

Mr. Karel De Gucht  
Member of the European Commission  
Commissioner for Trade  
European Commission  
Rue de la Loi, 200  
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Brussels, 14 June 2010

**RE: European Services Industry call for an ambitious EU-MERCOSUR Trade Agreement**

Dear Commissioner,

The European Services Forum would like first to congratulate you and your services for the recent conclusion of the negotiations of the multiparty trade agreement with Colombia and Peru and of the Association Agreement with Central America. The European Services Forum is keen to review the detailed texts resulting from these negotiations so as to assess the benefits for the European services companies in these countries, and, on the assumption that ESF member priorities have been achieved, then work towards the ratification and the implementation of these trade agreements.

Furthermore, ESF is pleased to hear that the European Union decided to resume the trade negotiations with the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay). Mercosur is indeed a large market with great growth potential and an increasingly important partner for the EU. A future free-trade agreement should give EU services providers and investors better access to this market. Our companies will also be very interested in getting better access to public procurement in the region.

Most of the media reports on the re-launching of these negotiations announced at the Madrid Summit on 18<sup>th</sup> May have focused their attention on agriculture. We understand that agricultural trade with the Mercosur countries is a potent issue, but it is important too that services interests also be highlighted in public discussion: the numbers speak for themselves. The services sector makes up the majority of GDP in each of the four Mercosur countries: Argentina 62%, Brazil 67.6%, Paraguay 59.6% and Uruguay 68%. These figures will inevitably increase with further development. On the other hand, agriculture in the EU composes a mere 2.1% of EU GDP compared to 25.2% for industry and 71.8% for services (2009 estimate). Furthermore, agriculture represents 5.6% of the labour force versus 27.7% and 66.7% for industry and services respectively (2007 estimate). On the MERCOSUR side, the non-agricultural sector makes up the majority of GDP in each of its four countries: Argentina 94%, Brazil 93.5 %, Paraguay 77.7% and Uruguay 90.5%.

Brazil is the 13<sup>th</sup> trading partner of the EU in international trade in services, with a volume of €15.2 billions, and a net surplus of €3 Billion for the EU in 2008 (tripled from 2006 to 2008). Argentina and Uruguay are respectively 23<sup>rd</sup> and 24<sup>th</sup> partner with a volume of €3.8 Billions and €0.8 billion with a net surplus of €247 Millions and €171 Millions for the EU in 2007. The surplus in trade in

services contributes to limit the overall trade deficit of the EU with the region. Over the past five years until the crisis hit, EU exports of services to Brazil and Argentina increased respectively by 90% and 100% annually respectively, i.e. much more than the trade in goods and agriculture (+15%). EU investments in Mercosur amount to more than €165 billion, more than EU investments in China, India and Russia together, and more than 60% of these investments go into services sectors according to Eurostat. But FDI outward flows have in fact reduced over the last years where statistics are available (2000-2005), notably due to remaining trade barriers.

We understand that the recent negotiations concluded with other South America trading partners have shown that it is possible with neighbouring countries to ensure commitments that provide better market access and better legal security to trade in services and investment. We would like therefore to urge the Commission's negotiators to ensure that the forthcoming negotiations with Mercosur will ensure that the trading partners will take commitments that would improve commitments in services sectors.

Unfortunately, when the previous negotiations collapsed in October 2004, the EU counterparts did not put anything substantive on the negotiating table for the services sectors, which led the European Services Forum to raise deep concerns about the lack of offers on services from Mercosur and some doubts on the value of the overall deal at that time. We urge you to make sure that any deal is well balanced in terms of concessions and will seriously improve the Mercosur countries services commitments, by embracing their existing GATS offer as a starter, binding their current practice and then making specific new liberalisation commitments such as those itemised by various services sectors in the context of the WTO Doha Round. This will dramatically improve the legal security for our trade and investment in the region, since notably the WTO schedule of commitments of these countries are rather low due to the fact that notably Brazil's commitments on financial services and telecommunications have never been ratified.

We are especially interested in telecommunications, financial and maritime transport services where significant progress must be achieved. But we are also very interested in getting concessions in other services sectors such as environmental services, professional services, computer related services and many business related services, like services related to agriculture and services related to manufacturing. ESF and its members reserve the right to come back with more sector specific requests in the coming months.

We shall be grateful to the Commission to take the European service industry priorities into consideration during the forthcoming trade negotiations with Mercosur, and remain at your disposal for any further information you and your services would find necessary.

As a last comment, I would like to encourage the European Union to determine with the Mercosur negotiating partners a short timetable for the negotiations, with a stocktaking rendezvous to give political impulse, and allow rapid conclusion of the talks. An agreement with such an important trading bloc will be a much needed strong signal to boost the economy.

Yours sincerely,



Christoffer Taxell  
ESF Chairman

Cc: Sr. D. Miguel SEBASTIÁN GASCÓN, Ministro de Industria, Turismo y Comercio, Spain  
Mr. David O'Sullivan – Director General, DG Trade, European Commission  
Mr. Joao Aguiar Machado – Deputy Director General, DG Trade, European Commission & Chief Negotiator for EU-Mercosur trade negotiations