

Brussels, 21 May 2025

## ESF Contribution to Call for evidence

Subject:        **ESF comments on the Commission's call for evidence on its upcoming International Digital Strategy**

The European Services Forum (ESF) represents the interests of the European services sectors in international trade and investment activities. We are committed to actively promoting the liberalisation of international trade and investment in services.

As an introductory remark, we would like to highlight the importance of services and investments for the EU economy, and particularly digital services.

Indeed, EU businesses have gained tremendously from international trade, particularly in services. In 2023, the EU's trade in services accounted for more than 34% of the total value of trade in goods and service (not counting intra-EU trade)<sup>1</sup>. Additionally, contrary to what might be expected, **the EU is today the biggest global exporter and importer of "digitally delivered services"**. The EU exported \$1.86 trillion of digitally enabled services in 2024, while the US exported \$706 billion, the UK \$452 billion, and China \$220 billion<sup>2</sup>.

Foreign direct investment is also crucial for the EU economy. The EU is the biggest investor and the biggest recipient of FDI in the world<sup>3</sup>. These investments allow the EU to shine abroad and projects its values. Most importantly, these investments create jobs and growth in the EU and contribute to keep the competitiveness of the EU economy. It is important to note that, according to Eurostat in 2022, 77.7% of total EU outward FDI originates from services sectors, and 81% of total EU inward FDI targets services sectors.<sup>4</sup>

**This is why the EU is a critical international player in digital trade and investments**, and any policies negatively impacting trade in these areas would therefore have important consequences for the EU economy. Trade openness in digital services therefore fully contributes to keeping the EU abreast of ongoing fast-paced innovation in this domain.

However, ESF acknowledges that in the past years, escalating trade conflicts, technological competition and growing geopolitical tensions have reshaped the global trade landscape, and its future continues to be more uncertain than ever. This is why Europe's supply chain security, its needs for greater technological capabilities, as well as the risks to security and public order stemming from certain types of investments, need to be addressed effectively, in a targeted and proportionate manner.

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<sup>1</sup> [EUROSTAT - International trade in services - bop\\_its6\\_det](#)

<sup>2</sup> [WTO statistics](#)

<sup>3</sup> [UNCTAD Dat Hub - Foreign direct investment: Inward and outward stock](#)

<sup>4</sup> [EUROSTAT - EU direct investment positions by country - bop\\_fdi6\\_pos](#)

The EU has already significantly reinforced its trade defence instruments toolbox and published a critical strategy for economic security in 2024. ESF specifically welcomed the EU's proposal for a new Regulation on FDI screening, which we believe can help harmonize the EU's screening system, reduce red tape and thus reinforce the EU's position as a competitive investment destination, while being better equipped to deal with investments that pose genuine security risks (see ESF positions<sup>5</sup>).

ESF believes such existing tools and efforts should be part of the EU's International Digital Strategy and urge the Commission to refrain from adding new policy and regulatory initiatives that would create unnecessary burden for businesses operating in the EU market.

More specifically, **ESF believes the EU's International Digital Strategy should focus on:**

### 1. Championing multilateralism

In the current geopolitical context, the EU needs to support the global rules set by the World Trade Organisation (WTO) as much as possible and continue to protect the multilateral system. The EU should specifically **prioritise support for the WTO's work on digital trade**, notably by:

- Keeping as its highest priority the **extension of the Moratorium on Customs Duties on Electronic Transmissions**. This is absolutely crucial so that a quarter of world trade remains absent of tariff, particularly at a time when tariffs on goods are coming back, putting the global economy under stress. The global private sector has strongly expressed its support for this Moratorium to stand, including in a global letter signed by 211 business trade associations<sup>6</sup>, where ESF played an active role. ESF welcomes the extension of the Moratorium for two more years and call upon the EU to continue to take the utmost efforts to keep these rules under the ambit of the multilateral trading system as has been the case since 1998. The Abu Dhabi declaration clearly allows the WTO membership to do so by consensus.
- Pursuing its leading role to incorporate the **Joint Statement Initiative on E-Commerce** into the core rules of the WTO.

### 2. Maintaining openness in digital trade

**Digital trade is now critical to all sectors of the economy**, including to our goods supply chains. Indeed, modern supply chains are digital supply chains. From autos, industrial machinery, agriculture, pharmaceuticals, medical devices, and aerospace manufacturing, companies utilise digital technologies to maintain and maximise their global supply chain operations. For example, new cloud and AI applications are being used by companies to optimise supply chain operations, reduce waste and emissions, and strengthen regulatory compliance.

At the heart of digital supply chains is the free flow of data. They are the lifeblood of all businesses operating in the global economy. The provision of such services depends on the ability for businesses to transfer data across borders, and any protectionist policies restricting it (e.g. forced data localisation) can significantly impeded job creation, economic competitiveness and innovation. This is all the more important as Europe wants to become a leading player in technologies like AI.

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<sup>5</sup> See ESF Positions [here](#) (22 April 2024) and [here](#) (11 February 2025).

<sup>6</sup> [Industry letter on WTO Moratorium](#)

**This is why ESF urges the EU to maintain its core principle as an open digital economy:** the key to EU leadership in digital resides in policies that focus on diversifying supply chains, improving market access for digital services with more trading partners, and rejecting unjustified protectionism that only trigger more retaliatory measures and reduce opportunities for EU businesses.

Such an approach, combined with the EU's current and welcomed efforts to cut red tape for businesses by simplifying burdensome legislation (i.e. Omnibus proposals), will allow Europe to build open strategic autonomy.

### 3. Pursuing more digital trade agreements globally

ESF welcomes the Digital Partnerships with Canada, Japan, South Korea, and Singapore, and **further encourage negotiations of digital trade binding rules** on cross-border data flows with these countries. The agreements with Japan and Singapore have set a benchmark, and we also welcome the recent deal reached with South Korea. We encourage further similar results with Canada, but also with other countries with which the EU has already signed an FTA but not advanced rules on digital trade, like Colombia, Costa Rica, Mexico, and Peru.

As the digitalisation of the economy spreads across all sectors, **ESF believes that every modern trade agreement should include provisions:**

- Allowing the free flow of data across borders, as well as prohibiting data localisation and mandatory location of computing facilities.
- Protecting source code and algorithms.
- Promoting technology choice.
- Prohibiting customs duties on electronic transmissions.
- Facilitating the adoption of frameworks to manage cybersecurity risks.
- Promoting mechanisms to ensure interoperability of personal data protection frameworks.

The EU should also consider **engaging like-minded partners through economic security partnerships**, including through cooperation on export controls, investment screening mechanisms, global supply chains, and emerging technologies like AI. This will reduce fragmentation and better position our economies to defend shared values.

ESF reserves the right to come back on additional issues at a later stage and remains at disposal for any further information on the above.

Yours sincerely,