

China's WTO Accession and its Impact on Spatial Restructuring of Financial Centers in Mainland and Hong Kong: A Geography of Finance Perspective

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Abstract

The rapid progress of globalization and information technology in recent years has stimulated profound changes in the global financial landscape and attracted growing interest in the geography of finance. Although there is apparently remarkable stability in the ordering of financial centers over time, as the case of New York and London demonstrate, the spatial changes or switching of importance of regional, national and even global financial centers is an ongoing process. Nowadays, due to the power of globalization and IT innovation, the world is increasingly becoming 'seamless' and 'stateless', as the speed and scale of the changes increase exponentially. Many financial centers, even the strongest ones such as New York and London, are feeling a sense of crisis and are under tremendous pressure to maintain their dominance. Although many 'technical' or 'sectional' measures can be adopted to strengthen the competitive edge of a financial center, the spatial evolution of a specific center is effectively beyond the power of the financial sector itself. The newly developed sub-discipline of the geography of finance examines and evaluates these spatial changes among financial centers. It investigates international capital flows, money landscapes, and the location of banking and service enterprises, as well as the spatial evolution of financial centers. One interesting aspect of the new sub-discipline is the so-called 'information hinterland' theory. This theory assumes that information externalities, asymmetric information, and path dependence are important factors that shape the information hinterland and determine the development of financial centers, including their changing rankings in regional and global hierarchies. China's landmark WTO accession will certainly have a tremendous impact on China's economic development and its information landscape. It will also transform China's information hinterland, and induce profound organizational and spatial restructuring of the financial systems in the mainland as well as in Hong Kong. Based on surveys of corporate headquarter locations, this paper will explore the possible changes in China's information hinterland and the spatial restructuring of financial systems in the region, including the spatial switching in importance among the financial centers of Hong Kong, Beijing, Shanghai, and the major Guangdong cities of Guangzhou and Shenzhen.