

WORLD TRADE ORGANIZATION

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Committee on Trade in Financial Services

REPORT OF THE MEETING HELD ON 30 JUNE 1995

Note by the Secretariat

1. The sixth meeting of the Committee on Trade in Financial Services was chaired by Mr. Frank Swedlove of Canada. The agenda for the meeting consisted of three items; procedural issues, status of the negotiations, and other business.
2. On procedural issues, the Secretariat had prepared an informal note which was in the form of a draft Decision on the Application of the Second Annex on Financial Services by the Council for Trade in Services to extend the period in which countries were allowed to make changes to their schedules and MFN exemption lists, following informal consultations earlier in the day. Upon request from the Chairman, the Secretariat explained that the Decision extended until 28 July the powers conferred to Members by the Second Annex on Financial Services to change the schedules of commitments and MFN exemption lists notwithstanding the provisions of Article XXI of the GATS and the Annex on Article II Exemptions. This was done pursuant to paragraph 3. of the Second Annex which gave the Council for Trade in Services the power to establish any procedures necessary for the application of the provisions of the Annex.
3. In the absence of comments to the draft Decision, the Committee agreed to recommend that the Council for Trade in Services adopt this Decision.
4. On the status of the negotiations, the Chairman invited delegates to report on recent developments. Brazil reported on reform measures taken over the past few years that progressively liberalized its markets and reduced tariffs and non-tariff barriers. Structural changes of the economy were being undertaken, such as the abolition of the state monopoly in the oil industry and in telecommunications. In financial services, despite the constitutional constraints that limited access to its financial markets, Brazil had included in its schedule commitments covering a large variety of financial services. The draft revised schedule of 15 June contained new commitments in banking and other financial services that guaranteed national treatment to foreign financial institutions established in the country by eliminating all the limitations on national treatment contained in the December 1993 schedule. Furthermore, Brazil guaranteed that public sector financial institutions included in the privatization program would not be subject to restrictions on market access existing in other circumstances. Brazil had also entered additional commitments which indicated that within two years after the adoption of relevant legislation, participation of foreign capital in the insurance and reinsurance markets, as well as in other financial institutions, would be permitted. The new commitments included in the offer represented a strong political effort in the course of the present negotiations. Brazil reaffirmed its interest and political will to collaborate with all participants in attaining a satisfactory conclusion of these negotiations with results which would contribute to the strengthening of the WTO as a multilateral trade organization supported by all its Members.

5. Indonesia noted that all delegations had made great effort to offer what they could to open their markets so that the multilateral system could be strengthened. Indonesia's revised offer bound foreign equity ownership at the level of existing laws and regulations. Indonesia believed that it had made a substantial contribution in the offer, although its service providers had not yet become competitive enough to be significant exporters. This delegation had come to the negotiations in good faith, with the expectation that those who benefit most from the opening of its markets would exercise statesmanship, would be realistic about what was achievable at this stage of negotiations, and would take steps to preserve the principles of multilateral trade, not least of which was the principle of non-discrimination. This delegation called on others not to undermine what had been achieved because of unrealistic expectations, and to build on what was there. Statesmanship and wisdom were required of all countries. It was important that trust and the faith in the multilateral system were not weakened. Indonesia would continue to be positive and would take an active part in order to come to a successful conclusion of the negotiations.

6. The European Community expressed satisfaction with the decision taken at this meeting and the decisions to be taken in the following meeting of the Council for Trade in Services in not only addressing the difficulties created in the last hours but also in creating new opportunities in the present negotiations. This delegation was ready to explore the second step of possible ideas to see how far one could work in the direction of strengthening the multilateral system in services trade. The delegation was encouraged by the improvement of offers in the last several days and very much hoped that this would go on so that financial services would stay in the multilateral regime without any outsiders or free-riders.

7. Australia stressed the importance of contributing to the second part of the exercise in reaching a successful outcome soon. It would indeed be a great irony if the argument of free-ridership were to be reversed, and the delegation so concerned about the free-rider aspect ended up being a free-rider. This delegation hoped that such a thing would not happen. Canada also expressed strong support for attempts to achieve an MFN-based agreement. This delegation particularly welcomed a decision which allowed more time for delegations to catch up and be fully up to date on the schedules of others. It looked forward to have an opportunity to see all of the offers in writing. Morocco thanked those who had worked to make the extension of the process possible. However, this delegation noted that such a last-minute situation should never happen again, and appealed to all participants that by 28 July all should be in a position to preserve the achievements of the negotiations and to go even further. New Zealand also welcomed the procedural move taken, and hoped that all participants would be able to reflect in a positive direction on their positions and have the necessary determination to continue the common push towards multilateral liberalization in services. Japan had been making an utmost effort with other delegations in pursuing the common goal of an MFN-based agreement in financial services. Though one of Japan's most important trading partners appeared not to share this goal, efforts should be made to salvage as much as possible what had been accumulated over nine years of negotiations. This delegation was very much encouraged to hear an overwhelming majority of delegations expressing their interest in upholding this principle, and hoped that in the end this principle would be applied by all participants. Switzerland echoed earlier speakers in expressing its will to contribute to a common effort to reach an MFN-based agreement with a high level of bound commitments.

8. The United States appreciated the efforts of all delegations and the Chairman as well as the Secretariat in reaching this point, and noted that it maintained its high ambitions for trade in services and would work with other delegations in the future to achieve those ambitions.

9. Speaking on behalf of the delegations of ASEAN countries, the delegate from Indonesia expressed deep disappointment that the goal of these negotiations in financial services had not been achieved. As developing countries, the ASEAN countries had made great efforts in order to contribute to a successful agreement, given their level of development. It would be regrettable to reject what had been achieved by setting unrealistic goals. Moreover, it would be highly unfair to insist that countries make commitments which were beyond what could be undertaken at present. The multilateral trading system would be placed in great jeopardy if important trading partners which were great beneficiaries of liberalization in services insisted on major exemptions from one of its important principles. The ASEAN countries therefore wished to appeal for statesmanship, wisdom and restraint by those who were tempted to take a path which would undermine multilateral principles. Venezuela supported earlier speakers on the proposal to avoid negative results from the negotiations. It would be very difficult to explain how one could do away with the improvements introduced by such a large number of countries including this country. Venezuela was willing to maintain its substantially improved offer and invited other participants to do likewise with a view to continue improving the level of commitments and strengthening the credibility of the multilateral trading system.

10. It was agreed that the Committee would need to meet in the last week of July. The date of the next meeting would be communicated to delegations later. The Chairman expressed his hope that the negotiations would come to a successful conclusion.