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(Original Signature of Member)

110TH CONGRESS
1ST SESSION

H. RES.

Calling on the Government of the People’s Republic of China to remove barriers to United States financial services firms doing business in China.

IN THE HOUSE OF REPRESENTATIVES

Mr. MARSHALL (for himself, Mr. ROSKAM, Mr. FRANK of Massachusetts, and Mr. BACHUS) submitted the following resolution; which was referred to the Committee on _____

RESOLUTION

Calling on the Government of the People’s Republic of China to remove barriers to United States financial services firms doing business in China.

Whereas well-functioning financial markets in China capable of accurately pricing risk, valuing assets, allocating capital to its most efficient use, providing financial products that allow savers to obtain a market rate of return, and capable of intermediating efficiently between savers and borrowers are essential if China is to move successfully to a market-based economy;

Whereas the lack of diversification and innovation among Chinese financial firms, particularly state-owned banks,

limits the financial assets in which the Chinese people can invest and limits their access to savings and investment vehicles that would allow them to save safely and adequately for retirement and insure themselves against risks to health and incomes;

Whereas the current lack of well-functioning financial markets in China has the effect of misallocating capital and distorting investment in ways that subsidize capital intensive industries in China's manufacturing sector and distort trade with the United States and other trading partners as a consequence;

Whereas an increased presence of United States and other foreign financial services firms in China would provide substantial benefit to China by aiding in the reform and development of the banking, insurance, asset management, and securities industries and providing new products to Chinese consumers that would contribute substantially to their financial security;

Whereas the United States trade deficit with China in 2006 was \$233,000,000,000, and this trade deficit has nearly tripled in size since China joined the World Trade Organization in 2001;

Whereas the United States financial services sector is a leading source of United States exports globally and has the potential to be a major exporter to China;

Whereas the United States maintains open and nondiscriminatory standards for trade in financial services, while China continues to protect large segments of its financial services markets from foreign trade;

Whereas China's World Trade Organization commitments fail to achieve an open and nondiscriminatory environment

for foreign financial services firms seeking to trade with China;

Whereas China is one of the few remaining major emerging market countries that maintains limitations on foreign ownership of financial services firms;

Whereas foreign ownership restrictions severely limit United States firms' ability to operate in China across the financial services sector, such that United States and other foreign firms are not permitted to own more than a 49 percent stake in a Chinese asset management firm, a 20 percent stake in a Chinese bank, a 33 percent stake in a Chinese securities firm, a 24.9 percent stake in a Chinese insurance company, and a 50 percent stake in a life insurance joint venture;

Whereas foreign entities are not permitted to invest in Chinese A-share securities markets except through an onerous licensing and quota system for "qualified foreign institutional investors," and Chinese institutional investors are also restricted in investing in foreign securities markets except through a licensing and quota system for "qualified domestic institutional investors";

Whereas the government of China has failed to meet its World Trade Organization commitment on licensing of foreign broker-dealers and maintains discriminatory restrictions on the scope of business of foreign securities firms;

Whereas the government of China maintains discriminatory standards for foreign banks in terms of capital requirements, restrictions on corporate operational form, and restrictions on bank branches, and has been slow to act on foreign banks' applications;

Whereas the government of China has approved no new enterprise annuities licenses for United States or other foreign firms since 2005 and maintains a cumbersome multi-agency process for approval of licenses;

Whereas the government of China maintains discriminatory practices for branch applications from foreign-invested life insurers, granting branch approvals slowly and consecutively, while domestic insurers receive concurrent approvals to open multiple branches;

Whereas major Chinese financial institutions have sought licenses to operate in the United States on the grounds that Chinese financial regulators satisfy consolidated supervision standards, at the same time the Chinese government restricts access to United States and other foreign firms on grounds that suggest that Chinese regulators may not satisfy these standards; and

Whereas the Secretary of the Treasury has initiated the Strategic Economic Dialogue as a forum in which to engage Chinese officials on economic reform issues, including financial market issues: Now, therefore, be it

1 *Resolved*, That it is the sense of the House of Rep-
2 resentatives that—

3 (1) the Government of the People's Republic of
4 China should immediately implement all of its World
5 Trade Organization commitments to date in finan-
6 cial services;

7 (2) the Government of the People's Republic of
8 China should immediately implement all of its com-
9 mitments to date made under the auspices of the

1 Strategic Economic Dialogue initiated by the Sec-
2 retary of the Treasury;

3 (3) the goals of the United States for the next
4 meeting of the Strategic Economic Dialogue should
5 be to achieve Chinese commitments toward—

6 (A) removal of all foreign investment own-
7 ership caps on banking, life insurance, asset
8 management, and securities;

9 (B) nondiscriminatory treatment of United
10 States financial services firms (including bank-
11 ing, insurer, insurance intermediary, asset man-
12 agement, and securities firms) with regard to li-
13 censing, corporate form, and permitted prod-
14 ucts and services; and

15 (C) nondiscriminatory treatment of United
16 States financial services firms with regard to
17 regulation and supervision; and

18 (4) United States financial service regulators,
19 in assessing whether applications from Chinese fi-
20 nancial institutions meet comprehensive consolidated
21 supervision standards, should consider whether the
22 applications are for operations and activities in the
23 United States that are currently prohibited for
24 United States financial institutions in China, and

1 the extent to which such prohibitions reflect prob-
2 lems with the quality of home country supervision.