Reciprocity and the Unification of the European Banking Market

Douglas Croham

Occasional Papers 27

Group of Thirty, New York and London

About the Author

Lord Croham is a director of Guinness Mahon & Co Ltd and Chairman of Trinity Insurance Ltd. He was formerly, as Sir Douglas Allen, Permanent Secretary of the U.K. Treasury.

This paper is published as the twenty-seventh in the Group of Thirty's Occasional Papers. Publication does not imply endorsement by the Group of Thirty of the views expressed.

Copies of this paper are available for $6 or £4 from:

The Group of Thirty
277 Park Avenue
New York, NY 10172
(212) 593-1672

The Group of Thirty
32 St. Mary at Hill
London EC3P 3AJ
(01) 623-6222

Occasional Papers
No. 27

Reciprocity and the Unification of the European Banking Market

Douglas Croham

Table of Contents

Published by
Group of Thirty©
New York and London
1989

Reciprocity and the Unification of the European Banking Market

1. The General Approach to Banking Unification

The decision of the European Community to move ahead to a "completion of the Market" by 1992 initiated intense debates about what this would require member countries to do and what it would imply for non-members. It was clear that action by the Community would be necessary on many fronts for both economic and political reasons. It was not merely a question of removing those controls which prevented firms from operating freely across the Community as if it were a single market. It was also a question of deciding how much harmonisation of law and practice was essential to secure an acceptable equalisation of competitive conditions – a level playing field – and, for those matters for which harmonisation of standards was genuinely required, what standards should be adopted for common application. Moreover, member countries granting new freedoms to the institutions of other member countries wanted to be assured that they would receive the same freedoms in return. Earlier discussion had made it very clear that in the area of financial services in particular there would be no ready agreement on an approach which required a comprehensive harmonisation of law and practice for the Community as a whole. The Commission therefore decided to address this problem by issuing a number of draft Directives which were significant by their much reduced emphasis on harmonisation and by greater reliance on the principle of mutual recognition.

So far as Banking services are concerned, after much deliberation the Commission's proposals for laying the basis for the unification of the Market were set out in the draft Second Banking Directive, published early

in 1988. Its most important proposal is the single banking licence, under which a banking institution authorised by any Member State would be free to conduct a whole range of banking services throughout the Community. This mutual recognition approach could be described as a "banking passport". Member countries would be prohibited from discriminating between institutions owned by their own nationals and those owned by nationals of other member countries, i.e. they would have to grant national treatment. But this would not be sufficient. There would need to be an agreed common approach to a number of key issues; such as minimum supervisory requirements (including capital adequacy), the right of establishment and some aspects of taxation. Exchange controls would have to be removed, with major consequences for all financial institutions. But the Market is not, and could not be, closed to all non-European firms and institutions. The consequences for non-European institutions also had to be considered.

The general approach of the draft Directive avoids the need for a comprehensive harmonisation of all rules and regulations relating to banking, although for those key issues where harmonisation is considered essential it may still prove difficult enough to secure agreement on both the principles and their application. In the past, countries have been reluctant to give up their individual rights over the granting of establishment to non-domestic institutions, especially in the field of services. Since international trade in services differs from that in goods by being largely conducted by subsidiaries and branches in the receiving country, the terms and conditions on which establishment is granted become very important in the context of a unified European market.

At present nearly all the EC Member States, and for that matter most of the members of the OECD, have reserved the right to invoke a reciprocity condition before authorising the establishment in their territory of a banking institution owned or controlled in another state; they admit banks from another country only if that country grants their banks broadly similar opportunities. Because the single banking licence will enable a bank established in one Member State to have access to the enlarged community market as a whole, it will give very valuable concessions to non-EC institutions. Individual EC member countries will lose their ability to apply a reciprocity test to extract a concession for themselves in return and so some will expect the Commission to do this for them. It is not therefore surprising that in this situation the Commission contemplated the use of reciprocity as a bargaining tool. But although all member

countries may invoke a reciprocity principle, they do not in practice all define it in the same way, some being substantially more liberal than others. The Commission believes that a uniform practice is necessary in the context of the unified market. If a uniform practice were to be a compromise, it would be more restrictive than the practice of the more liberal Member States, which have already authorised the establishment of many non-member institutions.

Most non-EC banking institutions doing, or aiming to do, any significant volume of business in the Community are already established in at least one Member State. These would thereby have automatic access to the enlarged market. The Directive therefore considered the terms on which establishment had been granted and should be granted in future and made proposals which in their original form created some alarm in non-Member States. Article 7 proposed that establishment should not be granted to institutions owned or controlled in countries which did not grant reciprocity to the institutions of all EC member-states. But what reciprocity meant was not defined and the conditions under which banking operations would be conducted in Europe are markedly different from those in major non-European countries for legal, structural and conventional reasons. It was feared when this Article was first published that it could lead to the creation of a protective shield round the unified European financial market when it was established after 1992.

Entwined with the problem of business access (reciprocity) is the problem of effective supervision, especially where a non-EC owned institution has established a subsidiary in one EC-Member State and has branches in others. The European Parliament has throughout been concerned about the adequate supervision of branches in the unified market and the need to limit their freedoms.

Although most attention has been focussed on the Banking Directive, a broadly similar approach is proposed in respect of other financial services, including investment services and insurance. These markets are less integrated internationally than banking has already become. In addition, the separation of financial service markets is breaking down with the growth of conglomerates. Special problems could arise in the unified market over the supervision of the various sectors and especially the supervision of conglomerates, which may become more widespread after 1992. This has relevance to the way in which a reciprocity rule could be interpreted. Several major issues in this area await further clarification.

2. The Reciprocity Condition: Commission Explanations

The early and more extreme fears about the intentions of the Commission are partly explained by the fact that the Draft Second Banking Directive did not define reciprocity as such. Key statements made by the Commission to explain what they had in mind include their Press Release of 19 October 1988:

"In the sectors where there are no multilateral rules, the Community will endeavour to obtain greater liberalisation of world trade through the negotiation of new international agreements. The Uruguay Round Negotiations provide an opportunity here which the Community will seize. It would be premature, however, to grant non-member countries automatic and unilateral access to the benefits of the internal liberalisation process before such new agreements exist. Non-Community countries will benefit to the extent that a mutual balance of advantages in the spirit of GATT can be secured. The Community may thus have to negotiate with its partners in order to obtain satisfactory access to their markets.

"In other words, the Commission reserves the right to make access to the benefits of 1992 for non-member countries conditional upon a guarantee of similar opportunities – or at least non-discriminatory opportunities – in those firms' own countries. This means that the Community will offer free access to 1992 benefits for firms from countries whose market is already open or which are prepared to open up their markets on their own volition or through bilateral or multilateral agreements.

"What does this reciprocity mean?

"It does not mean that all partners must make the same concessions nor even that the Community will insist on concessions from all its partners. For example, it will not ask the developing countries to make concessions that are beyond their means. Nor does reciprocity mean that the Community will ask its partners to adopt legislation identical with their own. Nor does it mean that the Community is seeking sectoral reciprocity based on comparative trade levels, this being a concept whose introduction into the United States has been fought by the Community. . . .

"The second banking Directive being discussed by the Council provides for the possibility of reciprocity for newcomers. However, it must be made clear that there can be no question of depriving the subsidiaries of foreign firms already established in Community Member States of the rights they have acquired, and still less, as has been suggested in some reports, of asking them to leave the Community."

The former Commissioner De Clerq made a similar point about the GATT in a speech on 12 July 1988:

". . . But it is important to remember that GATT does not cover all international trade. Where international obligations do not exist, as for example in

the field of services, we see no reason why the benefits of our internal liberalisation should be extended unilaterally to third countries. We shall be ready to negotiate reciprocal concessions with third countries, preferably in a multilateral context but also bilaterally. We want to open our borders, but on the basis of a mutual balance of advantages in the spirit of GATT."

According to press reports, Paulo Clarotti, head of the Banking Division, said to a financial conference in early November 1988 that Brussels would seek varying forms of national treatment for EC banks. Thus in Switzerland, EC banks should be able to compete with local banks in practising "near universal banking", while in the United States EC banks would have to respect local rules fragmenting the geographical scope and nature of banking. In Japan, a market particularly hard to penetrate, a better deal might be sought than that available to Japanese banks. This suggested a demand for something substantially more than national treatment. Moreover, he confirmed that while the proposed directive would protect the rights of all foreign owned banks already based in the Community when the measure came into force, any change in the ownership of a bank could trigger the reciprocity conditions.

Over the past twelve months decisions have been taken which amend some of these statements but the underlying concept of a reciprocity requirement has been retained.

3. Definitions of Reciprocity

Given the very different banking structures and different conditions of competition in different countries, it is almost impossible to define reciprocal concessions in objective terms. No international rules can establish a perfectly level playing field so long as countries insist on freedom to determine their own banking structures and standards of regulation. The existing differences in this respect give rise to several possible definitions of reciprocity.

There are for instance at least two possible basic definitions:

a. Reciprocal national treatment,

b. Mirror-image reciprocity.

On the first definition, reciprocity would be satisfied if an EC financial institution received national treatment in the non-EC country. This might be interpreted as ascertaining whether EC firms operating in the non-EC country were legally permitted to conduct the same activities as domestic firms. It is not surprising that the Commission has appeared to contemplate that more than this would be expected, since the Directive

indicates that within the EC a Member State will have to offer substantially more than its existing national treatment to other Member States. It was therefore left open that the EC might take into account the ability of EC firms to do business in the non-EC country, having regard to restrictions on ownership, regulatory discrimination or other barriers to business access, which might include the structure of financial services. Some of the references to Japan have certainly implied that this was envisaged. Moreover, some countries do not treat even all their domestically owned firms in the same way, so that national treatment is not itself an unambiguous concept.

On the second definition, reciprocity would be satisfied only if a firm from an EC country received treatment in the non-EC country comparable to that firm's treatment in the EC. Again, the EC could look to the legal ability to conduct the business or beyond legal ability to all the other factors. This, if pursued, could represent a demand that EC firms could have greater powers in non-EC countries than domestic firms. Again the reference to Japan is relevant.

Within the EC the requirement that there should be a harmonisation of law and practice on key issues means that a Member State has to offer something approaching mirror-image treatment to the institutions of another Member State, although the single banking licence approach accepts that complete harmonisation is out of reach. A demand for a similar approach to mirror-image reciprocity from non-EC members would amount to a demand for a high degree of harmonisation of the rules of establishment and supervision for the Western world as a whole. This would be too extreme a demand whether in the context of bilateral negotiation or in the context of any new GATT rules, even though substantial agreement has been reached in the BIS on a number of aspects of bank supervision, like capital adequacy. The countries which would be most affected by a mirror-image demand are the USA, Canada and Japan.

The United States has in the past given national treatment to foreign firms in the United States without much regard for the treatment of US institutions in the firm's own country. Firms from countries which are highly protectionist are unlikely to be able to withstand the fierce competitive conditions of US markets. A recent US Trade Bill, however, requires the US to consider conditions in the government securities market of an individual country before allowing a firm from that country to become a primary dealer in US government securities. There have therefore been signs that the US is moving to a position of requiring

reciprocal national treatment. Moreover, the US/Canada Trade Agreement gives special privileges for US banks in Canada and for Canadian government securities in the United States, so a US/Canada financial zone may be emerging. This may set the scene for any bargaining about agreed international rules for services, but should not cause a significant problem provided the EC adopts a reciprocal national treatment approach. There could however have been a major problem if the EC had insisted on a close approximation to a mirror-image approach and the US adopted a reciprocal national treatment approach. The EC Ministerial Meeting in June, 1989 removed this problem by agreeing that the basic approach should be national treatment, but with emphasis on the opportunity to do business.

Clearly at the heart of this question has been the EC concern about Japan, since it is in that country that ability to do business is thought to be particularly influenced by non-legal factors. But if there were to be any GATT agreement about services, it is most unlikely that its Articles would be agreed in a form which would permit the EC to discriminate between Japan and the United States. The United States has therefore been concerned about how the reciprocity condition would be applied anywhere in the developed world and not just with its application to the United States.

4. The Scope of the Reciprocity Requirement

The Commission have given assurances that non-member institutions which have already been authorised will not have that authority withdrawn, i.e. they will be "grandfathered". This would appear to limit the potential application of the reciprocity condition very substantially. Not only do most of the major international banks have operations in one or more member countries, but others if they wish to do so will presumably apply for authorisation before 1992. It is still unclear what will happen if they are owned either directly or indirectly by countries which do not satisfy the reciprocity condition. Will all those in be allowed to continue, but new applicants rejected? Or will their range of permitted operations be circumscribed in some way? One limitation already proposed is that only subsidiaries and not branches will be regarded as authorised institutions from the point of view of the banking passport.

The draft Article 7 indicated that branches would be treated differently from subsidiaries. It states that *"As things stand in Community Law, third country banks which establish their subsidiaries in any Community*

country are considered as Community undertakings as of the moment of their incorporation and therefore may benefit from the right of establishement and the free provision of services within its territory. However, the branches of third country credit institutions do not benefit from these rights." This implied that branches of non-EC banks would continue to be subject to host country rules on entry and powers and would not have cross-Community rights. In a speech on 31 August, 1989, however, the European Commissioner, Sir Leon Brittan, said that if other countries brought the provisions of recent EC banking and solvency rules into their own legislation, then the key principle of home country control of branches could be extended to them even though they were not EC members.

It is possible that many non-EC institutions would be quite content with the more limited rights of branches. Branches are likely to involve lower costs for both administration and audit. The Commission were examining whether foreign banks should be permitted to avoid a strict reciprocity regime by deliberately not taking advantage of the proposed EC single banking licence, choosing to continue operating a network of branches on a type of "grandfathered" basis.

This question was commented on by the European Parliament when it considered the draft Directive in March 1989. The Parliament considered that the proposed treatment of branches was too lax and it passed a number of amendments for tightening the rules. It believed that the Commission should amend Article 7 so that the reciprocity clause could not be circumvented by the creation of branches with the result that insufficient attention was paid to prudential requirements. The Commission however has so far not proposed to extend the reciprocity requirement to branches. The Parliament also stressed that the principle of reciprocity was the only key by which the Community would be able to open the closed or half-closed doors of protected financial markets.

5. The Change of Ownership Trigger

Since the assurances given about "grandfathering" would appear to restrict the potential application of the reciprocity principle to a substantial extent, it might be expected that there would be a desire to invoke it whenever an opportunity to do so was afforded by any significant change in the circumstances of a banking institution. But this possibility has itself already been narrowed. Both Commission assurances and the text of the Directive itself rule out its being invoked for an addition to functions undertaken. Not only is a comprehensive list of banking activities an

authorised institution can perform attached to the Directive, but there will be a procedure enabling functions to be added to the list if necessary.

The main change of circumstances which could result in reciprocity being invoked is, therefore, a change of ownership or control, such as merger or take-over, which could in any event require the approval of the relevant regulatory authority. Before the Directive, this change would merely have required the approval of the regulatory authorities in the host country. The Directive provides that as soon as essential rules relating to authorisation and supervision have been harmonised (covering initial capital requirements, supervision of major shareholders, accounting and control mechanisms, solvency etc.) supervision will be undertaken by home Member States. Host States will retain exclusive responsibility for monetary policy and, until further coordination is agreed, primary responsibility for the supervision of liquidity. There will be rules providing for cooperation and consultation between supervisory authorities in the different Member States. What this principle of home State supervision implies for a subsidiary of a non-EC owned institution which is already established in a Member State (and is therefore technically an EC institution) is not yet entirely clear. What is clear is that under the Directive the Commission will have to be consulted on a change of ownership or control and it is this requirement which will enable the Commission to consider whether or not to invoke reciprocity and precisely what circumstances to regard as decisive. Despite all the assurances which have been given, the suspicion remains that the reciprocity requirement would in practice tend to be applied restrictively, especially if no GATT agreement on the treatment of banking services has been reached by the time the Directive comes into force.

6. Reciprocity as a Bargaining Tool: the GATT

The initial explanations given by the Commission of the objectives sought by the draft Second Banking Directive placed emphasis on the use of the GATT Uruguay Round to establish new international rules for services and on the need to refrain from granting non-member countries automatic access to the benefits of the enlarged market until those new rules existed. If reciprocity was not provided by the new rules and not already afforded by individual countries, it would be obtained by the negotiation of bilateral agreements. It was never made clear what this objective implied for an individual non-member bank seeking establishment if it was owned in a country which did not satisfy the EC

reciprocity test but to which a number of previously authorised institutions belonged. The use of the reciprocity condition as a bargaining tool in such circumstances would appear impractical. The existing reciprocity approach of individual Member States has been rather to establish whether a condition exists than as a bargaining tool; establishment of an institution of another country has been authorised by an individual Member State when it has been satisfied that broadly equivalent treatment is available to its own institutions there. The Commission has recognised that a problem would have existed by indicating recently that before the Directive came into force it would conduct an initial review to establish which countries satisfy the reciprocity condition and which do not. It might then seek to negotiate with the countries which failed the test and presumably would announce that no new authorisations would be granted to institutions from those countries until reciprocity had been obtained.

The main use of reciprocity as a bargaining tool was clearly intended to be in the broader context of a wide ranging international negotiation, with the GATT particularly in mind. If satisfactory international rules for services were agreed and ratified, the EC would presumably neither wish nor be permitted to discriminate against institutions owned in countries which were complying with them. Authorisation of the institutions of such countries should then be automatic provided that the applicant institution satisfied the requirements of the relevant supervisory authorities. There would then be no need for the Commission to be involved in individual cases. This would remove most of the problems otherwise inherent in the reciprocity concept.

It now seems optimistic to believe that GATT rules for services will be both agreed and ratified before the Second Banking Directive takes effect. Entirely new GATT articles will almost certainly be necessary for services since the wording of the existing Articles is applicable only to goods and does not cover the right of establishment. The GATT rules for products permitted members of Customs Unions or Common Markets to discriminate in each other's favour against the outside world to a limited extent, but do not permit them to discriminate between developed non-members. These were negotiated, however, when the EC was only a dream. In current conditions, neither the USA nor Japan would be likely to agree to a new Article which permitted the EC to unify its market for services while maintaining a significant barrier against competition from non-member institutions. Nor would an international agreement ever be

likely to provide the conditions implied by mirror-like reciprocity. No country is likely to be willing to bind itself in an international agreement to give better treatment to foreign institutions than to its own. Similarly, it was always unrealistic to believe that the EC could negotiate rules which required virtual uniformity of banking practices throughout the GATT.

A GATT rule requiring national treatment for banking services should be negotiable, though a rule which required the GATT to have regard also to the ability to do business would probably be neither negotiable nor enforceable. There is however a potential time problem. The relevant negotiations in the GATT have barely started and are bound to be prolonged. Unless the negotiations on services as a whole are successfully concluded before the spring of 1991, there may be substantial difficulty in securing ratification by all the countries concerned by 1992.

It is to be expected therefore that the Commission will have completed its proposed review of the treatment afforded by other countries to EC owned banks long before any GATT rules for services are in place. The findings of the review can be expected to influence the negotiating stance of the Commission in GATT discussions and in any early negotiations with individual countries; and will also be relevant to any individual applications for establishment which may be made from now on. In order not to weaken the negotiating position, the reciprocity condition is likely to be interpreted strictly until either a GATT Agreement or key bilateral agreements have been reached.

By contrast with the absence of any provisions for services in the GATT, Codes applicable to services were agreed in the OECD some years ago but member countries there were reluctant to lose control over applications for establishment, and reserved the right to invoke their own reciprocity requirements.

7. Possible Market Developments

Emphasis on reciprocity is a producer-orientated approach and pays little attention to the benefits which European consumers of services may be expected to derive from increased competition. But these benefits do not depend solely on whether new firms are established within the EC. An increase in banking competition after 1992 may be expected at least as much from an extension of the functions undertaken by existing institutions as from an increase in their numbers and this will not be impeded by the Directive. Non-EC banks already operating in the EC area have mainly concentrated on wholesale markets. In the integrated market

after 1992, with all capital controls and other national barriers affecting financial services removed between Member States, international interest can be expected to turn increasingly to retail financial services and insurance, with increased competition (and probably new regulatory problems) in hitherto sheltered areas. Almost certainly the shape of European banking will change and what evolves could be quite different from what has evolved elsewhere. The Second Banking Directive does not demand a harmonisation of law and practice for banking and other financial services across Europe but once the Market is unified the pressure of competition is likely to move things in that direction. Nor will change be confined to Europe. The desire that other financial markets should then be as open as Europe will not just be a European demand for reciprocity; it will also be a demand by the consumers of financial services outside Europe and by at least some of the major domestic suppliers there.

In all countries an important factor is likely to be a continued tendency to increased concentration of financial services. This can be expected to provoke reactions from domestic authorities concerned with regulation and with competition. For instance, the attitude of the European Community to reciprocity may be strongly influenced in the longer term by whether the post-1992 unification of the banking market appeared to be leading to a substantial reduction in the number of banking institutions, leaving a few very large trans-European banks, some of which were dominated by non-Member States. A pronounced tendency in this direction could lead to pressures for the Commission to utilise the reciprocity condition to prevent unwelcome mergers.

8. Present State of Play

Important steps were taken by the EC Ministerial Meeting on 19 June, 1989. Ministers agreed in principle to the main recommendations of the draft Directive. The single banking licence principle would operate from 1 Jan 1993 and would be available to non-EC banks, subject to the Community having the power to deny licences to countries that did not treat EC banks on the same footing as their national ones. The Commission would review the trading situation in third countries and make recommendations to the Council of Ministers: this clearly implies that it is not just a question of what other countries state to be their legal position that is relevant. Given the assurances already made by the Commission, this review should not call in question the position of non-EC banks which have already been established in any Member State unless there is a

change of ownership. The refusal of a licence is to depend on a decision by the Ministers and not, as proposed in the draft, by the Commission.

At this stage in the evolution of the Second Banking Directive one cannot be certain whether the concerns expressed by non-EC countries remain justified. There can be no doubt of the importance of the Directive and its far reaching consequences; or that this is a very complicated affair. The concept of the single banking licence is in itself a major act of liberalisation, but one which by the same token asks a great deal from many of the Member States. The reciprocity condition forms only a small part of the Directive, although it has attracted a great deal of attention. Because so many interpretations of it have been made and so many assurances given, it is no longer entirely clear what purposes it is now intended to serve. The initial omission of a definition of reciprocity may have in itself been an element in the bargaining process but it was responsible for much of the early concern. It should be remembered, however, that the Directive poses substantial though different difficulties for each of the twelve Member States because their banking systems range all the way from the relatively undeveloped and protected to the very sophisticated. There will be major structural consequences for their service industries and this influences what they seek from reciprocity. Not surprisingly therefore there is a range of pressures from different quarters, which have surfaced in the Ministerial Council and in the European Parliament. The rest of the world needs to show some understanding as this process works through, since an overvigorous reaction could play into the hands of those who would prefer a restrictive interpretation of reciprocity in order to slow down the pace of change. But by the same token, the Community needs to show more understanding of the genuine anxieties of the rest of the world and take care to ensure that the issues are presented consistently and realistically. It remains to be seen how much will be determined by the GATT negotiations now that they have begun to get to grips with services. If these negotiations are to be successful it is probable that all parties to them will have to modify their initial negotiating positions before they are concluded.

Group of Thirty Publications

Reports:

Toward a Less Unstable International Monetary System
The Reserve Assets Study Group

Foreign Exchange Markets Under Floating Rates
The Exchange Markets Paticipants' Study Group

Balance-of-Payments Problems of Developing Countries
The Capital Movements and the Growth of International Indebtedness Study Group

The Outlook for International Bank Lending
The Capital Movements and the Growth of International Indebtedness Study Group

Reserve Currencies in Transition
Robert V. Roosa, et al.

How Central Banks Manage Their Reserves
The Multiple Reserve Currency Study Group

How Bankers See the World Financial Market
The International Banking Study Group

Risks in International Bank Lending
The International Banking Study Group

Bank Supervision Around the World
Richard Dale

The Future of the International Oil Market
Edwin A. Deagle, Jr.

The IMF and Private Markets
Committee on International Banking

Commercial Banks and the Restructuring of Cross-Border Debt
M. S. Mendelsohn

The Mexican Rescue
Joseph Kraft

Economic Co-operation from the Inside
Majorie Deane and Robert Pringle

Foreign Direct Investment 1973-87
The Office of the Group of Thirty

The Foreign Exchange Market in the 1980s
The Foreign Exchange Market Study Group

Countertrade in the World Economy
Robert V. Roosa, et al.

Outlook for Mineral Commodities
R. H. Carnegie

Inflation Stabilisation with Incomes Policy Support
Rudiger Dornbusch and Mario Henrique Simonsen, with discussion by Mario Brodersohn, Michael Bruno, G. G. Johnson

Finance for Developing Countries
Richard A. Debs, David L. Roberts, Eli M. Remolona

International Macroeconomic Policy Co-ordination
Policy Co-ordination Study Group

Perestroika: A Sustainable Process for Change
John P. Hardt and Sheila N. Heslin, with commentary by Oleg Bogomolov

Special Report:

Clearance and Settlement Systems in the World's Securities Markets
Steering & Working Committees of the Securities Clearance and Settlement Study

Occasional Papers:

1. **Exchange Rates, Domestic Prices and the Adjustment Process**
   Peter B. Kenen and Clare Pack
2. **Credit Creation in the Euromarket: Alternative Theories and Implications for Control**
   Alexander K. Swoboda
3. **Views of Inflation in the United States**
   Herbert Stein
4. **Energy in the 1980s—An Analysis of Recent Studies**
   Edwin A. Deagle, Jr., Bijan Mossavar-Rahmani, and Richard Huff
5. **"Overshooting" in the Foreign Exchange Market**
   Richard M. Levich
6. **The Role of Official Intervention**
   Michael Mussa
7. **Co-ordination of National Economic Policies**
   Jacques Polak
8. **Gradualism vs. Shock Therapy**
   William Fellner, et al.
9. **Policy Choice and Economic Structure**
   John B. Taylor
10. **Exchange Rate Policy Reconsidered**
    Otmar Emminger
11. **Managing Foreign Exchange Reserves in Small, Developing Countries**
    Courtney Blackman
12. **World Money and National Policies**
    Henry C. Wallich, Otmar Emminger, Peter B. Kenen, Robert V. Roosa
13. **The Role of the Dollar as an International Currency**
    Peter B. Kenen
14. **The Revival of Protectionism**
    W. M. Corden

15. **Insurance of Bank Lending to Developing Countries**
Henry C. Wallich

16. **Policy Lessons of the Development Experience**
Helen Hughes

17. **Japan's Role in the Emerging Global Securities Markets**
Hamish McRae

18. **Japan as Capital Exporter and the World Economy**
Masaru Yoshitomi

19. **The Dollar's Borrowed Strength**
Otmar Emminger

20. **The ECU: Birth of a New Currency**
Polly Reynolds Allen

21. **The United States and Japan in the International Monetary System 1946-1985**
Robert V. Roosa

22. **The Japanese Trade Surplus and Capital Outflow**
Michiya Matsukawa

23. **The State and the Market: The UK Experience of Privatisation**
J. A. Kay

24. **Adjustment in the World Economy**
Paul Krugman

25. **1992: The External Dimension**
David Henderson

26. **Japan's Savings and External Surplus in the World Economy**
Masaru Yoshitomi

27. **Reciprocity and the Unification of the European Banking Market**
Douglas Croham