



PBEC Statement in Support of the GATS and the Upcoming Services Negotiations

The landmark GATS financial Services Agreement reached in the World Trade Organization (WTO) in December 1997 created a framework for increased international competition in financial services. However, much remains to be done to broaden and deepen the commitments on market access already made and to secure new commitments from those countries which did not make their best offers in the last round of negotiations. Moreover, in part because of the lessons learned from the Asian Financial Crisis, it is clear that there is now a need to build a more open, market-driven financial system in which financial service providers can trust in transparent and independent financial supervision and regulation and consumers of financial services can benefit from a full range of modern financial services products offered by solvent institutions.

The benefits for the PBEC region of greater liberalization of trade and investment in financial services will be significant. It will help provide depth and liquidity to local markets, promote domestic savings, enable global financial institutions to complement the efforts of local banks in large financing and credit risk diversification, expand the range and quality of risk management products and services to meet development goals and bolster competitiveness, facilitate foreign direct investment, and lower the cost of funds and financial services to borrowers, resulting ultimately in greater efficiency in the use of capital and lower prices.

Thus, and in accordance with the recommendations adopted by PBEC as a result of its May 1998 report on "Financial Services Liberalization and Regulatory Reform in the Asia Pacific," PBEC encourages the APEC Leaders to commit themselves to developing a comprehensive regulatory reform program in the region. Further, PBEC believes that the next round of WTO negotiations to be launched at the Seattle Ministerial should include the development of pro-competitive regulatory principles, in addition to expanding market access commitments. Pro-competitive regulation that encourages product innovation and pricing flexibility while protecting consumers will enhance financial stability and strengthen financial markets by fostering better risk management standards, transparency, product diversification and consumer choice.

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