



PANEL DISCUSSION:

“Financial Services and the Global Economic Crisis: the Road to Global Recovery”

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Ronald Reagan Building and International Trade Center
Washington D.C.

Participants:

Moderator: Jeff Shafer, Vice Chairman for Global Banking, Citigroup

-Honorable Mickey Kantor, Partner, Mayer Brown Law Firm

-Masamichi Kono, Vice Commissioner for International Affairs, Japan Financial Services Agency

-John Brogden, CEO, Australian Investment and Financial Services Association

-Jeffrey Schott, Senior Fellow, Peterson Institute for International Economics;

Rapporteur: Rick Johnston, Vice President, International Government Affairs, Citigroup.

Efficient allocation of capital must be on a global basis. Beware national “silos” of standards and regulations that seek to diminish systemic risk but result in excessive restraints on capital movements and the follow on consequences.

Regarding the Doha Round, there is a “chicken and the egg” problem because the business community would support an energized Round and the achievement of a final agreement but there is too little there to justify the energy and resources for such support. It is up to the national leaders to develop the political will and momentum necessary for a successful conclusion of the Round. The leaders must treat the Round as a personal priority.

There is a tension in the G20 and other fora seeking to improve financial regulation versus the WTO and its market liberalizing orientation. However, in the WTO, it is not a question of deregulation but rather liberalized market access through market access and national treatment. In the Doha Round services negotiations, a problem arises in pursuing market access objectives because the traditional “request – offer” approach derived from tariff negotiations is not particularly well-suited to non-tariff barriers affecting financial services. Probably the most appropriate request for a binding commitment, therefore, is for national treatment and non-discrimination. These market access concepts have not been discussed in the current dialogue at the G20 nor in other intergovernmental financial fora such as the Financial Stability Board where

it ought to be brought into the discussion in order to ensure that these important considerations are reflected in regulatory responses.

Future discussions regarding financial services regulation and market access must adapt to multi-faceted dialogue between regulators, political leaders and the private sector in order to achieve a balance of prudential regulation that, at the same time, facilitates global capital flows. As one step toward more discipline and balance, the WTO could provide greater definition and clarity in the scope of the “prudential carve out” for financial legislative and regulatory actions by signatories of the General Agreement on Trade in Services and perhaps even inserting some FSB principles into the Doha Round services text. Following Doha, the trade and financial communities should develop a stronger working relationship to support the market access and business enhancing affect of trade rules for the financial sector.