

# WORLD TRADE ORGANIZATION

RESTRICTED

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## **Committee on Trade in Financial Services**

### REPORT OF THE MEETING HELD ON 29 JUNE 1995

#### Note by the Secretariat

1. The fifth meeting of the Committee on Trade in Financial Services was chaired by Mr. Frank Swedlove of Canada. The discussion followed the agenda contained in Airgram WTO/AIR/117.
2. On the review and consideration of draft final schedules and MFN exemptions, the Chairman first reported that thirty countries had submitted draft revised schedules. These countries were; Australia, Brazil, Canada, Chile, Colombia, the Czech Republic, the Dominican Republic, the European Community, Hong Kong, Hungary, Indonesia, Japan, Korea, Kuwait, Malaysia, Mexico, Morocco, New Zealand, Norway, Pakistan, Philippines, Poland, Singapore, the Slovak Republic, South Africa, Switzerland, Thailand, Turkey, the United States, and Venezuela.
3. The Chairman then invited countries to announce any modifications to the previous drafts of schedules as a result of bilateral negotiations in the past week. Argentina expressed its intention to maintain its present schedule of commitments on a conditional basis.
4. The United States stated that throughout the nine years of financial services negotiations, the U.S. goal had been to take a step forward to secure substantially full market access and national treatment for foreign financial services providers. The U.S. had not asked all countries to move immediately to complete openness, but had asked all major current and future financial services markets to commit themselves to significant opening on a predictable schedule. Many countries including developing countries had done so, but the offers of some commercially important and growing markets remained inadequate in terms of market access and national treatment. Free-ridership undermined the WTO, and an MFN-based agreement required solid commitments by all parties. Although commitments to provide national treatment to already established firms were on the whole satisfactory, there were deficiencies in some offers especially with respect to new firms. For too many important markets, offers did not provide new market access for banking, securities, insurance, fund management, and other financial services activities. Some offers did not fully protect the current market access of foreign firms, and several offers specifically reserved the right to force divestiture of the current holdings of U.S. and other foreign firms. Under these circumstances, the U.S. had decided on two actions; one was to maintain an offer that protected the existing activities of foreign financial services providers in the U.S.; the other was not to bind open the U.S. market nor guarantee national treatment for new entrants and new activities. Therefore, on 1 July, the U.S. would not have an MFN obligation that covered new activities in banking, securities, insurance, fund management, and other financial services. However, this delegation added that the U.S. had a long history of offering full market access to its financial markets, and this would remain its normal practice. The U.S. had no intention of imposing new restrictions on financial services companies already in the U.S. This delegation did not see this as the end of talks, but was prepared to continue negotiating in the WTO, now or later. The delegation remained ready to make significant contributions to a multilateral agreement.

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The European Community mentioned that it had been ready to confirm an MFN-based commitment on an irrevocable basis, and that most or all delegations believed that progress had been made. Though this progress was tough and slow, a deal was within reach. This delegation was therefore left confused and perplexed by the U.S. statement. Delegations must now use the remaining twenty-four hours to convince the U.S. delegation of the imperative need to reach a satisfactory conclusion and to salvage the possibility of improving the present situation.

6. This view was shared by Japan, which was also greatly disappointed by the U.S. response. This delegation strongly hoped that the U.S. would reconsider and get back to a firm and permanent MFN-based commitment. The delegation did not understand why the U.S. wished to trigger a possible vicious chain reaction of MFN exemptions. Possible ramifications for the other ongoing negotiations in basic telecommunications and maritime transport were feared. Australia also found it extremely disappointing and unnecessary for the U.S. to seek to follow the path just explained. In building the process of liberalization, it was necessary to reflect realism. This delegation would seek the rethinking of the U.S. position, which was a bombshell that could seriously affect other agendas. Hong Kong echoed the remarks of Japan and Australia, and stated that its delegation was prepared to use all possible means in the remaining short time to reverse this situation and expressed the hope that common sense would prevail in the end. Switzerland noted that many significant improvements had been made, and that one should try hard to seek solutions that would enable all to preserve as far as possible the improved commitments on the table. If the negotiations did not succeed, it would have implications for the other ongoing negotiations in the WTO. New Zealand, Canada, and Norway expressed similar disappointment as previous speakers, and called for all delegations to use the next twenty-four hours to attempt to reach some kind of solution.

7. On procedural issues, the Chairman confirmed that if countries did not submit final revised schedules and/or final MFN exemption lists before midnight of the following day, the commitments made in December 1993 continued to apply. Although it was pointed out that preparation was necessary on procedures regardless of the outcome of any final negotiations, the Chairman felt that in the present situation it was necessary to concentrate on the aspect of substance. It was agreed that the Committee would meet again in the afternoon of the following day.