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Financial Services Liberalization and GATS- Analysis of the Commitments Under the General Agreement on Trade in Services (GATS) at the World Trade Organization (WTO)

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I. Introduction

1. This paper is part of the large effort of World Bank's research work on internationalization of financial services. It will analyze the nature of individual Members' commitments, by comparing type and degree of commitments made relative to the Members' level of development, both general and financial sector specific, and the actual level of liberalization of their financial sectors.

2. The paper will investigate whether the earlier result (Sorsa, 1997) – low correlation between commitments and the level of financial sector development or actual openness, especially in the developing Members of Asia – still holds. It will also identify those Members in which the level of actual liberalization differs from that committed to under the General Agreement on Trade in Services (GATS) framework and quantify the extend to which there is discrepancy, and investigate whether Members with the least developed financial sectors still made very liberal GATS openings, especially in cross-border trade.

3. The paper will be organized as follows. Section II goes over the background and recent development in the negotiation process of GATS and the financial service liberalization, and discusses the overall framework of commitments and their policy implications. Section III reviews results from earlier studies and Section IV gives some interesting empirical findings while comparing economic and financial data to Members' actual level of commitments. Section V summaries.

II. The GATS and Financial Services Liberalization

A. GATS and WTO

4. GATS, emerged from the Uruguay Round, represents the first multilateral effort to establish rules governing trade in services, including financial services, and to provide a framework for multilateral negotiations. Governments were unable to reach full agreement on a package of market opening commitments in financial services at the end of the Uruguay Round in 1993. Extended negotiations in 1995 resulted in an interim agreement and the final permanent agreement was reached on 12 December 1997. A total of 56 schedules of commitments representing 70 WTO Members were annexed to the Fifth Protocol to the GATS, which will be open for ratification and acceptance by Members until 29 January 1999. The new commitments are expected to enter into force no later than 1 March 1999.

5. The GATS negotiations in the financial services sector include two broad categories of services: insurance and insurance-related services and banking and other financial services. Insurance and insurance-related services cover life and non-life insurances, reinsurance, insurance intermediation such as brokerage and agency services, and services auxiliary to insurance such as consultancy and actuarial services. Banking includes all the traditional services provided by banks such as acceptance of deposits, lending of all types, and payment and money transmission services. Other financial services include trading in foreign exchange, derivatives and all kinds of securities, securities underwriting, money broking, asset management, settlement and clearing services, provision and transfer of financial information, and advisory and other auxiliary financial services.

B. GATS Framework

6. From an economic perspective, trade in financial services, like trade in other goods or services, can have strong positive effects on income and growth for both participants of the trade. Trade liberalization can make financial services sector more efficient and stable by enhancing competition and improving management and efficiency. Liberalization can also improve service quality, lead to greater transfer of knowledge and technology, and reduce the systemic risk for small financial markets. An open financial sector makes it possible for better macroeconomic policies and regulation, and improves inter-temporal and international resource allocation.

7. GATS in financial services provides a multilateral framework which (i) limits discrimination as the most-favored-nation treatment (MFN) allows the most efficient suppliers to gain market share; (ii) allows concessions in one area to be traded against liberalization in other areas in partner markets; (iii) offers a neutral forum for dispute settlement and enforcement; (iv) guarantees market access by binding liberalization; and (v) provides for an systematic process to negotiate further liberalizations.

8. Although GATS rules are based on basic disciplines familiar from trade in goods, there are limitations that make them weaker than those in the General Agreement on Tariffs and Trade (GATT). Main GATS obligations are transparency and the MFN principle. But rules are weakened by the fact the national treatment is not an automatic but negotiable right, and the MFN principle is subject to reservations. Measures undertaken for prudential purposes are also exempt from the basic rules. The degree of liberalization in financial services sector depends on the extend and nature of sector-specific commitments assumed by individual Members. The core provision relates to market access, national treatment and additional commitments. These provisions only apply to sectors explicitly included by a country in its schedule. GATS also allows the “progressive liberalization” reflecting a collective acceptance that certain liberalization measure would be gradual.

9. The GATS stipulates four different Modes of liberalization of market access. Mode 1 deals with cross-border supply of a service, which is analogous to international trade in goods, whereby consumers or financial institutions in one country are allowed to take a loan or purchase securities from a foreign bank, or purchase insurance from a company located abroad. Mode 2 involves consumption abroad, in which a country allows the movements of its consumers to the territory of suppliers. Mode 3 entails the commercial presence of a supplier of one country in the jurisdiction of another country. Mode 4 covers the supply of services through the presence of natural persons of a country in the territory of another country.

10. National treatment is defined as treatment no less favorable than that accorded to domestic homologues. In contrast to GATT approach, Members may inscribe limitations on national treatment in their schedules with respect to each of the four Models of supply, as in the case of the market access provision. GATS also offers the possibility for Members to negotiate additional commitments pertaining such matters as qualifications, standards and licensing, etc.

III. Earlier Studies and Findings

11. There have been some efforts to study various aspects of commitments in GATS in financial services. However, difficulties arise from the need to make cross-country or cross-sectoral analysis possible in a context where national schedules have not always been constructed in a uniform manner. For example, where Members have used their own classifications of financial services, it has been necessary to try to match these with the classification provided by GATS framework. Nevertheless, there are a number of consistent findings worth mentioning as follows.

12. A study (Sorsa, 1997) done on the an interim agreement in 1995 found that in most countries, the actual level of liberalization of financial sectors differs from that undertaken in the GATS framework. The study found little correlation between GATS commitments and the level of financial sector development or actual openness, especially in the developing country Members. Many Members with relatively developed financial sectors made narrow openings, whereas some with less developed financial sectors made very liberal openings, especially in cross-border trade. This suggests that mercantilistic bargaining, rather than economics, explains the bulk of the GATS liberalization commitments.

13. A comprehensive WTO study (WTO, 1997) based on available information before the final permanent agreement of 1997, found the Member governments have made more commitments in financial services than in any other sector except tourism. However, the number of limitations maintained, on market access or on national treatment, is higher than in several other sectors and the level of commitments undertaken varies considerably, both as between Members and as between different subsectors of the industry. However, there seems to be a general notion that Member governments prefer commercial presence to cross-border supply.

14. WTO Study has found that the commitment coverage is more comprehensive among developed countries compared to other groups, but it is worth noting that some of the least developed countries (Gambia, Malawi and Mozambique) have covered all banking and other financial services. Sierra Leone has covered all financial services in its schedule without exclusion.

15. Almost 80 percent of limitations in market access have been taken in banking and other financial services. Over 60 percent of all measures were concentrated in Mode 3. By contrast, there have been very few limitations scheduled in Model 1 and 2, as countries have often kept those Modes either fully bound or unbound. For measures in Mode 3, limitations on the types of legal entity predominate, followed by limitations on foreign equity participation. Limitations in developed countries tend to be more concentrated in residency rather than in ownership requirements, while the reverse was true for developing countries.

16. In addition, another WTO study (Mattoo, 1998) has shown that GATS has been less emphasis on the introduction of competition through new foreign entry than on allowing foreign equity participation in existing financial institutions and protecting the position of incumbents. In some cases, the particular choice of policies may have been forced by the current financial crisis – dictating that foreign capital be allowed to enter only as an injection into weak domestic industry rather than as new competition. To make the matter worse, there is not many Members taking the advantage of GATS to lend credibility to liberalization programs by precommitting to future market access either.

IV. Empirical Analysis

A. Members' Commitments

17. The data collection and presentation were based on the same framework developed in Mattoo, 1998. Commitments of Members in banking and insurance sectors, based on the final permanent agreement reached on 12 December 1997, were summarized in spreadsheets (see Attachments 1 and 2). Similar to Sorsa and Mattoo, Mode 4 of market access is not included in the numerical analysis as it contains very few openings and is mostly linked to establishment. The calculation of liberalization index for each Member is the same as in Mattoo, 1998. Each type of commitments and limitations were given a coding and assigned a numerical value representing the degree of liberalization. The liberalization index for a Member in a sector is the weighted average of all numerical values.

18. Table 1 shows averages and minimum and maximum values of liberalization indices for five groups of Members and the total, and identifies those Member(s) with the minimum or maximum values. Only data for banking sector is available for the 1995 interim commitment. The results confirm with the earlier findings that High-mid income Members have the most liberalization measures while other groups have commitments agreeable to their respective level of the financial sector development except for Africa. Both Asia and Eastern Europe groups of Members liberalized their insurance sectors equal or better than their banking sectors, indicating increasing sophistication of their economies, which requires more internationalization of insurance services. Interestingly, some African Members, including Kenya, Malawi and Mozambique, liberalized their banking sector completely, while their insurance sector remain completely closed. Unexpectedly, for the banking sector, the average commitment level in 1997 is lower than the interim agreement perhaps due to large decline in commitment by African Members.

Table 1: Average Liberalization Index

	Number of Members	Average	Minimum		Maximum	
			Value	Member	Value	Member
Banking 97						
Africa	18	0.536	0.000	Sierra Leone South Africa	1.000	Ghana Kenya Malawi Mozambique
Asia	19	0.400	0.000	Brunei	1.000	Solomon Islands
Eastern Europe	7	0.568	0.325	Slovenia	0.925	Romania
Latin America	21	0.430	0.000	Cuba El Salvador	1.000	Guyana Haiti Panama
High-Mid Income	9	0.723	0.520	Japan	0.840	New Zealand
Total	74	0.497	0.000		1.000	

Table 1 (Cont.): Average Liberalization Index

	Number of Members	Average	Minimum		Maximum	
			Value	Member	Value	Member
Insurance 97						
Africa	18	0.277	0.000	Angola Benin Kenya Malawi Mozambique Senegal Sierra Leone Zimbabwe	1.000	Gambia
Asia	19	0.463	0.000	India Kuwait United Arab Emi	1.000	Bahrain Solomon Islands
Eastern Europe	7	0.574	0.320	Czech Republic	0.800	Slovak Republic
Latin America	21	0.248	0.000	Argentina Costa Rica Ecuador El Salvador Haiti Uruguay	1.000	Guyana
High-Mid Income	9	0.648	0.325	Malta	0.863	Japan
Total	74	0.390	0.000		1.000	
Banking 95						
Africa	14	0.588	0.000	South Africa	1.000	Ghana Mozambique
Asia	14	0.396	0.200	Korea, Rep. Thailand Turkey	0.800	Israel
Eastern Europe	6	0.529	0.325	Slovenia	0.725	Romania
Latin America	13	0.388	0.200	Brazil Chile Colombia Dominican Repub Honduras Nicaragua Uruguay Venezuela	1.000	Guyana
High-Mid Income	10	0.692	0.628	EU	0.840	New Zealand
Total	57	0.507	0.000		1.000	

Table 1 (Cont.): Average Liberalization Index	
Note:	
"Unbound" against relevant Mode 1 and 2	0.00
“No new entry” against relevant Mode 3	0.10
Discretionary Licensing or Economic Needs Tests	0.25
Limited commitments	0.50
Limits on ownership Less than 50% (minority)	0.50
Grandfathering Provisions	0.75
Limits on Legal Form	0.75
Limits on number of operations (branches)	0.75
Limits on ownership More than 50% (majority)	0.75
Limits on types of operations (branches vs. subsidiaries)	0.75
Limits on value of transactions or Assets	0.75
Reciprocity condition or MFN exemption	0.75
Full Bindings or "None" Limitations again relevant Mode	1.00

19. Table 2 shows the distribution of Members by levels of liberalization. Asia and Latin America have most of their Members committed to partial liberalization both in banking and in insurance sectors. High-mid income group is mostly concentrated towards full liberalization in the insurance sector but not in the banking sector. Compare to the 1995 interim agreement, the most significant change is for Africa, where a number of Members in full liberalization status moved back to partial liberalization.

Table 2: Distribution of Members by Liberalization Index

	1997						1995		
	Banking			Insurance			Banking		
Liberalization Index	0	≤0.5	≤1.0	0	≤0.5	≤1.0	0	≤0.5	≤1.0
Africa	3	7	9	9	5	5	1	3	10
Asia	1	12	6	3	6	10	0	9	5
Eastern Europe	0	3	4	0	2	5	0	2	4
Latin America	2	11	8	6	12	3	0	9	4
High-Mid Income	0	9	0	0	2	7	0	10	0
Total	6	33	36	18	27	30	1	23	33

20. Table 3 shows improvements made by Members from the 1995 interim agreement to the final agreement reached by the end of 1997. For 54 Members with comparable data, 15 of those made some improvements. Asia and Eastern Europe as whole groups have made slighted improvements in 1997 compared with 1995, all other groups have slight declines. There are nine Members have managed to contract from their earlier commitments. Four of those Members are from Africa.

Table 3: Improvement From 1995 to 1997 in Banking Sector

	Change in Liberalization Index	Distribution of Members of Changes in Index		
		Negative	Zero	Positive
Africa	-0.030	4	7	3
Asia	0.001	1	8	5
Eastern Europe	0.067	1	3	2
Latin America	-0.031	1	11	1
High-Mid Income	-0.014	2	1	4
Total	-0.009	9	30	15

B. Correlation between Commitments and Economic Development

21. The first objective of the empirical analysis is to test whether the earlier result (Sorsa, 1997) – low correlation between commitments and the level of economic and financial sector development or actual openness, especially in the developing Members of Asia – still holds. Indicators reflecting financial depth, profitability, competitiveness, and openness of Members' financial sector were selected in Sorsa's study. However, the results in Sorsa's study showed that regressions run on key variables shown that there was little correlation between the binding and the development or competition indicators. The variables of financial sector development or openness do not explain the variations in restrictions in developing countries. The t-statistics are not significant for any of the variables, and most signs are wrong.

22. This study applied essentially the same approach as in Sorsa's study. A number of indicators were collected from the World Development Indicator (WDI) Series of the World Bank and from an earlier study by the World Bank (Claessens, 1997) reflecting a Member's income level, depth and the competitiveness of the financial sector, openness of the economy, and existing policy environment for the financial sector. Table 5 presents some descriptive statistics of WDI variables used in the Study. Most of WDI variables used in the analysis are normalized by Member's level of GDP or similar gross variables to make comparisons between Members easier. It is not surprising that the range of variables can be very wide, signifying wide divergence in Member's stages of economic and financial sector development.

Table 5: World Development Indicators

	Number of Members	Average	Minimum		Maximum	
			Value	Member	Value	Member
GDP Per Capita, PPP (Constant 1987 International $)						
Africa	18	$2,152	$395	Sierra Leone	$6,896	Mauritius
Asia	16	$8,202	$1,210	India	$20,704	Kuwait
Eastern Europe	7	$5,681	$3,375	Bulgaria	$9,087	Slovenia
Latin America	20	$4,079	$854	Haiti	$9,089	Chile
High-Mid Income	10	$16,429	$10,320	Malta	$21,203	United States
Total	71	$6,417	$395	Sierra Leone	$21,203	United States

Table 5 (Cont.): World Development Indicators

	Number of Members	Average	Minimum Value	Minimum Member	Maximum Value	Maximum Member
Credit to Private Sector (% of GDP)						
Africa	17	29.63	2.51	Sierra Leone	137.09	South Africa
Asia	16	54.15	9.82	Solomon Islands	129.55	Malaysia
Eastern Europe	6	32.32	15.47	Poland	59.02	Czech Republic
Latin America	20	32.31	9.64	Venezuela	80.65	Panama
High-Mid Income	11	98.61	42.95	Aruba	207.12	Japan
Total	70	47.07	2.51		207.12	
Money And Quasi Money (M2) as % of GDP						
Africa	17	33.72	8.80	Sierra Leone	74.77	Egypt, Arab Rep
Asia	16	56.26	27.00	Turkey	88.76	Kuwait
Eastern Europe	7	46.24	21.84	Romania	75.21	Czech Republic
Latin America	20	33.17	16.61	Venezuela	65.32	Panama
High-Mid Income	11	78.50	36.54	Iceland	145.18	Malta
Total	71	46.82	8.80		145.18	
Interest Rate Spread (Lending Rate Minus Deposit Rate)						
Africa	14	9.96	0.50	Morocco	19.00	Malawi
Asia	12	4.17	0.24	Sri Lanka	11.32	Solomon Islands
Eastern Europe	6	13.41	4.62	Slovak Republic	48.80	Bulgaria
Latin America	16	13.91	3.15	Argentina	63.39	Uruguay
High-Mid Income	11	4.81	1.74	Canada	9.54	Netherlands Ant
Total	59	9.24	0.24		63.39	

23. Simple linear regressions were run on liberalization indices of banking and insurance sectors against explanatory variables as shown in Table 6. All regressions had low R-squares, indicating poor goodness-of-fit. For the banking sector, none of the t-statistics of regressions was significant and two of the regressions yielded wrong signs. These were regressions against service sector value-added and credit to the private sector. Regressions for liberalization index of the insurance sector faired better compared to the banking sector. All coefficient estimates had right signs and most of them were statistically significant.

Table 6: Linear Regression Against Economic and Financial Indicators

	Banking Sector			Insurance Sector		
Variable	Parameter Estimate	T for H0: Parameter=0	R-square	Parameter Estimate	T for H0: Parameter=0	R-square
GDP Per Capita, PPP	2.38E-06	0.368	0.0020	1.54E-05	2.410	0.079
Services, Etc., Value Added (% of GDP)	-2.12E-03	-0.574	0.0054	5.85E-03	1.604	0.041
Credit to Private Sector (% of GDP)	-6.28E-05	-0.066	0.0001	2.41E-03	2.568	0.091
Money And Quasi Money (M2) as % of GDP	1.14E-03	0.826	0.0101	2.97E-03	2.159	0.065

Table 6 (Cont.): Linear Regression Against Economic and Financial Indicators

	Banking Sector			Insurance Sector		
Variable	Parameter Estimate	T for H0: Parameter=0	R-square	Parameter Estimate	T for H0: Parameter=0	R-square
Interest Rate Spread (Lending - Deposit)	-1.36E-03	-0.363	0.0024	-7.16E-03	-1.864	0.061
Real Interest Rate (%)	-3.48E-04	-0.100	0.0002	-4.46E-03	-1.197	0.025
Trade (% of GDP,PPP)	1.03E-04	0.125	0.0002	1.60E-03	1.918	0.052
Foreign Bank Assets in Total	8.53E-03	0.049	0.0001	3.37E-01	1.976	0.082

24. The poor goodness-of-fit is consistent with Sorsa's finding, particularly for the banking sector. The reason is that there is a small group of Members behaves quite differently compared to other Members. These Members need to be identified as outliers and dummy variables have to be used to single them out in the regressions. Table 7 shows regression results against GDP Per Capita (measured in Purchasing Power Parity (PPP) terms) after outliers being specified. The R-square of the regressions have improved considerably and coefficient estimates both for banking and insurance sectors are positive and significant, indicating a strong positive relationship between the level of economic development and the level of financial sector liberalization. Outliers identified for the banking sector are Ghana, Kenya, Malawi, Mozambique, Solomon Islands, Guyana, Haiti and Panama. All these countries are outliers on the positive side (i.e., comparing to other Members, their GDP levels are low but their commitments to liberalization are high). There are different outliers for the insurance sector, except for Solomon Islands and Guyana. Kuwait and United Arab Emirate are two negative outliers in the insurance sector (i.e., with high GDP levels but low commitments to liberalization).

Table 7: GDP Per Capita, PPP (Constant 1987 International $)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.372	7.206	0.000	Intercept	0.178	4.008	0.000
GDP, PPP	1.23E-05	2.132	0.037	**GDP, PPP**	2.63E-05	4.916	0.000
Ghana	0.611	2.291	0.026	Gambia	0.796	3.337	0.002
Kenya	0.617	2.311	0.024	Tunisia	0.526	2.216	0.031
Malawi	0.621	2.325	0.024	Bahrain	0.508	2.125	0.038
Mozambique	0.623	2.329	0.023	Solomon Islands	0.776	3.260	0.002
Solomon Islands	0.606	2.277	0.026	Guyana	0.772	3.246	0.002
Guyana	0.605	2.271	0.027	Paraguay	0.552	2.321	0.024
Haiti	0.617	2.312	0.024	Kuwait	-0.723	-2.901	0.005
Panama	0.561	2.117	0.038	United Arab Emi	-0.498	-2.083	0.042
R-square	0.368			R-square	0.522		

25. Charts 1 and 2 of Appendix 4 show the scatter diagrams of both actual liberalization indices and predicted indices from the linear regression against GDP Per Capita. Outliers are those Members with predicted values and actuals overlap. The predicted indices

(black dots) form a straight line because they are generated from a simple linear regression. Actual values are scatted around with outliers on the upper left side of the diagram.

26. Similar to GDP Per Capita, statistically significant coefficients with theoretically correct signs can also be found between other explanatory variables and the liberalization index after identifying outliers. Table 8 shows regression results of liberalization index against the variable of credit to private sector as percentage of GDP. The regressions yield positive coefficients for both banking and insurance sectors. However, the regression coefficient on the banking sector is not significant at 95% level. The positive coefficient is theoretically correct because higher level of credit to the private sector generally associates with more sophistication and competitiveness of the economy, thus more openness to the outside world. The outlier list for the banking sector regression is almost the same as in the regression against GDP Per Capita except that South Africa is added as an outlier on the negative side. For the insurance sector, the two negative outliers, Kuwait and United Arab Emirate, have been dropped from the regression with GDP Per Capita. Credit to private sector has also been identified as one the few significant explanatory variables by Sorsa and Mattoo. Charts 3 and 4 in Appendix 4 show scatter diagrams between variables of liberalization indices and the level of credit to private sector.

Table 8: Credit to Private Sector (% of GDP)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.382	7.292	0.000	Intercept	0.189	3.780	0.000
CRDPRI	1.40E-03	1.648	0.105	**CRDPRI**	3.10E-03	3.904	0.000
Ghana	0.609	2.364	0.022	Gambia	0.779	3.025	0.004
Kenya	0.570	2.230	0.030	Bahrain	0.680	2.659	0.010
Malawi	0.612	2.374	0.021	Solomon Islands	0.781	3.033	0.004
Mozambique	0.593	2.313	0.024	Guyana	0.683	2.672	0.010
Solomon Islands	0.605	2.349	0.022	Paraguay	0.521	2.033	0.046
Guyana	0.561	2.195	0.032				
Haiti	0.598	2.329	0.023				
Panama	0.506	1.969	0.054				
South Africa	-0.573	-2.153	0.036				
R-square	0.368			R-square	0.522		

27. Table 9 shows the regression results of liberalization index against money and quasi money (M2) as percentage of GDP which measures the depth of a Member's financial sector. Higher percentage of M2 over GDP is generally associated with deepening of the financial sector. As expected, coefficients for both banking and insurance sector are positive and significant (banking sector at 94% level), indicating that countries with the deepening financial sector generally commit to more liberalization measures. The outlier list for the banking sector is the same as the outlier list in Table 8 and the outlier list for the insurance sector is the same as in Table 9.

Table 9: Money And Quasi Money (M2) as % of GDP

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.348	5.280	0.000	Intercept	0.172	2.633	0.011
M2SGDP	2.28E-03	1.919	0.060	**M2SGDP**	3.78E-03	3.106	0.003
Ghana	0.618	2.365	0.021	Gambia	0.733	2.762	0.008
Kenya	0.560	2.166	0.034	Bahrain	0.559	2.101	0.040
Malawi	0.619	2.368	0.021	Solomon Islands	0.721	2.720	0.009
Mozambique	0.580	2.239	0.029	Guyana	0.611	2.310	0.024
Solomon Islands	0.588	2.268	0.027	Paraguay	0.525	1.978	0.053
Guyana	0.522	2.019	0.048	Kuwait	-0.508	-1.887	0.064
Haiti	0.572	2.209	0.031				
Panama	0.504	1.944	0.057				
South Africa	-0.471	-1.821	0.074				
R-square	0.405			R-square	0.381		

28. The services sector value-added as percentage of GDP measures the sophistication of the services sector in a Member's economy. It is generally expected that Members with more developed services sector require more liberal and open financial sector. The regression results confirmed such expectation with outliers identified. Once more, the outlier list is the same as in Table 7 for the banking sector.

Table 10: Services, Etc., Value Added (% of GDP)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.284	1.429	0.159	Intercept	-0.099	-0.536	0.594
SRVGDP	2.58E-03	0.709	0.482	**SRVGDP**	8.25E-03	2.413	0.019
Ghana	0.616	2.220	0.031	Gambia	0.622	2.230	0.030
Kenya	0.574	2.110	0.040	Bahrain	0.639	2.294	0.025
Malawi	0.615	2.220	0.031	Guyana	0.877	3.001	0.004
Mozambique	0.615	2.218	0.031				
Guyana	0.647	2.238	0.029				
Haiti	0.600	2.191	0.033				
Panama	0.527	1.870	0.067				
R-square	0.350			R-square	0.278		

29. Interest rate spread measures competitiveness and efficiency of the financial sector. Higher interest rate spread generally indicates that there is either a lack of competition or serious inefficiency in commercial bank operations. In either case, domestic financial insertions are likely to request protection from the Government, which in turn commits to low liberalization meaures under the GATS framework. Table 11 shows the regression results of liberalization index again interest rate spread in both banking and insurance sectors. Both

regressions yielded the negative sign however the coefficient for the banking sector is insignificant.

Table 11: Interest Rate Spread (Lending Rate Minus Deposit Rate)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.488	9.974	0.000	INTERCEPT	0.414	8.458	0.000
LINTSPR	-2.60E-03	-0.781	0.439	**LINTSPR**	-7.32E-03	-2.191	0.033
Kenya	0.555	2.047	0.046	Gambia	0.681	2.483	0.016
Malawi	0.562	2.067	0.044	Bahrain	0.639	2.332	0.024
Solomon Islands	0.542	2.007	0.050	Solomon Islands	0.669	2.440	0.018
Guyana	0.531	1.968	0.055	Guyana	0.639	2.333	0.024
Panama	0.521	1.926	0.060				
South Africa	-0.476	-1.759	0.085				
R-square	0.320			R-square	0.346		

30. Table 12 shows the regression results of liberalization index against the real interest rate. Similar to interest rate spread, the coefficients of regressions for both sectors yielded negative signs and the same outlier list as in other regressions showed up except for Sierra Leone and Venezuela on the negative side.

Table 12: Real Interest Rate (%)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.470	10.196	0.000	INTERCEPT	0.434	8.161	0.000
LRIRATE	-6.65E-04	-0.213	0.833	**LRIRATE**	-8.54E-03	-2.206	0.032
Kenya	0.545	2.013	0.050	Gambia	0.720	2.554	0.014
Malawi	0.531	1.978	0.054	Bahrain	0.653	2.333	0.024
Solomon Islands	0.534	1.994	0.052	Solomon Islands	0.612	2.181	0.034
Guyana	0.534	1.998	0.051	Guyana	0.623	2.222	0.031
Panama	0.536	2.004	0.051	Venezuela	-0.556	-1.663	0.103
Sierra Leone	-0.467	-1.745	0.087				
R-square	0.314			R-square	0.338		

31. A common measure of a Member's openness of its economy is the ratio of total trade over GDP. Table 13 shows the regression results of liberalization index against the ratio of trade over GDP. As expected, both coefficient estimates for banking and insurance sectors yielded right signs with level of significance of the banking sector coefficient slightly less than 95%. The results are consistent with economic intuition that an open economy in terms of trade of goods is also likely to be open in the financial sector. A notable negative outlier is Singapore, which has very high level of trade but relatively less openness in its financial sector.

Table 13: Trade (% of GDP,PPP)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.425	8.111	0.000	Intercept	0.187	3.667	0.001
LTRDPPP	1.81E-03	1.725	0.090	**LTRDPPP**	4.64E-03	4.078	0.000
Ghana	0.547	2.094	0.041	Gambia	0.758	2.872	0.006
Kenya	0.543	2.077	0.042	Solomon Islands	0.622	2.367	0.021
Malawi	0.544	2.084	0.042	Japan	0.554	2.109	0.039
Mozambique	0.549	2.099	0.040	Guyana	0.561	2.128	0.037
Solomon Islands	0.500	1.922	0.060	Singapore	-1.213	-2.928	0.005
Guyana	0.476	1.826	0.073	United Arab Emi	-0.817	-2.849	0.006
Haiti	0.552	2.110	0.039				
South Africa	-0.463	-1.773	0.082				
Sierra Leone	-0.466	-1.788	0.079				
Singapore	-0.758	-1.936	0.058				
El Salvador	-0.466	-1.786	0.080				
R-square	0.428			R-square	0.338		

32. Claessens et al, 1998, developed a data set using bank level data for 80 countries. One explanatory variable of interest is the foreign bank assets in total in a Member's economy. It is expected that if a Member already has strong foreign banking presence, it is more likely for this Member to have more liberal commitments in GATS as either a formal recognition of the existing policy or commitment for further liberalization. Table 14 shows the regression results of liberalization index on foreign bank assets in total. Since many African Members are not in the data set, the usual outlier list as in other regressions are not presented here. Interesting outliers for the banking sector include Israel, which has 2 percent foreign asset in total but a liberalization index of 0.86. In the insurance sector, Japan is a positive outlier with 20 percent of foreign asset in banking sector but a liberalization index of 0.86.

Table 14: Foreign Bank Assets In Total (%)

Banking Sector				Insurance sector			
Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|	Variable	Parameter Estimate	T for H0: Parameter=0	Prob > |T|
Intercept	0.395	7.302	0.000	Intercept	0.313	5.886	0.000
PASFBK	1.77E-01	1.162	0.253	**PASFBK**	4.46E-01	2.828	0.007
Israel	0.464	1.924	0.062	Israel	0.478	1.869	0.069
Romania	0.528	2.188	0.035	Japan	0.456	1.798	0.080
Malta	0.405	1.676	0.102	Ecuador	-0.545	-2.114	0.041
Argentina	0.427	1.783	0.083	El Salvador	-0.438	-1.726	0.092
Haiti	0.605	2.504	0.017				
Panama	0.536	2.239	0.031				
El Salvador	-0.445	-1.866	0.070				
R-square	0.419			R-square	0.322		

C. Domestic Factors and Role of GATS Negotiations

33. Domestic factors play significant role for a Member to determine its GATS commitments. For example, macroeconomic policy and prudential regulation considerations may have slowed down liberalization, and the need to protect domestic incumbent may lead to certain type of limitations in commitments.

34. One example is the observation that for Mode 3, commercial presence, as pointed out by Mattoo, 1998, Asian Members are more likely to have limitations on foreign ownership to be less than 50% (i.e., minority ownership). Such policy, to restrict new entry while allowing foreign equity participation, is probably because that the Members would like new foreign capital to help strengthen weak domestic financial institutions rather than to come in the form of highly competitive new banks and insurance companies which might drive their domestic institutions out of business. Further more, foreign equity participation may serve as a vehicle for transferring technology know-how and management skills. However, there will be welfare cost associated with foreign direct investment when competition is restricted. If foreign investment comes simply because the returns to investment are artificially raised by restrictions on competition, then the cost to the host Member may exceed the benefits.

35. Logistic regressions were conducted to test the hypothesis that Asian Members have high propensity of restricting foreign equity participations below 50% in GATS commitments. As shown in Table 15, compare to other groups, the probability for an Asian Member to impose equity restriction is 40% more in the banking sector and about 15% more in the insurance sector. Some WDI indicators have also been found to be significant in explaining higher probability in equity restrictions by certain Members. These indicators include Interest Rate Spread (Lending Rate Minus LIBOR), Total Debt Service (percentage of GDP or GNP), and Portfolio Investment (percentage of GDP). For example, if a Member's interest rate spread against LIBOR is 6%, then the probability for this Member to impose equity restriction less than 50% will be 7.5% more in the banking sector and 9% more in the insurance sector.

36. Discrete licensing or economic need test have been served as a tool to allow Members to avoid making clear rules as part of the overall liberalization commitment. The rationale for a Member to adopt such tools is perhaps the need to protect domestic financial institutions from overseas competition. However, economic costs of such restrictions, either in the form of opportunity cost from less foreign investment due to lack of clear rules, and the welfare cost from lack of efficiency in the domestic market, can be rather high.

Table 15: Commercial Presence, Equity Limit ≤ 50%

	Banking				Insurance			
	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability
Intercept	-2.6210	0.0001	-2.6210	6.78%	-2.6210	0.0001	-2.6210	6.78%
Asia Dummy	2.5157	0.0003	-0.1053	47.37%	1.2993	0.0893	-1.3217	21.05%
Intercept	-4.6783	0.0004	-4.6783	0.92%	-3.6812	0.0001	-3.6812	2.46%
Asia Dummy	4.7938	0.0003	0.1155	52.88%	2.5942	0.0111	-1.0870	25.22%
Int. Sprd (LIBOR)	0.0454	0.0312	0.1609	54.01%	0.0343	0.0576	-1.0527	25.87%

Table 15: Commercial Presence, Equity Limit ≤ 50% (Cont.)

	Banking				Insurance			
	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability
Intercept	-2.8896	0.0001	-2.8896	5.27%				
Asia Dummy	2.5154	0.0077	-0.3742	40.75%				
Debt Src (% of GDP)	0.0017	0.0545	-0.3725	40.79%				
Intercept	-4.4807	0.0006	-4.4807	1.12%				
Asia Dummy	3.4934	0.0014	-0.9873	27.14%				
Debt Src (% of GNP)	0.2235	0.0283	-0.7638	31.78%				
Intercept	-2.7699	0.0001	-2.7699	5.90%				
Asia Dummy	3.2690	0.0001	0.4991	62.22%				
Prfl. Inv. (% of GDP)	0.0001	0.0506	0.4992	62.23%				

37. Table 16 shows the result from logistic regressions on the probability of a Member to adopt discrete licensing or economic need test against WDI indicators and regional group dummy variables. Members in Latin America tend to have higher probability to impose the requirements of discrete licensing or economic need test compared to other Members. The additional probability is near 30% for the insurance sector and above 7% in the banking sector. Interestingly, the industrial value added as percent of GDP has also been found to contribute to higher probability of imposing discrete licensing or economic need test requirements. For a Member with 40% of industrial value add as percent of GDP, the probability to impose discrete licensing restriction is 10% more compared to a Member with 20% industrial value added.

Table 16: Discrete Licensing/Economic Need Test

	Banking				Insurance			
	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability
Intercept					-1.2190	0.0001	-1.2190	22.81%
LA Dummy					1.3140	0.0140	0.0950	52.37%
Intercept	-3.0400	0.0043	-3.0400	4.57%				
LA Dummy	1.0383	0.0953	-2.0017	11.90%				
Ind. V.A. (% of GDP)	0.0610	0.0315	-1.9407	12.56%				

D. Liberalization Commitments of Different Sectors and Different Modes

38. In general, Members tend to have commitments that are more liberal in banking sector than the insurance sector. For Africa and Latin America, the difference between the commitments in the two sectors seems to be larger than average. However, an Africa Member behaves rather differently from a Member in Latin America, where it is more likely to have very liberal commitment in banking sector and at the same time, remains closed in the insurance sector. In fact, according to the logistic regression, shown in Table 17, that Africa Members are about 25 percent more likely to have a very liberalized banking sector (i.e., liberalization index > .8) but a closed insurance sector (liberalization index < .2).

Table 17: Liberalization Index (Banking vs. Insurance)

	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability
Intercept	-3.3499	0.0001	-3.3499	3.39%
Africa Dummy	2.3944	0.0061	-0.9555	27.78%

39. In terms of relative importance among three different modes, liberalization commitment in Mode 3, commercial presence, carries the most weight. The second important commitment is in Mode 1, cross board supply. The least important is Mode 2, consumption abroad. However, the regression analysis conducted in this paper indicates that in general, commitments in Mode 2, is more likely to confirm with the economic intuition that more advanced a Member's financial sector is, more liberal its commitment will be. Nevertheless, there are evidences that different groups of behave rather differently from others, as shown in Table 18. After adjusting the weight to bring each of the three Modes to the same level of importance as the other Modes, Asia stands out to be the group where Members are more likely (30% more probable) to have more liberal commitments in Mode 2 compare to other Modes in the banking sector.

Table 18: Liberalization Indices of Three Modes

	Banking				Insurance			
	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability	Parameter Estimate	Pr > Chi-Square	Logit(p)	Cumm. Probability
Mode 2:								
Intercept	-2.0053	0.0001	-2.0053	11.86%				
Asia DUMMY	1.6869	0.0061	-0.3184	42.11%				
Mode 3:								
Intercept					0.3773	0.1546	0.3773	59.32%
Africa DUMMY					-1.6991	0.0063	-1.3218	21.05%
Intercept	-0.5390	0.0497	-0.5390	36.84%				
LA Dummy	1.4553	0.0088	0.9163	71.43%				
Intercept	0.1214	0.6227	0.1214	53.03%				
High-mid Dummy	-2.5193	0.0189	-2.3979	8.33%				

40. Similarly, regarding liberalization index for Mode 3, Africa Members tend to have less probability (about 38% less) to have more liberal commitment in Mode 3 compared to other two modes. Latin America Members, on the other hand, are 35% more likely to have liberal commitments in Mode 3 compared to other two modes in their banking sector. Surprisingly, High-mid income Members tend to have less liberal commitments in Mode 3 (44% less probable) compared to other two modes in their banking sector.

41. Logistic regressions on relative importance of Mode 3 commitment against WDI indicators yield some interesting results, as shown in Appendix 12. Almost by definition, Members with high percentage of foreign direct investment tend to treat Mode 3 liberalization

commitment more importance than other Modes in the banking sector. In the insurance sector, liberal commitment in Mode 3 is correlated positively to life expectancy. However, for WDI indicators such as GDP or GNP per capita, credit to the private sector, and M2 as percent of GDP. The signs of coefficient estimates in logistic regressions seem to indicate that if a Member has a more developed economy and a more developed financial sector, commitment under Mode 3 becomes less liberal compared to other two Modes. This is perhaps due to the need of providing protection to domestic financial institutions while the economy becomes more sophisticated. Lastly, the wrong sign of the variable of interest rate spread against LIBOR in the logistic regression seems to imply that liberal commitment under Mode 3 does not necessarily bring in more competitive efficiency in the domestic financial market.

V. Conclusion

42. This paper compared Members' commitment levels between 1995 interim agreement and the 1997 final agreement of GATS negotiations. It also adopts similar analytical approach as in Sorsa, 1997 and Mattoo, 1998 to examine the nature of individual Members' commitments, by comparing the type and degree of commitments made relative to the Members' level of development, both general and financial sector specific, and the actual level of liberalization of their financial sectors. Despite that there were 15 Members made improvement from 1995 interim agreement to 1997 final agreement, the average commitment level in 1997 among all Member is lower than the interim agreement in the banking sector perhaps due to large decline in the commitment level by African Members.

43. This paper in general agrees with earlier findings in Sorsa, 1997 that there is no strong correlation between a Member's actual level of economic or financial sector development and its commitments in the banking sector liberalization if outliers are not identified. However, for the insurance sector, even without identifying outliers, certain correlation can be found that are consistent with economic intuition. Moreover, this paper has been able to obtain significant coefficient estimates for both banking and insurance sectors that are consistent with economic intuition after identifying outliers.

44. The paper confirms with earlier findings in Mattoo, 1998, that GATS has been less successful on the introduction of competition through Mode 3, commercial presence. A number of groups of Members showed greater probability in applying restrictions through minority equity participation and discretionary licensing to protect the position of incumbents. In addition, the paper shows more advanced Members tend to withdraw from more liberal commitment in Mode 3 compared to other Modes, perhaps due to the need to protect domestic incumbents.

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Appendix 1: Banking (Acceptance of Deposits and Lending) 1997

Member	Cross Border Supply			Consumption Abroad			Commercial Presence					
	Deposits	Lending	Index	Deposits	Lending	Index	Legal Form	# of Sup	Equity	# of Oper	$ of Trans.	Index
AFRICA												
Angola	N	DL	0.085	DL	DL	0.010	N	N	N	N	N	0.800
Benin	N	DL	0.085	N	DL	0.021	N	N	N	N	N	0.800
Egypt, Arab Rep.	U	U	0.000	U	U	0.000	LL	N	DL			0.200
Gabon	N	N	0.160	N	N	0.040		DL				0.200
Gambia, The	N	N	0.160	N	N	0.040	U	U	U	U	U	0.000
Ghana	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Kenya	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Lesotho	U	U	0.000	U	U	0.000			DL			0.200
Malawi	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Mauritius	DL	DL	0.040	DL	DL	0.010		DL				0.200
Morocco	U	U	0.000	U	U	0.000		RE	DL			0.200
Mozambique	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Nigeria	U	U	0.000	U	U	0.000	LL					0.600
Senegal	U	U	0.000	U	U	0.000	LL					0.600
South Africa	U	U	0.000	U	U	0.000						0.000
Tunisia	N	N	0.160	N	N	0.040		DL				0.200
Zimbabwe	N	N	0.160	N	N	0.040			LO2			0.600
ASIA & PACIFIC												
Bahrain	N	N	0.000	N	N	0.040	LT		LO1			0.200
Hongkong, China	U	U	0.000	N	N	0.000	LT	DL		LN	LV	0.600
India	U	U	0.160	U	U	0.040	LT	LN	LT	LL	LV	0.400
Indonesia	N	N	0.050	N	N	0.013	LL	U	LO1	LN		0.800
Israel	U	LC	0.000	U	LC	0.000	N	N	N	N	N	0.200
Korea, Rep.	U	U	0.075	U	U	0.040		DL	LO1		LV	0.200
Kuwait	U	LT	0.000	N	N	0.040		DL	LO1			0.200
Macao	U	U	0.050	N	N	0.015	LT	DL				0.400
Malaysia	U	LC	0.000	N		0.000		U	LO1	U		0.400
Pakistan	U	U	0.000	U	U	0.040	LL	RE	LO1	LN	LV	0.200
Philippines	U	U	0.160	N	N	0.040	DL	DL	LO2	LN	LV	0.600
Qatar	N	N	0.000	N	N	0.040		LN				0.200
Singapore	U	U	0.160	N	N	0.040		U	LO1	LN	DL	0.800
Solomon Islands	N	N	0.000	N	N	0.000	N	N	N	N	N	0.200
Sri Lanka	U	U	0.000	U	U	0.000	LL	DL	LO1			0.200
Thailand	U	U	0.000	U	U	0.000	LL	DL	LO1	LN		0.200
Turkey	U	U	0.160	U	U	0.040	LL			DL		0.000
United Arab Emira	N	N		N	N			U				
EASTERN EUROPE												
Bulgaria	U	U	0.000	U	U	0.000			LO1		LV	0.400
Czech Republic	U	N	0.100	U	N	0.025	LL				LV	0.600
Hungary	U	U	0.000	U	U	0.000		RE	LO1			0.400
Poland	U	U	0.000	U	U	0.000	LL					0.600
Romania	N	DL	0.085	N	N	0.040	N	N	N	N	N	0.800
Slovak Republic	U	U	0.000	U	U	0.000	LL					0.600
Slovenia	U	N	0.100	U	N	0.025	LL	DL			LV	0.200

Appendix 1 (Cont.): Banking (Acceptance of Deposits and Lending) 1997

Member	Cross Border Supply			Consumption Abroad			Commercial Presence					
	Deposits	**Lending**	**Index**	**Deposits**	**Lending**	**Index**	**Legal Form**	**# of Sup**	**Equity**	**# of Oper**	**$ of Trans.**	**Index**
LATIN AMERICA												
Argentina	U	U	0.000	N	N	0.040	N	N	N	N	N	0.800
Bolivia	U	U	0.000	U	U	0.000	LL					0.600
Brazil	U	U	0.000	U	U	0.000	LL	DL	DL	DL		0.200
Chile	U	U	0.000	U	U	0.000	LL	DL	DL			0.200
Colombia	U	U	0.000	U	U	0.000	LL	DL				0.200
Costa Rica	U	U	0.000	U	U	0.000	LL					0.600
Dominican Republic	U	U	0.000	U	U	0.000		DL	LO1			0.200
Ecuador	N	N	0.160	N	N	0.040		U				0.000
El Salvador	U	U	0.000	U	U	0.000	U	U	U	U	U	0.000
Guyana	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Haiti	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Honduras	U	U	0.000	U	U	0.000	U	DL				0.200
Jamaica	U	U	0.000	U	U	0.000	N	N	N	N	N	0.800
Mexico	U	U	0.000	U	U	0.000			LO1			0.400
Nicaragua	U	U	0.000	U	U	0.000	LL	DL				0.200
Panama	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Paraguay	U	U	0.000	U	U	0.000	N	N	N	N	N	0.800
Peru	U	U	0.000	U	U	0.000	LL	DL			LV	0.200
Uruguay	U	U	0.000	U	U	0.000	LL	DL				0.200
Venezuela	U	U	0.000	U	U	0.000	LL	DL		DL		0.200
High-Mid Income												
Australia	LC	LC	0.080	N	N	0.040	LL	N	N	LN		0.600
Canada	N	N	0.160	N	N	0.040	LL	N	LT	N		0.600
EU	LC	LC	0.080	N	N	0.040	LL	N	N	LN		0.600
Iceland	N	N	0.160	N	N	0.040	LL	N	N	N	N	0.600
Japan	LC	LC	0.080	N	N	0.040	LC	N	N	N	N	0.400
Malta	N	N	0.160	N	N	0.040	LL	N	N	N	N	0.600
New Zealand	U	U	0.000	N	N	0.040	N	N	N	N	N	0.800
Switzerland	N	N	0.160	N	N	0.040	LC	LN	N	LN	N	0.400
United States	LC	LC	0.080	N	LC	0.028	LL	N	N	N	N	0.600

Note:

Code	Type of Commitment	Index Value
U	"Unbound" against relevant mode	0.00
DL	Discretionary Licensing or Economic Needs Tests	0.25
LC	Limited commitments	0.50
LO1	Limits on ownership Less than 50% (minority)	0.50
G	Grandfathering Provisions	0.75
LL	Limits on Legal Form	0.75
LN	Limits on number of operations (branches)	0.75
LO2	Limits on ownership More than 50% (majority)	0.75
LT	Limits on types of operations (branches vs. subsidiaries)	0.75
LV	Limits on value of transactions or Assets	0.75
RE	Reciprocity condition or MFN exemption	0.75
N	Full Bindings or "None" Limitations again relevant mode	1.00

Appendix 2: Insurance (Life and Non-Life) 1997

	Cross Border Supply			Consumption Abroad			Commercial Presence				
Member	**Life**	**Non-life**	**Index**	**Life**	**Non-life**	**Index**	**Legal Form**	**# of Sup**	**Equity**	**Other**	**Index**
AFRICA											
Egypt, Arab Rep	N	U	0.060	N	N	0.040	LL	DL	LO1		0.200
Gabon	N	N	0.160	N	N	0.040		DL			0.200
Gambia, The	N	N	0.160	N	N	0.040	N	N	N		0.800
Ghana	U	U	0.000	U	U	0.000			LO2		0.600
Kenya	U	U	0.000	U	U	0.000					0.000
Lesotho	U	U	0.000	N	N	0.040	LL		DL		0.200
Mauritius	U	U	0.000	DL	DL	0.010		DL			0.200
Morocco	U	U	0.000	U	U	0.000	LL	RE			0.600
Nigeria	U	U	0.000	U	U	0.000	LL				0.600
Senegal	U	U	0.000	U	U	0.000					0.000
Sierra Leone	U	U	0.000	U	U	0.000					0.000
South Africa	U	U	0.000	N	N	0.040	LL		DL		0.200
Tunisia	N	N	0.160	N	N	0.040	LL				0.600
ASIA & PACIFIC											
Bahrain	N	N	0.160	N	N	0.040	N	N	N	N	0.800
Brunei	U	U	0.000	N	N	0.040	LL	U	U		0.600
Hongkong, China	U	U	0.000	N	N	0.040	LL				0.600
India	U	U	0.000	U	U	0.000	U	U	U	U	0.000
Indonesia	U	U	0.000	DL	DL	0.010			LO2		0.600
Israel	U	U	0.000	U	U	0.000	N	N	N	N	0.800
Korea, Rep.	U	U	0.000	U	U	0.000	LL		LO		0.400
Macao	U	U	0.000	N	N	0.040	LL				0.600
Malaysia	U	DL	0.025	U	DL	0.006	LL	U	LO2		0.600
Pakistan	U	U	0.000	U	U	0.000		U	LO2		0.600
Philippines	U	U	0.000	U	U	0.000		DL	LO2		0.200
Qatar	U	N	0.100	U	N	0.025		U			0.000
Singapore	U	U	0.000	N	N	0.040		U	LO1		0.400
Solomon Islands	N	N	0.160	N	N	0.040	N	N	N	N	0.800
Sri Lanka	U	U	0.000	U	U	0.000		DL	LO1		0.200
Thailand	U	U	0.000	N	N	0.040		DL	LO1		0.200
Turkey	U	DL	0.025	U	DL	0.006	LL				0.600
EASTERN EUROPE											
Bulgaria	U	U	0.000	U	U	0.000	LL		LO1	LV	0.400
Czech Republic	LC	LC	0.080	N	N	0.040	LL	DL			0.200
Hungary	LC	LC	0.080	LC	LC	0.020	LL	RE			0.600
Poland	U	U	0.000	U	U	0.000	LL			LV	0.600
Romania	U	U	0.000	U	U	0.000	LL				0.600
Slovak Republic	N	N	0.160	N	N	0.040	LL				0.600
Slovenia	U	U	0.000	U	U	0.000	LL	U			0.600

Appendix 2 (Cont.): Insurance (Life and Non-Life) 1997

	Cross Border Supply			Consumption Abroad			Commercial Presence				
Member	**Life**	**Non-life**	**Index**	**Life**	**Non-life**	**Index**	**Legal Form**	**# of Sup**	**Equity**	**Other**	**Index**
LATIN AMERICA											
Argentina	U	U	0.000	U	U	0.000		U			0.000
Bolivia	U	U	0.000	U	U	0.000	LL	DL			0.200
Brazil	U	U	0.000	U	U	0.000	LL	DL	DL		0.200
Chile	U	U	0.000	U	U	0.000	LL	DL			0.200
Colombia	U	U	0.000	U	U	0.000	LL	DL			0.200
Cuba	U	U	0.000	U	U	0.000			DL		0.200
Dominican Repub	U	U	0.000	U	U	0.000			DL		0.200
Ecuador	U	U	0.000	U	U	0.000		U			0.000
Guyana	N	N	0.160	N	N	0.040	N	N	N	N	0.800
Honduras	U	U	0.000	U	U	0.000		DL	LO1		0.200
Jamaica	U	U	0.000	U	U	0.000		DL			0.200
Mexico	U	U	0.000	U	U	0.000			LO1		0.400
Nicaragua	U	U	0.000	U	U	0.000	LL	DL			0.200
Panama	U	U	0.000	U	U	0.000	N	N	N	N	0.800
Paraguay	U	U	0.000	U	U	0.000	N	N	N	N	0.800
Peru	U	U	0.000	U	U	0.000	LL	DL		LV	0.200
Uruguay	U	U	0.000	U	U	0.000	U	U	U	U	0.000
Venezuela	U	U	0.000	U	U	0.000	LL	DL			0.200
High-Mid Income											
Australia	U	U	0.000	N	N	0.040	LL	N	LT	LT	0.600
Canada	LC	LC	0.080	LC	LC	0.020	LL	N	N	RE	0.600
EU	LC	LC	0.080	LC	LC	0.020	LL	N	N	LN	0.600
Iceland	U	U	0.000	N	N	0.040	LL	N	N	LL	0.600
Japan	U	LC	0.050	U	LC	0.013	N	N	N	N	0.800
Malta	N	DL	0.085	N	N	0.040	DL	N	N	N	0.200
New Zealand	U	U	0.000	U	U	0.000	N	N	N	N	0.800
Switzerland	U	U	0.000	N	N	0.040	LL	N	N	LC	0.400
United States	LC	LC	0.080	N	N	0.040	LL	N	LT	LN	0.600

Note:

Code	Type of Commitment	Index Value
U	"Unbound" against relevant mode	0.00
DL	Discretionary Licensing or Economic Needs Tests	0.25
LC	Limited commitments	0.50
LO1	Limits on ownership Less than 50% (minority)	0.50
G	Grandfathering Provisions	0.75
LL	Limits on Legal Form	0.75
LN	Limits on number of operations (branches)	0.75
LO2	Limits on ownership More than 50% (majority)	0.75
LT	Limits on types of operations (branches vs. subsidiaries)	0.75
LV	Limits on value of transactions or Assets	0.75
RE	Reciprocity condition or MFN exemption	0.75
N	Full Bindings or "None" Limitations again relevant mode	1.00

Appendix 3: Banking (Acceptance of Deposits and Lending) 1995

Member	Cross Border Supply			Consumption Abroad			Commercial Presence					
	Deposits	Lending	Index	Deposits	Lending	Index	Legal Form	# of Sup	Equity	# of Oper	$ of Trans.	Index
AFRICA												
Angola	N	DL	0.085	DL	U	0.004	LL	LN		LN		0.600
Benin	N	DL	0.085	N	DL	0.021	LL	LN		LN		0.600
Egypt, Arab Rep.	U	U	0.000	U	U	0.000	LL	N		LN	LV	0.600
Gabon	N	N	0.160	N	N	0.040		LN				0.600
Gambia, The	N	N	0.160	N	N	0.040	U	U	U	U	U	0.000
Ghana	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Kenya	U	U	0.000	U	U	0.000	N	U	N	U	N	0.800
Lesotho	U	U	0.000	U	U	0.000	LL		DL			0.200
Morocco	U	DL	0.025	U	U	0.000	LL	RE	DL			0.200
Mozambique	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Nigeria	U	U	0.000	U	U	0.000	LL			LN		0.600
South Africa	U	U	0.000	U	U	0.000						0.000
Tunisia	U	U	0.000	U	DL	0.006	LL	LN		LN	LV	0.600
Zimbabwe	N	N	0.160	N	N	0.040	LL		LO2	LN		0.600
ASIA & PACIFIC												
Hongkong, China	U	U	0.000	N	N	0.040	LT	DL		LN	LV	0.200
India	U	U	0.000	U	U	0.000	LT	LN	LT	LL	LV	0.600
Indonesia	N	DL	0.085	N	N	0.040	LL	U	LO1	LN	LV	0.400
Israel	U	U	0.000	U	U	0.000	N	N	N	N	N	0.800
Korea, Rep.	U	U	0.000	U	U	0.000	LL	DL	LO1	LN	LV	0.200
Kuwait	U	U	0.000	N	N	0.040	LL	DL	LO1			0.200
Malaysia	U	LC	0.050	U	LC	0.013	LL	U	LO1	U		0.400
Pakistan	U	U	0.000	U	U	0.000	LL	RE	LO1	LN	LV	0.400
Philippines	U	U	0.000	N	N	0.040	DL	DL	LO2	LN	LV	0.200
Qatar	N	N	0.160	N	N	0.040	LL	LN	LO1			0.400
Singapore	U	U	0.000	N	N	0.040	LL	U	LO1	LN	DL	0.200
Thailand	U	U	0.000	U	U	0.000	LL	DL	LO1	LN		0.200
Turkey	U	U	0.000	U	U	0.000	LL	LN		DL	LV	0.200
United Arab Emira	N	N	0.160	N	N	0.040	LL	U	LO1	LN		0.400
EASTERN EUROPE												
Czech Republic	U	N	0.100	U	LC	0.013	LL	LN	LO1	LN	LV	0.400
Hungary	U	U	0.000	U	U	0.000	LL	RE	LO1			0.400
Poland	U	U	0.000	U	U	0.000	LL	LN		LN		0.600
Romania	N	DL	0.085	N	N	0.040	N	LN	N	LN	N	0.600
Slovak Republic	U	U	0.000	U	LC	0.013	LL	LN		LN		0.600
Slovenia	U	N	0.100	U	N	0.025	LL	DL	LO1	LN	LV	0.200
LATIN AMERICA												
Argentina	U	U	0.000	N	N	0.040	LL	N	N	LN	N	0.600
Brazil	U	U	0.000	U	U	0.000	LL	DL	DL	DL		0.200
Chile	U	U	0.000	U	U	0.000	LL	DL	DL	LN		0.200
Colombia	U	U	0.000	U	U	0.000	LL	DL		LN		0.200
Dominican Republic	U	U	0.000	U	U	0.000	LL	DL	LO1			0.200
El Salvador	U	U	0.000	U	U	0.000	LL	LN	U	U	U	0.600
Guyana	N	N	0.160	N	N	0.040	N	N	N	N	N	0.800
Honduras	U	U	0.000	U	U	0.000	U	DL		LN		0.200
Mexico	U	U	0.000	U	U	0.000	LL		LO1	LN		0.400
Nicaragua	U	U	0.000	U	U	0.000	LL	DL		LN		0.200
Paraguay	U	U	0.000	U	U	0.000	N	N	N	N	N	0.800
Uruguay	U	U	0.000	U	U	0.000	LL	DL		LN		0.200
Venezuela	U	U	0.000	U	U	0.000	LL	DL		DL		0.200

Appendix 3 (Cont.): Banking (Acceptance of Deposits and Lending) 1995

	Cross Border Supply			Consumption Abroad			Commercial Presence					
Member	**Deposits**	**Lending**	**Index**	**Deposits**	**Lending**	**Index**	**Legal Form**	**# of Sup**	**Equity**	**# of Oper**	**$ of Trans.**	**Index**
High-Mid Income												
Aruba	U	U	0.000	N	N	0.040		LN		LN		0.600
Australia	U	U	0.000	N	N	0.040	LL	LN	LT	LN		0.600
Canada	U	U	0.000	N	N	0.040	LL	N	LT	LN		0.600
EU	U	U	0.000	N	LC	0.028	LL	N	LT	LN		0.600
Japan	U	U	0.000	N	LC	0.028	N	N	N	N	N	0.800
Netherlands Antilles	U	U	0.000	N	N	0.040	LL	LN		LN		0.600
New Zealand	U	U	0.000	N	N	0.040	N	N	N	N	N	0.800
Norway	U	U	0.000	N	N	0.040	LL		LT	LN		0.600
Switzerland	N	N	0.160	N	N	0.040		LN		LN		0.600
United States	U	U	0.000	N	LC	0.028	LL	N	LT	LN		0.600

Note:

Code	Type of Commitment	Index Value
U	"Unbound" against relevant mode	0.00
DL	Discretionary Licensing or Economic Needs Tests	0.25
LC	Limited commitments	0.50
LO1	Limits on ownership Less than 50% (minority)	0.50
G	Grandfathering Provisions	0.75
LL	Limits on Legal Form	0.75
LN	Limits on number of operations (branches)	0.75
LO2	Limits on ownership More than 50% (majority)	0.75
LT	Limits on types of operations (branches vs. subsidiaries)	0.75
LV	Limits on value of transactions or Assets	0.75
RE	Reciprocity condition or MFN exemption	0.75
N	Full Bindings or "None" Limitations again relevant mode	1.00