



Statement on Financial Services Regulation

The GATS Financial Services Agreement reached in the World Trade Organization (WTO) in 1997 created a framework for increased international competition in financial services. This framework is guiding actions of Pacific Basin countries to open their economies. However, much broader and deeper commitments to market access and regulatory reform are necessary to spur market-driven competition, to avoid future financial crises and to raise standards of living. Financially sound Service Providers are desperately needed by economies in the PBEC region. But, the providers must be able to rely on transparent, stable and independent financial supervision and regulation in order to thrive. And, consumers in turn must have confidence in the supervision to protect them from provider default and deceit. They must also have confidence that the regulation will permit choice over a full range of financial service products at reasonable costs and adequate returns. Only then will consumers commit their savings to purchase services.

It is becoming increasingly apparent in the PBEC region that reliable financial institutions, vibrant equity and debt markets, and risk transfer vehicles, available through private insurance, reinsurance and banking services, are essential in order to relieve the public sector from painful asset allocation choices. Such sector developments will increase liquidity in local markets, facilitate foreign direct investment, loosen domestic savings for productive internal investment and consumption, bolster competitiveness and promote development goals.

Consistent with previous work in this area, PBEC resolves to encourage a more open and competitive financial services market through institution and capacity building, including appropriate economic and legal structures, and regulatory reform. To further these goals, PBEC urges particular attention to financial services regulatory reform in the services negotiations already underway in the WTO “embedded program” pursuant to new market opening commitments. The “Model Schedule” on insurance services is one example of work by business-government organizations to inform the negotiations. The talks should produce processes that lead to transparency in regulation and lead to an examination of the impact of domestic regulation in the financial services sector, to ensure open, competitive and solvent financial institutions. The over-arching goals are to avoid the crises of the past that have damaged human welfare and to elevate standards and practices that raise people’s hopes and aspirations.

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