

ESF12-07

Mr. Karel De Gucht
Member of the European
Commission
Commissioner for Trade
European Commission
Rue de la Loi, 200
B - 1049 - Brussels

Brussels, 10 July 2012

Subject: European Services Industry supports the launch of EU-Japan FTA

Dear Commissioner De Gucht,

As you know 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. It comprises major European service companies at the CEO level and European service sector federations covering service sectors such as financial services, tourism, telecommunications, maritime transport, business and professional services, distribution, postal and express delivery, IT services, energy services and the audio-visual industry (see full list of members on the web-site: www.esf.be). It is estimated that ESF membership covers approximately 80% of Extra EU services exports and investments. ESF members employ more than 90 million workers, are present in more than 200 countries and provide services to hundreds of millions of consumers in Europe and around the world. The European Union is by far the largest exporter of international trade in services (26% of world share).

I write you this message to express the full support of the European services industry for the launch of negotiations for a deep and comprehensive free trade agreement with Japan.

We have forwarded to the DG Trade services in February 2011 a list of trade barriers that our companies were encountering in trying to export or to do business in Japan (see attached). We have also contributed to the DG Trade Scoping exercise consultations in July 2011.

We have learned that the scoping exercise between EU and Japan was concluded at the end of May 2012. The most controversial issues on the famous Non Tariffs Barriers (NTBs) are not directly of concerns to the services sectors and we have therefore not participated directly to this debate. But now that the scoping exercise is over, we have consulted our membership and they have clearly express the view that free trade negotiations between the European Union and Japan should start at the earliest. And trade and investment in services must be a prominent part of the result of the forthcoming agreement. Indeed, the numerous barriers that our companies are encountering in exporting or doing business in Japan can be removed or reduce only through negotiations. Therefore the European services sectors can only win from these negotiations.

Japan is a tough market for the foreign services providers, and the competition is fierce in this mature market with slow growth. But Japan remains a major economy in the world and is the 4th trading nation in the world in terms trade in services with \$ 141 Billion in 2010. The volume of trade in services between the EU and Japan was € 33.3 Billion in 2010, with export of € 19.6 Billion and a positive balance of € 4.7 Billion. Japan remains the 5th trading partner of the EU in trade in services. These exports provide growth and jobs in the EU and cannot be ignored.

But there is no doubt that this volume and this benefit should be much bigger, and should provide even more growth and jobs if the remaining barriers would be removed. For most of the various barriers that have been identified by our companies and sector specific associations members, the only way to remove or reduce them is through trade negotiations that would tackle non only the traditional removal of equity caps and other discriminatory measures at the entry into Japan, but also by negotiating regulatory disciplines that will bring better transparency to the complex Japanese legal system. A strong regulatory cooperation chapter with bidding monitoring commitments will be a must in the final agreement. I would like also to highlight the importance of public procurement for many services sectors like of course the construction services (& architects and engineers); but also the environmental services (waste and water management); energy related services; ICT services; cleaning and catering services, etc. Negotiations with Japan should deliver better access to the tenders for our companies not only at central government level, but also at the provincial and local levels and all public entities.

Among the various sectors that are looking for better access to Japan, allow me to mentioned some important cases: Financial services, Insurance and the discriminatory privileged treatment provided to Japan Post, Express courier and postal services where Japan Post get also unfair beneficiary treatment, restrictions for European lawyers and other professional services, Telecom services, Aviation services, Wholesale and retail distribution services, etc.

We therefore urge the Commission to request from the EU Member States an ambitious negotiating mandate for a trade agreement which should contain a services chapter and schedule of commitments with clear new market accesses and strong regulatory disciplines. As for many other on-going trade negotiations, we would encourage to use the negative list approach with such a developed partner.

We will monitor closely the negotiations and will come back to you with further and more detailed position paper in the course of the negotiations.

With my very best regards,



Pascal Kerneis
Managing Director

PS: With the view of the debate on this issue by the College, I have copied this message to all Commissioners and their Head of Cabinet.