

Mr Pascal Lamy
Member of the European Commission
Trade Commissioner
European Commission
Rue de la Loi, 170
B - 1049 - Brussels

Brussels, 23rd September 2004

Subject: Importance of the services trade in EU-Mercosur Negotiations

Dear Commissioner Lamy,

The EU is looking to complete an historic trade agreement with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) at the end of October 2004. While the European services sector has high hopes of what can be achieved in this final round of negotiations, we also have deep concerns about the current lack of offers on services from Mercosur.

Discussions with our South America trading partners have largely focused on possible EU agricultural concessions. Unfortunately, our counterparts have not put anything substantive on the negotiating table. We urge you to make sure that any deal is well balanced in terms of concessions. In particular, we would like to draw attention to the services aspects of these negotiations. Given that EU-15 trade in services with the Mercosur Countries amounted to 8.6 billion euros in 2002, 12th among EU partners, the importance of this sector is obvious. This figure would undoubtedly be much higher if Brazil's GATS commitments in telecommunications and financial services had been ratified in the national legislature. Investment in services sectors will increase if the Mercosur countries take further commitments and open up their domestic services markets in the framework of an agreement with the EU.

In the forthcoming meetings with Mercosur, the EU is expected to make even greater concessions in agriculture. The Mercosur countries *must* offer something attractive in return. We are especially interested in telecommunications, financial and maritime transport services where significant progress must be achieved. But we are also very interested in environmental services, legal services and computer related services. In many cases, we are only asking that the existing situation should be bound, which should not be difficult for Mercosur to accept. If ESF members have any further sectoral points to raise, those will be passed on to your negotiating team.

We understand that agricultural trade is a very potent issue globally, but the numbers speak for themselves. The services sector makes up the majority of GDP in each of the four Mercosur countries: Argentina 68.6%, Brazil 57.4%, Paraguay 51.1% and Uruguay 66%. These figures will inevitably increase with further development.

Commitments in services will certainly create growth and employment in both the European Union and Mercosur. We call upon you and your negotiating team to make this an essential condition for the successful conclusion of these important negotiations.

Yours sincerely,

A handwritten signature in dark ink, appearing to read 'Ian Vallance', written in a cursive style.

Vallance of Tummel
ESF Chairman