

# The Regulatory Liberalization of the WTO/GATS Trade in Financial Services

## – the Cases of Japan and Korea Financial System Liberalization

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Given its significant quantitative growth, trade in financial services is of substantial importance to the world and became an important issue of GATT Uruguay Round negotiations. After eight years of negotiations, General Agreement on Trade in Services (GATS) was achieved as part of the World Trade Organization (WTO) Agreements. The GATS provides strong foundation and legal framework to regulate and liberalize trade in financial services. Thus, GATS will have substantial influence on the financial regulatory regime of its member states, including East Asian countries. During the post Uruguay Round negotiation on financial services trade liberalization, financial crises were occurred among East Asian countries. Some GATS members, thus, hesitated whether they should slow down their GATS financial liberalization commitments. Both Japan and South Korea, GATS member states, also suffered from Asian financial crises and therefore decided to initiate financial reforms. However, whether Japan and South Korea financial reform measures are consistent with their GATS commitments are remained to be examined. The purpose of this paper intends to analyze the development of financial regulatory liberalization between GATS, Japan, and South Korea as well as their interaction. To serve this purpose, the principles and financial liberalization process of GATS, Japan, and South Korea will be discussed. This paper finally concluded both Japan and South Korea financial reforms are on the right track of the GATS liberalization regime. However, certain barriers, such as operation restrictions and non-transparency bureaucracy, still exist when foreign financial service providers enter these two countries.

Thus, both Japan and South Korea government need to put more effort to eliminate their existing barriers to financial services trade in order to fully implement their GATS liberalization commitments and succeed their financial reforms as well.

Key Words: WTO, GATS, Financial Liberalization, East Asian Financial Crises, Japan, Big Bang, South Korea, Financial Reform