

EXTENSION OF REMARKS  
November 11, 1993

---

EDWARD J. MARKEY, R.C.

INTRODUCTION OF  
THE "TELECOMMUNICATIONS AND FINANCIAL SERVICES  
FAIR TRADE ACT OF 1993"

Mr. Speaker. I rise to introduce the Telecommunications and Financial Services Fair Trade Act of 1993. The purpose of this bill is to break down barriers to U.S. companies selling financial services and telecommunications products and services worldwide.

This is truly a historic moment in international history. The successful passage of the North American Free Trade Agreement, the first-ever summit meeting of the Asian Pacific Export Cooperation countries, and the ongoing GATT negotiations, should provide all of us with renewed hope that we can achieve a truly free and open global trading system.

This bill is one of the next pivotal steps we must take to reshape our trade strategy in the wake of the Cold War's end and in light of the tremendous change occurring in the global economy. No longer can the United States stand idly by and hope that other countries will pursue truly free and open trade rules. We must send a strong message to these countries that free trade must be a two-way street, not a dead end for American products.

As Chairman of the Subcommittee on Telecommunications and Finance, I have witnessed firsthand the blatant discrimination against U.S. and other foreign producers of these products by some of our most important trading partners. My fair trade legislation will send the European and Pacific Rim countries a clear message that we will no longer tolerate discriminatory practices in these two industries, both of which are critical to our future economic growth.

For example, Fidelity is prohibited from selling mutual funds in Japan and other Asian countries while Japanese and Korean firms are allowed into our markets under the same regulations as U.S. firms. This year, for the first time ever, AT&T was able to sell a switching device, one of its most important products, to Japan.

Japan purchases just 5 percent of its telecommunications goods and services from foreign companies while the United States and the European Community (EC) countries buy about 25 percent from foreign firms. Last year the U.S. had a \$75 billion overall merchandise trade deficit with Asia and a \$50 billion deficit with Japan.

Many of the Western European countries also lag behind the U.S. in open markets. The American trade surplus with the European Community shrunk to \$9 billion last year, a drop of nearly 50 percent from the 1991 level.

British Telecomm has applied for a license to offer international telecommunications services to U.S. customers on a resale basis, however, no U.S. long distance carrier is allowed to do the same in the UK market.

Given the increasingly globalized nature of these industries, open markets and free and fair trade are essential to their continued ability to lead the world in sophistication and innovation. These industries are the ones that will drive our economy into the next century and beyond.

Title I of this bill would establish a fair and transparent process whereby the Department of Treasury, in conjunction with the Securities and Exchange Commission (SEC) would have the authority to apply a reciprocal national treatment standard to encourage the fair treatment of U.S. firms.

Despite intensified negotiating efforts by the Treasury, access to Japan's market has remained strictly limited for most U.S. securities firms. For instance, while Japan has allowed U.S. mutual funds to be sold in their market, U.S. brokers are still prohibited from establishing and therefore selling those funds in the \$400 billion Japanese market. Likewise, the Korean financial markets also remain closed to American firms.

This bill provides a series of reporting requirements to identify countries that have failed to accord national treatment to U.S. securities firms, for example, broker dealers and investment advisors. This bill also calls for the initiation of negotiations with any foreign countries identified in the report as having failed to accord national treatment in order to remove such barriers; and regulatory sanctions imposed by the SEC against foreign securities if no agreement is reached to eliminate foreign barriers to national treatment of such firms.

Likewise, the U.S. telecommunications market is most open and competitive in the world. Its future competitiveness is vital to our hopes for leading the technological revolution. And yet our country faces a trade deficit in telecommunications equipment of \$496 million in 1992.

Despite concerted efforts by government and industry to open the Japanese telecommunications market, U.S. equipment suppliers have been able to secure only five percent of the Japanese procurement market while Japanese companies such as, Fujitsu, Hitachi and NEC continue to sell freely in our market. Moreover, despite a bilateral agreement designed to ensure that Nippon Telegraph and Telephone (NTT), Japan's major telecommunications provider, opens its procurement procedures, American companies still supply only about seven percent of its equipment.

Title II of this legislation builds upon existing telecommunications trade laws to provide the Federal Communications Commission (FCC) the authority to deny applications or certification for equipment or services filed by persons or companies of a foreign country that has violated a telecommunications trade agreement with the U.S. The U.S. currently has telecommunications agreements with Japan, Korea, and Canada and will have a new agreement with Mexico if and when the North American Free Trade Agreement is implemented. A new multilateral telecommunications agreement is expected if the current round of negotiations under the General Agreement on Tariffs and Trade is successfully concluded.

This bill will also grant the FCC the authority to deny a section 214 application if the Commission finds that the home market of the applicant does not provide comparable access to U.S. companies.