

H. Res. 552

In the House of Representatives, U. S.,

September 5, 2007.

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 for-

eign 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

Resolved, That it is the sense of the House of Representatives that—

(1) the Government of the People's Republic of China should immediately implement all of its World Trade Organization commitments to date in financial services;

(2) the Government of the People's Republic of China should immediately implement all of its commitments to date made under the auspices of the Strategic Economic Dialogue initiated by the Secretary of the Treasury;

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

(A) removal of all foreign investment ownership caps on banking, life insurance, asset management, and securities;

(B) nondiscriminatory treatment of United States financial services firms (including banking, insurer, insurance intermediary, asset management,

and securities firms) with regard to licensing, corporate form, and permitted products and services; and

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

(4) United States financial service regulators, in assessing whether applications from Chinese financial institutions meet comprehensive consolidated supervision standards, should consider whether the applications are for operations and activities in the United States that are currently prohibited for United States financial institutions in China, and the extent to which such prohibitions reflect problems with the quality of home country supervision.

Attest:

Clerk.