



April 21, 2011

The Honorable Michael Punke  
Ambassador  
Deputy U.S. Trade Representative and Permanent Representative to the WTO  
Permanent Mission of the United States of America  
11 Route de Pregny  
1292 Geneva

Dear Ambassador Punke:

Even as outcomes of intensified efforts to conclude the World Trade Organization (WTO) Doha Round remain uncertain, the push to expand WTO financial deregulation remains unabated. Reports from Geneva suggest that the United States continues to pressure other WTO member countries to make deeper WTO financial services sector commitments. Many of us worked tirelessly on the major financial reform package promoted by the Obama administration last year. We, the undersigned organizations, are concerned about how current and expanded financial liberalization under the current WTO rules may affect financial reregulation efforts here at home and in other countries.

In the aftermath of the global financial crisis, governments around the world as well as an unprecedented array of scholars have called for improved regulation as a means to avoid future crises and restore global financial stability. In this context, it is especially alarming that any country would request further WTO financial services commitments without first securing serious reforms to the WTO's rules on financial services, which numerous government officials, leading economists, financial experts and trade lawyers have cautioned could undermine financial regulation.

These experts note, for instance, that the provisions of the WTO's General Agreement on Trade in Services (GATS) prohibit commonly recommended financial policies, including size limits on banks, "firewalls" between banking and investment services, bans on risky financial services, and capital controls and other capital management mechanisms. As a young Treasury Department official in 1990, now-Treasury Secretary Timothy Geithner authored a memorandum highlighting many of the ways in which these rules could conflict with domestic financial regulation. Indeed, the United States promised in its WTO schedule of services commitments to "reform" the Glass-Steagall Act which established a firewall between investment and banking services. Most recently, WTO signatory Barbados tabled a paper at WTO which calls into question the WTO compatibility of various measures under the 2010 Dodd-Frank Wall Street

Reform and Consumer Protection Act including measures to control the size of “too big to fail” banks.

The United Nations Commission of Experts on International Financial and Monetary Reforms, chaired by Nobel-prize winning economist Joseph Stiglitz and comprised of a host of distinguished academics, including former finance ministers and central bank heads from around the world, issued this warning in the aftermath of the global financial crisis: “Agreements that restrict a country’s ability to revise its regulatory regime—including not only domestic prudential but, crucially, capital account regulations—obviously have to be altered, in light of what has been learned about deficiencies in this crisis. In particular, there is concern that existing agreements under the WTO’s Financial Services Agreement might, were they enforced, impede countries from revising their regulatory structures in ways that would promote growth, equity, and stability.”

The United States and much of the world are still reeling from the 2008 global financial crisis, which has created the greatest unemployment crisis in the United States in decades. In various fora – from national legislatures to the G-20 to the UN – governments have promoted reregulation of the financial sector. In this context, it is inappropriate for the United States to be seeking WTO commitments that could lead to greater financial deregulation. In the absence of changes to the WTO rules to limit constraints on the use of common non-discriminatory regulatory tools and insert a meaningful safeguard for prudential regulation, further increased financial liberalization under the existing WTO rules is diametrically opposed to the global call for improved financial regulation.

In light of the Obama administration’s commitment to enhanced transparency in the trade policy realm, we are requesting that you please share with us the specific financial services requests the United States has outstanding now of other WTO members. Please also provide information about how the Obama administration’s financial service sector requests of other countries and positions on WTO financial service matters have changed in light of the financial crisis and the change in administration.

It is our understanding that the United States remains a signatory of the Financial Service Collective Request, which seeks significant new financial sector commitments at WTO from all signatory countries and was tabled during the Bush administration. In light of the Obama administration’s commitment to improved financial regulation, we **respectfully urge you to withdraw the United States from the Financial Services Collective Request and to withdraw bilateral financial services demands of other WTO signatory countries still outstanding from the Bush administration and any new ones the Obama administration may have tabled.**

We appreciate that the United States has worked to try to limit the establishment of yet additional limits on service sector regulation in the context of the WTO Working Party on Domestic Regulation (WPDR). This is a position that has strong support from subfederal officials and civil society alike. That WPDR negotiations to limit domestic regulation continue at all after the financial crisis is an affront to the global consensus for more regulation. **We urge you to propose that this working group is terminated and if it continues, to strongly oppose**

**further limits on domestic regulation in the WPDR for the duration of the Doha Round.**

Your opposition is critical as the proposed WPDR limits on domestic regulation pose serious threats to public health, environment and financial regulation in the United States and abroad.

We look forward to hearing from you and to learning about how the Obama administration can work at the WTO to promote its goal of enhanced financial stability through improved regulation. To be in touch with any of the letter signatories, please contact Lori Wallach at Public Citizen (202-454-5107).

Sincerely,

Americans for Financial Reform  
Citizens Trade Campaign  
Consumer Watchdog  
Public Citizen  
U.S. Public Interest Research Group (PIRG)

Cc: The Honorable Spencer Bachus;  
The Honorable Barney Frank;  
The Honorable Tim Johnson;  
The Honorable Richard Shelby;  
The Honorable Nancy Pelosi, House Minority Leader;  
The Honorable Harry Reid, Senate Majority Leader;  
United States Trade Representative Ron Kirk;  
U.S. Treasury Secretary Timothy Geithner;  
The Honorable Michael Froman, Deputy Assistant to the President and Deputy National Security Advisor for International Economic Affairs