

Financial Services after Hong Kong

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Hong Kong: Key Results

- Agriculture: some progress under all three pillars (market access, domestic support and export subsidies). In particular, elimination of all forms of agriculture export subsidies by the end-2013
- NAMA: progress on tariff reduction formula (bigger cuts for higher tariffs, and linked "levels of ambition for agriculture and NAMA" to be achieved "in a balanced and proportionate manner" consistent with principle of special and differential treatment)
- Services: A timetable, plus plurilateral negotiations

Services Timetable

- by 28 February 2006: Collective services requests to be submitted
- [by end-April: agreement on agriculture & NAMA]
- by 31 July 2006: Second revised offers to be submitted
- by 31 October 2006: Final Draft Schedules of Commitments

Plurilateral Negotiations (1)

Advantages:

- Flexibility
- Target countries are recipients of collective requests
- Target countries free to choose how far to become engaged in the plurilateral process.
- Discussions on a collective sectoral request may be bilateral (between one or more requesting countries and one or more target countries) or collective (all members making a collective request, with all targets), or mixed

Plurilateral Negotiations (2)

Possible disadvantages:

- Could collective discussions lead to requesting countries “ganging up” on target countries?

Overall:

- Collective discussions could be reassuring means of discussing comparative degrees of liberalisation in different target countries, through a transparent process offering degree of parity between peer-group members

Financial Services Plurilateral Negotiations

Process

- Led by Canada (facilitator of the Friends of Financial Services)
- But different from facilitating an informal Friends group
- Negotiating forum of up to, say, forty WTO members
- Objective: successful conclusion of negotiations within months
- Requirements: resource-intensive

Financial Services Collective Request

Procedure

- Transmitted under covering letter from group coordinator (Canadian Mission to the WTO)
- Covering letter did not list all recipient countries, but simply stated that the recipient country was being presented with the Request, like certain other countries, by certain named co-sponsors
- Similar procedure in the case of all collective requests (for ease of expanding the number of recipients)

Financial Services Collective Request

Substance (1)

EU Press Release, "the collective request in financial services aims at allowing EU financial services firms to set up abroad and, in some cases, provide services directly to other countries from the EU. It also provides for the removal of discrimination between domestic and foreign suppliers and other obstacles, as well as a common classification of financial services. The collective request does not question the right of a country to protect the stability and integrity of its financial system in accordance with the respective GATS provisions"

Financial Services Collective Request

Substance (2)

- Chapeau on the role of WTO negotiations in liberalisation and economic growth
- Collective Request objective: to help identification and negotiation of meaningful GATS commitments in financial services within request-offer process
- Requests countries to schedule commitments using definitions in GATS Annex on Financial Services (i.e. all the definitions covering the principal financial services sub-sectors, plus related intermediation and ancillary services)

**Financial Services
Collective Request**

Details

- Modes 1, 2, and 3: specification of market access commitments across all financial services sub-sectors
- Mode 4 omitted: at least one party to the Collective Request could not offer any Mode 4 commitments ("red face" test)
- National treatment and regulation: itemisation of some commitments

**Financial Services
Collective Request**

- Mode 1: Insurance (i.e. marine, aviation and transport (MAT) insurance); reinsurance; insurance broking and auxiliary services. Financial advice. Financial information and information-processing. (No requests for Mode 1 commitments in banking and securities)
- Mode 2: Insurance (as for Mode 1) and all other non-insurance financial services i.e. including banking, securities and asset-management

**Financial Services
Collective Request**

- Modes 1 & 2: Note on advantages of additional liberalisation especially where the consuming agent is sophisticated, e.g. institutional consumers of securities services
- Modes 1-3: Requests for commitments to dismantle domestic monopolies and to eliminate quantitative restrictions and economic needs tests
- Mode 3: Requests widely drawn to cover rights to establish or acquire businesses as subsidiaries, branches or joint ventures

**Financial Services
Collective Request**

- **National Treatment:** Request for commitments under Modes 1-3 to remove legal and regulatory discrimination between foreign and domestic service suppliers
- **Regulation:** Request for commitments to transparency in developing and applying laws and regulations, and on expeditiousness of licensing procedures

**Financial Services
Collective Request**

Comment

- Collective Request quite short (1-2 pages)
- Focus on “headline” issues
- Text weakest on Mode 1 commitments on banking, securities and asset-management, reflecting fundamental differences between regulators of key requesting countries
- Switzerland not a party to Collective Request, because disagreeing with approach to Mode 1

Results So Far

Reasonable Progress to Date

- 28 February deadline met
- Collective Requests in 22 sectors (now about 15)
- Services Cluster late March: successful first meetings
- Services Cluster 15-26 May: mornings plurilateral, afternoons bilateral
- Further Services Cluster late June

Looking Ahead

- Much critically dependent on agriculture and NAMA negotiations
- Need for progress on substance: bilateral or plurilateral?
- Plurilateral process a confidence-booster
- Further steps now capital-driven
- Engagement in capitals essential
- Final outcome: question of synchronisation

Thank You


