COMMUNICATION FROM CANADA, JAPAN, SWEDEN AND SWITZERLAND

Addendum

At the Ministerial Meeting in Brussels in December 1990, the delegations of Canada, Japan, Sweden and Switzerland presented a proposal for a Financial Services Annex to the draft General Agreement on Trade in Services (GATS). The proposal was distributed as MTN.TNC/W/50.

An important element of the proposed Annex was the introduction of a common approach for making commitments with respect to financial services. Under the heading "PART III: SPECIFIC COMMITMENTS - I. Application" the text enables a Party to make its commitments simply by inscribing in its schedule the term "financial services sector". Where a Party makes such an inscription, the provisions of Part III of the Annex shall apply unless otherwise specified in that Party's schedule. These provisions of the Annex were, however, not intended to prevent any Party from undertaking commitments with respect to financial services pursuant to Article XIX of the Framework.

Since the presentation of the proposed Annex, some delegations have raised questions and expressed concern with regard to the precise functioning of this so-called two-track approach. Specifically there has been concern that financial service providers of Parties that undertake commitments pursuant to Article XIX of the Framework would not be given full m.f.n. or national treatment.

It was never the intent of our delegations that the choice of a Party with respect to how it undertakes its commitments should affect the rights and obligations of that Party under the Agreement. In order to clarify this issue we propose that the attached text be inserted to replace the language in paragraphs 1 and 2 under the heading "PART III: SPECIFIC COMMITMENTS - I. Application" of MTN.TNC/W/50.
PART III: SPECIFIC COMMITMENTS

I. Application

1. A Party may undertake commitments with respect to financial services, either:

   (a) by specifying such commitments in its schedule pertaining to financial services; or

   (b) by inscribing in its schedule the term "financial services sector".

2. The choice of a Party pursuant to paragraph 1 with respect to how it undertakes commitments pertaining to financial services shall not, in and of itself:

   (a) create any presumption as to the degree of liberalization to which that Party is committing itself under the Agreement; or

   (b) affect any rights, benefits, or obligations of that Party under the Agreement, including appropriate consideration being given to its modalities of progressive liberalization, pursuant to Article XVIII:2 of the Framework, in making its bindings.

3. Where a Party has made commitments pursuant to sub-paragraph 1(b), the obligations of Part III of this Annex shall apply unless otherwise specified in the party's schedule. The Party may undertake additional commitments in its schedule.

4. Where a Party has made commitments pursuant to sub-paragraph 1(b), the Party shall not maintain conditions, limitations and qualifications relating to its obligations with respect to financial services purchased by public entities, market access and national treatment unless specified in its schedule. Such conditions, limitations and qualifications shall be limited to existing non-conforming measures.