

WORLD TRADE ORGANIZATION

RESTRICTED

S/FIN/M/9

28 July 1995

(95-2240)

Committee on Trade in Financial Services

REPORT OF THE MEETING HELD ON 26 JULY 1995

Note by the Secretariat

1. The ninth meeting of the Committee on Trade in Financial Services was chaired by Mr. Frank Swedlove of Canada. The agenda for the meeting was: positions regarding final schedules and MFN exemptions, and other business.
2. On the positions regarding final schedules and MFN exemptions, the Chairman reported that ten countries had so far confirmed their positions in writing to the Secretariat. These countries were Australia, Brazil, Canada, Dominican Republic, the European Community, Hungary, Israel, New Zealand, Poland, and Slovak Republic.
3. A number of countries expressed their intentions to maintain their best offers and to support the proposal of the European Community for an interim agreement. Japan, while emphasizing the importance of applying the MFN principle in the area of financial services and strongly urging the United States to commit itself to the MFN principle as soon as possible, explained its decision to submit a new revised schedule with further improvements in market access with respect to overseas deposits and derivative products, and not to take an MFN exemption. This position, however, was conditional on a great number of other countries making meaningful offers on an MFN basis. Japan added that the listing of an MFN exemption must be temporary, exceptional and unambiguous in accordance with the relevant provisions of the GATS. Korea indicated its decision to maintain its offer made on 20 June, which included future plans to liberalize across all financial sectors, on an MFN basis, on the condition that a critical number of countries supported the E.C. proposal.
4. India informed delegates that it was now in a position to table an improved offer in financial services which would include its indications made in bilateral negotiations, in the understanding that its trading partners would schedule their offers in the area of movement of natural persons and that an additional offer tabled by one trading partner in the movement of natural persons constituted an improvement in that area. Egypt stated that, although the offers in the area of movement of natural persons fell far short of expectations, it decided to accept the E.C. initiative and present its best offer on an MFN basis, noting that this offer went far ahead of the requests from the major trading partners of this country. This offer was conditional on its major trading partners making firm improved offers in the area of movement of natural persons. Pakistan also had hoped for better offers in the area of movement of natural persons. However, in order to maintain confidence in the multilateral system, it had taken a decision to respond positively to the E.C. initiative and was maintaining its best offer made on 19 June, provided that a sufficiently large number of countries joined the agreement.
5. The United States welcomed the efforts that so many delegations had made to maintain their best offers, but the U.S. commitments remained those submitted on 30 June, which the U.S. considered were substantial commitments since they guaranteed current levels of access and operations in the U.S. on an MFN basis. The commitments being made provided the foundation on which it might be possible to build a broad MFN agreement that effectively liberalized market access and national treatment

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conditions for trade in financial services. Such an agreement remained the objective of the U.S., and this delegation looked forward to continue working with all other delegations in the future in order to reach this goal.

6. The European Community welcomed the news delivered in the meeting which reflected enormous efforts made by many delegations, and noted that it would complete formal procedures to confirm its offer based on the indications given by other countries, in light of the conditions embodied in the decision by the Council of the European Community on 17 July. The interim agreement reflected the fundamental MFN principle, and allowed countries to retain the significant improvements made in the negotiations. This delegation also hoped that the U.S. would rejoin the others with a comprehensive MFN-based commitment in the course of the next few months. Canada also commended the countries that had confirmed their offers earlier in the meeting, and stressed the importance of the MFN principle and multilateral cooperation. Hong Kong echoed earlier speakers, and thought that although the interim agreement was hardly a triumph, it was still an important step forward.

7. It was agreed that countries would submit their revised schedules and MFN exemptions by noon of the following day, and to hold the next meeting of the Committee on Friday 28 July at 10 a.m. to adopt the schedules and MFN exemptions to be annexed to the Second Protocol to the GATS.