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IMPACT OF THE EUROPEAN UNION FINANCIAL CENTERS ON THE COMPETITIVENESS OF THE REGIONAL FINANCIAL MARKET

Positions of the EU financial centers in rankings of global financial centers are assessed. The influence of transformations in the ranking positions of the EU financial centers on the regional financial market competitiveness is defined.

Keywords: global financial center, the EU financial market, regional financial market competitiveness.

Оцінено позиції фінансових центрів ЄС у рейтингах глобальних фінансових центрів. Визначено вплив трансформацій у рейтингових позиціях фінансових центрів ЄС на конкурентоспроможність регіонального фінансового ринку.

Ключові слова: глобальний фінансовий центр, фінансовий ринок ЄС, конкурентоспроможність регіонального фінансового ринку

The European Union is traditionally a place of concentration of the world's leading financial centers, which makes a positive impact on the international competitiveness of the European financial market. Alongside it, the aggravation of social and economic problems in the EU countries and the euro area, the processes of disintegration, which are reflected in Brexit, as well as the redistribution of power in the global financial arena, lead to the transformation of the role of European megacities as global financial centers.

Global financial centers, which are based in the European Union, mostly belong to the category of primary centers; they serve customers in different countries of the world, mostly

highly developed. At the same time, the residents of these countries not only transfer capital surplus to these centers, but also borrow funds accumulated there. According to the methodology for calculating the Global Financial Centre Index used by experts of the City of London, the EU financial markets are most represented in groups of global leaders, local diversified and local evolving centres (Table 1).

Table 1

EU Financial Centres Profiles

Type of Centre	Broad & Deep	Relatively Broad	Relatively Deep	Emerging
Global	<i>Global Leaders</i>	<i>Global Diversified</i>	<i>Global Specialists</i>	<i>Global Contenders</i>
	Dublin, Paris, Frankfurt	Amsterdam	Luxembourg	-
International	<i>Established International</i>	<i>International Diversified</i>	<i>International Specialists</i>	<i>International Contenders</i>
	Madrid, Stockholm	Brussels, Copenhagen	-	-
Local	<i>Established Players</i>	<i>Local Diversified</i>	<i>Local Specialists</i>	<i>Evolving Centres</i>
	Budapest	Helsinki, Lisbon, Milan, Rome, Vienna	Riga, Tallinn	Athens, Cyprus, Malta

Note. Compiled on the basis of [1].

EU financial centers that are global leaders due to their stable positions in the international capital flow, developed financial market infrastructure and liberalized financial transactions traditionally ensured the high level of financial competitiveness of the European region. However, if in 2014 in the group of global leaders the EU financial centers (Amsterdam, Dublin, Frankfurt, London, Paris) accounted for 45% of the total number of financial centers representing this group, at the beginning of 2017 among the 14 global leaders there are only 3 centers from the EU.

Before Brexit started, London used to be the oldest and largest center among the financial markets of the EU countries. London is home to over 50% of the 100 largest UK companies

and over 20% of the 500 largest companies in Europe. Almost 17% of jobs in London are connected with the financial sector, directly or indirectly. The number of foreign banks in London is twice as much as in Paris and Frankfurt in total. The market share of foreign banks in the London market of banking services exceeds 50%.

The second most important financial market of the European Union in recent years is Frankfurt, which is the largest banking center. 70% of Frankfurt's banking sector is represented by foreign banks. The headquarters of the European Central Bank is located in Frankfurt.

Since 2010, in the ranking of 20 leading global financial centers, Luxembourg has become the representative of the EU besides London and Frankfurt (Table 2). Features of this financial center are: high confidentiality of bank deposits; advantageous geographical location and institutional conditions for attracting private capital and the establishment of financial companies; developed system of investment and mutual funds, as well as holding companies. Luxembourg is home to the headquarters of the European Investment Bank.

Table 2

Top 20 global financial centres, 2007–2017

2007		2010		2014		2017	
Centre	Rank	Centre	Rank	Centre	Rank	Centre	Rank
London	1	London	1	New York	1	London	1
New York	2	New York	2	London	2	New York	2
Hong Kong	3	Hong Kong	3	Hong Kong	3	Singapore	3
Singapore	4	Singapore	4	Singapore	4	Hong Kong	4
Zurich	5	Tokyo	5	Zurich	5	Tokyo	5
Frankfurt	6	Shanghai	6	Tokyo	6	San Francisco	6
Sydney	7	Chicago	7	Seoul	7	Chicago	7
Chicago	8	Zurich	8	Boston	8	Sydney	8
Tokyo	9	Geneva	9	Geneva	9	Boston	9
Geneva	10	Sydney	10	San Francisco	10	Toronto	10
Paris	11	Frankfurt	11	Frankfurt	11	Zurich	11
Toronto	12	Toronto	12	Luxembourg	12	Washington	12
San Francisco	13	Boston	13	Washington	13	Shanghai	13
Boston	14	Shenzhen	14	Toronto	14	Montreal	14
Edinburgh	15	San Francisco	15	Chicago	15	Osaka	15
Cayman Islands	16	Beijing	16	Montreal	16	Beijing	16
Hamilton	17	Washington	17	Vancouver	17	Vancouver	17
Melbourne	18	Paris	18	Shenzhen	18	Luxembourg	18

Channel Islands	19	Taipei	19	<i>Vienna</i>	19	Los Angeles	19
Washington	20	<i>Luxembourg</i>	20	Shanghai	20	Geneva	20

Note. Complied on the basis of [1].

The concentration of these and other financial centers in European Union largely determined the world leadership of this region in terms of international financial competitiveness. In the rating of the most developed financial markets, offered by the World Economic Forum (the level of the financial market development according to this methodology is an integral part of the country's global competitiveness index), seven EU countries were represented among the 20 most competitive financial markets in 2010 [2]. However, the traditionally strong competitive positions of the European Union financial centers have recently deteriorated (see Table 2).

First, in 2014, for the first time in the rating period, New York displaced London from the first position. The gap in the values of the index of the global financial center in the two leading cities was insignificant (New York – 786, London – 784). The index of New York increased by one point from the beginning of 2013 (787), and the index of London (807) for the same period decreased by 23 points. The main reason for the deterioration of London's position as a global financial center at that moment was a decrease in confidence in the world's financial capital due to the manipulation of the LIBOR by British banks, as well as uncertainty about UK membership in the European Union and the independence of Scotland. It should be noted that, according to alternative rating, London was not originally a leader as a world financial center. In accordance with the International Financial Centers Development Index, developed by the Chicago Mercantile Exchange Group and the Standard & Poor's Dow Jones Index Co., in 2010-2014 New York ran the first in the ranking (the index in 2014 was 87.72), and London ran the second (86.64) [3].

Second, the positions of other EU financial centers in the ranking of the City of London have changed significantly. In 2007, the top ten global financial centers included two financial markets of the EU (London and Frankfurt), and the top twenty had two centers more (Paris and Edinburgh). In 2014, only the

London remained in the top ten global financial centers, while Frankfurt and Luxembourg occupied 11th and 12th positions, respectively. In 2017, only Luxembourg remained in the top 20 global financial centers (18th position). In 2014 among the 27 European financial centers the indices of 23 centers decreased compared to 2013. At the same time, in 2017, among the 23 EU financial centers represented in the rating, the index decrease was observed only for 12 centers compared to 2016.

Thus, the financial centers of the European Union on the background of escalating competition and disintegration processes lost their leadership in the global financial market. As a result, in the rating of the World Economic Forum among the 20 most competitive financial markets in 2016-2017 the number of countries representing the European Union has decreased to four (Finland, Germany, Luxembourg, Sweden) [2, p.48-49].

The above mentioned changes in the positions of the EU financial markets in the ranking of global financial centers have occurred under the influence of both internal and external factors. The internal factors of the deterioration of the competitive advantages of the EU financial centers and the decrease in the international competitiveness of the European regional financial market are: the aggravation of the debt problems of the Eurozone countries, the high volatility of the euro exchange rate, the lack of coherence of supranational and national financial policies, Brexit procedures and, as a result, general decline in confidence in the national financial markets of the EU member states.

The main external factor is the improvement of the competitive positions of financial centers from the American and Asian regions. This is especially true for Asian financial centers, for which the most significant increase in the global financial center index is observed. At the same time, among the 15 financial centers, that are likely to become more significant in the near future, there are Dublin and Luxembourg. This means that some potential for strengthening the competitive positions of the EU financial centers still exists.

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**КОНКУРС КЕЙСІВ
«ЄВРОПЕЙСЬКІ БІЗНЕС-ПРАКТИКИ
КОРПОРАТИВНОЇ СОЦІАЛЬНОЇ
ВІДПОВІДАЛЬНОСТІ (КСВ)» ЯК РЕЗУЛЬТАТ
РЕАЛІЗАЦІЇ СПІЛЬНОГО ПРОЕКТУ ЖАНА МОНЕ
ТА ДВНЗ “КНЕУ ІМЕНІ ВАДИМА ГЕТЬМАНА”**

Розглянуті особливості підготовки збірника кейсів з корпоративної соціальної відповідальності в процесі реалізації євроінтеграційного проекту.

Ключові слова: корпоративна соціальна відповідальність, кейс-метод, євроінтеграція

The features of the collection of training cases on corporate social responsibility in the implementation of the European integration project.

Keywords: corporate social responsibility, case-method, European integration

В процесі вибору методик формування сучасних компетенцій у майбутніх фахівців в сфері економіки, управ-