European Services Forum

MAY 2019

European Services Forum 20th Anniversary

RECOMMENDATIONS FOR INCOMING EUROPEAN PARLIAMENT AND COMMISSION

ON FUTURE EU TRADE & INVESTMENT POLICY

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ESF RECOMMENDATIONS
FOR INCOMING EUROPEAN PARLIAMENT AND COMMISSION
ON FUTURE EU TRADE AND INVESTMENT POLICY

EXECUTIVE SUMMARY

The European Services Forum represents the interests of European services sectors committed to actively promoting the liberalisation of international trade and investment in services.

EUROPEAN TRADE IN SERVICES ACCOUNTS FOR:

- ✓ 24% of EU GDP,
- ✓ 58.5% of total EU exports in value added terms,
- ✓ 32.6% of total EU exports in BOP,
- ✓ 22 million jobs in the EU (in services sectors related to EU exports),
- ✓ 34.5% of value added EU exports of manufacturing goods are services around the products.

ESF STANDS FOR:

- ✓ A rules-based international trading system, ideally at multilateral level (WTO), but also plurilateral and bilateral levels,
- ✓ An open international trade system, with fairness and level playing field treatment for all players,
- ✓ Market access commitments on a non-discriminatory basis,
- ✓ Transparency and regulatory cooperation on domestic services regulations.

ESF ASKS TO THE INCOMING EUROPEAN PARLIAMENT AND EUROPEAN COMMISSION:

- ✓ To understand the importance of services for European competitiveness (in terms of trade volume, of value added and of job-creation) and ensure that future trade policy reflects it;
- ✓ To ensure that the EU remains a leader of the multilateral trading system and supports:
  - o Ambitious WTO Reform (Dispute Settlement and the WTO Appellate Body; Notifications and Transparency)
  - o Ambitious WTO negotiations towards agreements on E-commerce, on Domestic regulatory disciplines in services and on Investment facilitation
- ✓ To support the resumption of the Trade in Services Agreement (TiSA) negotiations when the time is ripe;
- ✓ To pursue an active Bilateral FTA policy, keeping in mind the services sectors priorities;
- ✓ To ensure a better visibility and enforcement strategy for the services provisions in EU FTAs;
- ✓ To ensure that EU Trade policy is consistent and coherent with other EU policies, notably through:
  - o ambitious Sustainable Development and Regulatory Cooperation Chapters in FTAs;
  - o ambitious disciplines and market access in Public Procurement Chapters in FTAs.

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ESF Recommendations
for incoming European Parliament and Commission
on future EU Trade and Investment Policy

The European Services Forum (ESF) represents the interests of European services sectors committed to actively promoting the liberalisation of international trade and investment in services. Especially in services, European industry needs a rules-based system at multilateral, plurilateral and bilateral level – and in this order of preference.

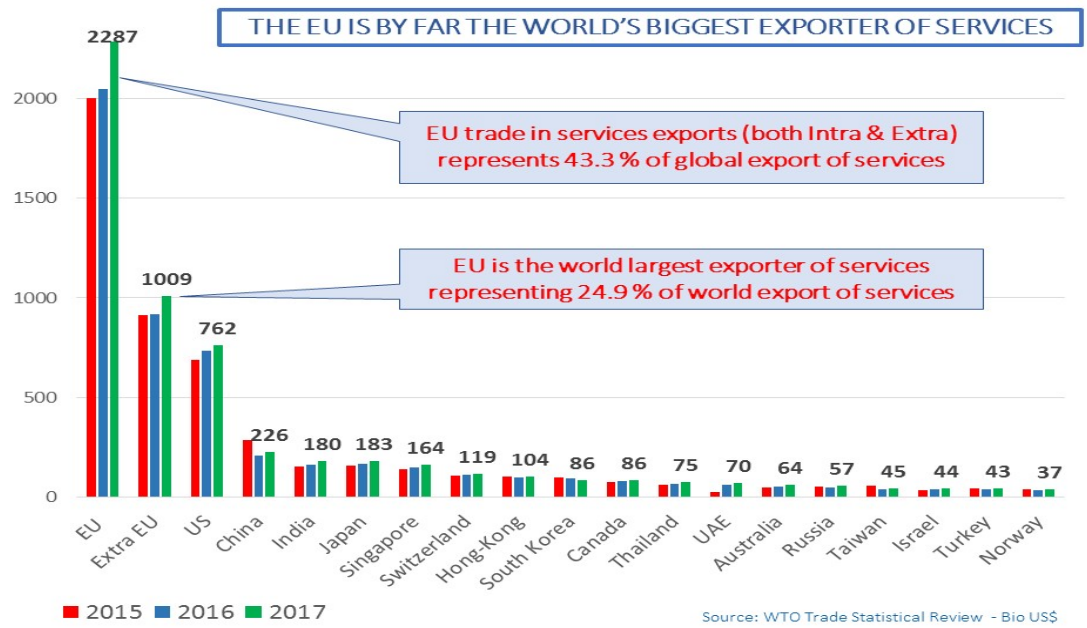
ESF is a European private sector grouping that comprises major European service businesses and European service sector federations covering service sectors including (but not limited to) financial services, telecommunications and IT services, maritime transport, business and professional services, distribution, postal and express delivery, audio-visual, education services and construction (building, civil engineering, dredging).

This paper offers recommendations to the incoming European Parliament and European Commission from the European services industry on issues relating to international trade and investment in services. It is therefore directed to the members of the incoming International Trade Committee of the European Parliament, and to the new Trade Commissioner in particular.

I. Importance of trade in services for the EU economy

A. Services trade represents more than half of Total EU Trade in value added

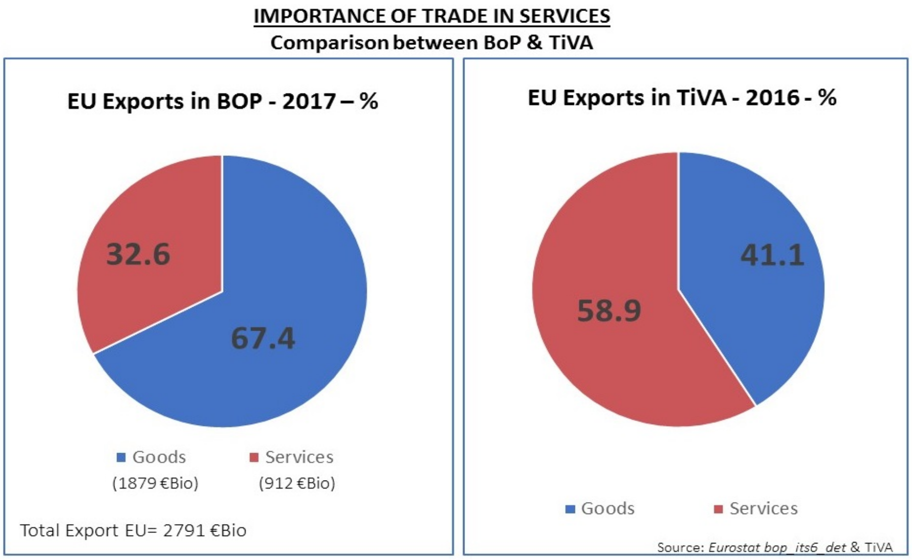
The European Union (EU) is the largest exporter and importer of services in the world. The EU exported €912 billion of services in 2017, an increase of 61% since 2010, and imported €720 billion (a total combined annual trade volume of €1633 billion). This represents 23% of global trade in services (extra EU). For the EU, it also yields a services trade surplus of €191 billion, contributing to the strength of the EU economy. Taking intra and extra EU trade in services volume together, the EU accounts for 43.3% of world trade in services[1].



[1] *Eurostat bop_its6_tot.*

The EU also accounts for the world's largest share of foreign direct investment (€10.6 trillion outward stocks in 2017 – 34% of global FDI; €9.1 trillion inward stocks - 29% of global FDI[2]). More than 60% of EU outward FDI is by European services companies to the rest of the world and almost 90% of EU inward FDI is invested in services sectors in the EU economy [3]. For service businesses, the establishment of a commercial presence abroad is the preferred way to operate internationally. Businesses operating within the European services space therefore need a robust EU trade policy with strong provisions for foreign direct investment.

The reality of trade has changed dramatically in the last 20 years, and the importance of services in trade must be properly assessed and reflected in future EU trade and investment policy. Services represent 75% of the EU GDP. EU exports of services represent 32.6% of total EU exports in balance of payments (BOP) terms. Those BOP figures may give a false picture however, and do not reflect the real economy, because they are not expressed in **terms of value added**. The joint OECD-WTO data base titled "TiVA – Trade in Value Added" indicates that there is a significant element of services value added in manufactured goods exports, accounting for up to 34.5% of the value of EU exports of goods in 2016[4].This means that in fact **services represent 58% of total EU exports** in terms of value added.



The importance of trade in services is proportionally greater for EU Member States than for other high-income countries. World Bank figures indicate that "trade in services" represent 24.4% of EU GDP, which is substantially higher than the average of 15.2 % of GDP that trade in services represents in OECD countries. The incoming European Parliament and Commission should be keenly aware of the importance of services for European competitiveness and ensure that future trade and investment policy reflects this.

B. Trade in services creates jobs

As well as supporting competitiveness in the European economy, trade in services also creates a significant proportion of jobs in the EU.

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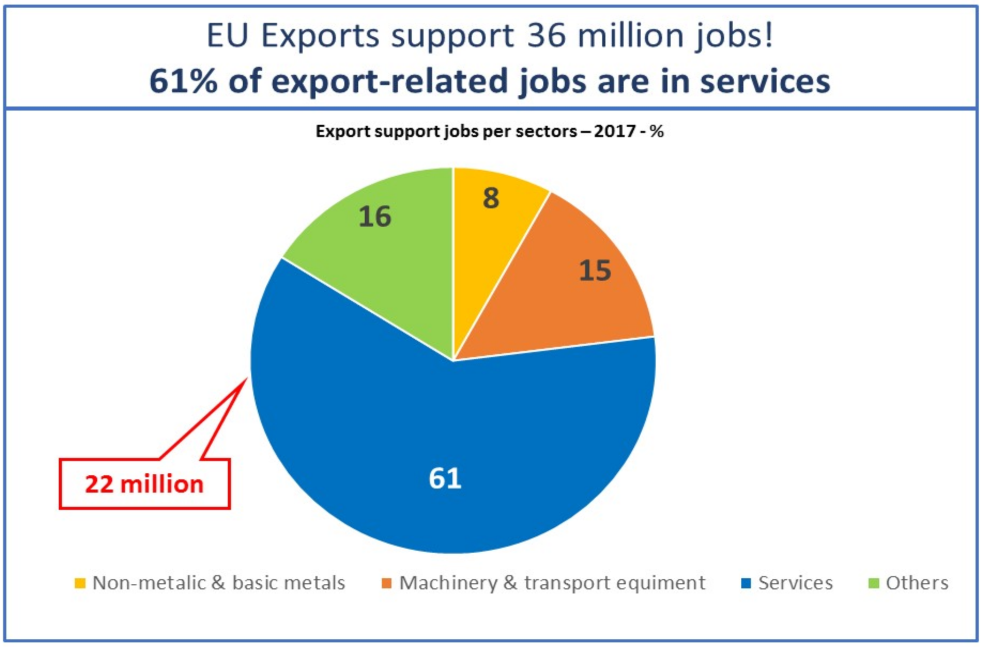
[2] *UNCTAD World Investment Report 2018*

[3] Source: Eurostat (bop_fdi6_pos) - Extra-EU foreign direct investment positions, by economic activity, EU-28, 2014 - (% of all economic activities) – *See* here.

[4] Also known as "Mode 5" services, as discussed in this report on bilateral trade agreements, published by the European Parliament Think Tank:http://www.europarl.europa.eu/thinktank/en/document.html?reference=EXPO_STU(2018)603873

EXPORTS OF SERVICES MEANS JOBS!



The European Commission's recent report titled "EU Exports to the world: Effect on Employment – 2018"[5] highlighted that EU exports supported 36 million jobs, of which **61%**, some **22 million jobs**, were directly related to trade in services. In 2014, 20% of these were high-skilled, 30% were medium-skilled, and 11% were low-skilled. The services sector is therefore a leading contributor to the creation of medium and high-skilled jobs within the EU. Future members of the European Parliament and Commission must be cognisant of these facts when designing trade policy fit for the 21st century.

The Commission's report also highlighted the fact that the export of services creates jobs in the third countries to which European businesses export. In 2014, the services sector accounted for 47% of the employment supported outside the EU through EU exports to the rest of the world, a significant increase compared to 37% in 2000[6]. This means that more than **9 million services jobs outside the EU are sustained by EU exports**. The EU's trade negotiators may be able to use this positive job creation story as leverage to obtain more market access for European services sectors into extra-EU markets.

Furthermore, the figures above do not take into account the jobs created abroad through the foreign direct investments (subsidiaries and affiliates) made by European investors outside the EU. Although the detailed statistical data are missing, Eurostat figures show that foreign affiliates of EU companies employ 14 million workers outside the EU (Outward FATS), and **nearly 8 million persons are employed in the EU-28 by foreign companies established in the EU** (Inward FATS)[7]. A significant number of these workers are employed in services businesses, since approximately 60% of all outward EU FDI stocks are invested by services companies, and more than 85% of all inward EU FDI stocks are invested in EU services sectors[8].

[5] *Source: Report "EU Exports to the world: Effect on Employment" – 2018 - page 44.*

[6] *Source: Report "EU Exports to the world: Effect on Employment" – 2018 – page 37. The manufacturing sector accounted for 30% of the employment supported outside the EU through EU exports to the rest of the world (37% in 2000) and the primary sector for 23% (26% in 2000).*

[7] *Source: DG Trade Statistical Guide – June 2018 - Eurostat (fats_g1b_08).*

[8] *Source: Foreign direct investment – stocks - Eurostat (bop_fdi6_pos)*

II. The EU must remain a leader of the multilateral system

A. WTO Reform

The ESF calls upon the European Commission to work to ensure that the World Trade Organisation remains the core forum to negotiate further trade liberalisation, establish international trade rules, monitor trade policy developments, produce trade statistics, and resolve trade disputes. The EU should support these objectives and take a leadership role. Trade-related disputes among global economies will have a potentially significant impact on the EU economy and may have a far wider impact. ESF adopted a Position Paper on the WTO reform in October 2018. We ask the future European Parliament and Commission to take on board these concerns and ensure they are reflected in future trade policy.

The European Union has always been at the forefront of the multilateral system, and played a crucial role in the creation of the World Trade Organisation. The history of Europe is a clear demonstration that divisions among nations are not the way forward. It is essential that international trade and commerce is governed by and respects the international rule of law.

The multilateral system, established after the Second World War, has been the cornerstone of the development of the global economy. The establishment of the international rules-based system, with countries undertaking commitments to respect their trading partners in exchange for mutually agreed access to each other's markets, is the simple basis of today's international trading system. This system has been essential to the avoidance of major trade conflicts between nations and allowed economies to thrive, raising millions out of poverty, creating millions of jobs, fostering innovation and growth. This system must be preserved, and the incoming European Parliament and Commission have a fundamental role to play in its preservation.

It is nonetheless well documented that the WTO is currently facing a significant crisis. The reform and modernisation of the WTO will be among the most pressing challenges facing the incoming Parliament and Commission with regard to trade policy. The multilateral trading system requires a review, and the rulebook needs an urgent update. The stalemate from the Doha Round has not helped, but, at the peak of the financial crisis in 2008-2009, the system proved its resilience and value, and we are convinced that it can weather the current storm. Rules need to be strengthened to ensure that all countries abide by the same provisions, with a level playing field. The appointment of further Appellate Body members should be a priority to preserve the WTO system of conflict resolution.

B. WTO E-Commerce agreement

All trade in goods and services – from the placing of an order to confirmation of delivery - now involves the electronic transfer of data. Data-transfer is today's all-purpose means of business communication, spurring economic growth and innovation in all industries. The European Union is the world's most data-dependent actor in the global trading system, underlining the importance of enabling digital trade for the growth of the European economy. The transfer of data from the EU to third country markets and from third countries into the EU is crucial to running the complex business operations necessary for value chains which cross many jurisdictions both at a regional and global level.

ESF's members are therefore highly interested in the ongoing negotiations in Geneva on the E-commerce initiative. ESF welcomed the fact that, at the end of the WTO Ministerial Conference (MC11) in December 2017 in Buenos Aires, Trade Ministers from 71 countries adopted a Joint

Statement on E-Commerce. This group, encompassing participants from developed, developing and least-developed countries, unveiled plans to move forward with discussions in this area.

ESF welcomes the political ministerial statement in Davos in January 2019 by 76 WTO members and the launch of plurilateral negotiations in March 2019 in Geneva, aimed at setting up disciplines in various areas related to international e-commerce. ESF calls for the discussions to move smoothly and rapidly with a view to reaching an agreement as soon as possible.

The ESF and its members consider that all issues should be on the negotiating table at the beginning of the talks and strongly encourage the EU to aim to negotiate a high standard agreement with ambitious disciplines on as many issues as possible. The Agreement should enable inclusive international e-commerce and achieve a high standard rules-based environment that will enable digital transactions to take place freely, establish transparency and trust, facilitate cross-border data flows, improve rules in telecommunications, prohibit duties on electronic transmissions and provide for efficient customs clearance by building on the WTO Trade Facilitation Agreement. ESF fully recognizes that adoption of disciplines in a long list of areas will possibly be difficult for some participating countries. It is crucial however to gather the largest number of signatories. ESF would therefore encourage the participants to explore possible progressive approaches, whereby the WTO E-Commerce Agreement could include a first tier of rules to be adopted by all signatories, plus a possible second tier of disciplines which some countries would adopt subject to a negotiated and reasonable transition period before full compliance, or subject to special and differential treatment. A detailed Position Paper can be found here.

C. WTO Disciplines on Services Domestic Regulation and Investment Facilitation

The ESF represents the interests of European services sectors that are subject to specific regulation adopted by domestic regulatory authorities. The ESF welcomed the Joint Ministerial Statement on Services Domestic Regulation, adopted by Trade Ministers from 60 countries at the WTO Ministerial Conference in December 2017 in Buenos Aires.

Unfortunately, although progress was made in reviving the negotiations in the WTO Working Party on Domestic Regulation (WPDR) in Geneva, concrete results were not delivered in Buenos Aires.

ESF calls for the continuation of on-going negotiations mandated by Article VI.4 of the General Agreement on Trade in Services aiming at setting up disciplines for domestic regulation of various services sectors. The ESF Position Paper on this issue (see here), urges negotiators to continue working in a positive vein in Geneva this year, with an aim of reaching an agreement by the Twelfth WTO Ministerial in June 2020 in Nur-Sultan (previously Astana (Kazakhstan). The new European Commission should play an active role in encouraging the conclusion of such a deal.

ESF has also followed the talks preparing for the negotiation of a **WTO Investment Facilitation Agreement**, a joint initiative that gathered the support of 70 countries in Buenos-Aires, including many developing countries, recognizing the links between investment, trade and development. Our understanding is that the purpose of this initiative is somewhat similar to the disciplines on Domestic Regulation on services, i.e. to reach an agreement in which signatories will commit to more transparency in licensing and administrative procedures for all investors. Given the significance of foreign direct investment for services (mode 3), ESF can only support such an objective, and encourages the European Union to work constructively with those taking it forward.

III. The pursuit of bilateral trade policy

The ESF strongly favours multilateral or plurilateral free trade agreements over a bilateral approach. With this in mind, we deeply regret that the Trade in Services Agreement (TiSA) negotiations were suddenly halted at the end of 2016 ahead of a final ministerial council which could have led to the conclusion of an ambitious deal on trade in services. ESF encourages the European Parliament and the European Commission to monitor closely the possibilities of resuming these negotiations, as such an agreement would provide not only a new rules book for services trade, but also new market access commitments of a kind unlikely to result from the current E-Commerce negotiations.

The negotiation of bilateral free trade agreements (FTAs) is therefore only a second-best option, since they cover only two partners. ESF is a strong advocate of concluding ambitious, deep and comprehensive FTAs with all trading partners that demonstrate a willingness to work towards a strong commercial relationship with the EU, built on high standards and respect for sustainable development. EU FTAs should systematically aim at liberalisation of services sector markets in all modes of supply, from cross-border trade in services to movement of business persons, including the removal of barriers that hamper or limit commercial presence.

In the era of the digital economy, we would like to highlight the particular importance of ensuring modern digital trade chapters in the EU FTAs, so as to cover all crucial aspects that are important to enable digitally enabled trade, including the cross-border movement of data, trust, security, telecommunications, measures against forced localisation, etc. Indeed, in addition of being the biggest global exporter, importer and investor in services, the EU is the world's most data-dependent actor in the global trading system, illustrating the importance of enabling digital trade for the growth of the European economy. The transfer of data from the EU to third country markets and from third countries into the EU is therefore crucial to the complex business operations necessary for value chains that cross many jurisdictions and that are regional and global. The majority of digitally enabled trade transactions are in fact business to business. The new European Parliament and the new European Commission will always need to keep in mind the importance of the digital aspects of EU trade and investment policy.

A. A better visibility and enforcement strategy for the services provisions in EU FTAs

ESF commends the work of the outgoing Commission, which achieved significant success in pursuing the "Trade for All" strategy launched by Trade Commissioner Cecilia Malmström in 2015. There were numerous trade negotiations, plus the implementation of trade agreements, with partners around the world such as Canada, Japan and South Korea, Colombia, Peru and Ecuador, as well as with Central American countries, and with neighboring countries in Eastern and Central Europe. We also look forward to the implementation of the deal with Singapore and the conclusion of the FTA with Vietnam. These FTAs have significantly contributed to the liberalisation of services with the EU's trading partners, creating new business opportunities and strengthening the legal security of doing business through binding rules in current regulatory regimes. The political conclusion of the revised EU-Mexico FTA is another EU trade policy success, although the completion of the technical and legal details of the agreement should be speeded up, for signature by the EU Council and ratification by the European Parliament.

A key challenge for the incoming European Parliament and European Commission will be communicating the benefits of the FTAs to services businesses, allowing them to better utilize the opportunities available under such deals. Negotiating agreements is of little value if those who are intended to benefit are unaware of their advantages. The European Commission has done excellent work to inform businesses in the manufacturing and agriculture sectors of the benefits of the FTAs for goods, in terms of tariff-reduction, understanding rules of origin, or standards and other non-tariff measures The incoming Commission must give equal attention to services businesses, with targeted communication materials (covering, for instance, licensing requirements, investment opportunities, work-permits etc.) informing economic operators in these industries of the opportunities an FTA can provide for their business, and where to find practical information. Since, as explained in Section I of this paper, trade in services represents more than 30% of total EU trade in balance of payments terms and more than 55% of total EU trade in terms of value added, much more needs to be done in this area. In terms of pages, between 30% to 50% of the text of EU FTAs is devoted to services. Yet very little effort is dedicated to services as regards implementation. This must be corrected. Trade in services statistics should be systematically detailed by sector in all relevant publications, as is the case for trade in goods sectors. Information to help European services businesses to better understand the agreements and how to export or set up a commercial presence should also be developed. The technical content of FTAs related to services needs to be explained in a digestible way for non-experts. ESF stands ready to cooperate and advise on such an undertaking.

B. On-going trade negotiations with ambitious services chapters

Australia, New Zealand and Chile

The ESF closely monitors on-going bilateral trade negotiations, and has already provided detailed feedback to relevant negotiators on services sector priorities in markets such as **Australia** and **New Zealand**. We are positive that quality agreements on services can be negotiated with these partners, based on the ambition demonstrated under the TiSA negotiations. Likewise, we remain optimistic that more comprehensive agreements on services sectors can be achieves as part of the revision of the EU **Chile** FTA.

Mercosur

ESF has also been a strong supporter of the conclusion of the EU-**Mercosur** agreement, with **Argentina, Brazil, Paraguay and Uruguay**. While this agreement is based on an old mandate and old format, therefore limiting its ambition for services, the ESF would strongly welcome any additional commitments in this area. This is particularly relevant for EU services industries given the limited WTO GATS commitments from Mercosur countries.

ASEAN

ESF supports the strategy for pursuing more trade agreements with **South-East Asia**, where economic growth remains high. We welcomed the conclusion of agreements with **Singapore** and **Vietnam**, and welcomed the ratification of the EU-Singapore FTA and ITA. The EU-Vietnam FTA is an important first agreement with a large ASEAN developing market, and should be signed, ratified and implemented as soon as feasible. As a signatory to the Comprehensive and Progressive Trans Pacific Partnership (CPTPP), Vietnam is a country with much potential for trade with European businesses. Administrative delays in implementing this agreement signed in 2014 must be ended as soon as possible. ESF is a strong supporter of negotiating a FTA with **Indonesia**, and we have previously provided the negotiators with our priorities. Indonesia is a vast country with the fourth largest population in the world. There are significant opportunities for businesses and we hope that the FTA will allow new market access and provide legal security to our exporters and investors. Similarly, ESF encourages the European Union to start or restart trade negotiations with **Thailand, Malaysia and Philippines** when the correct conditions prevail.

India

ESF also encourages the Commission to restart, as soon as feasible, trade talks with **India.** Begun in 2007, negotiations reached an impasse in 2013. India is one of the world's major exporters of trade in services, ranking fourth in the world, with exports of $183 billion in 2017.However, access to the Indian market remains difficult for European services businesses, with a long list of trade barriers such as equity caps and other localisation requirements, notably for data, and opaque regulatory procedures. The EU exported some €16 billion in 2017 and imported €17 billion, but such figures do not reflect the level that could be reached, should barriers be removed or reduced.

Mediterranean neighbours and Middle East

The EU is also negotiating Deep and Comprehensive Free Trade Agreements (DCFTAs) with **Tunisia** and **Morocco**, both of which feature significant services components. ESF supports this, given that no commitments on services were made in the Euro-Mediterranean association agreements (which also did not cover agriculture or public procurement). While these negotiations have been ongoing for many years, they have not produced many results. ESF calls for faster progress in these negotiations. Negotiations with **Egypt**, which is the largest Arabic country and a fast-growing population, should also be considered once the political environment permits.

ESF had expressed its support and its priorities for an upgraded agreement with **Turkey**. European businesses encounter many barriers to trade and investment in Turkey, and the revision of the Customs Agreement would be a good opportunity to tackle these difficulties. The new Commission should monitor the situation and start negotiations again when the appropriate conditions prevail.

Trade relations between the EU and the six countries of the **Gulf Cooperation Council – GCC** (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arabic Emirates) are very significant in volume, representing the EU's fifth largest trading partner. EU bilateral trade in services with GCC countries amounted to €60 billion in 2017. We understand that the FTA negotiations with the GCC countries have been stalled for a very long time. Nor have the GCC countries participated in the TiSA negotiations. The EU should therefore try to find a way to open negotiations with these important partners. ESF calls for the launch of preliminary contacts and discussion with the GCC, through a feasibility study or an informal scoping exercise, with the aim of initiating a regional investment agreement between the GCC and the EU. Such an agreement could include not only Investment protection language and investment dispute resolution, but also pre-establishment market access commitments, and horizontal and sector specific disciplines and regulatory cooperation (including mutual recognition of qualifications) and possibly public procurement market access commitments.

African, Caribbean and Pacific (ACP)

Finally, the ESF strongly believes that the **Economic Partnership Agreements (EPAs)** with the **African** and **Pacific** countries have been a serious missed opportunity to insert service rules and commitments. Services are also not a priority in the negotiation of the Post-Cotonou Agreement between the EU and the African, Caribbean and Pacific (ACP) countries, which is meant to provide an important opportunity for Africa and the EU to move closer. There is no reason for the share of services in the GDP of African countries to be treated as different to the rest of the world. ESF strongly believes that the lack of commitments in services sectors in the EPAs has further slowed down the necessary economic reforms that would help the region to increase its value add in the local economy as well as in international trade within the region. ESF strongly encourages the next

Parliament and the next Commission to ensure that trade in services will be viewed as a crucial issue in the future relations between the EU and Africa.

C. Comprehensive Agreement on Investment with China

China

China is mostly seen as a major goods exporter and importer, ranking respectively 1st and 3rd worldwide, with an impressive surplus of $421 billion. However, when it comes to services exports and imports, China is sometimes underestimated. In fact, China is ranked 3rd in terms of exports of services, with $226 billion, and 3rd in terms of imports of services with $464 billion in 2017. The EU is already a key exporter of services in China (€46 billion in 2017), but European businesses encounter significant trade barriers in exporting or in investing in China.

ESF welcomed the launch of the EU-China bilateral investment agreement negotiations in 2013 with the objective of providing investors on both sides with predictable, long-term access to the EU and Chinese markets and of protecting investors and their investments. ESF submitted services industry priorities to the negotiators, which included a strong emphasis on the need to obtain further market access in China.

We recognise that China has taken some unilateral action to improve foreign direct investment opportunities. In particular, we acknowledged the efforts made by the Chinese government in the previous Special Management Measures (Negative List) for Foreign Investment Access in Pilot Free Trade Zones (FTZs) in 2015 and 2017, progressively expanding the list of sectors where foreign enterprises were allowed to invest in FTZs. We also submitted comments to the Chinese authorities in February 2019 on the new draft Foreign Investment law of December 2018, which will expand investment opportunities to the whole territory of mainland China, beyond the earlier pilot FTZs. This is a significant step forward in making China a more attractive destination for foreign direct investment. We of course recommended expanding even further the list of services sectors that will be granted access and called for vigilance in the implementation of the new law.

We encourage the incoming Commission to bring new momentum to the negotiations. The new Commission must also work towards obtaining clarity regarding the new Chinese investment law and how it could impact European business. In practice, in a more sophisticated digital Chinese economy, EU businesses are faced with complex and contradictory decisions by the Chinese administration. There is a need therefore to provide for regulatory cooperation with China in the bilateral investment agreement.

Hong Kong and Taiwan

Hong Kong is already a strong partner in trade in services. It is the EU's 8th biggest partner for import and export of services, with a total €26 billion in 2017 (34% of total trade BOP). Taiwan also offers good opportunities for European services businesses, particularly in the area of business services, but barriers remain and trade in services represents only 16.6% of total trade. ESF therefore calls upon the new Parliament and Commission to launch bilateral investment negotiations with Hong Kong and Taiwan. Indeed, the "Trade for All" strategy of 2015 promised that "building on the investment provisions under negotiation with China, the EU will explore launching negotiations on investment with Hong Kong and Taiwan". Almost four years on, such negotiations have not been commenced. ESF recognizes that concluding such a deal would necessitate progress towards the conclusion of the above-mentioned EU-China investment agreement. Once this is done, we would ask for the swift launch of such negotiations.

D. Continued trade relations with EU major traditional partners

United States

We call upon the next Parliament and next Commission to monitor closely the EU-US relationship and ensure that trade in services issues will be given the recognition appropriate to their importance. The **United States of America** is a major trading partner of the EU in trade in services, with €236 billion exports and €223 billion imports in 2017. ESF deeply regrets the suspension of the negotiations of the EU-US Transatlantic Trade in Investment Partnership (TTIP) in October 2016, and of the Trade in Services Agreement in November 2016, in which the US were playing a leading role. We also note that services are not on the agenda of the mandate of partial EU-US trade talks, that is currently being discussed. However, given the fact that trade in services represent 38% of total EU exports to the US, and 46% of total US exports to the EU, services should not be forgotten as the EU advances trade talks with its transatlantic partner. If services are not included, then consideration could be given to establishment of a mutual recognition agreement (similar to those in place for goods) on aspects of services where there could be convergence or equivalence in standards (e.g., recognition of professional qualifications). The start of fully-fledged free trade agreement negotiations should be considered when appropriate conditions prevail.

Switzerland

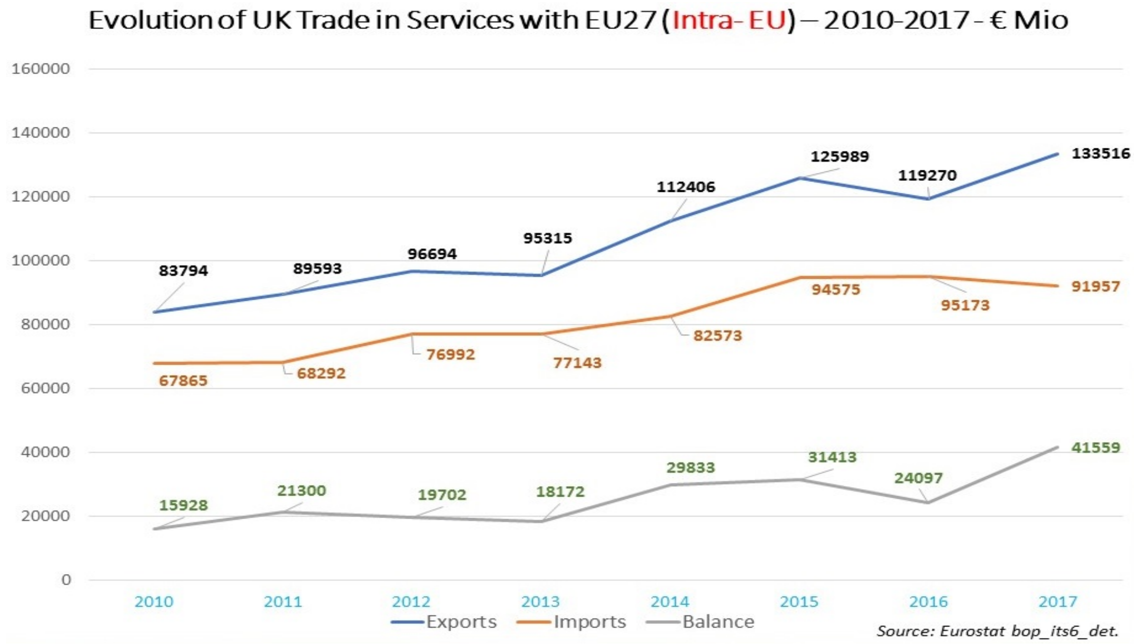
Switzerland is the EU's second biggest trading partner for trade in services. The EU exported €118 billion worth of services to Switzerland in 2017, and imported €71 billion worth of services, resulting in a significant bilateral trade surplus of €47 billion. Switzerland however does not have any trade agreement with the EU on services issues. ESF welcomes the EU Council conclusions of 19 February 2019, which call on for an upgrade of the 1972 free trade agreement, which "is at the basis of our close economic relationship", and "has not been adjusted to developments in international trade rules since". ESF recommends that the new Parliament and Commission take action on the Council's call for embarking on modernising the agreements governing the trade relations between Switzerland and the EU, in particular the free trade agreement. ESF shares the view that enhanced access to the Swiss market for operators from the EU, notably in the agri-food and services sectors, should be urgently addressed.

E. Brexit and future EU-UK relations

In a Referendum of June 2016, the UK decided that it would leave the European Union. Given the ongoing political uncertainty around the negotiations, it is difficult, at the time of adoption of these ESF recommendations, to predict what might happen. ESF reserves the right to monitor the process and develop a comprehensive Position Paper in the coming months.

ESF's mission is to represent its members in trade negotiations. During the forthcoming term of the new European Parliament and Commission the EU and the UK may well negotiate their future relationship, including their trade relationship. Once the UK leaves the EU, it will become a third country. In any future EU-UK FTA, trade and investment in services will play a central role, given the importance of services in the relationship. Services are the basis of both economies, representing 74% of EU GDP and 73% of the EU labour force and 80.4% of UK GDP and 83.5% of the UK labour force. Issues related to services trade are not often seen as decisive in trade negotiations, but in this case, they will form a significant element of the agreement. Any EU-UK FTA should also be complemented by bilateral agreements enabling trade in services, such as air and road transport service agreements to ensure continued connectivity between the EU and the UK, or an adequacy decision on data protection to ensure continued smooth cross border data transfers.

It should be remembered that the UK is the largest services exporter among the EU28 to non-EU countries, with services exports totalling some €184.7 billion, which represents 22.0% of total EU28 services exports in 2017. According to Eurostat, the EU27 exported €91.9 billion services to the UK in 2017 and the UK exported €133.5 billion services to the EU27, yielding a significant surplus for the UK (€41.5 billion). Trade in services between the EU27 and the UK is highly integrated as a result of progress towards the EU single market in services. Eleven EU27 countries are among the UK's top 20 services suppliers, and ten EU27 countries are among the UK's top 20 export markets for services. These figures underline the degree of interdependence between the EU27 and the UK in services business, and the need for an efficient and open future relationship between both.



IV. Horizontal Priorities

This paper focusses on ESF's specific recommendations to the incoming Parliament and Commission related to trade in services. We would like however to flag that European service industries also support additional priorities at the horizontal level.

1) **Trade policy should be consistent and coherent with other EU policies**. That is why ESF strongly supports ambitious **sustainable development chapter** in EU Trade Agreements, which would focus notably on:
    a. Promoting a level playing field through common standards in labour and environment,
    b. Improving relations between governments and civil society, including business
    c. Promoting sustainable trade and encouraging business projects that contribute to the United Nations Sustainable Development Goals
    d. Ensuring responsible business conduct and the fight against corruption.

2) **Regulatory cooperation** among services sectors regulatory authorities is an important tool towards promoting unrestricted competitiveness in services trade. We believe that the

relevant provisions in the EU Japan EPA are a relevant basis for paving the way for other FTAs.

3) **Public procurement** – European businesses still face many barriers in this field in many countries. ESF urges the Commission negotiators to ensure that all trade negotiations should aim at reaching a comprehensive and genuinely reciprocal market access to public procurement for services, with low thresholds and substantive coverage of all public institutions and entities, at all levels of government, committing partners to removing any discrimination against bidding by EU businesses. It is of crucial importance to increase access for services businesses to all public entities that use public procurement (sometimes labelled as "public investment") in their functioning. This is obviously true for construction services (building, civil engineering, dredging) and construction related services, such as architecture and engineering services, and urban planning. All public administrations and entities also need for their daily activities to procure telecom and IT services, insurance and banking services, transport and logistics services, cleaning and catering services, legal and accounting services, etc. Trade agreement chapters on public procurement should ensure transparency of the tender process and provide a single access portal for all tenders. Negotiators should also explore the scope for negotiating commitments related to Public-Private Partnerships, which are of great interest to companies in construction, transport, environmental and energy related services. Furthermore, the EU should intensify accession negotiations to the plurilateral WTO Government Procurement Agreement (GPA), with a focus on China and Russia.

List of ESF members supporting the above Recommendations

- Amfori
- Apple
- Architects' Council of Europe – ACE
- British Telecom Plc
- BDO
- Bureau International des Producteurs et Intermédiaires d'Assurances – BIPAR
- BUSINESSEUROPE
- BUSINESSEUROPE WTO Working Group
- Danish Shipping
- Deutsche Telekom AG
- Deutsche Post DHL
- DI – Confederation of Danish Industries
- Digital Europe
- EK - Confederation of Finnish Industries
- EuroCommerce
- European Banking Federation – FBE
- European Community Shipowners' Associations – ECSA
- European Express Association – EEA
- European Federation of Engineering and Consultancy Associations – EFCA
- European Public Telecom Network – ETNO
- European Satellite Operators Association – ESOA
- Fédération de l'Industrie Européenne de la Construction – FIEC
- FratiniVergano European Lawyers
- HSBC Group
- IBM Europe, Middle East & Africa
- Inmarsat
- Institute of Chartered Accountants in England and Wales - ICAEW
- Insurance Europe
- Irish Business and Employers' Confederation - IBEC
- Law Society of England & Wales
- Le Groupe La Poste
- Microsoft Corporation Europe
- Mouvement des entreprises de France – MEDEF
- Oracle Europe, Middle East & Africa
- Orange
- PostEurop
- Prudential Plc.
- Refinitiv
- SELDIA – European Direct Selling Association
- Svenskt Näringsliv (Confederation of Swedish Enterprise)
- Telenor Group
- TheCityUK
- UPS
- Vodafone
- Zurich Financial Services