

Preface

The (re)emergence of Asia as an economic power has been accompanied by the rise of Asian cities as the hubs of financial activity. This book focuses on three of these cities: Hong Kong, Singapore and Shanghai. Ranked among the world's most competitive financial centres, these three cities have established themselves as Asia's leading International Financial Centres (IFCs). In acting as intermediaries for global flows of capital, these three cities have effectively become the nexuses of power and finance. This book represents an attempt to understand the ways in which the political-economic context impacts financial sector development and policy-making.

In this book, I argue that each city is characterised by its unique *policy subsystem configuration*, with financial sector development and policy-making “nested” within the political-economic context of the IFC's policy subsystem. In order to provide a conceptual understanding of how the policy subsystem configuration impacts policy-making, I introduce the “nested instrumental approach”. As an integrative framework of analysis that draws on the insights of both the policy subsystems and the policy instruments approaches, the nested instrumental approach allows for a more integrated understanding of both political context and policy considerations in the financial policy process. In doing so, it elucidates the causal linkages between context and policy.

This focus on context answers an important question that has driven the research behind this book: How have Hong Kong, Singapore, and Shanghai achieved comparable levels of success despite differences in their political-economic conditions? While much of the existing analysis tends to focus on economic structural variables of IFC development and hence compare and rank the three cities on the assumption of their similarity, the reality is that IFCs differ in many respects. Specifically, Hong Kong, Singapore and Shanghai are characterised by their unique and different political systems, models of financial governance and comparative advantages. Such differences affect the development trajectory of each IFC and determine the policy options available to its policy-makers.

With Asian IFCs becoming increasingly influential and powerful, there is a need to understand the political-economic mechanisms that make these cities “tick”. Hopefully, this book provides a useful way for more research into these cities. It also seeks to contribute to ongoing scholarly efforts at theorising the public policy process. Given the increasingly complex policy environment of today, there is an ever-greater need for more integrative and context-sensitive frameworks of policy analysis. The nested instrumental approach presents one such possibility. In addressing the “nested instrumentality” that is inherent in the financial policy process, this book addresses the politics of finance, examining the inter-relations between business and finance in three of the Asia’s top financial centres.

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Hong Kong, Singapore and Shanghai

Woo, J.J.

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