

EU requests WTO consultations on Chinese treatment of foreign financial information providers. Memo - Brussels, 28 February 2008

In its WTO accession agreement China committed to ensuring that its industry regulators were genuinely independent. In the financial information services sector the state regulator Xinhua also acts as a competitor for foreign companies. Moreover, these companies are being asked to operate through a branch of Xinhua itself, which would act as an intermediary. That is not a level playing field.

What is the EU's concern with the existing Chinese system?

Since September 2006, China has prohibited foreign suppliers of financial information services offering and providing their services directly to their clients, and requires that this be done through an agent or intermediary designated by the Chinese government. The only designated agent is "China Economic Information Service" (CEIS), which is a branch of Xinhua, the state news agency. Xinhua has also recently launched a commercial supplier of financial information services in direct competition with foreign operators.

By requiring that all foreign suppliers provide their services through a single agent, China denies them the possibility of conducting their business under fair conditions. Moreover, that agent and regulator is itself a competitor for these companies. This is not a level playing field for foreign companies.

What rules and obligations in WTO law or agreements does this breach?

The relevant Chinese measure appears to breach China's GATS commitments on national treatment and market access, which require that foreign companies can operate in China and are not treated less favourably than local ones. It is also contrary to obligations not to cut back on existing rights for companies and to provide regulatory independence, which China committed to ensure at the time of its WTO Accession in 2001.

What does the EU want China to do?

The EU wants the Chinese to agree to a negotiated solution that ensures a level playing field for financial information services in China. This means ensuring amongst other things that foreign companies are not regulated in China by entities that are also their commercial competitors.

In what ways has the EU raised this issue with the Chinese and since when?

The EU has raised this issue at a number of levels since the entry into force of the relevant law in September 2006. Commissioner Mandelson has raised the issue with Vice Premier Wu Yi, former Minister of Commerce Bo Xilai, and with Xinhua President Tian Congming. The issue was also raised at the EU-China Summit in November 2007. The EU will now seek consultations with the WTO in Geneva. If these do not resolve the issue, the EU can ask the WTO to arbitrate on the issue. Commissioner Mandelson privately told Chinese Commerce Minister Chen on February 23 in Beijing that the EU intended to request WTO consultations. The issue was discussed with EU Member States on 22 February 2008, who were fully supportive of the request for consultations.

What is the timeframe for WTO consultations?

Following the request presented today, the EU and China will determine a mutually acceptable date for the holding of the consultations. Should consultations fail to settle the dispute within 60 days of the launch, the EU could request the establishment of a Panel.

How important is state-of-the-art financial information for the functioning of financial markets?

Good and reliable financial information is absolutely essential for the smooth functioning of financial markets. Financial markets require top-quality and timely information, without which the confidence of operators and investors simply disappears. The existence of information asymmetries or any perception of lack of transparency as a result of shortcomings in financial information can seriously affect the development of financial markets, and therefore of the economy as a whole. One of China's stated long-term goals is the development of a modern financial services sector.

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