

Breakout Session 4

Exporting Financial Services – Talking Money

The Issue: Financial services can be classified into two categories: those governed by a highly regulated, national framework; and those that are less subject to official regulation. Services that involve financial commitments and/or the movement of funds, such as banking, trading in stocks and bonds, and insurance, fall into the former category. Auditing, financial consulting and financial “engineering” fall into the latter category.

The market is large and the scope for exporting services is wide. But export opportunities are not available to all. Large organizations dominate both services categories and the market cannot accommodate too many more centres like Nassau, the Cayman Islands, Jersey and Mauritius.

Few developing / transition economies can, therefore, expect to become significant players in the international market for financial services. And what’s more, companies that do possess the capacity, and competency, to participate in the international market for financial services are unlikely to require assistance from either a national export strategy or a public sector support programme.

The bottom line is, literally, that in the absence of commercial opportunity, exporting financial services does not represent much of a strategic issue in developing / transition economies. But this does not mean that strategy-makers should ignore altogether the issue of financial services.

The Proposition: Financial services must be at the forefront of the export strategy-maker’s thinking. Indeed, capacity building within the financial sector should be established as a priority of national export strategy. But the emphasis should NOT be on export. Strategy should be oriented towards national needs, rather than international demand.

First and foremost, strategy should focus on the capacity of suppliers of financial services to meet, and respond to, domestic requirements, especially from within the export sector (i.e. the responsiveness of the financial community to meet the export sector’s investment and operating capital requirements). This may require adjustments to existing banking regulation and more strenuous implementation and monitoring of this legislation.

As a secondary objective, the strategy-maker should assess international commercial prospects for those financial services that are subject to less strict regulation (in target markets), specifically financial consulting services. It is in this market that export opportunity may emerge in the short term. Capacity to deliver, and the assessment of demand and competition in adjacent and regional markets, should be the focus of this analysis.

As minimal opportunity would appear to exist in the more regulated markets for banking and insurance, it is not recommended that export strategy-makers promote a proactive export development programme for these services.

Focus of the debate: It is recommended that the debate address the following:

1. Do you agree with the analysis above?
2. What are the fundamentals of an internationally competitive capacity to deliver financial services? Are these fundamentals consistent with the capacities of most developing / transition economies or is the market for financial services out of their reach?
3. Is there any role for the public sector, other than ensuring that financial services in the country respond first and foremost to the needs of the local, export-oriented business community?