

United States Senate Committee on Finance

For Immediate Release
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GRASSLEY, BAUCUS CALL ON SCHWAB TO ENSURE IMPLEMENTATION OF CHINA'S WTO FINANCIAL SERVICES COMMITMENTS

*Senators say China should keep pledge made when joining WTO to phase out
financial services restrictions*

Washington, DC – U.S. Senator Chuck Grassley (R-Iowa), Chairman of the Senate Finance Committee and U.S. Senator Max Baucus (D-Mont.), Ranking Democrat, today sent a letter to U.S. Trade Representative Susan Schwab urging her to ensure that China implement the promises it made in the World Trade Organization to open its financial services market to the U.S. and other foreign companies. China joined the WTO in December 2001. As part of its accession, China committed to progressively phase out restrictions on financial services. Its last set of commitments, including those affecting U.S. providers of electronic payments, come due on December 11, 2006.

The text of the letter follows here.

November 15, 2006

The Honorable Susan Schwab
U.S. Trade Representative
600 17th Street, N.W.
Washington, DC 20508

Dear Ambassador Schwab:

Less than one month from now, on December 11, 2006, China will mark the fifth anniversary of its accession to the World Trade Organization (“WTO”). Among its many important commitments, China pledged to phase out a variety of financial services restrictions over time. The last liberalization commitments – which will open the Chinese market to a broad array of financial services, including acceptance of deposits, lending, financial leasing, and credit card and electronic payment services – take effect on December 11.

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We are concerned about reports that call into question China's commitment to implement completely and, in a timely fashion, a number of liberalizing measures, including those related to electronic payments. For instance, we understand that the People's Bank of China is considering policies that would allow China Union Pay ("CUP") to remain the sole domestic electronic payments provider in China. Current Chinese rules prevent financial institutions operating in China from issuing foreign electronic payment cards for transactions in local currency unless they are co-branded with CUP and are processed over CUP's exclusive network. Yet when China's WTO financial services commitments enter into force next month, China will be obligated to allow foreign financial institutions to issue payment cards of their choice and process these payments on their own networks. Similarly, we understand that existing and draft regulations may pose unnecessary hurdles to foreign companies seeking to enter or expand their financial services operations in China. These measures, if implemented, would harm foreign banks, credit card companies and other financial service providers seeking to take advantage of China's new market access commitments.

We understand that you and your colleagues are engaging your Chinese counterparts on these important issues. With the December implementation deadline quickly approaching for the remaining commitments benefiting an array of financial service providers, including providers of electronic payment services, we urge you to seek confirmation from the highest level of authorities in China that China will fully carry out its financial services commitments. Enforcement of trade commitments is a critical element of U.S. trade policy, and China's compliance with its WTO obligations must be a top priority.

Thank you for your attention to this important matter.

Sincerely,

cc: The Honorable Hank Paulson
Secretary of the Treasury

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