

## **SPEECH**

Thank you for having invited me here to discuss trade negotiations in Financial Services.

I will first say a few words on the state of play of the Doha Development Agenda (DDA), and then come to the issue of the services negotiations in general and financial services in particular.

### **State of play on the DDA and services negotiations**

The EC presented a comprehensive proposal for DDA negotiations on 28 October 2005. On agriculture in particular, we proposed substantial cuts in EC tariffs. These cuts would represent real additional market access, while being in line with our mandate. But we made it clear to other Members that this offer is strictly conditional on movement both in the other pillars of the agriculture negotiations and in the other negotiating areas, i.e. industrial goods, services, anti dumping and development.

Of all parts of the DDA the services talks are furthest behind schedule. The bilateral "request and offer" procedure has failed to deliver results. The EC has therefore submitted a proposal in Geneva for complementary approaches in Services. This would set both numerical and qualitative targets for commitments in services, by sector and by mode of delivery. Our proposal includes flexibility, notably for developing

countries, and respects the “one third less” rule of thumb that we have agreed for commitments by developing countries.

What are the EU objectives in services? We seek:

1. to bind existing openness worldwide,
2. to create some new market access in sectors of interest to the EU,
3. to promote development through greater commitments in areas of interest to DCs, and
4. to promote the full preservation of public services, maintaining in particular our capacity to preserve and develop public policies in the audiovisual, cultural, health and education fields.

Services represent the bulk of the EU economy and a satisfactory outcome of negotiations in this area is of vital interest for us. The lack of progress in services is detrimental to our priority interests. In addition, there is for us a political need to ensure that the level of ambition in services is balanced with that in other areas of the DDA: Agriculture and NAMA.

We proposed a combination of “*bilateral, plurilateral and multilateral negotiations*”, as provided for in the services guidelines agreed by WTO Members in 2001. So far, negotiations have proceeded exclusively through a bilateral request-offer process. This has not resulted in significant progress and explains our proposal to make use of the two complementary approaches, plurilateral and multilateral negotiations.

Multilateral negotiations aim at obtaining a minimum level of commitments (e.g. binding of existing level of market access) covering a broad range of sectors. We suggest numerical targets in terms of sectors for improved market access. We also suggest qualitative parameters to

define what kind of improved market access would be offered (e.g. “to allow at least 51% ownership if a company wants to establish abroad”).

Plurilateral negotiations aim at negotiating more ambitious market openings in some sectors with interested WTO Members. Financial services is obviously one sector where we intend to launch plurilateral negotiations.

The EC’s objective for Hong Kong is to come to a result that is as ambitious as possible in the present context, and above all that is balanced across the various areas of the negotiations, in order to create the right basis for the final and decisive stage of the negotiations, with a view to concluding the Round at the end of 2006 or by early 2007 at the latest.

The Chairs of the various negotiating groups have issued their reports, on the basis of which Pascal Lamy has put together a draft Ministerial Declaration for Hong Kong, which was released last week-end.

In services, the draft Hong Kong Declaration is, from our perspective, very weak and unbalanced. Its weakness comes from the fact that it contains not a single real and hard obligation for members. The whole text continues to be cast in best endeavour language. If the text stands as it is, its most prescriptive element will be the presentation of further revised offers by a certain date. Its imbalance is reflected through more elaborated language for modes 1 and 2 (cross-border supply, very relevant for outsourcing activities), of particular interest to countries such as India, than for mode 3 (commercial presence i.e. investment in foreign countries) which is essential for developed countries.

Hong Kong should aim at providing strong and detailed guidance to Members for the continuation of the negotiations, but the draft Ministerial declaration does not do that.

## **Financial services**

Let me come now more specifically to financial services, the sector that you are most interested in. Unfortunately, the offers on the table so far in financial services are, with few exceptions, disappointing or poor. Almost none of our main offensive interests have been addressed by our trading partners.

Of great concern to us is the absence of significant offers in insurance. The situation in banking and other financial services is not much better, but existing commitments are somewhat higher and this sector tends to be more open. Revised offers presented mid-2005 show almost no improvements over initial offers presented in 2003, and quite a few even attempt at backtracking on previous offers or on existing commitments!

On the positive side, a few Developing Countries have presented rather good offers in financial services, in particular Sri Lanka, Panama and Bahrain. Less surprisingly, Japan, Switzerland, Canada, Australia and New Zealand have also presented meaningful offers in this sector.

In order to clarify what the EC and others are looking for in the financial services negotiations, the EC and the US initiated a statement on the benefits of financial services liberalisation. A group of Members including Australia, Bahrain, Canada, EC, Japan, Norway, Oman, Panama, Singapore, Switzerland, Chinese Taipei, and the United States

supported the statement, which was subsequently issued as a communication and discussed in the Committee on Trade in Financial Services (CTFS) and the Special Session of the Council for Trade in Services (CTS).

This communication contains the following “qualitative targets” for the financial services negotiations:

- the use of the classification contained in the Annex on Financial Services;
- the undertaking of commitments on commercial presence (mode 3) for all financial services, including the right to establish new and acquire existing companies and to freely choose the most appropriate legal form (including direct branching);
- the undertaking of commitments on cross-border supply (modes 1 and 2) on appropriate sub-sectors; in these modes the removal of discrimination between domestic and foreign suppliers regarding application of laws and regulations (national treatment), and of non-discriminatory limitations such as monopolies, numerical quotas or economic needs tests and mandatory cessions;
- focus on transparency in the development and application of laws and regulations, and transparent and speedy licensing procedures.

An ambitious outcome of the round in financial services is a high priority for the Commission: there would be clear benefits for Europe’s competitive financial services industry, as well as for developing countries in need of high quality and competitively priced financial services to support their economic growth and development. We rely on your support to ensure that the benefits of more open and competitive markets in financial services are not forgotten and crowded out by a narrow focus on agriculture.