

Mr Yannis Stournaras
Minister of Finance
5-7 Nikis Street
Syntagma Square
Athens
GREECE

Brussels, 31 March 2014

Subject: **European service industries call for the pursuit of the negotiations towards an ambitious EU-Japan FTA**

Dear Minister Stournaras,

The EU-Japan FTA negotiations have started one year ago and this week the fifth round of talks is taking place in Tokyo. The European services sectors have from the beginning been strong proponents of these negotiations because we are convinced that they can deliver significant improvement of the trade and investment flows with Japan.

Trade in services with Japan was 39.6 billion € in 2012 (both ways) with an EU benefit of 8.6 billion €. But the share of EU export to Japan compared to rest of the world is relatively low (4% in 2012), notably due to the existing market access and regulatory barriers that our companies are facing in Japan. But the trend is not going in the right direction. Investing in Japan is difficult and Japan is one of the only country where the EU has a deficit in terms of FDI stocks (-58.4 Billion € in 2011; i.e. Japan invests more in the EU, while the EU is by far the biggest investor in most of developed and emerging economies). Japan's Inward FDI remains very low in comparison with other OECD countries. We strongly believe that the EU-Japan FTA can contribute to reverse the trend, by allowing more export, more investment and better access to the services public procurement market in Japan by our companies.

Ahead of the forthcoming one-year review that was mandated by the EU ministers when authorising the launch of these negotiations, we would like to urge you to recommend the continuation of the talks with Japan. Although we fully understand the importance of removing by the Japanese authorities the Non-Tariffs Barriers that have been identified in a roadmap, we would not understand that these identified obstacles would be granted more importance than others. We note that some progress has been made and more should be done by pursuing the efforts on these domains, but other sectors should also be given a chance to obtain further liberalisation. We would consider as discriminatory treatment the fact that the fate of these negotiations would be decided upon progress in few sectors only, without taking into consideration market access barriers in other sectors, including in services sectors. The only possibility for our companies to create new business opportunities in Japan is indeed to pursue the trade negotiations.

The European Services Forum (ESF) is a private sector trade association that represent the interests of the European services industry in International Trade Negotiations in Services & Investments. It comprises major European service companies and European service sector federations covering service sectors such as financial services, telecommunications, maritime transport, business and professional services, distribution, postal and express delivery (see full list of members on the web-site: www.esf.be)

We take note that progress has been made in many chapters of the negotiations and hope that more will be done this week, but much time has been dedicated to the NTBs on goods and maybe not sufficient attention to the services and other chapters. It is now time to move on also in negotiating services sectors concessions, since export of services to Japan represent more than 30% of total EU exports. Since Japan is a developed economy and has already signed FTAs with trading partners following that model, ESF favours services negotiations with Japan on a negative list approach, which should cover market access negotiations not only at the national government level, including independent agencies, but also at provincial or municipal levels when services sectors (or part of their activities, like outlet licencing, etc.) are regulated at those levels. Such an approach provides better transparency of the regulation and better visibility for the companies. In order for the talks to enter into active phase, the services offers should be exchanged as soon as possible.

The European Services Forum and its members have already supplied the Commission's negotiators with sector specific information and we remain committed in providing further input. In addition, there are cross-sectoral barriers in Japan such as in relation to public procurement practices, access to skills, corporate governance and buyer-supplier relations which should be addressed. More transparency regarding the legislations and sector specific regulations and regarding corporate governance should be encouraged so that foreign investment and functioning of subsidiaries and joint ventures become easier. The legal framework and its implementation should be reformed and streamlined to harmonise the Anti-Monopoly Law and subsidiary laws with international standards. We would therefore strongly encourage the EU to negotiate strong disciplines in competition chapter, as well as a regulatory cooperation chapter, with the setting-up of an on-going process – somewhere similar with the one envisaged in the Transatlantic Trade and Investment Partnership (TTIP) - that would provide the regulators with a tool towards better coherence and convergence of regulatory issues while keeping high standards.

We call upon the European Commission and the EU Trade Ministers to clearly recommend the continuation of the negotiations, so that all economic sectors will have a chance to benefit from the EU-Japan FTA, which should reach a balanced but ambitious result.

Yours sincerely,



Tillmann Kupfer
Chairman
ESF Policy Committee

Note: A similar letter has been sent to all EU Ministers in charge of external trade