

“TREND TOWARDS GROWTH IN THE SERVICES SECTOR”***Summary of the Speech of Mr. Pascal Kerneis, Managing Director of the ESF***

The European Services Forum is an organisation representing the services sector across the European Union. The membership comprises 44 European trade federations and 38 International services companies, all of which are based in countries that are members of the European Union.

Membership covers all member countries of the European Union and a wide range of services including banking, insurance, telecommunications, postal and express delivery services, aviation, shipping, tourism and hotels, retail distribution, legal services, accountancy, management consultancy, architecture, engineering, surveying, IT services, publishing, audio-visual, energy services and environmental services. ESF represents more than 80% of the European exporters of services in more than twenty sectors.

World trade in commercial services accounts for about 25% of world exports, but services account for 60% of annual flows of foreign direct investment (FDI). More importantly, the services sector provides more than 60% of jobs in developed countries, and the trend is growing in the developing countries. The services sector dominates most developed economies in the world (+/- 65% GDP) and is the largest sector in the economies of the developing world. It should be noted that these figures include public services. But even if we look at private sector services only, they still account for 55% of the GDP of the EU-15. What is less widely discussed is the importance of the Foreign Affiliates Trade (i.e. intra-corporate trade), double the size of international trade in services. However, for this intra-company trade to operate, these companies need first access to the services markets abroad.

Currently, the services sector is increasing its share of GDP in nearly every country in the world. This is particularly true in developing countries, especially in emerging economies like China, and also India, Brazil, South Africa, Egypt, Thailand, etc.

Given this trend, what will be the role of foreign services companies? They are eager to get in the game. An increasingly competitive marketplace requires firms to have a global outlook, particularly in the services sector. In a developed region like Europe, competition is fierce and opportunities for domestic expansion are few and far between.

To unleash its potential for growth, the services sector requires market access and national treatment within a clear regulatory framework; hence, the absolute necessity of substantial new commitments in the current WTO services negotiations in the framework of the Doha Development Agenda.

The European Services Forum strongly supports and encourages the movement to liberalise service markets throughout the world and to remove both trade and investment barriers. There is strong evidence to support the view that liberalising service industries such as telecommunications, financial services and power distribution bring benefits to both the developed and developing world. However, it has to be clear that liberalisation needs to be accompanied by a good regulatory infrastructure that encourages transparency, competition and fairness. Liberalisation should be a managed process, which takes into account the social and cultural background of the liberalising country, and respect the development stage of the economies by granting special and differential treatment and agreed periods of transition.
