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Director General
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European Commission
170, rue de la loi
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Subject: **Raising the profile of trade in services in EU Trade and Investment Policy**

Dear Director General,

We would like to first congratulate you on your new position and wish you every success in this important role.

As you know, the European Services Forum is the European private sector organisation that represents the European services industry's interest 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. ESF will therefore be a regular interlocutor on all trade in services related issues during your tenure, and we look forward to providing you and your Directorate-General with our input and expertise.

At the start of your new role, we wanted to take this opportunity to raise with you the importance of trade in services in your wider trade portfolio and invite you to always keep this in mind in the context of the future EU Trade Policy. You will find attached the recent ESF Recommendations for the incoming Commission and European Parliament, in which we set out our priorities for EU Trade Policy for the coming years. We also attach a copy of our recent brochure with some facts and figures on the importance of trade and investment in services that we have published at the occasion of the 20th Anniversary of the European Services Forum.

To provide some context, it may be helpful to recall some statistics to illustrate the scale of trade in services:

- The EU is by far the biggest exporter and importer of services in the world representing 24.9% of global trade in services (Extra EU) in 2017. The **EU exported €912 Billion of services in 2017** to the rest of the world, an increase of 61% since 2010, and imported €720 Billion, which

means that the EU trade in services generates a **surplus of €191 Billion**, contributing significantly to the strength of the EU economy and EU trade.

- Services also account for 75% of EU GDP, and trade in services accounts for 24,4% of EU GDP. EU exports of services account for **32.6% of the total exports of the European Union** in Balance of Payment (BOP) terms. As you know, the joint OECD-WTO Trade in Value Added (TiVA) database indicates that in 2016, up to 34.5% of the value of EU exports of manufactured goods was accounted for by services embedded in such goods. This means that overall **services account for 58% of total EU exports** in value added terms. The EU's trade policy decision makers need to have this key point constantly in mind when negotiating trade and investment agreements with third countries.
- Trade in services create jobs in the EU, as well as in the countries to which the EU exports. The European Commission's recent report "EU Exports to the world: Effect on Employment – 2018"¹ identifies that in 2017, EU exports supported 36 million jobs within the EU of which **61%** are in services, i.e. **22 million jobs** across Europe related to EU exports are in services. This important contribution made by trade in services to the labour market in Europe and beyond needs to be reflected in EU trade and investment policy.

As these figures demonstrate, the world of trade has dramatically changed in the last 20 years, and the importance of trade in services needs to be properly reflected in current and future EU trade policy. While trade in goods and agriculture remains important, increased weight should be given to the needs of the services industry in terms of both market access and legally binding commitments.

We therefore call on the Commission **to give greater political and technical attention to trade in services** in all its activities, negotiations, publications and communications.

For example, one of the aspects that we would like to highlight is the **dearth of information provided by the Commission on the exports and imports of the various services sectors**. Eurostat currently collects only very basic statistics on trade in services, including statistics by sector. Yet even these basic statistics are not reflected in the statistical data provided by DG Trade on its website. By way of example, while it is possible to obtain the total figures for trade in services with a particular country in the relevant pages, the services sectors themselves (financial, telecom, travel, transport, business services, etc.) are never individually identified. Conversely, statistics from DG Trade and DG Agriculture on trade in goods are highly detailed and specific, covering individual product categories. The availability of more detailed international statistics on the international supply of services itemised by services category, mode of supply and partner country is critically important for fine-tuning trade and investment policy and maximising its benefits. We would therefore strongly urge the Commission to move towards a similarly comprehensive analysis of trade in services based on statistical data derived from the individual service sectors for all countries.

Another issue of similar concern is a **lack of visibility of trade in services in the Commission annual report on the implementation of FTAs**. On 21st November 2018 - when [the 2017 Report on Implementation of EU Free Trade Agreements](#) was presented in detail - ESF welcomed the fact that for the first time efforts were made to provide data on trade in services in relation to all the existing 32 FTAs, particularly in the accompanying [Staff Working Document](#). ESF recognised the difficulties presented by the lack of statistical data, and called on the institutions to double their efforts in that direction. It is regrettable that, while very detailed data are available in the report for the agriculture

¹ Source: [Report](#) "EU Exports to the world: Effect on Employment" - 2018

and food products, etc., no information was provided for the different services sectors, despite their accounting for significant exporting sectors in the EU. We hope that the Commission will continue in its efforts in this area and deliver a more balanced picture of EU trade in its future reports.

Much has been done by the EU in the last decade to negotiate forward looking and advantageous multilateral and bilateral trade agreements. There are, of course, on-going and future negotiations that will be crucial for the competitiveness of the EU. However, it is also critical that these agreements are **properly implemented and publicised** to enable European businesses to benefit from them to their fullest potential.

Little is currently done by the Commission **to promote the benefits of the EU's existing free trade agreements for services sectors**. There is currently considerable discrepancy in the information that is available for goods compared to services. If exporters or importers seek detailed information on exporting or importing goods, the EU Market Access Database and other EU websites will guide them to the relevant information on tariffs, on rules of origin, on standards and on Sanitary & Phytosanitary measures (SPS), etc. In contrast, little information is provided in relation to services. We would urge the Commission to cover both goods and services in a consistent way, and redouble efforts to publish equivalent information for services sectors in the EU Market Access Data Base (MADB) or other material to help services businesses reap the full benefits of EU FTAs.

With this in mind, the ESF would strongly support the development of **a Guide for European Services Exporters and Investors** by the Commission. Such a guide could focus on the new opportunities that have been made possible thanks to the conclusion of a specific trade agreement like the EU-Canada Comprehensive Economic and Trade Agreement (CETA) or the EU-Japan Economic Partnership (EPA), as well as offering information on all export and investment opportunities in Canada or Japan for EU businesses, arising either through the GATS commitments taken by these countries, or through unilateral measures/current practices.

ESF has started to give some thought to such a guide and would be more than happy to share views with your Directorate General.

We thank you for taking these comments into consideration and remain at your disposal to discuss further.

As we celebrate the 20th Anniversary of the European Services Forum, we would like to thank the Directorate General for Trade for the excellent cooperation we have had all along these years, and we are delighted to continue this fruitful relation with you and your team, with already your Deputy Helena König coming to deliver a keynote speech at an event this week with ESF members and the members of the Council's Trade Policy Committee – Services and Investment.

I personally look forward to meeting you again soon in your new capacity and ESF Secretariat will contact you in the coming days.

Yours sincerely,

Noel Clehane

Noel Clehane
ESF Chairman

