


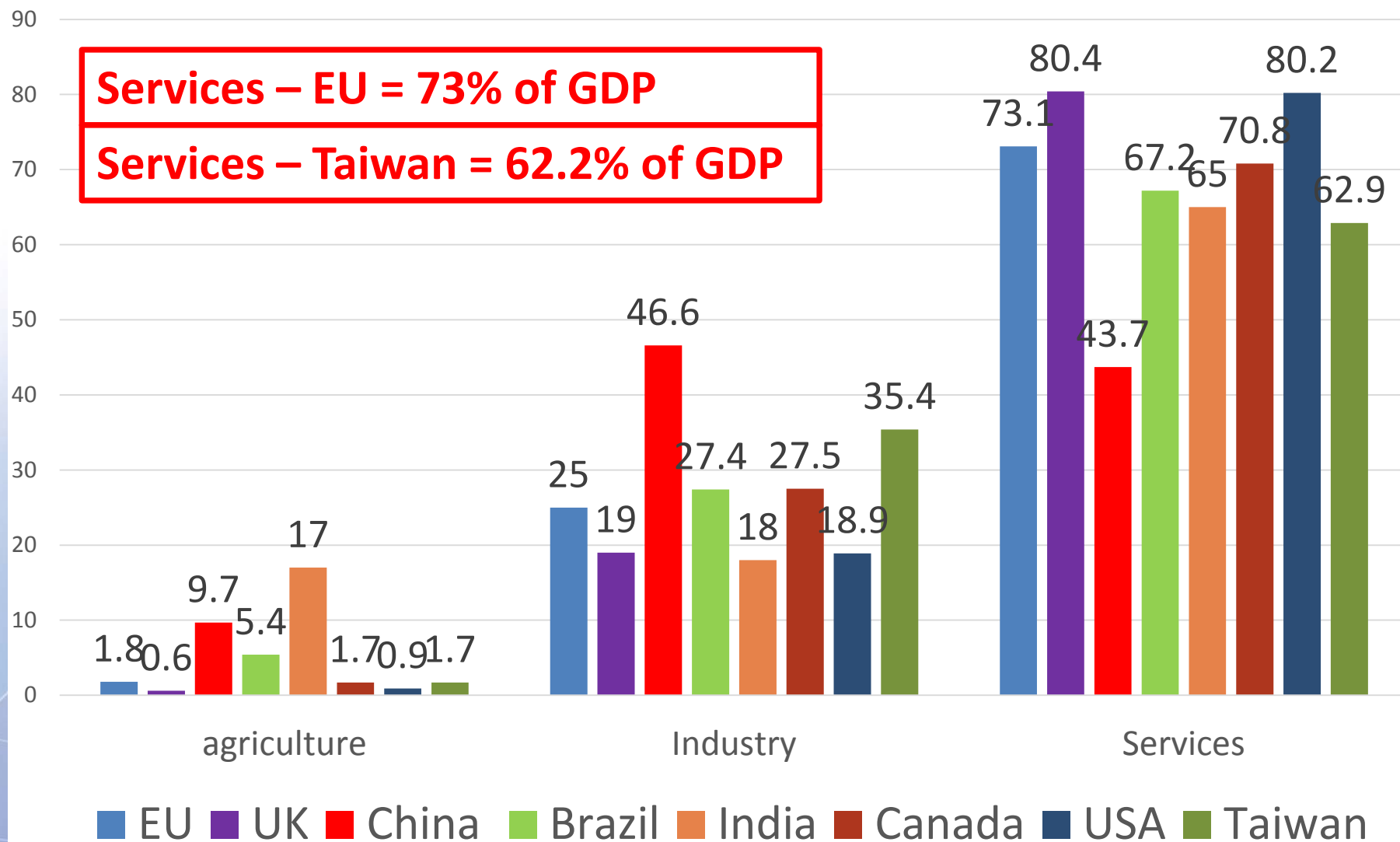
“The importance of Trade in Services in the EU and Taiwan Trade”

The background of the slide is a photograph of three business professionals in a meeting. Two men in white shirts and dark trousers are standing and looking at a document held by a third person whose arm is visible on the right. The setting appears to be a modern office with large windows in the background.

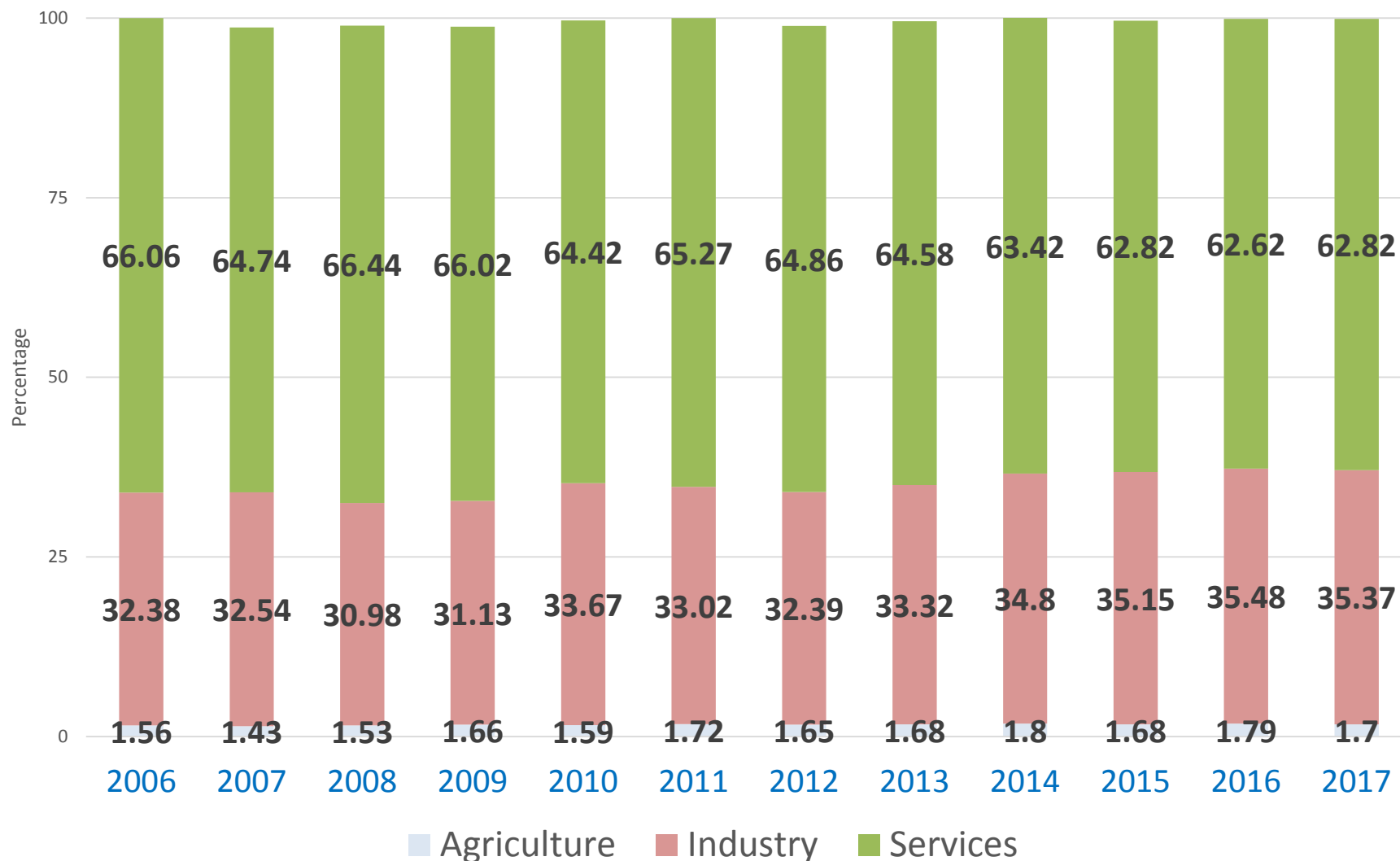
Pascal Kerneis
ESF Managing Director

Taipei – 20 June 2019 -

EU Economy per sectors – GDP - 2017

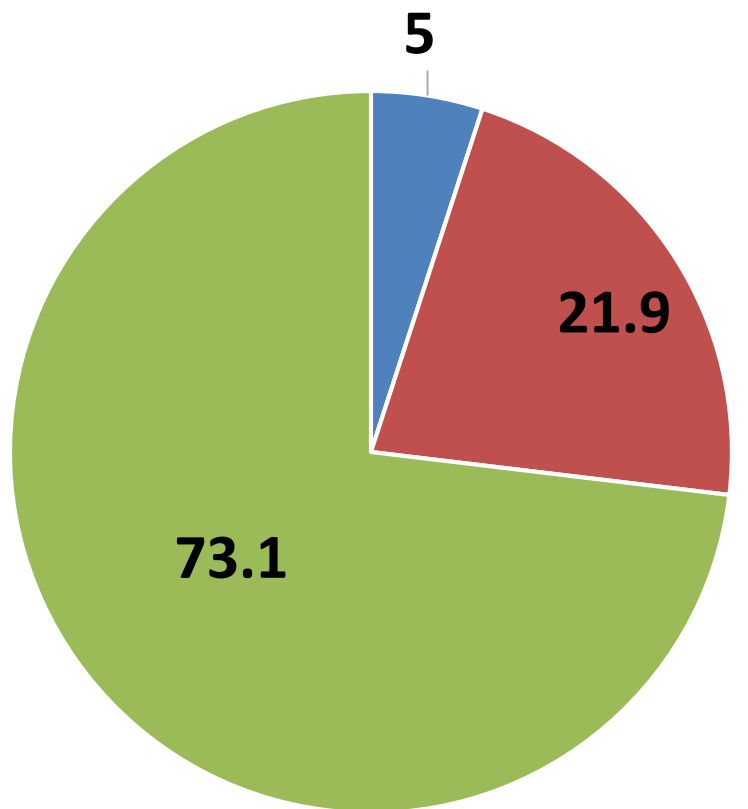


Distribution of GDP across economic sectors
Taiwan - 2006-2017 - %



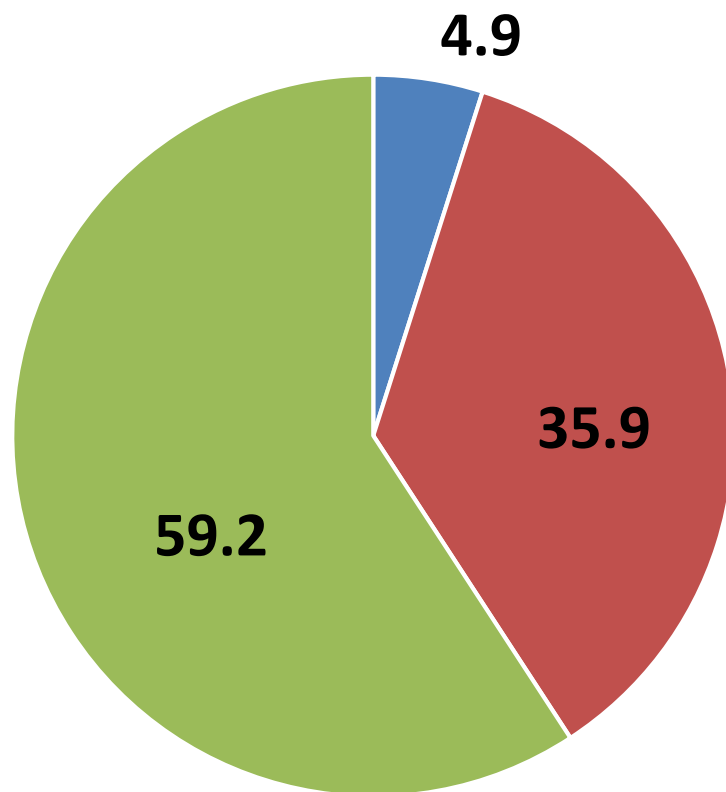
Labour Force by Occupations -2017

European Union



■ Agriculture ■ Industry ■ Services

Taiwan



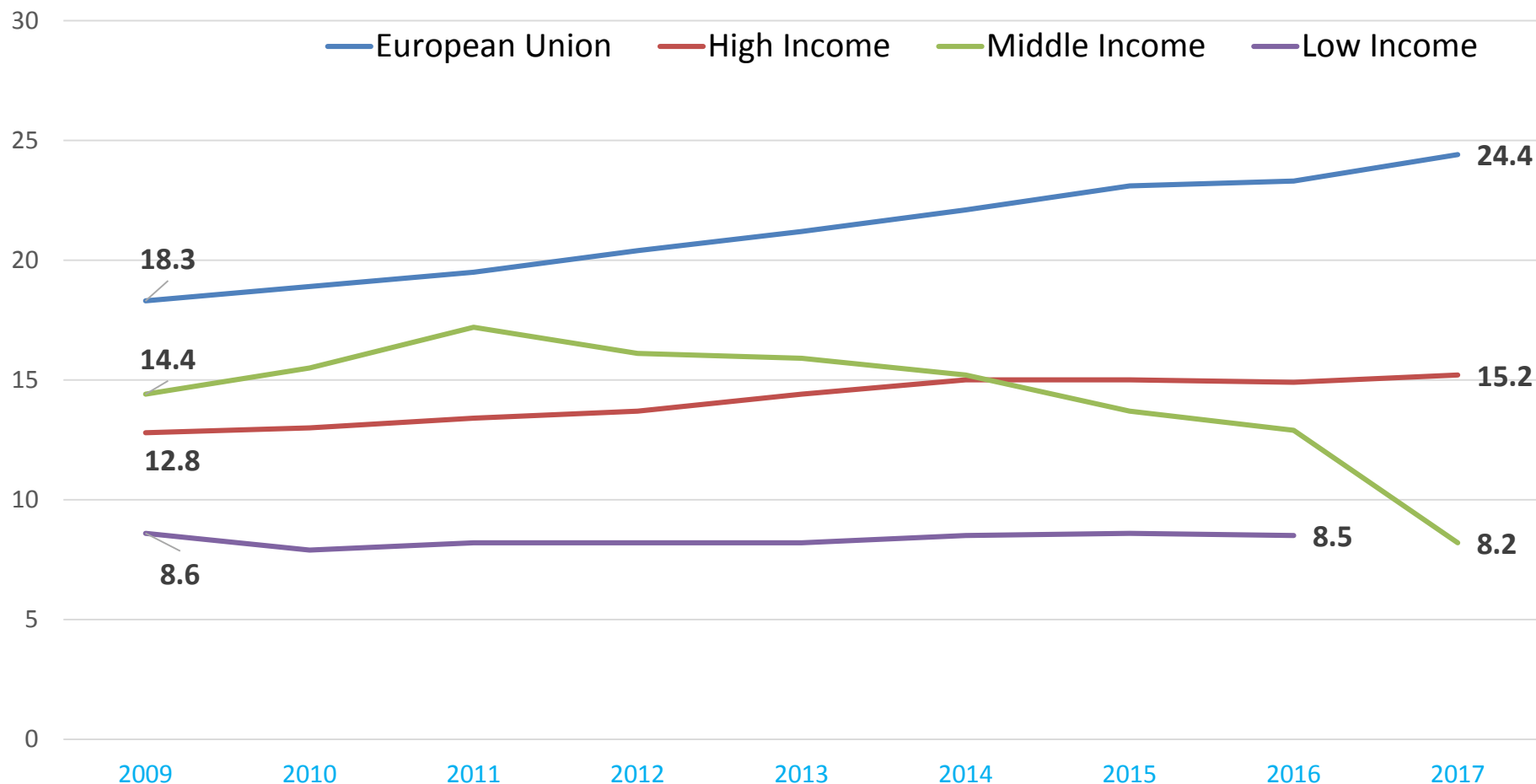
■ Agriculture ■ Industry ■ Services



« The voice of the European Service Industries for
International Trade Negotiations in Services »

The share of Trade in Services in the EU GDP is higher than in other
high income countries! → 24.4%

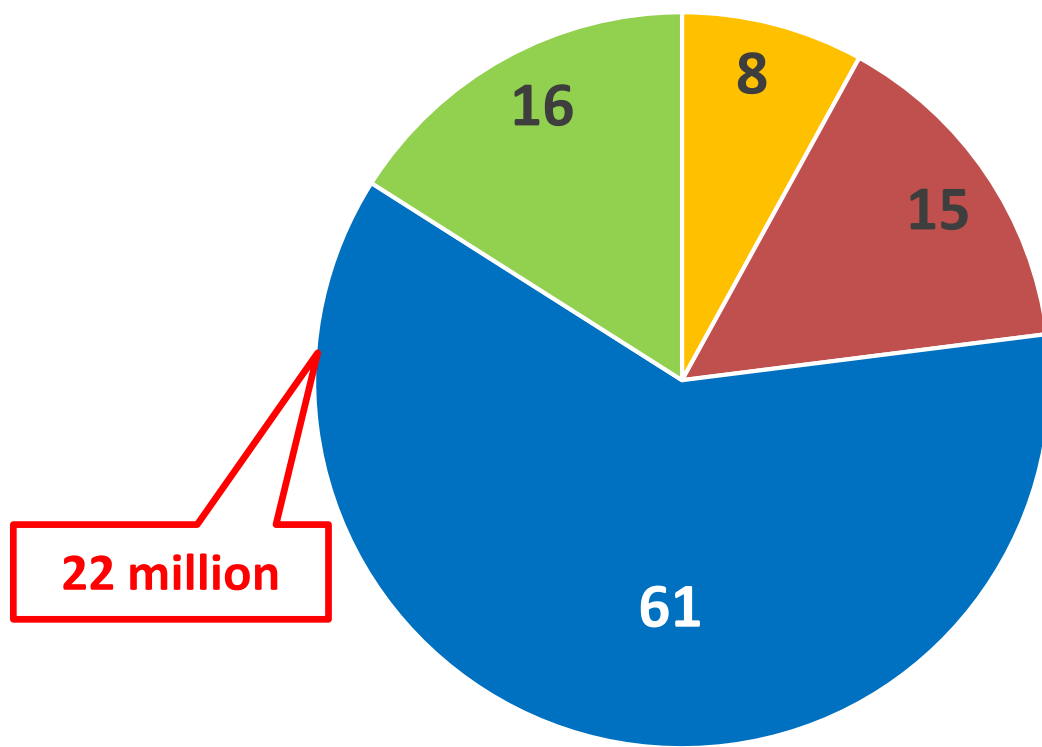
Trade in Services (GDP) (%)



EXPORTS OF SERVICES MEANS JOBS!

EU Exports support 36 million jobs!
61% of export-related jobs are in services

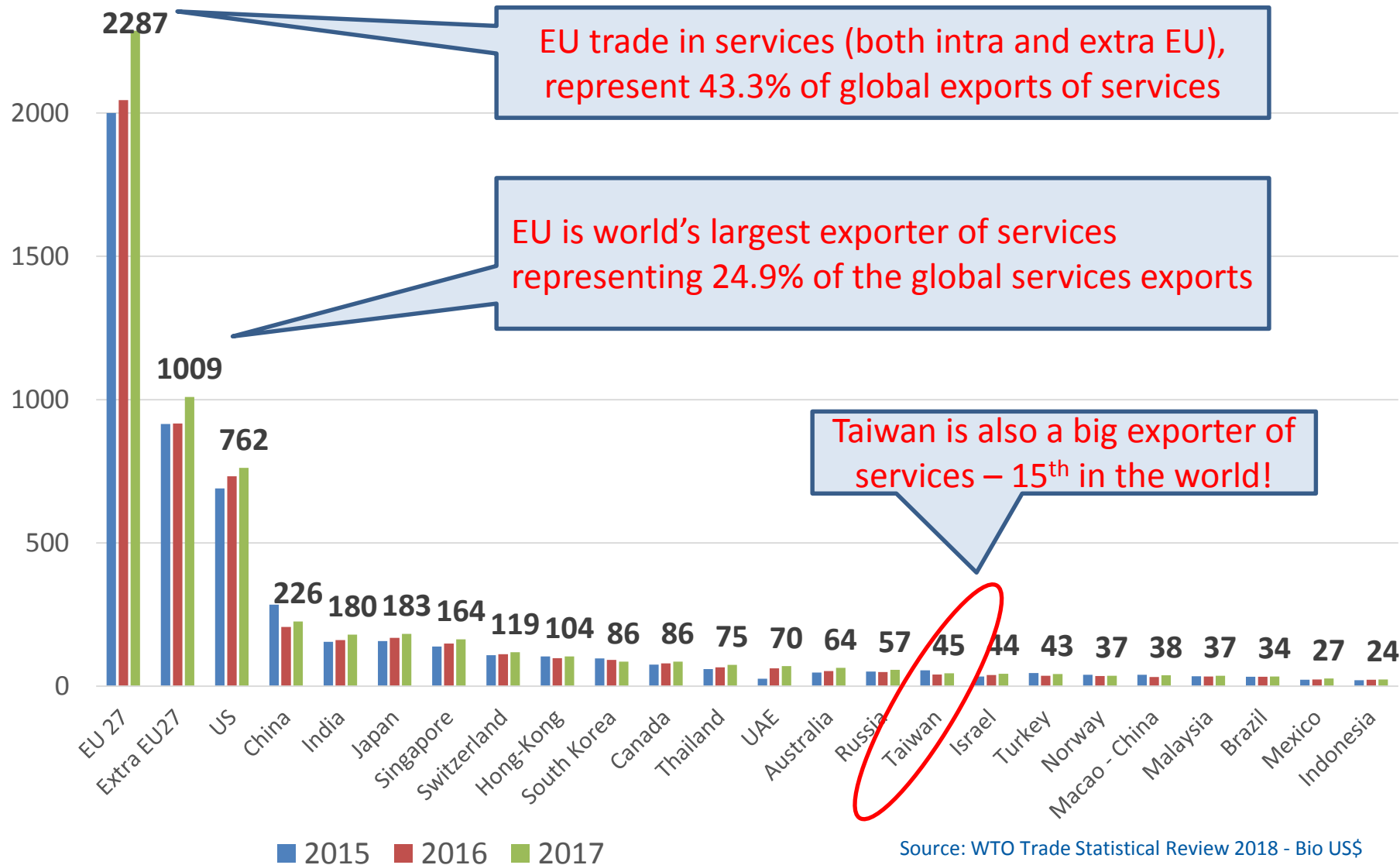
Export support jobs per sectors – 2017 - %



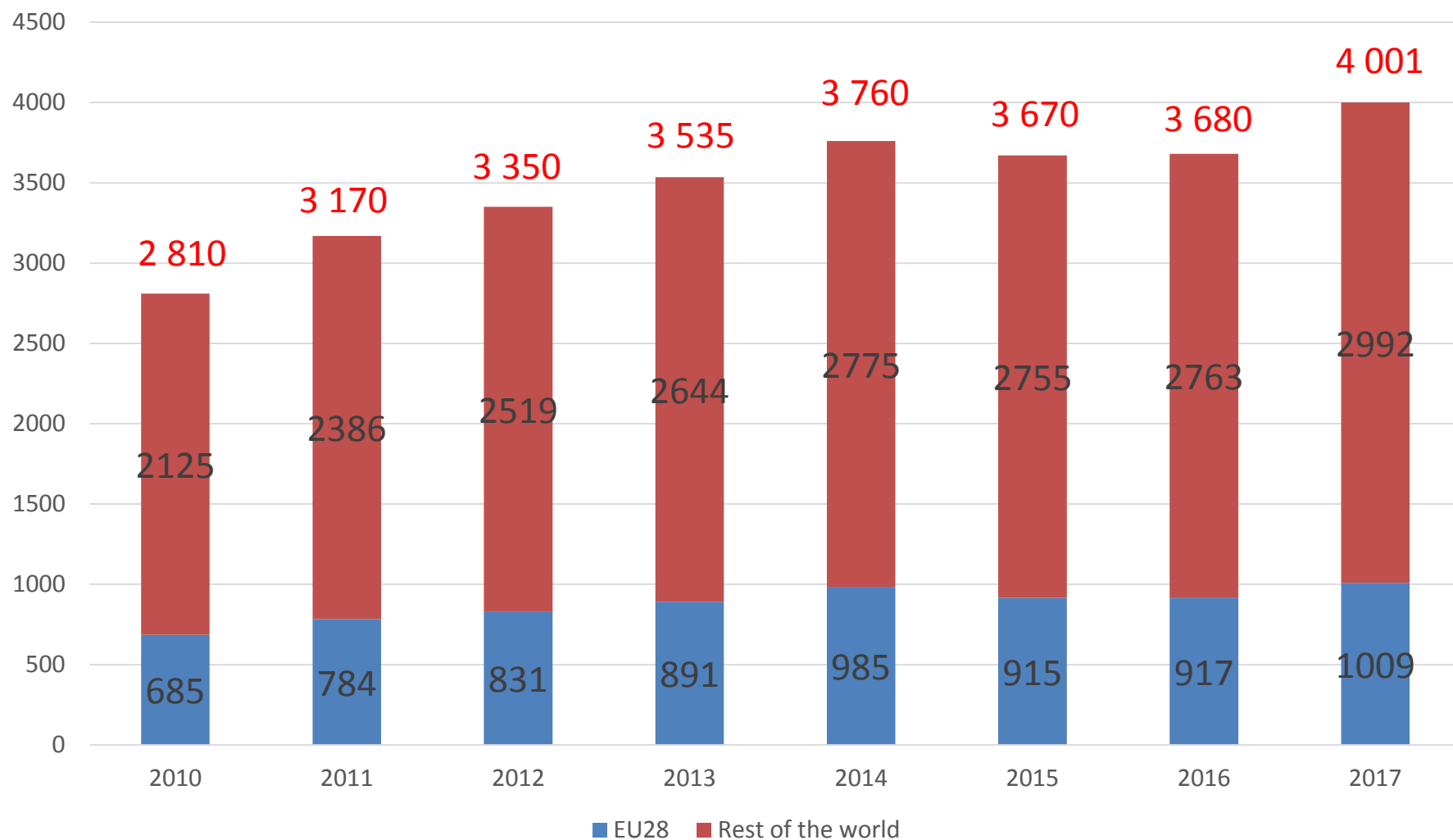
■ Non-metallic & basic metals ■ Machinery & transport equipment ■ Services ■ Others

Source: Report "EU Exports to the world: Effect on Employment" - 2018

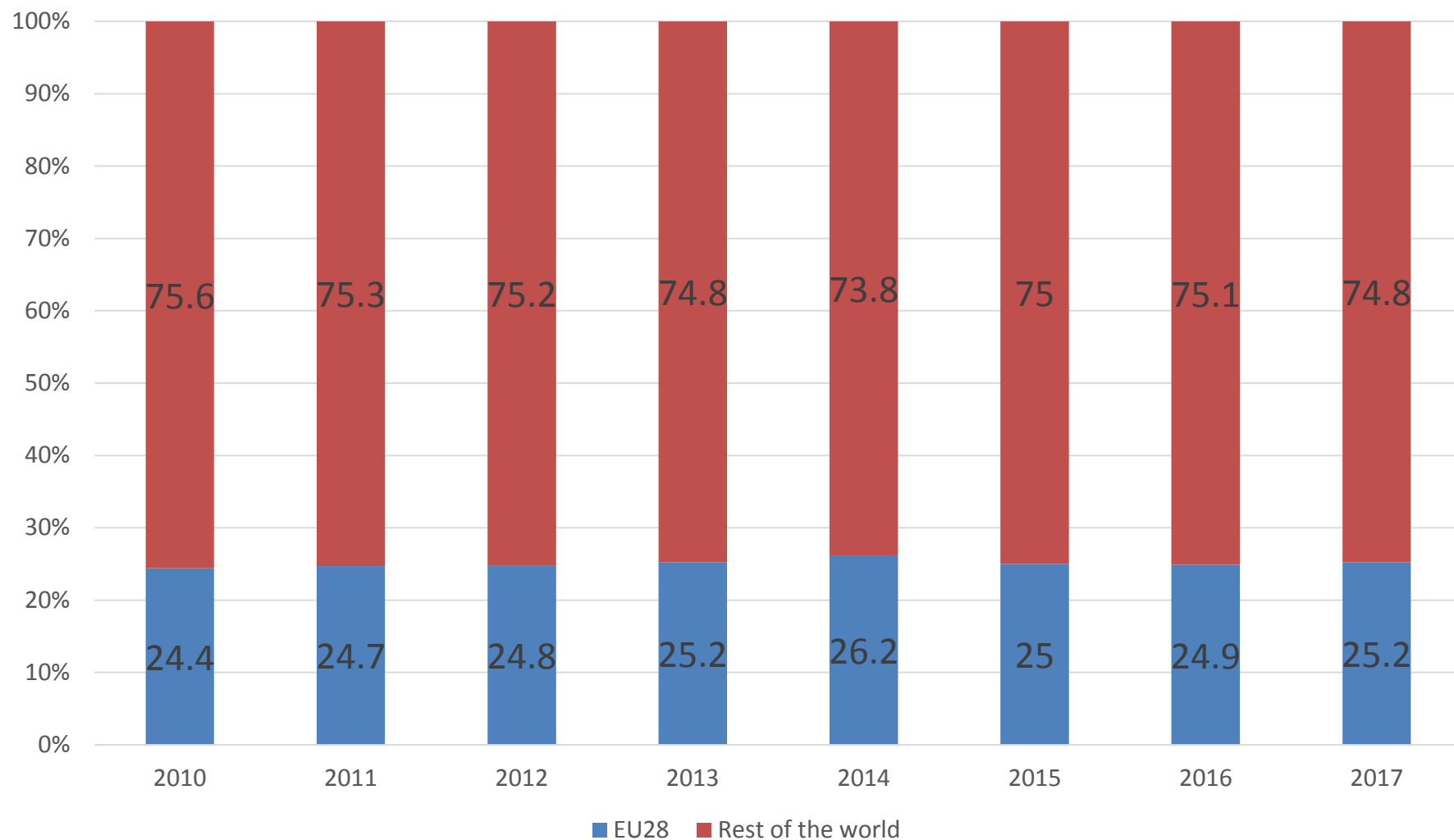
THE EU IS BY FAR THE WORLD BIGGEST EXPORTER OF TRADE IN SERVICES



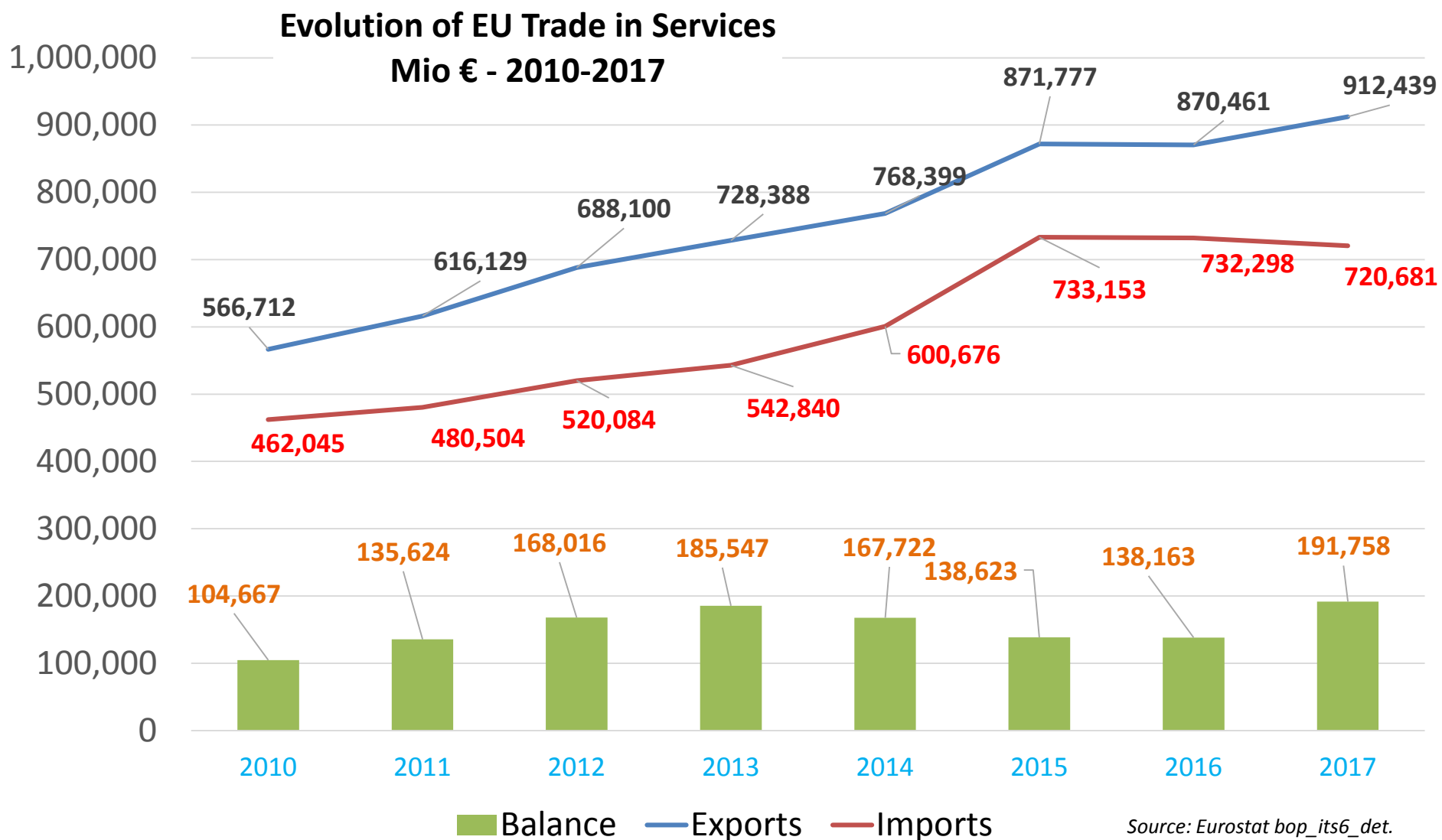
Share of Extra EU28 in World Trade in Services - \$Bio



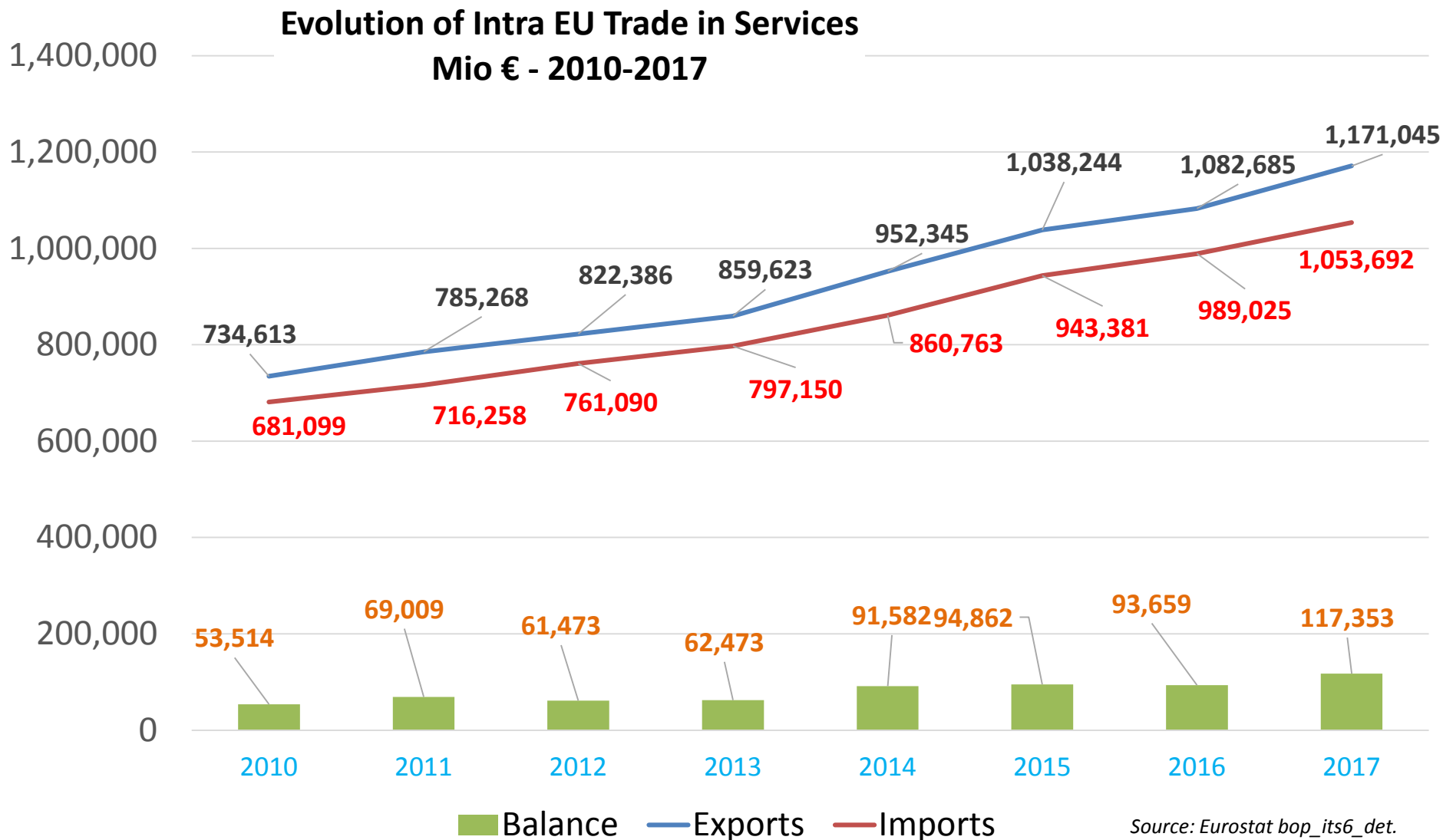
Share of Extra EU28 in World Trade in Services - %



EU Trade in Services Volume (Extra EU) (Export & Import) in 2017 = 1.58 Trillion € !



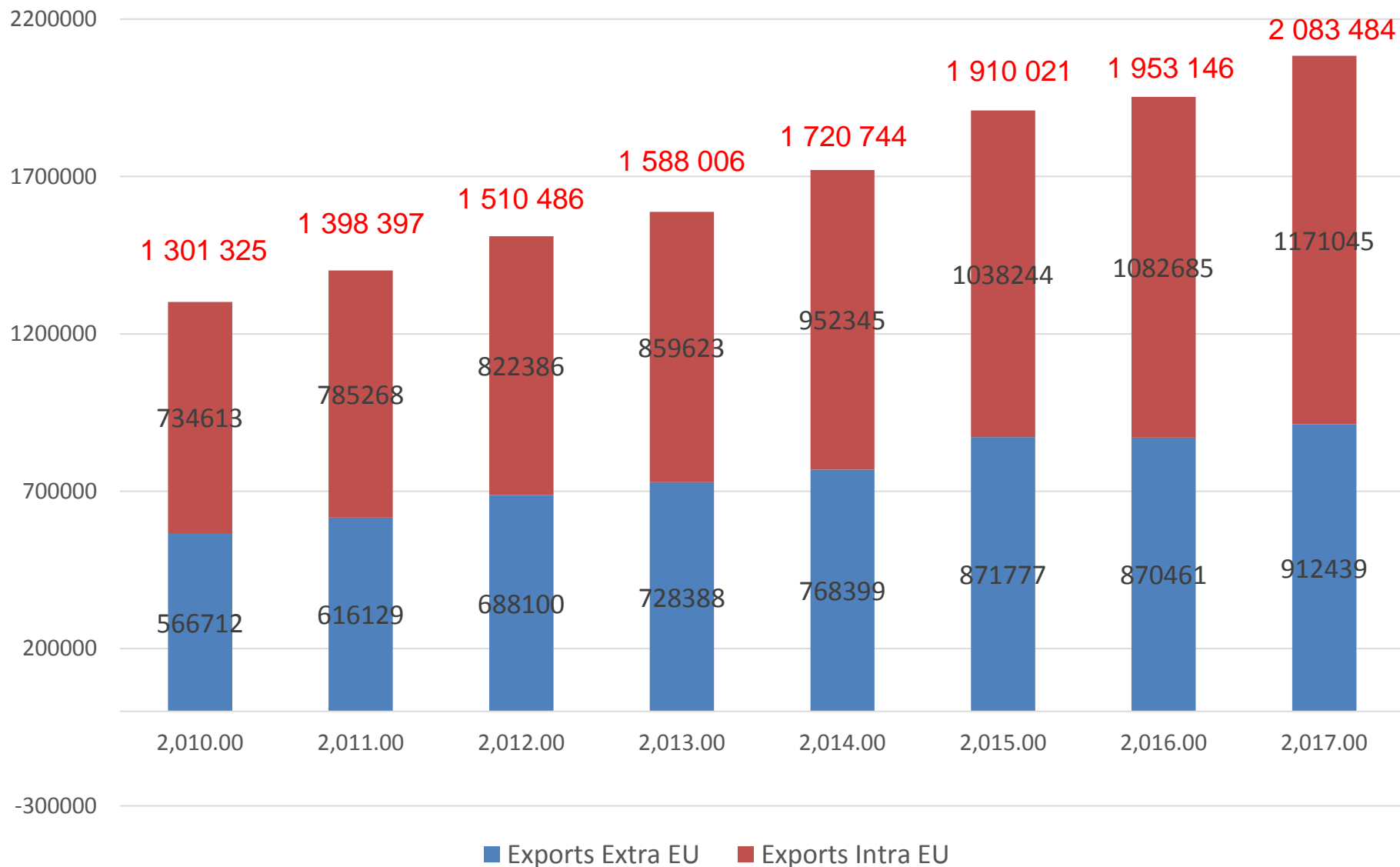
EU Trade in Services Volume (Intra EU) (Export & Import) in 2017 = 2.22 Trillion € !





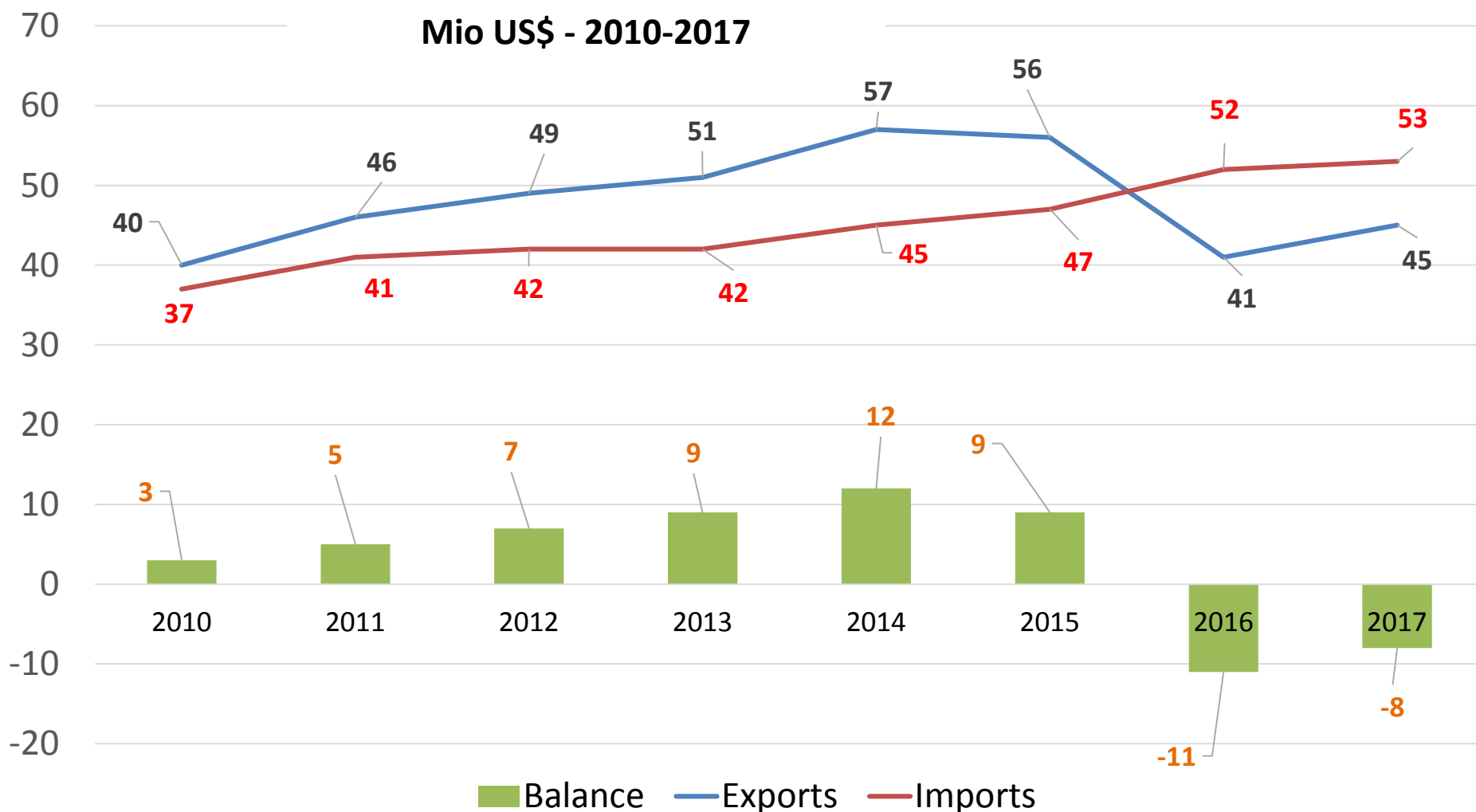
« The voice of the European Service Industries for
International Trade Negotiations in Services »

EU Trade in Services Volume (Intra + Extra EU) (Exports) in 2017 = 2.08 Trillion €

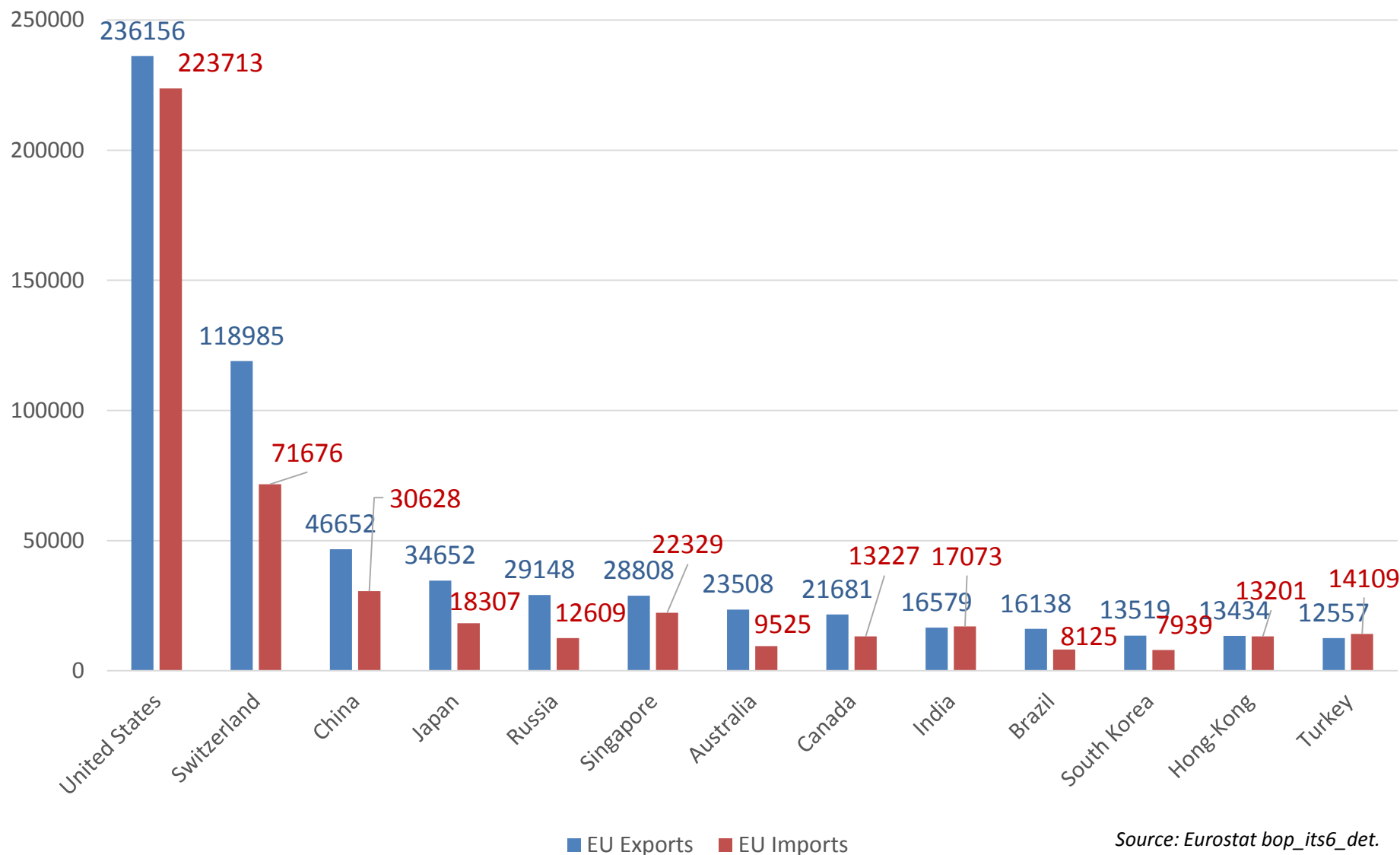


Taiwan Trade in Services Volume (Export & Import) in 2017 = 98 Billion US\$!

Evolution of Taiwan Trade in Services
Mio US\$ - 2010-2017

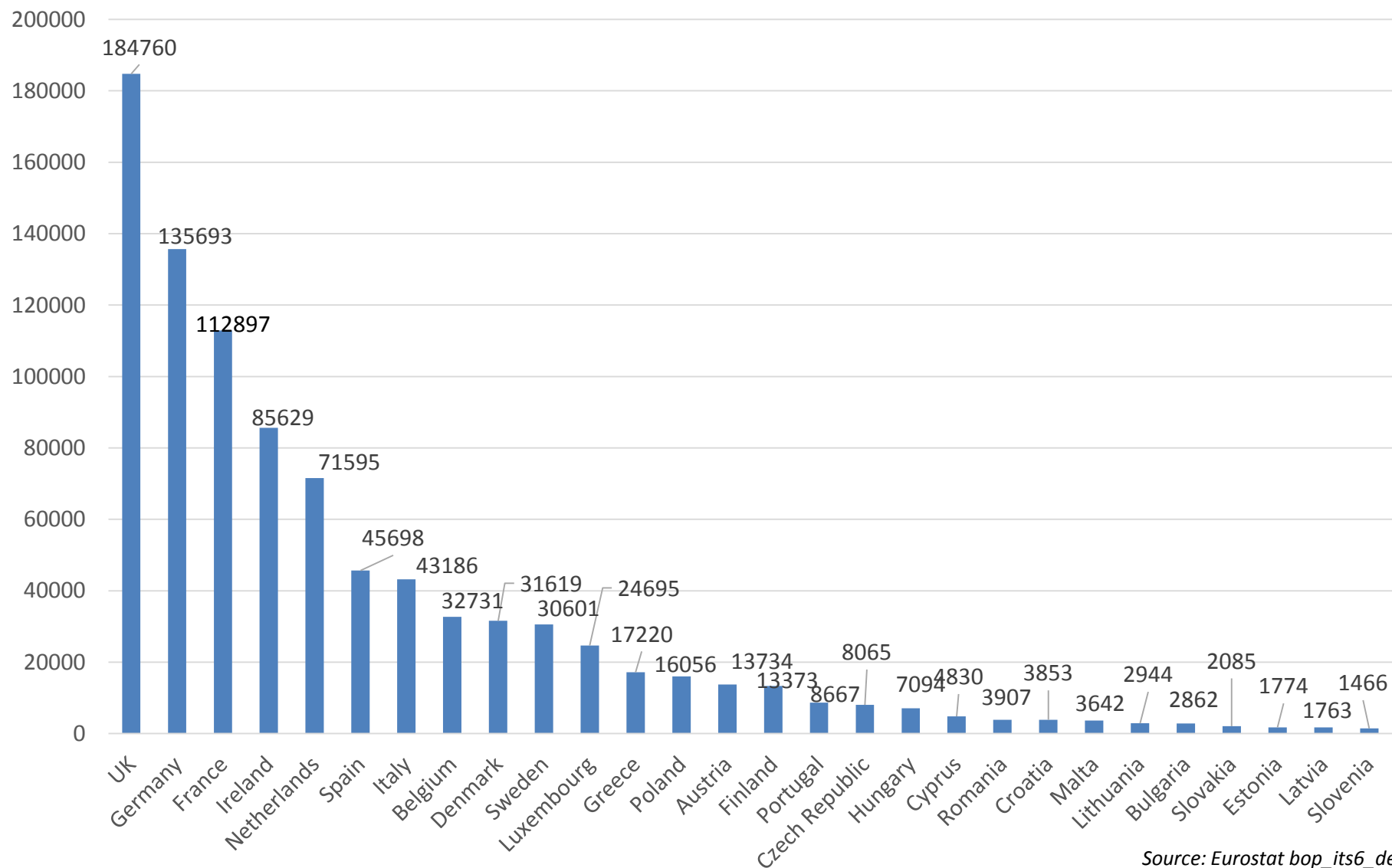


Major EU Trading partners in Services (Extra-EU) – 2017 – Mio €

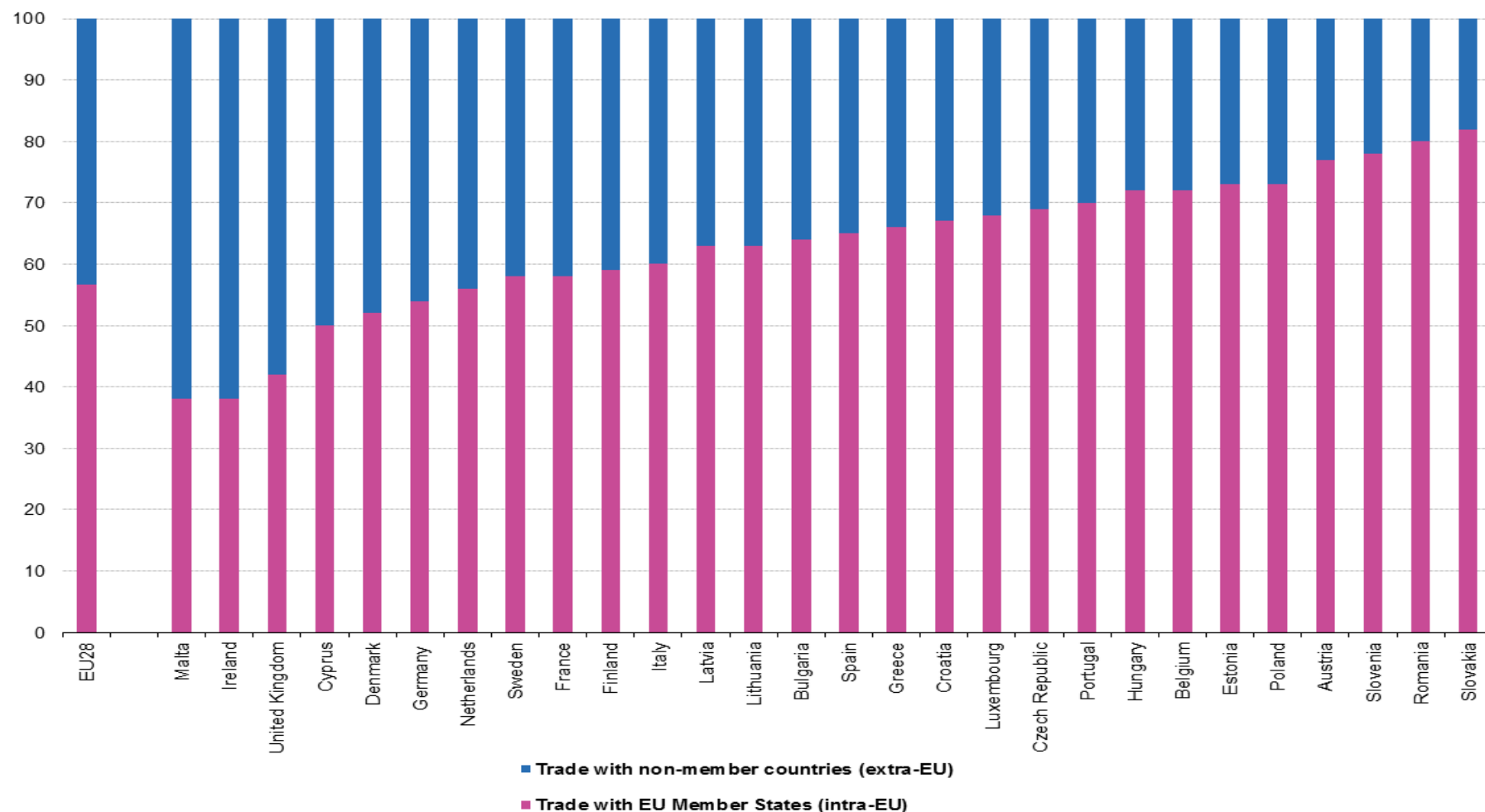


Source: Eurostat *bop_its6_det*.

EU Exports of services per countries (Extra EU) - €Mio – 2017



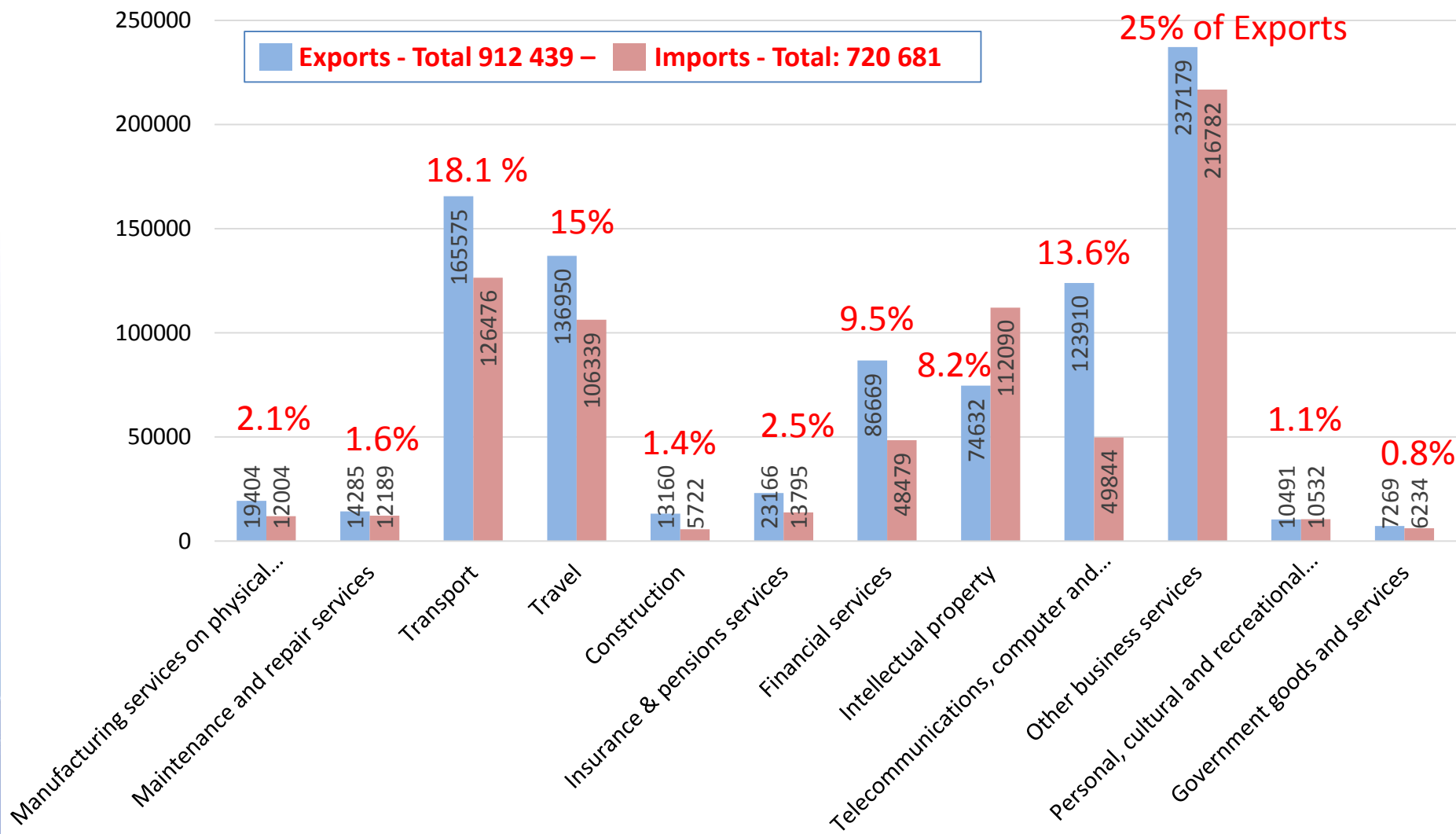
Distribution of intra-EU and extra-EU trade (exports plus imports) in services, 2016
(%)



Source: Eurostat (online data code: bop_its6_tot)

EU Services Exports and Imports per sectors

(2017 - € Billion)



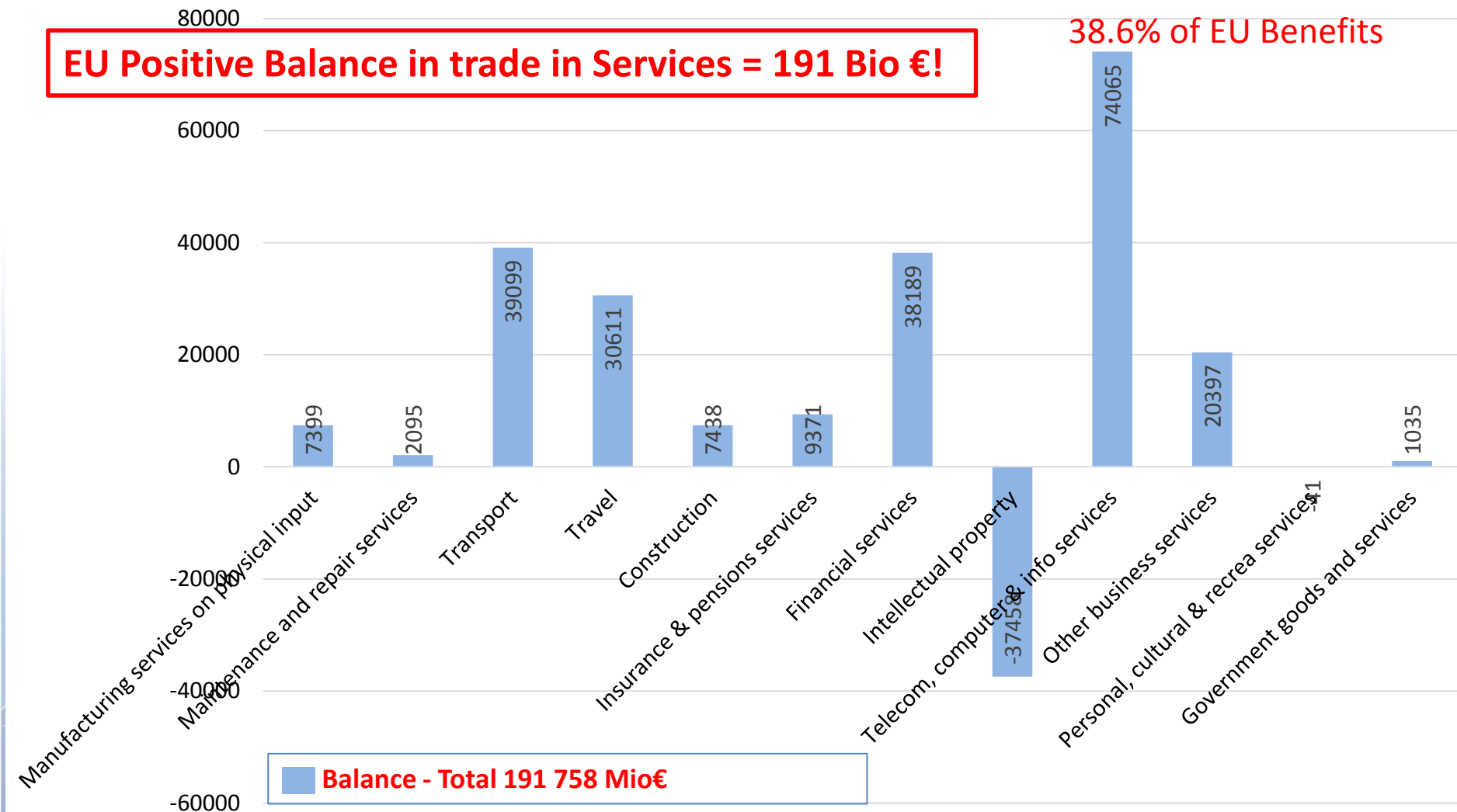
Source: Eurostat 2019 – Note: Other business services comprise mainly: research and development, professional and management consulting services, technical, trade-related services.

EU Trade in Services - Balance per sectors - BoP

(2017 - € Million)

EU Positive Balance in trade in Services = 191 Bio €!

38.6% of EU Benefits

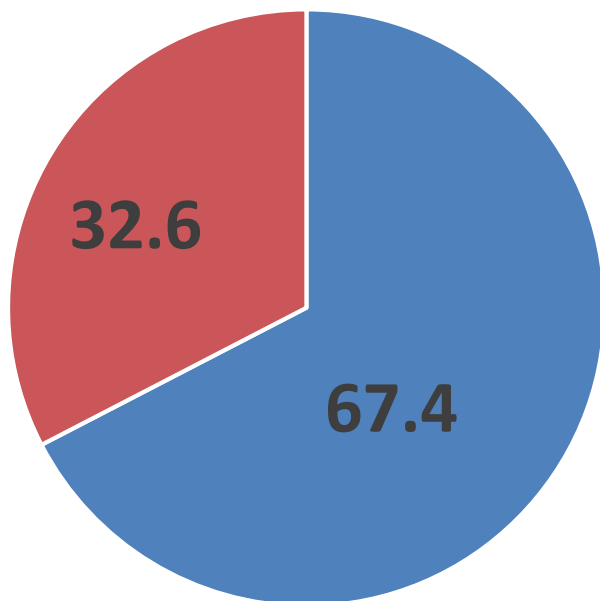


Source: Eurostat 2019 – Note: Other business services comprise mainly: research and development, professional and management consulting services, technical, trade-related services. Eurostat bop_its6_det.

IMPORTANCE OF TRADE IN SERVICES

Comparison between BoP & TiVA

EU Exports in BOP - 2017 – %



■ Goods

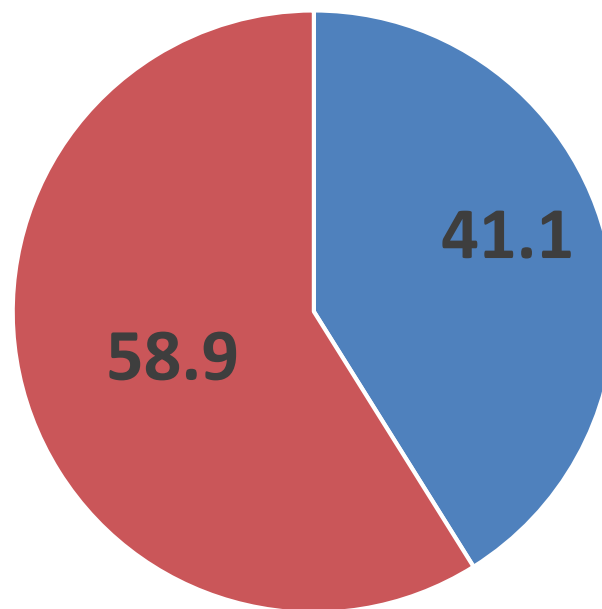
(1879 €Bio)

■ Services

(912 €Bio)

Total Export EU= 2791 €Bio

EU Exports in TiVA - 2016 - %

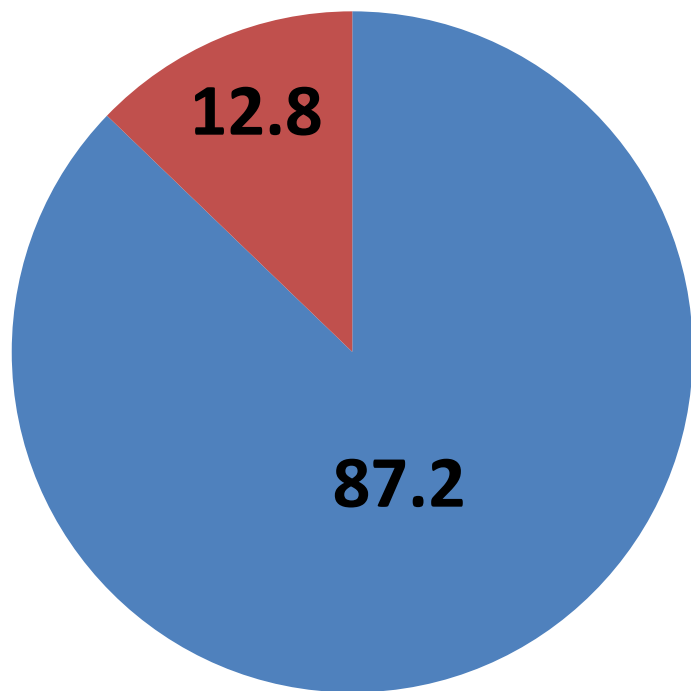


■ Goods

■ Services

Source: Eurostat bop_its6_det & TiVA

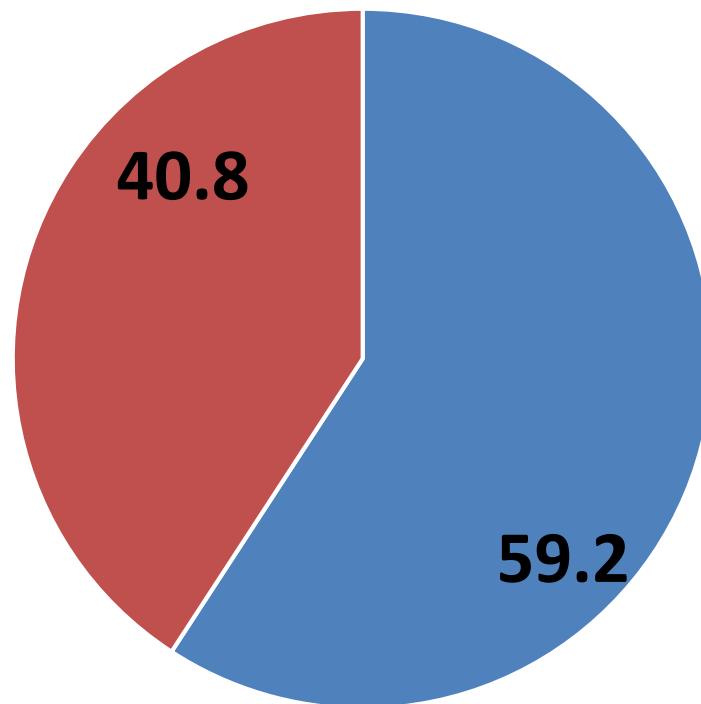
Taiwan Exports in BoP - 2017 - %



■ Goods ■ Services
(317 \$Bio) (45 \$Bio)

Total Taiwan= 352 \$ Bio

Taiwan Exports in TiVA - 2016 - %



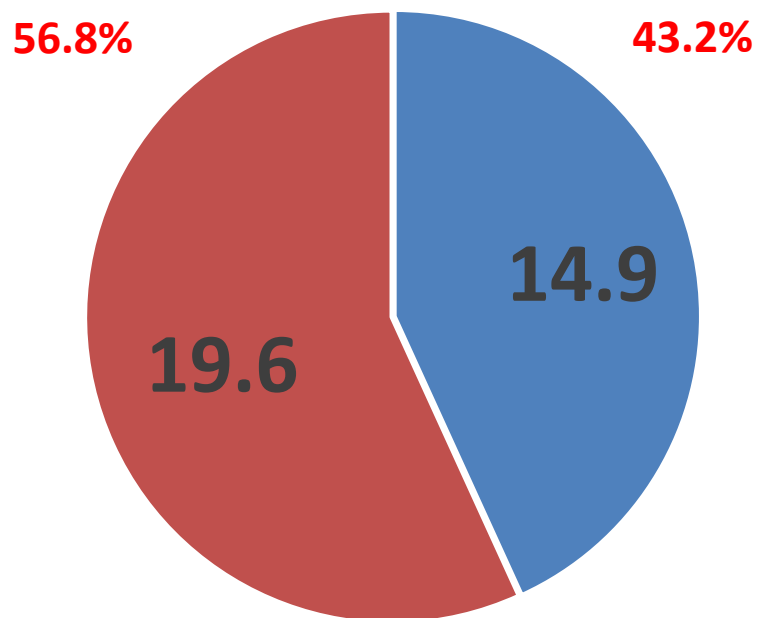
■ Goods ■ Services

40.8% of total Taiwan Exports are Services

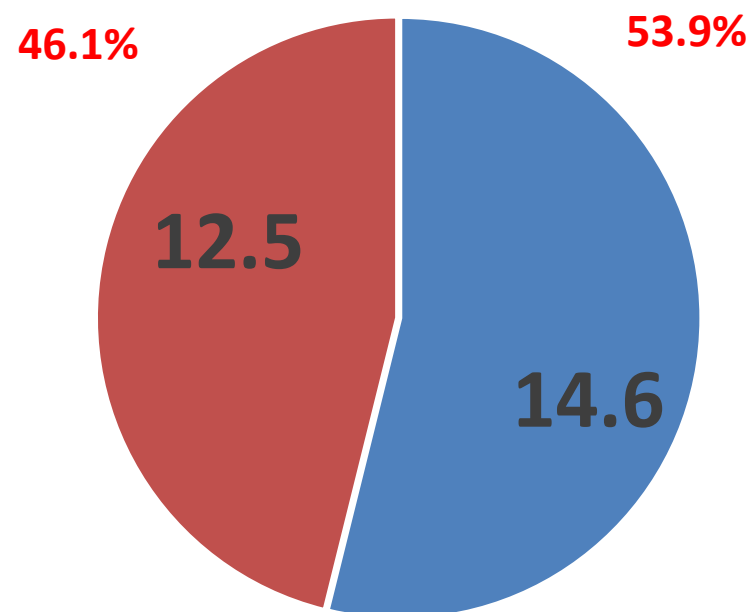
Share of Services in Exports of Manufactured Goods
(in Value added) – 2016 - %

EU28 = 34.5%

Taiwan = 27.1%

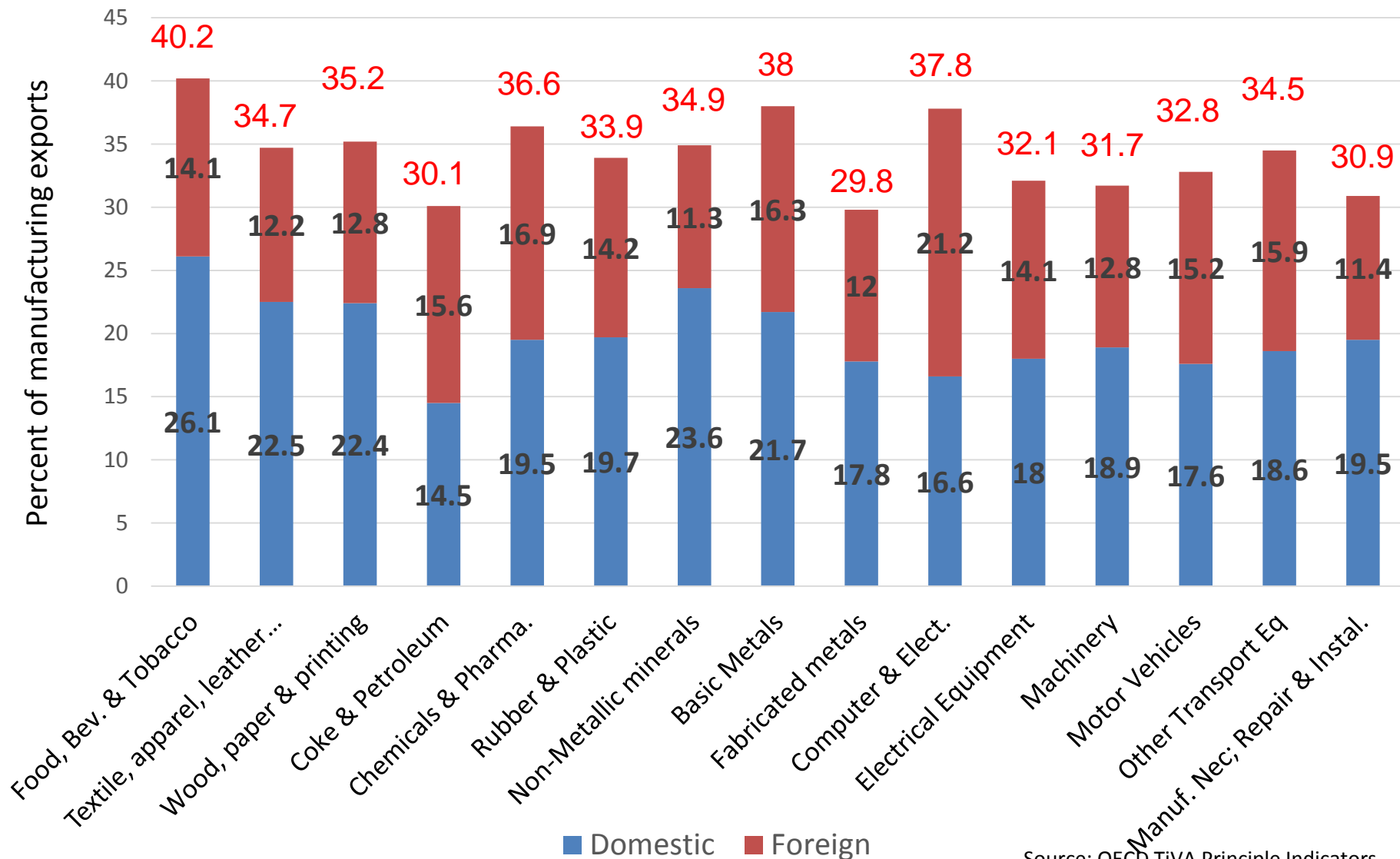


■ Domestic Services ■ Foreign Services

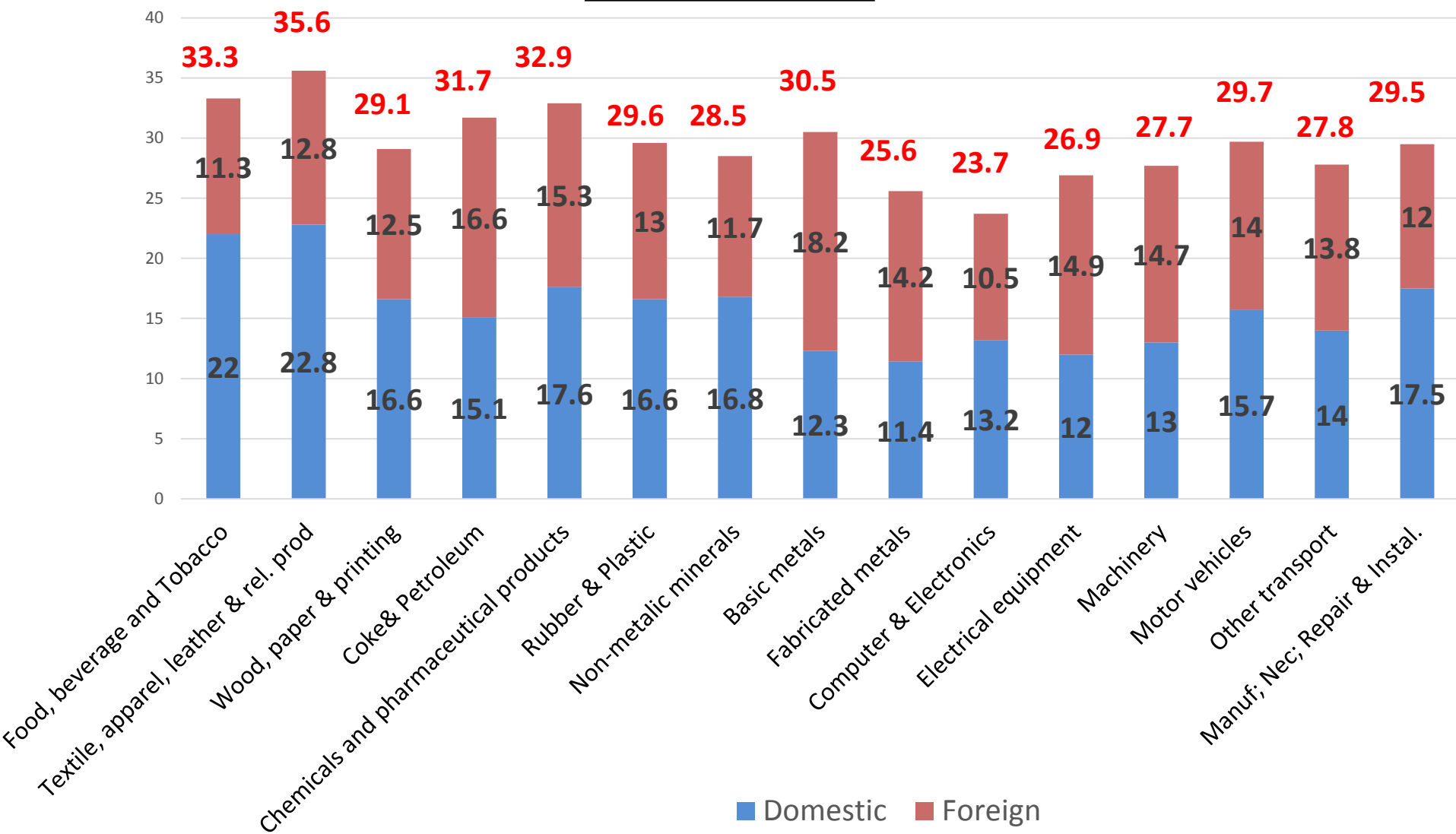


■ Domestic Services ■ Foreign Services

EU Services Value Added across industries – 2016 - %



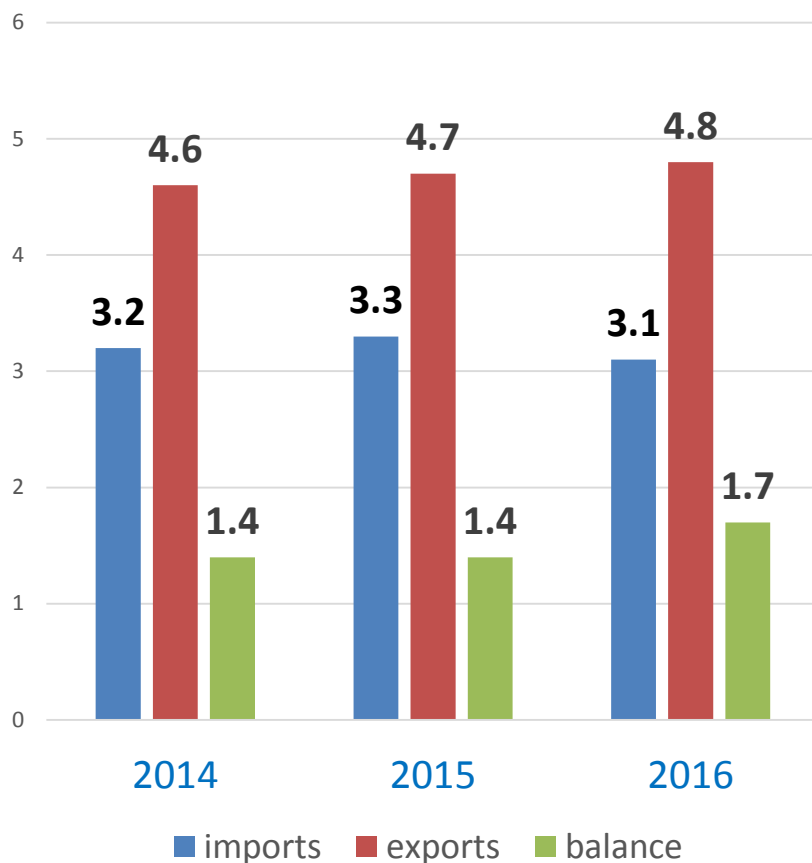
Trade in Value added Foreign and Domestic by manufacturing sector
- Taiwan - 2016 - %



EU – Taiwan Bilateral trade

**Trade surplus of €1.8 bn in
Services 2016**

EU TAIWAN TRADE IN SERVICES



**Trade deficit of €8.9 bn in
Goods 2016**

EU TAIWAN TRADE IN GOODS

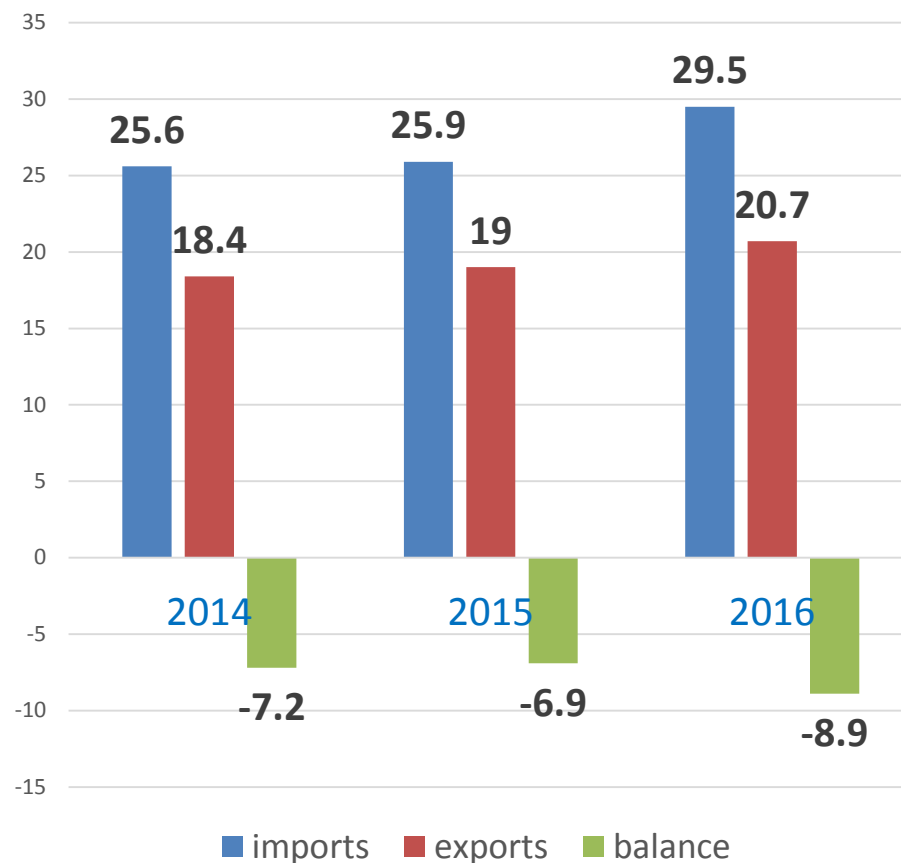


Figure 13: EU-Taiwan FDI stocks 2006-2016(€ million)

Source: Eurostat

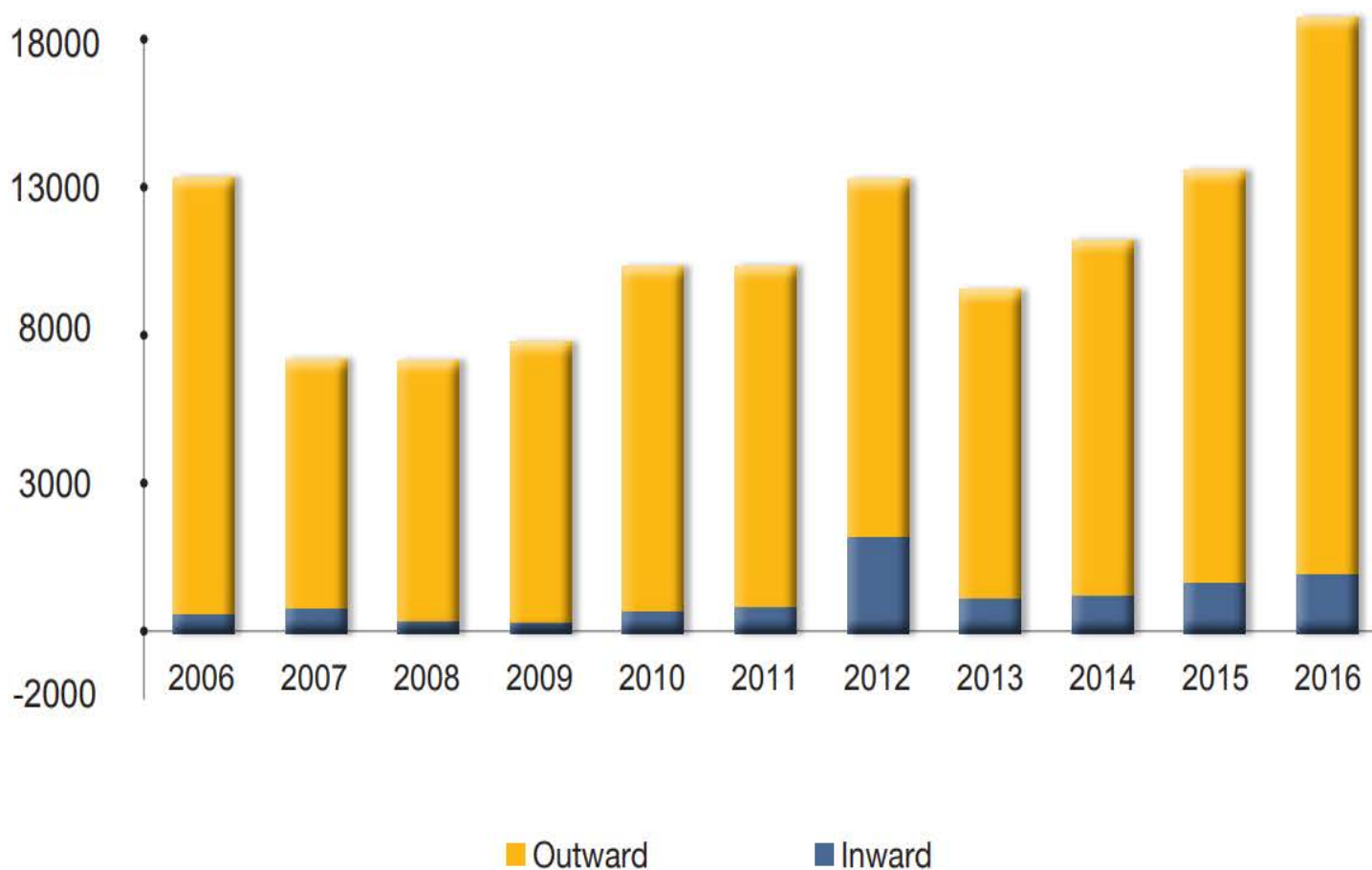
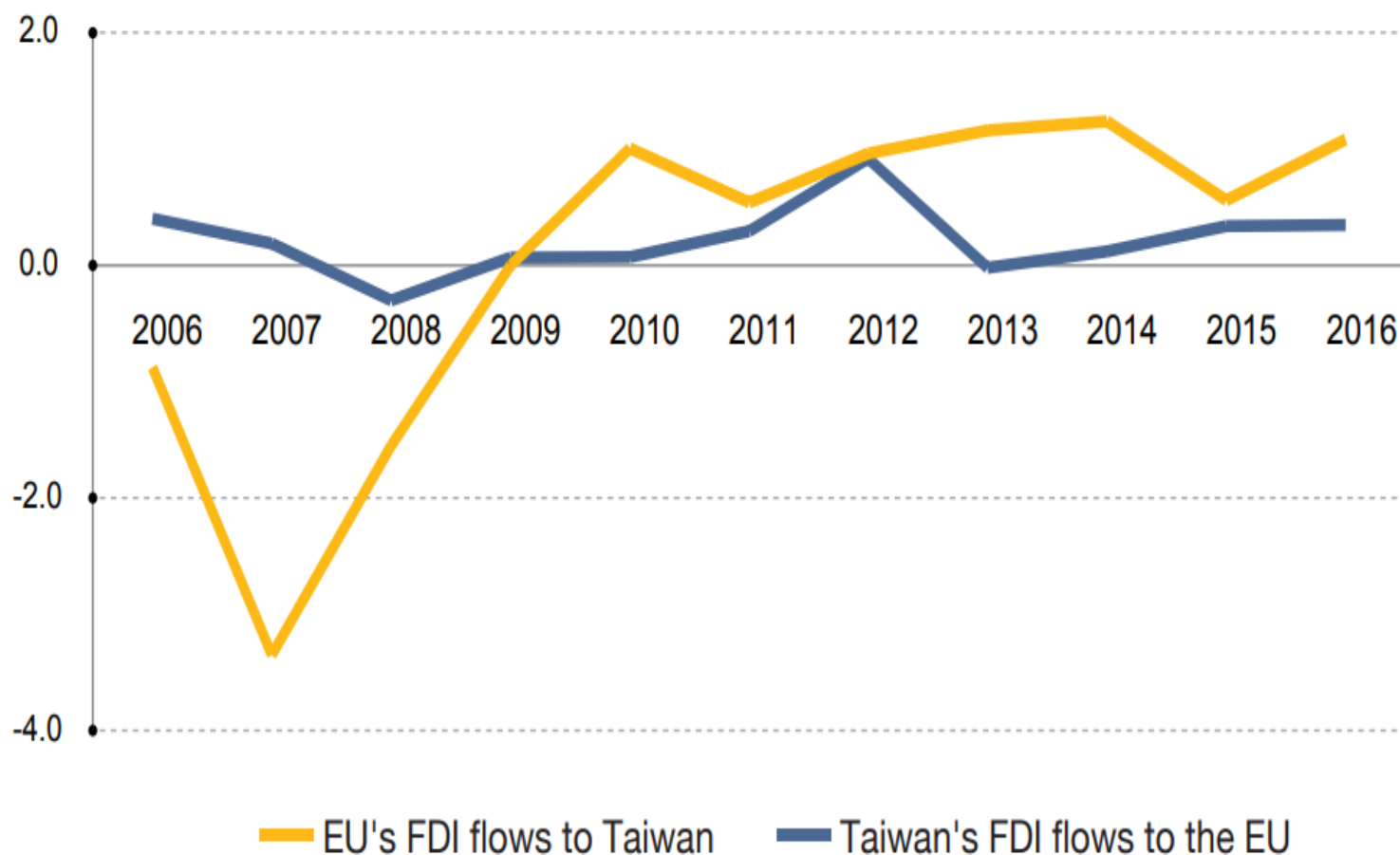


Figure 9: Bilateral FDI flows between the EU and Taiwan (unit: € billion)

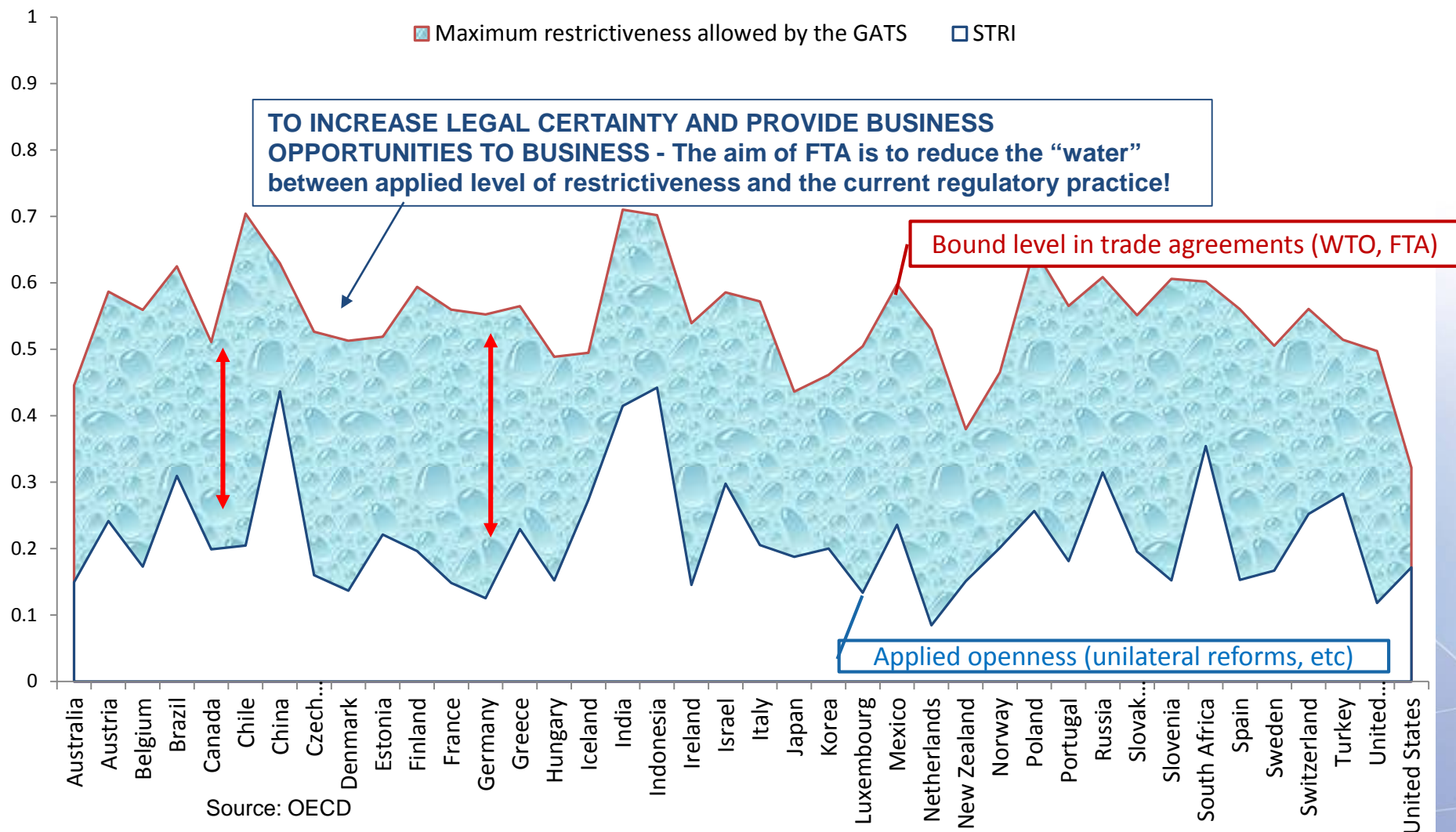
Source: Eurostat



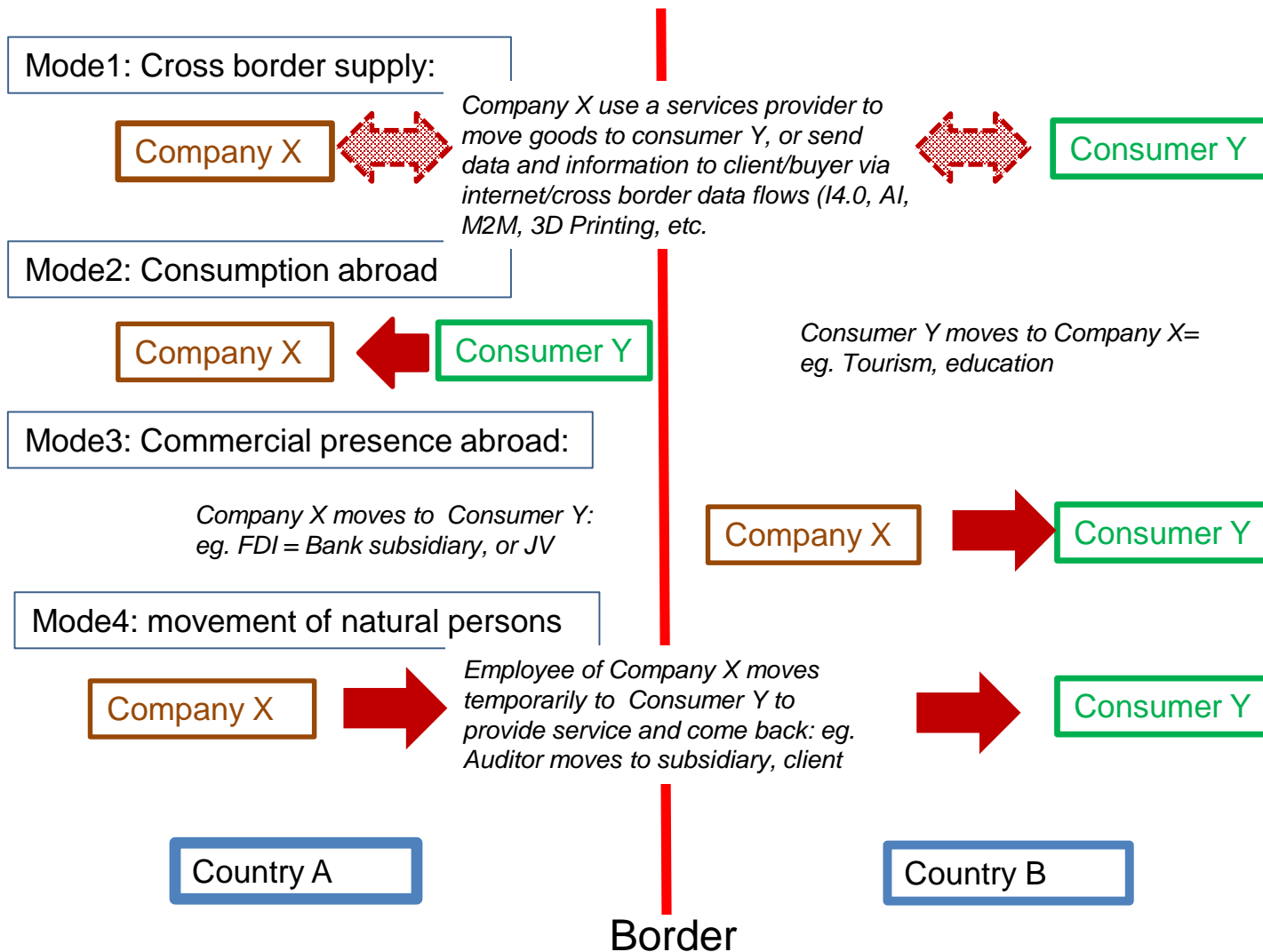
Services Chapters
in Trade Agreements
cover
Important issues of relevance to
Non-Services Sectors!



The objective: to reduce the “water” and increase legal certainty
... Like for trade in goods, where the objective is to reduce the “water” between applied tariffs and bound tariffs!



The Four Modes of Supply → NOT ONLY FOR SERVICES SECTORS



Negotiations under “Services chapters” of Trade Agreements cover the whole economy!

- **Mode 1 = Cross border trade in services**, but in fact it covers any activities. Critical for the Digital transformation of the economy!
All Machine-to-Machine communications, All international activities of “Internet of Things” “IoT”, “Industry 4.0”, “3D Printing” do require cross border data flows!
➔ Need clear banning of local server and local presence requirement to be able to take profit of economy of scale!
- **Mode 3 = Commercial presence abroad**, covers not only services companies, but all sectors (agriculture, aquaculture, fisheries, mining and quarrying, all manufacturing sectors, incl. “Manufacture of food products and beverages”.)
- **Mode 4 = Temporary Movement of natural persons**, include mobility of consultants, lawyers and auditors, but also the **technicians and engineers of manufacturing** companies who travel for maintenance and repair & after sales “services”!

The Classification of services → NOT ONLY FOR SERVICES SECTORS

**WORLD TRADE
ORGANIZATION**

RESTRICTED
MTN.GNS/W/120
10 July 1991

(98-0000)

Special Distribution

F.	<u>Other Business Services</u>		
a.	Advertising services	←	871
b.	Market research and public opinion polling services	←	864
c.	Management consulting service		865
d.	Services related to man. consulting		866
e.	Technical testing and analysis serv.	←	8676
f.	Services incidental to agriculture, hunting and forestry		881
g.	Services incidental to fishing		882
h.	Services incidental to mining		883+5115
i.	Services incidental to manufacturing	←	884+885 (except for 88442)
j.	Services incidental to energy distribution		887
k.	Placement and supply services of Personnel		872
l.	Investigation and security		873
m.	Related scientific and technical consulting services		8675
n.	Maintenance and repair of equipment (not including maritime vessels, aircraft or other transport equipment)	←	633+ 8861-8866
o.	Building-cleaning services		874

Central Product Classification - CPC Version 1.1

(Updated: 21.02.2002)

Version submitted to the United Nations Statistical Commission, 5-8 March 2002

Need for manufacturing and primary industries to look at technical aspects of the services negotiations, since many CPC lines are of direct effect on the profitability of the products:

- Business services
 - Data processing services
- • Research & Development services
- Rental & leasing services relating to machinery
- Other Business Services
 - • Management consulting services
 - • Technical testing and analysis services
 - • Services incidental to agriculture
 - • Services incidental to manufacturing
 - • Maintenance & repair of equipment
- • Distribution services (car industry, pharmaceutical, **food & drink**, etc.)
- Environmental services
- Financial services (leasing, OTC, foreign exchange, insurance, etc.)
- • Transport services (Maritime, Road, Air Cargo, etc.)
- • Storage and warehouse services
- Etc....

IV. CORRESPONDENCE OF PROVISIONAL CPC TO CPC V			
Provisional CPC		CPC Version 1.1	
		(*) indicates partial correspondence	
63109	Specialized retail sales of food products n.e.c.	62129	Non-specialized store retail trade services, of food products n.e.c.
		62222 *	Specialized store retail trade services, of dairy products, eggs and edible oils and fats
		62227	Specialized store retail trade services, of coffee, tea, cocoa and spices



« The voice of the European Service Industries for International Trade Negotiations in Services »

MODE 1 = “CROSS BORDER SUPPLY” = INCLUDE CROSS BORDER DATA FLOWS

= → NOT ONLY FOR SERVICES SECTORS

ANNEX 7-A-2 of **EU-Korea FTA** – OJEU L127 –
14/05/2011

Modes of supply:	1) Cross-border supply	2) Consumption abroad	3) Commercial presence	4) Presence of natural persons
Sector or Sub-sector	Limitations on market access	Limitations on national treatment		Additional commitments
i. Services incidental to manufacturing: only consulting services related to manufacturing technologies of new products (CPC 884** and 885** excluding 88411, 88450, 88442, and 88493)	1) None 2) None 3) None 4) Unbound except as indicated in the Horizontal Commitments section	1) None 2) None 3) None 4) Unbound except as indicated in the Horizontal Commitments section		
n. Maintenance and repair of equipment (CPC 633, 8861, 8862, 8863, 8864, 8865, 8866)	1) None 2) None 3) None 4) Unbound except as indicated in the Horizontal Commitments section	1) None 2) None 3) None 4) Unbound except as indicated in the Horizontal Commitments section		



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MODE 3 = COMMERCIAL PRESENCE ABROAD = FOREIGN DIRECT INVESTMENT

= → NOT ONLY FOR SERVICES SECTORS

ANNEX 7-A-2 of **EU-Korea FTA** – OJEU L127 – 14/05/2011

EU PARTY

**LIST OF COMMITMENTS IN CONFORMITY WITH ARTICLE 7.13
(ESTABLISHMENT)**

Sector or sub-sector	Description of reservations
ALL SECTORS (Including Manufacturing sectors)	Real estate All Member States except AT, BG, CY, CZ, DK, EE, EL, FI, HU, IE, IT, LV, LT, MT, PL, RO, SI, SK: None
1. AGRICULTURE, HUNTING, FORESTRY	
2. FISHING AND AQUACULTURE	Unbound.
3. MINING AND QUARRYING ⁽¹⁴⁾ A. Mining of coal and lignite: extraction of near	EU: Unbound for juridical persons controlled ⁽¹⁶⁾ by natural or juridical persons of a non-European Union country which accounts for more than 5 % of the European Union's oil or natural gas imports. Unbound for direct branching (incorporation is required). Unbound for extraction of crude petroleum and natural gas.
4. MANUFACTURING ⁽¹⁷⁾	(27 Manufacturing sectors listed with EU Commitments & Restrictions)
A. Manufacture of food products and beverages (ISIC rev 3.1: 15)	None
6. BUSINESS SERVICES	(And then comes the other 11 Services sectors listed with EU Commitments & Restrictions)

MODE 4 = MOVEMENT OF NATURAL PERSONS → NOT ONLY FOR SERVICES

SECTORS

A key priority for EU businesses in all sectors

Temporary period only, not permanent migration

Negotiate faster Business Visa and Work permits delivery procedures:

Visa facilitation (Sensitive in EU – Competence?)

In all Categories of Natural Persons Covered under Mode 4:

1. Intra-Corporate Transfers (ICT)

Managers

Specialists (**e.g. Engineers!**)

Graduate Trainees

2. Business Visitors (BV)

3. Contract Service Suppliers (CSS)

Employees of Juridical Persons (EU offers 37 sectors)

4. Independent Professionals (IP) (EU offers 17 sectors)

MRAs ON PROFESSIONAL QUALIFICATION → INCLUDING FOR MANUFACTURING ENGINEERS

The Commission and Canada Federal government have found a way to go forward:

- They agreed on a Framework Agreement that will be an annex to the CETA. It describes the modalities how MRAs on sector specific professional qualifications, once concluded by the private sector together with the “licencing bodies”, will finally be transformed into the binding International treaty (FTA).
- All the competent authorities in the Member States and the Provinces have been involved in this solution.
- The framework agreement is an “enabling tool” (with Guidelines for the sectors) that ensure legal security to the agreement, if – and only if – the professional services sectors want to conclude a MRA.
- The Architects have already started to work on a MRA.

→ **What about in-house engineers from your companies?**



« The voice of the European Service Industries for
International Trade Negotiations in Services »



Thank you for ATTENTION !



Pascal KERNEIS

Managing Director

European Services Forum – ESF

168, Avenue de Cortenbergh

B – 1000 – BRUSSELS

Tel: + 32 2 230 75 14

Fax: + 32 2 320 61 68

Email: esf@esf.be

Website: www.esf.be