

Brussels, 21 November 2005

**Re: The Importance of the Services Negotiations in the WTO Ministerial in Hong Kong**

Dear Prime Minister,

The European Services Forum (ESF) is a network of high-level representatives of the European services sectors committed to promoting the interests of European firms and the liberalisation of markets worldwide through WTO GATS negotiations. ESF membership includes companies and federations covering more than 80% of exporting service sectors in the EU, including financial, tourism, telecommunications, maritime transport, business and professional, distribution, postal and express delivery, IT, energy and the audio-visual services (see list of members attached).

The WTO Ministerial Meeting in Hong Kong is only a few weeks away and much remains to be done. The level of progress in the negotiations has been very disappointing. If there is to be real liberalisation in agriculture and manufacturing tariffs-- and ESF supports both -- there must also be real liberalisation in services. There must be a balanced outcome, and therefore a Ministerial Declaration in Hong Kong must have strong and clear political commitments to real liberalisation in the services sector and not just to “best endeavours.”

Europe depends on services for employment. Today, more than 70% of jobs in the EU are in its rapidly growing services sector. Between 1999-2003 nearly 8 million services jobs were created in the EU. Service exports are increasingly important to the EU economy, especially as labour intensive manufacturing continues to shift to developing countries. The latest Eurostat figures show that in the second quarter of

2005 the EU 25 recorded a deficit in its external current account of 22.4 billion euros, but a surplus of 16.5 billion euros in external trade in services.

However, services are not just important for Europe; the services sector is the backbone of the world economy—important to developed and developing countries alike. In sum, it represents about two-thirds of world GDP, US\$35 trillion in 2004. International trade in agriculture represents 8% of the world trade while international trade in services accounts for more than 20% and is growing quickly. The World Bank, in their Global Economic Prospects report of 2002, calculated that developing countries could increase income by nearly \$900 billion a year by opening their services markets. The Bank pointed out that services play a growing role in all economies as they develop, both by benefiting the consumer, and because of their importance as inputs into an efficient modern economy. In addition, firm commitments in the WTO send a positive signal to global capital markets, attracting foreign direct investment to developing countries and the consequent transfer of skills and technology.

Recent press coverage has indicated that WTO negotiators are lowering expectations to avoid a disappointing result in Hong Kong. However, the business interests we represent urge Ministers worldwide to maintain ambitious goals. GATS commitments provide greater legal security and the creation of new business opportunities for services suppliers worldwide. A weak, limited agreement in Hong Kong does not augur well for the future of the Doha Round. The world would lose vital opportunities for economic growth and poverty reduction.

I strongly urge you and your colleagues to ensure that the Hong Kong Ministerial includes a strong text on services and creates momentum to complete a successful Doha Round.

Yours sincerely,

A handwritten signature in cursive script, appearing to read "Val Vance of Tummel".

Vallance of Tummel  
Chairman of the ESF