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The impact of global forces on Channel Islands businesses

Andreas Tautscher, Chief Country Officer, Deutsche Bank Channel Islands

There is no doubt that, as we look forward into 2013, Jersey's finance industry will continue to be fundamental to the overall economic success of the island. It is vitally important that Jersey remains alert to global industry trends so that it can seize any future opportunities they bring, and focus on the challenges they present.

Regulation

The political view is that the economic crisis can continue to be resolved and markets stabilised through increased regulation. As a result, there's no doubt that we will see a continued increase in regulation.

From Jersey's point of view, greater regulatory constraints within the main blocs – the EU and the US – actually present an opportunity. It is possible, for example, that certain businesses will be motivated to move away from the larger blocs as a result of tighter constraints and increased costs - particularly businesses that get caught up in regulation that was never intended to affect them.

From a local point of view we need to keep a balanced approach to how business is regulated. There is no doubt that our stable environment has been enhanced by sensible and proportionate regulation, but we must ensure it continues to be proportionate particularly compared to competing jurisdictions.

Global Markets

Jersey will also need to pay attention to global markets, particularly the economic fortunes of Europe and the US. Whilst average global growth is actually not bad at the moment, standing around the 3.5% mark, that is being driven almost entirely by the emerging markets.

The chances are that Europe will continue to go through a downturn, with the four largest European economies predicted to contract in 2013. And, although it is in a better state now than it was a year ago and in significantly better shape than Europe, the US economy remains fragile. China, meanwhile, is currently worth almost half of global GDP growth, with the IMF predicting emerging economies will average around 6% growth over the next six years.

This means that more investment is likely to flow to emerging markets in Asia, Latin America and, increasingly, Africa. Jersey has an opportunity here to take advantage of the effort that has gone into promotion in those markets already, to encourage the use of Jersey vehicles for cross-border investments.

A lot of that, of course, will depend on whether those emerging markets see Jersey as a credible centre as opposed to, for example, the Caribbean. Whilst Jersey Finance does a tremendous job in raising the profile of Jersey, there also needs to be a real focus from industry on ensuring that Jersey can offer the right products and services, with an appropriate level of accessibility.

Jersey businesses cannot afford to become complacent and just rely on a promotional body that is there to support them; they need to be more pro-active on their own account too.

Competitors

Finally, of course, Jersey needs to monitor its competitors. Other international finance centres are upping their game right across the board to win wealth planning, private client, funds and corporate business. This is a very attractive industry that has seen a number of new entrants in the last few years.

A good example of where we need to be aware is Switzerland. It is currently going through a period of change with its tax agreements and of consolidation in terms of its trust and administration businesses. This is good news for Jersey, which is already compliant with a growing network of tax information exchange agreements. Its transparent business model makes it well placed to gain high quality business whilst Switzerland's consolidation takes place.

In the longer term, however, Switzerland will inevitably come back stronger, and Jersey should keep an eye on this. It doesn't rely as heavily as Jersey does on its finance industry, for instance,

and Jersey's fortunes are closely tied with London – itself currently under a great deal of pressure.

Whilst there are opportunities for Jersey in the years ahead, there will be no easy wins. The constantly shifting business world will continue to present challenges – the pressures within Europe on tax planning where the only benefit is a tax-save is an example of an issue that Jersey should monitor as it evolves. The reality is that finance will remain our main industry, so how we manage these trends, and the benefits and threats they bring, will be central to Jersey's future.