating. List of regional financial centers is wider and the positions of the centers in the ranking are rather variable. According to the indicator of Global Financial Centres Index, Hong Kong and Singapore (which serve as recognized international centers and are also the regional centers for the Asia-Pacific region) have occupied the most stable positions in the ranking of financial centers in recent years (the 3rd and the 4th place respectively), as it is shown in Table 2.

**Positions of some regional financial centers in Z/Yen Group ranking
(according to Global Financial Centres Index)**

Regional financial centers	Position in rating (March 2015)	Position in rating (March 2014)	Position in rating (March 2013)
Hong Kong	3	3	3
Singapore	4	4	4
San Francisco	8 ↑	10 ↑	13
Chicago	9 ↑	15 ↓	11
Shanghai	16 ↑	20 ↑	24
Frankfurt	19 ↓	11 ↓	10
Sydney	21 ↑	23 ↓	19
Dubai	23 ↑	29 ↓	23
Johannesburg	32 ↑	50 ↑	62
Panama	48 ↑	59 ↑	67

Note. Compiled by the author on the basis of data [8] (↑ - improving position in the ranking, ↓ - deteriorating position in the ranking compared to the previous period)

The competitive positions of other regional financial centers are more volatile. In general, there is a trend to some weakening of traditional regional centers positions (Frankfurt in particular) and sustainable improvement of competitive positions of relatively new centers such as San Francisco, Shanghai, Johannesburg and Panama.

Thus, nowadays regional financial centers are an integral part of the system of financial maintenance both regional economies and the global economy. Regional centers must be distinguished from classical international financial centers, mainly because the former focus on serving the business interests of a particular region. At the same time, improving infrastructure, accumulating the experience of financial transactions, increasing the concentration of financial institutions, including affiliates of the TNB and other international financial institutions, providing training of qualified personnel and developing contacts with other financial markets, regional centers can go beyond their status and be transformed into the international financial centers. Through such conversion financial centers that perform dual role in the global economy arise. As a result the bound between regional and international centers becomes fairly nominal.

Given the quite large number of regional financial centers operating in the world, competition between them escalates. It not only causes permanent redistribution of financial assets and influence among financial centers, but also has an impact on overall economic development of the countries where the respective centers locate. A more detailed assessment of factors that form the competitiveness of regional financial centers and determination of characteristics and effects of competition between them can be the subject of further research in this respect.

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Стаття надійшла до редакції 30.04.2015 р.

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РЕГІОНАЛЬНІ ФІНАНСОВІ ЦЕНТРИ ТА ЇХ РОЛЬ У СВІТОВОМУ ГОСПОДАРСТВІ

У статті досліджено наукові підходи до трактування сутності регіональних фінансових центрів та визначення місця, яке вони займають у загальній системі фінансових центрів світу. На основі порівняння існуючих підходів конкретизовано відмінності між регіональним та міжнародним фінансовими центрами. Обґрунтовано ключові характеристики, що притаманні регіональним фінансовим центрам та відрізняють їх від інших типів фінансових центрів. Розглянуто специфічні риси фінансових ринків, що функціонують у регіональних центрах. Оцінено конкурентні позиції окремих регіональних центрів у рейтингу фінансових центрів світу. Визначено характеристики, що підлягають подальшому розвитку та удосконаленню з метою отримання регіональним фінансовим центром статусу міжнародного.

Ключові слова: фінансові центри (глобальні, міжнародні, регіональні), фінансовий ринок, інфраструктура фінансового ринку, міжнародні фінансові установи.

УДК 339.92.(477)

О.В. Захарова

ОСОБЛИВОСТІ РОЗВИТКУ МІЖРЕГІОНАЛЬНОГО СПІВРОБІТНИЦТВА УКРАЇНИ В УМОВАХ ГЛОБАЛЬНОЇ РЕГІОНАЛІЗАЦІЇ

Стаття присвячена дослідженню практичних аспектів реалізації різних векторів міжрегіонального співробітництва України. Проведений комплексний аналіз динаміки, структури та інтенсивності зовнішньоторговельного співробітництва України з країнами СНД, ЄС та АТЕС. З використанням різних інструментів моделювання побудовано прогностичні оцінки обсягів експортно-імпоротної діяльності України на найближчу перспективу.

Ключові слова: інтеграція, регіоналізація, міжрегіональне співробітництво, регіональне об'єднання, зовнішньоторговельна співпраця.

Постановка проблеми. Всебічна інтеграція у світові структури і міжнародні організації є стратегічною метою зовнішньої політики України. Високий економічний, науково-технічний, мінерально-сировинний і трудовий потенціал, надзвичайно вигідне