

M. Peter Mandelson  
Member of the European  
Commission  
Trade Commissioner  
European Commission  
Rue de la Loi, 200  
B - 1049 - Brussels

Brussels, 6 April 2005

**Re: Urgent need for further progress in the WTO Services negotiations**

Dear Commissioner Mandelson,

Ahead of your meeting with a delegation from the European Services Forum (ESF) in late May, and in the hope that the pace of the services negotiations in Geneva will now accelerate, it may be helpful for me to send you this summary of our main concerns.

Europe needs open markets for services through a successful Doha Round. We depend on services for employment: a steady increase, year by year, in employment in services (now over 71% of jobs in Europe) is matched by a decline in industry and agriculture. During the past five years, nearly 8 million jobs have been created in the services sector, while about 1.5 million were lost in industry and agriculture from 1999-2003.

We also depend increasingly on services for exports, especially as production at the labour-intensive, less high technology end of manufacturing is moving inevitably to the developing countries. The latest Eurostat figures show that in the fourth quarter of 2004, the EU 25 recorded a deficit in its external current account of 6.3 billion euros, but a surplus of 7.0 billion euros on external trade in services.

It is therefore in services that Europe has the greatest competitive advantage. Services are Europe's most important offensive interest in the Doha Round.

But liberalisation of international trade in services is not just a European interest. It is in the interest of all, not least of developing countries. Developing countries themselves are increasingly exporters of services: you will be aware that the ESF advocates a positive European response to developing country concerns about outsourcing, offshoring and the movement of persons.

Moreover, no developing country can expect to grow its economy, and especially its exports, without access to modern services. All sectors of a developing economy are helped by an underpinning of efficient services, such as financial services, legal and other professional services, telecoms and transport. Foreign investment in such services brings added income, employment, skills and technology. The World Bank and other expert analysts predict that services liberalisation will lead to significant extra economic growth in developing countries.

The ESF believe that, if the Doha Round is to yield substantial results in services by the end of 2006, the following steps are necessary over the coming weeks:

- ? initial offers, covering a good range of service sectors, from those bigger developing countries which have not made such offers so far (for example, South Africa, Pakistan, Philippines, Venezuela and Morocco);
- ? from those countries, developed and developing, which have made initial offers, revised offers which go beyond the binding of existing practice, and open new trading possibilities. It is not enough just to maintain existing levels of market access; and most current offers fall short of even that;
- ? on movement of persons, offers from developed countries which match those of the EU. I hope shortly to let you have an ESF paper with updated suggestions on how to make progress on this important issue. The EU itself may well need to consider in due course what else it can offer.

I know that you and your staff have been pressing hard in Geneva and elsewhere for movement on services, and the ESF is grateful for that. But the truth is that the level of progress so far has been very disappointing. If there is to be real liberalisation in agriculture and in tariffs on manufactures, and we in the ESF support both, there must also be real liberalisation in services. As you have recently - and rightly - said, there has to be a balanced outcome.

For Europe, services must be right at the top of our list of priorities in the Doha Round. For the WTO as a whole, just as it became clear at Cancun that no progress could be made without movement on agriculture, so it is now time to realise that a successful Doha Round cannot be achieved without substantial progress in services.

Yours sincerely,



Vallance of Tummel  
Chairman of the ESF

Cc: EU Trade Ministers, WTO Delegations.