

The Rt Hon Dominic Raab MP  
Secretary of State for Foreign  
and Commonwealth Affairs  
King Charles Street  
London - SW1A 2AH  
United Kingdom

The Rt Hon Steve Barclay MP  
Secretary of State for Exiting  
the European Union  
9 Downing Street  
London - SW1A 2AS  
United Kingdom

Brussels, 20 January 2020

Subject:    **Call for ambitious trade in services commitments in the UK-EU future trade agreement**

Dear Secretary of State,

The *European Services Forum* is the European private sector organisation that represents the interests of the European services' industries in international trade and investment negotiations. It 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, construction, distribution, postal and express delivery, audio-visual and education services. Our membership is formed, directly or indirectly, of businesses of all sizes and associations from all EU member states.

We note that the United Kingdom will leave the European Union on 31<sup>st</sup> January 2020, and that in the Political Declaration associated with the Withdrawal Agreement the UK and the EU have established the parameters of "an ambitious, broad, deep and flexible partnership across trade and economic cooperation with a comprehensive and balanced Free Trade Agreement at its core", on which negotiations are to begin shortly.

It is with these negotiations in mind that we would like to call upon both the UK and the EU to ensure that any agreement on the future relationship between the UK and the EU will include in depth commitments on trade in services. It will be extremely important to cover trade in services between the two parties, as mutual trade in services represents a significant source of jobs, growth and competitiveness in the UK and the EU27.

Goods-related issues may well dominate the immediate debate on the future relationship, with a focus on customs and controls at the borders, and respect for norms and standards so as to ensure a level playing field. While recognizing these are crucial elements (indeed a number of services sectors would be negatively impacted by a lack of efficient border processes), it also needs to be remembered that cross-border flows of goods depend on services, including air, rail and sea transport, port services, road haulage, logistics, freight forwarding, customs clearance, delivery services, professional services, trade finance, insurance & insurance intermediation, communications services and exchange of data.

It is envisaged that the negotiations on the future UK-EU relationship will take place during the transitional period which is set to end on 31 December 2020, although Article 132 of the Withdrawal Agreement would allow both sides to adopt a single decision, to be taken before 1 July 2020, to extend this period for up to 1 or 2 years. The UK government has included in the UK Withdrawal Agreement Bill a provision against such an extension.

We are concerned that - even with the strongest political will from both sides - a period of 11 months is remarkably ambitious to cover all the stages needed to put in place the future relationship. We therefore call on both the UK and the EU to consider some flexibility in the management and/or duration of the period allowed for negotiations, so that trade in services can be fully covered and a 'cliff edge' exit is avoided. The ESF and its members are concerned to contribute our experience and evidence to the negotiations as they progress.

Trade in services will have a central role in the future UK-EU relationship as it is at present highly integrated and interdependent, reflecting the current stage reached in progress towards the EU single market in services. Ten EU27 countries are among the UK's top 20 export markets for service, and eleven EU27 countries are among the UK's top 20 services suppliers. These figures underline the degree of interdependence between the UK and the EU27 in services business, and the need for an efficient and open future relationship between both economies. **Services are the basis of both economies representing 80.4% of UK GDP and 83.5% of the UK labour force** and 74% of EU GDP and 73% of the EU labour force. Services trade related issues are often not seen as decisive in trade negotiations, but in this case and without any doubt, they should be.

According to Eurostat, services constitute a sizable share of the UK's overall trade to the EU27 and vice versa. The UK exported €131 billion services to the EU27 and the EU27 exported €100 billion services to the UK in 2018. This means that **41.4% of UK global exports of trade in services is with the European Union (EU27)**. Furthermore, the UK exported €193 billion of goods to the EU, which means that **trade in services represents 40.5% of UK total exports to the EU** (goods + services). We believe therefore that any agreement between the UK and the EU must include ambitious commitments in trade in services. An agreement that did not tackle services issues will potentially be hugely detrimental to both economies.

We would like also to highlight that the services economy as it has developed within the EU28, covers not only international flows of digitised services and other cross-border trade in services such as transport and tourism, but also the movement of consumers and service professionals. Indeed, it also encompasses a web of other relationships including foreign direct investment, such as the establishment of subsidiaries and cooperative ventures, and services embedded in goods and related to the movement of goods. All these activities are interdependent, with implications for growth and jobs across Europe as a whole.

The United Kingdom's exit from the European Union may inevitably lead to disruption in the service sectors on both sides of the Channel. We therefore urge both parties to make the utmost efforts to ensure that the future relationship negotiations will keep UK-EU markets as open as possible in the framework of such a bilateral free trade agreement.

The ESF and its members are concerned to contribute our experience and evidence to the negotiations as they progress. The ESF looks forward to engaging with you and your team in the course of the forthcoming future relationship negotiations.

Yours sincerely,



Noel Clehane  
ESF Chairman

## List of ESF members supporting the above letter

1. Amfori
2. Apple
3. Architects' Council of Europe –ACE
4. British Telecom Plc
5. BDO
6. Bureau International des Producteurs et Intermédiaires d'Assurances – BIPAR
7. BUSINESSEUROPE
8. BUSINESSEUROPE WTO Working Group
9. BSA The Software Alliance
10. Danish Shipping
11. Deutsche Post DHL
12. DI – Confederation of Danish Industries
13. Digital Europe
14. EK - Confederation of Finnish Industries
15. EuroCommerce
16. European Broadcasting Union - EBU
17. European Community Shipowners' Associations – ECSA
18. European Express Association – EEA
19. European Federation of Engineering and Consultancy Associations – EFCA
20. European Public Telecom Network – ETNO
21. European Satellite Operators Association – ESOA
22. European University Association – EUA
23. Fédération de l'Industrie Européenne de la Construction – FIEC
24. FratiniVergano European Lawyers
25. HSBC Group
26. IBM Europe, Middle East & Africa
27. Institute of Chartered Accountants in England and Wales (ICAEW)
28. Inmarsat
29. Insurance Europe
30. Irish Business and Employers' Confederation - IBEC
31. Law Society of England & Wales
32. Le Groupe La Poste
33. Microsoft Corporation Europe
34. Mouvement des entreprises de France – MEDEF
35. Oracle Europe, Middle East & Africa
36. Orange
37. PostEurop
38. Prudential Plc.
39. Standard Chartered Bank
40. Svenskt Näringsliv (Confederation of Swedish Enterprise)
41. TechUK
42. Telenor Group
43. TheCityUK
44. UPS
45. Vodafone
46. Zurich Insurance