

COMMUNICATION FROM CUBA

Negotiating Proposal for Financial Services

The following communication has been received from the delegation of Cuba with the request that it be circulated to the Members of the Council for Trade in Services.

I. INTRODUCTION

1. Cuba submits this negotiating proposal¹ as an initial contribution to the discussion on the financial services sector within the framework of the special session of the Services Council.
2. The financial sector has experienced an unprecedented boom in recent years, particularly in developed countries, which have very complex and diversified systems in which capital markets have become fully developed, with numerous financial instruments that make them increasingly difficult to regulate.
3. Financial services are of particular importance to national infrastructure, so that the liberalization of this sector has a considerable impact on Members' economies. A well functioning financial system provides an important vehicle for the efficient allocation of financial assets and promotion of economic competitiveness.
4. Given the significance of the financial system, regulations should be drawn up to ensure that it is in keeping with each country's level of development so that its operation and liberalisation do not overexpose countries to foreign capital, which can trigger off instability and crisis.
5. In the light of the above, Members must strive to strengthen their financial systems and ensure that the negotiations are conducted in accordance with their different levels of development.

II. NEGOTIATING PROPOSALS

6. The current negotiations must take Members' individual levels of development into account. Many developing countries have fragile financial systems, and therefore need to implement regulatory measures to protect themselves from speculative capital and asymmetrical competition from transnational corporations.

¹ Cuba reserves the right to amend this proposal, which does not prejudice its final position on sub-sectors or services which are not included in the analysis, at any time.

7. Bearing in mind the existing asymmetries and developing countries' fragility and need for protection from speculative capital, market access negotiations must be conditional upon the existence of a regulatory framework which allows progressive liberalization in accordance with national policy objectives, as established in Article XIX.2 of the GATS.

8. The negotiations should facilitate the access of developing countries to the sectors of interest to them in developed country markets and strengthen the competitiveness of their services, as stipulated in Article IV of the GATS.

9. The nature of the sector should be taken into consideration when liberalizing financial services. The negotiations should not encourage excessive competition between domestic and foreign services and service suppliers, given the inherent risk of destabilizing national economic systems. In this respect, economic needs tests for commercial presence are legitimate limitations for many developing countries.

III. EXPECTED OUTCOME OF THE NEGOTIATIONS

10. The aim is to achieve the increasing participation of developing countries in trade in financial services, through effective access to markets of export interest which enable Article IV of the GATS to be implemented.

11. Cuba hopes that these negotiations will result in the strengthening of its domestic financial services capacity through the full implementation of Article XIX.2 of the GATS.
