

**ABSTRACT****THE ECONOMICS OF OFFSHORE BANKING  
IN DEVELOPING COUNTRIES****AN EX-POST EXPLORATORY ANALYSIS  
OF DETERMINANTS OF FOREIGN DIRECT INVESTMENT  
IN THE OFFSHORE BANKING CENTRES  
IN DEVELOPING COUNTRIES:****THE CASE OF SINGAPORE AND THE BAHAMAS**

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In recent years countries such as Bahrain, Singapore, and The Bahamas have actively promoted the establishment of offshore banking centres as a means of advancing their economic development. Even more recently, and closer to Trinidad and Tobago, countries such as Barbados, Antigua, St. Vincent, Grenada, Anguilla and Montserrat have adopted legislation with the view of doing the same (i.e. becoming offshore banking centres). Despite these aspirations on the part of the latter group, the available evidence suggests that to date, no serious or systematic attempt has been made to study what factors make a geographical location a successful offshore financial centre.

This study undertakes a comparative analysis of the offshore financial centres of Singapore and The Bahamas with the view of assessing the feasibility of establishing offshore financial centres in other developing countries generally and in Trinidad and Tobago in particular.

The analysis is conducted in the theoretical context of foreign direct investment and multinational banking. The centres are evaluated in spatial terms and also in terms of their contribution to the economic development of their hosts. The individual centres are analyzed in terms of their organizational structure (i.e. legal, regulatory and institutional framework) and also in terms of the net benefits they have provided. Special attention is paid to the role of government and the impact of its policies on the development of these markets.

The present study is intended to contribute to the literature on foreign direct investment in banking, the development of international financial centres and the role of Government policy in economic transformation.