



Stop the EU's corporate trade agenda

Seattle to Brussels Network, part of Our World is Not For Sale <http://www.s2bnetwork.org>

Attn:

Ms Catherine Ashton, Commissioner, Directorate General for Trade
Mr David.o'sullivan, Director General, Directorate General for Trade
Mr Julian King, Head of Cabinet, Directorate General for Trade
Mr Mauro Petriccione, Director, Directorate General for Trade

Mr Charlie.McCreevy, Commissioner, DG Internal Market and Services
Jorgen.Holmquist, Director General, DG Internal Market and Services
Mr Emil Paulis, Director, DG Internal Market and Services

Madam,

Sir,

In preparation of the G-20, many European leaders and politicians have been calling to urgently finalise the Doha agenda of the WTO trade talks.

We would like to express our concern that no mentioning is being made that the Doha agenda of the WTO negotiations includes further liberalisation and deregulation of the financial services and financial operators (as part of the GATS negotiations), as well as demands for major market access for many European products and others services into developing countries who will get little extra in return.

We would like to be better informed whether the EU intends to further liberalise its financial services during the WTO talks under the GATS negotiations, how the EU intends to undertake these negotiations, especially with developing countries, and what the arguments are to go ahead with financial services liberalisation in the context of a financial crisis and a lack of appropriate regulation and supervision. Information about the GATS negotiations in financial services have so far hardly been available to civil society groups while business groups have had access to detailed information.

Negotiations and agreements to liberalise financial services, in GATS as well as in free trade agreements (FTA), show many contradictions with the current official statements to strengthen regulation. We express our concerns that GATS and FTA rules which apply to liberalised financial services actually mean deregulation. For instance, fully liberalising financial services means that governments cannot impose limits on the total value of financial services transactions or assets (GATS Art. XVI), thus allowing the financial industry to become too big to fail. Also, the GATS requests made by the EU to many countries, including developing countries, in 2002 and 2005, were clearly asking to 'eliminate' many particular financial regulations, including some established after the experience of the Asian financial crisis and related to capital reserves (1).

The GATS and FTA non-discrimination rules also require that those who have fully liberalised financial services cannot discriminate between those foreign banks that receive subsidies or have been nationalised in the home country, as now happened during the crisis, and those who do not receive subsidies - which clearly puts the banks of poorer countries at a disadvantage. The Cariforum-EU EPA might undermine the EU's call for tackling tax havens since eight of the Cariforum countries are tax havens according to the OECD, and the EPA provides for current account liberalisation for all residents (Article 122), capital account liberalisation for investors (Article 123), and liberalisation of

financial services including ‘trust services’ and ‘over-the-counter’ trading of derivatives (Article 103).

We would like to ask for your interpretation of the GATS “Understanding on Commitments in Financial Services” according to which the EU and many WTO industrialised member countries have already scheduled their liberalisation commitments, and which includes a “standstill” on regulation and a commitment to allow any new financial service. Is the prohibition of short-selling by the US and EU countries in fact illegal according to GATS rules and the Understanding, since even the ‘prudential carve out’ (Annex on Financial Services, Art. 2) does not allow prudential measures to be taken if they undermine liberalisation commitments? Are liberalisation commitments of over-the-counter trading of derivatives coherent with European leaders’ call to ensure appropriate regulation and oversight of all financial markets, products and participants ? Will the GATS rules continue to underpin the dangerous expansion of the financial industry until they are too big to fail?

For the reasons mentioned above, now is not a time to liberalise financial services in any trade and investment agreement, nor to conclude the WTO round based on the current negotiations. We hope the above concerns will be clearly reflected in the agenda of the EU, and G-20, on financial reforms.

We would appreciate to receive your response to our concerns and requested information, whether in writing or during a meeting. Please do not hesitate to contact the undersigned for any more information you request.

Yours sincerely,

M. Vander Stichele,

Senior Researcher, SOMO, Sarphatistraat 30, NL 10018 GL Amsterdam

Email: m.vander.stichele@somo.nl

Tel: + 31 - 20 - 639 1291

Fax : + 31 20 639 1321

On the behalf of the Seattle to Brussels (S2B) network, which brings together more than 70 organizations in Europe: development, environment, human rights, women and farmers organizations, trade unions, social movements as well as research institutes.

(1) See for instance: GATS negotiations in financial services: M. Vander Stichele, The EU requests and their implications for developing countries, (SOMO, 2006), published : http://somo.nl/publications-en/Publication_601/at_download/fullfile