

## **Opening Remarks**

### **PECC International Conference on ‘Competition among Financial Centers in the Asia-Pacific: Prospects, Benefits and Costs’**

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By

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Good morning, distinguished participants, ladies and gentlemen:

It is a great honor, not to mention a great pleasure, for me to welcome you all to this PECC Conference on “Competition among Financial Centers in the Asia-Pacific: Prospects, Benefits and Costs”.

Prof. Sayuri Shirai of Japan, who is going to present her case study of Tokyo this afternoon complemented me last night for having come up with the present conference theme, remarking that this was a very interesting and timely one to examine. But come to think of it, I merely picked up a question which was just waiting to be asked, that is, “What are the implications of the on-going competition among several or more financial centers in the Asia-Pacific region?” The synopsis of the conference theme elaborates on this question by listing a number of issues it raises.

The *Global Financial Centres Index*, published in March this year by the City of London, identifies 48 financial centers in the world and includes nine cities located in the Asia-Pacific region among them, be they *global*, *niche*, *national* or (domestic) *regional* centers. Of those centers, only the first two categories would qualify as international financial centers. The nine cities in the Asia-Pacific region examined by the City of London are Tokyo, Seoul, Beijing, Shanghai, Hong Kong, Singapore, Melbourne, Sydney, and Wellington.

This list immediately raises an interesting question, that is, “Which among those cities currently qualify as international financial centers?” But, once we note that all those

nine cities or their national governments have launched ambitious programs for them to develop or enhance their statuses as international financial centers and are competing with one another in this regard, a set of more interesting questions arise:

“Can these cities all win? If not, which ones will, and which ones not? In fact, can there be more than one international financial center in the region? If some or more of them are bound to fail to become international financial centers, what are the costs to be incurred by the respective failing cities and their economies? Is it worthwhile for a national financial center to try to become an international financial center even if there is a serious risk of failure?”

Let me confess that I got interested in this series of questions because the Korean government has been pursuing the vision of Seoul as an international financial center, and while I am very much supportive of these efforts, I am not optimistic about the prospects for the realization of the vision. The last straw that broke my back in this regard was the assessment in the City of London’s report that, in terms of the international competitiveness, Seoul ranked the 43rd among the 46 cities rated, and the last among the 9 Asia-Pacific cities I have just now mentioned. So, I began to ask those questions. And I thought that other people could be asking similar questions.

There is another set of questions which can be raised from the international perspective:

“What will be the implications of such competition for the Asia-Pacific region as a whole, and in particular, in regard to the regional financial community which has been shaping up since the Asian financial crisis of 1997? What are the expected benefits and costs to the region? Are there ways of harnessing this competition in order to better promote financial development and integration in the region? What, if any, are the policy implications for the regional economies and cities in general?”

When we were in the very early stage of planning this conference, I tried the question of costs of the competition to the region on a number of eminent economists in my casual conversations with them. Prof. Hugh Patrick who is here with us today remarked that there could be mutually harmful competitive subsidization. Prof. Barry Eichengreen of UC Berkeley mentioned that there can be competitive, and hence excessive deregulation region-wide, making the region vulnerable to financial instability. Dr. Ifzal Ali of ADB wondered if there might not emerge financial mercantilism as well as a

backlash in the form of financial protectionism. And in any case, they all agreed that there is a very fertile ground of issues to explore for regional implications here.

I have quickly gone through the 7 case studies to be discussed today and tomorrow, all written by the best authors available on the subject matter. I was naturally much impressed by the depth, the diversity and the richness of the information and insights provided by these papers. I also found that there were a number of interesting as well as nice conclusions and recommendations to be drawn from them. I am also gratified that many prominent finance academics and businessmen as well as international officials from around the region have joined in the conference, not only as case study authors, but also as the keynote speaker, discussants, commentators and panelists.

So, we have a very interesting and significant theme to explore today and tomorrow morning. And I would like to express my profound gratitude to all the speakers of the conference for having so graciously agreed to participate in, and contribute to, this conference. And I am very pleased that, in spite of the fact that there are many other conferences held in Korea or elsewhere worldwide at around this time, so many of you have accepted our invitation as general participants, including those who came from other parts of the region, and are with us today. I thank you all and I hope that you will engage in lively exchanges with the speakers and thus help enrich the discussion.

I would like to take this opportunity to thank other member committees of PECC, and especially, the Hong Kong committee, the Singapore committee, the Japan committee, the China committee, the Chinese Taipei committee, the New Zealand committee, and the Indonesia committee, for their strong support for this conference. The Hong Kong committee and the Singapore committee have been especially gracious in this regard.

I also would like to express my deep gratitude to the Financial Times, and to Mr. John Burton who is here with us on behalf of the Times, for the media partnership it has so generously extended us.

Lastly but not least, I would like to acknowledge that KOPEC has organized this conference on behalf of PECC in collaboration with the Korea Securities Research Institute. I thank Prof. Dosoung Choi, President of KSRI, for this partnership and for the fact that he has agreed to coordinate the work to write and publish the conference proceedings including the synthesis report.

With this, I declare the conference open, and invite my co-organizer, Prof. Choi to deliver his opening remarks.

Thank you for your attention.