

Given the reinforcing nature of trade and investment and the tendency of banks to count on domestic clients in foreign markets, it would be equally correct to conclude that the presence of domestic banks in foreign markets encourages trade, and that increased trade with a particular country encourages domestic banks to set up facilities there. In so far as some companies might be more comfortable dealing with their domestic banks, the presence of the banks abroad might be one of the factors those companies consider when weighing the costs and benefits of trading internationally.

5.2.4 Market Access for Financial Services

The U.S.

The NAFTA provides little immediate progress on liberalizing trade in financial services between Canada and the U.S., although it does break ground in providing for formal dispute settlement proceedings in cases of disagreement. The market access principles, moreover, will help to ensure that Canadian institutions can benefit from future liberalization, for example, if U.S. interstate banking restrictions are "significantly" diminished.

As long as the U.S. banking industry is subject to the Glass-Steagall Act, which separates commercial banking from the securities business, and the McFadden Act, which prohibits interstate banking, Canadian banks will face considerable limits on their activities in the U.S. market. The U.S. is one of the few countries without a system of nationwide banking, that limits the financial products that banks can offer or be affiliated with, and that has such a large number of regulatory agencies involved in banking, securities and insurance activities. The progress that Canadian trade negotiators can expect in any future negotiations with the United States will continue to be constrained by the complexities of the U.S. financial services industry.

Japan

Article 65 of the Japanese Securities and Exchange Law, like the U.S. Glass-Steagall Act, imposes a strict separation between banking and securities activities. However, the financial reform law enacted by the Diet in June 1992 permits banks