

Ms Cecilia Malmström
Commissioner for Trade
European Commission
Rue de la Loi 200
1049 - Brussels
BELGIUM

Brussels, 6 March 2017

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

Dear Commissioner Malmström,

ESF takes note that the trade negotiations between the EU and the Mercosur countries (Argentina, Brazil, Paraguay and Uruguay) are moving closer to a final phase. 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 political and media attention on these Mercosur have and will undoubtedly focus 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 and more importantly through the whole agreement.

It is somewhere astonishing that the figures of trade in services do not appear on the DG Trade website on Mercosur's page, while the total of trade in services volume between the EU and Mercosur countries amount to more than 32.7 € billion in 2015. The total exports of services to Mercosur amounted to 21.3 € billion in 2015, which represents **31.5% of the total volume of exports of the EU to Mercosur** (goods and services). According to Eurostat, Brazil is the 9th trading partner of the EU in international trade in services, with €15.6 billion exports, and a net surplus of €6.9 Billion for the EU in 2015. EU exports of services to Argentina has increased over the last five years, from €3.4 billion in 2010, to €4.7 billion in 2014, i.e. an increase of +40%. The surplus in trade in services (+9.75 € billion) of the EU with Mercosur is double than the surplus in trade in goods (+4.3 € billion) in 2015. These figures show the strategic importance of trade in services with the region, and hence must be reflected in the EU policy when negotiating with Mercosur.

The agreements 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 negotiations with Mercosur will ensure that the trading partners will take commitments that would significantly 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 going much beyond their GATS schedules which serve currently as the legal basis, binding their current practice as far as possible and making specific new liberalisation commitments. This will dramatically improve the legal security for our trade and investment in the region, since 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 negotiated in 1998 & 1997 have never been ratified and – despite recent positive developments towards the re-opening of the market – Argentina similarly, continues to hold up certain restrictions for foreign service providers, for example on the cross-border supply of reinsurance, and is setting up new barriers discriminating mode 3 investors against local providers in offering convergent telecom services.

It is uncontested that Mercosur countries are major exporters of agriculture products, but it should not be under-estimated that Argentina and Brazil are also important exporters of services and hence able to compete with EU countries. The Trade in Value Added (TiVA) database, managed by the OECD and WTO, indicates that the share of services in the value added of goods exports are respectively 31.8% for Argentina and 37.8% for Brazil. This leads to the fact that the services value-added content represents 43.2% of total exports of Argentina and 49% of total exports of Brazil (comparatively, the figure for the EU28 is 60.5%). These figures are a strong argument towards the Mercosur partners who tend to undervalue their trade in services capacity in trade negotiations.

We are especially interested in commitments and rules on telecommunications, financial, maritime transport and express and postal services where significant progress must be achieved. But concessions should also be obtained in other services sectors such as environmental services, professional services, computer related services and many business-related services, like services related to agriculture, manufacturing and e-commerce. Commitments must be made in all modes of supply, including on mobility of skilled business personnel (mode 4).

Furthermore, in order to bring the level of commitments of the Mercosur countries to today's modern economies standard, the agreement should also include horizontal disciplines like those developed in the Trade Facilitation Agreement (TFA) i.e. the enhancement of customs simplified procedures, or the on-going Trade in Services Agreement (TiSA) to which none of the Mercosur Partners are participating, but have the perfect capacity to commit. This should include disciplines on transparency, on domestic regulation for the licensing and authorisation procedures, on regulatory cooperation to aim at mutual recognition of qualifications in professional services, on free cross-border data flows while respecting high level data privacy requirement and on prohibition of data localisation.

The services sectors are also keen to see ambitious results in public procurement. We take note that the parties have exchanged revised text proposals for the public procurement chapter. We welcome

the fact that the proposed text by the EU is based on the provisions of the revised GPA, to which none of the Mercosur countries are member. We strongly encourage the EU negotiators to negotiate market access commitments that will cover a large number of public entities at central and sub-central level, with reasonable thresholds.

We understand that the negotiations are reaching a crucial phase towards a possible end-game and shall be grateful to the Commission to take the European service industry priorities into consideration at the next round of trade negotiations with Mercosur in March 2017. We remain at your disposal for any further information you and your services would find necessary.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'T. Harris', with a long horizontal stroke extending to the left.

Sir Thomas Harris
ESF Chairman

Cc: Mr. Jean-Luc Demarty, Director General, DG Trade
Ms. Sandra Gallina, Director, DG Trade, Chief EU-Mercosur Negotiator

LIST OF ESF MEMBERS SUPPORTING THIS POSITION

- Accountancy Europe
- Ageas Insurance
- Architects' Council of Europe –ACE
- BDO
- British Telecom Plc
- Bundesverband der Freien Berufe - BFB
- Bureau International des Producteurs et Intermédiaires d'Assurances – BIPAR
- BUSINESSEUROPE
- BUSINESSEUROPE WTO Working Group
- Deutsche Bank AG
- Deutsche Post DHL
- Deutsche Telekom AG
- DI – Confederation of Danish Industries
- Digital Europe
- EK - Confederation of Finnish Industries
- Ernst & Young
- EuroCommerce
- European Banking Federation - EBF
- European Broadcasting Union - EBU
- European Community Shipowners' Associations – ECSA
- European Express Association – EEA
- European Federation of Engineering and Consultancy Associations – EFCA
- European Savings Banks Group – ESBG
- European Satellite Operators Association - ESOA
- European Telecommunications Network Operators - ETNO
- European University Association - EUA
- Fédération de l'Industrie Européenne de la Construction – FIEC
- Foreign Trade Association – FTA
- HSBC Holdings Plc.
- IBM Europe, Middle East & Africa
- Inmarsat
- Insurance Europe
- Irish Business and Employers' Confederation - IBEC
- Law Society of England & Wales
- Le Groupe La Poste
- Microsoft Corporation Europe
- Mouvement des Entreprises Françaises - MEDEF
- Oracle Europe, Middle East & Africa
- Orange
- PostEurop
- Prudential Plc.
- SELDIA – European Direct Selling Association
- Svenskt Näringsliv (Confederation of Swedish Enterprise)
- Tata Consulting Services - TCS
- Telenor Group
- TheCityUK
- Thomson-Reuters
- Zurich Financial Services